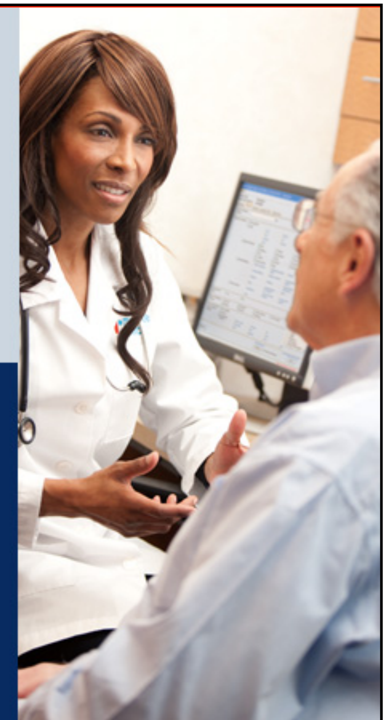


CVS CAREMARK | A Pharmacy Innovation Company



# Retail Pharmacy Growth Strategy

**Mark Cosby**

Executive Vice President & President, CVS/pharmacy

# Agenda

**Business update**

Core growth opportunities

Unique enterprise initiatives

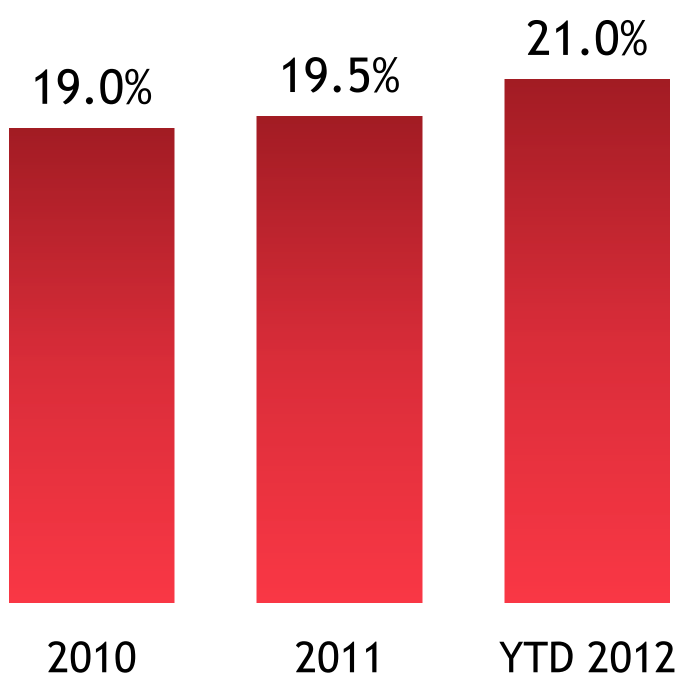
# Retail Pharmacy Business Is Performing Well

- Continuing to grow market share
- Outpacing competition in same store sales growth
  - Front store
  - Pharmacy
- Capitalizing on WAG/ESRX impasse
- Underlying core business is strong

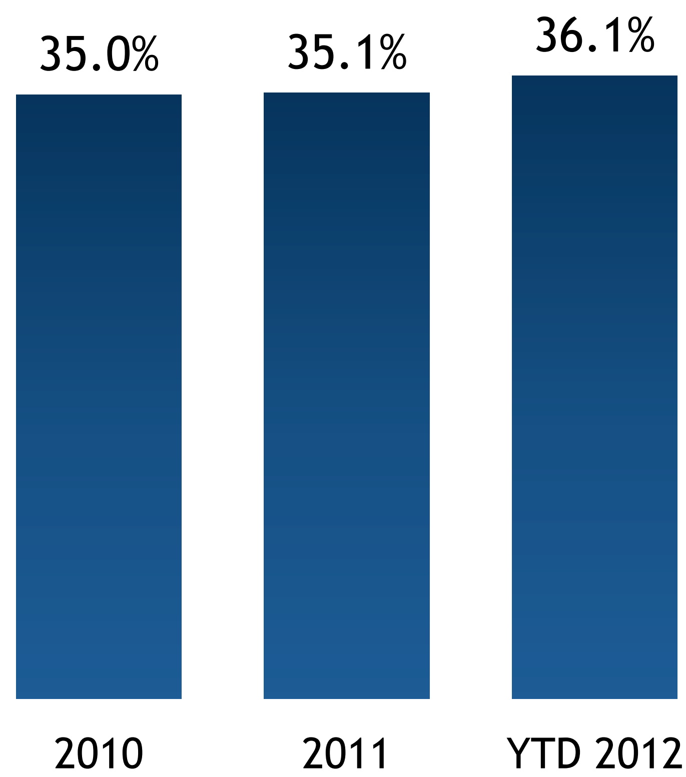
# We Continue To Gain Market Share

CVS CAREMARK

## CVS Share Of Total U.S. Prescription Market



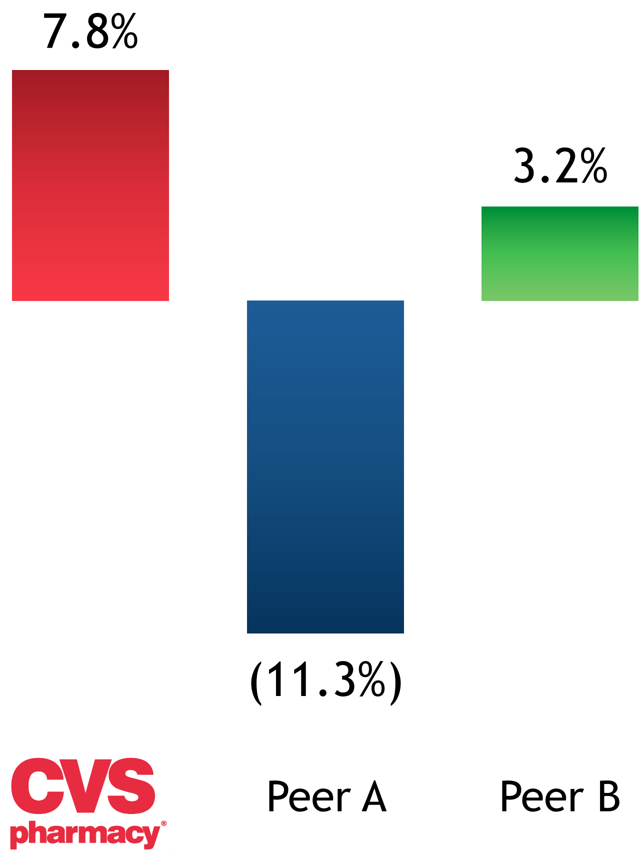

## CVS Front Store Share Of Total U.S. Drug Store Channel



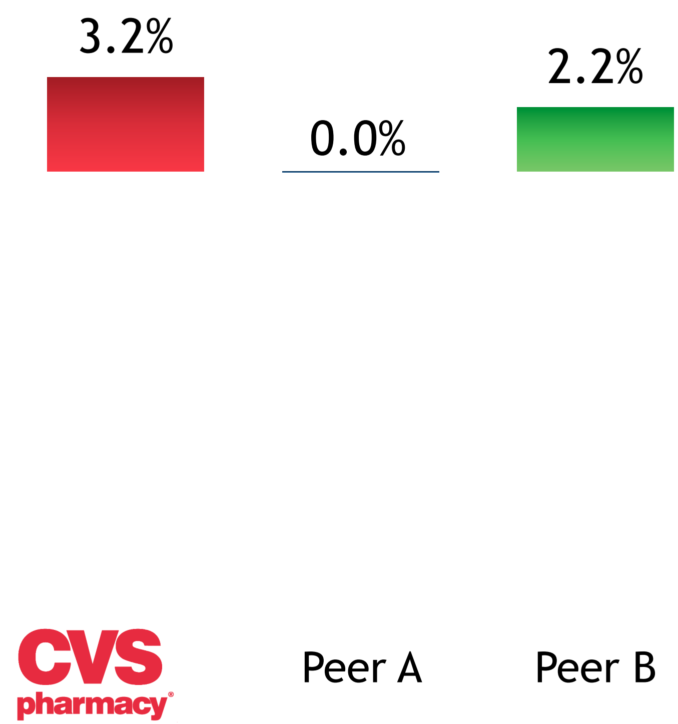

Source: IMS Health and IRI Infoscan.

# We Are Outperforming Our Competitors

## YTD Comp Script Performance

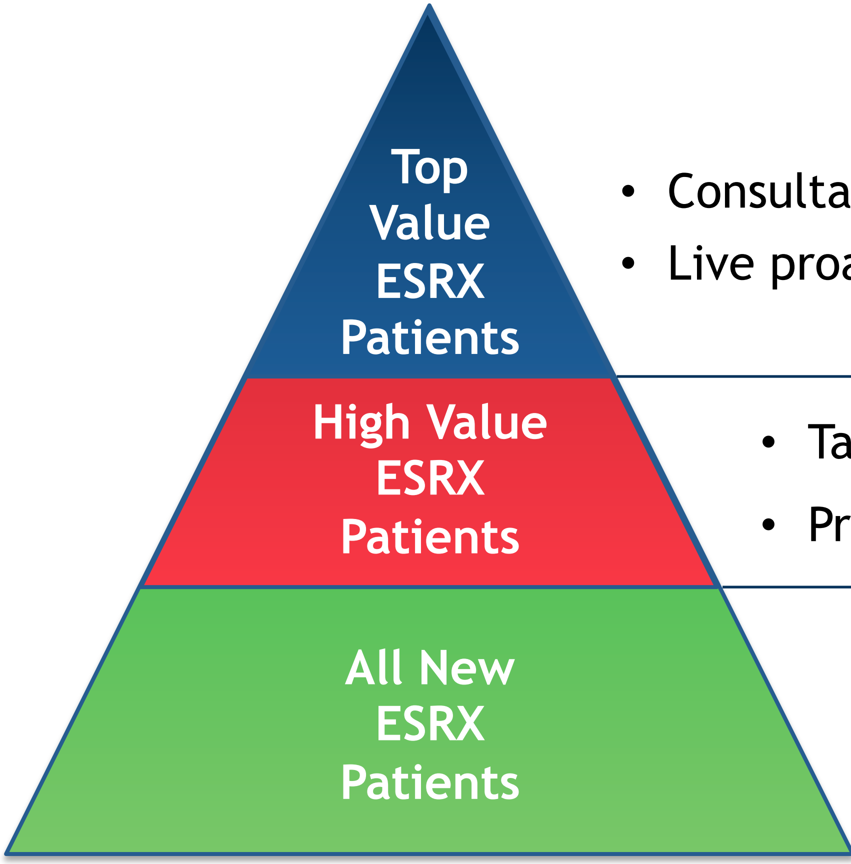



## YTD Front Store Comp Performance




Notes:
1. Results through YTD September 2012.
2. 90 Day Scripts counted as 1.
3. CVS figures are as reported on a calendar basis, peer figures are as reported for the nine month period ending closest to CVS calendar

# Comprehensive WAG/ESRX Retention Plan Is Working



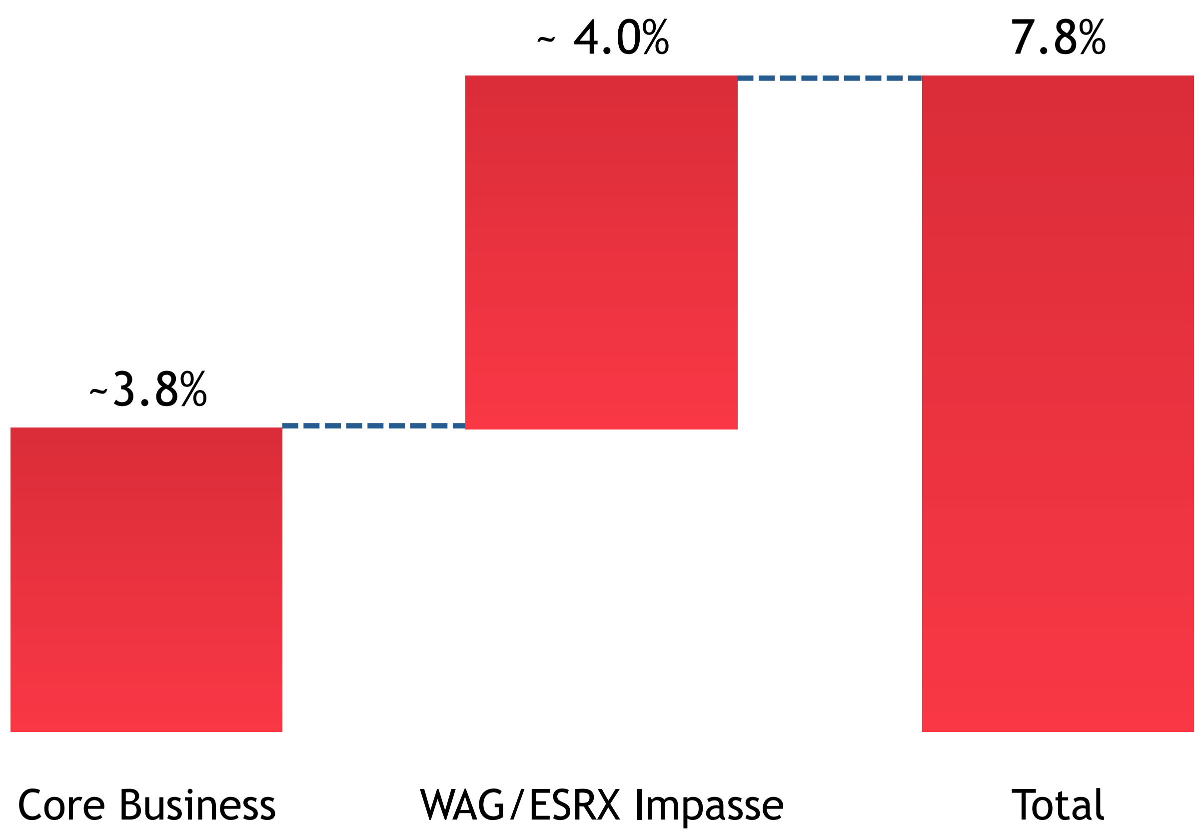

- Consultations with personalized thank you notes
- Live proactive refill reminders

- Targeted consultation and value program
- Pre-resolution outreach calls

- Comprehensive marketing
- Customer engagement

**Successfully engaged with 850,000 high value customers**

# YTD Script Comp Growth Is Strong In The Core Business



# Agenda

Business update

**Core growth opportunities**

Unique enterprise initiatives

# Core Growth Opportunities

1. Driving pharmacy growth
   – Patient care excellence
   – WeCARE workflow

2. Differentiating the front store
   – Personalization featuring ExtraCare
   – myCVS clustering
   – Differentiated store brands

3. Growing store base and building growth culture
   – Expanding footprint
   – Stores Own Sales

1

# Driving Pharmacy Growth:
# Patient Care Excellence

CVS CAREMARK

New Script Outreach

Pharmacy Advisor

ReadyFill®

Adherence Outreach

First Fill Counseling

Refill Reminders

Bringing solutions to non-adherence

1

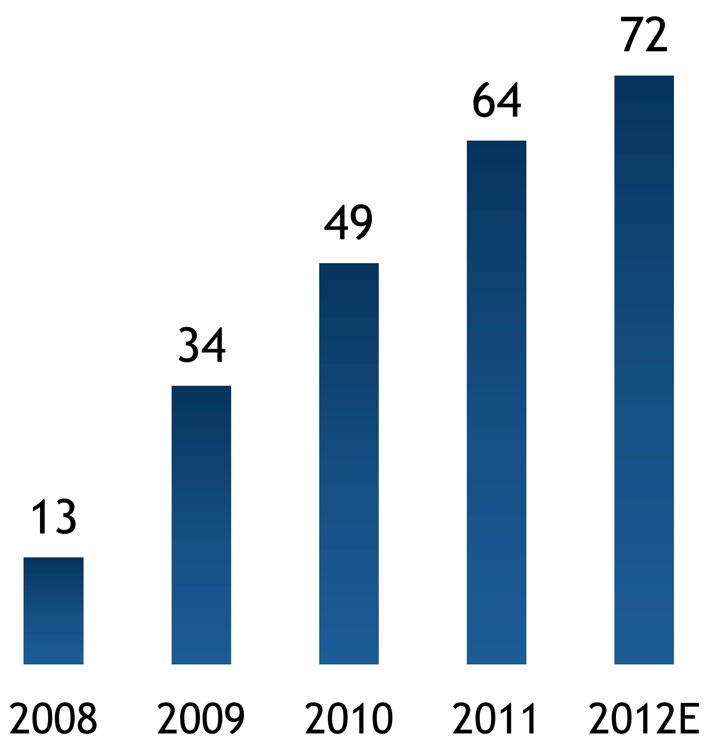
Driving Pharmacy Growth:

# Pharmacist Interventions Drive Adherence

CVS CAREMARK

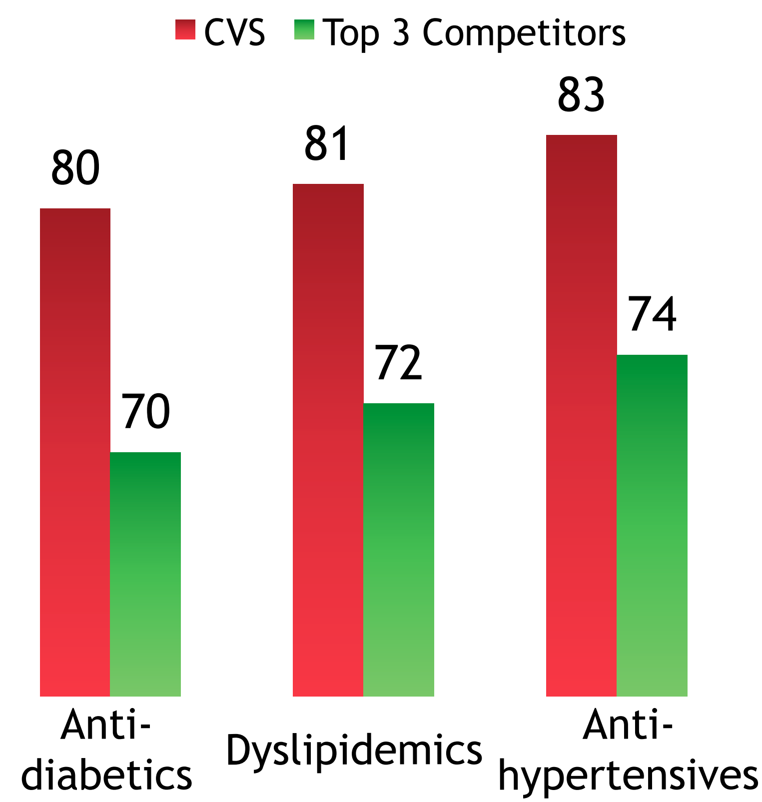
## Pharmacy Team Interventions

(millions)




## Adherence

(medication possession ratio)




**230+ million interventions has helped drive best-in-class adherence results**

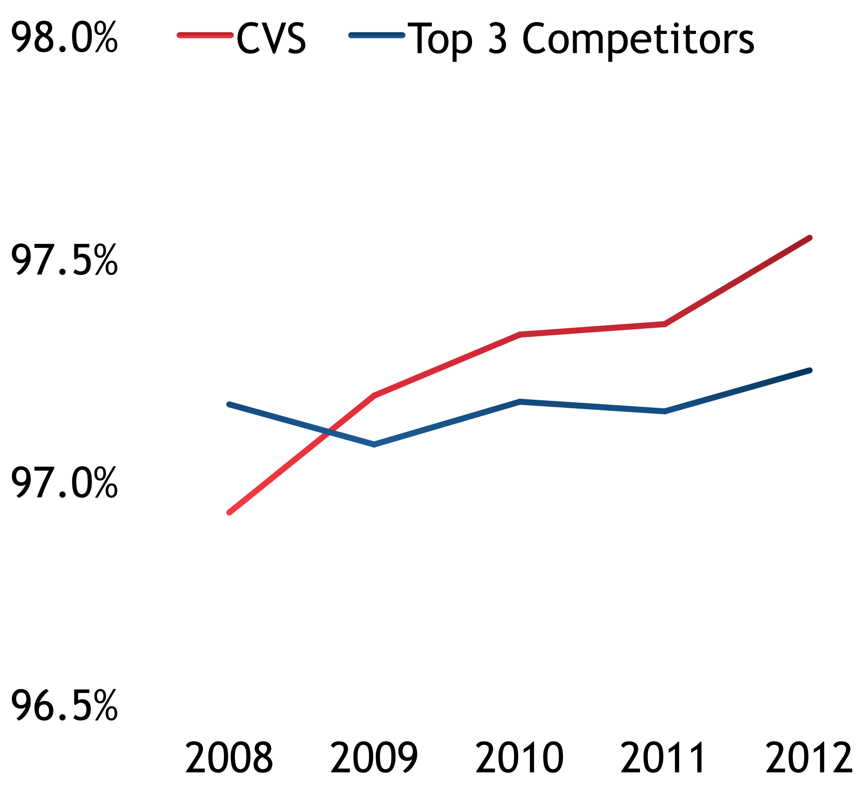
Note: Patients with a medication possession ratio over 80 are considered "optimally adherent."

Source: CVS Caremark Quarterly Adherence Report.

1

# Driving Pharmacy Growth:
# Helping Patients Optimize Value Of Generics

## Generic Substitution Rate




## Lipitor Generic Substitution Rate


## Plavix Generic Substitution Rate


**CVS/pharmacy has outperformed all other chains in GSR**

Notes: 2012 numbers are YTD. Top 3 Competitor figures are averaged.
Source: Caremark Analytics.

1

Driving Pharmacy Growth:

# The Pharmacy Landscape Is Shifting

| | 2007 | Today |
|---|---|---|
| % of eligible scripts e-prescribed | 5% | 60% |
| % of customers using drive-thru | 19% | 35% |
| Annual interventions | minimal | 72 million |
| Flu shots per year | N/A | 3.7 million |
| Reimbursement based outcomes | N/A | Star Ratings |


Notes: CVS/pharmacy data.

1

Driving Pharmacy Growth:
# WeCARE Addresses Changing Landscape

CVS CAREMARK

| | |
|---|---|
| **Objectives** | • Improve service and outcomes and grow scripts |
| **Components** | • RxConnect system enhancements<br>• Seamless integration into patient care<br>• Role clarification |
| **Timeline** | • Chain-wide roll out by end of Q1 2013 |

WeCARE WORKFLOW

1

Driving Pharmacy Growth:

# WeCARE Results Are Encouraging

CVS CAREMARK

## Expected Benefits

- Enhanced customer service
- Elimination of prescriptions that are not picked up
- Optimization of our Patient Care services
- Improved efficiency

## Early Results

- Greater than 50% reduction in 'Surprise Waiters'
- Customer receives all of their prescriptions
- 5% improvement in successful patient care outreaches
- 6% improvement in time-to-fill

WeCARE WORKFLOW

# Core Growth Opportunities

1. Driving pharmacy growth
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   - Personalization featuring ExtraCare
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3. Growing store base and building growth culture
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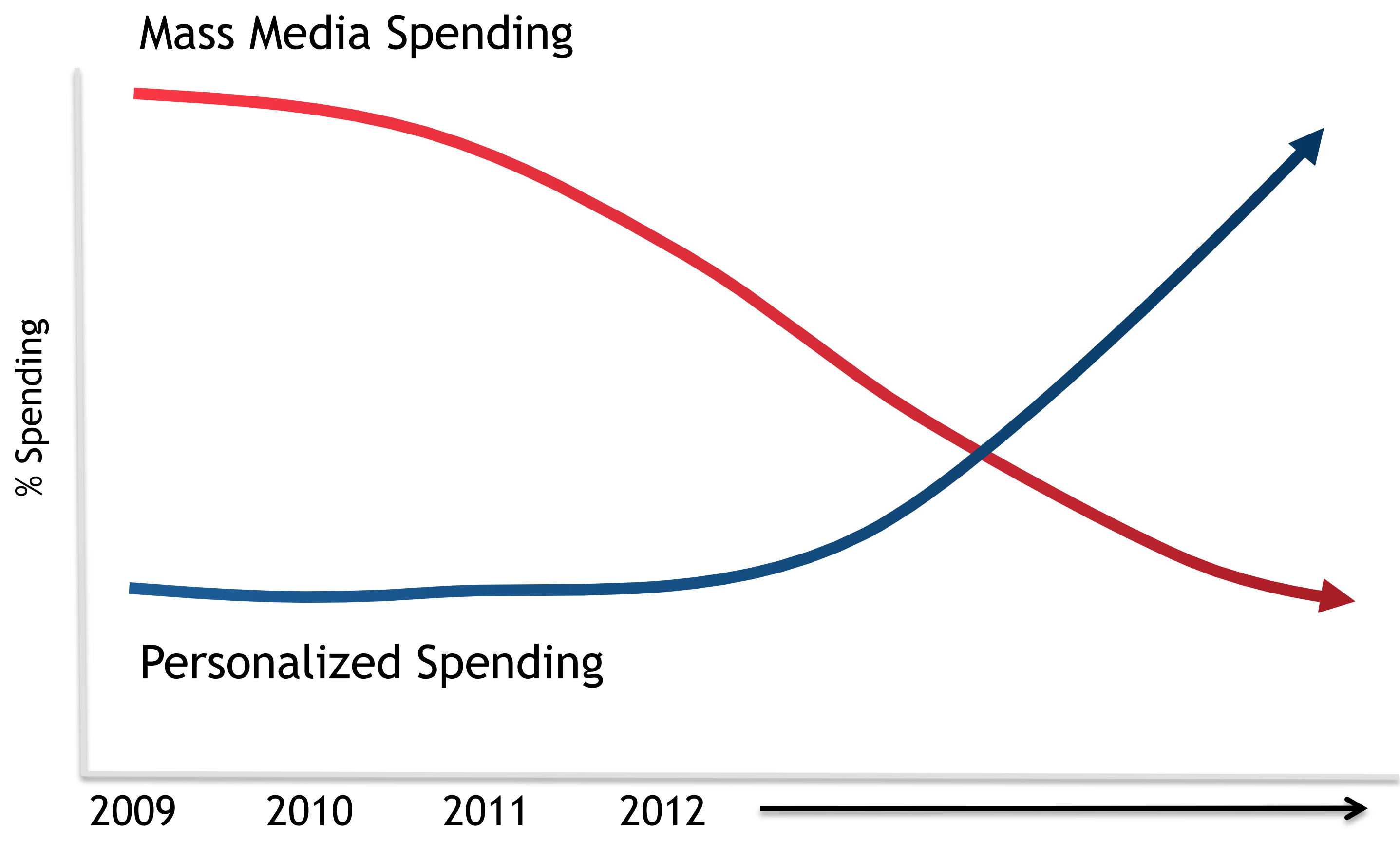
2

Differentiating The Front Store:

# Personalization Is Key To Addressing Consumer Shift



2

# Differentiating The Front Store: Several Initiatives Fuel Personalization

# 2 Differentiating The Front Store: Several Initiatives Fuel Personalization

Differentiating The Front Store:

# ExtraCare – The Industry's #1 Loyalty Program

2

| | |
|---|---|
| 15 | year history |
| 275 | million unique cards issued |
| 70 | million active households |
| 68% | of front store transactions |
| 84% | of front store sales |

# Differentiating The Front Store: Future Of ExtraCare

- Convert circulars to personalized digital circular
- Build on strength of Beauty Club
- Launching industry-leading pharmacy and health program
- Drive usage of our ExtraCare coupon center
- Leverage insights to convert customers to multiple category shoppers


We are taking ExtraCare to the next level

2

Differentiating The Front Store:

# Opportunity To Convert Existing Customers

| Customer Conversion Opportunity Examples | % Of Customers |
|---|---|
| Cosmetics customers bought facial care | 38% |
| Vitamin customers bought deodorant | 35% |
| Pain customers bought hair care | 42% |
| Oral care customers bought vitamins | 36% |


Opportunity to increase sales by encouraging multi-category shopping

2

# Differentiating The Front Store: Driving Plan To Convert Customers By Category

Customer insights

↓

Define category barriers

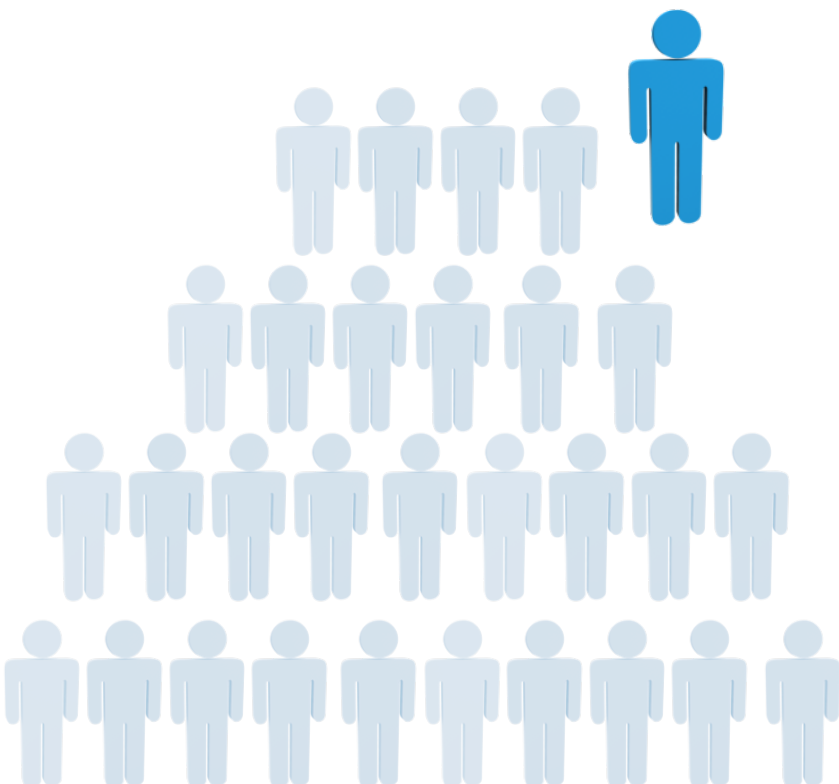
↓

Create category conversion plans

- ExtraCare
- Pricing
- Assortment
- Location
- Service

2

# Differentiating The Front Store:
# myCVS Clustering Will Expand



- Design stores to better meet the needs of customers
- Customer insights influence store design
- Eight defined clusters
- Execute/leverage existing programs
  - Plan-o-grams
  - Remodels
  - New stores

## Differentiating The Front Store:

# Urban Clusters Delivering Results

### Profile

General store for dense trade areas with limited competition

### Store Count

Now: 450

2013: Plan to build 85 more

### Results

Sales + 8%

Margin + 9%


2

Differentiating The Front Store:

# Begin Expanding myCVS Clustering In 2013

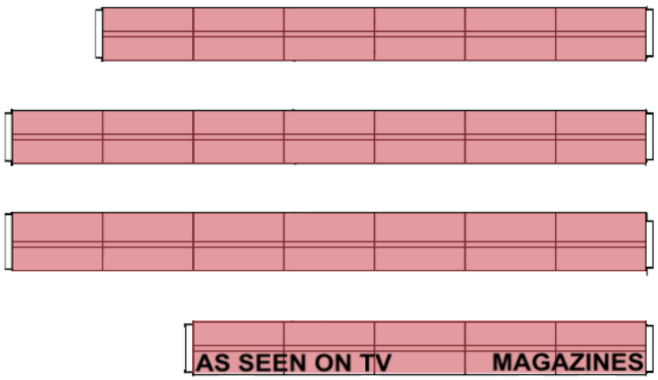
CVS CAREMARK

| | 2013 | 2014 + |
|---|---|---|
| Urban | Expand | Expand |
| Suburban | Pilot | Expand |
| New clusters | Test | Pilot |
| Quick wins | Incorporate in planograms for remodels and new stores | |

# Differentiating The Front Store:
# Health Care Reset Will Drive Sales

2

**Before**



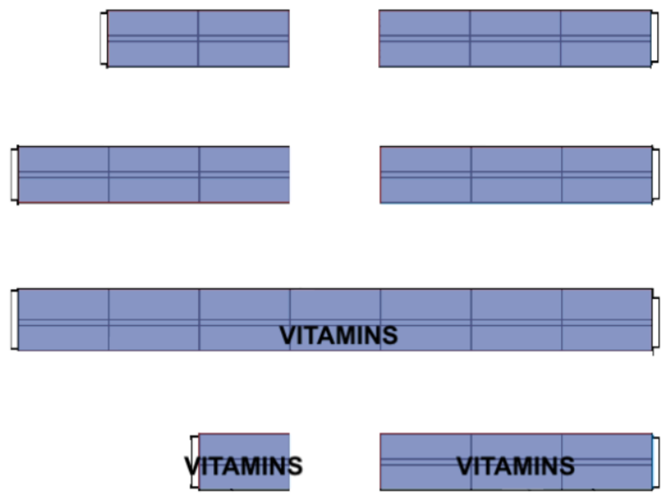

Incorporate suburban cluster lessons into health care reset

Plan to roll out to 600 units in 2013

# Differentiating The Front Store: Health Care Reset Will Drive Sales

2

## After


**3% to 5% incremental sales increase in entire health quadrant**

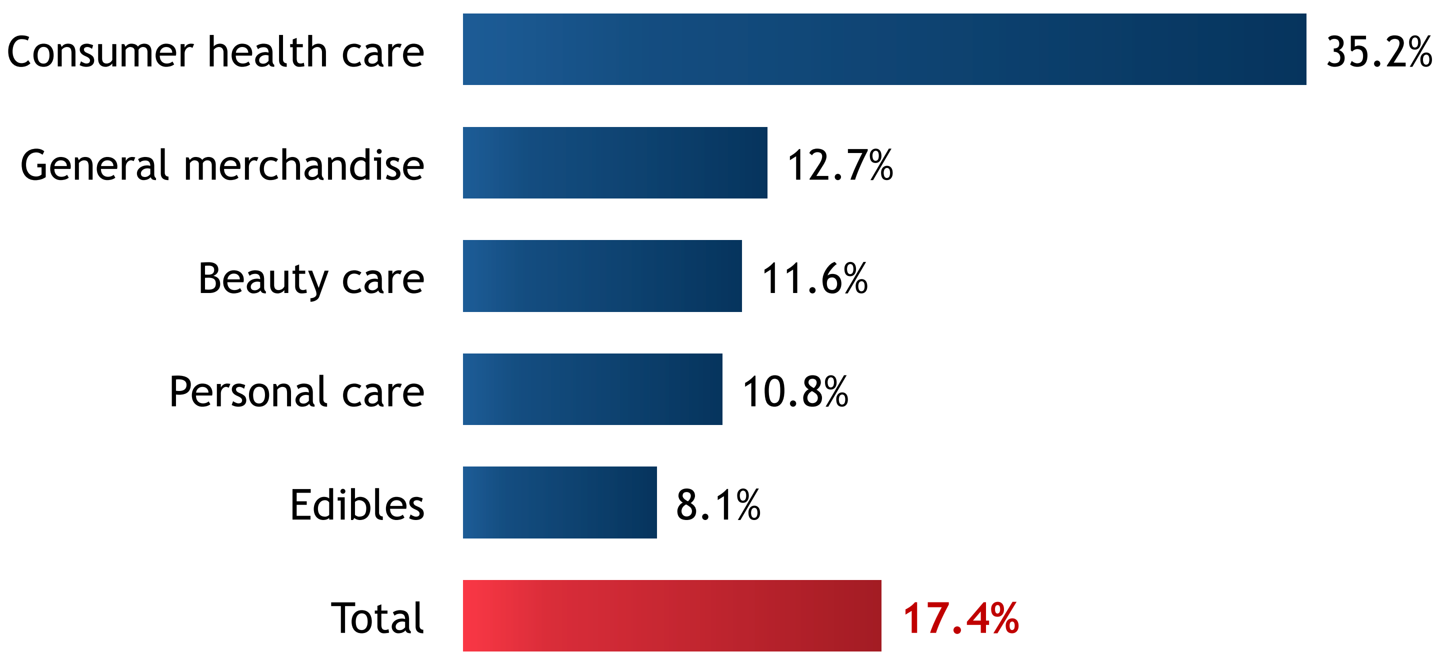
2

Differentiating The Front Store:

# Store Brands Drive Margins And Customer Loyalty

## Store Brands Category Sales

(% of total front store sales)




**Significant upside for Store Brands across our front store categories**

Note: Sales numbers are 2012 estimates.

# Differentiating The Front Store: Plan To Grow Store Brands

2

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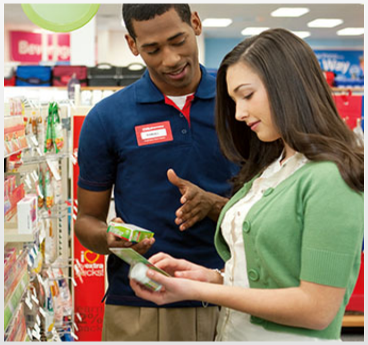
## PLAN

- Increase organizational capability
- Define category white space
- Develop action plan to fill white space
- Focus on differentiated brands

## GOAL

- Move Store Brand penetration to 20%+ from current 17% of front store sales



# Differentiating The Front Store:
# Improving Existing Store Brands – Gold Emblem

2

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Current


NEW!


**Gold Emblem**

Re-defined to drive breakthrough growth

2

# Differentiating The Front Store:
# Improving Existing Store Brands – Total Home

CVS CAREMARK

Current


**NEW!**


## Total Home

Replacing CVS/pharmacy and Round The House brands for all home-care-related items

# Core Growth Opportunities

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- WeCARE workflow

2 Differentiating the front store
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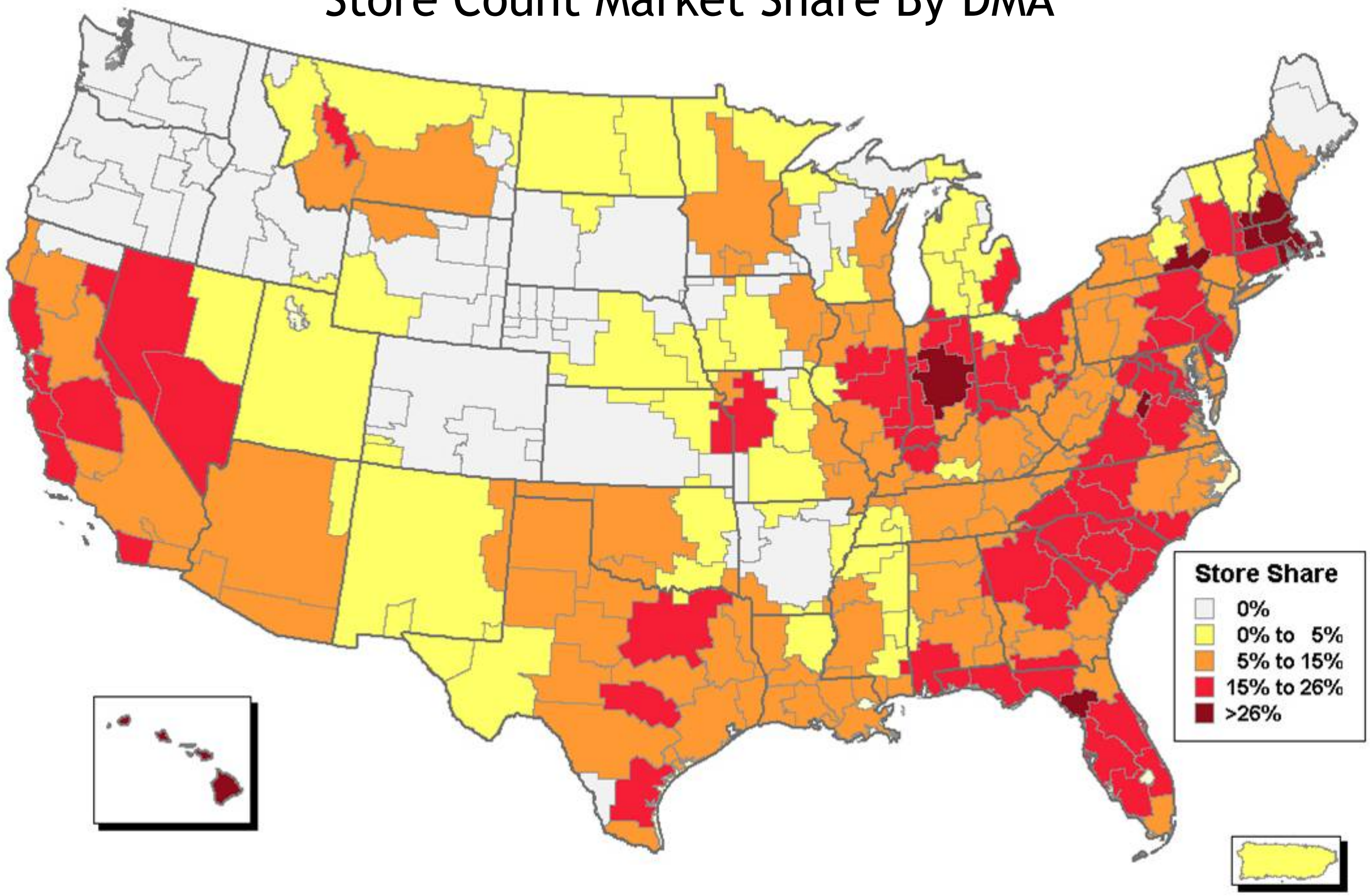
3 Growing store base and building growth culture
- Expanding footprint
- Stores Own Sales

# 3 Growing Store Base And Building Growth Culture: Expanding Footprint

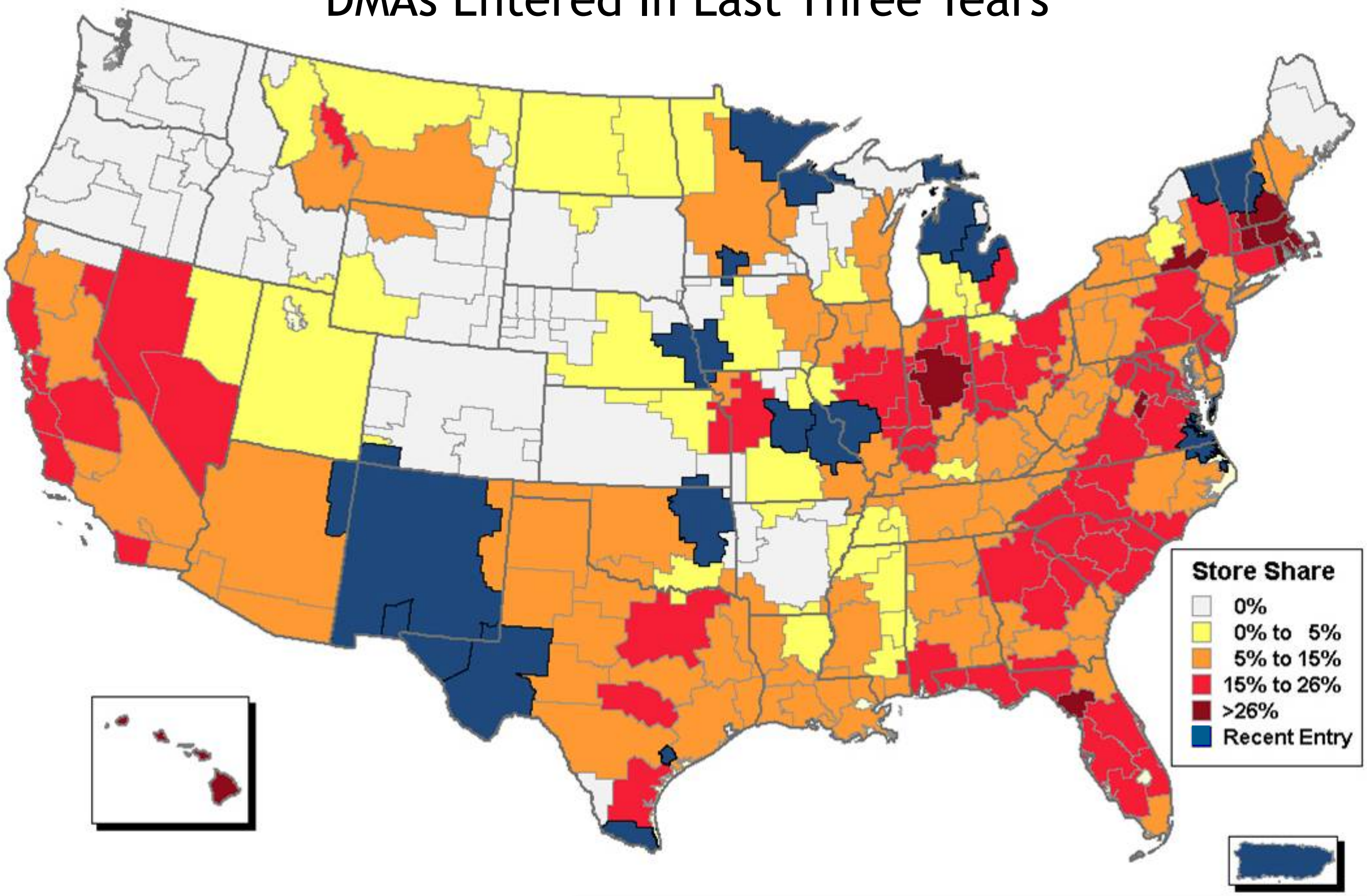
## Store Count Market Share By DMA



3

# Growing Store Base And Building Growth Culture: Expanding Footprint

## DMAs Entered In Last Three Years




Adding 2% – 3% square footage annually

# Growing Store Base And Building Growth Culture: Stores Own Sales

3

## Consistent Growth Culture

### Sales Growth Mentality

- Organization focus on stores
- Stores accountable for growth


+

### Sales Growth Process

- Scorecards
- Best practice tactics
- Standardized coaching
- Recognition program

# Agenda

Business update

Core growth opportunities

**Unique enterprise initiatives**

# Unique Enterprise Initiatives

CVS CAREMARK

- Create greater health care value
- Serve customers in new ways
- Optimize enterprise assets

**Unlock Adherence**

Transform Primary Care

Expand Role In Specialty

Differentiate For Providers

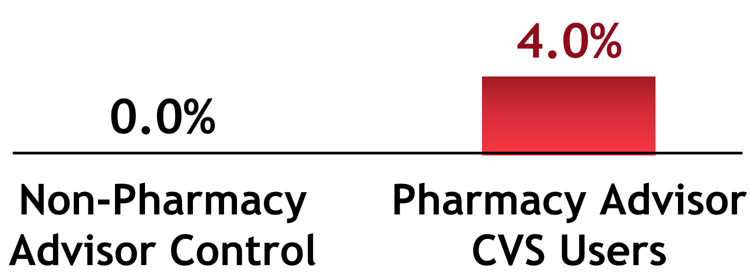
Partner With Health Plans

Integrated Digital Offering

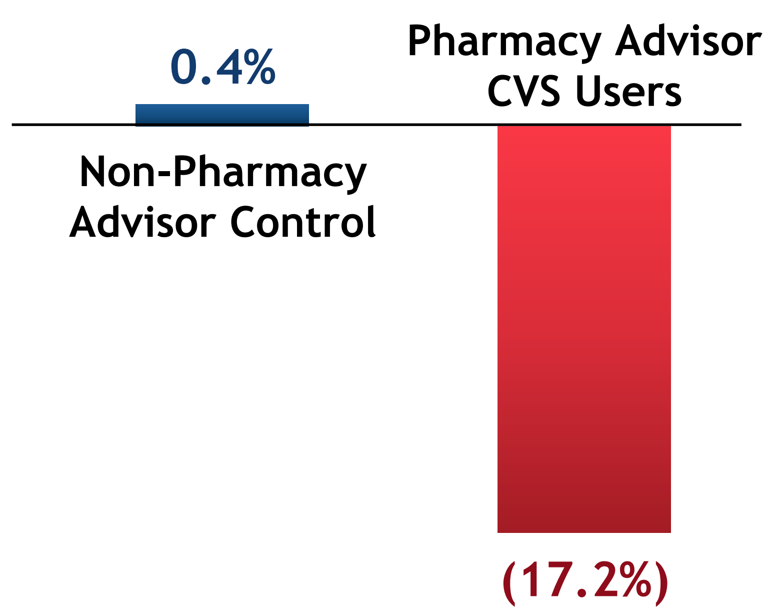
**Pharmacy Advisor**

# Pharmacy Advisor Delivers Results

### Percent Change In Optimally Adherent Users
(diabetes medications)




### Percent Change In Members With Diabetes With Gaps
(no blood pressure lowering medications)




Note: Percent change is calculated as change in users or members relative to the baseline study over a 1 year period.
CVS Caremark Enterprise Analytics

# Positive Patient Response To Pharmacy Advisor


Source: 2012 Pharmacy Advisor Study of Members who have experienced a recent Pharmacy Advisor intervention at CVS /pharmacy, August 2012

# Pharmacy Advisor: Aggressive Expansion Plans

CVS CAREMARK

## Key Areas Of Expansion

### Conditions

Extend Pharmacy Advisor to five additional conditions in 2013

### Customers

Pharmacy Advisor will be available to our Medicare client population beginning next year

### Capabilities

Increase the value and impact of Pharmacy Advisor for members using our retail pharmacies

# Unique Enterprise Initiatives

CVS CAREMARK

- Create greater health care value
- Serve customers in new ways
- Optimize enterprise assets

Unlock Adherence

Transform Primary Care

Expand Role In Specialty

Differentiate For Providers

Partner With Health Plans

Integrated Digital Offering

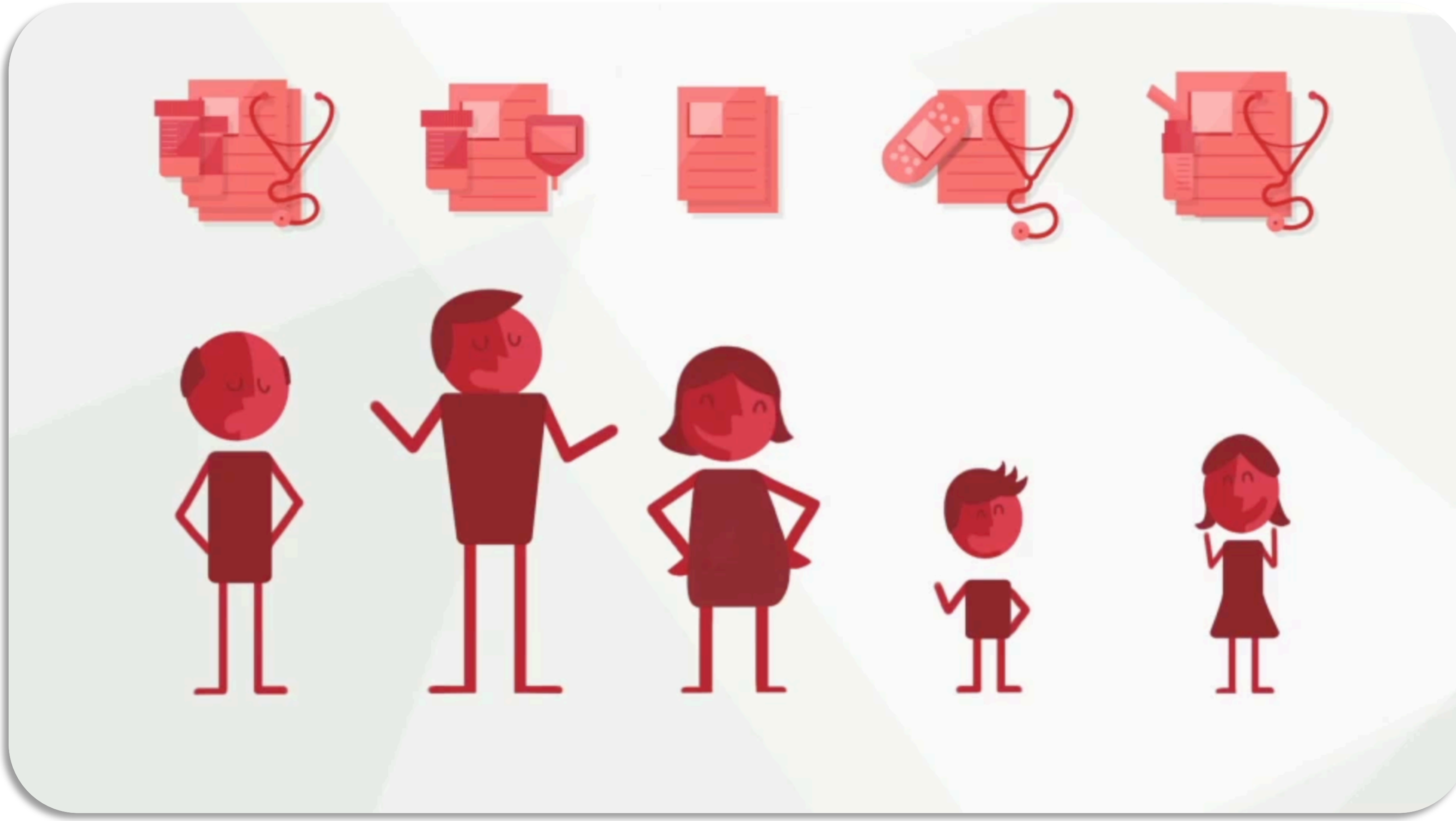
Enterprise Digital

# The Digital Growth Opportunity

- More personalized consumer experience
- Savings for customers
- Greater value for our enterprise




# Integrated Digital Delivers Value



**Only CVS Caremark can deliver a fully integrated pharmacy experience**

# Uniquely Positioned For Growth

- Gaining share and outperforming peers

- Executing a differentiated growth strategy to help customers on their path to better health

- Capitalizing on unmatched capabilities with unique enterprise initiatives