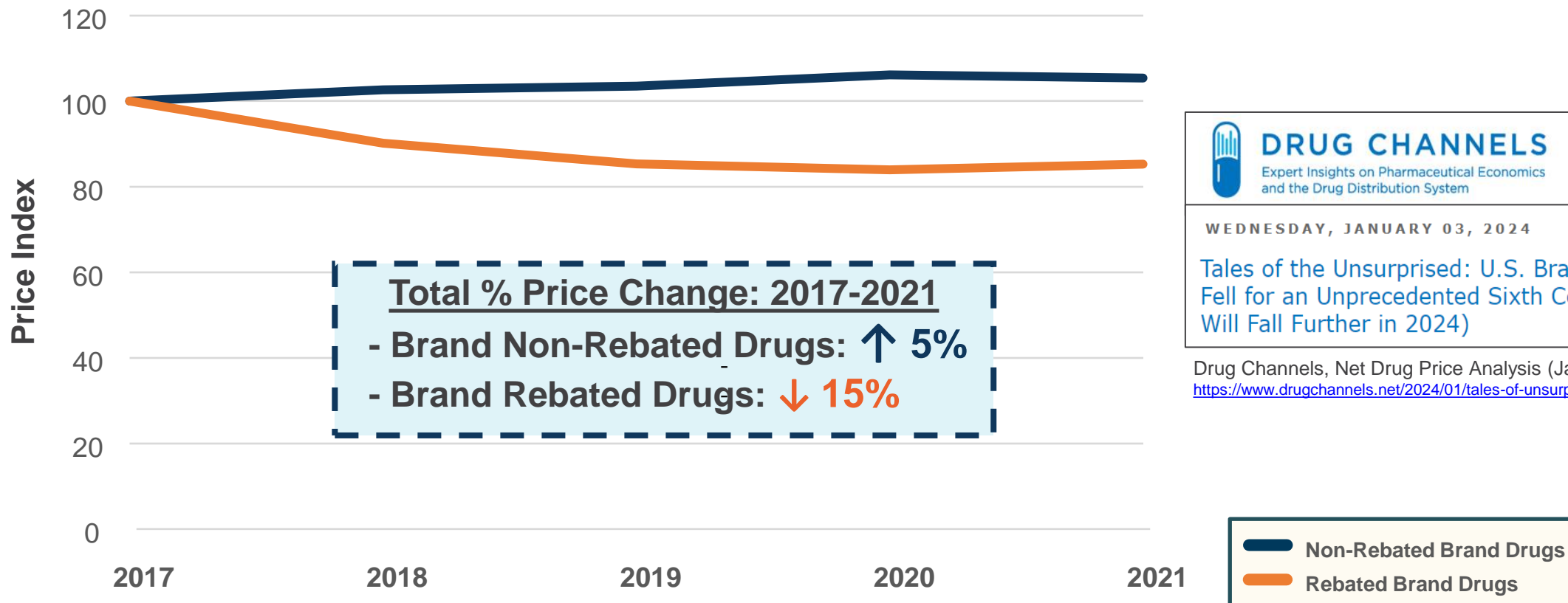


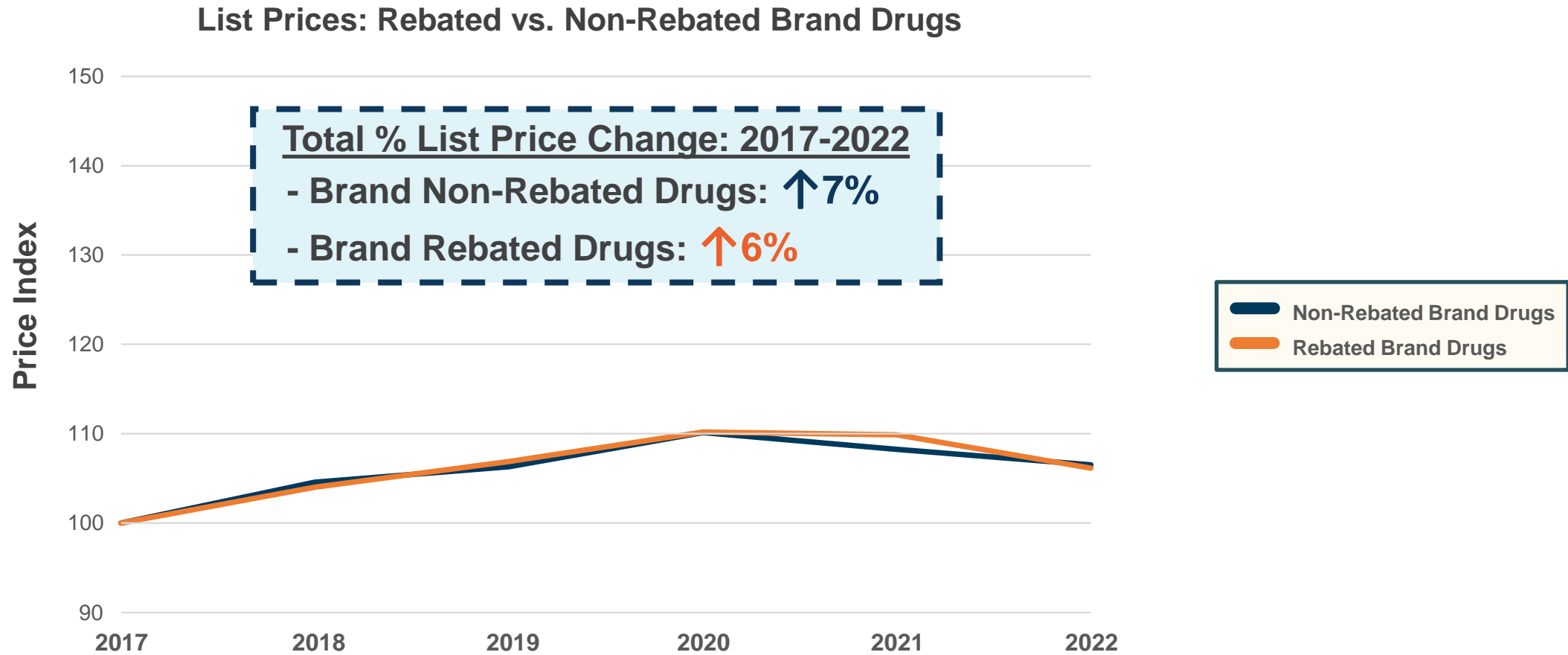
Formulary Management Has Driven Rebated Drug Prices Down

Net Prices Paid by Caremark Clients:
Rebated vs. Non-Rebated Brand Drugs



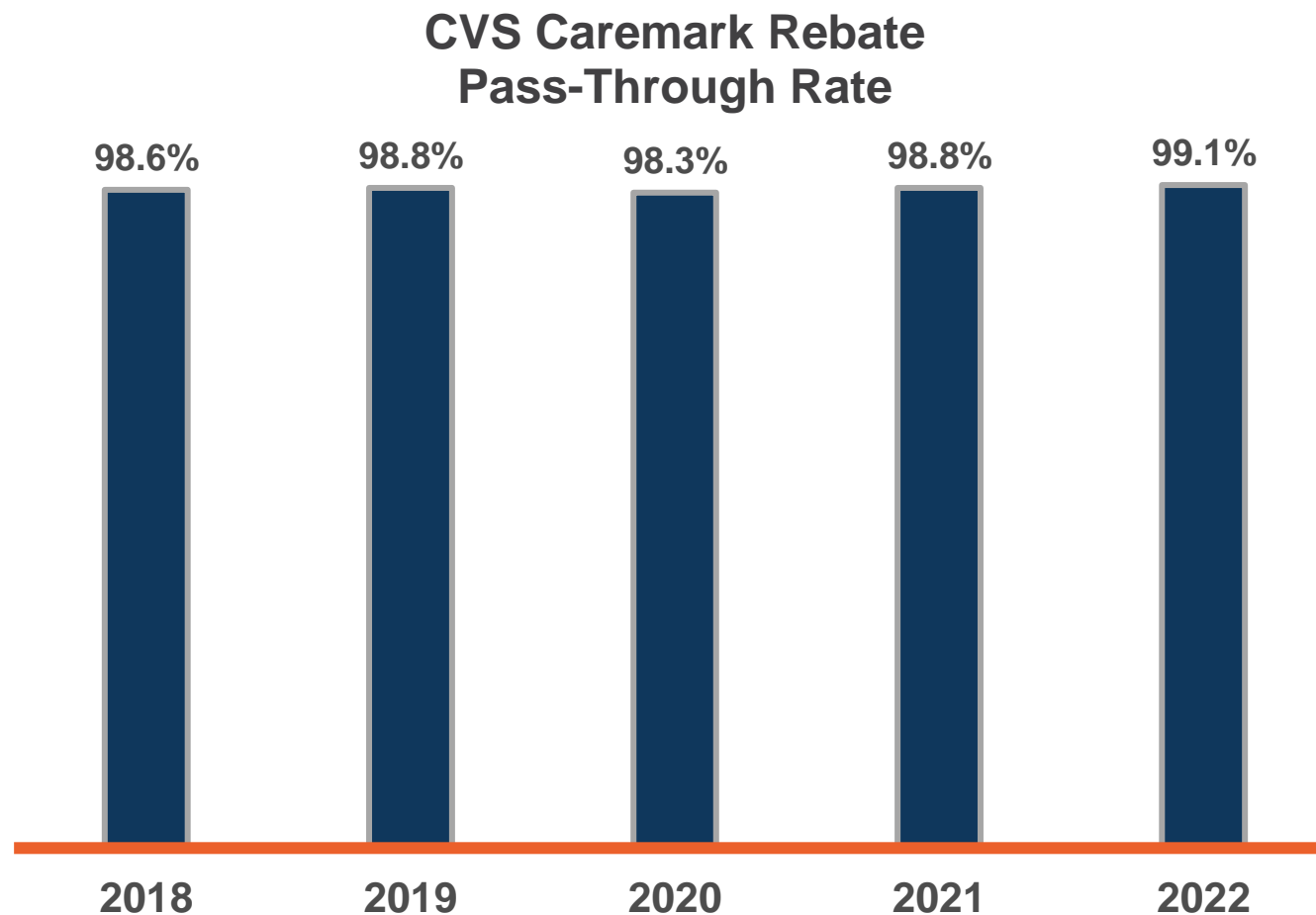
Sources: Rebate and reimbursement data submitted in response to FTC 6(b) Study (indexed for inflation using CPI).

List Price Increases Not Correlated With Rebates



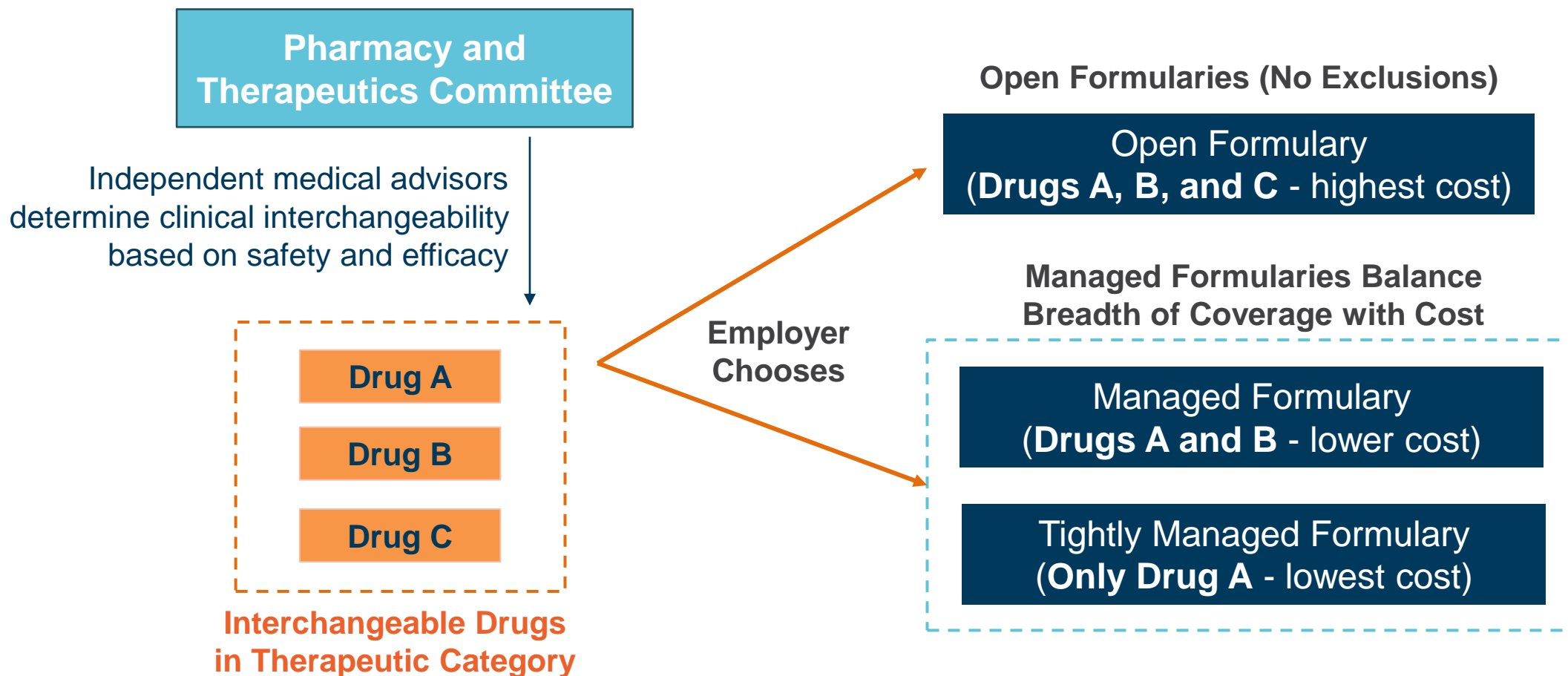
Sources: Rebate and reimbursement data submitted in response to FTC 6(b) Study (indexed for inflation using CPI).

Rebates Are Passed Through to Clients and Patients



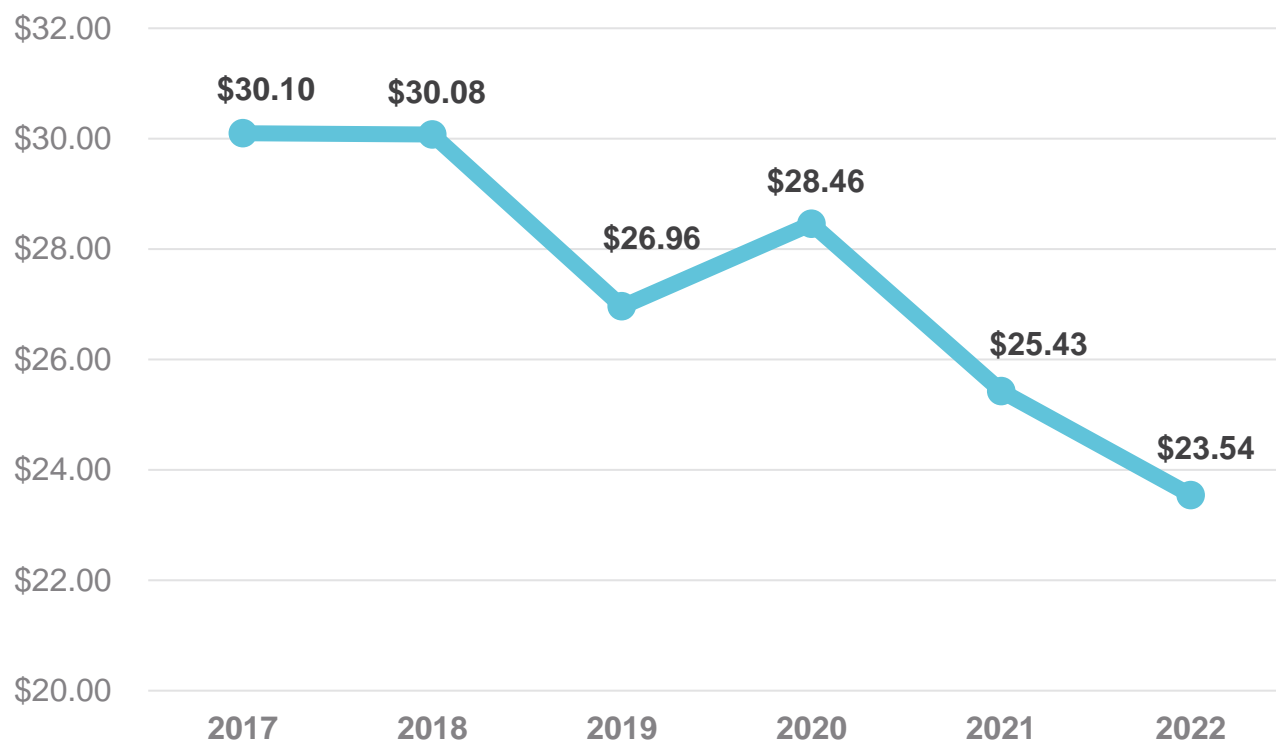
Source: Internal CVS Caremark Data Analysis (Oct. 19, 2022).

Formulary Management Creates Competition to Lower Costs



Case Study: Insulin Costs Have Declined Substantially Since 2017

CVS Caremark Member Out-of-Pocket Cost Per 30-Day Supply of Insulin (2017-2022)



Source: CVS Caremark Claims Data FTC Production (2017-2022).

- PBM services are **deflationary** – while the CPI inflated 22%, member insulin costs decreased 22% over the same period
- Clients overwhelmingly adopt CVS Caremark member cost-saving programs, either a preventive drug list, point-of-sale rebates, or fixed insulin copays, including all top 50 commercial clients
 - Members enrolled in employers' HDHP plans paid \$0.15 less on average than members in non-HDHP plans in 2023

CVS Health provides options to help improve patient affordability

With an HDHP, add a preventive drug list



Members pay \$0 or standard copay/coinsurance, including during the deductible phase

RxZERO — \$0 OOP costs for diabetes medications



New plan design from CVS Health eliminates cost as a barrier to medication adherence without raising costs for plan sponsor or increasing premiums

Use point-of-sale rebates to reduce OOP costs



POS rebates align members' OOP cost with net drug costs; can be implemented through mail, retail, network and specialty pharmacies

After Many Years of List and Net Price Increases by Manufacturers prior to 2012, Insulin Formulary Exclusions Substantially Increased Competition and Reversed Trend

“Since 2012, the net price of Sanofi insulins has declined by 54%”

Source: Sanofi, *2022 Report on Prescription Medicine Pricing* at 10 (2022).

Novo Nordisk data shows the net price of Novolog fell more than 50% between 2014-2019 to hit lows last seen in 2003.

Source: Novo Nordisk, *Q3 2020 Investor Presentation* at 99 (2020)

“[E]ven before our recently announced price reductions, our net price for Humalog . . . was about the same as when we launched it in 1996, adjusting for inflation.”

Source: David Ricks, CEO, Eli Lilly, *Testimony before the Senate Health, Education, Labor and Pensions Committee* at 3 (May 10, 2023)

▪ Democrats’ House Oversight and Reform Committee Majority Report reached similar conclusions:

- Manufacturers’ internal documents and data “undermine[d] industry claims that price increases are primarily due to increasing rebates and discounts paid to PBMs.”
- Manufacturers steadily increased both list prices and net prices on consumers for many years prior to when Caremark began offering clients formulary exclusion options in 2012.
- Manufacturers’ “documents show that PBMs secured contractual [price protection] provisions that disincentivized drug companies from raising list prices. Without those provisions secured by PBMs, drug companies likely would have raised list prices more.”

Source: Drug Pricing Investigation – Majority Staff Report, U.S. House of Rep. Committee on Oversight and Reform (Dec. 2021), <https://oversightdemocrats.house.gov/sites/evo-subsites/democrats-oversight.house.gov/files/DRUG%20PRICING%20REPORT%20WITH%20APPENDIX%20v3.pdf>.

Clients—Not PBMs—Make Benefit Design and Cost-Sharing Decisions

Formulary Choices

- CVS Caremark administers hundreds of different formularies chosen by employers
- Clients can design custom formularies to address their unique patient mix and preferences

Plan Design Choices

- Clients determine cost-sharing for premiums, co-pays, co-insurance, and deductibles
- CVS Caremark often does not have full information about plan benefit structures

Member Choices

- Plans typically offer members multiple options to address different needs
- Practically all plans with High Deductible Health Plan (HDHP) options also have non-HDHP options

“Drug manufacturers . . . submit bids to PBMs which reflect a variety of different rebate offers that manufacturers are willing to pay depending on where the drug is placed on a health plan’s formulary. However, it’s important to note that the final agreement does not guarantee a product’s placement. Instead, health insurers make the final decision with regard to formulary placement and the patient’s cost-sharing responsibility for the product.” – United States Senate Finance Committee Report, *Insulin: Examining the Factors Driving the Rising Cost of a Century Old Drug* 67 (Jan. 14, 2021)

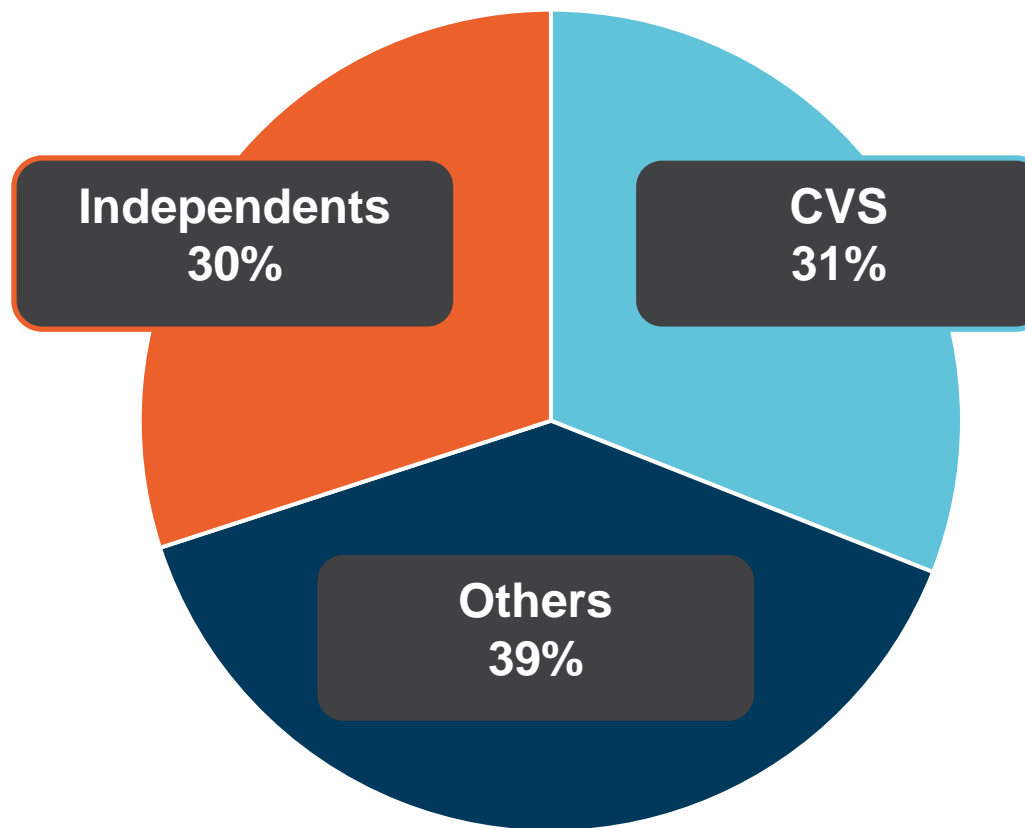
90% of prescriptions are generics or biosimilars

\$8 average member out-of-pocket cost per 30-day drug supply

Source: CVS Health, The Value of PBMs, <https://www.cvshealth.com/campaigns/value-of-pbm.html>

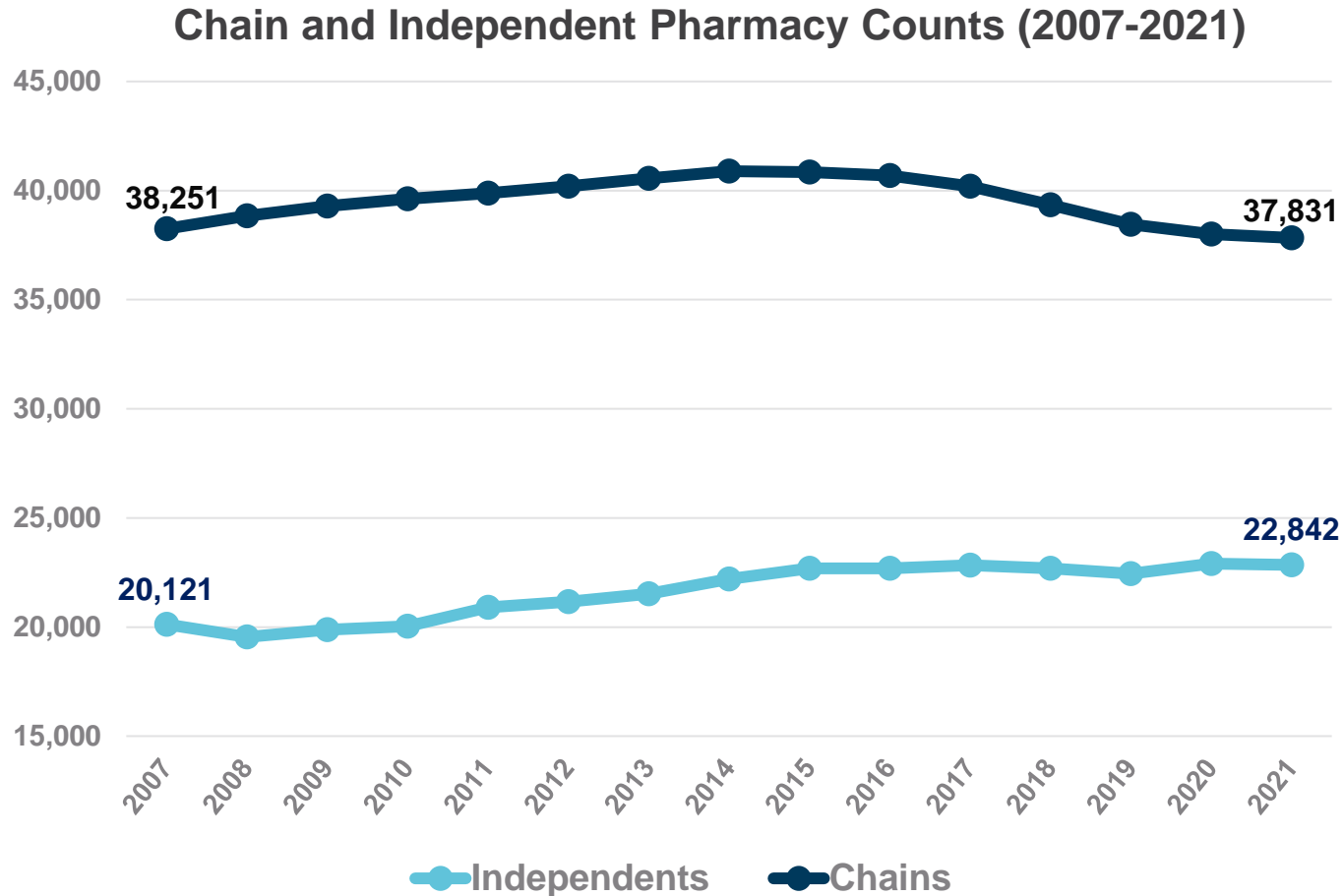
Independent Pharmacies Are Substantial in Caremark's Networks

Caremark Retail Pharmacy Spend



Source: Internal Analysis of CVS Caremark Retail Network (Feb. 22, 2021).

Independent Pharmacies Have Increased Since 2007



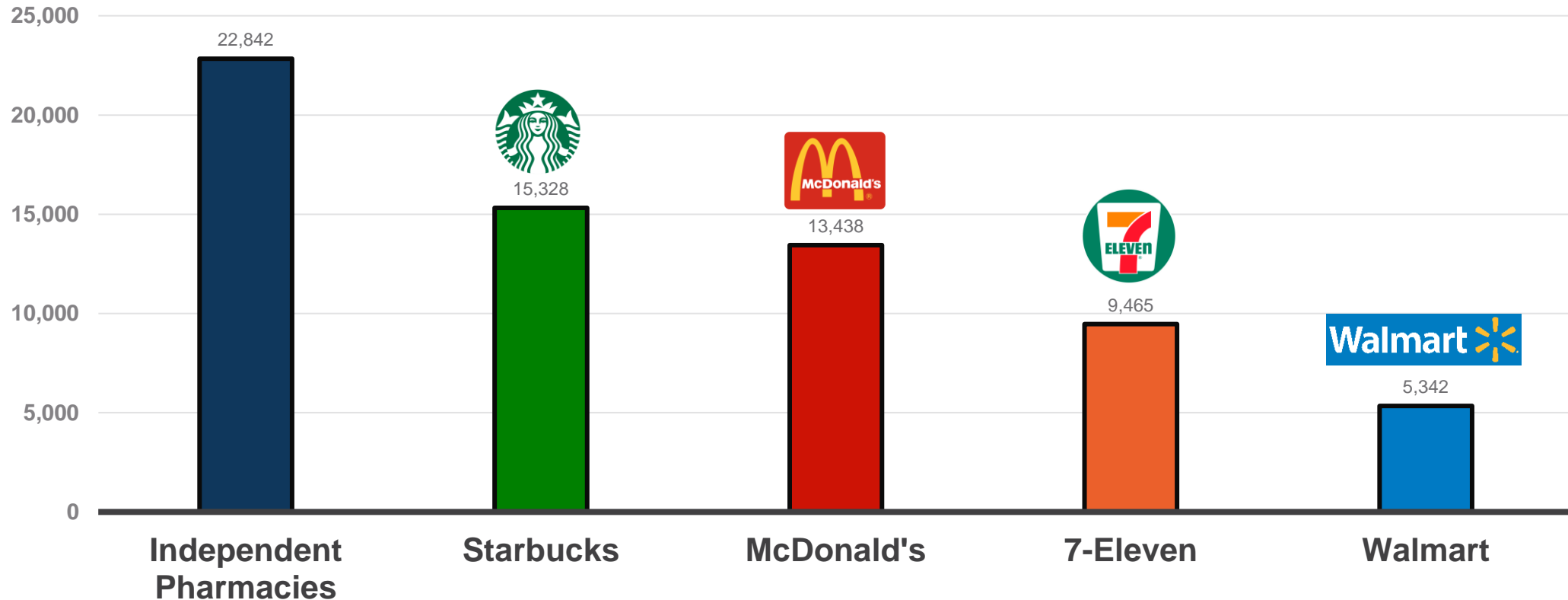
Source: University of Iowa Summary of NCPDP Data (2007-2021).

- The National Council for Prescription Drug Programs (NCPDP) maintains data relied upon for processing claims within the healthcare system
 - FTC 6(b) data requests rely on NCPDP standards
 - Latest 2024 NCPDP count of independents is 23,384*
- IQVIA data also show independent pharmacy counts have been stable over the past 20 years
 - IQVIA maintains prescription drug sales data that the FTC has described as the “gold standard”

“IQVIA data show that the total number of independent pharmacy locations has held relatively stable over the past 20 years.”**

Independent Pharmacies Outnumber Many Ubiquitous Retailers

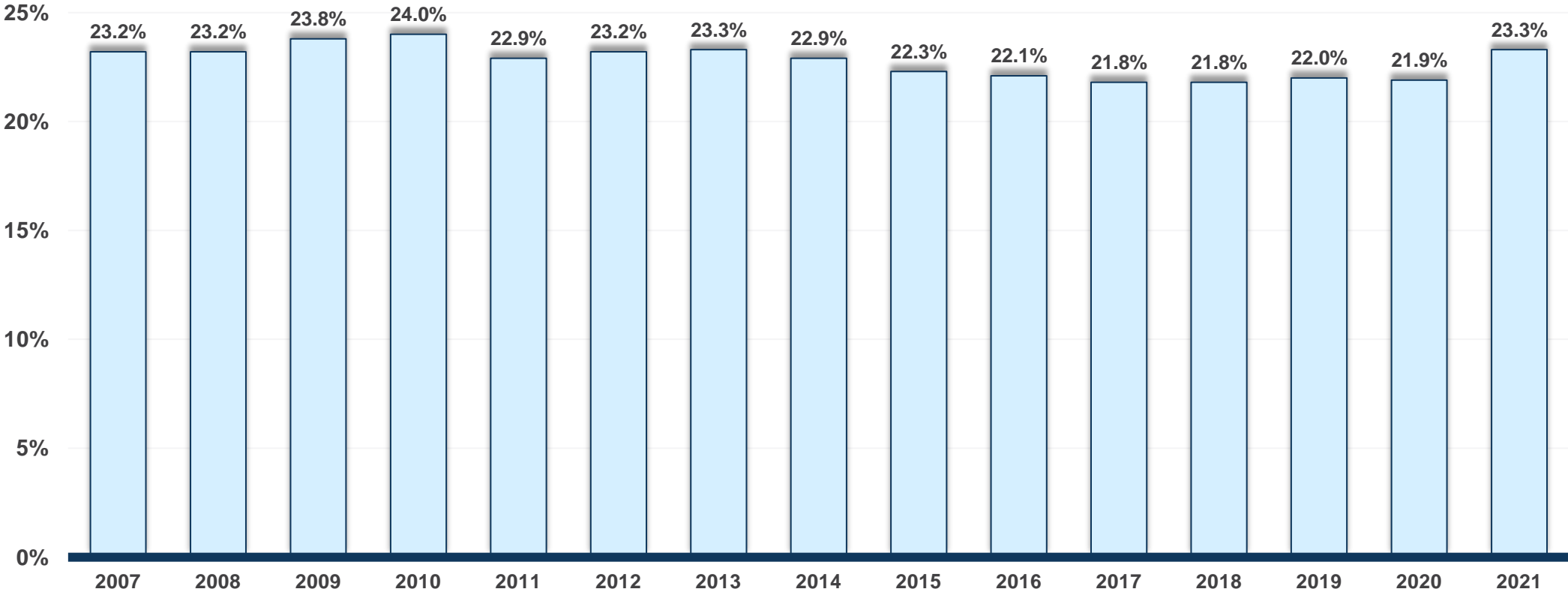
Number of U.S. Locations



Sources: University of Iowa Summary of NCPDP Data (independent pharmacies, 2021); Starbucks, 2021 Form 10-K (Oct. 3, 2021); McDonald's Corp., 2021 Form 10-K (Dec. 31, 2021); Seven & i Holdings Corporate Outline FY2021 (Jan. 12, 2022); Walmart 2022 Form 10-K (Jan. 31, 2022).

NCPA's Own Data Show Independent Pharmacy Margins Stable

NCPA Data: Independent Pharmacy Average Gross Margins



Source: Data collected by the National Community Pharmacists Association (NCPA) from its own members. NCPA Annual Digests (2008-2022).

Independent Pharmacies Charge Higher Prices

The impact to Caremark's commercial customers of independent pharmacies' higher prices is \$340 million annually.

Source: CVS Caremark Internal Data Analysis (Feb. 22, 2021)

State	Year	Finding
Florida	2020	Chains charged 12.5% less than independents
Arkansas	2019	To the extent there were differences, "Independent Pharmacies were paid significantly more than the [chain]"
Ohio	2018	Independents charged 3-4% more than chains for both brands and generics

Sources: Arkansas Ins. Dep't, *Limited Scope Examination of Pharmacy Benefit Managers at 20-21* (Jul. 27, 2022); Fl. Agency for Health Care Admin., *Pharmacy Benefit Manager Pricing Practices in Statewide Medicaid Managed Care Program at A-1* (Dec. 1, 2020); Ohio Department of Medicaid, *Executive Summary, Report on MCP Pharmacy Benefit Manager Performance at 19* (June 15, 2018).