

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023  
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-01011



**CVS HEALTH CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**One CVS Drive, Woonsocket, Rhode Island**  
(Address of principal executive offices)

**05-0494040**

(I.R.S. Employer Identification No.)

**02895**

(Zip Code)

Registrant's telephone number, including area code:

**(401) 765-1500**

Former name, former address and former fiscal year, if changed since last report:

**N/A**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                      | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, par value \$0.01 per share | CVS               | New York Stock Exchange                   |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ **Yes** ☐ **No**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ **Yes** ☐ **No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ **Yes** ☒ **No**

As of April 26, 2023, the registrant had 1,282,025,283 shares of common stock issued and outstanding.

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**Part I. Financial Information**

**Item 1. Financial Statements**

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**CVS Health Corporation**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

| <i><u>In millions, except per share amounts</u></i> | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2023</b>                             | <b>2022</b> |
| Revenues:   |   |             |
| Products  | \$ 58,147                               | \$ 52,522   |
| Premiums  | 24,352                                  | 21,631      |
| Services  | 2,445                                   | 2,505       |
| Net investment income                               | 334                                     | 168         |
| Total revenues                                      | 85,278                                  | 76,826      |
| Operating costs:                                    |   |             |
| Cost of products sold                               | 51,455                                  | 45,509      |
| Benefit costs                                       | 20,448                                  | 17,923      |
| Opioid litigation charge                            | —                                       | 484         |
| Loss on assets held for sale                        | 349                                     | 41          |
| Operating expenses                                  | 9,580                                   | 9,324       |
| Total operating costs                               | 81,832                                  | 73,281      |
| Operating income                                    | 3,446                                   | 3,545       |
| Interest expense                                    | 589                                     | 586         |
| Other income  | (22)                                    | (42)        |
| Income before income tax provision                  | 2,879                                   | 3,001       |
| Income tax provision                                | 737                                     | 646         |
| Net income  | 2,142                                   | 2,355       |
| Net income attributable to noncontrolling interests | (6)                                     | (1)         |
| Net income attributable to CVS Health               | \$ 2,136                                | \$ 2,354    |
| Net income per share attributable to CVS Health:    |   |             |
| Basic   | \$ 1.66                                 | \$ 1.79     |
| Diluted   | \$ 1.65                                 | \$ 1.77     |
| Weighted average shares outstanding:                |   |             |
| Basic   | 1,283                                   | 1,312       |
| Diluted   | 1,291                                   | 1,328       |
| Dividends declared per share                        | \$ 0.605                                | \$ 0.55     |

See accompanying notes to condensed consolidated financial statements (unaudited).

**CVS Health Corporation**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

| <i><b>In millions</b></i>                                     | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2023</b>                             | <b>2022</b> |
| Net income  | \$ 2,142                                | \$ 2,355    |
| Other comprehensive income (loss), net of tax:                |   |             |
| Net unrealized investment gains (losses)                      | 470                                     | (1,132)     |
| Change in discount rate on long-duration insurance reserves   | (74)                                    | 369         |
| Foreign currency translation adjustments                      | (1)                                     | 3           |
| Net cash flow hedges  | (6)                                     | (3)         |
| Other comprehensive income (loss)                             | 389                                     | (763)       |
| Comprehensive income  | 2,531                                   | 1,592       |
| Comprehensive income attributable to noncontrolling interests | (6)                                     | (1)         |
| Comprehensive income attributable to CVS Health               | \$ 2,525                                | \$ 1,591    |

See accompanying notes to condensed consolidated financial statements (unaudited).

**CVS Health Corporation**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

| <i>In millions, except per share amounts</i>  | March 31,<br>2023 | December 31,<br>2022 |
|---|-------------------|----------------------|
| <b>Assets:</b>  |                   |                      |
| Cash and cash equivalents   | \$ 14,618         | \$ 12,945            |
| Investments   | 3,102             | 2,778                |
| Accounts receivable, net  | 28,331            | 27,276               |
| Inventories   | 18,263            | 19,090               |
| Assets held for sale  | 625               | 908                  |
| Other current assets  | 3,767             | 2,636                |
| Total current assets  | 68,706            | 65,633               |
| Long-term investments   | 21,612            | 21,096               |
| Property and equipment, net   | 12,872            | 12,873               |
| Operating lease right-of-use assets   | 17,660            | 17,872               |
| Goodwill  | 84,057            | 78,150               |
| Intangible assets, net  | 26,368            | 24,803               |
| Separate accounts assets  | 3,231             | 3,228                |
| Other assets  | 4,824             | 4,620                |
| Total assets  | \$ 239,330        | \$ 228,275           |
| <b>Liabilities:</b>   |                   |                      |
| Accounts payable  | \$ 12,527         | \$ 14,838            |
| Pharmacy claims and discounts payable   | 20,047            | 19,423               |
| Health care costs payable   | 10,895            | 10,142               |
| Policyholders' funds  | 1,426             | 1,500                |
| Accrued expenses  | 21,515            | 18,745               |
| Other insurance liabilities   | 4,974             | 1,089                |
| Current portion of operating lease liabilities  | 1,679             | 1,678                |
| Current portion of long-term debt   | 1,778             | 1,778                |
| Liabilities held for sale   | 213               | 228                  |
| Total current liabilities   | 75,054            | 69,421               |
| Long-term operating lease liabilities   | 16,571            | 16,800               |
| Long-term debt  | 56,450            | 50,476               |
| Deferred income taxes   | 4,095             | 4,016                |
| Separate accounts liabilities   | 3,231             | 3,228                |
| Other long-term insurance liabilities   | 5,678             | 5,835                |
| Other long-term liabilities   | 6,671             | 6,730                |
| Total liabilities   | 167,750           | 156,506              |
| <b>Shareholders' equity:</b>  |                   |                      |
| Preferred stock, par value \$0.01: 0.1 shares authorized; none issued or outstanding  | —                 | —                    |
| Common stock, par value \$0.01: 3,200 shares authorized; 1,759 shares issued and 1,279 shares outstanding at March 31, 2023 and 1,758 shares issued and 1,300 shares outstanding at December 31, 2022 and capital surplus | 48,306            | 48,193               |
| Treasury stock, at cost: 480 shares at March 31, 2023 and 458 shares at December 31, 2022   | (33,802)          | (31,858)             |
| Retained earnings   | 57,753            | 56,398               |
| Accumulated other comprehensive loss  | (875)             | (1,264)              |
| Total CVS Health shareholders' equity   | 71,382            | 71,469               |
| Noncontrolling interests  | 198               | 300                  |
| Total shareholders' equity  | 71,580            | 71,769               |
| Total liabilities and shareholders' equity  | \$ 239,330        | \$ 228,275           |

See accompanying notes to condensed consolidated financial statements (unaudited).

**CVS Health Corporation**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

| <i><b>In millions</b></i>   | <b>Three Months Ended<br/>March 31,</b> |                  |
|---|---|------------------|
|   | <b>2023</b>                             | <b>2022</b>      |
| Cash flows from operating activities:                                     |   |                  |
| Cash receipts from customers  | \$ 87,798                               | \$ 74,192        |
| Cash paid for prescriptions dispensed and health services rendered        | (50,223)                                | (44,365)         |
| Insurance benefits paid   | (19,757)                                | (16,616)         |
| Cash paid to other suppliers and employees                                | (9,958)                                 | (8,969)          |
| Interest and investment income received                                   | 426                                     | 199              |
| Interest paid   | (773)                                   | (782)            |
| Income taxes paid   | (75)                                    | (96)             |
| Net cash provided by operating activities                                 | <u>7,438</u>                            | <u>3,563</u>     |
| Cash flows from investing activities:                                     |   |                  |
| Proceeds from sales and maturities of investments                         | 1,891                                   | 2,570            |
| Purchases of investments  | (2,358)                                 | (3,474)          |
| Purchases of property and equipment                                       | (984)                                   | (1,051)          |
| Acquisitions (net of cash acquired)                                       | (7,094)                                 | (7)              |
| Other   | 31                                      | (31)             |
| Net cash used in investing activities                                     | <u>(8,514)</u>                          | <u>(1,993)</u>   |
| Cash flows from financing activities:                                     |   |                  |
| Proceeds from issuance of long-term debt                                  | 5,951                                   | —                |
| Repayments of long-term debt  | (362)                                   | (14)             |
| Repurchase of common stock  | (2,018)                                 | (2,000)          |
| Dividends paid  | (779)                                   | (722)            |
| Proceeds from exercise of stock options                                   | 96                                      | 297              |
| Payments for taxes related to net share settlement of equity awards       | (34)                                    | (62)             |
| Other   | (128)                                   | (149)            |
| Net cash provided by (used in) financing activities                       | <u>2,726</u>                            | <u>(2,650)</u>   |
| Net increase (decrease) in cash, cash equivalents and restricted cash     | 1,650                                   | (1,080)          |
| Cash, cash equivalents and restricted cash at the beginning of the period | <u>13,305</u>                           | <u>12,691</u>    |
| Cash, cash equivalents and restricted cash at the end of the period       | <u>\$ 14,955</u>                        | <u>\$ 11,611</u> |

**CVS Health Corporation**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

| <i><b>In millions</b></i>  | <b>Three Months Ended<br/>March 31,</b> |                 |
|--|---|-----------------|
|  | <b>2023</b>                             | <b>2022</b>     |
| Reconciliation of net income to net cash provided by operating activities:                 |   |                 |
| Net income   | \$ 2,142                                | \$ 2,355        |
| Adjustments required to reconcile net income to net cash provided by operating activities: |   |                 |
| Depreciation and amortization  | 1,001                                   | 1,049           |
| Stock-based compensation   | 103                                     | 89              |
| Deferred income taxes and other noncash items  | 155                                     | (175)           |
| Change in operating assets and liabilities, net of effects from acquisitions:              |   |                 |
| Accounts receivable, net   | (751)                                   | (1,967)         |
| Inventories  | 828                                     | (400)           |
| Other assets   | (1,255)                                 | (348)           |
| Accounts payable and pharmacy claims and discounts payable                                 | (1,203)                                 | 1,974           |
| Health care costs payable and other insurance liabilities                                  | 4,382                                   | 1,430           |
| Other liabilities  | 2,036                                   | (444)           |
| Net cash provided by operating activities  | <u>\$ 7,438</u>                         | <u>\$ 3,563</u> |

See accompanying notes to condensed consolidated financial statements (unaudited).



**CVS Health Corporation**  
**Condensed Consolidated Statements of Shareholders' Equity**  
**(Unaudited)**

|   | Number of shares outstanding |                                | Attributable to CVS Health                      |                               |                   |   |                                       |                          |                            |  |  |
|---|------------------------------|--------------------------------|---|-------------------------------|-------------------|---|---------------------------------------|--------------------------|----------------------------|--|--|
|   | Common Shares                | Treasury Shares <sup>(1)</sup> | Common Stock and Capital Surplus <sup>(2)</sup> | Treasury Stock <sup>(1)</sup> | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total CVS Health Shareholders' Equity | Noncontrolling Interests | Total Shareholders' Equity |  |  |
| <i>In millions</i>  |                              |                                |   |                               |                   |   |                                       |                          |                            |  |  |
| <b>Balance at December 31, 2022</b>                         | 1,758                        | (458)                          | \$ 48,193                                       | \$ (31,858)                   | \$ 56,398         | \$ (1,264)                                    | \$ 71,469                             | \$ 300                   | \$ 71,769                  |  |  |
| Net income  | —                            | —                              | —   | —                             | 2,136             | —   | 2,136                                 | 6                        | 2,142                      |  |  |
| Other comprehensive income (Note 9)                         | —                            | —                              | —   | —                             | —                 | 389   | 389                                   | —                        | 389                        |  |  |
| Stock option activity, stock awards and other               | 1                            | —                              | 122   | —                             | —                 | —   | 122                                   | —                        | 122                        |  |  |
| Purchase of treasury shares, net of ESPP issuances          | —                            | (22)                           | (18)  | (1,944)                       | —                 | —   | (1,962)                               | —                        | (1,962)                    |  |  |
| Common stock dividends                                      | —                            | —                              | —   | —                             | (781)             | —   | (781)                                 | —                        | (781)                      |  |  |
| Other decreases in noncontrolling interests                 | —                            | —                              | 9   | —                             | —                 | —   | 9                                     | (108)                    | (99)                       |  |  |
| <b>Balance at March 31, 2023</b>                            | 1,759                        | (480)                          | \$ 48,306                                       | \$ (33,802)                   | \$ 57,753         | \$ (875)                                      | \$ 71,382                             | \$ 198                   | \$ 71,580                  |  |  |
|   |                              |                                |   |                               |                   |   |                                       |                          |                            |  |  |
| <b>Balance at December 31, 2021</b>                         | 1,744                        | (422)                          | \$ 47,377                                       | \$ (28,173)                   | \$ 54,906         | \$ 965  | \$ 75,075                             | \$ 306                   | \$ 75,381                  |  |  |
| Adoption of new accounting standard (Note 1) <sup>(3)</sup> | —                            | —                              | —   | —                             | 91                | (631)   | (540)                                 | —                        | (540)                      |  |  |
| Net income  | —                            | —                              | —   | —                             | 2,354             | —   | 2,354                                 | 1                        | 2,355                      |  |  |
| Other comprehensive loss (Note 9)                           | —                            | —                              | —   | —                             | —                 | (763)   | (763)                                 | —                        | (763)                      |  |  |
| Stock option activity, stock awards and other               | 3                            | —                              | 300   | —                             | —                 | —   | 300                                   | —                        | 300                        |  |  |
| Purchase of treasury shares, net of ESPP issuances          | —                            | (19)                           | —   | (1,972)                       | —                 | —   | (1,972)                               | —                        | (1,972)                    |  |  |
| Common stock dividends                                      | —                            | —                              | —   | —                             | (730)             | —   | (730)                                 | —                        | (730)                      |  |  |
| Other increases in noncontrolling interests                 | —                            | —                              | —   | —                             | —                 | —   | —                                     | 3                        | 3                          |  |  |
| <b>Balance at March 31, 2022</b>                            | 1,747                        | (441)                          | \$ 47,677                                       | \$ (30,145)                   | \$ 56,621         | \$ (429)                                      | \$ 73,724                             | \$ 310                   | \$ 74,034                  |  |  |

- (1) Treasury shares include 1 million shares held in trust and treasury stock includes \$29 million related to shares held in trust as of March 31, 2023 and 2022 and December 31, 2022 and 2021.
- (2) Common stock and capital surplus includes the par value of common stock of \$18 million as of March 31, 2023 and December 31, 2022 and \$17 million as of March 31, 2022 and December 31, 2021.
- (3) Reflects the adoption of Accounting Standards Update ("ASU") 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts (Topic 944)* during the three months ended March 31, 2023. See Note 1 "Significant Accounting Policies" for additional information.

See accompanying notes to condensed consolidated financial statements (unaudited).

## Notes to Condensed Consolidated Financial Statements (Unaudited)

### 1. Significant Accounting Policies

#### *Description of Business*

CVS Health Corporation, together with its subsidiaries (collectively, “CVS Health” or the “Company”), has more than 9,000 retail locations, more than 1,100 walk-in medical clinics, a leading pharmacy benefits manager with over 110 million plan members and expanding specialty pharmacy solutions, and a dedicated senior pharmacy care business serving more than one million patients per year. The Company also serves an estimated 37 million people through traditional, voluntary and consumer-directed health insurance products and related services, including expanding Medicare Advantage offerings and a leading standalone Medicare Part D prescription drug plan (“PDP”). The Company is a leader in key segments of health care through its foundational businesses and is creating new sources of value by expanding into next generation care delivery and health services, with a goal of improving satisfaction levels for both providers and consumers. The Company believes its integrated health care model increases access to quality care, delivers better health outcomes and lowers overall health care costs.

In connection with its new operating model adopted in the first quarter of 2023, the Company realigned the composition of its segments to reflect how its Chief Operating Decision Maker (the “CODM”) reviews information and manages the business. As a result of this realignment, the Company formed a new Health Services segment, which in addition to providing a full range of pharmacy benefit management (“PBM”) solutions, also delivers health care services in the Company’s medical clinics, virtually, and in the home, as well as provider enablement solutions. In addition, the Company created a new Pharmacy & Consumer Wellness segment, which includes its retail and long-term care pharmacy operations and related pharmacy services, as well as its retail front store operations. This segment will also provide pharmacy fulfillment services to support the Health Services segment’s specialty and mail order pharmacy offerings. Prior period segment financial information has been recast to conform with the current period presentation.

Following the segment realignment described above, the Company’s four reportable segments are as follows: Health Care Benefits, Health Services, Pharmacy & Consumer Wellness and Corporate/Other, which are described below.

#### *Health Care Benefits Segment*

The Health Care Benefits segment operates as one of the nation’s leading diversified health care benefits providers. The Health Care Benefits segment has the information and resources to help members, in consultation with their health care professionals, make more informed decisions about their health care. The Health Care Benefits segment offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental and behavioral health plans, medical management capabilities, Medicare Advantage and Medicare Supplement plans, PDPs and Medicaid health care management services. The Health Care Benefits segment’s customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers (“providers”), governmental units, government-sponsored plans, labor groups and expatriates. The Company refers to insurance products (where it assumes all or a majority of the risk for medical and dental care costs) as “Insured” and administrative services contract products (where the plan sponsor assumes all or a majority of the risk for medical and dental care costs) as “ASC.” In addition, effective January 2022, the Company entered the individual public health insurance exchanges (“Public Exchanges”) in eight states through which it sells Insured plans directly to individual consumers. The Company entered Public Exchanges in four additional states effective January 2023.

#### *Health Services Segment*

The Health Services segment provides a full range of PBM solutions, delivers health care services in its medical clinics, virtually, and in the home, and offers provider enablement solutions. PBM solutions include plan design offerings and administration, formulary management, retail pharmacy network management services, and specialty and mail order pharmacy services. In addition, the Company provides clinical services, disease management services, medical spend management and pharmacy and/or other administrative services for providers and federal 340B drug pricing program covered entities (“Covered Entities”). The Company operates a group purchasing organization that negotiates pricing for the purchase of pharmaceuticals and rebates with pharmaceutical manufacturers on behalf of its participants and provides various administrative, management and reporting services to pharmaceutical manufacturers. The Health Services segment’s clients are primarily employers, insurance companies, unions, government employee groups, health plans, PDPs, Medicaid managed care plans, plans offered on Public Exchanges and private health insurance exchanges, other sponsors of health benefit plans throughout the United States and Covered Entities.

### *Pharmacy & Consumer Wellness Segment*

The Pharmacy & Consumer Wellness segment dispenses prescriptions in its retail pharmacies and through its infusion operations, provides ancillary pharmacy services including pharmacy patient care programs, diagnostic testing and vaccination administration, and sells a wide assortment of health and wellness products and general merchandise. The segment also conducts long-term care pharmacy (“LTC”) operations, which distribute prescription drugs and provide related pharmacy consulting and ancillary services to long-term care facilities and other care settings, and provides pharmacy fulfillment services to support the Health Services segment’s specialty and mail order pharmacy offerings. As of March 31, 2023, the Pharmacy & Consumer Wellness segment operated more than 9,000 retail locations, as well as online retail pharmacy websites, LTC pharmacies and on-site pharmacies, retail specialty pharmacy stores, compounding pharmacies and branches for infusion and enteral nutrition services.

### *Corporate/Other Segment*

The Company presents the remainder of its financial results in the Corporate/Other segment, which primarily consists of:

- Management and administrative expenses to support the Company’s overall operations, which include certain aspects of executive management and the corporate relations, legal, compliance, human resources, information technology and finance departments, expenses associated with the Company’s investments in its transformation and enterprise modernization programs and acquisition-related transaction and integration costs; and
- Products for which the Company no longer solicits or accepts new customers such as its large case pensions and long-term care insurance products.

### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements of CVS Health and its subsidiaries have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. In accordance with such rules and regulations, certain information and accompanying note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted, although the Company believes the disclosures included herein are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, which are included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 Form 10-K”).

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Because of the influence of various factors on the Company’s operations, including business combinations, certain holidays and other seasonal influences, net income for any interim period may not be comparable to the same interim period in previous years or necessarily indicative of income for the full year.

### *Principles of Consolidation*

The unaudited condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries and variable interest entities (“VIEs”) for which the Company is the primary beneficiary. All material intercompany balances and transactions have been eliminated.

The Company continually evaluates its investments to determine if they represent variable interests in a VIE. If the Company determines that it has a variable interest in a VIE, the Company then evaluates if it is the primary beneficiary of the VIE. The evaluation is a qualitative assessment as to whether the Company has the ability to direct the activities of a VIE that most significantly impact the entity’s economic performance. The Company consolidates a VIE if it is considered to be the primary beneficiary.

Assets and liabilities of VIEs for which the Company is the primary beneficiary were not significant to the Company’s unaudited condensed consolidated financial statements. VIE creditors do not have recourse against the general credit of the Company.

### *Reclassifications*

Certain prior year amounts have been reclassified to conform with the current year presentation.

### ***Restricted Cash***

Restricted cash included in other current assets on the unaudited condensed consolidated balance sheets primarily represents funds held on behalf of members and funds held in escrow in connection with agreements with accountable care organizations.

Restricted cash included in other assets on the unaudited condensed consolidated balance sheets represents amounts held in a trust in one of the Company's captive insurance companies to satisfy collateral requirements associated with the assignment of certain insurance policies.

All restricted cash is invested in demand deposits, time deposits and money market funds.

The following is a reconciliation of cash and cash equivalents on the unaudited condensed consolidated balance sheets to total cash, cash equivalents and restricted cash on the unaudited condensed consolidated statements of cash flows:

| <i><u>In millions</u></i>  | <b>March 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|--|---------------------------|------------------------------|
| Cash and cash equivalents  | \$ 14,618                 | \$ 12,945                    |
| Restricted cash (included in other current assets)                               | 107                       | 144                          |
| Restricted cash (included in other assets)                                       | 230                       | 216                          |
| Total cash, cash equivalents and restricted cash in the statements of cash flows | <u>\$ 14,955</u>          | <u>\$ 13,305</u>             |

### ***Accounts Receivable***

Accounts receivable are stated net of allowances for credit losses, customer credit allowances, contractual allowances and estimated terminations. Accounts receivable, net at March 31, 2023 and December 31, 2022 was composed of the following:

| <i><u>In millions</u></i>                     | <b>March 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|---|---------------------------|------------------------------|
| Trade receivables                             | \$ 9,229                  | \$ 8,983                     |
| Vendor and manufacturer receivables           | 13,357                    | 12,395                       |
| Premium receivables                           | 3,636                     | 2,676                        |
| Other receivables                             | 2,320                     | 3,449                        |
| Total accounts receivable, net <sup>(1)</sup> | <u>\$ 28,542</u>          | <u>\$ 27,503</u>             |

(1) Includes accounts receivable of \$211 million and \$227 million which have been accounted for as assets held for sale and are included in assets held for sale on the unaudited condensed consolidated balance sheets at March 31, 2023 and December 31, 2022, respectively. See Note 2 "Acquisitions and Assets Held for Sale" for additional information.

The Company's allowance for credit losses was \$324 million and \$333 million as of March 31, 2023 and December 31, 2022, respectively. When developing an estimate of the Company's expected credit losses, the Company considers all available relevant information regarding the collectability of cash flows, including historical information, current conditions and reasonable and supportable forecasts of future economic conditions over the contractual life of the receivable. The Company's accounts receivable are short duration in nature and typically settle in less than 30 days.

### ***Health Care Contract Acquisition Costs***

Insurance products included in the Health Care Benefits segment are cancellable by either the customer or the member monthly upon written notice. Acquisition costs related to prepaid health care and health indemnity contracts are generally expensed as incurred. For certain long-duration insurance contracts, acquisition costs directly related to the successful acquisition of a new or renewal insurance contract, including commissions, are deferred and are recorded as other current assets or other assets on the unaudited condensed consolidated balance sheets. Contracts are grouped by product and issue year into cohorts consistent with the grouping used in estimating the associated liability and are amortized on a constant level basis based on the remaining in-force policies over the estimated term of the contracts to approximate straight-line amortization. Changes to the Company's assumptions, including assumptions related to persistency, are reflected at the cohort level at the time of change and are recognized prospectively over the estimated terms of the contract. The amortization of deferred acquisition costs is recorded in operating expenses in the unaudited condensed consolidated statements of operations.

The following is a roll forward of deferred acquisition costs for the three months ended March 31, 2023 and 2022:

| <i><u>In millions</u></i>                           | Three Months Ended<br>March 31, |               |
|---|---------------------------------|---------------|
|   | 2023                            | 2022          |
| Deferred acquisition costs, beginning of the period | \$ 1,219                        | \$ 879        |
| Capitalizations                                     | 135                             | 139           |
| Amortization expense                                | (64)                            | (47)          |
| Deferred acquisition costs, end of the period       | <u>\$ 1,290</u>                 | <u>\$ 971</u> |

### ***Goodwill***

The Company accounts for business combinations using the acquisition method of accounting, which requires the excess cost of an acquisition over the fair value of net assets acquired and identifiable intangible assets to be recorded as goodwill. Goodwill is not amortized, but is subject to impairment reviews annually, or more frequently, if necessary.

### ***Intangible Assets***

The Company's identifiable intangible assets consist primarily of trademarks, trade names, customer contracts/relationships, covenants not to compete, technology, provider networks and value of business acquired ("VOBA"). These intangible assets arise primarily from the determination of their respective fair market values at the date of acquisition. Amounts assigned to identifiable intangible assets, and their related useful lives, are derived from established valuation techniques and management estimates.

The Company's definite-lived intangible assets are amortized over their estimated useful lives based upon the pattern of future cash flows attributable to the asset. Definite-lived intangible assets are amortized using the straight-line method. VOBA is subject to loss recognition testing annually, or more frequently, if necessary.

Indefinite lived intangible assets are not amortized but are tested for impairment annually, or more frequently, if necessary.

### ***Separate Accounts***

Separate Accounts assets and liabilities related to large case pensions products represent funds maintained to meet specific objectives of contract holders who bear the investment risk. These assets and liabilities are carried at fair value. Net investment income (including net realized capital gains and losses) accrue directly to such contract holders. The assets of each account are legally segregated and are not subject to claims arising from the Company's other businesses. Deposits, withdrawals and net investment income (including net realized and net unrealized capital gains and losses) on Separate Accounts assets are not reflected in the unaudited condensed consolidated statements of operations or cash flows. Management fees charged to contract holders are included in services revenue and recognized over the period earned.

See Note 4 "Fair Value" and Note 6 "Other Insurance Liabilities and Separate Accounts" for additional information about separate accounts.

### ***Future Policy Benefits***

Future policy benefits consist primarily of reserves for products for which the Company no longer solicits or accepts new customers, including limited payment pension and annuity contracts and long-term care insurance contracts and are recorded in other insurance liabilities and other long-term liabilities on the unaudited condensed consolidated balance sheets. Contracts are grouped into cohorts by contract type and issue year. The liability for future policy benefits is adjusted for differences between actual and expected experience.

Reserves for limited payment pension and annuity contracts represent the Company's estimate of the present value of future benefits to be paid to or on behalf of policyholders and are computed using actuarial principles that consider, among other things, assumptions reflecting anticipated mortality and retirement experience. On an annual basis, or more frequently if necessary, the Company reviews mortality assumptions against both industry standards and its experience.

Reserves for long-term care insurance contracts represent the Company's estimate of the present value of future benefits and settlement costs to be paid to or on behalf of policyholders less the present value of future net premiums. The Company's

estimate of the present value of future benefits under such contracts is based upon mortality, morbidity, lapse and interest rate assumptions. On an annual basis, or more frequently if necessary, the Company reviews its mortality, morbidity and lapse assumptions against its experience. Annually, or each time the assumptions are changed, the net premium ratio used to calculate the future policy benefit liability is updated to reflect actual experience, as well as the impact of any change in assumptions on the Company's future cash flows.

The Company discounts its future policy benefit liability using a curve of spot rates derived from an upper-medium grade fixed-income investment. At each reporting date, the Company will measure its liability for future policy benefits using both the current spot rate curve and the locked-in discount rate at each cohort's inception. Any difference between the measured liabilities is recorded in other comprehensive income (loss). In subsequent periods, the current period amount recorded in other comprehensive income (loss) will be adjusted for amounts previously recorded in accumulated other comprehensive loss.

As of March 31, 2023, future policy benefits balances of \$529 million and \$4.6 billion were recorded in other insurance liabilities and other long-term insurance liabilities, respectively. As of December 31, 2022, future policy benefits balances of \$334 million and \$4.7 billion were recorded in other insurance liabilities and other long-term insurance liabilities, respectively.

See Note 6 "Other Insurance Liabilities and Separate Accounts" for additional information about future policy benefits.

## Revenue Recognition

### Disaggregation of Revenue

The following table disaggregates the Company's revenue by major source in each segment for the three months ended March 31, 2023 and 2022:

| <i>In millions</i>                       | Health Care<br>Benefits | Health<br>Services | Pharmacy &<br>Consumer<br>Wellness | Corporate/<br>Other | Intersegment<br>Eliminations | Consolidated<br>Totals |
|--|-------------------------|--------------------|------------------------------------|---------------------|------------------------------|------------------------|
| <b>Three Months Ended March 31, 2023</b> |                         |                    |                                    |                     |                              |                        |
| Major goods/services lines:              |                         |                    |                                    |                     |                              |                        |
| Pharmacy                                 | \$ —                    | \$ 43,737          | \$ 21,495                          | \$ —                | \$ (12,732)                  | \$ 52,500              |
| Front Store                              | —                       | —                  | 5,597                              | —                   | —                            | 5,597                  |
| Premiums                                 | 24,339                  | —                  | —                                  | 13                  | —                            | 24,352                 |
| Net investment income (loss)             | 164                     | —                  | (3)                                | 173                 | —                            | 334                    |
| Other                                    | 1,374                   | 854                | 833                                | 2                   | (568)                        | 2,495                  |
| Total                                    | <u>\$ 25,877</u>        | <u>\$ 44,591</u>   | <u>\$ 27,922</u>                   | <u>\$ 188</u>       | <u>\$ (13,300)</u>           | <u>\$ 85,278</u>       |
| Health Services distribution channel:    |                         |                    |                                    |                     |                              |                        |
| Pharmacy network <sup>(1)</sup>          |                         | \$ 27,592          |                                    |                     |                              |                        |
| Mail & specialty <sup>(2)</sup>          |                         | 16,145             |                                    |                     |                              |                        |
| Other                                    |                         | 854                |                                    |                     |                              |                        |
| Total                                    |                         | <u>\$ 44,591</u>   |                                    |                     |                              |                        |
| <b>Three Months Ended March 31, 2022</b> |                         |                    |                                    |                     |                              |                        |
| Major goods/services lines:              |                         |                    |                                    |                     |                              |                        |
| Pharmacy                                 | \$ —                    | \$ 38,796          | \$ 19,532                          | \$ —                | \$ (11,276)                  | \$ 47,052              |
| Front Store                              | —                       | —                  | 5,313                              | —                   | —                            | 5,313                  |
| Premiums                                 | 21,614                  | —                  | —                                  | 17                  | —                            | 21,631                 |
| Net investment income (loss)             | 89                      | —                  | (16)                               | 95                  | —                            | 168                    |
| Other                                    | 1,391                   | 819                | 1,069                              | 14                  | (631)                        | 2,662                  |
| Total                                    | <u>\$ 23,094</u>        | <u>\$ 39,615</u>   | <u>\$ 25,898</u>                   | <u>\$ 126</u>       | <u>\$ (11,907)</u>           | <u>\$ 76,826</u>       |
| Health Services distribution channel:    |                         |                    |                                    |                     |                              |                        |
| Pharmacy network <sup>(1)</sup>          |                         | \$ 24,128          |                                    |                     |                              |                        |
| Mail & specialty <sup>(2)</sup>          |                         | 14,668             |                                    |                     |                              |                        |
| Other                                    |                         | 819                |                                    |                     |                              |                        |
| Total                                    |                         | <u>\$ 39,615</u>   |                                    |                     |                              |                        |

<sup>(1)</sup> Health Services pharmacy network is defined as claims filled at retail and specialty retail pharmacies, including the Company's retail pharmacies and LTC pharmacies. Effective January 1, 2023, pharmacy network also includes activity associated with Maintenance Choice, which permits eligible client plan members to fill their maintenance prescriptions through mail order delivery or at a CVS pharmacy retail store for the same price as mail order. Maintenance Choice activity was previously reflected in mail & specialty. Prior period financial information has been revised to conform with current period presentation.

<sup>(2)</sup> Health Services mail & specialty is defined as specialty mail claims inclusive of Specialty Connect<sup>®</sup> claims picked up at a retail pharmacy, as well as mail order and specialty claims fulfilled by the Pharmacy & Consumer Wellness segment. Effective January 1, 2023, mail & specialty excludes Maintenance Choice activity, which is now reflected within pharmacy network. Prior period financial information has been revised to conform with current period presentation.

### Contract Balances

Contract liabilities primarily represent the Company's obligation to transfer additional goods or services to a customer for which the Company has received consideration, and primarily include ExtraBucks<sup>®</sup> Rewards and unredeemed Company gift cards. The consideration received remains a contract liability until goods or services have been provided to the customer. In addition, the Company recognizes breakage on Company gift cards based on historical redemption patterns.

The following table provides information about receivables and contract liabilities from contracts with customers:

| <i><u>In millions</u></i>                                | <b>March 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|--|---------------------------|------------------------------|
| Trade receivables (included in accounts receivable, net) | \$ 9,229                  | \$ 8,983                     |
| Contract liabilities (included in accrued expenses)      | 136                       | 71                           |

During the three months ended March 31, 2023 and 2022, the contract liabilities balance includes increases related to customers' earnings in ExtraBucks Rewards or issuances of Company gift cards and decreases for revenues recognized during the period as a result of the redemption of ExtraBucks Rewards or Company gift cards and breakage of Company gift cards. During the three months ended March 31, 2023, the contract liabilities balance also reflects the addition of contract liabilities acquired in connection with the Company's acquisition of Signify Health, Inc. ("Signify Health") on March 29, 2023. Below is a summary of such changes:

| <i><u>In millions</u></i>                     | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2023</b>                             | <b>2022</b> |
| Contract liabilities, beginning of the period | \$ 71                                   | \$ 87       |
| Rewards earnings and gift card issuances      | 82                                      | 80          |
| Redemption and breakage                       | (85)                                    | (87)        |
| Acquired contract liabilities                 | 68                                      | —           |
| Contract liabilities, end of the period       | \$ 136                                  | \$ 80       |

#### ***Related Party Transactions***

The Company has an equity method investment in SureScripts, LLC ("SureScripts"), which operates a clinical health information network. The Company utilizes this clinical health information network in providing services to its client plan members and retail customers. The Company expensed fees for the use of this network of \$17 million and \$15 million in the three months ended March 31, 2023 and 2022, respectively. The Company's investment in and equity in the earnings of SureScripts for all periods presented is immaterial.

The Company has an equity method investment in Heartland Healthcare Services, LLC ("Heartland"). Heartland operates several LTC pharmacies in four states. Heartland paid the Company \$19 million and \$21 million for pharmaceutical inventory purchases during the three months ended March 31, 2023 and 2022, respectively. Additionally, the Company performs certain collection functions for Heartland and then transfers those customer cash collections to Heartland. The Company's investment in and equity in the earnings of Heartland for all periods presented is immaterial.

#### ***New Accounting Pronouncements Recently Adopted***

##### ***Targeted Improvements to the Accounting for Long-Duration Insurance Contracts***

In August 2018, the Financial Accounting Standards Board issued ASU 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts* (Topic 944) (the "long-duration insurance standard"). This standard requires the Company to review cash flow assumptions for its long-duration insurance contracts at least annually and recognize the effect of changes in future cash flow assumptions in net income. This standard also requires the Company to update discount rate assumptions quarterly and recognize the effect of changes in these assumptions in other comprehensive income. The rate used to discount the Company's liability for future policy benefits will be based on an estimate of the yield for an upper-medium grade fixed-income instrument with a duration profile matching that of the Company's liabilities. In addition, this standard changes the amortization method for deferred acquisition costs and requires additional disclosures regarding the long duration insurance contract liabilities in the Company's interim and annual financial statements.

The Company adopted this accounting standard on January 1, 2023, using the modified retrospective transition method as of the earliest period presented, January 1, 2021, also referred to as the "transition date", for changes to its liabilities for future policy benefits, deferred acquisition costs and value of business acquired intangible asset. Upon adoption, the Company recorded a transition date net adjustment to reduce accumulated other comprehensive income (loss) by \$986 million (\$766 million after-tax) with a corresponding increase to its liability for future policy benefits, the majority of which is included within other insurance liabilities and other long-term liabilities on the unaudited condensed consolidated balance sheets. The transition date



net adjustment was a result of updating the rate used to discount the liabilities to reflect the yield for an upper-medium grade fixed-income instrument compared to the Company's expected investment yield under the historical guidance. The Company was not required to record an adjustment to retained earnings on the transition date. Prior period financial information has been revised to reflect the adoption of the long-duration insurance standard.

The following summarizes changes in the balances of long-duration insurance liabilities as a result of the adoption of the long-duration insurance standard effective January 1, 2021:

| <i><u>In millions</u></i>   | Large Case<br>Pensions | Long-Term<br>Care | Other  |
|---|------------------------|-------------------|--------|
| Balance at December 31, 2020, net of reinsurance                        | \$ 3,224               | \$ 1,142          | \$ 480 |
| Add: Reinsurance recoverable  | —                      | —                 | 274    |
| Balance at December 31, 2020  | 3,224                  | 1,142             | 754    |
| Change in discount rate assumptions                                     | 604                    | 553               | 44     |
| Removal of shadow adjustments in accumulated other comprehensive income | (181)                  | —                 | —      |
| Adjusted balance at January 1, 2021                                     | 3,647                  | 1,695             | 798    |
| Less: Reinsurance recoverable   | —                      | —                 | 308    |
| Adjusted balance at January 1, 2021, net of reinsurance                 | \$ 3,647               | \$ 1,695          | \$ 490 |

*Impact of Long-Duration Insurance Standard Adoption on Financial Statement Line Items*

As a result of applying the long-duration insurance standard using a modified retrospective method, the following adjustments were made to amounts reported in the unaudited condensed consolidated statement of operations for the three months ended March 31, 2022:

| <i><u>In millions</u></i>                        | Impact of Change in Accounting Policy |             |                            |
|--|---------------------------------------|-------------|----------------------------|
|  | As Reported<br>March 31, 2022         | Adjustments | Adjusted<br>March 31, 2022 |
| Condensed Consolidated Statement of Operations:  |                                       |             |                            |
| Operating costs:                                 |                                       |             |                            |
| Benefit costs                                    | \$ 17,951                             | \$ (28)     | \$ 17,923                  |
| Operating expenses                               | 9,351                                 | (27)        | 9,324                      |
| Total operating costs                            | 73,336                                | (55)        | 73,281                     |
| Operating income                                 | 3,490                                 | 55          | 3,545                      |
| Income before income tax provision               | 2,946                                 | 55          | 3,001                      |
| Income tax provision                             | 633                                   | 13          | 646                        |
| Net income                                       | 2,313                                 | 42          | 2,355                      |
| Net income attributable to CVS Health            | 2,312                                 | 42          | 2,354                      |
| Net income per share attributable to CVS Health: |                                       |             |                            |
| Basic  | \$ 1.76                               | \$ 0.03     | \$ 1.79                    |
| Diluted  | \$ 1.74                               | \$ 0.03     | \$ 1.77                    |

As a result of applying the long-duration insurance standard using a modified retrospective method, the following adjustments were made to amounts reported in the unaudited condensed consolidated balance sheet as of December 31, 2022:

| <i>In millions</i>                         | Impact of Change in Accounting Policy |             |                               |
|--|---------------------------------------|-------------|-------------------------------|
|  | As Reported<br>December 31, 2022      | Adjustments | Adjusted<br>December 31, 2022 |
| Condensed Consolidated Balance Sheet:      |                                       |             |                               |
| Other current assets                       | \$ 2,685                              | \$ (49)     | \$ 2,636                      |
| Total current assets                       | 65,682                                | (49)        | 65,633                        |
| Intangible assets, net                     | 24,754                                | 49          | 24,803                        |
| Total assets                               | 228,275                               | —           | 228,275                       |
| Health care costs payable                  | 10,406                                | (264)       | 10,142                        |
| Other insurance liabilities                | 1,140                                 | (51)        | 1,089                         |
| Total current liabilities                  | 69,736                                | (315)       | 69,421                        |
| Deferred income taxes                      | 3,880                                 | 136         | 4,016                         |
| Other long-term insurance liabilities      | 6,108                                 | (273)       | 5,835                         |
| Other long-term liabilities                | 6,732                                 | (2)         | 6,730                         |
| Total liabilities                          | 156,960                               | (454)       | 156,506                       |
| Retained earnings                          | 56,145                                | 253         | 56,398                        |
| Accumulated other comprehensive loss       | (1,465)                               | 201         | (1,264)                       |
| Total CVS Health shareholders' equity      | 71,015                                | 454         | 71,469                        |
| Total shareholders' equity                 | 71,315                                | 454         | 71,769                        |
| Total liabilities and shareholders' equity | 228,275                               | —           | 228,275                       |

As a result of applying the long-duration insurance standard using a modified retrospective method, the following adjustments were made to amounts reported in the unaudited condensed consolidated statement of cash flows for the three months ended March 31, 2022:

| <i>In millions</i>   | Impact of Change in Accounting Policy |             |                            |
|--|---------------------------------------|-------------|----------------------------|
|  | As Reported<br>March 31, 2022         | Adjustments | Adjusted<br>March 31, 2022 |
| Condensed Consolidated Statement of Cash Flows:  |                                       |             |                            |
| Reconciliation of net income to net cash provided by operating activities:                 |                                       |             |                            |
| Net income   | \$ 2,313                              | \$ 42       | \$ 2,355                   |
| Adjustments required to reconcile net income to net cash provided by operating activities: |                                       |             |                            |
| Depreciation and amortization  | 1,055                                 | (6)         | 1,049                      |
| Deferred income taxes and other noncash items  | (187)                                 | 12          | (175)                      |
| Change in operating assets and liabilities, net of effects from acquisitions:              |                                       |             |                            |
| Other assets   | (352)                                 | 4           | (348)                      |
| Health care costs payable and other insurance liabilities                                  | 1,478                                 | (48)        | 1,430                      |
| Other liabilities  | (440)                                 | (4)         | (444)                      |

## 2. Acquisitions and Assets Held for Sale

### *Signify Health Acquisition*

On March 29, 2023 (the “Signify Health Acquisition Date”), the Company acquired 100% of the outstanding shares and voting interest of Signify Health for cash (“Signify Health Acquisition”). Under the terms of the merger agreement, Signify Health stockholders received \$30.50 per share in cash. The Company financed the transaction with cash on hand, which included approximately \$6 billion of proceeds from the issuance of senior unsecured notes in February 2023. Signify Health is a leader in health risk assessments, value-based care and provider enablement services. The Company will include Signify Health within the Health Services segment. The Company acquired Signify Health to advance its health care services strategy, growth in value-based care and new product offerings for other payers.

The fair value of the consideration transferred on the date of acquisition consisted of the following:

| <u><i>In millions</i></u>  |                 |
|--|-----------------|
| Cash   | \$ 7,450        |
| Fair value of replacement equity awards for pre-combination services (3.2 million shares) <sup>(1)</sup> | 14              |
| Effective settlement of pre-existing relationship <sup>(2)</sup>   | (111)           |
| Total consideration transferred  | <u>\$ 7,353</u> |

- (1) The fair value of the replacement equity awards issued by the Company was determined as of the Signify Health Acquisition Date. The fair value of the awards attributed to pre-combination services of \$14 million is included in the consideration transferred and the fair value of the awards attributed to post-combination services of \$167 million has been, or will be, included in the Company’s post-combination financial statements as compensation costs.
- (2) The purchase price included \$111 million of effectively settled liabilities the Company owed to Signify Health from their pre-existing relationship.

The transaction has been accounted for using the acquisition method of accounting which requires, among other things, the assets acquired and liabilities assumed to be recognized at their fair values at the date of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

| <u><i>In millions</i></u>                                |                 |
|--|-----------------|
| Cash and cash equivalents                                | \$ 376          |
| Accounts receivable                                      | 190             |
| Other current assets (including restricted cash of \$28) | 149             |
| Property and equipment                                   | 25              |
| Goodwill   | 5,907           |
| Intangible assets  | 1,920           |
| Other long-term assets                                   | 23              |
| Total assets acquired                                    | <u>8,590</u>    |
| Other current liabilities                                | 609             |
| Debt (current and long-term)                             | 346             |
| Deferred income taxes                                    | 256             |
| Other long-term liabilities                              | 26              |
| Total liabilities assumed                                | <u>1,237</u>    |
| Total consideration transferred                          | <u>\$ 7,353</u> |

The assessment of fair value is preliminary and is based on information that was available to management at the time the unaudited condensed consolidated financial statements were prepared. The most significant open items included the valuation of certain intangible assets, the estimation of certain contract assets and contract liabilities, the accounting for income taxes and the accounting for contingencies as management is awaiting additional information to complete its assessment of these matters. Measurement period adjustments will be recorded in the period in which they are determined, as if they had been completed at the acquisition date. The finalization of the Company’s purchase accounting assessment could result in changes in the valuation of assets acquired and liabilities assumed, which could be material.

### *Goodwill*

Goodwill represents future economic benefits expected to arise from the Company's expanded presence in the health services industry, the assembled workforce acquired, expected revenue and medical cost synergies, as well as operating efficiencies and cost savings. The preliminary valuation of goodwill was allocated to the Company's business segments as follows:

#### ***In millions***

|                              |    |       |
|------------------------------|----|-------|
| Health Services              | \$ | 3,404 |
| Health Care Benefits         |    | 2,473 |
| Pharmacy & Consumer Wellness |    | 30    |
| Total goodwill               | \$ | 5,907 |

Approximately \$1.7 billion of goodwill is deductible for income tax purposes.

### *Intangible Assets*

The following table summarizes the preliminary fair values and weighted average useful lives for intangible assets acquired in the Signify Health Acquisition, each of which is subject to change as the Company finalizes its purchase accounting:

| <b><i>In millions, except weighted average useful life</i></b> | <b>Gross<br/>Fair Value</b> | <b>Weighted<br/>Average Useful<br/>Life (years)</b> |
|--|-----------------------------|---|
| Customer relationships   | \$ 1,810                    | 16.7  |
| Technology   | 50                          | 3.0   |
| Trademark (definite-lived)                                     | 60                          | 5.0   |
| Total intangible assets  | \$ 1,920                    | 16.0  |

### *Deferred Income Taxes*

The purchase price allocation includes net deferred tax liabilities of \$256 million, primarily related to deferred tax liabilities established on the identifiable acquired intangible assets.

### *Consolidated Results of Operations*

The results of operations for Signify Health from the Signify Health Acquisition Date to March 31, 2023 were immaterial to the Company's consolidated results of operations for the three months ended March 31, 2023.

During the three months ended March 31, 2023, the Company incurred transaction costs of \$37 million associated with the Signify Health Acquisition that were recorded within operating expenses.

### ***Oak Street Health Acquisition***

On May 2, 2023, the Company acquired 100% of the outstanding shares and voting interest of Oak Street Health, Inc. ("Oak Street Health") for cash. Under the terms of the merger agreement, Oak Street Health stockholders received \$39.00 per share in cash. The total value of the transaction was approximately \$10.6 billion. The Company financed the transaction with borrowings of \$5.0 billion from a term loan agreement entered into on May 1, 2023 as described in Note 7 "Borrowings" and cash on hand. Oak Street Health is a leading multi-payor, senior focused value-based primary care company. The Company will include Oak Street Health within the Health Services segment. The Company acquired Oak Street Health to advance its value-based care strategy and broaden its platform into primary care.

### ***Assets Held For Sale***

The Company continually evaluates its portfolio for non-strategic assets. The Company determined that its Omnicare® long-term care business ("LTC business"), which is included within the Pharmacy & Consumer Wellness segment, was no longer a strategic asset and during the third quarter of 2022 committed to a plan to sell the LTC business. During 2022, the LTC business met the criteria to be classified as held for sale and the carrying value of the LTC business was determined to be greater than its estimated fair value less costs to sell. Accordingly, the Company recorded total losses on assets held for sale of \$2.5 billion during the year ended December 31, 2022. As of March 31, 2023, the net assets of the LTC business continued to meet the criteria for held-for-sale accounting. During the three months ended March 31, 2023, an incremental loss on assets held for sale of \$349 million was recorded to write-down the carrying value of the LTC business to the Company's best estimate of the ultimate selling price which reflects its estimated fair value less costs to sell. The loss on assets held for sale

represents the write-down of long-lived assets and was recorded in the Company's unaudited condensed consolidated statement of operations within the Pharmacy & Consumer Wellness segment. The LTC business operating income was not material for the three months ended March 31, 2023 and 2022.

The LTC business met the criteria to be classified as held for sale at both March 31, 2023 and December 31, 2022, but did not meet the criteria to be classified as discontinued operations. As a result, the related assets and liabilities were included in the separate held-for-sale line items of the asset and liability sections of the unaudited condensed consolidated balance sheets. As the assets held for sale are measured at fair value on a nonrecurring basis primarily using unobservable inputs as of the measurement date, they are classified in Level 3 of the fair value hierarchy. The following table summarizes the assets and liabilities held for sale at March 31, 2023 and December 31, 2022:

| <i><u>In millions</u></i>              | <b>March 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|--|---------------------------|------------------------------|
| <b>Assets:</b>                         |                           |                              |
| Accounts receivable, net               | \$ 211                    | \$ 227                       |
| Inventories                            | 183                       | 188                          |
| Property and equipment, net            | —                         | 244                          |
| Deferred income taxes                  | 214                       | 131                          |
| Other                                  | 17                        | 118                          |
| <b>Total assets held for sale</b>      | <b>\$ 625</b>             | <b>\$ 908</b>                |
| <b>Liabilities:</b>                    |                           |                              |
| Accounts payable                       | \$ 84                     | \$ 86                        |
| Accrued expenses                       | 58                        | 71                           |
| Other                                  | 71                        | 71                           |
| <b>Total liabilities held for sale</b> | <b>\$ 213</b>             | <b>\$ 228</b>                |

### 3. Investments

Total investments at March 31, 2023 and December 31, 2022 were as follows:

| <i>In millions</i>                 | March 31, 2023 |           |           | December 31, 2022 |           |           |
|------------------------------------|----------------|-----------|-----------|-------------------|-----------|-----------|
|                                    | Current        | Long-term | Total     | Current           | Long-term | Total     |
| Debt securities available for sale | \$ 3,061       | \$ 17,761 | \$ 20,822 | \$ 2,718          | \$ 17,562 | \$ 20,280 |
| Mortgage loans                     | 39             | 1,038     | 1,077     | 55                | 989       | 1,044     |
| Other investments                  | 2              | 2,813     | 2,815     | 5                 | 2,562     | 2,567     |
| Total investments <sup>(1)</sup>   | \$ 3,102       | \$ 21,612 | \$ 24,714 | \$ 2,778          | \$ 21,113 | \$ 23,891 |

(1) Includes long-term investments of \$17 million which have been accounted for as assets held for sale and are included in assets held for sale on the unaudited condensed consolidated balance sheet at December 31, 2022. See Note 2 “Acquisitions and Assets Held for Sale” for additional information.

#### Debt Securities

Debt securities available for sale at March 31, 2023 and December 31, 2022 were as follows:

| <i>In millions</i>                                | Gross Amortized Cost | Allowance for Credit Losses | Net Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|----------------------|-----------------------------|--------------------|------------------------|-------------------------|------------|
| <b>March 31, 2023</b>                             |                      |                             |                    |                        |                         |            |
| Debt securities:                                  |                      |                             |                    |                        |                         |            |
| U.S. government securities                        | \$ 2,071             | \$ —                        | \$ 2,071           | \$ 4                   | \$ (140)                | \$ 1,935   |
| States, municipalities and political subdivisions | 2,322                | —                           | 2,322              | 18                     | (86)                    | 2,254      |
| U.S. corporate securities                         | 9,983                | (2)                         | 9,981              | 48                     | (665)                   | 9,364      |
| Foreign securities                                | 2,765                | (1)                         | 2,764              | 21                     | (193)                   | 2,592      |
| Residential mortgage-backed securities            | 881                  | —                           | 881                | 2                      | (71)                    | 812        |
| Commercial mortgage-backed securities             | 1,173                | —                           | 1,173              | 1                      | (146)                   | 1,028      |
| Other asset-backed securities                     | 2,901                | —                           | 2,901              | 7                      | (90)                    | 2,818      |
| Redeemable preferred securities                   | 21                   | —                           | 21                 | —                      | (2)                     | 19         |
| Total debt securities <sup>(1)</sup>              | \$ 22,117            | \$ (3)                      | \$ 22,114          | \$ 101                 | \$ (1,393)              | \$ 20,822  |
| <b>December 31, 2022</b>                          |                      |                             |                    |                        |                         |            |
| Debt securities:                                  |                      |                             |                    |                        |                         |            |
| U.S. government securities                        | \$ 2,074             | \$ —                        | \$ 2,074           | \$ —                   | \$ (182)                | \$ 1,892   |
| States, municipalities and political subdivisions | 2,393                | —                           | 2,393              | 8                      | (129)                   | 2,272      |
| U.S. corporate securities                         | 9,838                | (3)                         | 9,835              | 26                     | (903)                   | 8,958      |
| Foreign securities                                | 2,780                | (1)                         | 2,779              | 15                     | (244)                   | 2,550      |
| Residential mortgage-backed securities            | 845                  | —                           | 845                | 1                      | (89)                    | 757        |
| Commercial mortgage-backed securities             | 1,172                | —                           | 1,172              | 1                      | (155)                   | 1,018      |
| Other asset-backed securities                     | 2,940                | —                           | 2,940              | 6                      | (136)                   | 2,810      |
| Redeemable preferred securities                   | 25                   | —                           | 25                 | —                      | (2)                     | 23         |
| Total debt securities <sup>(1)</sup>              | \$ 22,067            | \$ (4)                      | \$ 22,063          | \$ 57                  | \$ (1,840)              | \$ 20,280  |

(1) Investment risks associated with the Company’s experience-rated products generally do not impact the Company’s consolidated operating results. At March 31, 2023, debt securities with a fair value of \$620 million, gross unrealized capital gains of \$5 million and gross unrealized capital losses of \$40 million and at December 31, 2022, debt securities with a fair value of \$609 million, gross unrealized capital gains of \$3 million and gross unrealized capital losses of \$59 million were included in total debt securities, but support experience-rated products. Changes in net unrealized capital gains (losses) on these securities are not reflected in accumulated other comprehensive loss.

The net amortized cost and fair value of debt securities at March 31, 2023 are shown below by contractual maturity. Actual maturities may differ from contractual maturities because securities may be restructured, called or prepaid, or the Company intends to sell a security prior to maturity.

| <i><b>In millions</b></i>              | <b>Net<br/>Amortized<br/>Cost</b> | <b>Fair<br/>Value</b> |
|--|-----------------------------------|-----------------------|
| Due to mature:                         |                                   |                       |
| Less than one year                     | \$ 1,412                          | \$ 1,395              |
| One year through five years            | 6,823                             | 6,510                 |
| After five years through ten years     | 4,627                             | 4,299                 |
| Greater than ten years                 | 4,297                             | 3,960                 |
| Residential mortgage-backed securities | 881                               | 812                   |
| Commercial mortgage-backed securities  | 1,173                             | 1,028                 |
| Other asset-backed securities          | 2,901                             | 2,818                 |
| Total                                  | <u>\$ 22,114</u>                  | <u>\$ 20,822</u>      |

Summarized below are the debt securities the Company held at March 31, 2023 and December 31, 2022 that were in an unrealized capital loss position, aggregated by the length of time the investments have been in that position:

| <i><u>In millions, except number of securities</u></i> | Less than 12 months  |                  |                   | Greater than 12 months |                 |                   | Total                |                  |                   |
|--|----------------------|------------------|-------------------|------------------------|-----------------|-------------------|----------------------|------------------|-------------------|
|  | Number of Securities | Fair Value       | Unrealized Losses | Number of Securities   | Fair Value      | Unrealized Losses | Number of Securities | Fair Value       | Unrealized Losses |
| <b>March 31, 2023</b>                                  |                      |                  |                   |                        |                 |                   |                      |                  |                   |
| Debt securities:                                       |                      |                  |                   |                        |                 |                   |                      |                  |                   |
| U.S. government securities                             | 153                  | \$ 473           | \$ 20             | 323                    | \$ 1,143        | \$ 120            | 476                  | \$ 1,616         | \$ 140            |
| States, municipalities and political subdivisions      | 301                  | 513              | 12                | 583                    | 897             | 74                | 884                  | 1,410            | 86                |
| U.S. corporate securities                              | 2,675                | 3,640            | 167               | 3,300                  | 4,116           | 498               | 5,975                | 7,756            | 665               |
| Foreign securities                                     | 653                  | 946              | 34                | 787                    | 1,163           | 159               | 1,440                | 2,109            | 193               |
| Residential mortgage-backed securities                 | 350                  | 362              | 12                | 183                    | 361             | 59                | 533                  | 723              | 71                |
| Commercial mortgage-backed securities                  | 131                  | 300              | 18                | 328                    | 632             | 128               | 459                  | 932              | 146               |
| Other asset-backed securities                          | 527                  | 1,126            | 23                | 726                    | 1,257           | 67                | 1,253                | 2,383            | 90                |
| Redeemable preferred securities                        | 7                    | 14               | 2                 | 1                      | 3               | —                 | 8                    | 17               | 2                 |
| Total debt securities                                  | <u>4,797</u>         | <u>\$ 7,374</u>  | <u>\$ 288</u>     | <u>6,231</u>           | <u>\$ 9,572</u> | <u>\$ 1,105</u>   | <u>11,028</u>        | <u>\$ 16,946</u> | <u>\$ 1,393</u>   |
| <b>December 31, 2022</b>                               |                      |                  |                   |                        |                 |                   |                      |                  |                   |
| Debt securities:                                       |                      |                  |                   |                        |                 |                   |                      |                  |                   |
| U.S. government securities                             | 519                  | \$ 1,620         | \$ 164            | 35                     | \$ 191          | \$ 18             | 554                  | \$ 1,811         | \$ 182            |
| States, municipalities and political subdivisions      | 859                  | 1,370            | 95                | 196                    | 322             | 34                | 1,055                | 1,692            | 129               |
| U.S. corporate securities                              | 5,193                | 6,537            | 622               | 1,479                  | 1,822           | 281               | 6,672                | 8,359            | 903               |
| Foreign securities                                     | 1,168                | 1,715            | 147               | 403                    | 592             | 97                | 1,571                | 2,307            | 244               |
| Residential mortgage-backed securities                 | 452                  | 464              | 39                | 91                     | 257             | 50                | 543                  | 721              | 89                |
| Commercial mortgage-backed securities                  | 288                  | 611              | 69                | 187                    | 381             | 86                | 475                  | 992              | 155               |
| Other asset-backed securities                          | 1,008                | 1,893            | 88                | 391                    | 694             | 48                | 1,399                | 2,587            | 136               |
| Redeemable preferred securities                        | 13                   | 18               | 2                 | 2                      | 5               | —                 | 15                   | 23               | 2                 |
| Total debt securities                                  | <u>9,500</u>         | <u>\$ 14,228</u> | <u>\$ 1,226</u>   | <u>2,784</u>           | <u>\$ 4,264</u> | <u>\$ 614</u>     | <u>12,284</u>        | <u>\$ 18,492</u> | <u>\$ 1,840</u>   |

The Company reviewed the securities in the table above and concluded that they are performing assets generating investment income to support the needs of the Company's business. In performing this review, the Company considered factors such as the quality of the investment security based on research performed by the Company's internal credit analysts and external rating agencies and the prospects of realizing the carrying value of the security based on the investment's current prospects for recovery. Unrealized capital losses at March 31, 2023 were generally caused by interest rate increases and not by unfavorable changes in the credit quality associated with these securities. As of March 31, 2023, the Company did not intend to sell these securities, and did not believe it was more likely than not that it would be required to sell these securities prior to the anticipated recovery of their amortized cost basis.



The maturity dates for debt securities in an unrealized capital loss position at March 31, 2023 were as follows:

| <i>In millions</i>                     | Supporting<br>experience-rated products |                      | Supporting<br>remaining products |                      | Total            |                      |
|--|---|----------------------|----------------------------------|----------------------|------------------|----------------------|
|  | Fair<br>Value                           | Unrealized<br>Losses | Fair<br>Value                    | Unrealized<br>Losses | Fair<br>Value    | Unrealized<br>Losses |
| Due to mature:                         |   |                      |                                  |                      |                  |                      |
| Less than one year                     | \$ 22                                   | \$ —                 | \$ 1,200                         | \$ 18                | \$ 1,222         | \$ 18                |
| One year through five years            | 125                                     | 3                    | 5,238                            | 330                  | 5,363            | 333                  |
| After five years through ten years     | 120                                     | 12                   | 3,171                            | 346                  | 3,291            | 358                  |
| Greater than ten years                 | 197                                     | 20                   | 2,835                            | 357                  | 3,032            | 377                  |
| Residential mortgage-backed securities | 11                                      | 1                    | 712                              | 70                   | 723              | 71                   |
| Commercial mortgage-backed securities  | 23                                      | 3                    | 909                              | 143                  | 932              | 146                  |
| Other asset-backed securities          | 17                                      | 1                    | 2,366                            | 89                   | 2,383            | 90                   |
| Total                                  | <u>\$ 515</u>                           | <u>\$ 40</u>         | <u>\$ 16,431</u>                 | <u>\$ 1,353</u>      | <u>\$ 16,946</u> | <u>\$ 1,393</u>      |

### ***Mortgage Loans***

The Company's mortgage loans are collateralized by commercial real estate. During the three months ended March 31, 2023 and 2022, the Company had the following activity in its mortgage loan portfolio:

| <i>In millions</i>          | Three Months Ended<br>March 31, |       |
|-----------------------------|---------------------------------|-------|
|                             | 2023                            | 2022  |
| New mortgage loans          | \$ 55                           | \$ 59 |
| Mortgage loans fully repaid | 14                              | 35    |
| Mortgage loans foreclosed   | —                               | —     |

The Company assesses mortgage loans on a regular basis for credit impairments, and assigns a credit quality indicator to each loan. The Company's credit quality indicator is internally developed and categorizes each loan in its portfolio on a scale from 1 to 7. These indicators are based upon several factors, including current loan-to-value ratios, current and future property cash flow, property condition, market trends, creditworthiness of the borrower and deal structure.

- *Category 1* - Represents loans of superior quality.
- *Categories 2 to 4* - Represent loans where credit risk is minimal to acceptable; however, these loans may display some susceptibility to economic changes.
- *Categories 5 and 6* - Represent loans where credit risk is not substantial, but these loans warrant management's close attention.
- *Category 7* - Represents loans where collections are potentially at risk; if necessary, an impairment is recorded.

Based on the Company's assessments at March 31, 2023 and December 31, 2022, the amortized cost basis of the Company's mortgage loans within each credit quality indicator by year of origination was as follows:

|   | Amortized Cost Basis by Year of Origination |               |               |              |              |               |                 |
|---|---|---------------|---------------|--------------|--------------|---------------|-----------------|
| <i>In millions, except credit quality indicator</i> | 2023  | 2022          | 2021          | 2020         | 2019         | Prior         | Total           |
| <b>March 31, 2023</b>                               |   |               |               |              |              |               |                 |
| 1   | \$ —  | \$ —          | \$ —          | \$ —         | \$ —         | \$ 14         | \$ 14           |
| 2 to 4  | 44  | 333           | 248           | 36           | 11           | 385           | 1,057           |
| 5 and 6   | —   | —             | —             | —            | —            | 6             | 6               |
| 7   | —   | —             | —             | —            | —            | —             | —               |
| Total   | <u>\$ 44</u>                                | <u>\$ 333</u> | <u>\$ 248</u> | <u>\$ 36</u> | <u>\$ 11</u> | <u>\$ 405</u> | <u>\$ 1,077</u> |
| <b>December 31, 2022</b>                            |   |               |               |              |              |               |                 |
| 1   |   | \$ —          | \$ —          | \$ —         | \$ —         | \$ 15         | \$ 15           |
| 2 to 4  |   | 326           | 247           | 36           | 11           | 402           | 1,022           |
| 5 and 6   |   | —             | —             | —            | —            | 7             | 7               |
| 7   |   | —             | —             | —            | —            | —             | —               |
| Total   |   | <u>\$ 326</u> | <u>\$ 247</u> | <u>\$ 36</u> | <u>\$ 11</u> | <u>\$ 424</u> | <u>\$ 1,044</u> |

### ***Net Investment Income***

Sources of net investment income for the three months ended March 31, 2023 and 2022 were as follows:

| <i>In millions</i>  | Three Months Ended<br>March 31, |               |
|---|---------------------------------|---------------|
|   | 2023                            | 2022          |
| Debt securities   | \$ 191                          | \$ 164        |
| Mortgage loans  | 13                              | 11            |
| Other investments   | 245                             | 77            |
| Gross investment income                                       | 449                             | 252           |
| Investment expenses   | (10)                            | (9)           |
| Net investment income (excluding net realized capital losses) | 439                             | 243           |
| Net realized capital losses <sup>(1)</sup>                    | (105)                           | (75)          |
| Net investment income <sup>(2)</sup>                          | <u>\$ 334</u>                   | <u>\$ 168</u> |

(1) Net realized capital losses include the reversal of previously recorded credit-related impairment losses on debt securities of \$1 million and yield-related impairment losses on debt securities of \$24 million in the three months ended March 31, 2023. Net realized capital losses include credit-related and yield-related impairment losses on debt securities of \$38 million and \$18 million, respectively, in the three months ended March 31, 2022.

(2) Net investment income includes \$8 million and \$9 million for the three months ended March 31, 2023 and 2022, respectively, related to investments supporting experience-rated products.

Excluding amounts related to experience-rated products, proceeds from the sale of available-for-sale debt securities and the related gross realized capital gains and losses for the three months ended March 31, 2023 and 2022 were as follows:

| <i>In millions</i>            | Three Months Ended<br>March 31, |          |
|-------------------------------|---------------------------------|----------|
|                               | 2023                            | 2022     |
| Proceeds from sales           | \$ 1,341                        | \$ 1,911 |
| Gross realized capital gains  | 3                               | 14       |
| Gross realized capital losses | 111                             | 35       |

#### 4. Fair Value

The preparation of the Company's unaudited condensed consolidated financial statements in accordance with GAAP requires certain assets and liabilities to be reflected at their fair value and others to be reflected on another basis, such as an adjusted historical cost basis. The Company's assets and liabilities carried at fair value have been classified within one of three levels of a hierarchy established by GAAP. The following are the levels of the hierarchy and a brief description of the type of valuation information ("valuation inputs") that qualifies a financial asset or liability for each level:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 – Valuation inputs other than Level 1 that are based on observable market data. These include: quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, valuation inputs that are observable that are not prices (such as interest rates and credit risks) and valuation inputs that are derived from or corroborated by observable markets.
- Level 3 – Developed from unobservable data, reflecting the Company's assumptions.

For a description of the methods and assumptions that are used to estimate the fair value and determine the fair value hierarchy classification of each class of financial instrument, see Note 4 "Fair Value" in the 2022 Form 10-K.

There were no financial liabilities measured at fair value on a recurring basis on the unaudited condensed consolidated balance sheets at March 31, 2023 or December 31, 2022. Financial assets measured at fair value on a recurring basis on the unaudited condensed consolidated balance sheets at March 31, 2023 and December 31, 2022 were as follows:

| <i><u>In millions</u></i>                         | <b>Level 1</b>  | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>     |
|---|-----------------|------------------|----------------|------------------|
| <b>March 31, 2023</b>                             |                 |                  |                |                  |
| Cash and cash equivalents <sup>(1)</sup>          | \$ 5,946        | \$ 8,679         | \$ —           | \$ 14,625        |
| Debt securities:                                  |                 |                  |                |                  |
| U.S. government securities                        | 1,903           | 32               | —              | 1,935            |
| States, municipalities and political subdivisions | —               | 2,254            | —              | 2,254            |
| U.S. corporate securities                         | —               | 9,332            | 32             | 9,364            |
| Foreign securities                                | —               | 2,584            | 8              | 2,592            |
| Residential mortgage-backed securities            | —               | 812              | —              | 812              |
| Commercial mortgage-backed securities             | —               | 1,015            | 13             | 1,028            |
| Other asset-backed securities                     | —               | 2,818            | —              | 2,818            |
| Redeemable preferred securities                   | —               | 19               | —              | 19               |
| Total debt securities                             | 1,903           | 18,866           | 53             | 20,822           |
| Equity securities                                 | 168             | —                | 66             | 234              |
| Total   | <u>\$ 8,017</u> | <u>\$ 27,545</u> | <u>\$ 119</u>  | <u>\$ 35,681</u> |
| <b>December 31, 2022</b>                          |                 |                  |                |                  |
| Cash and cash equivalents <sup>(1)</sup>          | \$ 6,902        | \$ 6,049         | \$ —           | \$ 12,951        |
| Debt securities:                                  |                 |                  |                |                  |
| U.S. government securities                        | 1,860           | 32               | —              | 1,892            |
| States, municipalities and political subdivisions | —               | 2,272            | —              | 2,272            |
| U.S. corporate securities                         | —               | 8,897            | 61             | 8,958            |
| Foreign securities                                | —               | 2,542            | 8              | 2,550            |
| Residential mortgage-backed securities            | —               | 757              | —              | 757              |
| Commercial mortgage-backed securities             | —               | 1,018            | —              | 1,018            |
| Other asset-backed securities                     | —               | 2,810            | —              | 2,810            |
| Redeemable preferred securities                   | —               | 23               | —              | 23               |
| Total debt securities                             | 1,860           | 18,351           | 69             | 20,280           |
| Equity securities                                 | 116             | —                | 60             | 176              |
| Total   | <u>\$ 8,878</u> | <u>\$ 24,400</u> | <u>\$ 129</u>  | <u>\$ 33,407</u> |

(1) Includes cash and cash equivalents of \$7 million and \$6 million which have been accounted for as assets held for sale and are included in assets held for sale on the unaudited condensed consolidated balance sheets at March 31, 2023 and December 31, 2022, respectively. See Note 2 “Acquisitions and Assets Held for Sale” for additional information.

During the three months ended March 31, 2023, there were \$29 million of transfers out of Level 3. During the three months ended March 31, 2022, there were \$3 million of transfers out of Level 3.

The carrying value and estimated fair value classified by level of fair value hierarchy for financial instruments carried on the unaudited condensed consolidated balance sheets at adjusted cost or contract value at March 31, 2023 and December 31, 2022 were as follows:

| <i>In millions</i>               | Carrying Value | Estimated Fair Value |         |          |          |
|----------------------------------|----------------|----------------------|---------|----------|----------|
|                                  |                | Level 1              | Level 2 | Level 3  | Total    |
| March 31, 2023                   |                |                      |         |          |          |
| Assets:                          |                |                      |         |          |          |
| Mortgage loans                   | \$ 1,077       | \$ —                 | \$ —    | \$ 1,037 | \$ 1,037 |
| Equity securities <sup>(1)</sup> | 412            | N/A                  | N/A     | N/A      | N/A      |
| Liabilities:                     |                |                      |         |          |          |
| Investment contract liabilities: |                |                      |         |          |          |
| With a fixed maturity            | 2              | —                    | —       | 2        | 2        |
| Without a fixed maturity         | 327            | —                    | —       | 300      | 300      |
| Long-term debt <sup>(2)</sup>    | 58,231         | 54,960               | —       | —        | 54,960   |
| December 31, 2022                |                |                      |         |          |          |
| Assets:                          |                |                      |         |          |          |
| Mortgage loans                   | \$ 1,044       | \$ —                 | \$ —    | \$ 978   | \$ 978   |
| Equity securities <sup>(1)</sup> | 411            | N/A                  | N/A     | N/A      | N/A      |
| Liabilities:                     |                |                      |         |          |          |
| Investment contract liabilities: |                |                      |         |          |          |
| With a fixed maturity            | 3              | —                    | —       | 3        | 3        |
| Without a fixed maturity         | 332            | —                    | —       | 305      | 305      |
| Long-term debt <sup>(2)</sup>    | 52,257         | 47,653               | —       | —        | 47,653   |

(1) It was not practical to estimate the fair value of these cost-method investments as it represents shares of unlisted companies.

(2) Includes long-term debt of \$3 million which has been accounted for as liabilities held for sale and is included in liabilities held for sale on the unaudited condensed consolidated balance sheets at both March 31, 2023 and December 31, 2022. See Note 2 "Acquisitions and Assets Held for Sale" for additional information.

Separate Accounts assets relate to the Company's large case pensions products which represent funds maintained to meet specific objectives of contract holders. Since contract holders bear the investment risk of these assets, a corresponding Separate Accounts liability has been established equal to the assets. These assets and liabilities are carried at fair value. Separate Accounts financial assets as of March 31, 2023 and December 31, 2022 were as follows:

| <i><b>In millions</b></i> | <b>March 31, 2023</b> |                |                |              | <b>December 31, 2022</b> |                |                |              |
|---------------------------|-----------------------|----------------|----------------|--------------|--------------------------|----------------|----------------|--------------|
|                           | <b>Level 1</b>        | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| Cash and cash equivalents | \$ 1                  | \$ 159         | \$ —           | \$ 160       | \$ 2                     | \$ 154         | \$ —           | \$ 156       |
| Debt securities           | 699                   | 1,946          | —              | 2,645        | 712                      | 1,965          | —              | 2,677        |
| Common/collective trusts  | —                     | 397            | —              | 397          | —                        | 480            | —              | 480          |
| Total <sup>(1)</sup>      | \$ 700                | \$ 2,502       | \$ —           | \$ 3,202     | \$ 714                   | \$ 2,599       | \$ —           | \$ 3,313     |

(1) Excludes \$29 million of other receivables and \$85 million of other payables at March 31, 2023 and December 31, 2022, respectively.

## 5. Health Care Costs Payable

The following table shows the components of the change in health care costs payable during the three months ended March 31, 2023 and 2022:

| <i>In millions</i>   | Three Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2023                            | 2022      |
| Health care costs payable, beginning of the period                               | \$ 10,142                       | \$ 8,678  |
| Less: Reinsurance recoverables   | 5                               | 8         |
| Less: Impact of discount rate on long-duration insurance reserves <sup>(1)</sup> | 8                               | —         |
| Health care costs payable, beginning of the period, net                          | 10,129                          | 8,670     |
| Add: Components of incurred health care costs                                    |                                 |           |
| Current year   | 21,068                          | 18,504    |
| Prior years  | (693)                           | (676)     |
| Total incurred health care costs <sup>(2)</sup>                                  | 20,375                          | 17,828    |
| Less: Claims paid  |                                 |           |
| Current year   | 11,957                          | 10,225    |
| Prior years  | 7,645                           | 6,183     |
| Total claims paid  | 19,602                          | 16,408    |
| Add: Premium deficiency reserve  | —                               | 13        |
| Other <sup>(3)</sup>   | —                               | (13)      |
| Health care costs payable, end of the period, net                                | 10,902                          | 10,090    |
| Add: Reinsurance recoverables  | 5                               | 8         |
| Add: Impact of discount rate on long-duration insurance reserves <sup>(1)</sup>  | (12)                            | 7         |
| Health care costs payable, end of the period                                     | \$ 10,895                       | \$ 10,105 |

- (1) Reflects the difference between the current discount rate and the locked-in discount rate on long-duration insurance reserves which is recorded within accumulated other comprehensive loss on the unaudited condensed consolidated balance sheets. Refer to Note 1 “Significant Accounting Policies” for further information related to the adoption of the long-duration insurance contracts accounting standard.
- (2) Total incurred health care costs for the three months ended March 31, 2023 and 2022 in the table above exclude \$22 million and \$21 million, respectively, of benefit costs recorded in the Health Care Benefits segment that are included in other insurance liabilities on the unaudited condensed consolidated balance sheets and \$51 million and \$61 million, respectively, of benefit costs recorded in the Corporate/Other segment that are included in other insurance liabilities on the unaudited condensed consolidated balance sheets. The incurred health care costs for the three months ended March 31, 2022 also exclude \$13 million for a premium deficiency reserve related to the Company’s Medicaid products.
- (3) As a result of the divestiture of the international health care business domiciled in Thailand (“Thailand business”), the net assets associated with this business were accounted for as assets held for sale and the associated health care costs payable balance was included in accrued expenses on the unaudited condensed consolidated balance sheet at March 31, 2022.

The Company’s estimates of prior years’ health care costs payable decreased by \$693 million and \$676 million, respectively, in the three months ended March 31, 2023 and 2022, because claims were settled for amounts less than originally estimated (i.e., the amount of claims incurred was lower than originally estimated), primarily due to lower health care cost trends as well as the actual claim submission time being faster than originally assumed (i.e., the Company’s completion factors were higher than originally assumed) in estimating health care costs payable at the end of the prior year.

At March 31, 2023, the Company’s liabilities for the ultimate cost of (i) services rendered to the Company’s Insured members but not yet reported to the Company and (ii) claims which have been reported to the Company but not yet paid (collectively, “IBNR”) plus expected development on reported claims totaled approximately \$8.0 billion. The majority of the Company’s liabilities for IBNR plus expected development on reported claims at March 31, 2023 related to the current year.

## 6. Other Insurance Liabilities and Separate Accounts

### Future Policy Benefits

The following tables show the components of the change in the liability for future policy benefits, which is included in other insurance liabilities and other long-term insurance liabilities on the unaudited condensed consolidated balance sheets, during the three months ended March 31, 2023 and 2022:

| <i>In millions</i>   | Three Months Ended<br>March 31, 2023 |                   |
|--|--------------------------------------|-------------------|
|  | Large Case<br>Pensions               | Long-Term<br>Care |
| <b>Present value of expected net premiums <sup>(1)</sup></b>                                 |                                      |                   |
| Liability for future policy benefits, beginning of period - current discount rate            |                                      | \$ 300            |
| Beginning liability for future policy benefits at original (locked-in) discount rate         |                                      | 302               |
| Effect of changes in cash flow assumptions   |                                      | —                 |
| Effect of actual variances from expected experience  |                                      | —                 |
| Adjusted beginning liability for future policy benefits - original (locked-in) discount rate |                                      | 302               |
| Interest accrual (using locked-in discount rate)   |                                      | 4                 |
| Net premiums (actual)  |                                      | (10)              |
| Ending liability for future policy benefits at original (locked-in) discount rate            |                                      | 296               |
| Effect of changes in discount rate assumptions   |                                      | 5                 |
| Liability for future policy benefits, end of period - current discount rate                  |                                      | \$ 301            |
| <b>Present value of expected future policy benefits</b>                                      |                                      |                   |
| Liability for future policy benefits, beginning of period - current discount rate            | \$ 2,253                             | \$ 1,566          |
| Beginning liability for future policy benefits at original (locked-in) discount rate         | 2,425                                | 1,613             |
| Effect of changes in cash flow assumptions   | —                                    | —                 |
| Effect of actual variances from expected experience  | 3                                    | (2)               |
| Adjusted beginning liability for future policy benefits - original (locked-in) discount rate | 2,428                                | 1,611             |
| Issuances (end of quarter)   | 5                                    | —                 |
| Interest accrual (using locked-in discount rate)   | 25                                   | 20                |
| Benefit payments (actual)  | (73)                                 | (18)              |
| Ending liability for future policy benefits at original (locked-in) discount rate            | 2,385                                | 1,613             |
| Effect of changes in discount rate assumptions   | (115)                                | 12                |
| Liability for future policy benefits, end of period - current discount rate                  | \$ 2,270                             | \$ 1,625          |
| Net liability for future policy benefits   | \$ 2,270                             | \$ 1,324          |
| Less: Reinsurance recoverable  | —                                    | —                 |
| Net liability for future policy benefits, net of reinsurance recoverable                     | \$ 2,270                             | \$ 1,324          |

(1) The present value of expected net premiums is equivalent to the present value of expected gross premiums for the long-term care insurance contracts as net premiums are set equal to gross premiums.

| <i>In millions</i>   | Three Months Ended<br>March 31, 2022 |                   |
|--|--------------------------------------|-------------------|
|  | Large Case<br>Pensions               | Long-Term<br>Care |
| <b>Present value of expected net premiums <sup>(1)</sup></b>                                 |                                      |                   |
| Liability for future policy benefits, beginning of the period - current discount rate        |                                      | \$ 389            |
| Beginning liability for future policy benefits at original (locked-in) discount rate         |                                      | 323               |
| Effect of changes in cash flow assumptions   |                                      | —                 |
| Effect of actual variances from expected experience  |                                      | 5                 |
| Adjusted beginning liability for future policy benefits - original (locked-in) discount rate |                                      | 328               |
| Interest accrual (using locked-in discount rate)   |                                      | 4                 |
| Net premiums (actual)  |                                      | (10)              |
| Ending liability for future policy benefits at original (locked-in) discount rate            |                                      | 322               |
| Effect of changes in discount rate assumptions   |                                      | 37                |
| Liability for future policy benefits, end of the period - current discount rate              |                                      | \$ 359            |
| <b>Present value of expected future policy benefits</b>                                      |                                      |                   |
| Liability for future policy benefits, beginning of the period - current discount rate        | \$ 3,034                             | \$ 1,991          |
| Beginning liability for future policy benefits at original (locked-in) discount rate         | 2,650                                | 1,480             |
| Effect of changes in cash flow assumptions   | —                                    | —                 |
| Effect of actual variances from expected experience  | (4)                                  | 6                 |
| Adjusted beginning liability for future policy benefits - original (locked-in) discount rate | 2,646                                | 1,486             |
| Issuances (end of quarter)   | 2                                    | —                 |
| Interest accrual (using locked-in discount rate)   | 27                                   | 19                |
| Benefit payments (actual)  | (75)                                 | (16)              |
| Ending liability for future policy benefits at original (locked-in) discount rate            | 2,600                                | 1,489             |
| Effect of changes in discount rate assumptions   | 140                                  | 283               |
| Liability for future policy benefits, end of the period - current discount rate              | \$ 2,740                             | \$ 1,772          |
| Net liability for future policy benefits   | \$ 2,740                             | \$ 1,413          |
| Less: Reinsurance recoverable  | —                                    | —                 |
| Net liability for future policy benefits, net of reinsurance recoverable                     | \$ 2,740                             | \$ 1,413          |

(1) The present value of expected net premiums is equivalent to the present value of expected gross premiums for the long-term care insurance contracts as net premiums are set equal to gross premiums.



The amount of undiscounted expected gross premiums and expected future benefit payments for long-duration insurance liabilities as of March 31, 2023 and 2022 were as follows:

| <i><u>In millions</u></i>        | <b>2023</b> | <b>2022</b> |
|----------------------------------|-------------|-------------|
| <b>Large case pensions</b>       |             |             |
| Expected future benefit payments | \$ 3,463    | \$ 3,810    |
| Expected gross premiums          | —           | —           |
| <b>Long-term care</b>            |             |             |
| Expected future benefit payments | \$ 3,246    | \$ 3,115    |
| Expected gross premiums          | 428         | 476         |

The weighted-average interest rate used in the measurement of the long-duration insurance liabilities as of March 31, 2023 and 2022 were as follows:

|                            | <b>2023</b> | <b>2022</b> |
|----------------------------|-------------|-------------|
| <b>Large case pensions</b> |             |             |
| Interest accretion rate    | 4.20%       | 4.20%       |
| Current discount rate      | 4.90%       | 3.54%       |
| <b>Long-term care</b>      |             |             |
| Interest accretion rate    | 5.11%       | 5.11%       |
| Current discount rate      | 5.06%       | 3.75%       |

The weighted-average durations (in years) of the long-duration insurance liabilities as of March 31, 2023 and 2022 were as follows:

|                     | <b>2023</b> | <b>2022</b> |
|---------------------|-------------|-------------|
| Large case pensions | 7.4         | 7.6         |
| Long-term care      | 12.5        | 13.3        |

The Company did not have any material differences between the actual experience and expected experience for the significant assumptions used in the computation of the liability for future policy benefits.

### Policyholders' Funds

The following table shows the components of the change in policyholders' funds related to long-duration insurance contracts, which are included in policyholders' funds and other long-term liabilities on the unaudited condensed consolidated balance sheets, during the three months ended March 31, 2023 and 2022:

| <i>In millions, except weighted average crediting rate</i> | Three Months Ended<br>March 31, |               |
|--|---------------------------------|---------------|
|  | 2023                            | 2022          |
| Policyholders' funds, beginning of the period              | \$ 345                          | \$ 522        |
| Deposits received  | (4)                             | (2)           |
| Surrenders and withdrawals                                 | (7)                             | (4)           |
| Interest credited  | 3                               | 4             |
| Change in net unrealized gains (losses)                    | 21                              | (72)          |
| Other  | (9)                             | (4)           |
| Policyholders' funds, end of the period                    | <u>\$ 349</u>                   | <u>\$ 444</u> |
| Weighted average crediting rate                            | 4.55%                           | 4.65%         |
| Net amount at risk   | \$ —                            | \$ —          |
| Cash surrender value                                       | \$ 332                          | \$ 342        |

### Separate Accounts

The following table shows the fair value of assets, by major investment category, supporting Separate Accounts as of March 31, 2023 and December 31, 2022:

| <i>In millions</i>                                | March 31,<br>2023 | December 31,<br>2022 |
|---|-------------------|----------------------|
| Cash and cash equivalents                         | \$ 160            | \$ 156               |
| Debt securities:                                  |                   |                      |
| U.S. government securities                        | 705               | 717                  |
| States, municipalities and political subdivisions | 29                | 27                   |
| U.S. corporate securities                         | 1,642             | 1,667                |
| Foreign securities                                | 204               | 201                  |
| Residential mortgage-backed securities            | 39                | 41                   |
| Commercial mortgage-backed securities             | 6                 | 6                    |
| Other asset-backed securities                     | 20                | 18                   |
| Total debt securities                             | <u>2,645</u>      | <u>2,677</u>         |
| Common/collective trusts                          | <u>397</u>        | <u>480</u>           |
| Total <sup>(1)</sup>                              | <u>\$ 3,202</u>   | <u>\$ 3,313</u>      |

(1) Excludes \$29 million of other receivables and \$85 million of other payables at March 31, 2023 and December 31, 2022, respectively.

The following table shows the components of the change in Separate Accounts liabilities during the three months ended March 31, 2023 and 2022:

| <i><b>In millions</b></i>                            | <b>Three Months Ended<br/>March 31,</b> |                 |
|--|---|-----------------|
|  | <b>2023</b>                             | <b>2022</b>     |
| Separate Accounts liability, beginning of the period | \$ 3,228                                | \$ 5,087        |
| Premiums and deposits                                | 246                                     | 216             |
| Surrenders and withdrawals                           | —                                       | (4)             |
| Benefit payments                                     | (260)                                   | (236)           |
| Investment earnings                                  | 23                                      | (393)           |
| Net transfers from general account                   | —                                       | 5               |
| Other  | (6)                                     | (5)             |
| Separate Accounts liability, end of the period       | <u>\$ 3,231</u>                         | <u>\$ 4,670</u> |
| Cash surrender value, end of the period              | \$ 2,142                                | \$ 3,204        |

The Company did not recognize any gains or losses on assets transferred to Separate Accounts during the three months ended March 31, 2023 and 2022.

## 7. Borrowings

The following table is a summary of the Company's borrowings at March 31, 2023 and December 31, 2022:

| <i><u>In millions</u></i>                        | <b>March 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|--|---------------------------|------------------------------|
| <u>Long-term debt</u>                            |                           |                              |
| 2.8% senior notes due June 2023                  | \$ 1,300                  | \$ 1,300                     |
| 4% senior notes due December 2023                | 414                       | 414                          |
| 3.375% senior notes due August 2024              | 650                       | 650                          |
| 2.625% senior notes due August 2024              | 1,000                     | 1,000                        |
| 3.5% senior notes due November 2024              | 750                       | 750                          |
| 5% senior notes due December 2024 <sup>(1)</sup> | 299                       | 299                          |
| 4.1% senior notes due March 2025                 | 950                       | 950                          |
| 3.875% senior notes due July 2025                | 2,828                     | 2,828                        |
| 5% senior notes due February 2026                | 1,500                     | —                            |
| 2.875% senior notes due June 2026                | 1,750                     | 1,750                        |
| 3% senior notes due August 2026                  | 750                       | 750                          |
| 3.625% senior notes due April 2027               | 750                       | 750                          |
| 6.25% senior notes due June 2027                 | 372                       | 372                          |
| 1.3% senior notes due August 2027                | 2,250                     | 2,250                        |
| 4.3% senior notes due March 2028                 | 5,000                     | 5,000                        |
| 3.25% senior notes due August 2029               | 1,750                     | 1,750                        |
| 5.125% senior notes due February 2030            | 1,500                     | —                            |
| 3.75% senior notes due April 2030                | 1,500                     | 1,500                        |
| 1.75% senior notes due August 2030               | 1,250                     | 1,250                        |
| 1.875% senior notes due February 2031            | 1,250                     | 1,250                        |
| 2.125% senior notes due September 2031           | 1,000                     | 1,000                        |
| 5.25% senior notes due February 2033             | 1,750                     | —                            |
| 4.875% senior notes due July 2035                | 652                       | 652                          |
| 6.625% senior notes due June 2036                | 771                       | 771                          |
| 6.75% senior notes due December 2037             | 533                       | 533                          |
| 4.78% senior notes due March 2038                | 5,000                     | 5,000                        |
| 6.125% senior notes due September 2039           | 447                       | 447                          |
| 4.125% senior notes due April 2040               | 1,000                     | 1,000                        |
| 2.7% senior notes due August 2040                | 1,250                     | 1,250                        |
| 5.75% senior notes due May 2041                  | 133                       | 133                          |
| 4.5% senior notes due May 2042                   | 500                       | 500                          |
| 4.125% senior notes due November 2042            | 500                       | 500                          |
| 5.3% senior notes due December 2043              | 750                       | 750                          |
| 4.75% senior notes due March 2044                | 375                       | 375                          |
| 5.125% senior notes due July 2045                | 3,500                     | 3,500                        |
| 3.875% senior notes due August 2047              | 1,000                     | 1,000                        |
| 5.05% senior notes due March 2048                | 8,000                     | 8,000                        |
| 4.25% senior notes due April 2050                | 750                       | 750                          |
| 5.625% senior notes due February 2053            | 1,250                     | —                            |
| Finance lease liabilities                        | 1,483                     | 1,465                        |
| Other  | 311                       | 314                          |
| Total debt principal                             | 58,768                    | 52,753                       |
| Debt premiums                                    | 198                       | 200                          |
| Debt discounts and deferred financing costs      | (735)                     | (696)                        |
|  | 58,231                    | 52,257                       |
| Less:  |                           |                              |
| Current portion of long-term debt                | (1,778)                   | (1,778)                      |
| Long-term debt <sup>(1)</sup>                    | \$ 56,453                 | \$ 50,479                    |

(1) Includes long-term debt of \$3 million which has been accounted for as liabilities held for sale and is included in liabilities held for sale on the unaudited condensed consolidated balance sheets at both March 31, 2023 and December 31, 2022. See Note 2 "Acquisitions and Assets Held for Sale" for additional information.

## Short-term Borrowings

### Term Loan Agreement

On May 1, 2023, the Company entered into a 364-day \$5.0 billion term loan agreement. The term loan agreement allows for borrowings at various rates that are dependent, in part, on the Company's debt ratings. On May 2, 2023, the Company borrowed \$5.0 billion under the term loan agreement to fund a portion of the Oak Street Health acquisition purchase price.

## Long-term Borrowings

### 2023 Notes

On February 21, 2023, the Company issued \$1.5 billion aggregate principal amount of 5.0% senior notes due February 2026, \$1.5 billion aggregate principal amount of 5.125% senior notes due February 2030, \$1.75 billion aggregate principal amount of 5.25% senior notes due February 2033 and \$1.25 billion aggregate principal amount of 5.625% senior notes due February 2053 for total proceeds of approximately \$6.0 billion, net of discounts and underwriting fees. The net proceeds of these offerings were used to fund general corporate purposes, including a portion of the Signify Health Acquisition purchase price.

## 8. Shareholders' Equity

### Share Repurchases

The following share repurchase programs have been authorized by CVS Health Corporation's Board of Directors (the "Board"):

| <u>In billions</u><br><u>Authorization Date</u> | <u>Authorized</u> | <u>Remaining as of</u><br><u>March 31, 2023</u> |
|---|-------------------|---|
| November 17, 2022 ("2022 Repurchase Program")   | \$ 10.0           | \$ 10.0   |
| December 9, 2021 ("2021 Repurchase Program")    | 10.0              | 4.5   |

Each of the share Repurchase Programs was effective immediately and permit the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase ("ASR") transactions, and/or other derivative transactions. Both the 2022 and 2021 Repurchase Programs can be modified or terminated by the Board at any time.

During the three months ended March 31, 2023 and 2022, the Company repurchased an aggregate of 22.8 million shares of common stock for approximately \$2.0 billion and an aggregate of 19.1 million shares of common stock for approximately \$2.0 billion, respectively, both pursuant to the 2021 Repurchase Program. This activity includes the share repurchases under the ASR transactions described below.

Pursuant to the authorization under the 2021 Repurchase Program, the Company entered into a \$2.0 billion fixed dollar ASR with Citibank, N.A. ("Citibank"). Upon payment of the \$2.0 billion purchase price on January 4, 2023, the Company received a number of shares of CVS Health Corporation's common stock equal to 80% of the \$2.0 billion notional amount of the ASR or approximately 17.4 million shares at a price of \$92.19 per share, which were placed into treasury stock in January 2023. The ASR was accounted for as an initial treasury stock transaction for \$1.6 billion and a forward contract for \$0.4 billion. The forward contract was classified as an equity instrument and was recorded within capital surplus. In February 2023, the Company received approximately 5.4 million shares of CVS Health Corporation's common stock, representing the remaining 20% of the \$2.0 billion notional amount of the ASR, thereby concluding the ASR. These shares were placed into treasury and the forward contract was reclassified from capital surplus to treasury stock in February 2023.

Pursuant to the authorization under the 2021 Repurchase Program, the Company entered into a \$1.5 billion fixed dollar ASR with Barclays Bank PLC ("Barclays"). Upon payment of the \$1.5 billion purchase price on January 4, 2022, the Company received a number of shares of CVS Health Corporation's common stock equal to 80% of the \$1.5 billion notional amount of the ASR or approximately 11.6 million shares at a price of \$103.34 per share, which were placed into treasury stock in January 2022. The ASR was accounted for as an initial treasury stock transaction for \$1.2 billion and a forward contract for \$0.3 billion. The forward contract was classified as an equity instrument and was recorded within capital surplus. In February 2022, the Company received approximately 2.7 million shares of CVS Health Corporation's common stock, representing the remaining 20% of the \$1.5 billion notional amount of the ASR, thereby concluding the ASR. These shares were placed into treasury and the forward contract was reclassified from capital surplus to treasury stock in February 2022.

At the time they were received, the initial and final receipt of shares resulted in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share.

### ***Dividends***

The quarterly cash dividend declared by the Board was \$0.605 and \$0.55 per share in the three months ended March 31, 2023 and 2022, respectively. CVS Health Corporation has paid cash dividends every quarter since becoming a public company. Future dividend payments will depend on the Company's earnings, capital requirements, financial condition and other factors considered relevant by the Board.

## 9. Other Comprehensive Income (Loss)

Shareholders' equity included the following activity in accumulated other comprehensive income (loss) for the three months ended March 31, 2023 and 2022:

| <i>In millions</i>  | Three Months Ended<br>March 31, |          |
|---|---------------------------------|----------|
|   | 2023                            | 2022     |
| <b>Net unrealized investment gains (losses):</b>  |                                 |          |
| Beginning of period balance   | \$ (1,519)                      | \$ 778   |
| Adoption of new accounting standard <i>(\$0 and \$26 pretax)</i> <sup>(1)</sup>                                       | —                               | 20       |
| Other comprehensive income (loss) before reclassifications <i>(\$340 and \$(1,375) pretax)</i>                        | 339                             | (1,207)  |
| Amounts reclassified from accumulated other comprehensive income (loss) <i>(\$131 and \$77 pretax)</i> <sup>(2)</sup> | 131                             | 75       |
| Other comprehensive income (loss)   | 470                             | (1,132)  |
| End of period balance   | (1,049)                         | (334)    |
| <b>Change in discount rate on long-duration insurance reserves:</b>   |                                 |          |
| Beginning of period balance   | 219                             | —        |
| Adoption of new accounting standard <i>(\$0 and \$(838) pretax)</i> <sup>(1)</sup>                                    | —                               | (651)    |
| Other comprehensive income (loss) before reclassifications <i>(\$101 and \$475 pretax)</i>                            | (74)                            | 369      |
| Other comprehensive income (loss)   | (74)                            | 369      |
| End of period balance   | 145                             | (282)    |
| <b>Foreign currency translation adjustments:</b>  |                                 |          |
| Beginning of period balance   | —                               | —        |
| Other comprehensive income (loss) before reclassifications  | (1)                             | 3        |
| Other comprehensive income (loss)   | (1)                             | 3        |
| End of period balance   | (1)                             | 3        |
| <b>Net cash flow hedges:</b>  |                                 |          |
| Beginning of period balance   | 239                             | 222      |
| Other comprehensive loss before reclassifications <i>(\$5) and \$0 pretax)</i>  | (4)                             | —        |
| Amounts reclassified from accumulated other comprehensive income <i>(\$3) and \$(4) pretax)</i> <sup>(3)</sup>        | (2)                             | (3)      |
| Other comprehensive loss  | (6)                             | (3)      |
| End of period balance   | 233                             | 219      |
| <b>Pension and other postretirement benefits:</b>   |                                 |          |
| Beginning of period balance   | (203)                           | (35)     |
| Other comprehensive income  | —                               | —        |
| End of period balance   | (203)                           | (35)     |
| Total beginning of period accumulated other comprehensive income (loss)   | (1,264)                         | 965      |
| Adoption of new accounting standard <sup>(1)</sup>  | —                               | (631)    |
| Total other comprehensive income (loss)   | 389                             | (763)    |
| Total end of period accumulated other comprehensive loss  | \$ (875)                        | \$ (429) |

(1) Reflects the adoption of ASU 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts (Topic 944)* during the three months ended March 31, 2023. See Note 1 "Significant Accounting Policies" for additional information.

(2) Amounts reclassified from accumulated other comprehensive income (loss) for specifically identified debt securities are included in net investment income in the unaudited condensed consolidated statements of operations.

- (3) Amounts reclassified from accumulated other comprehensive income for specifically identified cash flow hedges are included in interest expense in the unaudited condensed consolidated statements of operations. The Company expects to reclassify approximately \$14 million, net of tax, in net gains associated with its cash flow hedges into net income within the next 12 months.

## 10. Earnings Per Share

Earnings per share is computed using the treasury stock method. Stock options and stock appreciation rights to purchase 4 million and 2 million shares of common stock were outstanding, but were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2023 and 2022, respectively, because their exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

The following is a reconciliation of basic and diluted earnings per share for the respective periods:

| <i><u>In millions, except per share amounts</u></i> | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2023</b>                             | <b>2022</b> |
| Numerator for earnings per share calculation:       |   |             |
| Net income attributable to CVS Health               | \$ 2,136                                | \$ 2,354    |
| Denominator for earnings per share calculation:     |   |             |
| Weighted average shares, basic                      | 1,283                                   | 1,312       |
| Restricted stock units and performance stock units  | 5                                       | 10          |
| Stock options and stock appreciation rights         | 3                                       | 6           |
| Weighted average shares, diluted                    | 1,291                                   | 1,328       |
| Earnings per share:                                 |   |             |
| Basic   | \$ 1.66                                 | \$ 1.79     |
| Diluted   | \$ 1.65                                 | \$ 1.77     |

## 11. Commitments and Contingencies

### *Lease Guarantees*

Between 1995 and 1997, the Company sold or spun off a number of subsidiaries, including Bob's Stores and Linens 'n Things, each of which subsequently filed for bankruptcy, and Marshalls. In many cases, when a former subsidiary leased a store, the Company provided a guarantee of the former subsidiary's lease obligations for the initial lease term and any extension thereof pursuant to a renewal option provided for in the lease prior to the time of the disposition. When the subsidiaries were disposed of and accounted for as discontinued operations, the Company's guarantees remained in place, although each initial purchaser agreed to indemnify the Company for any lease obligations the Company was required to satisfy. If any of the purchasers or any of the former subsidiaries fail to make the required payments under a store lease, the Company could be required to satisfy those obligations. As of March 31, 2023, the Company guaranteed 64 such store leases (excluding the lease guarantees related to Linens 'n Things, which have been recorded as a liability on the unaudited condensed consolidated balance sheets), with the maximum remaining lease term extending through 2034.

### *Guaranty Fund Assessments, Market Stabilization and Other Non-Voluntary Risk Sharing Pools*

Under guaranty fund laws existing in all states, insurers doing business in those states can be assessed (in most states up to prescribed limits) for certain obligations of insolvent insurance companies to policyholders and claimants. The life and health insurance guaranty associations in which the Company participates that operate under these laws respond to insolvencies of long-term care insurers and life insurers as well as health insurers. The Company's assessments generally are based on a formula relating to the Company's health care premiums in the state compared to the premiums of other insurers. Certain states allow assessments to be recovered over time as offsets to premium taxes. Some states have similar laws relating to HMOs and/or other payors such as not-for-profit consumer-governed health plans established under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010.

In 2009, the Pennsylvania Insurance Commissioner placed long-term care insurer Penn Treaty Network America Insurance Company and one of its subsidiaries (collectively, "Penn Treaty") in rehabilitation, an intermediate action before insolvency,



and subsequently petitioned a state court to convert the rehabilitation into a liquidation. Penn Treaty was placed in liquidation in March 2017. The Company has recorded a liability for its estimated share of future assessments by applicable life and health insurance guaranty associations. It is reasonably possible that in the future the Company may record a liability and expense relating to other insolvencies which could have a material adverse effect on the Company's operating results, financial condition and cash flows, and the risk is heightened by any significant adverse impact the coronavirus disease 2019 ("COVID-19") pandemic had on the solvency of other insurers, including long-term care and life insurers. While historically the Company has ultimately recovered more than half of guaranty fund assessments through statutorily permitted premium tax offsets, significant increases in assessments could lead to legislative and/or regulatory actions that limit future offsets.

HMOs in certain states in which the Company does business are subject to assessments, including market stabilization and other risk-sharing pools, for which the Company is assessed charges based on incurred claims, demographic membership mix and other factors. The Company establishes liabilities for these assessments based on applicable laws and regulations. In certain states, the ultimate assessments the Company pays are dependent upon the Company's experience relative to other entities subject to the assessment, and the ultimate liability is not known at the financial statement date. While the ultimate amount of the assessment is dependent upon the experience of all pool participants, the Company believes it has adequate reserves to cover such assessments.

### ***Litigation and Regulatory Proceedings***

The Company has been involved or is currently involved in numerous legal proceedings, including litigation, arbitration, government investigations, audits, reviews and claims. These include routine, regular and special investigations, audits and reviews by the U.S. Centers for Medicare & Medicaid Services ("CMS"), state insurance and health and welfare departments, the U.S. Department of Justice (the "DOJ"), state Attorneys General, the U.S. Drug Enforcement Administration (the "DEA"), the U.S. Federal Trade Commission (the "FTC") and other governmental authorities.

Legal proceedings, in general, and securities, class action and multi-district litigation, in particular, and governmental special investigations, audits and reviews can be expensive and disruptive. Some of the litigation matters may purport or be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. The Company also may be named from time to time in *qui tam* actions initiated by private third parties that could also be separately pursued by a governmental body. The results of legal proceedings, including government investigations, are often uncertain and difficult to predict, and the costs incurred in these matters can be substantial, regardless of the outcome.

The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and reasonably estimable, the Company does not establish an accrued liability. Other than the controlled substances litigation accruals described below, none of the Company's accruals for outstanding legal matters are material individually or in the aggregate to the Company's unaudited condensed consolidated balance sheets.

Except as otherwise noted, the Company cannot predict with certainty the timing or outcome of the legal matters described below, and the Company is unable to reasonably estimate a possible loss or range of possible loss in excess of amounts already accrued for these matters. The Company believes that its defenses and assertions in pending legal proceedings have merit and does not believe that any of these pending matters, after consideration of applicable reserves and rights to indemnification, will have a material adverse effect on the Company's financial position. Substantial unanticipated verdicts, fines and rulings, however, do sometimes occur, which could result in judgments against the Company, entry into settlements or a revision to its expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on its results of operations. In addition, as a result of governmental investigations or proceedings, the Company may be subject to damages, civil or criminal fines or penalties, or other sanctions including possible suspension or loss of licensure and/or exclusion from participating in government programs. The outcome of such governmental investigations of proceedings could be material to the Company.

### **Usual and Customary Pricing Litigation**

The Company is named as a defendant in a number of lawsuits that allege that the Company's retail pharmacies overcharged for prescription drugs by not submitting the correct usual and customary price during the claims adjudication process. These actions are brought by a number of different types of plaintiffs, including plan members, private payors and government payors, and are based on different legal theories. Some of these cases are brought as putative class actions, and in some instances,

classes have been certified. In October 2022, one of the litigating shareholders made a litigation demand to the Board related to these and other issues after his amended derivative complaint was dismissed for failing to demonstrate demand futility. The Company is defending itself against these claims.

#### PBM Litigation and Investigations

The Company is named as a defendant in a number of lawsuits and is subject to a number of investigations concerning its PBM practices.

The Company is facing multiple lawsuits, including by state Attorneys General, governmental subdivisions, and several putative class actions, regarding drug pricing and its rebate arrangements with drug manufacturers. These complaints, brought by a number of different types of plaintiffs under a variety of legal theories, generally allege that rebate agreements between the drug manufacturers and PBMs caused inflated prices for certain drug products. The Company is defending itself against these claims. The Company has also received subpoenas, civil investigative demands (“CIDs”), and other requests for documents and information from, and is being investigated by, the FTC and Attorneys General of several states and the District of Columbia regarding its PBM practices, including pricing and rebates. The Company has been providing documents and information in response to these subpoenas, CIDs, and requests for information.

*United States ex rel. Behnke v. CVS Caremark Corporation*, et al. (U.S. District Court for the Eastern District of Pennsylvania). In April 2018, the Court unsealed a complaint filed in February 2014. The government has declined to intervene in this case. The relator alleges that the Company submitted, or caused to be submitted, to Part D of the Medicare program Prescription Drug Event data and/or Direct and Indirect Remuneration reports that misrepresented true prices paid by the Company’s PBM to pharmacies for drugs dispensed to Part D beneficiaries with prescription benefits administered by the Company’s PBM. The Company is defending itself against these claims.

#### Controlled Substances Litigation, Audits and Subpoenas

In December 2017, the U.S. Judicial Panel on Multidistrict Litigation consolidated numerous cases filed against various defendants by plaintiffs such as counties, cities, hospitals, Indian tribes and third-party payors, alleging claims beginning as far back as the early 2000s generally concerning the impacts of widespread prescription opioid abuse. The consolidated multidistrict litigation captioned *In re National Prescription Opiate Litigation* (MDL No. 2804) is pending in the U.S. District Court for the Northern District of Ohio. This multidistrict litigation presumptively includes hundreds of relevant federal court cases that name the Company as a defendant. A significant number of similar cases that name the Company as a defendant in some capacity are pending in state courts.

In addition, the Company has been named as a defendant in similar cases brought by certain state Attorneys General. The Company is defending itself against all such claims. Additionally, the Company has received subpoenas, CIDs, and/or other requests for information regarding opioids from state Attorneys General and insurance and other regulators of several U.S. jurisdictions. The Company has been cooperating with the government with respect to these subpoenas, CIDs, and other requests for information.

In November 2021, the Company was among the chain pharmacies found liable by a jury in a trial in federal court in Ohio; in August 2022, the court issued a judgment jointly against the three defendants in the amount of \$651 million to be paid over 15 years, and also ordered certain injunctive relief. The Company is appealing the judgment and has not accrued a liability for this matter.

In December 2022, the Company agreed to a formal settlement agreement, the financial amounts of which were agreed to in principle in October 2022, with a leadership group of a number of state Attorneys General and the Plaintiffs’ Executive Committee (“PEC”). The agreement would resolve substantially all opioid claims against Company entities by states and political subdivisions, but not private plaintiffs. The maximum amount payable by the Company under the settlement would be approximately \$4.3 billion in opioid remediation and \$625 million in attorneys’ fees and costs and additional remediation. The amounts would be payable over 10 years, beginning in 2023. The agreement also contains injunctive terms relating to the dispensing of opioid medications. The settlement agreement is available at [nationalopioidsettlement.com](http://nationalopioidsettlement.com).

Under the settlement agreement, before the Company determines whether to enter into any final settlement, it will assess the number and identities of the governmental entities that will participate in any such settlement. The settlement agreement contemplates that if certain governmental entities do not agree to the settlement, but the Company nonetheless concludes that there is sufficient participation to warrant going forward with the settlement, there would be a corresponding reduction in the

amount due from the Company to account for the governmental entities that did not agree. Those non-participating governmental entities would be entitled to pursue their claims against the Company and other defendants. Private plaintiff litigation will also continue.

The Company has been informed that 45 states, the District of Columbia, and all eligible United States territories have elected to join the settlement. The Company has elected to proceed with the settlement process based on that level of participation. The settlement process will progress to the period during which subdivisions may elect to join. The Company has separately entered into settlement agreements with the Cherokee Nation and four states: Florida, West Virginia, New Mexico, and Nevada.

In December 2022, the Company also agreed to a formal settlement agreement with a leadership group representing tribes throughout the United States. The agreement resolves substantially all opioid claims against Company entities by such tribes. The maximum amount payable by the Company under the settlement is \$113 million in opioid remediation and \$16 million in attorneys' fees and costs, payable over 10 years.

The Company has concluded that settlement of opioid claims by governmental entities and tribes is probable, and the loss related thereto could be reasonably estimated. As a result of that conclusion, and its assessment of certain other opioid-related claims including those for which the Company reached agreement in August and September 2022, the Company recorded pre-tax charges of \$5.3 billion during the year ended December 31, 2022. Settlement accruals expected to be paid within twelve months from the balance sheet date are classified as accrued expenses on the unaudited condensed consolidated balance sheets and settlement accruals expected to be paid greater than twelve months from the balance sheet date are classified as other long-term liabilities on the unaudited condensed consolidated balance sheets. Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment requires judgments about future events. Moreover, the settlement is in its early phases, and there is no assurance that contingencies will be satisfied. The amount of ultimate loss may differ materially from this accrual.

Because of the many uncertainties associated with any settlement arrangement or other resolution of all opioid-related litigation matters, including the uncertain scope of participation by governmental entities, and given that the Company continues to actively defend ongoing litigation for which it believes it has defenses and assertions that have merit, the Company is not able to reasonably estimate the range of ultimate possible loss for all opioid-related litigation matters at this time. The outcome of these legal matters could have a material effect on the Company's business, financial condition, operating results and/or cash flows.

In January 2020, the DOJ served the Company with a DEA administrative subpoena. The subpoena seeks documents relating to practices with respect to prescription opioids and other controlled substances at CVS pharmacy locations concerning potential violations of the federal Controlled Substances Act and the federal False Claims Act. The DOJ subsequently served additional DEA administrative subpoenas relating to controlled substances. The DOJ also served the Company with additional CIDs relating to controlled substances. The Company is providing documents and information in response to these matters.

#### Prescription Processing Litigation and Investigations

The Company is named as a defendant in a number of lawsuits and is subject to a number of investigations concerning its prescription processing practices, including the following:

*U.S. ex rel. Bassan et al. v. Omnicare, Inc. and CVS Health Corp.* (U.S. District Court for the Southern District of New York). In December 2019, the U.S. Attorney's Office for the Southern District of New York (the "SDNY") filed a complaint-in-intervention in this previously sealed *qui tam* case. The complaint alleges that for certain non-skilled nursing facilities, Omnicare improperly filled prescriptions beyond one year where a valid prescription did not exist and that these dispensing events violated the federal False Claims Act. The Company is defending itself against these claims.

*U.S. ex rel. Gill et al. v. CVS Health Corp. et al.* (U.S. District Court for the Northern District of Illinois). In July 2022, the Delaware Attorney General's Office moved for partial intervention as to allegations under the Delaware false claims act related to not escheating alleged overpayments in this previously sealed *qui tam* case. The federal government and the remaining states declined to intervene on other additional theories in the relator's complaint. The Company is defending itself against all of the claims.

In July 2017, the Company also received a subpoena from the California Department of Insurance requesting documents concerning the Company's Omnicare pharmacies' cycle fill process for assisted living facilities. The Company has been cooperating with the California Department of Insurance and providing documents and information in response to this subpoena.

In December 2016, the Company received a CID from the U.S. Attorney's Office for the Northern District of New York requesting documents and information in connection with a federal False Claims Act investigation concerning whether the Company's retail pharmacies improperly submitted certain insulin claims to Part D of the Medicare program rather than Part B of the Medicare program. The Company has been cooperating with the government and providing documents and information in response to this CID.

#### Provider Proceedings

The Company is named as a defendant in purported class actions and individual lawsuits arising out of its practices related to the payment of claims for services rendered to its members by providers with whom the Company has a contract and with whom the Company does not have a contract ("out-of-network providers"). Among other things, these lawsuits allege that the Company paid too little to its health plan members and/or providers for out-of-network services (including COVID-19 testing) and/or otherwise allege that the Company failed to timely or appropriately pay or administer claims and benefits (including the Company's post payment audit and collection practices). Other major health insurers are the subject of similar litigation or have settled similar litigation.

The Company also has received subpoenas and/or requests for documents and other information from, and been investigated by, state Attorneys General and other state and/or federal regulators, legislators and agencies relating to claims payments, and the Company is involved in other litigation regarding, its out-of-network benefit payment and administration practices. It is reasonably possible that others could initiate additional litigation or additional regulatory action against the Company with respect to its out-of-network benefit payment and/or administration practices.

#### CMS Actions

CMS regularly audits the Company's performance to determine its compliance with CMS's regulations and its contracts with CMS and to assess the quality of services it provides to Medicare beneficiaries. CMS uses various payment mechanisms to allocate and adjust premium payments to the Company's and other companies' Medicare plans by considering the applicable health status of Medicare members as supported by information prepared, maintained and provided by providers. The Company collects claim and encounter data from providers and generally relies on providers to appropriately code their submissions to the Company and document their medical records, including the diagnosis data submitted to the Company with claims. CMS pays increased premiums to Medicare Advantage plans and Medicare PDP plans for members who have certain medical conditions identified with specific diagnosis codes. Federal regulators review and audit the providers' medical records to determine whether those records support the related diagnosis codes that determine the members' health status and the resulting risk-adjusted premium payments to the Company. In that regard, CMS has instituted risk adjustment data validation ("RADV") audits of various Medicare Advantage plans, including certain of the Company's plans, to validate coding practices and supporting medical record documentation maintained by providers and the resulting risk-adjusted premium payments to the plans. CMS may require the Company to refund premium payments if the Company's risk-adjusted premiums are not properly supported by medical record data. The Office of the Inspector General of the U.S. Department of Health and Human Services ("OIG") also is auditing the Company's risk adjustment-related data and that of other companies. The Company expects CMS and the OIG to continue these types of audits.

In 2012, in the "Notice of Final Payment Error Calculation for Part C Medicare Advantage Risk Adjustment Validation Data (RADV) Contract-Level Audits," CMS revised its audit methodology for RADV contract-level audits to determine refunds payable by Medicare Advantage plans for contract year 2011 and forward. Under the revised methodology, among other things, CMS announced extrapolation of the error rate identified in the audit sample along with the application of a process to account for errors in the government's traditional fee-for-service Medicare program ("FFS Adjuster"). For contract years prior to 2011, CMS did not extrapolate sample error rates to the entire contract, nor did CMS propose to apply a FFS adjuster. By applying the FFS Adjuster, Medicare Advantage organizations would have been liable for repayments only to the extent that their extrapolated payment errors exceeded the error rate in Original Medicare, which could have impacted the extrapolated repayments to which Medicare Advantage organizations are subject. This revised contract-level audit methodology increased the Company's exposure to premium refunds to CMS based on incomplete medical records maintained by providers. In the RADV audit methodology CMS used from 2011-2013, CMS selected only a few of the Company's Medicare Advantage contracts for various contract years for contract-level RADV audits. In October 2018, CMS in the proposed rule ("Proposed Rule") announced a new methodology for RADV audits targeting certain health conditions and members with many diagnostic conditions along with extrapolation for the error rates identified without use of a FFS Adjuster. While the rule was under proposal, CMS initiated contract-level RADV audits for the years 2014 and 2015 with this new RADV methodology without a final rule.

On January 30, 2023, CMS released the final rule (“RADV Audit Rule”), announcing it may use extrapolation for payment years 2018 forward, for both RADV audits and OIG audits, and eliminated the application of a FFS Adjuster in Part C contract-level RADV audits of Medicare Advantage organizations. In the RADV Audit Rule, CMS indicated that it will use more than one audit methodology going forward and indicated CMS will audit contracts it believes are at the highest risk for overpayments based on its statistical modeling, citing a 2016 Governmental Accountability Office report that recommended selection of contract-level RADV audits with a focus on contracts likely to have high rates of improper payment, the highest coding intensity scores, and contracts with high levels of unsupported diagnoses from prior RADV audits.

The Company is currently unable to predict which of its Medicare Advantage contracts will be selected for future audit, the amounts of any retroactive refunds for years prior to 2018 or prospective adjustments to Medicare Advantage premium payments made to the Company, the effect of any such refunds or adjustments on the actuarial soundness of the Company’s Medicare Advantage bids, or whether any RADV audit findings would require the Company to change its method of estimating future premium revenue in future bid submissions to CMS or compromise premium assumptions made in the Company’s bids for prior contract years, the current contract year or future contract years. Any premium or fee refunds or adjustments resulting from regulatory audits, whether as a result of RADV, Public Exchange related or other audits by CMS, the OIG or otherwise, including audits of the Company’s minimum loss ratio rebates, methodology and/or reports, could be material and could adversely affect the Company’s operating results, cash flows and/or financial condition.

The RADV Audit Rule does not apply to the CMS Part C Improper Payment Measures audits nor the HHS-RADV programs.

#### Medicare and Medicaid Litigation and Investigations

The Company has received CIDs from the Civil Division of the DOJ in connection with a current investigation of the Company’s patient chart review processes related to risk adjustment data submissions under Parts C and D of the Medicare program. The Company has been cooperating with the government and providing documents and information in response to these CIDs.

In May 2017, the Company received a CID from the U.S. Attorney’s Office for the Southern District of New York requesting documents and information concerning possible false claims submitted to Medicare in connection with reimbursements for prescription drugs under the Medicare Part D program. The Company has been cooperating with the government and providing documents and information in response to this CID.

#### Stockholder Matters

Beginning in February 2019, multiple class action complaints, as well as a derivative complaint, were filed by putative plaintiffs against the Company and certain current and former officers and directors. The plaintiffs in these cases assert a variety of causes of action under federal securities laws that are premised on allegations that the defendants made certain omissions and misrepresentations relating to the performance of the Company’s LTC business unit. Since filing, several of the cases have been consolidated, and two have resolved, including the first-filed federal case, *City of Miami Fire Fighters’ and Police Officers’ Retirement Trust*, et al. (formerly known as *Anarkat*), the dismissal of which the First Circuit affirmed in August 2022. The Company and its current and former officers and directors are defending themselves against remaining claims. The Company has moved to dismiss the amended complaint in *In re CVS Health Corp. Securities Act Litigation* (formerly known as *Waterford*). In *In re CVS Health Corp. Securities Litigation* (formerly known as *City of Warren and Freundlich*), the court granted the Company’s motion to dismiss in February 2023 and the plaintiffs have filed a notice of appeal.

In August and September 2020, two class actions under the Employee Retirement Income Security Act of 1974 (“ERISA”) were filed in the U.S. District Court for the District of Connecticut against CVS Health, Aetna, and several current and former executives, directors and/or members of Aetna’s Compensation and Talent Management Committee: *Radcliffe v. Aetna Inc.*, et al. and *Flaim v. Aetna Inc.*, et al. The plaintiffs in these cases asserted a variety of causes of action premised on allegations that the defendants breached fiduciary duties and engaged in prohibited transactions relating to participants in the Aetna 401(k) Plan’s investment in company stock between December 3, 2017 and February 20, 2019, claiming losses related to the performance of the Company’s LTC business. In October 2022, the court granted the Company’s motion to dismiss the amended consolidated complaint with prejudice. Plaintiffs appealed this decision to the Second Circuit and later withdrew the appeal in January 2023.

Beginning in December 2021, the Company has received two demands for inspection of books and records pursuant to Delaware Corporation Law Section 220, as well as a derivative complaint (*Vladimir Gusinsky Revocable Trust v. Lynch, et al.*) that was filed in January 2023. The demands and the complaint purport to be related to potential breaches of fiduciary duties by

the Board in relation to certain matters concerning opioids. The Company and its current and former officers and directors are defending themselves against these matters.

#### Other Legal and Regulatory Proceedings

The Company is also a party to other legal proceedings and is subject to government investigations, inquiries and audits and has received and is cooperating with the government in response to CIDs, subpoenas, or similar process from various governmental agencies requesting information. These other legal proceedings and government actions include claims of or relating to bad faith, medical or professional malpractice, breach of fiduciary duty, claims processing, dispensing of medications, non-compliance with state and federal regulatory regimes, marketing misconduct, denial of or failure to timely or appropriately pay or administer claims and benefits, provider network structure (including the use of performance-based networks and termination of provider contracts), rescission of insurance coverage, improper disclosure or use of personal information, anticompetitive practices, general contractual matters, product liability, intellectual property litigation, and employment litigation. Some of these other legal proceedings are or are purported to be class actions or derivative claims. The Company is defending itself against the claims brought in these matters.

Awards to the Company and others of certain government contracts, particularly Medicaid contracts and other contracts with government customers in the Company's Health Care Benefits segment, frequently are subject to protests by unsuccessful bidders. These protests may result in awards to the Company being reversed, delayed, or modified. The loss or delay in implementation of any government contract could adversely affect the Company's operating results. The Company will continue to defend contract awards it receives.

There also continues to be a heightened level of review and/or audit by regulatory authorities and legislators of, and increased litigation regarding, the Company's and the rest of the health care and related benefits industry's business and reporting practices, including premium rate increases, utilization management, development and application of medical policies, complaint, grievance and appeal processing, information privacy, provider network structure (including provider network adequacy, the use of performance-based networks and termination of provider contracts), provider directory accuracy, calculation of minimum medical loss ratios and/or payment of related rebates, delegated arrangements, rescission of insurance coverage, limited benefit health products, student health products, pharmacy benefit management practices (including manufacturers' rebates, pricing, the use of narrow networks and the placement of drugs in formulary tiers), sales practices, customer service practices, vendor oversight, and claim payment practices (including payments to out-of-network providers).

As a leading national health solutions company, the Company regularly is the subject of government actions of the types described above. These government actions may prevent or delay the Company from implementing planned premium rate increases and may result, and have resulted, in restrictions on the Company's businesses, changes to or clarifications of the Company's business practices, retroactive adjustments to premiums, refunds or other payments to members, beneficiaries, states or the federal government, withholding of premium payments to the Company by government agencies, assessments of damages, civil or criminal fines or penalties, or other sanctions, including the possible suspension or loss of licensure and/or suspension or exclusion from participation in government programs.

The Company can give no assurance that its businesses, financial condition, operating results and/or cash flows will not be materially adversely affected, or that the Company will not be required to materially change its business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations as they may relate to one or more of the Company's businesses, one or more of the industries in which the Company competes and/or the health care industry generally; (iii) pending or future federal or state government investigations of one or more of the Company's businesses, one or more of the industries in which the Company competes and/or the health care industry generally; (iv) pending or future government audits, investigations or enforcement actions against the Company; (v) adverse developments in any pending *qui tam* lawsuit against the Company, whether sealed or unsealed, or in any future *qui tam* lawsuit that may be filed against the Company; or (vi) adverse developments in pending or future legal proceedings against the Company or affecting one or more of the industries in which the Company competes and/or the health care industry generally.

## 12. Segment Reporting

The Company has three operating segments, Health Care Benefits, Health Services and Pharmacy & Consumer Wellness, as well as a Corporate/Other segment. The Company's segments maintain separate financial information, and the CODM evaluates the segments' operating results on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. The CODM evaluates the performance of the Company's segments based on adjusted operating income. Adjusted operating income is defined as operating income (GAAP measure) excluding the impact of amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance. Effective for the first quarter of 2023, adjusted operating income also excludes the impact of net realized capital gains or losses. See the reconciliations of consolidated operating income (GAAP measure) to consolidated adjusted operating income below for further context regarding the items excluded from operating income in determining adjusted operating income. The Company uses adjusted operating income as its principal measure of segment performance as it enhances the Company's ability to compare past financial performance with current performance and analyze underlying business performance and trends. Non-GAAP financial measures the Company discloses, such as consolidated adjusted operating income, should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

Segment financial information for the three months ended March 31, 2023 reflects the following items:

- The realignment of the Company's segments to correspond with changes made to its operating model as described in Note 1 "Significant Accounting Policies," including the discontinuance of the former Maintenance Choice segment reporting practice as described in Note (1) of the table below.
- The impact of the adoption of the long-duration insurance accounting standard, which the Company adopted on January 1, 2023 using a modified retrospective transition method, as described in Note 1 "Significant Accounting Policies."
- The exclusion of the impact of net realized capital gains or losses from adjusted operating income, as described above.

Segment financial information for the three months ended March 31, 2022 has been revised to conform with current period presentation for these items, the impact of which are reflected in the "Adjustments" lines of the table below.

| <i>In millions</i>                                       | Three Months Ended March 31, 2022 |                  |                              |                  |  |                     |
|--|-----------------------------------|------------------|------------------------------|------------------|--|---------------------|
|  | Health Care Benefits              | Health Services  | Pharmacy & Consumer Wellness | Corporate/ Other | Intersegment Eliminations <sup>(1)</sup> | Consolidated Totals |
| Total revenues, as previously reported                   | \$ 23,109                         | \$ 39,461        | \$ 25,418                    | \$ 126           | \$ (11,288)                              | \$ 76,826           |
| Adjustments  | (15)                              | 154              | 480                          | —                | (619)                                    | —                   |
| Total revenues, as adjusted                              | <u>\$ 23,094</u>                  | <u>\$ 39,615</u> | <u>\$ 25,898</u>             | <u>\$ 126</u>    | <u>\$ (11,907)</u>                       | <u>\$ 76,826</u>    |
| Adjusted operating income (loss), as previously reported | \$ 1,751                          | \$ 1,636         | \$ 1,605                     | \$ (305)         | \$ (204)                                 | \$ 4,483            |
| Adjustments  | 110                               | (165)            | (32)                         | 7                | 204                                      | 124                 |
| Adjusted operating income (loss), as adjusted            | <u>\$ 1,861</u>                   | <u>\$ 1,471</u>  | <u>\$ 1,573</u>              | <u>\$ (298)</u>  | <u>\$ —</u>                              | <u>\$ 4,607</u>     |

- (1) Intersegment revenue eliminations relate to intersegment revenue generating activities that occur between the Health Care Benefits segment, the Health Services segment, and/or the Pharmacy & Consumer Wellness segment. Prior to January 1, 2023, intersegment adjusted operating income eliminations occurred when members of the Health Services segment's clients enrolled in Maintenance Choice elected to pick up maintenance prescriptions at one of the Company's retail pharmacies instead of receiving them through the mail. When this occurred, both the Health Services and Pharmacy & Consumer Wellness segments recorded the adjusted operating income on a stand-alone basis. Effective January 1, 2023, the adjusted operating income associated with such transactions is reported only in the Pharmacy & Consumer Wellness segment, therefore no adjusted operating income elimination is required. Prior period financial information has been recast to conform with current period presentation.

The following is a reconciliation of financial measures of the Company's segments to the consolidated totals:

| <i><u>In millions</u></i>        | <b>Health Care<br/>Benefits</b> | <b>Health<br/>Services <sup>(1)</sup></b> | <b>Pharmacy &amp;<br/>Consumer<br/>Wellness</b> | <b>Corporate/<br/>Other</b> | <b>Intersegment<br/>Eliminations <sup>(2)</sup></b> | <b>Consolidated<br/>Totals</b> |
|----------------------------------|---------------------------------|---|---|-----------------------------|---|--------------------------------|
| <b>Three Months Ended</b>        |                                 |   |   |                             |   |                                |
| March 31, 2023                   |                                 |   |   |                             |   |                                |
| Revenues from external customers | \$ 25,692                       | \$ 40,811                                 | \$ 18,426                                       | \$ 15                       | \$ —  | \$ 84,944                      |
| Intersegment revenues            | 21                              | 3,780                                     | 9,499   | —                           | (13,300)  | —                              |
| Net investment income (loss)     | 164                             | —   | (3)   | 173                         | —   | 334                            |
| Total revenues                   | 25,877                          | 44,591                                    | 27,922  | 188                         | (13,300)  | 85,278                         |
| Adjusted operating income (loss) | 1,824                           | 1,680                                     | 1,134   | (268)                       | —   | 4,370                          |
| March 31, 2022                   |                                 |   |   |                             |   |                                |
| Revenues from external customers | \$ 22,985                       | \$ 36,311                                 | \$ 17,331                                       | \$ 31                       | \$ —  | \$ 76,658                      |
| Intersegment revenues            | 20                              | 3,304                                     | 8,583   | —                           | (11,907)  | —                              |
| Net investment income (loss)     | 89                              | —   | (16)  | 95                          | —   | 168                            |
| Total revenues                   | 23,094                          | 39,615                                    | 25,898  | 126                         | (11,907)  | 76,826                         |
| Adjusted operating income (loss) | 1,861                           | 1,471                                     | 1,573   | (298)                       | —   | 4,607                          |

(1) Total revenues of the Health Services segment include approximately \$4.1 billion and \$3.8 billion of retail co-payments for the three months ended March 31, 2023 and 2022, respectively.

(2) Intersegment revenue eliminations relate to intersegment revenue generating activities that occur between the Health Care Benefits segment, the Health Services segment, and/or the Pharmacy & Consumer Wellness segment.



The following are reconciliations of consolidated operating income to adjusted operating income for the three months ended March 31, 2023 and 2022:

| <u>In millions</u>   | Three Months Ended<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2023                            | 2022     |
| Operating income (GAAP measure)                                      | \$ 3,446                        | \$ 3,545 |
| Amortization of intangible assets <sup>(1)</sup>                     | 402                             | 462      |
| Net realized capital losses <sup>(2)</sup>                           | 105                             | 75       |
| Loss on assets held for sale <sup>(3)</sup>                          | 349                             | 41       |
| Acquisition-related transaction and integration costs <sup>(4)</sup> | 43                              | —        |
| Office real estate optimization charges <sup>(5)</sup>               | 25                              | —        |
| Opioid litigation charge <sup>(6)</sup>                              | —                               | 484      |
| Adjusted operating income  | \$ 4,370                        | \$ 4,607 |

- (1) The Company's acquisition activities have resulted in the recognition of intangible assets as required under the acquisition method of accounting which consist primarily of trademarks, customer contracts/relationships, covenants not to compete, technology, provider networks and value of business acquired. Definite-lived intangible assets are amortized over their estimated useful lives and are tested for impairment when events indicate that the carrying value may not be recoverable. The amortization of intangible assets is reflected in the unaudited condensed consolidated statements of operations in operating expenses within each segment. Although intangible assets contribute to the Company's revenue generation, the amortization of intangible assets does not directly relate to the underwriting of the Company's insurance products, the services performed for the Company's customers or the sale of the Company's products or services. Additionally, intangible asset amortization expense typically fluctuates based on the size and timing of the Company's acquisition activity. Accordingly, the Company believes excluding the amortization of intangible assets enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance and to analyze underlying business performance and trends. Intangible asset amortization excluded from the related non-GAAP financial measure represents the entire amount recorded within the Company's GAAP financial statements, and the revenue generated by the associated intangible assets has not been excluded from the related non-GAAP financial measure. Intangible asset amortization is excluded from the related non-GAAP financial measure because the amortization, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised.
- (2) The Company's net realized capital gains and losses arise from various types of transactions, primarily in the course of managing a portfolio of assets that support the payment of insurance liabilities. Net realized capital gains and losses are reflected in the unaudited condensed consolidated statements of operations in net investment income within each segment. These capital gains and losses are the result of investment decisions, market conditions and other economic developments that are unrelated to the performance of the Company's business, and the amount and timing of these capital gains and losses do not directly relate to the underwriting of the Company's insurance products, the services performed for the Company's customers or the sale of the Company's products or services. Accordingly, the Company believes excluding net realized capital gains and losses enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance and to analyze underlying business performance and trends.
- (3) During the three months ended March 31, 2023, the loss on assets held for sale relates to the Company's LTC reporting unit within the Pharmacy & Consumer Wellness segment. During 2022, the Company determined that its LTC business was no longer a strategic asset and committed to a plan to sell it, at which time the LTC business met the criteria for held-for-sale accounting and its net assets were accounted for as assets held for sale. As of March 31, 2023, the net assets of the LTC business continued to meet the criteria for held-for-sale accounting and during the first quarter of 2023, a loss on assets held for sale was recorded to write down the carrying value of the LTC business to the Company's best estimate of the ultimate selling price which reflects its estimated fair value less costs to sell. During the three months ended March 31, 2022, the loss on assets held for sale relates to the Company's Thailand business, which was included in the Commercial Business reporting unit in the Health Care Benefits segment. The sale of the Thailand business closed in the second quarter of 2022, and the ultimate loss on the sale was not material.
- (4) During the three months ended March 31, 2023, the acquisition-related transaction and integration costs relate to the acquisitions of Signify Health and Oak Street Health. The acquisition-related transaction and integration costs are reflected in the Company's unaudited condensed consolidated statement of operations in operating expenses within the Corporate/Other segment.
- (5) During the three months ended March 31, 2023, the office real estate optimization charges primarily relate to the abandonment of leased real estate and the related right-of-use assets and property and equipment in connection with the planned reduction of corporate office real estate space in response to the Company's new flexible work arrangement. The office real estate optimization charges are reflected in the Company's unaudited condensed consolidated statement of operations in operating expenses within the Health Care Benefits, Corporate/Other and Health Services segments.
- (6) During the three months ended March 31, 2022, the opioid litigation charge relates to an agreement to resolve substantially all opioid claims against the Company by the State of Florida. The opioid litigation charge is reflected within the Corporate/Other segment.

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of CVS Health Corporation

### Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of CVS Health Corporation (the Company) as of March 31, 2023, the related condensed consolidated statements of operations and comprehensive income for the three-month periods ended March 31, 2023 and 2022, the related condensed consolidated statements of shareholders' equity for the three-month periods ended March 31, 2023 and 2022, the related condensed consolidated statements of cash flows for the three-month periods ended March 31, 2023 and 2022, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2022, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated February 8, 2023, we expressed an unqualified audit opinion on those consolidated financial statements.

As described in Note 1 to the Company's condensed consolidated interim financial statements, on January 1, 2023, the Company adopted ASU 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts*, on a modified retrospective basis resulting in the revision of the December 31, 2022 consolidated balance sheet. We have not audited and reported on the revised condensed consolidated balance sheet reflecting the adoption of ASU 2018-12.

### Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Boston, Massachusetts  
May 3, 2023

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)**

### **Overview of Business**

CVS Health Corporation, together with its subsidiaries (collectively, “CVS Health,” the “Company,” “we,” “our” or “us”), is a leading diversified health solutions company reshaping health care to help make healthier happen for more Americans. In an increasingly connected and digital world, CVS Health is meeting people wherever they are and changing health care to meet their needs. The Company has more than 9,000 retail locations, more than 1,100 walk-in medical clinics, a leading pharmacy benefits manager with over 110 million plan members with expanding specialty pharmacy solutions and a dedicated senior pharmacy care business serving more than one million patients per year. The Company also serves an estimated 37 million people through traditional, voluntary and consumer-directed health insurance products and related services, including expanding Medicare Advantage offerings and a leading standalone Medicare Part D prescription drug plan (“PDP”). The Company is a leader in key segments of health care through its foundational businesses and is creating new sources of value by expanding into next generation care delivery and health services, with a goal of improving satisfaction levels for both providers and consumers. The Company believes its integrated health care model increases access to quality care, delivers better health outcomes and lowers overall health care costs.

In connection with its new operating model adopted in the first quarter of 2023, the Company realigned the composition of its segments to reflect how its Chief Operating Decision Maker (the “CODM”) reviews information and manages the business. As a result of this realignment, the Company formed a new Health Services segment, which in addition to providing a full range of pharmacy benefit management (“PBM”) solutions, also delivers health care services in the Company’s medical clinics, virtually, and in the home, as well as provider enablement solutions. In addition, the Company created a new Pharmacy & Consumer Wellness segment, which includes its retail and long-term care pharmacy operations and related pharmacy services, as well as its retail front store operations. This segment will also provide pharmacy fulfillment services to support the Health Services segment’s specialty and mail order pharmacy offerings. Prior period segment financial information has been recast to conform with the current period presentation.

Following the segment realignment described above, the Company’s four reportable segments are as follows: Health Care Benefits, Health Services, Pharmacy & Consumer Wellness and Corporate/Other, which are described below.

### **Overview of the Health Care Benefits Segment**

The Health Care Benefits segment operates as one of the nation’s leading diversified health care benefits providers. The Health Care Benefits segment has the information and resources to help members, in consultation with their health care professionals, make more informed decisions about their health care. The Health Care Benefits segment offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental and behavioral health plans, medical management capabilities, Medicare Advantage and Medicare Supplement plans, PDPs and Medicaid health care management services. The Health Care Benefits segment’s customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers (“providers”), governmental units, government-sponsored plans, labor groups and expatriates. The Company refers to insurance products (where it assumes all or a majority of the risk for medical and dental care costs) as “Insured” and administrative services contract products (where the plan sponsor assumes all or a majority of the risk for medical and dental care costs) as “ASC.” In addition, effective January 2022, the Company entered the individual public health insurance exchanges (“Public Exchanges”) in eight states through which it sells Insured plans directly to individual consumers. The Company entered Public Exchanges in four additional states effective January 2023.

### **Overview of the Health Services Segment**

The Health Services segment provides a full range of PBM solutions, delivers health care services in its medical clinics, virtually, and in the home, and offers provider enablement solutions. PBM solutions include plan design offerings and administration, formulary management, retail pharmacy network management services, and specialty and mail order pharmacy services. In addition, the Company provides clinical services, disease management services, medical spend management and pharmacy and/or other administrative services for providers and federal 340B drug pricing program covered entities (“Covered Entities”). The Company operates a group purchasing organization that negotiates pricing for the purchase of pharmaceuticals and rebates with pharmaceutical manufacturers on behalf of its participants and provides various administrative, management and reporting services to pharmaceutical manufacturers. The Health Services segment’s clients are primarily employers, insurance companies, unions, government employee groups, health plans, PDPs, Medicaid managed care plans, plans offered on Public Exchanges and private health insurance exchanges, other sponsors of health benefit plans throughout the United States and Covered Entities.

## Overview of the Pharmacy & Consumer Wellness Segment

The Pharmacy & Consumer Wellness segment dispenses prescriptions in its retail pharmacies and through its infusion operations, provides ancillary pharmacy services including pharmacy patient care programs, diagnostic testing and vaccination administration, and sells a wide assortment of health and wellness products and general merchandise. The segment also conducts long-term care pharmacy (“LTC”) operations, which distribute prescription drugs and provide related pharmacy consulting and ancillary services to long-term care facilities and other care settings, and provides pharmacy fulfillment services to support the Health Services segment’s specialty and mail order pharmacy offerings. As of March 31, 2023, the Pharmacy & Consumer Wellness segment operated more than 9,000 retail locations, as well as online retail pharmacy websites, LTC pharmacies and on-site pharmacies, retail specialty pharmacy stores, compounding pharmacies and branches for infusion and enteral nutrition services.

## Overview of the Corporate/Other Segment

The Company presents the remainder of its financial results in the Corporate/Other segment, which primarily consists of:

- Management and administrative expenses to support the Company’s overall operations, which include certain aspects of executive management and the corporate relations, legal, compliance, human resources, information technology and finance departments, expenses associated with the Company’s investments in its transformation and enterprise modernization programs and acquisition-related transaction and integration costs; and
- Products for which the Company no longer solicits or accepts new customers such as its large case pensions and long-term care insurance products.

## Overview of Current Trends

We also face trends and uncertainties specific to our reportable segments, certain of which are summarized below and also discussed in the review of our segment results. For the remainder of the year, the Company believes you should consider the following important information:

- The Health Care Benefits segment is expected to continue to benefit from Medicare and Commercial membership growth, partially offset by declines in Medicaid due to the impact of redeterminations in 2023.
- The Health Services segment is expected to continue to benefit from the Company’s ability to drive further improvements in purchasing economics and strong pharmacy network volume. These increases are expected to be partially offset by continued client price improvements and regulation of pharmacy pricing, as well as a recent expansion of pharmaceutical manufacturer policies restricting 340B discounts. The dilutive impact of the acquisition of Oak Street Health, Inc. (“Oak Street Health”) is expected to be partially offset by the accretive impact of the acquisition of Signify Health, Inc. (“Signify Health”) during the remainder of the year.
- The Pharmacy & Consumer Wellness segment is expected to continue to benefit from increased prescription volume and improved generic drug purchasing, partially offset by continued pharmacy reimbursement pressure and lower contributions from coronavirus disease 2019 (“COVID-19”) vaccinations, diagnostic testing and OTC test kits as COVID-19 transitions to an endemic stage.
- The Company is expected to benefit from the continuation of its enterprise-wide cost savings initiatives, which aim to reduce the Company’s operating cost structure in a way that improves the consumer experience and is sustainable. Key drivers include:
  - Investments in digital, technology and analytics capabilities that will streamline processes and improve outcomes,
  - Implementing workforce and workplace strategies, and
  - Deploying vendor and procurement strategies.
- The Company expects changes to its business environment to continue as elected and other government officials at the national and state levels continue to propose and enact significant modifications to public policy and existing laws and regulations that govern or impact the Company’s businesses.

The Company’s current expectations described above are forward-looking statements. Please see the “Cautionary Statement Concerning Forward-Looking Statements” in this Form 10-Q for information regarding important factors that may cause the Company’s actual results to differ from those currently projected and/or otherwise materially affect the Company.

## Operating Results

The following discussion explains the material changes in the Company's operating results for the three months ended March 31, 2023 and 2022, and the significant developments affecting the Company's financial condition since December 31, 2022. We strongly recommend that you read our audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

### Summary of Consolidated Financial Results

| <i><u>In millions</u></i>                           | Three Months Ended<br>March 31, |           | Change   |          |
|---|---------------------------------|-----------|----------|----------|
|   | 2023                            | 2022      | \$       | %        |
| Revenues:   |                                 |           |          |          |
| Products  | \$ 58,147                       | \$ 52,522 | \$ 5,625 | 10.7 %   |
| Premiums  | 24,352                          | 21,631    | 2,721    | 12.6 %   |
| Services  | 2,445                           | 2,505     | (60)     | (2.4)%   |
| Net investment income                               | 334                             | 168       | 166      | 98.8 %   |
| Total revenues                                      | 85,278                          | 76,826    | 8,452    | 11.0 %   |
| Operating costs:                                    |                                 |           |          |          |
| Cost of products sold                               | 51,455                          | 45,509    | 5,946    | 13.1 %   |
| Benefit costs                                       | 20,448                          | 17,923    | 2,525    | 14.1 %   |
| Opioid litigation charge                            | —                               | 484       | (484)    | (100.0)% |
| Loss on assets held for sale                        | 349                             | 41        | 308      | 751.2 %  |
| Operating expenses                                  | 9,580                           | 9,324     | 256      | 2.7 %    |
| Total operating costs                               | 81,832                          | 73,281    | 8,551    | 11.7 %   |
| Operating income                                    | 3,446                           | 3,545     | (99)     | (2.8)%   |
| Interest expense                                    | 589                             | 586       | 3        | 0.5 %    |
| Other income  | (22)                            | (42)      | 20       | 47.6 %   |
| Income before income tax provision                  | 2,879                           | 3,001     | (122)    | (4.1)%   |
| Income tax provision                                | 737                             | 646       | 91       | 14.1 %   |
| Net income  | 2,142                           | 2,355     | (213)    | (9.0)%   |
| Net income attributable to noncontrolling interests | (6)                             | (1)       | (5)      | (500.0)% |
| Net income attributable to CVS Health               | \$ 2,136                        | \$ 2,354  | \$ (218) | (9.3)%   |

### Commentary - Three Months Ended March 31, 2023 vs. 2022

#### Revenues

- Total revenues increased \$8.5 billion, or 11.0%, in the three months ended March 31, 2023 compared to the prior year driven by growth across all segments.
- Please see "Segment Analysis" later in this report for additional information about the revenues of the Company's segments.

#### Operating expenses

- Operating expenses increased \$256 million, or 2.7%, in the three months ended March 31, 2023 compared to the prior year. The increase in operating expenses was primarily due to increased operating expenses to support growth in the business, incremental investments in business operations and an increase in acquisition-related transaction and integration costs compared to the prior year. These increases were partially offset by a decrease in amortization of intangible assets compared to the prior year.
- Operating expenses as a percentage of total revenues were 11.2% in the three months ended March 31, 2023, a decrease of 90 basis points compared to the prior year. The decrease in operating expenses as a percentage of total revenues was primarily due to the increases in total revenues described above.
- Please see "Segment Analysis" later in this report for additional information about the operating expenses of the Company's segments.

#### *Operating income*

- Operating income decreased \$99 million, or 2.8%, in the three months ended March 31, 2023 compared to prior year primarily due to declines in the Pharmacy & Consumer Wellness segment, including a \$349 million loss on assets held for sale related to the write-down of the Company's Omnicare® long-term care business ("LTC business"), as well as acquisition-related transaction and integration costs recorded in the current year. The decrease was partially offset by the absence of a \$484 million opioid litigation charge recorded in the prior year and increased operating income in the Health Services segment.
- Please see "Segment Analysis" later in this report for additional information about the operating results of the Company's segments.

#### *Interest expense*

- Interest expense remained relatively consistent, increasing \$3 million, or 0.5%, in the three months ended March 31, 2023 compared to the prior year. See "Liquidity and Capital Resources" later in this report for additional information.

#### *Income tax provision*

- The effective income tax rate was 25.6% for the three months ended March 31, 2023 compared to 21.5% for the three months ended March 31, 2022. The increase in the tax rate was primarily due to the absence of the impact of certain discrete tax items concluded in the first quarter of 2022.

## Segment Analysis

The following discussion of segment operating results is presented based on the Company's reportable segments in accordance with the accounting guidance for segment reporting and is consistent with the segment disclosure in Note 12 "Segment Reporting" to the unaudited condensed consolidated financial statements.

The Company has three operating segments, Health Care Benefits, Health Services and Pharmacy & Consumer Wellness, as well as a Corporate/Other segment. The Company's segments maintain separate financial information, and the Company's CODM evaluates the segments' operating results on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. The CODM evaluates the performance of the Company's segments based on adjusted operating income. Adjusted operating income is defined as operating income (GAAP measure) excluding the impact of amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance. Effective for the first quarter of 2023, adjusted operating income also excludes the impact of net realized capital gains or losses. See the reconciliations of operating income (GAAP measure) to adjusted operating income below for further context regarding the items excluded from operating income in determining adjusted operating income. The Company uses adjusted operating income as its principal measure of segment performance as it enhances the Company's ability to compare past financial performance with current performance and analyze underlying business performance and trends. Non-GAAP financial measures the Company discloses, such as consolidated adjusted operating income, should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

Segment financial information for the three months ended March 31, 2023 reflects the following items:

- The realignment of the Company's segments to correspond with changes made to its operating model as described in Note 1 "Significant Accounting Policies" to the unaudited condensed consolidated financial statements, including the discontinuance of the former Maintenance Choice segment reporting practice as described in Note (2) of the table below.
- The impact of the adoption of the long-duration insurance accounting standard, which the Company adopted on January 1, 2023 using a modified retrospective transition method, as described in Note 1 "Significant Accounting Policies" to the unaudited condensed consolidated financial statements.
- The exclusion of the impact of net realized capital gains or losses from adjusted operating income, as described above.

Segment financial information for the three months ended March 31, 2022 has been recast to conform with current period presentation for these items, the impact of which are reflected in the "Adjustments" lines of the table below.

The following is a reconciliation of financial measures of the Company's segments to the consolidated totals:

| <i><u>In millions</u></i>                                | <b>Health Care<br/>Benefits</b> | <b>Health<br/>Services <sup>(1)</sup></b> | <b>Pharmacy &amp;<br/>Consumer<br/>Wellness</b> | <b>Corporate/<br/>Other</b> | <b>Intersegment<br/>Eliminations <sup>(2)</sup></b> | <b>Consolidated<br/>Totals</b> |
|--|---------------------------------|---|---|-----------------------------|---|--------------------------------|
| <b>Three Months Ended</b>                                |                                 |   |   |                             |   |                                |
| <b>March 31, 2023</b>                                    |                                 |   |   |                             |   |                                |
| Total revenues   | \$ 25,877                       | \$ 44,591                                 | \$ 27,922                                       | \$ 188                      | \$ (13,300)   | \$ 85,278                      |
| Adjusted operating income (loss)                         | 1,824                           | 1,680                                     | 1,134   | (268)                       | —   | 4,370                          |
| <b>March 31, 2022</b>                                    |                                 |   |   |                             |   |                                |
| Total revenues, as previously reported                   | 23,109                          | 39,461                                    | 25,418  | 126                         | (11,288)  | 76,826                         |
| Adjustments  | (15)                            | 154                                       | 480   | —                           | (619)   | —                              |
| Total revenues, as adjusted                              | \$ 23,094                       | \$ 39,615                                 | \$ 25,898                                       | \$ 126                      | \$ (11,907)   | \$ 76,826                      |
| Adjusted operating income (loss), as previously reported | \$ 1,751                        | \$ 1,636                                  | \$ 1,605  | \$ (305)                    | \$ (204)  | \$ 4,483                       |
| Adjustments  | 110                             | (165)                                     | (32)  | 7                           | 204   | 124                            |
| Adjusted operating income (loss), as adjusted            | \$ 1,861                        | \$ 1,471                                  | \$ 1,573  | \$ (298)                    | \$ —  | \$ 4,607                       |

(1) Total revenues of the Health Services segment include approximately \$4.1 billion and \$3.8 billion of retail co-payments for the three months ended March 31, 2023 and 2022, respectively.

- (2) Intersegment revenue eliminations relate to intersegment revenue generating activities that occur between the Health Care Benefits segment, the Health Services segment, and/or the Pharmacy & Consumer Wellness segment. Prior to January 1, 2023, intersegment adjusted operating income eliminations occurred when members of the Health Services segment's clients enrolled in Maintenance Choice elected to pick up maintenance prescriptions at one of the Company's retail pharmacies instead of receiving them through the mail. When this occurred, both the Health Services and Pharmacy & Consumer Wellness segments recorded the adjusted operating income on a stand-alone basis. Effective January 1, 2023, the adjusted operating income associated with such transactions is reported only in the Pharmacy & Consumer Wellness segment, therefore no adjusted operating income elimination is required.

The following are reconciliations of consolidated operating income (GAAP measure) to consolidated adjusted operating income, as well as reconciliations of segment GAAP operating income to segment adjusted operating income:

| Three Months Ended March 31, 2023                                    |                      |                 |                              |                  |                     |
|--|----------------------|-----------------|------------------------------|------------------|---------------------|
| <i>In millions</i>   | Health Care Benefits | Health Services | Pharmacy & Consumer Wellness | Corporate/ Other | Consolidated Totals |
| Operating income (loss) (GAAP measure)                               | \$ 1,408             | \$ 1,638        | \$ 717                       | \$ (317)         | \$ 3,446            |
| Amortization of intangible assets <sup>(1)</sup>                     | 295                  | 41              | 65                           | 1                | 402                 |
| Net realized capital losses <sup>(2)</sup>                           | 99                   | —               | 3                            | 3                | 105                 |
| Loss on assets held for sale <sup>(3)</sup>                          | —                    | —               | 349                          | —                | 349                 |
| Acquisition-related transaction and integration costs <sup>(4)</sup> | —                    | —               | —                            | 43               | 43                  |
| Office real estate optimization charges <sup>(5)</sup>               | 22                   | 1               | —                            | 2                | 25                  |
| Adjusted operating income (loss)                                     | \$ 1,824             | \$ 1,680        | \$ 1,134                     | \$ (268)         | \$ 4,370            |

| Three Months Ended March 31, 2022                |                      |                 |                              |                  |                     |
|--|----------------------|-----------------|------------------------------|------------------|---------------------|
| <i>In millions</i>                               | Health Care Benefits | Health Services | Pharmacy & Consumer Wellness | Corporate/ Other | Consolidated Totals |
| Operating income (loss) (GAAP measure)           | \$ 1,467             | \$ 1,427        | \$ 1,435                     | \$ (784)         | \$ 3,545            |
| Amortization of intangible assets <sup>(1)</sup> | 295                  | 44              | 122                          | 1                | 462                 |
| Net realized capital losses <sup>(2)</sup>       | 58                   | —               | 16                           | 1                | 75                  |
| Loss on assets held for sale <sup>(3)</sup>      | 41                   | —               | —                            | —                | 41                  |
| Opioid litigation charge <sup>(6)</sup>          | —                    | —               | —                            | 484              | 484                 |
| Adjusted operating income (loss)                 | \$ 1,861             | \$ 1,471        | \$ 1,573                     | \$ (298)         | \$ 4,607            |

- (1) The Company's acquisition activities have resulted in the recognition of intangible assets as required under the acquisition method of accounting which consist primarily of trademarks, customer contracts/relationships, covenants not to compete, technology, provider networks and value of business acquired. Definite-lived intangible assets are amortized over their estimated useful lives and are tested for impairment when events indicate that the carrying value may not be recoverable. The amortization of intangible assets is reflected in the unaudited condensed consolidated statements of operations in operating expenses within each segment. Although intangible assets contribute to the Company's revenue generation, the amortization of intangible assets does not directly relate to the underwriting of the Company's insurance products, the services performed for the Company's customers or the sale of the Company's products or services. Additionally, intangible asset amortization expense typically fluctuates based on the size and timing of the Company's acquisition activity. Accordingly, the Company believes excluding the amortization of intangible assets enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance and to analyze underlying business performance and trends. Intangible asset amortization excluded from the related non-GAAP financial measure represents the entire amount recorded within the Company's GAAP financial statements, and the revenue generated by the associated intangible assets has not been excluded from the related non-GAAP financial measure. Intangible asset amortization is excluded from the related non-GAAP financial measure because the amortization, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised.
- (2) The Company's net realized capital gains and losses arise from various types of transactions, primarily in the course of managing a portfolio of assets that support the payment of insurance liabilities. Net realized capital gains and losses are reflected in the unaudited condensed consolidated statements of operations in net investment income within each segment. These capital gains and losses are the result of investment decisions, market conditions and other economic developments that are unrelated to the performance of the Company's business, and the amount and timing of these capital gains and losses do not directly relate to the underwriting of the Company's insurance products, the services performed for the Company's customers or the sale of the Company's products or services. Accordingly, the Company believes excluding net realized capital gains and losses enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance and to analyze underlying business performance and trends.
- (3) During the three months ended March 31, 2023, the loss on assets held for sale relates to the Company's LTC reporting unit within the Pharmacy & Consumer Wellness segment. During 2022, the Company determined that its LTC business was no longer a strategic asset and committed to a plan to sell it, at which time the LTC business met the criteria for held-for-sale accounting and its net assets were accounted for as assets held for sale. As of March 31, 2023, the net assets of the LTC business continued to meet the criteria for held-for-sale accounting and during the first quarter of 2023, a loss on assets held for sale was recorded to write down the carrying value of the LTC business to the Company's best estimate of the ultimate selling price which reflects its estimated fair value less costs to sell. During the three months ended March 31, 2022, the loss on assets held for sale relates to the Company's international health care business domiciled in Thailand ("Thailand business"), which was included in the Commercial Business reporting unit in the Health Care Benefits segment. The sale of the Thailand business closed in the second quarter of 2022, and the ultimate loss on the sale was not material.



- (4) During the three months ended March 31, 2023, the acquisition-related transaction and integration costs relate to the acquisitions of Signify Health and Oak Street Health. The acquisition-related transaction and integration costs are reflected in the Company's unaudited condensed consolidated statement of operations in operating expenses within the Corporate/Other segment.
- (5) During the three months ended March 31, 2023, the office real estate optimization charges primarily relate to the abandonment of leased real estate and the related right-of-use assets and property and equipment in connection with the planned reduction of corporate office real estate space in response to the Company's new flexible work arrangement. The office real estate optimization charges are reflected in the Company's unaudited condensed consolidated statement of operations in operating expenses within the Health Care Benefits, Corporate/Other and Health Services segments.
- (6) During the three months ended March 31, 2022, the opioid litigation charge relates to an agreement to resolve substantially all opioid claims against the Company by the State of Florida. The opioid litigation charge is reflected within the Corporate/Other segment.

## Health Care Benefits Segment

The following table summarizes the Health Care Benefits segment's performance for the respective periods:

| <i>In millions, except percentages and basis points ("bps")</i> | Three Months Ended<br>March 31, |           | Change   |          |
|---|---------------------------------|-----------|----------|----------|
|   | 2023                            | 2022      | \$       | %        |
| Revenues:   |                                 |           |          |          |
| Premiums  | \$ 24,339                       | \$ 21,614 | \$ 2,725 | 12.6 %   |
| Services  | 1,374                           | 1,391     | (17)     | (1.2)%   |
| Net investment income   | 164                             | 89        | 75       | 84.3 %   |
| Total revenues  | 25,877                          | 23,094    | 2,783    | 12.1 %   |
| Benefit costs   | 20,595                          | 18,019    | 2,576    | 14.3 %   |
| MBR   | 84.6 %                          | 83.4 %    | 120 bps  |          |
| Loss on assets held for sale                                    | \$ —                            | \$ 41     | \$ (41)  | (100.0)% |
| Operating expenses  | 3,874                           | 3,567     | 307      | 8.6 %    |
| Operating expenses as a % of total revenues                     | 15.0 %                          | 15.4 %    |          |          |
| Operating income  | \$ 1,408                        | \$ 1,467  | \$ (59)  | (4.0)%   |
| Operating income as a % of total revenues                       | 5.4 %                           | 6.4 %     |          |          |
| Adjusted operating income <sup>(1)</sup>                        | \$ 1,824                        | \$ 1,861  | \$ (37)  | (2.0)%   |
| Adjusted operating income as a % of total revenues              | 7.0 %                           | 8.1 %     |          |          |
| Premium revenues (by business):                                 |                                 |           |          |          |
| Government  | \$ 17,528                       | \$ 16,195 | \$ 1,333 | 8.2 %    |
| Commercial  | 6,811                           | 5,419     | 1,392    | 25.7 %   |

- (1) See "Segment Analysis" above in this report for a reconciliation of Health Care Benefits segment operating income (GAAP measure) to adjusted operating income, which represents the Company's principal measure of segment performance.

### Commentary - Three Months Ended March 31, 2023 vs. 2022

#### Revenues

- Total revenues increased \$2.8 billion, or 12.1%, to \$25.9 billion in the three months ended March 31, 2023 compared to the prior year driven by growth across all product lines.

#### Medical Benefit Ratio ("MBR")

- Medical benefit ratio is calculated as benefit costs divided by premium revenues and represents the percentage of premium revenues spent on medical benefits for the Company's Insured members. Management uses MBR to assess the underlying business performance and underwriting of its insurance products, understand variances between actual results and expected results and identify trends in period-over-period results. MBR provides management and investors with information useful in assessing the operating results of the Company's Insured Health Care Benefits products.
- The MBR increased to 84.6% in the three months ended March 31, 2023 compared to 83.4% in the prior year reflective of the continued progression towards normalized utilization and lower impact from favorable development of prior-years' health care cost estimates in the three months ended March 31, 2023 compared to the prior year.

#### Loss on assets held for sale

- During the three months ended March 31, 2022, the Company recorded a \$41 million loss on assets held for sale on its Thailand business, which was included in the Commercial Business reporting unit within the Health Care Benefits segment.

#### Operating expenses

- Operating expenses in the Health Care Benefits segment include selling, general and administrative expenses and depreciation and amortization expenses.
- Operating expenses increased \$307 million, or 8.6%, in the three months ended March 31, 2023 compared to the prior year primarily driven by increased operating expenses to support the growth across all product lines described above.

- Operating expenses as a percentage of total revenues decreased to 15.0% in the three months ended March 31, 2023 compared to 15.4% in the prior year. The decrease in operating expenses as a percentage of total revenues was primarily driven by the increases in total revenues described above.

*Adjusted operating income*

- Adjusted operating income decreased slightly in the three months ended March 31, 2023 compared to the prior year primarily driven by the continued progression towards normalized utilization and lower impact from favorable development of prior-years' health care cost estimates in the three months ended March 31, 2023 compared to the prior year. These decreases were largely offset by higher net investment income and membership growth across all product lines in the three months ended March 31, 2023.

The following table summarizes the Health Care Benefits segment's medical membership for the respective periods:

| <i>In thousands</i>                          | March 31, 2023 |        |        | December 31, 2022 |        |        | March 31, 2022 |        |        |
|--|----------------|--------|--------|-------------------|--------|--------|----------------|--------|--------|
|  | Insured        | ASC    | Total  | Insured           | ASC    | Total  | Insured        | ASC    | Total  |
| Medical membership:                          |                |        |        |                   |        |        |                |        |        |
| Commercial                                   | 3,949          | 14,039 | 17,988 | 3,136             | 13,896 | 17,032 | 3,285          | 13,924 | 17,209 |
| Medicare Advantage                           | 3,387          | —      | 3,387  | 3,270             | —      | 3,270  | 3,169          | —      | 3,169  |
| Medicare Supplement                          | 1,344          | —      | 1,344  | 1,363             | —      | 1,363  | 1,292          | —      | 1,292  |
| Medicaid                                     | 2,293          | 501    | 2,794  | 2,234             | 497    | 2,731  | 2,375          | 477    | 2,852  |
| Total medical membership                     | 10,973         | 14,540 | 25,513 | 10,003            | 14,393 | 24,396 | 10,121         | 14,401 | 24,522 |
| <b>Supplemental membership information:</b>  |                |        |        |                   |        |        |                |        |        |
| Medicare Prescription Drug Plan (standalone) |                |        | 6,112  |                   |        | 6,128  |                |        | 6,022  |

*Medical Membership*

- Medical membership represents the number of members covered by the Company's Insured and ASC medical products and related services at a specified point in time. Management uses this metric to understand variances between actual medical membership and expected amounts as well as trends in period-over-period results. This metric provides management and investors with information useful in understanding the impact of medical membership on segment total revenues and operating results.
- Medical membership as of March 31, 2023 of 25.5 million increased 1.1 million members compared with December 31, 2022, driven by increases across all product lines including an increase of approximately 900,000 members related to the individual exchange business within the Commercial product line.

*Medicare Update*

On March 31, 2023, the U.S. Centers for Medicare & Medicaid Services ("CMS") issued its final notice detailing final 2024 Medicare Advantage payment rates. Final 2024 Medicare Advantage rates resulted in an expected average decrease in revenue for the Medicare Advantage industry of 1.12%, excluding the CMS estimate of Medicare Advantage risk score trend.

## Health Services Segment (formerly Pharmacy Services Segment)

The following table summarizes the Health Services segment's performance for the respective periods:

| <i>In millions, except percentages</i>             | Three Months Ended<br>March 31, |           | Change   |        |
|--|---------------------------------|-----------|----------|--------|
|  | 2023                            | 2022      | \$       | %      |
| Revenues:  |                                 |           |          |        |
| Products   | \$ 43,671                       | \$ 38,899 | \$ 4,772 | 12.3 % |
| Services   | 920                             | 716       | 204      | 28.5 % |
| Total revenues                                     | 44,591                          | 39,615    | 4,976    | 12.6 % |
| Cost of products sold                              | 42,416                          | 37,622    | 4,794    | 12.7 % |
| Operating expenses                                 | 537                             | 566       | (29)     | (5.1)% |
| Operating expenses as a % of total revenues        | 1.2 %                           | 1.4 %     |          |        |
| Operating income                                   | \$ 1,638                        | \$ 1,427  | \$ 211   | 14.8 % |
| Operating income as a % of total revenues          | 3.7 %                           | 3.6 %     |          |        |
| Adjusted operating income <sup>(1)</sup>           | \$ 1,680                        | \$ 1,471  | \$ 209   | 14.2 % |
| Adjusted operating income as a % of total revenues | 3.8 %                           | 3.7 %     |          |        |
| Revenues (by distribution channel):                |                                 |           |          |        |
| Pharmacy network <sup>(2)</sup>                    | \$ 27,592                       | \$ 24,128 | \$ 3,464 | 14.4 % |
| Mail & specialty <sup>(3)</sup>                    | 16,145                          | 14,668    | 1,477    | 10.1 % |
| Other  | 854                             | 819       | 35       | 4.3 %  |
| Pharmacy claims processed <sup>(4)</sup>           | 587.3                           | 566.5     | 20.8     | 3.7 %  |
| Generic dispensing rate <sup>(4)</sup>             | 88.4 %                          | 87.7 %    |          |        |

- (1) See "Segment Analysis" above in this report for a reconciliation of Health Services segment operating income (GAAP measure) to adjusted operating income, which represents the Company's principal measure of segment performance.
- (2) Pharmacy network revenues relate to claims filled at retail and specialty retail pharmacies, including the Company's retail pharmacies and LTC pharmacies. Effective January 1, 2023, pharmacy network revenues also include activity associated with Maintenance Choice, which permits eligible client plan members to fill their maintenance prescriptions through mail order delivery or at a CVS pharmacy retail store for the same price as mail order. Maintenance Choice activity was previously reflected in mail & specialty revenues. Prior period financial information has been revised to conform with current period presentation.
- (3) Mail & specialty revenues relate to specialty mail claims inclusive of Specialty Connect® claims picked up at a retail pharmacy, as well as mail order and specialty claims fulfilled by the Pharmacy & Consumer Wellness segment. Effective January 1, 2023, mail & specialty revenues exclude Maintenance Choice activity, which is now reported within pharmacy network revenues. Prior period financial information has been revised to conform with current period presentation.
- (4) Includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal prescription.

### Commentary - Three Months Ended March 31, 2023 vs. 2022

#### Revenues

- Total revenues increased \$5.0 billion, or 12.6%, to \$44.6 billion in the three months ended March 31, 2023 compared to the prior year primarily driven by increased pharmacy claims volume, growth in specialty pharmacy and brand inflation, partially offset by continued pharmacy client price improvements.

#### Operating expenses

- Operating expenses in the Health Services segment include selling, general and administrative expenses; and depreciation and amortization expense.
- Operating expenses as a percentage of total revenues remained relatively consistent at 1.2% and 1.4% in the three-month periods ended March 31, 2023 and 2022, respectively.

#### Adjusted operating income

- Adjusted operating income increased \$209 million, or 14.2%, in the three months ended March 31, 2023 compared to the prior year. The increase in adjusted operating income was primarily driven by improved purchasing economics, including increased contributions from the products and services of the Company's group purchasing organization, and increased pharmacy claims volume. These increases were partially offset by continued pharmacy client price improvements and decreased COVID-19 diagnostic testing in the segment's MinuteClinic walk-in medical clinics compared to the prior year.

- As you review the Health Services segment's performance in this area, you should consider the following important information about the business:
  - The Company's efforts to (i) retain existing clients, (ii) obtain new business and (iii) maintain or improve the rebates, fees and/or discounts the Company receives from manufacturers, wholesalers and retail pharmacies continue to have an impact on adjusted operating income. In particular, competitive pressures in the PBM industry have caused the Company and other PBMs to continue to share with clients a larger portion of rebates, fees and/or discounts received from pharmaceutical manufacturers. In addition, marketplace dynamics and regulatory changes have limited the Company's ability to offer plan sponsors pricing that includes retail network "differential" or "spread," and the Company expects these trends to continue. The "differential" or "spread" is any difference between the drug price charged to plan sponsors, including Medicare Part D plan sponsors, by a PBM and the price paid for the drug by the PBM to the dispensing provider.

#### *Pharmacy claims processed*

- Pharmacy claims processed represents the number of prescription claims processed through the Company's pharmacy benefits manager and dispensed by either its retail network pharmacies or the Company's mail and specialty pharmacies. Management uses this metric to understand variances between actual claims processed and expected amounts as well as trends in period-over-period results. This metric provides management and investors with information useful in understanding the impact of pharmacy claim volume on segment total revenues and operating results.
- The Company's pharmacy claims processed on a 30-day equivalent basis increased 3.7% in the three months ended March 31, 2023 compared to the prior year primarily driven by net new business, increased utilization and the impact of an elevated cough, cold and flu season compared to the prior year. These increases were partially offset by a decrease in COVID-19 vaccinations.
- Excluding the impact of COVID-19 vaccinations, pharmacy claims processed increased 4.8% on a 30-day equivalent basis for the three months ended March 31, 2023 compared to the prior year.

#### *Generic dispensing rate*

- Generic dispensing rate is calculated by dividing the Health Services segment's generic drug claims processed by its total claims processed. Management uses this metric to evaluate the effectiveness of the business at encouraging the use of generic drugs when they are available and clinically appropriate, which aids in decreasing costs for client members and retail customers. This metric provides management and investors with information useful in understanding trends in segment total revenues and operating results.
- The Health Services segment's generic dispensing rate increased to 88.4% in the three months ended March 31, 2023 compared to 87.7% in the prior year. The increase in the segment's generic dispensing rate was primarily driven by a decrease in brand prescriptions, largely attributable to decreased COVID-19 vaccinations in the three months ended March 31, 2023 compared to the prior year. Excluding the impact of COVID-19 vaccinations, the segment's generic dispensing rate was 88.5% and 88.8% in the three months ended March 31, 2023 and 2022, respectively.

## Pharmacy & Consumer Wellness Segment (formerly Retail/LTC Segment)

The following table summarizes the Pharmacy & Consumer Wellness segment's performance for the respective periods:

| <i>In millions, except percentages</i>             | Three Months Ended<br>March 31, |           | Change   |         |
|--|---------------------------------|-----------|----------|---------|
|  | 2023                            | 2022      | \$       | %       |
| Revenues:  |                                 |           |          |         |
| Products   | \$ 27,258                       | \$ 24,904 | \$ 2,354 | 9.5 %   |
| Services   | 667                             | 1,010     | (343)    | (34.0)% |
| Net investment income (loss)                       | (3)                             | (16)      | 13       | 81.3 %  |
| Total revenues                                     | 27,922                          | 25,898    | 2,024    | 7.8 %   |
| Cost of products sold                              | 21,876                          | 19,382    | 2,494    | 12.9 %  |
| Loss on assets held for sale                       | 349                             | —         | 349      | 100.0 % |
| Operating expenses                                 | 4,980                           | 5,081     | (101)    | (2.0)%  |
| Operating expenses as a % of total revenues        | 17.8 %                          | 19.6 %    |          |         |
| Operating income                                   | \$ 717                          | \$ 1,435  | \$ (718) | (50.0)% |
| Operating income as a % of total revenues          | 2.6 %                           | 5.5 %     |          |         |
| Adjusted operating income <sup>(1)</sup>           | \$ 1,134                        | \$ 1,573  | \$ (439) | (27.9)% |
| Adjusted operating income as a % of total revenues | 4.1 %                           | 6.1 %     |          |         |
| Revenues (by major goods/service lines):           |                                 |           |          |         |
| Pharmacy   | \$ 21,495                       | \$ 19,532 | \$ 1,963 | 10.1 %  |
| Front Store  | 5,597                           | 5,313     | 284      | 5.3 %   |
| Other  | 833                             | 1,069     | (236)    | (22.1)% |
| Net investment income (loss)                       | (3)                             | (16)      | 13       | 81.3 %  |
| Prescriptions filled <sup>(2)</sup>                | 404.8                           | 395.1     | 9.7      | 2.5 %   |
| Same store sales increase: <sup>(3)</sup>          |                                 |           |          |         |
| Total  | 11.6 %                          | 10.9 %    |          |         |
| Pharmacy   | 12.7 %                          | 10.1 %    |          |         |
| Front Store  | 7.7 %                           | 13.9 %    |          |         |
| Prescription volume <sup>(2)</sup>                 | 5.0 %                           | 6.1 %     |          |         |
| Generic dispensing rate <sup>(2)</sup>             | 89.4 %                          | 87.5 %    |          |         |

- (1) See "Segment Analysis" above in this report for a reconciliation of Pharmacy & Consumer Wellness segment operating income (GAAP measure) to adjusted operating income, which represents the Company's principal measure of segment performance.
- (2) Includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal prescription.
- (3) Same store sales and prescription volume represent the change in revenues and prescriptions filled in the Company's retail pharmacy stores that have been operating for greater than one year, expressed as a percentage that indicates the increase or decrease relative to the comparable prior period. Same store metrics exclude revenues and prescriptions from LTC and infusion services operations. Effective January 1, 2023, same store sales also include digital sales initiated online or through mobile applications and fulfilled through the Company's distribution centers. Prior period financial information has been revised to conform with current period presentation. Management uses these metrics to evaluate the performance of existing stores on a comparable basis and to inform future decisions regarding existing stores and new locations. Same-store metrics provide management and investors with information useful in understanding the portion of current revenues and prescriptions resulting from organic growth in existing locations versus the portion resulting from opening new stores.

### Commentary - Three Months Ended March 31, 2023 vs. 2022

#### Revenues

- Total revenues increased \$2.0 billion, or 7.8%, to \$27.9 billion in the three months ended March 31, 2023 compared to the prior year primarily driven by increased prescription and front store volume, pharmacy drug mix and brand inflation. These increases were partially offset by continued pharmacy reimbursement pressure, decreased COVID-19 vaccinations and diagnostic testing and the impact of recent generic introductions.
- Pharmacy same store sales increased 12.7% in the three months ended March 31, 2023 compared to the prior year. The increase was primarily driven by the 5.0% increase in pharmacy same store prescription volume on a 30-day equivalent basis, pharmacy drug mix and brand inflation. These increases were partially offset by continued pharmacy reimbursement pressure and the impact of recent generic introductions.

- Front store same store sales increased 7.7% in the three months ended March 31, 2023 compared to the prior year. The increase was primarily due to strength in consumer health, including the impact of an elevated cough, cold and flu season compared to the prior year, as well as increased beauty product sales in the three months ended March 31, 2023.
- Other revenues decreased \$236 million in the three months ended March 31, 2023 compared to the prior year. The decrease was primarily due to decreased COVID-19 diagnostic testing in the three months ended March 31, 2023 compared to the prior year.

#### *Loss on assets held for sale*

- During the three months ended March 31, 2023, the Company recorded a \$349 million loss on assets held for sale related to the write-down of its LTC business. See Note 2 “Acquisitions and Assets Held for Sale” to the unaudited condensed consolidated financial statements for additional information.

#### *Operating expenses*

- Operating expenses in the Pharmacy & Consumer Wellness segment include payroll, employee benefits and occupancy costs associated with the segment’s stores and pharmacy fulfillment operations; selling expenses; advertising expenses; depreciation and amortization expense and certain administrative expenses.
- Operating expenses decreased \$101 million, or 2.0%, in the three months ended March 31, 2023 compared to the prior year. The decrease was primarily due to lower expenses associated with COVID-19 vaccination administration and a decrease in amortization of intangible assets compared to the prior year. These decreases were partially offset by incremental costs associated with increased volume and increased investments in the segment’s operations and capabilities.
- Operating expenses as a percentage of total revenues decreased to 17.8% in the three months ended March 31, 2023 compared to 19.6% in the prior year. The decrease in operating expenses as a percentage of total revenues was driven by the increases in total revenues and decreases in operating expenses described above.

#### *Adjusted operating income*

- Adjusted operating income decreased \$439 million, or 27.9% in the three months ended March 31, 2023 compared to the prior year. The decrease in adjusted operating income was primarily driven by continued pharmacy reimbursement pressure, decreased COVID-19 vaccinations and diagnostic testing and increased investments in the segment’s operations and capabilities. These decreases were partially offset by the increased prescription volume described above and improved generic drug purchasing.
- As you review the Pharmacy & Consumer Wellness segment’s performance in this area, you should consider the following important information about the business:
  - The segment’s adjusted operating income has been adversely affected by the efforts of managed care organizations, PBMs and governmental and other third-party payors to reduce their prescription drug costs, including the use of restrictive networks, as well as changes in the mix of business within the pharmacy portion of the Pharmacy & Consumer Wellness segment. If the pharmacy reimbursement pressure accelerates, the segment may not be able to grow revenues, and its adjusted operating income could be adversely affected.
  - The increased use of generic drugs has positively impacted the segment’s adjusted operating income but has resulted in third-party payors augmenting their efforts to reduce reimbursement payments to retail pharmacies for prescriptions. This trend, which the Company expects to continue, reduces the benefit the segment realizes from brand to generic drug conversions.

#### *Prescriptions filled*

- Prescriptions filled represents the number of prescriptions dispensed through the Pharmacy & Consumer Wellness segment’s retail and long-term care pharmacies and infusion services operations. Management uses this metric to understand variances between actual prescriptions dispensed and expected amounts as well as trends in period-over-period results. This metric provides management and investors with information useful in understanding the impact of prescription volume on segment total revenues and operating results.
- Prescriptions filled increased 2.5% on a 30-day equivalent basis in the three months ended March 31, 2023 compared to the prior year primarily driven by increased utilization and the impact of an elevated cough, cold and flu season compared to the prior year. These increases were partially offset by a decrease in COVID-19 vaccinations. Excluding the impact of COVID-19 vaccinations, prescriptions filled increased 4.5% on a 30-day equivalent basis for the three months ended March 31, 2023 compared to the prior year.

#### *Generic dispensing rate*

- Generic dispensing rate is calculated by dividing the Pharmacy & Consumer Wellness segment’s generic drug prescriptions filled by its total prescriptions filled. Management uses this metric to evaluate the effectiveness of the business at encouraging the use of generic drugs when they are available and clinically appropriate, which aids in decreasing costs for

client members and retail customers. This metric provides management and investors with information useful in understanding trends in segment total revenues and operating results.

- The Pharmacy & Consumer Wellness segment's generic dispensing rate increased to 89.4% in the three months ended March 31, 2023 compared to 87.5% in the prior year. The increase in the segment's generic dispensing rate was primarily driven by a decrease in brand prescriptions, largely attributable to decreased COVID-19 vaccinations in the three months ended March 31, 2023 compared to the prior year. Excluding the impact of COVID-19 vaccinations, the segment's total generic dispensing rate was 89.7% in both the three months ended March 31, 2023 and 2022.



## Corporate/Other Segment

The following table summarizes the Corporate/Other segment's performance for the respective periods:

| <i>In millions, except percentages</i> | Three Months Ended<br>March 31, |       | Change |          |
|--|---------------------------------|-------|--------|----------|
|  | 2023                            | 2022  | \$     | %        |
| Revenues:                              |                                 |       |        |          |
| Premiums                               | \$ 13                           | \$ 17 | \$ (4) | (23.5)%  |
| Services                               | 2                               | 14    | (12)   | (85.7)%  |
| Net investment income                  | 173                             | 95    | 78     | 82.1 %   |
| Total revenues                         | 188                             | 126   | 62     | 49.2 %   |
| Cost of products sold                  | 1                               | 10    | (9)    | (90.0)%  |
| Benefit costs                          | 52                              | 61    | (9)    | (14.8)%  |
| Opioid litigation charge               | —                               | 484   | (484)  | (100.0)% |
| Operating expenses                     | 452                             | 355   | 97     | 27.3 %   |
| Operating loss                         | (317)                           | (784) | 467    | 59.6 %   |
| Adjusted operating loss <sup>(1)</sup> | (268)                           | (298) | 30     | 10.1 %   |

- (1) See "Segment Analysis" above in this report for a reconciliation of Corporate/Other segment operating loss (GAAP measure) to adjusted operating loss, which represents the Company's principal measure of segment performance.

### Commentary - Three Months Ended March 31, 2023 vs. 2022

#### Revenues

- Revenues primarily relate to products for which the Company no longer solicits or accepts new customers, such as large case pensions and long-term care insurance products.
- Total revenues increased \$62 million, or 49.2%, to \$188 million in the three months ended March 31, 2023 compared to the prior year primarily driven by higher average invested assets and favorable average investment yields compared to the prior year, partially offset by decreased net investment income from private equity investments compared to the prior year.

#### Opioid litigation charge

- During the three months ended March 31, 2022, the Company recorded a \$484 million opioid litigation charge. See Note 11 "Commitments and Contingencies" to the unaudited condensed consolidated financial statements for additional information.

#### Adjusted operating loss

- Adjusted operating loss decreased \$30 million in the three months ended March 31, 2023 compared to the prior year primarily driven by the increases in net investment income described above, partially offset by an increase in operating expenses.

## Liquidity and Capital Resources

### Cash Flows

The Company maintains a level of liquidity sufficient to allow it to meet its cash needs in the short-term. Over the long term, the Company manages its cash and capital structure to maximize shareholder return, maintain its financial condition and maintain flexibility for future strategic initiatives. The Company continuously assesses its regulatory capital requirements, working capital needs, debt and leverage levels, debt maturity schedule, capital expenditure requirements, dividend payouts, potential share repurchases and future investments or acquisitions. The Company believes its operating cash flows, commercial paper program, credit facilities, as well as any potential future borrowings, will be sufficient to fund these future payments and long-term initiatives. As of March 31, 2023, the Company had approximately \$14.6 billion in cash and cash equivalents, approximately \$2.7 billion of which was held by the parent company or nonrestricted subsidiaries.

The net change in cash, cash equivalents and restricted cash during the three months ended March 31, 2023 and 2022 was as follows:

| <i><u>In millions, except percentages</u></i>                         | Three Months Ended<br>March 31, |            | Change   |          |
|---|---------------------------------|------------|----------|----------|
|   | 2023                            | 2022       | \$       | %        |
| Net cash provided by operating activities                             | \$ 7,438                        | \$ 3,563   | \$ 3,875 | 108.8 %  |
| Net cash used in investing activities                                 | (8,514)                         | (1,993)    | (6,521)  | (327.2)% |
| Net cash provided by (used in) financing activities                   | 2,726                           | (2,650)    | 5,376    | 202.9 %  |
| Net increase (decrease) in cash, cash equivalents and restricted cash | \$ 1,650                        | \$ (1,080) | \$ 2,730 | 252.8 %  |

### Commentary

- *Net cash provided by operating activities* increased by \$3.9 billion in the three months ended March 31, 2023 compared to the prior year. The increase was primarily due to the early receipt of the April CMS payment of \$5.1 billion, partially offset by the timing of payments.
- *Net cash used in investing activities* increased by \$6.5 billion in the three months ended March 31, 2023 compared to the prior year primarily due to the acquisition of Signify Health in March 2023, partially offset by lower net purchases of investments.
- *Net cash provided by financing activities* was \$2.7 billion in the three months ended March 31, 2023 compared to net cash used in financing activities of \$2.7 billion in the prior year. The increase in cash provided by financing activities primarily related to proceeds from the issuance of \$6.0 billion of long-term senior notes in the three months ended March 31, 2023.

### Short-term Borrowings

#### Commercial Paper and Back-up Credit Facilities

The Company did not have any commercial paper outstanding as of March 31, 2023. In connection with its commercial paper program, the Company maintains a \$2.5 billion, five-year unsecured back-up revolving credit facility, which expires on May 16, 2025, a \$2.5 billion, five-year unsecured back-up revolving credit facility, which expires on May 11, 2026, and a \$2.5 billion, five-year unsecured back-up revolving credit facility, which expires on May 16, 2027. The credit facilities allow for borrowings at various rates that are dependent, in part, on the Company's public debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.03%, regardless of usage. As of March 31, 2023, there were no borrowings outstanding under any of the Company's back-up credit facilities.

#### Term Loan Agreement

On May 1, 2023, the Company entered into a 364-day \$5.0 billion term loan agreement. The term loan agreement allows for borrowings at various rates that are dependent, in part, on the Company's debt ratings. On May 2, 2023, the Company borrowed \$5.0 billion under the term loan agreement to fund a portion of the Oak Street Health acquisition purchase price.

#### Federal Home Loan Bank of Boston

A subsidiary of the Company is a member of the Federal Home Loan Bank of Boston (the "FHLBB"). As a member, the subsidiary has the ability to obtain cash advances, subject to certain minimum collateral requirements. The maximum borrowing capacity available from the FHLBB as of March 31, 2023 was approximately \$990 million. As of March 31, 2023, there were no outstanding advances from the FHLBB.

## **Long-term Borrowings**

### **2023 Notes**

On February 21, 2023, the Company issued \$1.5 billion aggregate principal amount of 5.0% senior notes due February 2026, \$1.5 billion aggregate principal amount of 5.125% senior notes due February 2030, \$1.75 billion aggregate principal amount of 5.25% senior notes due February 2033 and \$1.25 billion aggregate principal amount of 5.625% senior notes due February 2053 for total proceeds of approximately \$6.0 billion, net of discounts and underwriting fees. The net proceeds of these offerings were used to fund general corporate purposes, including a portion of the Signify Health Acquisition purchase price.

### **Debt Covenants**

The Company's back-up revolving credit facilities and unsecured senior notes contain customary restrictive financial and operating covenants. These covenants do not include an acceleration of the Company's debt maturities in the event of a downgrade in the Company's credit ratings. The Company does not believe the restrictions contained in these covenants materially affect its financial or operating flexibility. As of March 31, 2023, the Company was in compliance with all of its debt covenants.

### **Debt Ratings**

As of March 31, 2023, the Company's long-term debt was rated "Baa2" by Moody's Investor Service, Inc. ("Moody's") and "BBB" by Standard & Poor's Financial Services LLC ("S&P"), and its commercial paper program was rated "P-2" by Moody's and "A-2" by S&P. The outlook on the Company's long-term debt is "Stable" by both Moody's and S&P. In assessing the Company's credit strength, the Company believes that both Moody's and S&P considered, among other things, the Company's capital structure and financial policies as well as its consolidated balance sheet, its historical acquisition activity and other financial information. Although the Company currently believes its long-term debt ratings will remain investment grade, it cannot guarantee the future actions of Moody's and/or S&P. The Company's debt ratings have a direct impact on its future borrowing costs, access to capital markets and new store operating lease costs.

### **Share Repurchase Program**

The following share repurchase program has been authorized by CVS Health Corporation's Board of Directors (the "Board"):

| <u>In billions</u><br><u>Authorization Date</u> | <u>Authorized</u> |      | <u>Remaining as of</u><br><u>March 31, 2023</u> |
|---|-------------------|------|---|
| November 17, 2022 ("2022 Repurchase Program")   | \$                | 10.0 | \$ 10.0   |
| December 9, 2021 ("2021 Repurchase Program")    |                   | 10.0 | 4.5   |

Each of the share Repurchase Programs was effective immediately and permit the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase ("ASR") transactions, and/or other derivative transactions. Both the 2022 and 2021 Repurchase Programs can be modified or terminated by the Board at any time.

During the three months ended March 31, 2023 and 2022, the Company repurchased an aggregate of 22.8 million shares of common stock for approximately \$2.0 billion and an aggregate of 19.1 million shares of common stock for approximately \$2.0 billion, respectively, both pursuant to the 2021 Repurchase Program. This activity includes the share repurchases under the ASR transactions described below.

Pursuant to the authorization under the 2021 Repurchase Program, the Company entered into a \$2.0 billion fixed dollar ASR with Citibank, N.A. ("Citibank"). Upon payment of the \$2.0 billion purchase price on January 4, 2023, the Company received a number of shares of CVS Health Corporation's common stock equal to 80% of the \$2.0 billion notional amount of the ASR or approximately 17.4 million shares at a price of \$92.19 per share, which were placed into treasury stock in January 2023. The ASR was accounted for as an initial treasury stock transaction for \$1.6 billion and a forward contract for \$0.4 billion. The forward contract was classified as an equity instrument and was recorded within capital surplus. In February 2023, the Company received approximately 5.4 million shares of CVS Health Corporation's common stock, representing the remaining 20% of the \$2.0 billion notional amount of the ASR, thereby concluding the ASR. These shares were placed into treasury and the forward contract was reclassified from capital surplus to treasury stock in February 2023.

Pursuant to the authorization under the 2021 Repurchase Program, the Company entered into a \$1.5 billion fixed dollar ASR with Barclays Bank PLC (“Barclays”). Upon payment of the \$1.5 billion purchase price on January 4, 2022, the Company received a number of shares of CVS Health Corporation’s common stock equal to 80% of the \$1.5 billion notional amount of the ASR or approximately 11.6 million shares at a price of \$103.34 per share, which were placed into treasury stock in January 2022. The ASR was accounted for as an initial treasury stock transaction for \$1.2 billion and a forward contract for \$0.3 billion. The forward contract was classified as an equity instrument and was recorded within capital surplus. In February 2022, the Company received approximately 2.7 million shares of CVS Health Corporation’s common stock, representing the remaining 20% of the \$1.5 billion notional amount of the ASR, thereby concluding the ASR. These shares were placed into treasury and the forward contract was reclassified from capital surplus to treasury stock in February 2022.

At the time they were received, the initial and final receipt of shares resulted in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share.

## Critical Accounting Policies

The Company prepares the unaudited condensed consolidated financial statements in conformity with generally accepted accounting principles, which require management to make certain estimates and apply judgment. Estimates and judgments are based on historical experience, current trends and other factors that management believes to be important at the time the unaudited condensed consolidated financial statements are prepared. On a regular basis, the Company reviews its accounting policies and how they are applied and disclosed in the unaudited condensed consolidated financial statements. While the Company believes the historical experience, current trends and other factors considered by management support the preparation of the unaudited condensed consolidated financial statements in conformity with generally accepted accounting principles, actual results could differ from estimates, and such differences could be material.

For a full description of the Company’s other critical accounting policies, see “Critical Accounting Policies” in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the 2022 Form 10-K.

## Cautionary Statement Concerning Forward-Looking Statements

*The Private Securities Litigation Reform Act of 1995 (the “Reform Act”) provides a “safe harbor” for forward-looking statements, so long as (1) those statements are identified as forward-looking and (2) the statements are accompanied by meaningful cautionary statements that identify important factors that could cause actual results to differ materially from those discussed in the statement. We want to take advantage of these safe harbor provisions.*

*Certain information contained in this Quarterly Report on Form 10-Q (this “report”) is forward-looking within the meaning of the Reform Act or SEC rules. This information includes, but is not limited to the forward-looking information in Management’s Discussion and Analysis of Financial Condition and Results of Operations included in Part I, Item 2 of this report. In addition, throughout this report and our other reports and communications, we use the following words or variations or negatives of these words and similar expressions when we intend to identify forward-looking statements:*

|               |            |             |            |            |
|---------------|------------|-------------|------------|------------|
| · Anticipates | · Believes | · Can       | · Continue | · Could    |
| · Estimates   | · Evaluate | · Expects   | · Explore  | · Forecast |
| · Guidance    | · Intends  | · Likely    | · May      | · Might    |
| · Outlook     | · Plans    | · Potential | · Predict  | · Probable |
| · Projects    | · Seeks    | · Should    | · View     | · Will     |

*All statements addressing the future operating performance of CVS Health or any segment or any subsidiary and/or future events or developments, including statements relating to the impact of COVID-19 and any new variants or viruses on the Company’s businesses, investment portfolio, operating results, cash flows and/or financial condition, statements relating to corporate strategy, statements relating to future revenue, operating income or adjusted operating income, earnings per share or adjusted earnings per share, Health Care Benefits segment business, sales results and/or trends, medical cost trends, medical membership, Medicare Part D membership, medical benefit ratios and/or operations, Health Services segment business, sales results and/or trends and/or operations, Pharmacy & Consumer Wellness segment business, sales results and/or trends and/or operations, incremental investment spending, interest expense, effective tax rate, weighted-average share count, cash flow from operations, net capital expenditures, cash available for debt repayment, statements related to possible, proposed or pending acquisitions, joint ventures, investments or combinations that involve, among other things, the timing or likelihood of receipt of regulatory approvals, the timing of completion, integration synergies, net synergies and integration risks and other costs, including those related to CVS Health’s acquisitions of Signify Health and Oak Street Health, enterprise modernization,*

*transformation, leverage ratio, cash available for enhancing shareholder value, inventory reduction, turn rate and/or loss rate, debt ratings, the Company's ability to attract or retain customers and clients, store development and/or relocations, new product development, and the impact of industry and regulatory developments as well as statements expressing optimism or pessimism about future operating results or events, are forward-looking statements within the meaning of the Reform Act.*

*Forward-looking statements rely on a number of estimates, assumptions and projections concerning future events, and are subject to a number of significant risks and uncertainties and other factors that could cause actual results to differ materially from those statements. Many of these risks and uncertainties and other factors are outside our control.*

*Certain additional risks and uncertainties and other factors are described under "Risk Factors" included in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and under "Risk Factors" included in Part II, Item 1A of this report; these are not the only risks and uncertainties we face. There can be no assurance that the Company has identified all the risks that may affect it. Additional risks and uncertainties not presently known to the Company or that the Company currently believes to be immaterial also may adversely affect the Company's businesses. If any of those risks or uncertainties develops into actual events, those events or circumstances could have a material adverse effect on the Company's businesses, operating results, cash flows, financial condition and/or stock price, among other effects.*

*You should not put undue reliance on forward-looking statements. Any forward-looking statement speaks only as of the date of this report, and we disclaim any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events, uncertainties or otherwise.*

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company has not experienced any material changes in exposures to market risk since December 31, 2022. See the information contained in Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for a discussion of the Company's exposures to market risk.

### **Item 4. Controls and Procedures**

**Evaluation of disclosure controls and procedures:** The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f)) as of March 31, 2023, have concluded that as of such date the Company's disclosure controls and procedures were adequate and effective and designed to provide reasonable assurance that material information relating to the Company and its subsidiaries would be made known to such officers on a timely basis.

**Changes in internal control over financial reporting:** There has been no change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that occurred in the three months ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Part II. Other Information**

### **Item 1. Legal Proceedings**

The information contained in Note 11 "Commitments and Contingencies" contained in "Notes to Condensed Consolidated Financial Statements (Unaudited)" in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference herein.

### **Item 1A. Risk Factors**

The following information supplements the "Risk Factors" disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "2022 10-K") and should be read in conjunction with the risk factors described in the 2022 10-K.

#### **Risks Relating to Our Acquisitions of Signify Health and Oak Street Health**

*Our recent acquisitions of Signify Health and Oak Street Health subject us to new and additional risks beyond those to which we have been historically subject.*

We consummated the Signify Health, Inc. (“Signify Health”) acquisition on March 29, 2023 through which we expanded our offerings to include health risk assessments, value-based care and provider enablement services, and we also consummated the Oak Street Health, Inc. (“Oak Street Health”) acquisition on May 2, 2023 through which we will offer multi-payor, senior-focused, value-based primary care for Medicare-eligible patients, broadening our ability to provide primary care services.

The Signify Health and the Oak Street Health businesses are subject to many of the risks described in “Item 1A. Risk Factors” of the 2022 10-K, as well as to certain additional risks that are different from the risks of our existing businesses.

The additional risks to which our Signify Health business is subject include, but are not limited to, the following:

- ability to recruit, retain and grow its network of credentialed, high-quality physicians, physician assistants and nurse practitioners to provide clinical services in highly competitive markets for talent;
- successful challenges to Signify Health’s treatment of health care providers as independent contractors, which could result in increased costs and subject the business to regulatory sanction;
- dependence on a concentrated number of key health plan customers;
- the quality of the information received about plan members of such health plans for whom Signify Health will seek to provide in-home evaluations and other services, and the regulatory restrictions and requirements associated with directly contacting plan members;
- ability to perform and ensure the quality of health risk assessments;
- ability to achieve and receive shared health care cost savings;
- the regulatory and business risks associated with participation in certain government health care programs, including the Medicare Shared Savings Program through Signify Health’s Caravan accountable care organizations;
- health reform initiatives and changes in the rules governing government health care programs, including rules related to the use of in-home health risk assessments; and
- use of “open source” software in its technology, which may make it easier for others to gain access or compromise its proprietary technology.

The additional risks to which our Oak Street Health business is subject include, but are not limited to, the following:

- ability to attract new Medicare-eligible patients and credentialed, high-quality physicians and other providers for senior-focused primary care in a highly competitive market for such patients and providers;
- satisfying the enrollment requirements under government health care programs for physicians and other providers in a timely manner;
- dependence on a significant portion of revenue from Medicare or Medicare Advantage plans, which subjects Oak Street Health to reductions in Medicare reimbursement rates or changes in the rules governing the Medicare program;
- dependence for a significant portion of revenue from agreements with a limited number of key payors with whom Oak Street Health contracts to provide services under terms that may permit a payor to amend the compensation arrangements or terminate the agreements without cause;
- dependence on reimbursements from third-party payors, which can result in substantial delay, and on patients, through copayments and deductibles, which subjects Oak Street Health to additional reimbursement risk;
- under the fixed fee (or capitated) agreements Oak Street Health enters into with health plans, the assumption of the risk that the actual cost of a service it provides to a patient exceeds the reimbursement provided by the health plan;
- reductions in the quality ratings of Medicare health plans Oak Street Health serves could result in a shift of patients from, or the termination of, a health plan Oak Street Health serves;
- submission of inaccurate, incomplete or erroneous data, including risk adjustment data, to health plans and government payors could result in inaccuracies in the revenue Oak Street Health records or receipt of overpayments, which may subject it to repayment obligations and penalties;
- geographic concentration of its primary centers;
- risks associated with its existing legal proceedings and litigations;
- laws regulating the corporate practice of medicine and the associated agreements entered into with physician practice groups restrict the manner in which the Oak Street Health business is able to direct the operations and otherwise exercise control of its physician practice groups;
- changes in the legal treatment of its contractual arrangements with its physician practice groups could impact the ability to consolidate the revenue of these groups; and
- ability to maintain and enhance its reputation and brand recognition.

The additional risks faced by Signify Health and Oak Street Health may also compound, or be heightened by, many of the other risks described in the 2022 10-K, including the risks related to adverse economic conditions in the United States and abroad, the

coronavirus disease 2019 (“COVID-19”) pandemic or other pandemics or epidemics, cybersecurity, and compliance with applicable laws and regulations, among others. The Signify Health and the Oak Street Health businesses may also be subject to additional risks the existence or significance of which we may not have anticipated prior to the respective acquisitions of such businesses. Any risks associated with the Signify Health or the Oak Street Health business, if they materialize, could adversely affect our business, financial condition and results of operations, including our ability to timely and effectively integrate the businesses in our operations and the timing and extent of realization of synergies and other benefits that we expected in connection with the acquisitions. Our experience in managing the additional risks associated with the acquisitions is more limited than our experience in managing the risks associated with our historical businesses, and there is no assurance that we will be able to effectively manage or mitigate such risks.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### (c) Stock Repurchases

The following table presents the total number of shares purchased in the three months ended March 31, 2023, the average price paid per share and the approximate dollar value of shares that still could have been purchased at the end of the applicable fiscal period, pursuant to the share repurchase programs authorized by CVS Health Corporation’s Board of Directors on November 17, 2022 and December 9, 2021. See Note 8 “Shareholders’ Equity” contained in “Notes to Condensed Consolidated Financial Statements (Unaudited)” in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

| <u>Fiscal Period</u>                       | <u>Total Number of Shares Purchased</u> | <u>Average Price Paid per Share</u> | <u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u> | <u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</u> |
|--|---|-------------------------------------|---|---|
| January 1, 2023 through January 31, 2022   | 17,355,123                              | \$ 89.49                            | 17,355,123  | \$ 14,946,836,143   |
| February 1, 2023 through February 28, 2023 | 5,432,329                               | \$ 82.26                            | 5,432,329   | \$ 14,500,000,143   |
| March 1, 2023 through March 31, 2023       | —                                       | \$ —                                | —   | \$ 14,500,000,143   |
|  | <u>22,787,452</u>                       |                                     | <u>22,787,452</u>   |   |

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not Applicable.

## Item 5. Other Information

None.

## Item 6. Exhibits

The exhibits listed in this Item 6 are filed as part of this Quarterly Report on Form 10-Q. Exhibits marked with an asterisk (\*) are management contracts or compensatory plans or arrangements. Exhibits other than those listed are omitted because they are not required to be listed or are not applicable. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, the Registrant hereby agrees to furnish to the Securities and Exchange Commission a copy of any omitted instrument that is not required to be listed.

### INDEX TO EXHIBITS

|           |   |
|-----------|---|
| <b>2</b>  | <b>Plan of acquisition, reorganization, arrangement, liquidation or succession</b>  |
| 2.1†      | <a href="#">Agreement and Plan of Merger, dated as of February 7, 2023, by and among CVS Pharmacy, Inc., Halo Merger Sub Corp., Oak Street Health, Inc. and, for the limited purposes set forth therein, CVS Health Corporation (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed February 8, 2023).</a>       |
| <b>4</b>  | <b>Instruments defining the rights of security holders, including indentures</b>  |
| 4.1       | <a href="#">Form of the Registrant's 2026 Note (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 21, 2023).</a>  |
| 4.2       | <a href="#">Form of the Registrant's 2030 Note (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on February 21, 2023).</a>  |
| 4.3       | <a href="#">Form of the Registrant's 2033 Note (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed on February 21, 2023).</a>  |
| 4.4       | <a href="#">Form of the Registrant's 2053 Note (incorporated by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K filed on February 21, 2023).</a>  |
| <b>10</b> | <b>Material Contracts</b>   |
| 10.1*     | <a href="#">Restrictive Covenant Agreement dated June 20, 2022 between the Registrant and Tilak Mandadi.</a>  |
| 10.2*     | <a href="#">Change in Control Agreement effective as of August 11, 2022 between the Registrant and Tilak Mandadi.</a>   |
| 10.3*     | <a href="#">Restrictive Covenant Agreement dated May 11, 2022 between the Registrant and Prem Shah.</a>   |
| 10.4*     | <a href="#">Change in Control Agreement effective as of January 27, 2023 between the Registrant and Prem Shah.</a>  |
| 10.5      | <a href="#">Second Amendment to Five Year Credit Agreement dated as of March 23, 2023, to the Five Year Credit Agreement, dated as of May 16, 2019, as amended by the First Amendment to Five Year Credit Agreement, dated as of May 16, 2022, by and among the Registrant, the lenders party thereto and Bank of America N.A. as Administrative Agent.</a> |
| 10.6      | <a href="#">Second Amendment to Five Year Credit Agreement dated as of March 23, 2023, to the Five Year Credit Agreement, dated as of May 11, 2021, as amended by the First Amendment to Five Year Credit Agreement, dated as of May 16, 2022, by and among the Registrant, the lenders party thereto and Bank of America N.A. as Administrative Agent.</a> |
| 10.7      | <a href="#">First Amendment to Five Year Credit Agreement dated as of March 23, 2023, to the Five Year Credit Agreement, dated as of May 16, 2022, by and among the Registrant, the lenders party thereto and Bank of America N.A. as Administrative Agent.</a>   |
| 10.8      | <a href="#">Term Loan Agreement, dated May 1, 2023, by and among the Registrant, the lenders party thereto and Barclays Bank PLC, as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 2, 2023).</a>  |
| 10.9      | <a href="#">Form of Voting Agreement by and among CVS Pharmacy, Inc., certain stockholders of Oak Street Health, Inc. and certain members of the Oak Street Health, Inc. board of directors parties thereto (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed February 8, 2023).</a>                          |
| <b>15</b> | <b>Letter re: unaudited interim financial information</b>   |
| 15.1      | <a href="#">Letter from Ernst &amp; Young LLP acknowledging awareness of the use of a report dated May 3, 2023 related to their reviews of interim financial information.</a>   |
| <b>31</b> | <b>Rule 13a-14(a)/15d-14(a) Certifications</b>  |
| 31.1      | <a href="#">Certification by the Chief Executive Officer.</a>   |
| 31.2      | <a href="#">Certification by the Chief Financial Officer.</a>   |
| <b>32</b> | <b>Section 1350 Certifications</b>  |
| 32.1      | <a href="#">Certification by the Chief Executive Officer.</a>   |



32.2 [Certification by the Chief Financial Officer.](#)

**101**

101 The following materials from the CVS Health Corporation Quarterly Report on Form 10-Q for the three months ended March 31, 2023 formatted in Inline XBRL: (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Shareholders' Equity and (vi) the related Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

**104**

104 Cover Page Interactive Data File - The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in Inline XBRL (included as Exhibit 101).

† Certain of the exhibits and schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). The Registrant agrees to furnish supplementally a copy of all omitted exhibits and schedules to the Securities and Exchange Commission upon its request.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CVS HEALTH CORPORATION**

Date: May 3, 2023

By: /s/ Shawn M. Guertin

Shawn M. Guertin

Executive Vice President and Chief Financial Officer

**CVS Pharmacy, Inc.  
Restrictive Covenant Agreement**

I, Tilak Mandadi, enter into this Restrictive Covenant Agreement (“Agreement”) with CVS Pharmacy, Inc., on its own behalf and on behalf of its subsidiaries and affiliates (“CVS”), which is effective as of the date I sign the Agreement (“Effective Date”).

**1. Consideration for Agreement.** In connection with my duties and responsibilities at CVS Health Corporation or one of its subsidiaries or affiliates, including Aetna Inc. (collectively, the “Corporation”), the Corporation will provide me with Confidential Information and/or access to the Corporation’s customers and clients and the opportunity to develop and maintain relationships and goodwill with them. In consideration of the foregoing and the mutual promises in this Agreement and other good and valuable consideration, I hereby agree with CVS to comply with the terms of this Agreement.

**2. Non-Competition.** During my employment by the Corporation and during the Non-Competition Period following the termination of my employment for any reason, I will not directly or indirectly engage in Competition or provide Consulting or Audit Services within the Restricted Area.

a. **Competition.** Engaging in “Competition” means (whether as an employee, contractor, consultant, principal, agent, partner, officer, or director) (i) working on, developing, producing, marketing, selling, servicing, or managing (or assisting in developing, producing, marketing, selling, servicing, or managing) any product or service that is competitive with any existing or planned products or services of the Corporation that I managed, or with which I was involved, at any time during the last twenty-four (24) months of my employment with the Corporation; or (ii) accepting any position or engaging in any activity that will likely result in the disclosure of Confidential Information to a Competitor or the use of Confidential Information on behalf of a Competitor.

b. **Competitor.** A “Competitor” for purposes of this Agreement shall mean any person, corporation or other entity that competes with one or more of the business offerings of the Corporation As of the Effective Date, the Corporation’s business offerings include: (i) pharmacy benefits management (“PBM”), including: (a) the administration of pharmacy benefits for businesses, government agencies and health plans; (b) mail order pharmacy; (c) specialty pharmacy; and (d) the procurement of prescription drugs at a negotiated rate for dispensing; (ii) retail, which includes the sale of prescription drugs, over-the-counter medications, beauty products and cosmetics, digital and traditional photo finishing services, digital and other online offerings, seasonal and other general merchandise, greeting cards, convenience foods and other product lines and services which are sold by the Corporation’s retail division (“Retail”); (iii) retail health clinics (“MinuteClinic”); (iv) the provision of pharmaceutical products and ancillary services, including specialty pharmaceutical products and support services and the provision of related pharmacy consulting, data management services and medical supplies to long-term care facilities, other healthcare service providers and recipients of services from such facilities (“Long- Term Care”); (v) the provision of prescription infusion drugs and related services (“Infusion”); (vi) the provision of kidney care services, including but not limited to caring for patients with end stage renal disease (“Kidney Care”); (vii) services relating to or supporting clinical trials (“Clinical Trials”); (viii) the provision of insurance (“Insurance”) including: (a) health insurance products and services; (b) managed health care products and services; (c) dental, vision, and employee assistance program products and services; (d) wellness products and services to employers, government agencies, health plans, other businesses or third party payers; (e) Medicare Part D services; and (f) other voluntary products that are excepted benefits under HIPAA; (ix) the creation and provision of population health management products and services (“Health Management”); (x) services supporting or related to the administration of the business offerings in (i) – (ix) (“Administration”); and (xi) any other business in which Corporation is engaged or imminently will be engaged. For avoidance of doubt, Competitor shall include any business

unit, corporate entity, division, affiliate or part of a Competitor which offers other products or services which are or may be combined or offered as part of a suite of products or services with the Competitor's Insurance, Health Management and/or PBM offerings.

For the purpose of assessing whether I am engaging in "Competition" under section 2(a)(i) above, a person, corporation or other entity shall not be considered a Retail Competitor if such entity derives annual gross revenues from its business in an amount which is less than 2% of the Corporation's gross revenues from Retail, during its most recently completed fiscal year. For avoidance of doubt, this exclusion does not apply to a determination of whether I am engaging in "Competition" as set forth in section 2(a)(ii) above.

I and the Corporation acknowledge that both the Corporation's products and services and the entities which compete with the Corporation's products and services evolve over time, and that an entity will be considered a Competitor if it provides products or services competitive with the products and services provided by the Corporation within the last two years of my employment with the Corporation.

I agree that the provisions of Section 2 of this Agreement are reasonable to protect and preserve the Corporation's legitimate business interests, including the protection of the Company's Confidential Information and the Company's substantial investment made to develop and retain its Confidential Information, clients, other business relationships, and related goodwill.

c. **Consulting or Audit Services.** "Consulting or Audit Services" shall mean any activity that involves providing audit review or other consulting or advisory services with respect to any relationship or prospective relationship between the Corporation and any third party that is likely to result in the use or disclosure of Confidential Information.

d. **Non-Competition Period.** The "Non-Competition Period" shall be the period of 18 months following the termination of my employment with the Corporation for any reason.

e. **Restricted Area.** "Restricted Area" refers to those states within the United States in which the Corporation conducts its business, as well as the District of Columbia and Puerto Rico. To the extent I worked on international matters involving the Corporation's business in Asia, Europe, or other international locations where the Corporation may conduct business, the Restricted Area includes those countries and those countries where the Corporation is actively planning to conduct business. I understand and agree that the Corporation's business is global in nature and that its clients are located throughout the world; therefore, the Restricted Territory definition is reasonable and necessary to allow the Corporation to adequately protect its legitimate business interests, and the absence of a more restricted limitation would not be reasonable under these circumstances. Nevertheless, the restrictions on my work during the Non-Competition Period shall only extend to those locations within the Restricted Area where such work constitutes engaging in Competition.

**3. Non-Solicitation.** During the Non-Solicitation Period, which shall be during my employment by the Corporation and for 18 months following the termination of my employment with the Corporation for any reason, I will not, unless a duly authorized officer of the Corporation gives me written authorization to do so:

a. interfere with the Corporation's relationship with its Business Partners by soliciting or communicating (regardless of who initiates the communication) with a Business Partner to: (i) induce or encourage the Business Partner to stop doing business or reduce its business with the Corporation, or (ii) buy a product or service that competes with a product or service offered by the Corporation's business. "Business Partner" means: a customer (person or entity), prospective customer (person or

entity), healthcare provider, supplier, manufacturer, agency, broker, hospital, hospital system, long-term care facility, Insurance client/customer, and/or pharmaceutical manufacturer with whom the Corporation has a business relationship and with which I had business-related contact or dealings, or about which I received Confidential Information, in the two years prior to the termination of my employment with the Corporation. A Business Partner does not include a customer, supplier, manufacturer, agency, broker, hospital, hospital system, long-term care facility and/or pharmaceutical manufacturer which has fully and finally ceased doing any business with the Corporation independent of any conduct or communications by me or breach of this Agreement and such full cessation of business has been in effect for at least 1 year prior to my separation from employment with the Corporation. Nothing in this Section 3(a) shall prevent me from working as a staff pharmacist or in another retail position wherein I would be providing or selling prescriptions or other products directly to consumers.

b. work on a Corporation account on behalf of a Business Partner or serve as the representative of a Business Partner for the Corporation.

c. interfere with the Corporation's relationship with any employee or contractor of the Corporation by: (i) soliciting or communicating with the employee or contractor to induce or encourage him or her to leave the Corporation's employ or engagement (regardless of who first initiates the communication); (ii) helping another person or entity evaluate such employee or contractor as an employment or contractor candidate; or (iii) otherwise helping any person or entity hire an employee or contractor away from the Corporation.

#### **4. Non-Disclosure of Confidential Information.**

a. Subject to Sections 7 and 8 below, I will not at any time, whether during or after the termination of my employment, disclose to any person or entity any of the Corporation's Confidential Information, except as may be appropriately required in the ordinary course of performing my duties as an employee of the Corporation. The Corporation's Confidential Information includes but is not limited to the following non-public information: trade secrets; computer code generated or developed by the Corporation; software or programs and related documentation; strategic compilations and analysis; strategic processes; business or financial methods, practices and plans; non-public costs and prices; operating margins; marketing, merchandising and selling techniques and information; customer lists; provider lists; details of customer or provider agreements; pricing arrangements with pharmaceutical manufacturers, distributors or suppliers including but not limited to any discounts and/or rebates; pricing arrangements with insurance clients and customers; pharmacy reimbursement rates; premium information; payment rates; contractual forms; expansion strategies; real estate strategies; operating strategies; sources of supply; patient records; business plans; other financial, commercial, business or technical information related to the Corporation, and confidential information of third parties which is given to the Corporation pursuant to an obligation or agreement to keep such information confidential (collectively, "Confidential Information"). I shall not use or attempt to use any Confidential Information on behalf of any person or entity other than the Corporation, or in any manner which may injure or cause loss or may be calculated to injure or cause loss, whether directly or indirectly, to the Corporation. If, at any time over the last two years of my employment at CVS, my position included access to Confidential Information, as described above, specifically related to the Corporation's procurement of prescription drugs, I understand and agree my employment with a pharmaceutical manufacturer, distributor or supplier ("Pharmaceutical Entity") would place a substantial risk of use and/or disclosure of Confidential Information with which I have been or will be entrusted during my employment with the Corporation. In light of this risk of disclosure, I acknowledge and agree that the Corporation will be entitled to immediate injunctive relief to prevent me from disclosing any such Confidential Information in the course of my employment with any such Pharmaceutical Entity. I agree that the disclosure of such Confidential Information to the Corporation's PBM Competitors with which one may negotiate in the course of

employment with such Pharmaceutical Entity, would cause immediate and irreparable harm to the Corporation.

b. During my employment, I shall not make, use, or permit to be used, any materials of any nature relating to any matter within the scope of the business of the Corporation or concerning any of its dealings or affairs other than for the benefit of the Corporation. I shall not, after the termination of my employment, use or permit to be used any such materials and shall return same in accordance with Section 5 below.

c. **NOTICE OF IMMUNITY FROM LIABILITY FOR CONFIDENTIAL DISCLOSURE OF A TRADE SECRET TO THE GOVERNMENT OR IN A COURT FILING.** Pursuant to the United States Defend Trade Secrets Act of 2016 (the "DTSA"), the Company hereby provides the following notice to Employee:

(i) **IMMUNITY:** An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made: (1) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(ii) **USE OF TRADE SECRET INFORMATION IN ANTI-RETALIATION LAWSUIT:** An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret in the court proceeding, if the individual: (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

**5. Ownership and Return of the Corporation's Property.** On or before my final date of employment with the Corporation, I shall return to the Corporation all property of the Corporation in my possession, custody or control, including but not limited to the originals and copies of any information provided to or acquired by me in connection with the performance of my duties for the Corporation, such as files, correspondence, communications, memoranda, e-mails, slides, records, and all other documents, no matter how produced or reproduced, all computer equipment, communication devices (including but not limited to any mobile phone or other portable digital assistant or device), computer programs and/or files, and all office keys and access cards. I agree that all the items described in this Section are the sole property of the Corporation.

**6. Rights to Inventions, Works.**

a. **Assignment of Inventions.** All inventions, original works of authorship, developments, concepts, improvements, designs, discoveries, ideas, trademarks or trade secrets, whether patentable or otherwise protectable under similar law, made, conceived or developed by me, whether alone or jointly with others, from the date of my initial employment by the Corporation and continuing until the end of any period during which I am employed by the Corporation, relating or pertaining in any way to my employment with or the business of the Corporation (collectively referred to as "Inventions") shall be promptly disclosed in writing to the Corporation. I hereby assign to the Corporation, or its designee, all of my rights, title and interest to such Inventions. All original works of authorship which are made by me (solely or jointly with others) within the scope of and during the period of my employment with the Corporation and which are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act and as such are the sole property of the Corporation. The decision whether to commercialize or market any Invention developed by me solely or jointly with others is within

the Corporation's sole discretion and for the Corporation's sole benefit and no royalty will be due to me as a result of the Corporation's efforts to commercialize or market any such Invention.

b. **Inventions Retained and Licensed.** I have attached hereto as Exhibit A, a list specifically describing all inventions, original works of authorship, developments, improvements, and trade secrets that were made by me prior to my employment with the Corporation ("Prior Inventions"), which belong to me and are not assigned to the Corporation hereunder. If no such list is attached, I represent that there are no such Prior Inventions. I will not incorporate, or permit to be incorporated, any Prior Invention owned by me or in which I have an interest into a Corporation product, process or machine without the Corporation's prior written consent. Notwithstanding the foregoing sentence, if, in the course of my employment with the Corporation, I incorporate into a Corporation product, process or machine a Prior Invention owned by me or in which I have an interest, the Corporation is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine.

c. **Patent and Copyright Registrations.** I will assist the Corporation, or its designee, at the Corporation's expense, in every proper way to secure the Corporation's rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto, including, but not limited to, the disclosure to the Corporation of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Corporation shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Corporation, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. My obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after my employment ends for any reason and/or after the termination of this Agreement. If the Corporation is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Inventions or original works of authorship assigned to the Corporation as above, then I hereby irrevocably designate and appoint the Corporation and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by me.

d. **Exception to Assignments.** I understand that if I am an employee in Illinois, Kansas, North Carolina, Utah or Minnesota, I should refer to Exhibit B (incorporated herein for all purposes) for important limitations on the scope of the provisions of this Agreement concerning assignment of Inventions. I will advise the Corporation promptly in writing of any inventions that I believe meet the criteria in Exhibit B and that are not otherwise disclosed on Exhibit A.

## **7. Cooperation.**

a. In the event I receive a subpoena, deposition notice, interview request, or other process or order to testify or produce Confidential Information or any other information or property of the Corporation, I shall promptly: (i) notify the Corporation of the item, document, or information sought by such subpoena, deposition notice, interview request, or other process or order; (ii) furnish the Corporation with a copy of said subpoena, deposition notice, interview request, or other process or order; and (iii) provide reasonable cooperation with respect to any procedure that the Corporation may initiate to protect Confidential Information or other interests. If the Corporation objects to the subpoena, deposition notice, interview request, process, or order, I shall cooperate to ensure that there shall be no disclosure

until the court or other applicable entity has ruled upon the objection, and then only in accordance with the ruling so made. If no such objection is made despite a reasonable opportunity to do so, I shall be entitled to comply with the subpoena, deposition, notice, interview request, or other process or order, provided that I have fulfilled the above obligations.

b. I will cooperate fully with the Corporation, its affiliates, and their legal counsel in connection with any action, proceeding, or dispute arising out of matters with which I was directly or indirectly involved while serving as an employee of the Corporation, its predecessors, subsidiaries or affiliates. This cooperation shall include, but shall not be limited to, meeting with, and providing information to, the Corporation and its legal counsel, maintaining the confidentiality of any past or future privileged communications with the Corporation's legal counsel (outside and in-house), and making myself available to testify truthfully by affidavit, in depositions, or in any other forum on behalf of the Corporation. The Corporation agrees to reimburse me for any reasonable and necessary out-of-pocket costs associated with my cooperation.

c. **Notice of New Employment.** If a representative of the Corporation, during or following my employment, requests that I identify the company or business to which I will be or am providing services, or with which I will be or am employed, and requests that I provide information about the services that I am or will be providing to such entity, I shall provide the Corporation with a written statement that identifies the entity and describes the nature of the services that I am or will be providing to such entity with sufficient detail to allow the Corporation to independently assess whether I am or will be in violation of this Agreement. Such statement shall be delivered to the Corporation's Chief People Officer or his or her authorized delegate via personal delivery or overnight delivery within five calendar days of my receipt of such request.

**8. Limitation on Restrictions.** Nothing in this Agreement is intended to or shall interfere with my right to file charges or participate in a proceeding with any appropriate federal, state or local government agency, including the Occupational Safety and Health Administration ("OSHA"), National Labor Relations Board ("NLRB") or the Securities and Exchange Commission ("SEC"); to exercise rights under Section 7 of the National Labor Relations Act ("NLRA"); or to file a charge or complaint with or participate or cooperate in an investigation or proceeding with the US Equal Employment Opportunity Commission ("EEOC") or comparable state or local agencies. Such agencies have authority to carry out their statutory duties by investigating a charge, issuing a determination, filing a lawsuit, or taking any other action authorized by law. I retain the right to participate in any such action and retain the right to communicate with the NLRB, SEC, EEOC, OSHA and comparable state or local agencies and such communication shall not be limited by any provision in this Agreement. Nothing in this Agreement limits my right to receive an award for information provided to a government agency such as the SEC and OSHA. In addition, nothing in this Agreement is intended to interfere with or restrain the immunity provided under 18 U.S.C. § 1833(b) for confidential disclosures of trade secrets to government officials or lawyers, solely for the purpose of reporting or investigating a suspected violation of law, or in a sealed filing in court or other proceeding.

**9. Eligibility for Severance Pay.** If my employment with the Corporation terminates under circumstances in which I am eligible for severance under the applicable severance plan (the "Severance Plan"), the Corporation will offer me severance in accordance with the Severance Plan. I acknowledge that I must meet certain requirements in order to receive severance, including but not limited to execution of a separation agreement and release of claims in a form acceptable to CVS Health Corporation and any other requirements set forth in the Severance Plan. In the event that the Corporation fails to comply with its obligations to offer me severance according to the Severance Plan, then Section 2 of this Agreement shall be of no further effect. I agree that if I decline the Corporation's offer of severance, I shall continue to be subject to the restrictions in Section 2.



**10. Injunctive Relief and Other Remedies.** Any breach of this Agreement by me will cause irreparable damage to the Corporation and, in the event of such breach, the Corporation shall have, in addition to any and all remedies of law, the right to an injunction, specific performance or other equitable relief to prevent the violation of my obligations hereunder, and without providing a bond to the extent permitted by the applicable rules of civil procedure. Nothing contained in this Agreement shall be construed to prohibit the Corporation from pursuing any other remedy available to the Corporation at law or in equity, the parties having agreed that all remedies are cumulative.

**11. No Right of Continued Employment.** This Agreement does not create an obligation on the Corporation or any other person or entity to continue my employment.

**12. No Conflicting Agreements.** I represent that the performance of my job duties with the Corporation and my compliance with all of the terms of this Agreement does not and will not breach or conflict with any other agreement, covenant, obligation or restriction to which I am bound including but not limited to any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Corporation.

**13. Entire Agreement/No Reliance/No Modifications.** This Agreement and any compensation, benefit or equity plan or agreement referred to herein or under which equity was granted, to the extent those other agreements apply to me, set forth the entire agreement between the parties hereto and fully supersede any and all prior and/or supplemental understandings, whether written or oral, between the parties concerning the subject matter of this Agreement. This agreement shall not have any effect on any prior existing agreements between Corporation and me regarding the arbitration of workplace legal disputes and any such agreements remain in full force and effect. I agree and acknowledge that I have not relied on any representations, promises or agreements of any kind in connection with my decision to accept the terms of this Agreement, except for the representations, promises and agreements herein. Any modification to this Agreement must be made in writing and signed by me and the Corporation's Chief People Officer or his or her authorized representative.

**14. No Waiver.** Any waiver by the Corporation of a breach of any provision of this Agreement, or of any other similar agreement with any other current or former employee of the Corporation, shall not operate or be construed as a waiver of any subsequent breach of such provision or any other provision hereof.

**15. Severability.** The parties hereby agree that each provision herein shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of any of the other clauses herein. Moreover, if one or more of the provisions of this Agreement are for any reason held to be excessively broad as to scope, activity, duration, subject or otherwise so as to be unenforceable at law, the parties consent to such provision or provisions being modified in any way necessary or limited by the appropriate judicial body (where allowed by applicable law), so as to be enforceable to the maximum extent compatible with the applicable law.

**16. Survival of Employee's Obligations.** My obligations under this Agreement shall survive the termination of my employment regardless of the manner of such termination and shall be binding upon my heirs, personal representatives, executors, administrators and legal representatives.

**17. Corporation's Right to Assign Agreement.** The Corporation has the right to assign this Agreement to its successors and assigns without the need for further agreement or consent by me, and all covenants and agreements hereunder shall inure to the benefit of and be enforceable by said successors or assigns.

**18. Non-Assignment.** I shall not assign my rights and obligations under this Agreement, in whole or in part, whether by operation of law or otherwise, without the prior written consent of the Corporation, and any such assignment contrary to the terms hereof shall be null and void and of no force or effect.

**19. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the state of Rhode Island excluding its choice of law rules or principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

**20. Personal Jurisdiction and Venue.** I agree that any State or Federal court located within the State of Rhode Island shall have personal jurisdiction over me with regard to any claim or dispute arising out of or related to this Agreement or the subject matter of this Agreement. I agree that unless otherwise prohibited by applicable law, any claim or dispute arising out of or related to this Agreement or the subject matter of this Agreement shall be exclusively brought and resolved in a State or Federal court located within the state of Rhode Island.

**21. Consultation with Legal Counsel; Time to Consider Agreement.** I acknowledge that CVS advises me to consult with an attorney before signing this Agreement. I also acknowledge that CVS has given me fourteen (14) days from the date I received this Agreement to consider whether to sign this Agreement. I further acknowledge that if I choose to do so voluntarily, I may sign this Agreement before the expiration of the 14-day consideration period.


**22. Headings.** The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

**23. Attorneys' Fees.** If any party to this Agreement breaches any terms of this Agreement, then that party shall pay to the non-breaching party all of the non-breaching party's costs and expenses, including attorneys' fees, incurred by that party in enforcing the terms of this Agreement.

**24. Tolling.** In the event I violate one of the time-limited restrictions in Sections 2 and/or 3 of this Agreement, I agree that the time period for such violated restriction shall be extended by one day for each day I have violated the restriction, up to a maximum extension equal to the length of the original period of the restricted covenant.

IN WITNESS WHEREOF, the undersigned has executed this Agreement as a sealed instrument as of the date set forth below.

/s/ Tilak Mandadi

  
Employee ID

Date: 06/20/2022

/s/ Laurie P. Havanec

Laurie Havanec  
Chief People Officer  
CVS Pharmacy, Inc.

## **EXHIBIT A**

### **List of Prior Inventions – See Section 6**

## EXHIBIT B

### Notice Regarding Invention Assignment

1. For an employee residing in **Illinois, Kansas, or North Carolina**, you are hereby advised:

**Notice.** No provision in this Agreement requires you to assign any of your rights to an invention for which no equipment, supplies, facility, or trade secret information of the Corporation was used and which was developed entirely on your own time, unless (a) the invention relates (i) to the business of the Corporation or (ii) to the Corporation's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by you for the Corporation. Illinois 765ILCS1060/1-3, "Employees Patent Act"; Kansas Statutes Section 44-130; North Carolina General Statutes Article 10A, Chapter 66, Commerce and Business, Section 66-57.1.

2. For an employee residing in **Utah**, you are hereby advised:

**Notice.** No provision in this Agreement requires you to assign any of your rights to an invention which was created entirely on your own time, and which is not (a) conceived, developed, reduced to practice, or created by you (i) within the scope of your employment with the Corporation, (ii) on the Corporation's time, or (iii) with the aid, assistance, or use of any of the Corporation's property, equipment, facilities, supplies, resources, or patents, trade secrets, know-how, technology, confidential information, ideas, copy rights, trademarks and service marks and any and all rights, applications and registrations relating to them, (b) the results of any work, services, or duties performed by you for the Corporation, (c) related to the industry or trade of the Corporation, or (d) related to the current or demonstrably anticipated business, research, or development of the Corporation. Utah Code Sections 34-39-1 through 34-39-3, "Employee Inventions Act."

3. For an employee residing in **Minnesota**, you are hereby advised:

**Notice.** No provision in this Agreement requires you to assign any of your rights to an invention for which no equipment, supplies, facility, or trade secret information of the Corporation was used, and which was developed entirely on your own time, and (a) which does not relate (i) directly to the business of the Corporation, or (ii) to the Corporation's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by you for the Corporation. Minnesota Statutes 13A Section 181.78.

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CVS HEALTH CORPORATION  
Change in Control Agreement for  
**Tilak Mandadi**

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This Change in Control Agreement ("Agreement") is made and entered into as of August 11, 2022, between CVS Pharmacy, Inc., a wholly owned subsidiary of CVS Health Corporation and Tilak Mandadi (the "Executive").

WHEREAS, the Board of Directors (the "Board") of CVS Health Corporation ("CVS" or the "Company") believes it is necessary and desirable for the Company to be able to rely upon Executive to continue serving in Executive's position with the Company in the event of a pending or actual change in control of CVS;

WHEREAS, Executive is employed by CVS Pharmacy, Inc., a Subsidiary of CVS, and this Agreement shall not alter Executive's status as an employee at will;

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, CVS and the Executive (individually a "Party" and together the "Parties") agree as follows:

1. Definitions.

- a. "Base Salary" shall mean Executive's annual rate of base salary at the time of Executive's termination of employment or, if greater, as in effect immediately prior to a Change in Control.
- b. "Cause" shall exist if:
  - i. Executive willfully and materially breaches Sections 4 or 5 of this Agreement;
  - ii. Executive is convicted of a felony involving moral turpitude; or
  - iii. Executive engages in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out Executive's duties under this Agreement, resulting, in either case, in material harm to the financial condition or reputation of the Company.

For purposes of this Agreement, an act or failure to act on Executive's part shall be considered "willful" if it was done or omitted to be done by Executive not in good faith, and shall not include any act or failure to act resulting from any incapacity of Executive. A termination for Cause shall not take effect absent compliance with the provisions of this paragraph. Executive shall be given written notice by the Company of its intention to terminate Executive's employment for Cause, such notice (A) to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based and (B) to be given within 90 days of the Company's learning of such act or acts or failure or failures to act. Executive shall have 20 days after the date that such written notice has been given to Executive in which to cure such conduct, to extent such cure is possible. If Executive fails to cure such conduct, Executive shall then be entitled to a hearing before the Committee, or an officer or officers designated by the Committee, at which Executive is entitled to appear. Such hearing shall be held within 25 days of such notice to Executive, provided Executive requests such hearing within 10 days of the written notice from the Company of the intention to terminate Executive for Cause. If, within five days following such hearing, Executive is furnished written notice by the Committee confirming that, in its judgment, grounds for Cause on the basis of the original notice exist, Executive shall thereupon be terminated for Cause. Executive's right to cure in accordance with this provision applies only in the event of a Change in

Control as defined in Section 1(c) below and does not alter Executive's "at will" employment status.

c. A "Change in Control" shall be deemed to have occurred if:

- (i) any Person (other than (a) the Company, (b) any trustee or other fiduciary holding securities under any employee benefit plan of the Company, (c) any company owned, directly or indirectly, by the stockholders of the Company immediately after the occurrence with respect to which the evaluation is being made in substantially the same proportions as their ownership of the common stock of the Company immediately prior to such occurrence or (d) any surviving or resulting entity from a merger or consolidation referred to in clause (iii) below that does not constitute a Change of Control under clause (iii) below) becomes the Beneficial Owner (except that a Person shall be deemed to be the Beneficial Owner of all shares that any such Person has the right to acquire pursuant to any agreement or arrangement or upon exercise of conversion rights, warrants or options or otherwise, without regard to the sixty day period referred to in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company or of any subsidiary owning directly or indirectly all or substantially all of the consolidated assets of the Company (a "Significant Subsidiary"), representing 30% or more of the combined voting power of the Company's or such Significant Subsidiary's then outstanding securities;
- (ii) during any period of twelve (12) consecutive months, individuals who at the beginning of such period constitute the Board, and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the twelve (12) month period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;
- (iii) the consummation of a merger or consolidation of the Company or any Significant Subsidiary with any other entity, other than a merger or consolidation which would result in the voting securities of the Company or a Significant Subsidiary outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or resulting entity) more than 50% of the combined voting power of the surviving or resulting entity outstanding immediately after such merger or consolidation; or
- (iv) the consummation of a transaction (or series of transactions within a 12 month period) which constitutes the sale or disposition of all or substantially all of the consolidated assets of the Company but in no event assets having a gross fair market value of less than 40% of the total gross fair market value of all of the consolidated assets of the Company (other than such a sale or disposition immediately after which such assets will be owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company immediately prior to such sale or disposition).

For purposes of this definition:



- (A) The term "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 under the Exchange Act (including any successor to such Rule).
  - (B) The term "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.
  - (C) The term "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including "group" as defined in Section 13(d) thereof.
- d. "Committee" shall mean the Management Planning and Development Committee of the Board, or the corresponding committee of the board of directors of a successor to CVS.
- e. "Company" shall mean, collectively, CVS and any Subsidiary or affiliate of CVS.
- f. "Confidential Information" shall have the meaning set forth in Section 4 below.
- g. "Constructive Termination Without Cause" shall mean a termination of the Executive's employment at Executive's initiative following the occurrence, without the Executive's written consent, of one or more of the following events (except as a result of a prior termination):
  - i. an assignment of any duties to Executive that is materially inconsistent with Executive's status as a member of the senior management of CVS;
  - ii. a material decrease in Executive's annual base salary or target annual incentive award opportunity;
  - iii. any failure to secure the agreement of any successor to CVS to fully assume the Company's material obligations under this Agreement; or
  - iv. a relocation of Executive's principal place of employment more than 35 miles from Executive's place of employment before such relocation.

In all cases, no Constructive Termination Without Cause shall be deemed to have occurred unless (a) the Executive provides written notice to the Company that an event described in subsections i. through iv. has occurred, and such notice identifies such event and is provided within 30 days of the initial occurrence of such event, (b) a cure period of 45 days following the Company's receipt of such notice expires and the Company has not cured such event within such cure period and (c) the Executive actually terminates his/her employment within 30 days of the expiration of the cure period.
- h. "Disability" shall mean disability as that term is defined in the Company's Long-Term Disability Plan.
- i. "Effective Date" shall have the meaning set forth in Section 2 below.
- j. "Original Term" shall have the meaning set forth in Section 2 below.
- k. "Renewal Term" shall have the meaning set forth in Section 2 below.

- l. "Severance Period" shall mean the period of 18 months following the termination of Executive's employment with the Company.
- m. "Subsidiary" shall have the meaning set forth in Section 4 below.
- n. "Term" shall have the meaning set forth in Section 2 below.
- o. "termination of employment", "employment is terminated" and other similar words shall mean with respect to Executive
  - (i) for any plan or arrangement that is subject to the rules of Section 409A of the Internal Revenue Code (the "Code") a "Separation from Service" as such term is defined in the Income Tax Regulations under Section 409A (the "409A Regulations") of the Code as modified by the rules described below:
    - (A) except in the case where Executive is on a bona fide leave of absence pursuant to the Company's policies as provided below, Executive is deemed to have incurred a Separation from Service on a date if the company and Executive reasonably anticipate that the level of services to be performed by Executive after such date would be permanently reduced to 20% or less of the average services rendered by Executive during the immediately preceding 36-month period (or the total period of employment, if less than 36 months), disregarding periods during which Executive was on a bona fide leave of absence;
    - (B) if Executive is absent from work due to military leave, sick leave, or other bona fide leave of absence pursuant to the Company's policies, Executive shall incur a Separation from Service on the first date that the rules of (A), above, are satisfied following the later of (i) the six-month anniversary of the commencement of the leave or (ii) the expiration of Executive's right, if any, to reemployment under statute, contract or Company policy;
    - (C) Executive shall be considered to continue employment and to not have a Separation from Service while on a bona fide leave of absence pursuant to the Company's policies if the leave does not exceed 6 consecutive months (12 months for a disability leave of absence) or, if longer, so long as the Executive retains a right to reemployment with the Company or an Affiliate under an applicable statute, contract or Company policy. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment of Executive that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes Executive to be unable to perform the duties of Executive's job or a substantially similar job;
    - (D) for purposes of determining whether another organization is an Affiliate of the Company, common ownership of at least 50% shall be determinative;
    - (E) the Company specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Separation from Service with respect to Executive providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction. Such determination shall be made in accordance with the requirements of Section 409A of the Code; or

- (ii) for any plan or arrangement that is not subject to the rules of Section 409A of the Code, the complete cessation of providing service to the Company or any Affiliate as an employee.

2. Term of Agreement.

The term of this Agreement shall commence on the date of this Agreement (the "Effective Date") and end on the third anniversary of such date (the "Original Term"). The Original Term shall be automatically renewed for successive one-year terms (the "Renewal Terms") unless at least 180 days prior to the expiration of the Original Term or any Renewal Term, either Party notifies the other Party in writing that he/she or it is electing to terminate this Agreement at the expiration of the then current Term. "Term" shall mean the Original Term and all Renewal Terms. If a Change in Control shall have occurred during the Term, notwithstanding any other provision of this Section 2, the Term shall not expire earlier than two years after such Change in Control.

3. Entitlement to Severance Benefit.

- a. Severance Benefit. In the event Executive's employment with the Company is Terminated Without Cause, other than due to death, or Disability, or in the event there is a Constructive Termination Without Cause, in each case within two years following a Change in Control, Executive shall be entitled to receive:
  - i. Base Salary through the date of termination of Executive's employment, which shall be paid in a cash lump sum not later than 15 days following Executive's termination of employment;
  - ii. An amount equal to 1.5 times Executive's Base Salary in effect on the date of termination of Executive's employment (or in the event a reduction in Base Salary is a basis for a Constructive Termination Without Cause, then the Base Salary in effect immediately prior to such reduction), payable in a cash lump sum following Executive's termination of employment;
  - iii. An amount equal to the most recently established target annual cash incentive bonus amount, prorated based on the portion of the performance year that Executive has worked as of the date of Executive's termination. Such payment of a pro rata annual cash incentive bonus will be payable in a cash lump sum following Executive's termination of employment;
  - iv. An amount equal to 1.5 times the most recently established target annual incentive cash bonus amount, payable in a cash lump sum following the Executive's termination of employment;
  - v. Elimination of all restrictions on any restricted stock or restricted stock unit awards outstanding at the time of termination of employment (other than awards under the Company's Partnership Equity Program, which shall be governed by the terms of such awards);
  - vi. Immediate vesting of all outstanding stock options and the right to exercise such stock options for the remainder of the full term of such option (other than awards under the Company's Partnership Equity Program, which shall be governed by the terms of such awards);
  - vii. The balance of any incentive awards earned as of December 31 of the prior year but not yet paid, which shall be paid in a single lump sum not later than 15 days following Executive's termination of employment;

- viii. Settlement of all deferred compensation arrangements in accordance with any then applicable deferred compensation plan or election form;
- ix. Continued participation in all medical, health and life insurance plans at the same benefit level at which Executive was participating on the date of termination of Executive's employment until the earlier of:
  - 1. the end of the Severance Period; or
  - 2. the date, or dates, Executive receives equivalent coverage and benefits under the plans and programs of a subsequent employer (such coverage and benefits to be determined on a coverage-by-coverage, or benefit-by-benefit, basis);

provided that (1) if Executive is precluded from continuing Executive's participation in any employee benefit plan or program as provided in this clause (ix) of this Section 3.a, Executive shall receive cash payments equal on an after-tax basis to the cost to Executive of obtaining the benefits provided under the plan or program in which Executive is unable to participate for the period specified in this clause (ix) of this Section 3.a, (2) such cost shall be deemed to be the lowest reasonable cost that would be incurred by Executive in obtaining such benefit on an individual basis, and (3) payment of such amounts shall be made quarterly in advance; and

- x. other or additional benefits then due or earned in accordance with applicable plans and programs of the Company.
- b. Change in Control Best Payments Determination. In the event the Severance Benefits described in Section 3(a) are payable to Executive in connection with a Change in Control and, if paid, could subject Executive to an excise tax under Section 4999 of the Internal Revenue Code (the "Excise Tax"), then notwithstanding the provisions of Section 3(a) the Company shall reduce the Severance Benefits (the "Benefit Reduction") under Section 3(a) by the amount necessary to result in the Executive not being subject to the Excise Tax, if such reduction would result in the Executive's "Net After-Tax Amount" attributable to the Severance Benefits described in Section 3(a) being greater than it would be if no Benefit Reduction was effected. For this purpose "Net After-Tax Amount" shall mean the net amount of Severance Benefits Executive is entitled to receive under this Agreement after giving effect to all Federal, state and local taxes which would be applicable to such payments, including, but not limited to, the Excise Tax. The determination of whether any such Benefit Reduction shall be effected shall be made by a nationally recognized public accounting firm selected by the Company (the "Accounting Firm") prior to the occurrence of the Change in Control and such determination shall be binding on both Executive and the Company. In the event it is determined that a Benefit Reduction is required, such reduction of items described in Section 3(a) above shall be done first by reducing cash severance determined in accordance with Section 3(a)(ii), 3(a)(iii) and 3(a)(iv); to the extent a further Benefit Reduction is necessary, then Severance Benefits will be reduced from the amounts determined in accordance with Section 3(a)(v) and 3(a)(vi), all as determined by the Accounting Firm.
- c. No Mitigation; No Offset. In the event of any termination of employment under this Section 3, Executive shall be under no obligation to seek other employment, and the amounts due Executive under this Agreement shall not be offset by any remuneration attributable to any subsequent employment that Executive may obtain.

- d. Nature of Payments. Any amounts due under this Section 3 are in the nature of severance payments considered to be reasonable by the Company and are not in the nature of a penalty.
  - e. Exclusivity of Severance Benefit. Upon termination of Executive's employment during the Term, Executive shall not be entitled to any severance payments or severance benefits from the Company, or any other payments by the Company, other than the Severance Benefit provided in this Section 3, except as required by law.
  - f. General Release of Claims. Executive agrees, as a condition of payment of the Severance Benefit provided for in this Section 3, that Executive will execute within 60 days of Executive's termination of employment a separation agreement, in a form reasonably satisfactory to the Company, that includes a general release of any and all claims arising out of Executive's employment or termination of employment with the Company, other than claims for (i) enforcement of this Agreement, (ii) enforcement of Executive's rights under any of the Company's incentive compensation, equity and/or employee benefit plans and programs to which Executive is entitled under this Agreement, and (iii) any tort for personal injury not arising out of or related to Executive's employment or termination of employment.
  - g. Subject to the provisions of Section 12(b), all payments to be made pursuant to this Section 3 upon the termination of employment of Executive shall be made or commence, as the case may be, within 75 days after the Executive's termination of employment provided, however, that if such termination of employment is after October 15 of a year, the payout or first payment, as the case may be, shall be made at the end of such 75 day period.
4. Confidentiality; Cooperation with Regard to Litigation; Non-disparagement.
- a. During the Term and thereafter, Executive shall not, without the prior written consent of the Company, disclose to anyone (except in good faith in the ordinary course of business to a person who will be advised by Executive to keep such information confidential) or make use of any confidential information except in the performance of Executive's duties hereunder or when required to do so by legal process, by any governmental agency having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) that requires Executive to divulge, disclose or make accessible such information. In the event that Executive is so ordered, Executive shall give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such order.
  - b. During the Term and thereafter, Executive shall not disclose the existence or contents of this Agreement beyond what is disclosed in the proxy statement or documents filed with the government unless and to the extent such disclosure is required by law, by a governmental agency, or in a document required by law to be filed with a governmental agency or in connection with enforcement of Executive's rights under this Agreement. In the event that disclosure is so required, Executive shall give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such requirement. This restriction shall not apply to such disclosure by Executive to members of Executive's immediate family, Executive's tax, legal or financial advisors, any lender, or tax authorities, or to potential future employers to the extent necessary, each of whom shall be advised not to disclose such information.
  - c. Confidential Information" shall mean all information concerning the business of the Company or any Subsidiary relating to any of their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of Confidential Information is information (i) that is or becomes part of

the public domain, other than through the breach of this Agreement by Executive or (ii) regarding the Company's business or industry properly acquired by Executive in the course of Executive's career as an Executive in the Company's industry and independent of Executive's employment by the Company. For this purpose, information known or available generally within the trade or industry of the Company or any Subsidiary shall be deemed to be known or available to the public.

- d. "Subsidiary" shall mean any corporation or other business entity owned or controlled directly or indirectly by CVS.
- e. Executive agrees to cooperate with the Company, during the Term and thereafter (including following Executive's termination of employment for any reason), by being reasonably available to testify on behalf of the Company or any Subsidiary in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to assist the Company, or any Subsidiary, in any such action, suit, or proceeding, by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company, or any Subsidiary as requested; provided, however that the same does not materially interfere with Executive's then current professional activities. The Company agrees to reimburse Executive on an after tax basis, for all reasonable expenses actually incurred in connection with Executive's provision of testimony or assistance.
- f. Executive agrees that, during the Term and thereafter (including following Executive's termination of employment for any reason) Executive will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to the Company or any Subsidiary or their respective officers, directors, employees, advisors, businesses or reputations. Notwithstanding the foregoing, nothing in this Agreement shall preclude Executive from making truthful statements or disclosures that are required by applicable law, regulation or legal process.

5. Non-solicitation.

During the period beginning with the Effective Date and ending 18 months following the termination of Executive's employment with the Company, Executive, whether acting on Executive's own behalf or by, through or on behalf of any third party, shall not (a) hire any employees of the Company or any Subsidiary, or recruit or solicit any such employees or encourage them to terminate their employment with the Company or any Subsidiary; (b) accept business from any customers of the Company or any Subsidiary, or solicit or encourage any customers, joint venture partners or investors of the Company or any Subsidiary to terminate or diminish their relationship with the Company or any Subsidiary or to violate any agreement with the Company or any Subsidiary. For purposes of subsection 5(a), an employee of the Company or any Subsidiary means any person who was employed by the Company or any Subsidiary within 180 days of such hiring, recruitment, solicitation or encouragement. Executive agrees to make any employer with whom Executive becomes employed during the 18-month period following Executive's termination with the Company aware of this non-solicitation obligation upon commencing employment with such subsequent entity.

6. Remedies.

In addition to whatever other rights and remedies the Company may have at equity or in law, the Company (a) shall have the right to immediately terminate all payments and benefits due under this Agreement if Executive breaches any of the provisions contained in Sections 4 or 5 above, and (b) shall have the right to seek injunctive relief in any court of competent jurisdiction if Executive breaches or threatens to breach any of the provisions contained in Sections 4 or 5 above. Executive acknowledges that such a breach would cause irreparable injury and that

money damages would not provide an adequate remedy for the Company; provided, however, the foregoing shall not prevent Executive from contesting the issuance of any such injunction on the ground that no violation or threatened violation of Sections 4 or 5 has occurred.

7. Effect of Agreement on Other Benefits.

Except as specifically provided in this Agreement, the existence of this Agreement shall not be interpreted to preclude, prohibit or restrict the Executive's participation in any other employee benefit or other plans or programs in which he /she currently participates.

8. Not an Employment Agreement.

This Agreement is not, and nothing herein shall be deemed to create, a contract of employment between Executive and the Company. The Company may terminate the employment of Executive at any time and for any reason, subject to the terms of any employment agreement between the Company and Executive that may then be in effect.

9. Resolution of Disputes.

Any controversy or claim arising out of or relating to this Agreement or any breach or asserted breach hereof or questioning the validity and binding effect hereof arising under or in connection with this Agreement, other than seeking injunctive relief under Sections 4 or 5, shall be resolved by binding arbitration, to be held at an office closest to the Company's principal offices in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Pending the resolution of any arbitration or court proceeding, the company shall continue payment of all amounts and benefits due Executive under this Agreement. All reasonable costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be paid on behalf of or reimbursed to Executive promptly by the Company; provided, however, that no reimbursement shall be made of such expenses if and to the extent the arbitrator(s) determine(s) that any of Executive's litigation assertions or defenses were in bad faith or frivolous.

10. Assignability; Binding Nature.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of Executive) and permitted assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred in connection with the sale or transfer of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale or transfer of assets as described in the preceding sentence, it shall take whatever action it legally can in order to cause such assignee or transferee to expressly assume the liabilities, obligations and duties of the Company hereunder. No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than Executive's rights to compensation and benefits, which may be transferred only by will or operation of law, except as provided in Section 15 below.

11. Representation.

The Company represents and warrants that it is fully authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any agreement between it and any other person, firm or organization.

12. Amendment or Waiver; Section 409A.

- (a) No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by Executive and an authorized officer of the Company. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.
- (b) Executive and Company agree that it is the intent of the Parties that this Agreement not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Code, as amended, and that to the extent any provisions of this Agreement do not comply with such Code Section 409A the Parties will make such changes as are mutually agreed upon in order to comply with Code Section 409A. In all events, to the extent required to avoid a violation of the applicable rules under all Section 409A by reason of Code Section 409A(a)(2)(B)(i), payment of any amounts subject to Code Section 409A shall be delayed until the relevant date of payment that will result in compliance with the rules of Code Section 409A(a)(2)(B)(i).

13. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

14. Survivorship.

The respective rights and obligations of the Parties hereunder shall survive any termination of Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

15. Beneficiaries/References.

Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, references in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative.

16. Governing Law/Jurisdiction.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of Rhode Island without reference to principles of conflict of laws. Subject to Section 6, the Company and Executive hereby consent to the jurisdiction of any or all of the following courts for purposes of resolving any dispute under this Agreement: (i) the United States District Court for Rhode Island or (ii) any of the courts of the State of Rhode Island. The Company and Executive further agree that any service of process or notice requirements in such proceeding shall be satisfied if the rules of such court relating thereto have been substantially satisfied. The Company and Executive hereby waive, to the fullest extent permitted by applicable law, any objection which it or he/she may now or hereafter have to such jurisdiction and any defense of inconvenient forum.



17. Notices.

Any notice given to a Party shall be in writing and shall be deemed to have been given when delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the Party concerned at the address indicated below or to such changed address as such Party may subsequently give written notice of:

If to CVS:

CVS Pharmacy, Inc.  
One CVS Drive  
Woonsocket, RI 02895  
Attention: Corporate Secretary

If to Executive:

Tilak Mandadi  


18. Headings.

The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

19. Counterparts.

This Agreement may be executed in two or more counterparts.

In WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

CVS Pharmacy, Inc.

By: /s/ Laurie P. Havanec

Name: Laurie Havenec

Title: Executive Vice President, Chief People  
Officer

Executive

/s/ Tilak Mandadi

**CVS Pharmacy, Inc.  
Restrictive Covenant Agreement**

I, PREM SHAH enter into this Restrictive Covenant Agreement ("Agreement") with CVS Pharmacy, Inc., on its own behalf and on behalf of its subsidiaries and affiliates ("CVS"), which is effective as of the date I sign the Agreement ("Effective Date").

**1. Consideration for Agreement.** In connection with my duties and responsibilities at CVS Health Corporation or one of its subsidiaries or affiliates, including Aetna Inc. (collectively, the "Corporation"), the Corporation will provide me with Confidential Information and/or access to the Corporation's customers and clients and the opportunity to develop and maintain relationships and goodwill with them. In consideration of the foregoing and the mutual promises in this Agreement and other good and valuable consideration, I hereby agree with CVS to comply with the terms of this Agreement.

**2. Non-Competition.** During my employment by the Corporation and during the Non-Competition Period following the termination of my employment for any reason, I will not directly or indirectly engage in Competition or provide Consulting or Audit Services within the Restricted Area.

a. **Competition.** Engaging in "Competition" means (whether as an employee, contractor, consultant, principal, agent, partner, officer, or director) (i) working on, developing, producing, marketing, selling, servicing, or managing (or assisting in developing, producing, marketing, selling, servicing, or managing) any product or service that is competitive with any existing or planned products or services of the Corporation that I managed, or with which I was involved, at any time during the last twenty-four (24) months of my employment with the Corporation; or (ii) accepting any position or engaging in any activity that will likely result in the disclosure of Confidential Information to a Competitor or the use of Confidential Information on behalf of a Competitor.

b. **Competitor.** A "Competitor" for purposes of this Agreement shall mean any person, corporation or other entity that competes with one or more of the business offerings of the Corporation. As of the Effective Date, the Corporation's business offerings include: (i) pharmacy benefits management ("PBM"), including: (a) the administration of pharmacy benefits for businesses, government agencies and health plans; (b) mail order pharmacy; (c) specialty pharmacy; and (d) the procurement of prescription drugs at a negotiated rate for dispensing; (ii) retail, which includes the sale of prescription drugs, over-the-counter medications, beauty products and cosmetics, digital and traditional photo finishing services, digital and other online offerings, seasonal and other general merchandise, greeting cards, convenience foods and other product lines and services which are sold by the Corporation's retail division ("Retail"); (iii) retail health clinics ("MinuteClinic"); (iv) the provision of pharmaceutical products and ancillary services, including specialty pharmaceutical products and support services and the provision of related pharmacy consulting, data management services and medical supplies to long-term care facilities, other healthcare service providers and recipients of services from such facilities ("Long-Term Care"); (v) the provision of prescription infusion drugs and related services ("Infusion"); (vi) the provision of kidney care services, including but not limited to caring for patients with end stage renal disease ("Kidney Care"); (vii) services relating to or supporting clinical trials ("Clinical Trials"); (viii) the provision of insurance ("Insurance") including: (a) health insurance products and services; (b) managed health care products and services; (c) dental, vision, and employee assistance program products and services; (d) wellness products and services to employers, government agencies, health plans, other businesses or third party payers; (e) Medicare Part D services; and (f) other voluntary products that are excepted benefits under HIPAA; (ix) the creation and provision of population health management

products and services ("Health Management"); (x) services supporting or related to the administration of the business offerings in (i)-(ix) ("Administration"); and (xi) any other business in which Corporation is engaged or imminently will be engaged. For avoidance of doubt, Competitor shall include any business unit, corporate entity, division, affiliate or part of a Competitor which offers other products or services which are or may be combined or offered as part of a suite of products or services with the Competitor's Insurance, Health Management and/or PBM offerings.

For the purpose of assessing whether I am engaging in "Competition" under section 2(a)(i) above, a person, corporation or other entity shall not be considered a Retail Competitor if such entity derives annual gross revenues from its business in an amount which is less than 2% of the Corporation's gross revenues from Retail, during its most recently completed fiscal year. For avoidance of doubt, this exclusion does not apply to a determination of whether I am engaging in "Competition" as set forth in section 2(a)(ii) above.

I and the Corporation acknowledge that both the Corporation's products and services and the entities which compete with the Corporation's products and services evolve over time, and that an entity will be considered a Competitor if it provides products or services competitive with the products and services provided by the Corporation within the last two years of my employment with the Corporation.

I agree that the provisions of Section 2 of this Agreement are reasonable to protect and preserve the Corporation's legitimate business interests, including the protection of the Company's Confidential Information and the Company's substantial investment made to develop and retain its Confidential Information, clients, other business relationships, and related goodwill.

c. **Consulting or Audit Services.** "Consulting or Audit Services" shall mean any activity that involves providing audit review or other consulting or advisory services with respect to any relationship or prospective relationship between the Corporation and any third party that is likely to result in the use or disclosure of Confidential Information.

d. **Non-Competition Period.** The "Non-Competition Period" shall be the period of 18 months following the termination of my employment with the Corporation for any reason.

e. **Restricted Area.** "Restricted Area" refers to those states within the United States in which the Corporation conducts its business, as well as the District of Columbia and Puerto Rico. To the extent I worked on international matters involving the Corporation's business in Asia, Europe, or other international locations where the Corporation may conduct business, the Restricted Area includes those countries and those countries where the Corporation is actively planning to conduct business. I understand and agree that the Corporation's business is global in nature and that its clients are located throughout the world; therefore, the Restricted Territory definition is reasonable and necessary to allow the Corporation to adequately protect its legitimate business interests, and the absence of a more restricted limitation would not be reasonable under these circumstances. Nevertheless, the restrictions on my work during the Non-Competition Period shall only extend to those locations within the Restricted Area where such work constitutes engaging in Competition.

**3. Non-Solicitation.** During the Non-Solicitation Period, which shall be during my employment by the Corporation and for 18 months following the termination of my employment with the Corporation for any reason, I will not, unless a duly authorized officer of the Corporation gives me written authorization to do so:

a. interfere with the Corporation's relationship with its Business Partners by soliciting or communicating (regardless of who initiates the communication) with a Business Partner to: (i) induce or

encourage the Business Partner to stop doing business or reduce its business with the Corporation, or (ii) buy a product or service that competes with a product or service offered by the Corporation's business. "Business Partner" means: a customer (person or entity), prospective customer (person or entity), healthcare provider, supplier, manufacturer, agency, broker, hospital, hospital system, long-term care facility, Insurance client/customer, and/or pharmaceutical manufacturer with whom the Corporation has a business relationship and with which I had business-related contact or dealings, or about which I received Confidential Information, in the two years prior to the termination of my employment with the Corporation. A Business Partner does not include a customer, supplier, manufacturer, agency, broker, hospital, hospital system, long-term care facility and/or pharmaceutical manufacturer which has fully and finally ceased doing any business with the Corporation independent of any conduct or communications by me or breach of this Agreement and such full cessation of business has been in effect for at least 1 year prior to my separation from employment with the Corporation. Nothing in this Section 3(a) shall prevent me from working as a staff pharmacist or in another retail position wherein I would be providing or selling prescriptions or other products directly to consumers.

b. work on a Corporation account on behalf of a Business Partner or serve as the representative of a Business Partner for the Corporation.

c. interfere with the Corporation's relationship with any employee or contractor of the Corporation by: (i) soliciting or communicating with the employee or contractor to induce or encourage him or her to leave the Corporation's employ or engagement (regardless of who first initiates the communication); (ii) helping another person or entity evaluate such employee or contractor as an employment or contractor candidate; or (iii) otherwise helping any person or entity hire an employee or contractor away from the Corporation.

#### **4. Non-Disclosure of Confidential Information.**

a. Subject to Sections 7 and 8 below, I will not at any time, whether during or after the termination of my employment, disclose to any person or entity any of the Corporation's Confidential Information, except as may be appropriately required in the ordinary course of performing my duties as an employee of the Corporation. The Corporation's Confidential Information includes but is not limited to the following non-public information: trade secrets; computer code generated or developed by the Corporation; software or programs and related documentation; strategic compilations and analysis; strategic processes; business or financial methods, practices and plans; non-public costs and prices; operating margins; marketing, merchandising and selling techniques and information; customer lists; provider lists; details of customer or provider agreements; pricing arrangements with pharmaceutical manufacturers, distributors or suppliers including but not limited to any discounts and/or rebates; pricing arrangements with insurance clients and customers; pharmacy reimbursement rates; premium information; payment rates; contractual forms; expansion strategies; real estate strategies; operating strategies; sources of supply; patient records; business plans; other financial, commercial, business or technical information related to the Corporation, and confidential information of third parties which is given to the Corporation pursuant to an obligation or agreement to keep such information confidential (collectively, "Confidential Information"). I shall not use or attempt to use any Confidential Information on behalf of any person or entity other than the Corporation, or in any manner which may injure or cause loss or may be calculated to injure or cause loss, whether directly or indirectly, to the Corporation. If, at any time over the last two years of my employment at CVS, my position included access to Confidential Information, as described above, specifically related to the Corporation's procurement of prescription drugs, I understand and agree my employment with a pharmaceutical manufacturer, distributor or supplier ("Pharmaceutical Entity") would place a substantial risk of use and/or disclosure of Confidential Information with which I have been or will be entrusted during my employment with the Corporation. In light of this risk of disclosure, I acknowledge and agree that the Corporation will be entitled to immediate

injunctive relief to prevent me from disclosing any such Confidential Information in the course of my employment with any such Pharmaceutical Entity. I agree that the disclosure of such Confidential Information to the Corporation's PBM Competitors with which one may negotiate in the course of employment with such Pharmaceutical Entity, would cause immediate and irreparable harm to the Corporation.

b. During my employment, I shall not make, use, or permit to be used, any materials of any nature relating to any matter within the scope of the business of the Corporation or concerning any of its dealings or affairs other than for the benefit of the Corporation. I shall not, after the termination of my employment, use or permit to be used any such materials and shall return same in accordance with Section 5 below.

c. NOTICE OF IMMUNITY FROM LIABILITY FOR CONFIDENTIAL DISCLOSURE OF A TRADE SECRET TO THE GOVERNMENT OR IN A COURT FILING. Pursuant to the United States Defend Trade Secrets Act of 2016 (the "DTSA"), the Company hereby provides the following notice to Employee:

(i) IMMUNITY: An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made: (1) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(ii) USE OF TRADE SECRET INFORMATION IN ANTI-RETALIATION LAWSUIT: An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret in the court proceeding, if the individual: (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

**5. Ownership and Return of the Corporation's Property.** On or before my final date of employment with the Corporation, I shall return to the Corporation all property of the Corporation in my possession, custody or control, including but not limited to the originals and copies of any information provided to or acquired by me in connection with the performance of my duties for the Corporation, such as files, correspondence, communications, memoranda, e-mails, slides, records, and all other documents, no matter how produced or reproduced, all computer equipment, communication devices (including but not limited to any mobile phone or other portable digital assistant or device), computer programs and/or files, and all office keys and access cards. I agree that all the items described in this Section are the sole property of the Corporation.

## **6. Rights to Inventions, Works.**

a. **Assignment of Inventions.** All inventions, original works of authorship, developments, concepts, improvements, designs, discoveries, ideas, trademarks or trade secrets, whether patentable or otherwise protectable under similar law, made, conceived or developed by me, whether alone or jointly with others, from the date of my initial employment by the Corporation and continuing until the end of any period during which I am employed by the Corporation, relating or pertaining in any way to my employment with or the business of the Corporation (collectively referred to as "Inventions") shall be promptly disclosed in writing to the Corporation. I hereby assign to the Corporation, or its designee, all of my rights, title and interest to such Inventions. All original works of authorship which are made by me (solely or jointly with others) within the scope of and during the period of my employment with the Corporation and which are protectable by copyright are "works made for hire," as that term is defined in

the United States Copyright Act and as such are the sole property of the Corporation. The decision whether to commercialize or market any Invention developed by me solely or jointly with others is within the Corporation's sole discretion and for the Corporation's sole benefit and no royalty will be due to me as a result of the Corporation's efforts to commercialize or market any such Invention.

b. **Inventions Retained and Licensed.** I have attached hereto as Exhibit A, a list specifically describing all inventions, original works of authorship, developments, improvements, and trade secrets that were made by me prior to my employment with the Corporation ("Prior Inventions"), which belong to me and are not assigned to the Corporation hereunder. If no such list is attached, I represent that there are no such Prior Inventions. I will not incorporate, or permit to be incorporated, any Prior Invention owned by me or in which I have an interest into a Corporation product, process or machine without the Corporation's prior written consent. Notwithstanding the foregoing sentence, if, in the course of my employment with the Corporation, I incorporate into a Corporation product, process or machine a Prior Invention owned by me or in which I have an interest, the Corporation is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine.

c. **Patent and Copyright Registrations.** I will assist the Corporation, or its designee, at the Corporation's expense, in every proper way to secure the Corporation's rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto, including, but not limited to, the disclosure to the Corporation of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Corporation shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Corporation, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. My obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after my employment ends for any reason and/or after the termination of this Agreement. If the Corporation is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Inventions or original works of authorship assigned to the Corporation as above, then I hereby irrevocably designate and appoint the Corporation and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by me.

d. **Exception to Assignments.** I understand that if I am an employee in Illinois, Kansas, North Carolina, Utah or Minnesota, I should refer to Exhibit B (incorporated herein for all purposes) for important limitations on the scope of the provisions of this Agreement concerning assignment of Inventions. I will advise the Corporation promptly in writing of any inventions that I believe meet the criteria in Exhibit B and that are not otherwise disclosed on Exhibit A.

## **7. Cooperation.**

a. In the event I receive a subpoena, deposition notice, interview request, or other process or order to testify or produce Confidential Information or any other information or property of the Corporation, I shall promptly: (i) notify the Corporation of the item, document, or information sought by such subpoena, deposition notice, interview request, or other process or order; (ii) furnish the Corporation with a copy of said subpoena, deposition notice, interview request, or other process or order; and (iii) provide reasonable cooperation with respect to any procedure that the Corporation may initiate to

protect Confidential Information or other interests. If the Corporation objects to the subpoena, deposition notice, interview request, process, or order, I shall cooperate to ensure that there shall be no disclosure until the court or other applicable entity has ruled upon the objection, and then only in accordance with the ruling so made. If no such objection is made despite a reasonable opportunity to do so, I shall be entitled to comply with the subpoena, deposition, notice, interview request, or other process or order, provided that I have fulfilled the above obligations.

b. I will cooperate fully with the Corporation, its affiliates, and their legal counsel in connection with any action, proceeding, or dispute arising out of matters with which I was directly or indirectly involved while serving as an employee of the Corporation, its predecessors, subsidiaries or affiliates. This cooperation shall include, but shall not be limited to, meeting with, and providing information to, the Corporation and its legal counsel, maintaining the confidentiality of any past or future privileged communications with the Corporation's legal counsel (outside and in-house), and making myself available to testify truthfully by affidavit, in depositions, or in any other forum on behalf of the Corporation. The Corporation agrees to reimburse me for any reasonable and necessary out-of-pocket costs associated with my cooperation.

c. **Notice of New Employment.** If a representative of the Corporation, during or following my employment, requests that I identify the company or business to which I will be or am providing services, or with which I will be or am employed, and requests that I provide information about the services that I am or will be providing to such entity, I shall provide the Corporation with a written statement that identifies the entity and describes the nature of the services that I am or will be providing to such entity with sufficient detail to allow the Corporation to independently assess whether I am or will be in violation of this Agreement. Such statement shall be delivered to the Corporation's Chief People Officer or his or her authorized delegate via personal delivery or overnight delivery within five calendar days of my receipt of such request.

**8. Limitation on Restrictions.** Nothing in this Agreement is intended to or shall interfere with my right to file charges or participate in a proceeding with any appropriate federal, state or local government agency, including the Occupational Safety and Health Administration ("OSHA"), National Labor Relations Board ("NLRB") or the Securities and Exchange Commission ("SEC"); to exercise rights under Section 7 of the National Labor Relations Act ("NLRA"); or to file a charge or complaint with or participate or cooperate in an investigation or proceeding with the US Equal Employment Opportunity Commission ("EEOC") or comparable state or local agencies. Such agencies have authority to carry out their statutory duties by investigating a charge, issuing a determination, filing a lawsuit, or taking any other action authorized by law. I retain the right to participate in any such action and retain the right to communicate with the NLRB, SEC, EEOC, OSHA and comparable state or local agencies and such communication shall not be limited by any provision in this Agreement. Nothing in this Agreement limits my right to receive an award for information provided to a government agency such as the SEC and OSHA. In addition, nothing in this Agreement is intended to interfere with or restrain the immunity provided under 18 U.S.C. § 1833(b) for confidential disclosures of trade secrets to government officials or lawyers, solely for the purpose of reporting or investigating a suspected violation of law, or in a sealed filing in court or other proceeding.

**9. Eligibility for Severance Pay.** If my employment with the Corporation terminates under circumstances in which I am eligible for severance under the applicable severance plan (the "Severance Plan"), the Corporation will offer me severance in accordance with the Severance Plan. I acknowledge that I must meet certain requirements in order to receive severance, including but not limited to execution of a separation agreement and release of claims in a form acceptable to CVS Health Corporation and any other requirements set forth in the Severance Plan. In the event that the Corporation fails to comply with its obligations to offer me severance according to the Severance Plan, then Section 2 of this Agreement

shall be of no further effect. I agree that if I decline the Corporation's offer of severance, I shall continue to be subject to the restrictions in Section 2.

**10. Injunctive Relief and Other Remedies.** Any breach of this Agreement by me will cause irreparable damage to the Corporation and, in the event of such breach, the Corporation shall have, in addition to any and all remedies of law, the right to an injunction, specific performance or other equitable relief to prevent the violation of my obligations hereunder, and without providing a bond to the extent permitted by the applicable rules of civil procedure. Nothing contained in this Agreement shall be construed to prohibit the Corporation from pursuing any other remedy available to the Corporation at law or in equity, the parties having agreed that all remedies are cumulative.

**11. No Right of Continued Employment.** This Agreement does not create an obligation on the Corporation or any other person or entity to continue my employment.

**12. No Conflicting Agreements.** I represent that the performance of my job duties with the Corporation and my compliance with all of the terms of this Agreement does not and will not breach or conflict with any other agreement, covenant, obligation or restriction to which I am bound including but not limited to any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Corporation.

**13. Entire Agreement/No Reliance/No Modifications.** This Agreement and any compensation, benefit or equity plan or agreement referred to herein or under which equity was granted, to the extent those other agreements apply to me, set forth the entire agreement between the parties hereto and fully supersede any and all prior and/or supplemental understandings, whether written or oral, between the parties concerning the subject matter of this Agreement. This agreement shall not have any effect on any prior existing agreements between Corporation and me regarding the arbitration of workplace legal disputes and any such agreements remain in full force and effect. I agree and acknowledge that I have not relied on any representations, promises or agreements of any kind in connection with my decision to accept the terms of this Agreement, except for the representations, promises and agreements herein. Any modification to this Agreement must be made in writing and signed by me and the Corporation's Chief People Officer or his or her authorized representative.

**14. No Waiver.** Any waiver by the Corporation of a breach of any provision of this Agreement, or of any other similar agreement with any other current or former employee of the Corporation, shall not operate or be construed as a waiver of any subsequent breach of such provision or any other provision hereof.

**15. Severability.** The parties hereby agree that each provision herein shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of any of the other clauses herein. Moreover, if one or more of the provisions of this Agreement are for any reason held to be excessively broad as to scope, activity, duration, subject or otherwise so as to be unenforceable at law, the parties consent to such provision or provisions being modified in any way necessary or limited by the appropriate judicial body (where allowed by applicable law), so as to be enforceable to the maximum extent compatible with the applicable law.

**16. Survival of Employee's Obligations.** My obligations under this Agreement shall survive the termination of my employment regardless of the manner of such termination and shall be binding upon my heirs, personal representatives, executors, administrators and legal representatives.

**17. Corporation's Right to Assign Agreement.** The Corporation has the right to assign this Agreement to its successors and assigns without the need for further agreement or consent by me, and all



covenants and agreements hereunder shall inure to the benefit of and be enforceable by said successors or assigns.

**18. Non-Assignment.** I shall not assign my rights and obligations under this Agreement, in whole or in part, whether by operation of law or otherwise, without the prior written consent of the Corporation, and any such assignment contrary to the terms hereof shall be null and void and of no force or effect.

**19. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the state of Rhode Island excluding its choice of law rules or principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

**20. Personal Jurisdiction and Venue.** I agree that any State or Federal court located within the State of Rhode Island shall have personal jurisdiction over me with regard to any claim or dispute arising out of or related to this Agreement or the subject matter of this Agreement. I agree that unless otherwise prohibited by applicable law, any claim or dispute arising out of or related to this Agreement or the subject matter of this Agreement shall be exclusively brought and resolved in a State or Federal court located within the state of Rhode Island.

**21. Consultation with Legal Counsel; Time to Consider Agreement.** I acknowledge that CVS advises me to consult with an attorney before signing this Agreement. I also acknowledge that CVS has given me fourteen (14) days from the date I received this Agreement to consider whether to sign this Agreement. I further acknowledge that if I choose to do so voluntarily, I may sign this Agreement before the expiration of the 14-day consideration period.

**22. Headings.** The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

**23. Attorneys' Fees.** If any party to this Agreement breaches any terms of this Agreement, then that party shall pay to the non-breaching party all of the non-breaching party's costs and expenses, including attorneys' fees, incurred by that party in enforcing the terms of this Agreement.

**24. Tolling.** In the event I violate one of the time-limited restrictions in Sections 2 and/or 3 of this Agreement, I agree that the time period for such violated restriction shall be extended by one day for each day I have violated the restriction, up to a maximum extension equal to the length of the original period of the restricted covenant.

IN WITNESS WHEREOF, the undersigned has executed this Agreement as a sealed instrument as of the date set forth below.

/s/ Prem Shah

  
Employee ID

Date: 05/11/2022

/s/ Laurie P. Havanec

Laurie Havanec  
Chief People Officer  
CVS Pharmacy, Inc.

**EXHIBIT A**

**List of Prior Inventions - See Section 6**



## EXHIBIT B

### Notice Regarding Invention Assignment

1. For an employee residing in **Illinois, Kansas, or North Carolina**, you are hereby advised:

**Notice.** No provision in this Agreement requires you to assign any of your rights to an invention for which no equipment, supplies, facility, or trade secret information of the Corporation was used and which was developed entirely on your own time, unless (a) the invention relates (i) to the business of the Corporation or (ii) to the Corporation's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by you for the Corporation. Illinois 765ILCS1060/1-3, "Employees Patent Act"; Kansas Statutes Section 44-130; North Carolina General Statutes Article 10A, Chapter 66, Commerce and Business, Section 66-57.1.

2. For an employee residing in **Utah**, you are hereby advised:

**Notice.** No provision in this Agreement requires you to assign any of your rights to an invention which was created entirely on your own time, and which is not (a) conceived, developed, reduced to practice, or created by you (i) within the scope of your employment with the Corporation, (ii) on the Corporation's time, or (iii) with the aid, assistance, or use of any of the Corporation's property, equipment, facilities, supplies, resources, or patents, trade secrets, know-how, technology, confidential information, ideas, copy rights, trademarks and service marks and any and all rights, applications and registrations relating to them, (b) the results of any work, services, or duties performed by you for the Corporation, (c) related to the industry or trade of the Corporation, or (d) related to the current or demonstrably anticipated business, research, or development of the Corporation. Utah Code Sections 34-39-1 through 34-39-3, "Employee Inventions Act."

3. For an employee residing in **Minnesota**, you are hereby advised:

**Notice.** No provision in this Agreement requires you to assign any of your rights to an invention for which no equipment, supplies, facility, or trade secret information of the Corporation was used, and which was developed entirely on your own time, and (a) which does not relate (i) directly to the business of the Corporation, or (ii) to the Corporation's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by you for the Corporation. Minnesota Statutes 13A Section 181.78.

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CVS HEALTH CORPORATION  
Change in Control Agreement for  
**Prem Shah**

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This Change in Control Agreement ("Agreement") is made and entered into as of January 27, 2023, between CVS Pharmacy, Inc., a wholly owned subsidiary of CVS Health Corporation, and **Prem Shah** (the "Executive").

WHEREAS, the Board of Directors (the "Board") of CVS Health Corporation ("CVS" or the "Company") believes it is necessary and desirable for the Company to be able to rely upon Executive to continue serving in Executive's position with the Company in the event of a pending or actual change in control of CVS;

WHEREAS, Executive is employed by Caremark and this Agreement shall not alter Executive's status as an employee at will;

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, CVS and the Executive (individually a "Party" and together the "Parties") agree as follows:

1. Definitions.

- a. "Base Salary" shall mean Executive's annual rate of base salary at the time of Executive's termination of employment or, if greater, as in effect immediately prior to a Change in Control.
- b. "Cause" shall exist if:
  - i. Executive willfully and materially breaches Sections 4 or 5 of this Agreement;
  - ii. Executive is convicted of a felony involving moral turpitude; or
  - iii. Executive engages in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out Executive's duties under this Agreement, resulting, in either case, in material harm to the financial condition or reputation of the Company.

For purposes of this Agreement, an act or failure to act on Executive's part shall be considered "willful" if it was done or omitted to be done by Executive not in good faith, and shall not include any act or failure to act resulting from any incapacity of Executive. A termination for Cause shall not take effect absent compliance with the provisions of this paragraph. Executive shall be given written notice by the Company of its intention to terminate Executive's employment for Cause, such notice (A) to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based and (B) to be given within 90 days of the Company's learning of such act or acts or failure or failures to act. Executive shall have 20 days after the date that such written notice has been given to Executive in which to cure such conduct, to extent such cure is possible. If Executive fails to cure such conduct, Executive shall then be entitled to a hearing before the Committee, or an officer or officers designated by the Committee, at which Executive is entitled to appear. Such hearing shall be held within 25 days of such notice to Executive, provided Executive requests such hearing within 10 days of the written notice from the Company of the intention to terminate Executive for Cause. If, within five days following such hearing, Executive is furnished written notice by the Committee confirming that, in its judgment, grounds for Cause on the basis of the original notice exist, Executive shall thereupon be terminated for Cause. Executive's right to cure in accordance with this provision applies only in the event of a Change in

Control as defined in Section 1(c) below and does not alter Executive's "at will" employment status.

c. A "Change in Control" shall be deemed to have occurred if:

- (i) any Person (other than (a) the Company, (b) any trustee or other fiduciary holding securities under any employee benefit plan of the Company, (c) any company owned, directly or indirectly, by the stockholders of the Company immediately after the occurrence with respect to which the evaluation is being made in substantially the same proportions as their ownership of the common stock of the Company immediately prior to such occurrence or (d) any surviving or resulting entity from a merger or consolidation referred to in clause (iii) below that does not constitute a Change of Control under clause (iii) below) becomes the Beneficial Owner (except that a Person shall be deemed to be the Beneficial Owner of all shares that any such Person has the right to acquire pursuant to any agreement or arrangement or upon exercise of conversion rights, warrants or options or otherwise, without regard to the sixty day period referred to in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company or of any subsidiary owning directly or indirectly all or substantially all of the consolidated assets of the Company (a "Significant Subsidiary"), representing 30% or more of the combined voting power of the Company's or such Significant Subsidiary's then outstanding securities;
- (ii) during any period of twelve (12) consecutive months, individuals who at the beginning of such period constitute the Board, and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the twelve (12) month period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;
- (iii) the consummation of a merger or consolidation of the Company or any Significant Subsidiary with any other entity, other than a merger or consolidation which would result in the voting securities of the Company or a Significant Subsidiary outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or resulting entity) more than 50% of the combined voting power of the surviving or resulting entity outstanding immediately after such merger or consolidation; or
- (iv) the consummation of a transaction (or series of transactions within a 12 month period) which constitutes the sale or disposition of all or substantially all of the consolidated assets of the Company but in no event assets having a gross fair market value of less than 40% of the total gross fair market value of all of the consolidated assets of the Company (other than such a sale or disposition immediately after which such assets will be owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company immediately prior to such sale or disposition).

For purposes of this definition:



- (A) The term "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 under the Exchange Act (including any successor to such Rule).
  - (B) The term "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.
  - (C) The term "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including "group" as defined in Section 13(d) thereof.
- d. "Committee" shall mean the Management Planning and Development Committee of the Board, or the corresponding committee of the board of directors of a successor to CVS.
- e. "Company" shall mean, collectively, CVS and any Subsidiary or affiliate of CVS.
- f. "Confidential Information" shall have the meaning set forth in Section 4 below.
- g. "Constructive Termination Without Cause" shall mean a termination of the Executive's employment at Executive's initiative following the occurrence, without the Executive's written consent, of one or more of the following events (except as a result of a prior termination):
  - i. an assignment of any duties to Executive that is materially inconsistent with Executive's status as a member of the senior management of CVS;
  - ii. a material decrease in Executive's annual base salary or target annual incentive award opportunity;
  - iii. any failure to secure the agreement of any successor to CVS to fully assume the Company's material obligations under this Agreement; or
  - iv. a relocation of Executive's principal place of employment more than 35 miles from Executive's place of employment before such relocation.

In all cases, no Constructive Termination Without Cause shall be deemed to have occurred unless (a) the Executive provides written notice to the Company that an event described in subsections i. through iv. has occurred, and such notice identifies such event and is provided within 30 days of the initial occurrence of such event, (b) a cure period of 45 days following the Company's receipt of such notice expires and the Company has not cured such event within such cure period and (c) the Executive actually terminates his/her employment within 30 days of the expiration of the cure period.
- h. "Disability" shall mean disability as that term is defined in the Company's Long-Term Disability Plan.
- i. "Effective Date" shall have the meaning set forth in Section 2 below.
- j. "Original Term" shall have the meaning set forth in Section 2 below.
- k. "Renewal Term" shall have the meaning set forth in Section 2 below.

- l. "Severance Period" shall mean the period of 18 months following the termination of Executive's employment with the Company.
- m. "Subsidiary" shall have the meaning set forth in Section 4 below.
- n. "Term" shall have the meaning set forth in Section 2 below.
- o. "termination of employment", "employment is terminated" and other similar words shall mean with respect to Executive
  - (i) for any plan or arrangement that is subject to the rules of Section 409A of the Internal Revenue Code (the "Code") a "Separation from Service" as such term is defined in the Income Tax Regulations under Section 409A (the "409A Regulations") of the Code as modified by the rules described below:
    - (A) except in the case where Executive is on a bona fide leave of absence pursuant to the Company's policies as provided below, Executive is deemed to have incurred a Separation from Service on a date if the company and Executive reasonably anticipate that the level of services to be performed by Executive after such date would be permanently reduced to 20% or less of the average services rendered by Executive during the immediately preceding 36-month period (or the total period of employment, if less than 36 months), disregarding periods during which Executive was on a bona fide leave of absence;
    - (B) if Executive is absent from work due to military leave, sick leave, or other bona fide leave of absence pursuant to the Company's policies, Executive shall incur a Separation from Service on the first date that the rules of (A), above, are satisfied following the later of (i) the six-month anniversary of the commencement of the leave or (ii) the expiration of Executive's right, if any, to reemployment under statute, contract or Company policy;
    - (C) Executive shall be considered to continue employment and to not have a Separation from Service while on a bona fide leave of absence pursuant to the Company's policies if the leave does not exceed 6 consecutive months (12 months for a disability leave of absence) or, if longer, so long as the Executive retains a right to reemployment with the Company or an Affiliate under an applicable statute, contract or Company policy. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment of Executive that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes Executive to be unable to perform the duties of Executive's job or a substantially similar job;
    - (D) for purposes of determining whether another organization is an Affiliate of the Company, common ownership of at least 50% shall be determinative;
    - (E) the Company specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Separation from Service with respect to Executive providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction. Such determination shall be made in accordance with the requirements of Section 409A of the Code; or

- (ii) for any plan or arrangement that is not subject to the rules of Section 409A of the Code, the complete cessation of providing service to the Company or any Affiliate as an employee.

2. Term of Agreement.

The term of this Agreement shall commence on the date of this Agreement (the "Effective Date") and end on the third anniversary of such date (the "Original Term"). The Original Term shall be automatically renewed for successive one-year terms (the "Renewal Terms") unless at least 180 days prior to the expiration of the Original Term or any Renewal Term, either Party notifies the other Party in writing that he/she or it is electing to terminate this Agreement at the expiration of the then current Term. "Term" shall mean the Original Term and all Renewal Terms. If a Change in Control shall have occurred during the Term, notwithstanding any other provision of this Section 2, the Term shall not expire earlier than two years after such Change in Control.

3. Entitlement to Severance Benefit.

- a. Severance Benefit. In the event Executive's employment with the Company is Terminated Without Cause, other than due to death, or Disability, or in the event there is a Constructive Termination Without Cause, in each case within two years following a Change in Control, Executive shall be entitled to receive:
  - i. Base Salary through the date of termination of Executive's employment, which shall be paid in a cash lump sum not later than 15 days following Executive's termination of employment;
  - ii. An amount equal to 1.5 times Executive's Base Salary in effect on the date of termination of Executive's employment (or in the event a reduction in Base Salary is a basis for a Constructive Termination Without Cause, then the Base Salary in effect immediately prior to such reduction), payable in a cash lump sum following Executive's termination of employment;
  - iii. An amount equal to the most recently established target annual cash incentive bonus amount, prorated based on the portion of the performance year that Executive has worked as of the date of Executive's termination. Such payment of a pro rata annual cash incentive bonus will be payable in a cash lump sum following Executive's termination of employment;
  - iv. An amount equal to 1.5 times the most recently established target annual incentive cash bonus amount, payable in a cash lump sum following the Executive's termination of employment;
  - v. Elimination of all restrictions on any restricted stock or restricted stock unit awards outstanding at the time of termination of employment (other than awards under the Company's Partnership Equity Program, which shall be governed by the terms of such awards);
  - vi. Immediate vesting of all outstanding stock options and the right to exercise such stock options for the remainder of the full term of such option (other than awards under the Company's Partnership Equity Program, which shall be governed by the terms of such awards);
  - vii. The balance of any incentive awards earned as of December 31 of the prior year but not yet paid, which shall be paid in a single lump sum not later than 15 days following Executive's termination of employment;

- viii. Settlement of all deferred compensation arrangements in accordance with any then applicable deferred compensation plan or election form;
- ix. Continued participation in all medical, health and life insurance plans at the same benefit level at which Executive was participating on the date of termination of Executive's employment until the earlier of:
  - 1. the end of the Severance Period; or
  - 2. the date, or dates, Executive receives equivalent coverage and benefits under the plans and programs of a subsequent employer (such coverage and benefits to be determined on a coverage-by-coverage, or benefit-by-benefit, basis);

provided that (1) if Executive is precluded from continuing Executive's participation in any employee benefit plan or program as provided in this clause (ix) of this Section 3.a, Executive shall receive cash payments equal on an after-tax basis to the cost to Executive of obtaining the benefits provided under the plan or program in which Executive is unable to participate for the period specified in this clause (ix) of this Section 3.a, (2) such cost shall be deemed to be the lowest reasonable cost that would be incurred by Executive in obtaining such benefit on an individual basis, and (3) payment of such amounts shall be made quarterly in advance; and

- x. other or additional benefits then due or earned in accordance with applicable plans and programs of the Company.
- b. Change in Control Best Payments Determination. In the event the Severance Benefits described in Section 3(a) are payable to Executive in connection with a Change in Control and, if paid, could subject Executive to an excise tax under Section 4999 of the Internal Revenue Code (the "Excise Tax"), then notwithstanding the provisions of Section 3(a) the Company shall reduce the Severance Benefits (the "Benefit Reduction") under Section 3(a) by the amount necessary to result in the Executive not being subject to the Excise Tax, if such reduction would result in the Executive's "Net After-Tax Amount" attributable to the Severance Benefits described in Section 3(a) being greater than it would be if no Benefit Reduction was effected. For this purpose "Net After-Tax Amount" shall mean the net amount of Severance Benefits Executive is entitled to receive under this Agreement after giving effect to all Federal, state and local taxes which would be applicable to such payments, including, but not limited to, the Excise Tax. The determination of whether any such Benefit Reduction shall be effected shall be made by a nationally recognized public accounting firm selected by the Company (the "Accounting Firm") prior to the occurrence of the Change in Control and such determination shall be binding on both Executive and the Company. In the event it is determined that a Benefit Reduction is required, such reduction of items described in Section 3(a) above shall be done first by reducing cash severance determined in accordance with Section 3(a)(ii), 3(a)(iii) and 3(a)(iv); to the extent a further Benefit Reduction is necessary, then Severance Benefits will be reduced from the amounts determined in accordance with Section 3(a)(v) and 3(a)(vi), all as determined by the Accounting Firm.
- c. No Mitigation; No Offset. In the event of any termination of employment under this Section 3, Executive shall be under no obligation to seek other employment, and the amounts due Executive under this Agreement shall not be offset by any remuneration attributable to any subsequent employment that Executive may obtain.

- d. Nature of Payments. Any amounts due under this Section 3 are in the nature of severance payments considered to be reasonable by the Company and are not in the nature of a penalty.
  - e. Exclusivity of Severance Benefit. Upon termination of Executive's employment during the Term, Executive shall not be entitled to any severance payments or severance benefits from the Company, or any other payments by the Company, other than the Severance Benefit provided in this Section 3, except as required by law.
  - f. General Release of Claims. Executive agrees, as a condition of payment of the Severance Benefit provided for in this Section 3, that Executive will execute within 60 days of Executive's termination of employment a separation agreement, in a form reasonably satisfactory to the Company, that includes a general release of any and all claims arising out of Executive's employment or termination of employment with the Company, other than claims for (i) enforcement of this Agreement, (ii) enforcement of Executive's rights under any of the Company's incentive compensation, equity and/or employee benefit plans and programs to which Executive is entitled under this Agreement, and (iii) any tort for personal injury not arising out of or related to Executive's employment or termination of employment.
  - g. Subject to the provisions of Section 12(b), all payments to be made pursuant to this Section 3 upon the termination of employment of Executive shall be made or commence, as the case may be, within 75 days after the Executive's termination of employment provided, however, that if such termination of employment is after October 15 of a year, the payout or first payment, as the case may be, shall be made at the end of such 75 day period.
4. Confidentiality; Cooperation with Regard to Litigation; Non-disparagement.
- a. During the Term and thereafter, Executive shall not, without the prior written consent of the Company, disclose to anyone (except in good faith in the ordinary course of business to a person who will be advised by Executive to keep such information confidential) or make use of any confidential information except in the performance of Executive's duties hereunder or when required to do so by legal process, by any governmental agency having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) that requires Executive to divulge, disclose or make accessible such information. In the event that Executive is so ordered, Executive shall give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such order.
  - b. During the Term and thereafter, Executive shall not disclose the existence or contents of this Agreement beyond what is disclosed in the proxy statement or documents filed with the government unless and to the extent such disclosure is required by law, by a governmental agency, or in a document required by law to be filed with a governmental agency or in connection with enforcement of Executive's rights under this Agreement. In the event that disclosure is so required, Executive shall give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such requirement. This restriction shall not apply to such disclosure by Executive to members of Executive's immediate family, Executive's tax, legal or financial advisors, any lender, or tax authorities, or to potential future employers to the extent necessary, each of whom shall be advised not to disclose such information.
  - c. Confidential Information" shall mean all information concerning the business of the Company or any Subsidiary relating to any of their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of Confidential Information is information (i) that is or becomes part of

the public domain, other than through the breach of this Agreement by Executive or (ii) regarding the Company's business or industry properly acquired by Executive in the course of Executive's career as an Executive in the Company's industry and independent of Executive's employment by the Company. For this purpose, information known or available generally within the trade or industry of the Company or any Subsidiary shall be deemed to be known or available to the public.

- d. "Subsidiary" shall mean any corporation or other business entity owned or controlled directly or indirectly by CVS.
- e. Executive agrees to cooperate with the Company, during the Term and thereafter (including following Executive's termination of employment for any reason), by being reasonably available to testify on behalf of the Company or any Subsidiary in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to assist the Company, or any Subsidiary, in any such action, suit, or proceeding, by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company, or any Subsidiary as requested; provided, however that the same does not materially interfere with Executive's then current professional activities. The Company agrees to reimburse Executive on an after tax basis, for all reasonable expenses actually incurred in connection with Executive's provision of testimony or assistance.
- f. Executive agrees that, during the Term and thereafter (including following Executive's termination of employment for any reason) Executive will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to the Company or any Subsidiary or their respective officers, directors, employees, advisors, businesses or reputations. Notwithstanding the foregoing, nothing in this Agreement shall preclude Executive from making truthful statements or disclosures that are required by applicable law, regulation or legal process.

5. Non-solicitation.

During the period beginning with the Effective Date and ending 18 months following the termination of Executive's employment with the Company, Executive, whether acting on Executive's own behalf or by, through or on behalf of any third party, shall not (a) hire any employees of the Company or any Subsidiary, or recruit or solicit any such employees or encourage them to terminate their employment with the Company or any Subsidiary; (b) accept business from any customers of the Company or any Subsidiary, or solicit or encourage any customers, joint venture partners or investors of the Company or any Subsidiary to terminate or diminish their relationship with the Company or any Subsidiary or to violate any agreement with the Company or any Subsidiary. For purposes of subsection 5(a), an employee of the Company or any Subsidiary means any person who was employed by the Company or any Subsidiary within 180 days of such hiring, recruitment, solicitation or encouragement. Executive agrees to make any employer with whom Executive becomes employed during the 18-month period following Executive's termination with the Company aware of this non-solicitation obligation upon commencing employment with such subsequent entity.

6. Remedies.

In addition to whatever other rights and remedies the Company may have at equity or in law, the Company (a) shall have the right to immediately terminate all payments and benefits due under this Agreement if Executive breaches any of the provisions contained in Sections 4 or 5 above, and (b) shall have the right to seek injunctive relief in any court of competent jurisdiction if Executive breaches or threatens to breach any of the provisions contained in Sections 4 or 5 above. Executive acknowledges that such a breach would cause irreparable injury and that

money damages would not provide an adequate remedy for the Company; provided, however, the foregoing shall not prevent Executive from contesting the issuance of any such injunction on the ground that no violation or threatened violation of Sections 4 or 5 has occurred.

7. Effect of Agreement on Other Benefits.

Except as specifically provided in this Agreement, the existence of this Agreement shall not be interpreted to preclude, prohibit or restrict the Executive's participation in any other employee benefit or other plans or programs in which he /she currently participates.

8. Not an Employment Agreement.

This Agreement is not, and nothing herein shall be deemed to create, a contract of employment between Executive and the Company. The Company may terminate the employment of Executive at any time and for any reason, subject to the terms of any employment agreement between the Company and Executive that may then be in effect.

9. Resolution of Disputes.

Any controversy or claim arising out of or relating to this Agreement or any breach or asserted breach hereof or questioning the validity and binding effect hereof arising under or in connection with this Agreement, other than seeking injunctive relief under Sections 4 or 5, shall be resolved by binding arbitration, to be held at an office closest to the Company's principal offices in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Pending the resolution of any arbitration or court proceeding, the company shall continue payment of all amounts and benefits due Executive under this Agreement. All reasonable costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be paid on behalf of or reimbursed to Executive promptly by the Company; provided, however, that no reimbursement shall be made of such expenses if and to the extent the arbitrator(s) determine(s) that any of Executive's litigation assertions or defenses were in bad faith or frivolous.

10. Assignability; Binding Nature.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of Executive) and permitted assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred in connection with the sale or transfer of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale or transfer of assets as described in the preceding sentence, it shall take whatever action it legally can in order to cause such assignee or transferee to expressly assume the liabilities, obligations and duties of the Company hereunder. No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than Executive's rights to compensation and benefits, which may be transferred only by will or operation of law, except as provided in Section 15 below.

11. Representation.

The Company represents and warrants that it is fully authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any agreement between it and any other person, firm or organization.

12. Amendment or Waiver; Section 409A.

- (a) No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by Executive and an authorized officer of the Company. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.
- (b) Executive and Company agree that it is the intent of the Parties that this Agreement not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Code, as amended, and that to the extent any provisions of this Agreement do not comply with such Code Section 409A the Parties will make such changes as are mutually agreed upon in order to comply with Code Section 409A. In all events, to the extent required to avoid a violation of the applicable rules under all Section 409A by reason of Code Section 409A(a)(2)(B)(i), payment of any amounts subject to Code Section 409A shall be delayed until the relevant date of payment that will result in compliance with the rules of Code Section 409A(a)(2)(B)(i).

13. Severability.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

14. Survivorship.

The respective rights and obligations of the Parties hereunder shall survive any termination of Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

15. Beneficiaries/References.

Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, references in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative.

16. Governing Law/Jurisdiction.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of Rhode Island without reference to principles of conflict of laws. Subject to Section 6, the Company and Executive hereby consent to the jurisdiction of any or all of the following courts for purposes of resolving any dispute under this Agreement: (i) the United States District Court for Rhode Island or (ii) any of the courts of the State of Rhode Island. The Company and Executive further agree that any service of process or notice requirements in such proceeding shall be satisfied if the rules of such court relating thereto have been substantially satisfied. The Company and Executive hereby waive, to the fullest extent permitted by applicable law, any objection which it or he/she may now or hereafter have to such jurisdiction and any defense of inconvenient forum.



17. Notices.

Any notice given to a Party shall be in writing and shall be deemed to have been given when delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the Party concerned at the address indicated below or to such changed address as such Party may subsequently give written notice of:

If to the Company:

c/o CVS Health Corporation  
One CVS Drive  
Woonsocket, RI 02895  
Attention: Corporate Secretary

If to the Executive:

Prem Shah  
[REDACTED]

18. Headings.

The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

19. Counterparts.

This Agreement may be executed in two or more counterparts.

In WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

CVS Pharmacy, Inc.

By: /s/ Laurie P. Havanec

Name: Laurie P. Havanec

Title: Executive Vice President and  
Chief People Officer

Executive

/s/ Prem S. Shah

Prem S. Shah

Executive Vice President, Chief Pharmacy Officer and  
Co-President- CVS Pharmacy

**SECOND AMENDMENT TO FIVE YEAR CREDIT AGREEMENT**

SECOND AMENDMENT TO FIVE YEAR CREDIT AGREEMENT (this “Amendment”), dated as of March 23, 2023, is entered into among CVS Health Corporation, a Delaware corporation (the “Borrower”), the Lenders party hereto and Bank of America, N.A., as Administrative Agent. Except as otherwise provided herein, capitalized terms used herein which are not defined herein shall have the meanings set forth in the Credit Agreement (as defined below).

WHEREAS, the Borrower, the Lenders and the Administrative Agent entered into that certain Five Year Credit Agreement, dated as of May 16, 2019, as amended by that certain First Amendment to Five Year Credit Agreement, dated as of May 16, 2022 (and as further amended, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the “Credit Agreement”); and

WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement as set forth below.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and pursuant to Section 11.1 of the Credit Agreement, the parties hereto hereby agree as follows:

1. Amendments to the Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) The definition of “Aggregate Commitment Amount” in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

**“Aggregate Commitment Amount”**: at any time, the sum of the Commitment Amounts of the Lenders at such time under this Agreement. The Aggregate Commitment Amount on the Second Amendment Effective Date is \$2,500,000,000.

(b) The following definition is hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order to read as follows:

**“Second Amendment Effective Date”** means March 23, 2023.

(c) Section 2.6(d)(1) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(1) immediately after giving effect thereto, the sum of all increases in the Aggregate Commitment Amount made subsequent to the Second Amendment Effective Date pursuant to this Section 2.6(d) shall not exceed \$500,000,000;

(d) Exhibit A (List of Commitments) to the Credit Agreement is hereby amended and restated in its entirety to read as set forth on Exhibit A attached hereto.

2. Conditions Precedent. This Amendment shall become effective on and as of the date hereof (the “Second Amendment Effective Date”) upon satisfaction (or waiver in accordance with Section 11.1 of the Credit Agreement) of the conditions precedent set forth in this Section 2. Upon satisfaction (or waiver in accordance with Section 11.1 of the Credit Agreement) of the conditions precedent set forth in this Section

2, the Administrative Agent shall promptly provide the Borrower and the Lenders with written confirmation that this Amendment has become effective.

(a) Counterparts of this Amendment. Receipt by the Administrative Agent of counterparts of this Amendment executed by the Borrower and the Lenders.

(b) Corporate Action. The Administrative Agent shall have received a certificate, dated the Second Amendment Effective Date, of the Secretary or an Assistant Secretary of the Borrower (i) attaching a true and complete copy of the resolutions of its Board of Directors and of all documents evidencing all other necessary corporate action taken by the Borrower to authorize this Amendment, the other Loan Documents and the transactions contemplated hereby and thereby, (ii) attaching a true and complete copy of its Certificate of Incorporation and By Laws, (iii) setting forth the incumbency of the officer or officers of the Borrower who may sign this Amendment and the other Loan Documents, and any other certificates, requests, notices or other documents required hereunder or thereunder, and (iv) attaching a certificate of good standing of the Secretary of State of the State of Delaware.

(c) Opinions of Counsel to the Borrower. The Administrative Agent shall have received (i) an opinion of Thomas Moffatt, assistant general counsel of the Borrower, dated the Second Amendment Effective Date, in a form reasonably satisfactory to the Administrative Agent, and (ii) an opinion of Shearman & Sterling LLP, special counsel to the Borrower, dated the Second Amendment Effective Date, in a form reasonably satisfactory to the Administrative Agent.

(d) No Default and Representations and Warranties. The Administrative Agent shall have received a certificate, dated the Second Amendment Effective Date, of the Senior Vice President and Treasurer of the Borrower certifying that there exists no Default and that the representations and warranties contained in this Amendment are true and correct in all material respects (*provided* that any representation and warranty that is qualified as to “materiality”, “Material Adverse” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on the Second Amendment Effective Date), except those which are expressly specified to be made as of an earlier date.

(e) Fees. The Administrative Agent shall have received all fees and other amounts due and payable to it on the Second Amendment Effective Date, including the upfront fees payable to the Lenders, in respect of this Amendment.

(f) Due Diligence; “Know Your Customer”. (i) Each Lender shall have received such documents and information as it may have requested in order to comply with “know-your- customer” and other applicable Sanctions, anti-terrorism, anti-money laundering and similar rules and regulations and related policies, to the extent the Borrower shall have received written requests therefor at least ten (10) Domestic Business Days prior to the Second Amendment Effective Date, and (ii) at least five Domestic Business Days prior to the Second Amendment Effective Date, if the Borrower qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, it shall have delivered to each Lender that so requests a Beneficial Ownership Certification.

3. Representations and Warranties.

(a) The Borrower hereby represents and warrants as follows:

(i) The Borrower has taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment.

(ii) This Amendment has been duly executed and delivered by the Borrower and constitutes the valid and legally binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles relating to the availability of specific performance as a remedy.

(iii) No consent or approval of, or other action by, shareholders of the Borrower, any Governmental Authority, or any other Person (which has not already been obtained) is required to authorize in respect of the Borrower, or is required in connection with, the execution, delivery, and performance by the Borrower of this Amendment or is required as a condition to the enforceability of this Amendment against the Borrower.

(b) The Borrower represents and warrants to the Lenders that the representations and warranties of the Borrower set forth in Section 4 of the Credit Agreement (as amended by this Amendment) are true and correct in all material respects on the date hereof (*provided* that any representation and warranty that is qualified as to "materiality", "Material Adverse" or similar language is true and correct (after giving effect to any qualification therein) in all respects on the date hereof), except those which are expressly specified to be made as of an earlier date.

4. Miscellaneous.

(a) Except as expressly amended hereby, the Credit Agreement and the other Loan Documents shall remain in full force and effect.

(b) On and after the Second Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified hereby. This Amendment shall constitute a Loan Document.

(c) Subject to Section 11.8 of the Credit Agreement, this Amendment may be in the form of an Electronic Record and may be executed using Electronic Signatures (including facsimile and .pdf) and shall be considered an original, and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same agreement.

(d) This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

[signature pages follow]

The parties have caused this Amendment to be duly executed as of the date first written above.

**CVS HEALTH CORPORATION**

By: /s/ Carol A. DeNale

Name: Carol A. DeNale

Title: Senior Vice President and Treasurer

[Second Amendment to 2025 Facility]

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**BANK OF AMERICA, N.A.,**  
as Administrative Agent

By: /s/ Kyle D Harding  
Name: Kyle D Harding  
Title: Vice President

[Second Amendment to 2025 Facility]

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**BANK OF AMERICA, N.A.**, as an Issuer, the  
Swing Line Lender and a Lender

By: /s/ Joseph L. Corah  
Name: Joseph L. Corah  
Title: Managing Director

[Second Amendment to 2025 Facility]

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**BARCLAYS BANK PLC**, as an Issuer and a  
Lender

By: /s/ Christopher M. Aitkin  
Name: Christopher M. Aitkin  
Title: Vice President

[Second Amendment to 2025 Facility]

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**GOLDMAN SACHS BANK USA**, as an Issuer  
and a Lender

By: /s/ William E. Briggs IV  
Name: William E. Briggs IV  
Title: Authorized Signatory

[Second Amendment to 2025 Facility]

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**JPMORGAN CHASE BANK, N.A.**, as an  
Issuer and a Lender

By: /s/ Gregory T. Martin  
Name: Gregory T. Martin  
Title: Executive Director

[Second Amendment to 2025 Facility]

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**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**, as an Issuer and a Lender

By: /s/ Darin Mullis  
Name: Darin Mullis  
Title: Managing Director

[Second Amendment to 2025 Facility]

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**CITIBANK, N.A.,** as a Lender

By: /s/ Kevin Ciok

Name: Kevin Ciok

Title: Vice President

[Second Amendment to 2025 Facility]

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**CREDIT SUISSE AG, NEW YORK  
BRANCH, as a Lender**

By: /s/ Doreen Barr  
Name: Doreen Barr  
Title: Authorized Signatory

By: /s/ Wesley Cronin  
Name: Wesley Cronin  
Title: Authorized Signatory

[Second Amendment to 2025 Facility]

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**MIZUHO BANK LTD.,** as a Lender

By: /s/ Tracy Rahn

Name: Tracy Rahn

Title: Executive Director

[Second Amendment to 2025 Facility]

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**ROYAL BANK OF CANADA**, as a Lender

By: /s/ Scott MacVicar

Name: Scott MacVicar

Title: Authorized Signatory

[Second Amendment to 2025 Facility]

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**TRUIST BANK**, as a Lender

By: /s/ Jonathan Hart

Name: Jonathan Hart

Title: Director

[Second Amendment to 2025 Facility]

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**U.S. BANK NATIONAL ASSOCIATION, as**  
a Lender

By: /s/ Joyce P. Dorsett  
Name: Joyce P. Dorsett  
Title: Senior Vice President

[Second Amendment to 2025 Facility]

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**FIFTH THIRD BANK NATIONAL  
ASSOCIATION, as a Lender**

By: /s/ Todd Robinson  
Name: Todd Robinson  
Title: Managing Director, SVP

[Second Amendment to 2025 Facility]

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**MORGAN STANLEY BANK, N.A.,** as a  
Lender

By: /s/ Michael King  
Name: Michael King  
Title: Authorized Signatory

[Second Amendment to 2025 Facility]

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**PNC BANK, NATIONAL ASSOCIATION,**  
as a Lender

By: /s/ William P. Herold  
Name: William P. Herold  
Title: Vice President

[Second Amendment to 2025 Facility]

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**SUMITOMO MITSUI BANKING  
CORPORATION**, as a Lender

By: /s/ Cindy Hwee  
Name: Cindy Hwee  
Title: Director

[Second Amendment to 2025 Facility]

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**THE BANK OF NEW YORK MELLON**, as a  
Lender

By: /s/ Luke Daly  
Name: Luke Daly  
Title: Vice President

[Second Amendment to 2025 Facility]

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**BANK OF CHINA, NEW YORK BRANCH,**  
as a Lender

By: /s/ Raymond Qiao  
Name: Raymond Qiao  
Title: Executive Vice President

[Second Amendment to 2025 Facility]

---

**INDUSTRIAL AND COMMERCIAL BANK  
OF CHINA LIMITED, NEW YORK  
BRANCH, as a Lender**

By: /s/ Yuanyuan Peng  
Name: Yuanyuan Peng  
Title: Executive Director

By: /s/ Lindsay Du  
Name: Lindsay Du  
Title: Director

[Second Amendment to 2025 Facility]

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**KEYBANK NATIONAL ASSOCIATION**, as  
a Lender

By: /s/ Marianne T. Meil  
Name: MARIANNE T MEIL  
Title: SR. VICE PRESIDENT

[Second Amendment to 2025 Facility]

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**TD BANK, N.A.,** as a Lender

By: /s/ Bernadette Collins

Name: Bernadette Collins

Title: Authorized Signatory

[Second Amendment to 2025 Facility]

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**EXHIBIT A**  
**LIST OF COMMITMENTS**

| <b>Lender</b>  | <b>Commitment Amount</b> | <b>Letter of Credit Commitment</b> | <b>Commercial Letter of Credit Commitment</b> |
|--|--------------------------|------------------------------------|---|
| Bank of America, N.A.  | \$198,000,000            | \$50,000,000                       | \$50,000,000                                  |
| Barclays Bank PLC  | \$198,000,000            | \$50,000,000                       | \$0   |
| Goldman Sachs Bank USA   | \$198,000,000            | \$50,000,000                       | \$0   |
| JPMorgan Chase Bank, N.A.  | \$198,000,000            | \$50,000,000                       | \$50,000,000                                  |
| Wells Fargo Bank, National Association                           | \$198,000,000            | \$50,000,000                       | \$50,000,000                                  |
| Citibank, N.A.   | \$142,000,000            |                                    |   |
| Credit Suisse AG, New York Branch                                | \$142,000,000            |                                    |   |
| Mizuho Bank, Ltd.  | \$142,000,000            |                                    |   |
| Royal Bank of Canada   | \$142,000,000            |                                    |   |
| Truist Bank  | \$142,000,000            |                                    |   |
| U.S. Bank National Association                                   | \$142,000,000            |                                    |   |
| Fifth Third Bank, National Association                           | \$92,000,000             |                                    |   |
| Morgan Stanley Bank, N.A.  | \$92,000,000             |                                    |   |
| PNC Bank, National Association                                   | \$92,000,000             |                                    |   |
| Sumitomo Mitsui Banking Corporation                              | \$92,000,000             |                                    |   |
| The Bank of New York Mellon                                      | \$74,000,000             |                                    |   |
| Bank of China, New York Branch                                   | \$54,000,000             |                                    |   |
| Industrial and Commercial Bank of China Limited, New York Branch | \$54,000,000             |                                    |   |
| KeyBank National Association                                     | \$54,000,000             |                                    |   |
| TD Bank, N.A.  | \$54,000,000             |                                    |   |
| <b>TOTAL</b>   | <b>\$2,500,000,000</b>   | <b>\$250,000,000</b>               | <b>\$150,000,000</b>                          |

## **SECOND AMENDMENT TO FIVE YEAR CREDIT AGREEMENT**

SECOND AMENDMENT TO FIVE YEAR CREDIT AGREEMENT (this “Amendment”), dated as of March 23, 2023, is entered into among CVS Health Corporation, a Delaware corporation (the “Borrower”), the Lenders party hereto and Bank of America, N.A., as Administrative Agent. Except as otherwise provided herein, capitalized terms used herein which are not defined herein shall have the meanings set forth in the Credit Agreement (as defined below).

WHEREAS, the Borrower, the Lenders and the Administrative Agent entered into that certain Five Year Credit Agreement, dated as of May 11, 2021, as amended by that certain First Amendment to Five Year Credit Agreement, dated as of May 16, 2022 (and as further amended, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the “Credit Agreement”); and

WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement as set forth below.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and pursuant to Section 11.1 of the Credit Agreement, the parties hereto hereby agree as follows:

1. Amendments to the Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) The definition of “Aggregate Commitment Amount” in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“**Aggregate Commitment Amount**”: at any time, the sum of the Commitment Amounts of the Lenders at such time under this Agreement. The Aggregate Commitment Amount on the Second Amendment Effective Date is \$2,500,000,000.

(b) The following definition is hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order to read as follows:

“**Second Amendment Effective Date**” means March 23, 2023.

(c) Section 2.6(d)(1) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(1) immediately after giving effect thereto, the sum of all increases in the Aggregate Commitment Amount made subsequent to the Second Amendment Effective Date pursuant to this Section 2.6(d) shall not exceed \$500,000,000;

(d) Exhibit A (List of Commitments) to the Credit Agreement is hereby amended and restated in its entirety to read as set forth on Exhibit A attached hereto.

2. Conditions Precedent. This Amendment shall become effective on and as of the date hereof (the “Second Amendment Effective Date”) upon satisfaction (or waiver in accordance with Section 11.1 of the Credit Agreement) of the conditions precedent set forth in this Section 2. Upon satisfaction (or waiver in accordance with Section 11.1 of the Credit Agreement) of the conditions precedent set forth in this Section

2, the Administrative Agent shall promptly provide the Borrower and the Lenders with written confirmation that this Amendment has become effective.

(a) Counterparts of this Amendment. Receipt by the Administrative Agent of counterparts of this Amendment executed by the Borrower and the Lenders.

(b) Corporate Action. The Administrative Agent shall have received a certificate, dated the Second Amendment Effective Date, of the Secretary or an Assistant Secretary of the Borrower (i) attaching a true and complete copy of the resolutions of its Board of Directors and of all documents evidencing all other necessary corporate action taken by the Borrower to authorize this Amendment, the other Loan Documents and the transactions contemplated hereby and thereby, (ii) attaching a true and complete copy of its Certificate of Incorporation and By Laws, (iii) setting forth the incumbency of the officer or officers of the Borrower who may sign this Amendment and the other Loan Documents, and any other certificates, requests, notices or other documents required hereunder or thereunder, and (iv) attaching a certificate of good standing of the Secretary of State of the State of Delaware.

(c) Opinions of Counsel to the Borrower. The Administrative Agent shall have received (i) an opinion of Thomas Moffatt, assistant general counsel of the Borrower, dated the Second Amendment Effective Date, in a form reasonably satisfactory to the Administrative Agent, and (ii) an opinion of Shearman & Sterling LLP, special counsel to the Borrower, dated the Second Amendment Effective Date, in a form reasonably satisfactory to the Administrative Agent.

(d) No Default and Representations and Warranties. The Administrative Agent shall have received a certificate, dated the Second Amendment Effective Date, of the Senior Vice President and Treasurer of the Borrower certifying that there exists no Default and that the representations and warranties contained in this Amendment are true and correct in all material respects (*provided* that any representation and warranty that is qualified as to “materiality”, “Material Adverse” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on the Second Amendment Effective Date), except those which are expressly specified to be made as of an earlier date.

(e) Fees. The Administrative Agent shall have received all fees and other amounts due and payable to it on the Second Amendment Effective Date, including the upfront fees payable to the Lenders, in respect of this Amendment.

(f) Due Diligence; “Know Your Customer”. (i) Each Lender shall have received such documents and information as it may have requested in order to comply with “know-your- customer” and other applicable Sanctions, anti-terrorism, anti-money laundering and similar rules and regulations and related policies, to the extent the Borrower shall have received written requests therefor at least ten (10) Domestic Business Days prior to the Second Amendment Effective Date, and (ii) at least five Domestic Business Days prior to the Second Amendment Effective Date, if the Borrower qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, it shall have delivered to each Lender that so requests a Beneficial Ownership Certification.

3. Representations and Warranties.

(a) The Borrower hereby represents and warrants as follows:

(i) The Borrower has taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment.

(ii) This Amendment has been duly executed and delivered by the Borrower and constitutes the valid and legally binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles relating to the availability of specific performance as a remedy.

(iii) No consent or approval of, or other action by, shareholders of the Borrower, any Governmental Authority, or any other Person (which has not already been obtained) is required to authorize in respect of the Borrower, or is required in connection with, the execution, delivery, and performance by the Borrower of this Amendment or is required as a condition to the enforceability of this Amendment against the Borrower.

(b) The Borrower represents and warrants to the Lenders that the representations and warranties of the Borrower set forth in Section 4 of the Credit Agreement (as amended by this Amendment) are true and correct in all material respects on the date hereof (*provided* that any representation and warranty that is qualified as to "materiality", "Material Adverse" or similar language is true and correct (after giving effect to any qualification therein) in all respects on the date hereof), except those which are expressly specified to be made as of an earlier date.

4. Miscellaneous.

(a) Except as expressly amended hereby, the Credit Agreement and the other Loan Documents shall remain in full force and effect.

(b) On and after the Second Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified hereby. This Amendment shall constitute a Loan Document.

(c) Subject to Section 11.8 of the Credit Agreement, this Amendment may be in the form of an Electronic Record and may be executed using Electronic Signatures (including facsimile and .pdf) and shall be considered an original, and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same agreement.

(d) This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

[signature pages follow]

The parties have caused this Amendment to be duly executed as of the date first written above.

**CVS HEALTH CORPORATION**

By: /s/ Carol A. DeNale

Name: Carol A. DeNale

Title: Senior Vice President and Treasurer

[Second Amendment to 2026 Facility]

---

**BANK OF AMERICA, N.A.,**  
as Administrative Agent

By: /s/ Kyle D Harding  
Name: Kyle D Harding  
Title: Vice President

[Second Amendment to 2026 Facility]

---



**BANK OF AMERICA, N.A.**, as an Issuer, the  
Swing Line Lender and a Lender

By: /s/ Joseph L. Corah  
Name: Joseph L. Corah  
Title: Managing Director

[Second Amendment to 2026 Facility]

---

**BARCLAYS BANK PLC**, as an Issuer and a  
Lender

By: /s/ Christopher M. Aitkin  
Name: Christopher M. Aitkin  
Title: Vice President

[Second Amendment to 2026 Facility]

---

**GOLDMAN SACHS BANK USA**, as an Issuer  
and a Lender

By: /s/ William E. Briggs IV  
Name: William E. Briggs IV  
Title: Authorized Signatory

[Second Amendment to 2026 Facility]

---

**JPMORGAN CHASE BANK, N.A.**, as an  
Issuer and a Lender

By: /s/ Gregory T. Martin  
Name: Gregory T. Martin  
Title: Executive Director

[Second Amendment to 2026 Facility]

---

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**, as an Issuer and a Lender

By: /s/ Darin Mullis  
Name: Darin Mullis  
Title: Managing Director

[Second Amendment to 2026 Facility]

---

**CITIBANK, N.A.,** as a Lender

By: /s/ Kevin Ciok

Name: Kevin Ciok

Title: Vice President

[Second Amendment to 2026 Facility]

---

**CREDIT SUISSE AG, NEW YORK  
BRANCH, as a Lender**

By: /s/ Doreen Barr  
Name: Doreen Barr  
Title: Authorized Signatory

By: /s/ Wesley Cronin  
Name: Wesley Cronin  
Title: Authorized Signatory

[Second Amendment to 2026 Facility]

---

**MIZUHO BANK LTD.,** as a Lender

By: /s/ Tracy Rahn

Name: Tracy Rahn

Title: Executive Director

[Second Amendment to 2026 Facility]

---



**ROYAL BANK OF CANADA**, as a Lender

By: /s/ Scott MacVicar

Name: Scott MacVicar

Title: Authorized Signatory

[Second Amendment to 2026 Facility]

---

**TRUIST BANK**, as a Lender

By: /s/ Jonathan Hart

Name: Jonathan Hart

Title: Director

[Second Amendment to 2026 Facility]

---

**U.S. BANK NATIONAL ASSOCIATION, as**  
a Lender

By: /s/ Joyce P. Dorsett  
Name: Joyce P. Dorsett  
Title: Senior Vice President

[Second Amendment to 2026 Facility]

---

**FIFTH THIRD BANK NATIONAL  
ASSOCIATION, as a Lender**

By: /s/ Todd Robinson

Name: Todd Robinson

Title: Managing Director, SVP

[Second Amendment to 2026 Facility]

---

**MORGAN STANLEY BANK, N.A.,** as a  
Lender

By: /s/ Michael King  
Name: Michael King  
Title: Authorized Signatory

[Second Amendment to 2026 Facility]

---

**PNC BANK, NATIONAL ASSOCIATION,**  
as a Lender

By: /s/ William P. Herold  
Name: William P. Herold  
Title: Vice President

[Second Amendment to 2026 Facility]

---

**SUMITOMO MITSUI BANKING  
CORPORATION**, as a Lender

By: /s/ Cindy Hwee  
Name: Cindy Hwee  
Title: Director

[Second Amendment to 2026 Facility]

---

**THE BANK OF NEW YORK MELLON**, as a  
Lender

By: /s/ Luke Daly  
Name: Luke Daly  
Title: Vice President

[Second Amendment to 2026 Facility]

---



**BANK OF CHINA, NEW YORK BRANCH,**  
as a Lender

By: /s/ Raymond Qiao  
Name: Raymond Qiao  
Title: Executive Vice President

[Second Amendment to 2026 Facility]

---

**INDUSTRIAL AND COMMERCIAL BANK  
OF CHINA LIMITED, NEW YORK  
BRANCH, as a Lender**

By: /s/ Yuanyuan Peng  
Name: Yuanyuan Peng  
Title: Executive Director

By: /s/ Lindsay Du  
Name: Lindsay Du  
Title: Director

[Second Amendment to 2026 Facility]

---

**KEYBANK NATIONAL ASSOCIATION**, as  
a Lender

By: /s/ Marianne T. Meil  
Name: MARIANNE T. MEIL  
Title: SR. VICE PRESIDENT

[Second Amendment to 2026 Facility]

---

**TD BANK, N.A.,** as a Lender

By: /s/ Bernadette Collins

Name: Bernadette Collins

Title: Authorized Signatory

[Second Amendment to 2026 Facility]

---

**EXHIBIT A**  
**LIST OF COMMITMENTS**

| <b>Lender</b>  | <b>Commitment Amount</b> | <b>Letter of Credit Commitment</b> | <b>Commercial Letter of Credit Commitment</b> |
|--|--------------------------|------------------------------------|---|
| Bank of America, N.A.  | \$198,000,000            | \$50,000,000                       | \$50,000,000                                  |
| Barclays Bank PLC  | \$198,000,000            | \$50,000,000                       | \$0   |
| Goldman Sachs Bank USA   | \$198,000,000            | \$50,000,000                       | \$0   |
| JPMorgan Chase Bank, N.A.  | \$198,000,000            | \$50,000,000                       | \$50,000,000                                  |
| Wells Fargo Bank, National Association                           | \$198,000,000            | \$50,000,000                       | \$50,000,000                                  |
| Citibank, N.A.   | \$142,000,000            |                                    |   |
| Credit Suisse AG, New York Branch                                | \$142,000,000            |                                    |   |
| Mizuho Bank, Ltd.  | \$142,000,000            |                                    |   |
| Royal Bank of Canada   | \$142,000,000            |                                    |   |
| Truist Bank  | \$142,000,000            |                                    |   |
| U.S. Bank National Association                                   | \$142,000,000            |                                    |   |
| Fifth Third Bank, National Association                           | \$92,000,000             |                                    |   |
| Morgan Stanley Bank, N.A.  | \$92,000,000             |                                    |   |
| PNC Bank, National Association                                   | \$92,000,000             |                                    |   |
| Sumitomo Mitsui Banking Corporation                              | \$92,000,000             |                                    |   |
| The Bank of New York Mellon                                      | \$74,000,000             |                                    |   |
| Bank of China, New York Branch                                   | \$54,000,000             |                                    |   |
| Industrial and Commercial Bank of China Limited, New York Branch | \$54,000,000             |                                    |   |
| KeyBank National Association                                     | \$54,000,000             |                                    |   |
| TD Bank, N.A.  | \$54,000,000             |                                    |   |
| <b>TOTAL</b>   | <b>\$2,500,000,000</b>   | <b>\$250,000,000</b>               | <b>\$150,000,000</b>                          |

**FIRST AMENDMENT TO FIVE YEAR CREDIT AGREEMENT**

FIRST AMENDMENT TO FIVE YEAR CREDIT AGREEMENT (this “Amendment”), dated as of March 23, 2023, is entered into among CVS Health Corporation, a Delaware corporation (the “Borrower”), the Lenders party hereto and Bank of America, N.A., as Administrative Agent. Except as otherwise provided herein, capitalized terms used herein which are not defined herein shall have the meanings set forth in the Credit Agreement (as defined below).

WHEREAS, the Borrower, the Lenders and the Administrative Agent entered into that certain Five Year Credit Agreement, dated as of May 16, 2022 (as amended, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the “Credit Agreement”); and

WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement as set forth below.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and pursuant to Section 11.1 of the Credit Agreement, the parties hereto hereby agree as follows:

1. Amendments to the Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) The definition of “Aggregate Commitment Amount” in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

**“Aggregate Commitment Amount”**: at any time, the sum of the Commitment Amounts of the Lenders at such time under this Agreement. The Aggregate Commitment Amount on the First Amendment Effective Date is \$2,500,000,000.

(b) The following definition is hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order to read as follows:

**“First Amendment Effective Date”** means March 23, 2023.

(c) Section 2.6(d)(1) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(1) immediately after giving effect thereto, the sum of all increases in the Aggregate Commitment Amount made subsequent to the First Amendment Effective Date pursuant to this Section 2.6(d) shall not exceed \$500,000,000;

(d) Exhibit A (List of Commitments) to the Credit Agreement is hereby amended and restated in its entirety to read as set forth on Exhibit A attached hereto.

2. Conditions Precedent. This Amendment shall become effective on and as of the date hereof (the “First Amendment Effective Date”) upon satisfaction (or waiver in accordance with Section 11.1 of the Credit Agreement) of the conditions precedent set forth in this Section 2. Upon satisfaction (or waiver in accordance with Section 11.1 of the Credit Agreement) of the conditions precedent set forth in this Section 2, the Administrative Agent shall promptly provide the Borrower and the Lenders with written confirmation that this Amendment has become effective.

(a) Counterparts of this Amendment. Receipt by the Administrative Agent of counterparts of this Amendment executed by the Borrower and the Lenders.

(b) Corporate Action. The Administrative Agent shall have received a certificate, dated the First Amendment Effective Date, of the Secretary or an Assistant Secretary of the Borrower (i) attaching a true and complete copy of the resolutions of its Board of Directors and of all documents evidencing all other necessary corporate action taken by the Borrower to authorize this Amendment, the other Loan Documents and the transactions contemplated hereby and thereby, (ii) attaching a true and complete copy of its Certificate of Incorporation and By Laws, (iii) setting forth the incumbency of the officer or officers of the Borrower who may sign this Amendment and the other Loan Documents, and any other certificates, requests, notices or other documents required hereunder or thereunder, and (iv) attaching a certificate of good standing of the Secretary of State of the State of Delaware.

(c) Opinions of Counsel to the Borrower. The Administrative Agent shall have received (i) an opinion of Thomas Moffatt, assistant general counsel of the Borrower, dated the First Amendment Effective Date, in a form reasonably satisfactory to the Administrative Agent, and (ii) an opinion of Shearman & Sterling LLP, special counsel to the Borrower, dated the First Amendment Effective Date, in a form reasonably satisfactory to the Administrative Agent.

(d) No Default and Representations and Warranties. The Administrative Agent shall have received a certificate, dated the First Amendment Effective Date, of the Senior Vice President and Treasurer of the Borrower certifying that there exists no Default and that the representations and warranties contained in this Amendment are true and correct in all material respects (*provided* that any representation and warranty that is qualified as to “materiality”, “Material Adverse” or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on the First Amendment Effective Date), except those which are expressly specified to be made as of an earlier date.

(e) Fees. The Administrative Agent shall have received all fees and other amounts due and payable to it on the First Amendment Effective Date, including the upfront fees payable to the Lenders, in respect of this Amendment.

(f) Due Diligence; “Know Your Customer”. (i) Each Lender shall have received such documents and information as it may have requested in order to comply with “know-your- customer” and other applicable Sanctions, anti-terrorism, anti-money laundering and similar rules and regulations and related policies, to the extent the Borrower shall have received written requests therefor at least ten (10) Domestic Business Days prior to the First Amendment Effective Date, and (ii) at least five Domestic Business Days prior to the First Amendment Effective Date, if the Borrower qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, it shall have delivered to each Lender that so requests a Beneficial Ownership Certification.

### 3. Representations and Warranties.

(a) The Borrower hereby represents and warrants as follows:

(i) The Borrower has taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment.

(ii) This Amendment has been duly executed and delivered by the Borrower and constitutes the valid and legally binding obligations of the Borrower, enforceable against the Borrower

in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles relating to the availability of specific performance as a remedy.

(iii) No consent or approval of, or other action by, shareholders of the Borrower, any Governmental Authority, or any other Person (which has not already been obtained) is required to authorize in respect of the Borrower, or is required in connection with, the execution, delivery, and performance by the Borrower of this Amendment or is required as a condition to the enforceability of this Amendment against the Borrower.

(b) The Borrower represents and warrants to the Lenders that the representations and warranties of the Borrower set forth in Section 4 of the Credit Agreement (as amended by this Amendment) are true and correct in all material respects on the date hereof (*provided* that any representation and warranty that is qualified as to "materiality", "Material Adverse" or similar language is true and correct (after giving effect to any qualification therein) in all respects on the date hereof), except those which are expressly specified to be made as of an earlier date.

4. Miscellaneous.

(a) Except as expressly amended hereby, the Credit Agreement and the other Loan Documents shall remain in full force and effect.

(b) On and after the First Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified hereby. This Amendment shall constitute a Loan Document.

(c) Subject to Section 11.8 of the Credit Agreement, this Amendment may be in the form of an Electronic Record and may be executed using Electronic Signatures (including facsimile and .pdf) and shall be considered an original, and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same agreement.

(d) This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

[signature pages follow]



The parties have caused this Amendment to be duly executed as of the date first written above.

**CVS HEALTH CORPORATION**

By: /s/ Carol A. DeNale

Name: Carol A. DeNale

Title: Senior Vice President and Treasurer

[First Amendment to 2027 Facility]

---

**BANK OF AMERICA, N.A.,**  
as Administrative Agent

By: /s/ Kyle D Harding  
Name: Kyle D Harding  
Title: Vice President

[First Amendment to 2027 Facility]

---

**BANK OF AMERICA, N.A.**, as an Issuer, the  
Swing Line Lender and a Lender

By: /s/ Joseph L. Corah  
Name: Joseph L. Corah  
Title: Managing Director

[First Amendment to 2027 Facility]

---

**BARCLAYS BANK PLC**, as an Issuer and a  
Lender

By: /s/ Christopher M. Aitkin  
Name: Christopher M. Aitkin  
Title: Vice President

[First Amendment to 2027 Facility]

---

**GOLDMAN SACHS BANK USA**, as an Issuer  
and a Lender

By: /s/ William E. Briggs IV  
Name: William E. Briggs IV  
Title: Authorized Signatory

[First Amendment to 2027 Facility]

---

**JPMORGAN CHASE BANK, N.A.**, as an  
Issuer and a Lender

By: /s/ Gregory T. Martin  
Name: Gregory T. Martin  
Title: Executive Director

[First Amendment to 2027 Facility]

---

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**, as an Issuer and a Lender

By: /s/ Darin Mullis  
Name: Darin Mullis  
Title: Managing Director

[First Amendment to 2027 Facility]

---

**CITIBANK, N.A.,** as a Lender

By: /s/ Kevin Ciok  
Name: Kevin Ciok  
Title: Vice President

[First Amendment to 2027 Facility]

---



**CREDIT SUISSE AG, NEW YORK  
BRANCH, as a Lender**

By: /s/ Doreen Barr  
Name: Doreen Barr  
Title: Authorized Signatory

By: /s/ Wesley Cronin  
Name: Wesley Cronin  
Title: Authorized Signatory

[First Amendment to 2027 Facility]

---

**MIZUHO BANK LTD.,** as a Lender

By: /s/ Tracy Rahn

Name: Tracy Rahn

Title: Executive Director

[First Amendment to 2027 Facility]

---

**ROYAL BANK OF CANADA**, as a Lender

By: /s/ Scott MacVicar

Name: Scott MacVicar

Title: Authorized Signatory

[First Amendment to 2027 Facility]

---

**TRUIST BANK**, as a Lender

By: /s/ Jonathan Hart

Name: Jonathan Hart

Title: Director

[First Amendment to 2027 Facility]

---

**U.S. BANK NATIONAL ASSOCIATION, as  
a Lender**

By: /s/ Joyce P. Dorsett  
Name: Joyce P. Dorsett  
Title: Senior Vice President

[First Amendment to 2027 Facility]

---

**FIFTH THIRD BANK NATIONAL  
ASSOCIATION**, as a Lender

By: /s/ Todd Robinson

Name: Todd Robinson

Title: Managing Director, SVP

[First Amendment to 2027 Facility]

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**MORGAN STANLEY BANK, N.A.,** as a  
Lender

By: /s/ Michael King  
Name: Michael King  
Title: Authorized Signatory

[First Amendment to 2027 Facility]

---

**PNC BANK, NATIONAL ASSOCIATION,**  
as a Lender

By: /s/ William P. Herold  
Name: William P. Herold  
Title: Vice President

[First Amendment to 2027 Facility]

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**SUMITOMO MITSUI BANKING  
CORPORATION**, as a Lender

By: /s/ Cindy Hwee  
Name: Cindy Hwee  
Title: Director

[First Amendment to 2027 Facility]

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**THE BANK OF NEW YORK MELLON**, as a  
Lender

By: /s/ Luke Daly  
Name: Luke Daly  
Title: Vice President

[First Amendment to 2027 Facility]

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**BANK OF CHINA, NEW YORK BRANCH,**  
as a Lender

By: /s/ Raymond Qiao  
Name: Raymond Qiao  
Title: Executive Vice President

[First Amendment to 2027 Facility]

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**INDUSTRIAL AND COMMERCIAL BANK  
OF CHINA LIMITED, NEW YORK  
BRANCH, as a Lender**

By: /s/ Yuanyuan Peng  
Name: Yuanyuan Peng  
Title: Executive Director

By: /s/ Lindsay Du  
Name: Lindsay Du  
Title: Director

[First Amendment to 2027 Facility]

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**KEYBANK NATIONAL ASSOCIATION**, as  
a Lender

By: /s/ Marianne T. Meil  
Name: MARIANNE T. MEIL  
Title: SR. VICE PRESIDENT

[First Amendment to 2027 Facility]

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**TD BANK, N.A.,** as a Lender

By: /s/ Bernadette Collins

Name: Bernadette Collins

Title: Authorized Signatory

[First Amendment to 2027 Facility]

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**EXHIBIT A**

**LIST OF COMMITMENTS**

| <b>Lender</b>  | <b>Commitment Amount</b> | <b>Letter of Credit Commitment</b> | <b>Commercial Letter of Credit Commitment</b> |
|--|--------------------------|------------------------------------|---|
| Bank of America, N.A.  | \$198,000,000            | \$30,000,000                       | \$40,000,000                                  |
| Barclays Bank PLC  | \$198,000,000            | \$30,000,000                       | \$0   |
| Goldman Sachs Bank USA   | \$198,000,000            | \$30,000,000                       | \$0   |
| JPMorgan Chase Bank, N.A.  | \$198,000,000            | \$30,000,000                       | \$40,000,000                                  |
| Wells Fargo Bank, National Association                           | \$198,000,000            | \$30,000,000                       | \$40,000,000                                  |
| Citibank, N.A.   | \$142,000,000            |                                    |   |
| Credit Suisse AG, New York Branch                                | \$142,000,000            |                                    |   |
| Mizuho Bank, Ltd.  | \$142,000,000            |                                    |   |
| Royal Bank of Canada   | \$142,000,000            |                                    |   |
| Truist Bank  | \$142,000,000            |                                    |   |
| U.S. Bank National Association                                   | \$142,000,000            |                                    |   |
| Fifth Third Bank, National Association                           | \$92,000,000             |                                    |   |
| Morgan Stanley Bank, N.A.  | \$92,000,000             |                                    |   |
| PNC Bank, National Association                                   | \$92,000,000             |                                    |   |
| Sumitomo Mitsui Banking Corporation                              | \$92,000,000             |                                    |   |
| The Bank of New York Mellon                                      | \$74,000,000             |                                    |   |
| Bank of China, New York Branch                                   | \$54,000,000             |                                    |   |
| Industrial and Commercial Bank of China Limited, New York Branch | \$54,000,000             |                                    |   |
| KeyBank National Association                                     | \$54,000,000             |                                    |   |
| TD Bank, N.A.  | \$54,000,000             |                                    |   |
| <b>TOTAL</b>   | <b>\$2,500,000,000</b>   | <b>\$150,000,000</b>               | <b>\$120,000,000</b>                          |

**Letter re: Unaudited Interim Financial Information**

May 3, 2023

To the Shareholders and the Board of Directors of CVS Health Corporation

We are aware of the incorporation by reference in the Registration Statements (Form S-3ASR No. 333-238506 and Form S-8 Nos. 333-271582, 333-270936, 333-238507, 333-230035, 333-228622, 333-167746, 333-217853, 333-208805, 333-141481, 333-139470, 333-63664, 333-91253, 333-49407, 333-34927, and 333-28043) of CVS Health Corporation of our report dated May 3, 2023, relating to the unaudited condensed consolidated interim financial statements of CVS Health Corporation that is included in its Form 10-Q for the quarter ended March 31, 2023.

/s/ Ernst & Young LLP

Boston, Massachusetts



**Certification**

I, Karen S. Lynch, President and Chief Executive Officer of CVS Health Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CVS Health Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2023

/s/ KAREN S. LYNCH

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**Karen S. Lynch**  
**President and Chief Executive Officer**

**Certification**

I, Shawn M. Guertin, Executive Vice President and Chief Financial Officer of CVS Health Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CVS Health Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2023

/s/ SHAWN M. GUERTIN

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**Shawn M. Guertin**  
**Executive Vice President and Chief Financial Officer**

**CERTIFICATION**

The certification set forth below is being submitted in connection with the Quarterly Report of CVS Health Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2023 (the “Report”) solely for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Karen S. Lynch, President and Chief Executive Officer of the Company, certify that, to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 3, 2023

/s/ KAREN S. LYNCH

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**Karen S. Lynch**  
**President and Chief Executive Officer**

**CERTIFICATION**

The certification set forth below is being submitted in connection with the Quarterly Report of CVS Health Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2023 (the “Report”) solely for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Shawn M. Guertin, Executive Vice President and Chief Financial Officer of the Company, certify that, to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 3, 2023

/s/ SHAWN M. GUERTIN

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**Shawn M. Guertin**  
**Executive Vice President and Chief Financial Officer**