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July 24, 2018

VIA EMAIL AND FedEx

Jared T. Kosky
Counsel
State of Connecticut Insurance Department
153 Market Street, 7th Floor
Hartford, CT 06103

Re: Proposed Acquisition of Control of Aetna Life Insurance Company, Aetna Insurance Company of Connecticut, Aetna Health and Life Insurance Company, Aetna Health Inc. (a Connecticut corporation) and Aetna Better Health Inc. (a Connecticut corporation), Subsidiaries of Aetna Inc. (the "Domestic Insurers") by CVS Health Corporation-Docket # EX 18-03

Dear Mr. Kosky:

On behalf of CVS Health Corporation, (the "Applicant"), enclosed please find the response to your July 17, 2018 letter on the Form A filing in the above captioned matter. An original and five copies of the response will be sent to your attention by FedEx along with a Flash Drive.

As discussed, after you have had a chance to complete your review we would be happy to provide an Amended and Restated Form A and very much appreciate your feedback.

Thank you again for your consideration in this matter. If you require any additional information, please contact the undersigned by email at tfarber@lockelord.com or by phone at (312) 443-0532.

Very truly yours,

LOCKE LORD LLP

Tim Farber

Tim Farber

Enclosures

**CVS Health Response To Connecticut Insurance Department's Letter of July 17, 2018
Regarding CVS Health Form A Application**

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

1. Please provide documentation of anticipated cash demands including a debt payment schedule over the next 5 years with the amounts broken down by source. Please detail such source including, but not limited to, cash, use of contingent capital facilities and commercial paper, etc.

RESPONSE: Please see the attached spreadsheet.

2. On page 2 of your responses you state that "rating agencies do not comment regarding their potential actions if CVS Health were to not achieve its deleveraging goals." Please provide group implications if CVS Health were to receive a 1 notch downgrade from any rating agency. Please include an analysis of contract triggers along with the potential loss of client(s) (i.e., any issues with reinsurers or clients that may be lost from a PBM perspective).

RESPONSE: The financial information included already provides for a one notch downgrade from pre-acquisition ratings, which were BBB+ by S&P and Baa1 by Moody's, to BBB and Baa2, respectively. S&P executed a downgrade to BBB following the placement of the permanent financing in March. When the transaction closes CVS Health will have taken a one-step downgrade with the rating agencies. Neither Aetna nor CVS anticipates losing any business due to ratings downgrades and we do not anticipate any issues with clients or reinsurers over ratings. CVS Health believes it is highly unlikely further downgrades would occur and we do not believe reinsurers or clients would be affected.

ITEM 5. FUTURE PLANS OF INSURER

1. You were asked to provide details regarding CVS Health's intentions around changes to a number of areas including Enterprise Risk Management and Corporate Governance Structure.

On page 3 of your responses, with regard to ERM, you stated "[w]e do not intend to make changes to the ERM process. This will be expanded to include the entire enterprise post-closing." Please clarify on what the expanded ERM will encompass and look like post-closing.

Also on page 3, with regard to Corporate Governance, please provide a more detailed response to the question asked. As a result of the proposed acquisition it is evident that there will be a change to the corporate structure. Please elaborate on your response that "[t]here are no anticipated changes to the corporate governance structure."

RESPONSE: Both CVS Health and Aetna have a robust ERM platform. Once the transaction is closed, the departments will be merged together and there will be one oversight committee, the Enterprise Risk Committee. This committee will be comprised of executive management of the combined entity. Integration work is now being done to understand the risks faced independently by both companies and the corresponding mitigation plan to each identified risk. Additionally, CVS Health is beginning to review if new risks arise from the combined entity.

CVS Health does not anticipate any changes to the corporate governance structure of Aetna. Aetna Inc. and all of its subsidiaries will become subsidiaries of CVS Health, but CVS Health does not plan to make changes with respect to the corporate governance of those subsidiaries (except to replace any individual who may resign).

2. In your prior responses dated May 14, 2018, under Item 5, question #14, you were asked to provide or explain the "proposed operating model for the combined company" mentioned in Exhibit 17 of the Form A filing. As part of your response you stated that "[t]his platform is based on the principles of greater convenience, lower cost, and the ability of consumers to interact with health care experts they know and trust in communities all across the country." With regard to the mention of "lower cost," please provide an estimate or expected range concerning the beneficial impact on health premiums for consumers in both the short and longer term.

RESPONSE: Cost savings from the proposed transaction will allow CVS Health to be even more competitive with its many market rivals, ultimately passing on additional savings to consumers and employers. CVS Health will pass along cost savings to consumers in two ways. First, as CVS Health's costs decrease, it expects to be able to lower premiums or not increase them at the same rate. Second, CVS Health intends to invest savings from the transaction into improving the quality of services it offers. Thus, these cost savings will improve consumers' experience in ways beyond merely the cost of their premiums. CVS Health commits to allocating a portion of those savings to lower health insurance premiums or to limit the size of increases in premiums. However, at this time CVS Health cannot allocate a specific percentage of those savings given that many elements go into determining health insurance premiums, including the costs of prescription drugs, hospital costs, physician group costs, and other items beyond CVS Health's control. It is therefore impossible at this time to predict the overall cost of premiums and other health care costs in any particular market.

	4Q 2018P (1)	2019P	2020P (2)	2021P	2022P
	Prospective Financial Information (unaudited) Fiscal Year Ending December 31, (dollars in billions)				
Free Cash Flow	$ 2.0	$ 8.3	$ 7.3	$ 9.0	$ 9.8
Less: Share Repurchase (3)	—	—	—	—	—
Less: Stockholder Dividends (3)	$ (0.6)	$ (2.6)	$ (2.6)	$ (2.6)	$ (2.6)
Less: Commercial Paper Borrowings	—	—	—	—	—
Available Cash	$ 1.4	$ 5.7	$ 4.7	$ 6.4	$ 7.2
CVS Debt (4)	$ 23.8	$22.9	$ 20.2	$17.9	$14.7
Aetna Debt (5)	$ 8.2	$ 7.8	$ 7.8	$ 6.7	$ 5.7
Transaction Financing Debt (6)	$ 44.7	$40.3	$ 38.3	$35.3	$35.1
Total Year End Debt	$ 76.7	$71.0	$ 66.3	$59.9	$55.5
Cash for Debt Pay Down (7)		$ 5.7	$ 4.7	$ 6.4	$ 4.4
Available Excess Cash		—	—	—	$ 2.8
Available Cash		$ 5.7	$ 4.7	$ 6.4	$ 7.2

(1) Solely for purposes of the financial model reflected in this filing, the closing date is assumed to be September 30, 2018.

(2) As previously disclosed on December 4, 2017, estimated annual cost synergies of $750 million to be fully achieved by the second full year after closing. For purposes of this financial model, we have assumed Q4 2020.

(3) As previously disclosed on December 4, 2017, share repurchase suspended and no stockholder dividend increase until adjusted debt-to-adjusted EBITDA ratio is low 3x.

(4) CVS Debt at year end 2018 reflects anticipated pay down of $3.5 billion in maturities in 2018 consisting of $2.25 billion that matured on July 20, 2018 and $1.25 billion maturing on December 5, 2018, that have been or will be paid with cash on hand.

(5) Aetna Debt at year end 2018 reflects pay down of $1.0 billion maturity in June 2018 that has been paid with cash on hand.

(6) Initial Transaction Financing Debt consists of an approximately $40 billion issuance of senior notes and $5 billion in term loans as disclosed in the Current Report on Form 8-K filed on March 12, 2018.

(7) Cash For Debt Pay Down does not reflect amounts that may become available from the Tax Cuts and Jobs Act (“Tax Reform”). On February 8, 2018, CVS Health announced that it would invest at least half of the approximately $1.2 billion of Tax Reform savings in debt repayment.