

**FORM A**

**STATEMENT REGARDING THE ACQUISITION OF CONTROL OF OR  
MERGER WITH A DOMESTIC INSURER**

**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  
(the “Applicant” or “CVS Health”)**

Filed with the Connecticut Insurance Department  
(the “Insurance Department”)

Amended and Restated: ~~August 13~~, September 27, 2018

Names, titles, addresses and telephone numbers of individuals to whom notices  
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## **ITEM 1. DOMESTIC INSURERS AND METHOD OF ACQUISITION**

This Statement relates to the proposed acquisition of control by CVS Health Corporation, a Delaware corporation (“CVS Health”), 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), insurers and health maintenance organizations domiciled in the State of Connecticut (the “Domestic Insurers”). Aetna Life Insurance Company and Aetna Health and Life Insurance Company are direct, while Aetna Insurance Company of Connecticut, Aetna Health Inc. (a Connecticut corporation) and Aetna Better Health Inc. (a Connecticut corporation) are indirect, wholly-owned subsidiaries of, and controlled by, Aetna Inc. (“Aetna”). Aetna is a publicly traded Pennsylvania holding company for various insurance companies, health maintenance and dental maintenance organizations and related organizations. The Domestic Insurers maintain their principal place of business at 151 Farmington Avenue, RW61, Hartford, Connecticut 06156. The current organizational chart of the Domestic Insurers and their affiliates is shown on the chart attached hereto as Exhibit 3-B and is incorporated herein by reference.

Pursuant to an Agreement and Plan of Merger dated as of December 3, 2017 (the “Merger Agreement”) (attached as Exhibit 1), CVS Health would acquire control of Aetna, with Aetna becoming an indirect wholly-owned subsidiary of CVS Health and a direct wholly-owned subsidiary of CVS Pharmacy, Inc. (“CVS Pharmacy”),<sup>1</sup> a Rhode Island corporation which is a direct wholly-owned subsidiary of the Applicant (the “Transaction”). Specifically, the Transaction contemplates that Hudson Merger Sub Corp., a Pennsylvania corporation and indirect wholly-owned subsidiary of CVS Health and direct subsidiary of CVS Pharmacy established specifically for the Transaction (“Merger Sub”), will merge with and into Aetna (the “Merger”). As a result of the Merger, Aetna (the surviving entity of the Merger) will become an indirect wholly-owned subsidiary of CVS Health. The terms and conditions governing the Transaction are further described in CVS Health’s Current Reports on Form 8-K filed with the Securities and Exchange Commission on December 4, 2017 and December 5, 2017, attached as Exhibit 2-A and Exhibit 2-B respectively. The redacted Disclosure Schedules to the Merger Agreement are attached as Exhibit 22.

Under the terms of the Merger Agreement, following the closing of the Transaction, CVS Health will be the ultimate parent company of, and will thus control, Aetna and the Domestic Insurers. Attached as Exhibit 3-C is a chart reflecting the organizational structure of CVS Health and its affiliates following the closing of the

<sup>1</sup> Please note that CVS Pharmacy is not a party to the Merger Agreement and is not the ultimate controlling person of the CVS Health organization, and after discussing the transaction structure with the Department, CVS Health does not believe it is necessary to include CVS Pharmacy as an Applicant. Biographical affidavits were provided for CVS Pharmacy to be inclusive and transparent given its place in the CVS Health organizational charts provided with the Form A filing.

Transaction based on CVS Health's and Aetna's respective current organizational structures, which are attached as Exhibits 3-A and 3-B.

Together, CVS Health and Aetna will build a much improved health care concept based on the principles of greater convenience and lower cost while offering consumers the ability to interact with health care experts they know and trust in communities all across the country to improve their health. By combining the expertise and analytics of Aetna with CVS Health's local presence and clinical capabilities, the combined company will become the front door to health care, delivering lower-cost care whenever, wherever, and however it's needed.

The combination of CVS Health and Aetna will create a health care platform that invigorates the consumer health care experience by allowing for easier and more frequent access to high-quality care in lower-cost settings, meeting patients where they are, and engaging with them as part of their daily lives and routines. Following the closing of the Transaction, the combined company will provide and facilitate higher-quality care at lower costs by joining CVS Health's extensive suite of pharmacy, walk-in clinic, and other retail assets with Aetna's expertise in medical benefits and services.

The combined company will offer an unparalleled array of health care services, and will use improved pharmacy and medical data integration, localized care, coordinated care across providers, and cost management tools to deliver the most clinically-appropriate care in the most cost-effective settings. As a result, the Transaction will also allow the combined company to compete even more effectively in what is already a highly competitive space. Integrating CVS Health and Aetna will bring together the robust community presence of CVS Health, a pharmacy innovation company at the forefront of transforming the health care landscape, with the data, analytics, and insights of Aetna, one of the nation's leading diversified health care benefits companies, to form a new integrated health care model that will deliver substantial public benefits such as improved health outcomes and lower health care spending.

The proposed CVS Health-Aetna transaction will:

- Combine two organizations with long-standing commitments to promoting health and wellness in their local communities and expanding access to high-quality, affordable health care.
- Provide treatment at the best site of care and improve care across the continuum through greater collaboration among Aetna's in-network physician and hospital providers and more than 9,700 CVS Pharmacy locations, 1,100 MinuteClinic walk-in clinics, 140 long-term care pharmacies, and 80 infusion branches.
- Allow Aetna's in-network physician and hospital providers, CVS Health pharmacists, and MinuteClinic nurse practitioners to coordinate their activities

through more effective use of pharmacy and medical claims data, to achieve better outcomes by ensuring that a patient's full health history is considered at all points of care.

- Lower patient and enrollee costs through the broader use of data and analytics. This will be achieved, for example, by improving chronic care management using pharmacist-led interventions and by boosting patients' adherence to medication and treatment protocols. The combined company will also reduce avoidable hospital visits by growing use of MinuteClinics and by shifting infusion services from outpatient hospital settings to more convenient and lower-cost home settings when appropriate.
- Generate company-level savings opportunities by combining corporate functions, by obtaining improved pricing from third-party suppliers, and by merging complementary expertise in pharmacy and medical benefits, the benefits of which can be shared with clients, customers and patients. CVS Health has a proven track record of successfully integrating acquired companies and achieving cost savings.

[On September 26, 2018, Aetna entered into an asset purchase agreement and related agreements with a subsidiary of WellCare Health Plans, Inc. \("WellCare"\) pursuant to which WellCare has agreed to acquire Aetna's entire standalone Medicare Part D prescription drug plan \("PDP"\) business \(the "Divestiture"\) effective 11:59 p.m. on December 31, 2018. The Divestiture involves a Centers for Medicare & Medicaid Services \("CMS"\) PDP contract held by Aetna Life Insurance Company \("ALIC"\) and a CMS PDP contract held by First Health Life & Health Insurance Company \("First Health"\).<sup>2</sup> The business to be divested had an aggregate of approximately 2.2 million members at June 30, 2018. The Divestiture does not affect Aetna's individual or group Medicare Advantage, Medicare Advantage Part D or Medicare Supplement products or plans. Aetna will provide administrative services to the divested business through 2019. Under the proposed divestiture, there will be no change for the 2019 plan year for ALIC and First Health's standalone PDP members. CVS Health and Aetna will work with CMS to ensure a seamless transition of the divested business to WellCare. The purchase price is not material to Aetna. Closing of the Divestiture is subject to the closing of CVS Health's proposed acquisition of Aetna \(defined above as the Transaction\), regulatory approvals and other customary closing conditions. The Divestiture does not change the method of acquisition or how control is to be acquired for the Transaction. Please see the CVS Health and Aetna Form 8-K's filed September 27, 2018 regarding the Divestiture included as Exhibits 43-44.](#)

The companies' obligations to consummate this pro-competitive Transaction are subject to satisfaction (or, to the extent permitted by applicable law, waiver) of certain

<sup>2</sup> [The PDP contracts that Aetna would divest are CMS contract numbers S5810 \(ALIC\) and S5768 \(First Health\).](#)

conditions, including the approval and adoption of the Merger Agreement by Aetna's shareholders,<sup>23</sup> approval by CVS Health's stockholders of the issuance of shares of CVS Health's common stock to Aetna's stockholders in the Merger,<sup>34</sup> expiration or early termination of the waiting period required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act"), and receipt of specified regulatory approvals, including the approval for this Statement. The companies plan to close the Transaction as soon as practicable following receipt of these approvals and the satisfaction of the other closing conditions.

## **ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT**

(a) Name and Address of the Applicant. The name and business address of the Applicant seeking to acquire control of the Domestic Insurers is as follows:

CVS Health Corporation  
One CVS Drive  
Woonsocket, Rhode Island 02895

(b) Nature of the Applicant's Business.

CVS Health is a pharmacy health care company whose stock is traded on the New York Stock Exchange under the trading symbol CVS. CVS Health enables individuals, businesses, and communities to manage health in more affordable, effective ways through its pharmacy benefits management services and its retail pharmacies, walk-in health care clinics, specialty pharmacies, infusion services, and long-term care pharmacies.

More than 9,700 CVS Pharmacy locations not only dispense prescriptions but, through face-to-face counseling, our retail pharmacists drive medication adherence, close gaps in care, improve health literacy and recommend more cost-effective drug therapies. At more than 1,100 MinuteClinics, nurse practitioners and physician assistants diagnose and treat a variety of lower-acuity health conditions, perform health screenings, monitor chronic conditions, provide wellness services, and deliver vaccinations. CVS Specialty pharmacies support individuals with chronic or genetic diseases who require complex and expensive drug therapies. CVS Health's Coram business is one of the nation's leading providers of infusion services, caring for 140,000 patients annually through the operation of more than 85 infusion centers and delivery of home infusion services. CVS Health addresses the needs of an aging population through Omnicare, a provider of pharmacy services to long-term care facilities.

<sup>23</sup> On a March 13, 2018 special meeting of Aetna shareholders, approximately 97 percent of the votes cast, and over 77 percent of the 326,942,525 shares outstanding and entitled to vote, voted to approve and adopt the agreement and plan of merger. The SEC Form 8-K filing with a press release regarding this vote are included in Exhibit 42.<sup>1</sup>

<sup>34</sup> On March 13, 2018 CVS Health stockholders voted to approve the shares of company stock to be issued in the company's acquisition of Aetna. More than approximately 98 percent of the shares voted were in favor of the proposal. The SEC Form 8-K filing with a press release are included in Exhibit 42.<sup>1</sup>

Through CVS Caremark, CVS Health provides a full range of pharmacy benefit management solutions, including formulary management, mail-order pharmacy, specialty pharmacy, retail pharmacy network management services, prescription management systems, clinical services, and disease management services. Caremark's customers include employers, unions, health plans, and federal, state, and local governments.

Detailed descriptions of each of CVS Health's business segments, products offered, and the nature of CVS Health's business for the past five years is set forth in Item 1 of CVS Health's Annual Report on Form 10-K for years 2012-2016, attached as Exhibits 4-A through 4-E. Attached hereto as Exhibits 10-A through 10-E are CVS Health's annual reports to stockholders, including audited consolidated financial statements for the years ended 2012 through 2016. Attached hereto as Exhibit 6 is CVS Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017.

(c) Organizational Chart. Attached as Exhibit 3-A is a chart as of December 1, 2017 presenting the identities and interrelationships among the Applicant and all affiliates of the Applicant, including the percentage of voting securities of each such entity that is owned or controlled by CVS Health, the type of organization and the state or other place of domicile. As can be seen in this chart, SilverScript Insurance Company, Accendo Insurance Company and Pennsylvania Life Insurance Company are subsidiaries of the Applicant licensed as insurance companies in the state of Connecticut.

There are no court proceedings involving a reorganization or liquidation pending with respect to CVS Health or any other entity identified on Exhibit 3-A.

**ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

(a) Directors and Executive Officers' Business Addresses. A list setting forth the names and business addresses of the current directors and executive officers of the Applicant is attached as Exhibit 7-A. We have also provided the same information for CVS Pharmacy in Exhibit 7-B. The current directors and executive officers of the Applicant are not currently expected to change as a result of the Transaction except that, upon the closing of the Transaction, the number of members of the CVS Health Board of Directors will be increased by three (3) and the vacancies created thereby will be filled by Aetna's Chairman and CEO Mark T. Bertolini and two other individuals who are serving on the board of directors of Aetna immediately prior to the closing of the Transaction, who are jointly designated by Aetna and CVS Health and who meet CVS Health's independence criteria in effect as of such time. These two individuals have not been identified and are not expected to be appointed until immediately after closing. CVS Health will provide the updated biographical affidavits (the Aetna board has biographical affidavits on file with the Insurance Department) once they have been identified. In addition, members of the Aetna management team will play significant roles in the newly

combined company. Aetna will operate as a stand-alone business unit within the CVS Health enterprise and will be led by members of their current management team.

Directors and Executive Officers of Domestic Insurer. Please see the attached charts as Exhibit 25 providing the current information regarding directors and executive officers for the Domestic Insurers. There are no proposed changes after closing except as noted below Mark T. Bertolini and Thomas J. Sabatino, Jr. will be resigning, including their positions with ALIC. Mr. Bertolini will be replaced in his positions at ALIC by Ms. Karen Lynch. Mr. Sabatino will not have a replacement at ALIC. Please see attached biographical affidavits for these individuals as Exhibit 26. One set is redacted by having the supplemental personal information page(s) removed. The third party verification reports have been provided by Heartland separately. Credit history for all individuals associated with the Applicant will be provided if requested by the Department.

Directors and Executive Officers of Aetna Inc. Post-Acquisition. All of the directors of Aetna Inc. will resign at the time of the closing. Three of those directors, Mark T. Bertolini and two others who are to be determined, will join the Board of Directors of CVS Health Corporation. At the time of the closing the following individuals are expected to be named the directors of Aetna Inc.: Karen S. Lynch, Shawn M. Guertin and Harold L. Paz, M.D. Ms. Lynch will become Chair of the Board of Aetna Inc. In terms of the officers of Aetna Inc., each of the individuals who are currently officers will remain officers of Aetna Inc. post-closing, except for Mark T. Bertolini (who will join the CVS Health Corporation Board, as described above) and Thomas J. Sabatino, Jr., who is expected to leave the company. Integration planning is on-going, and thus, the exact titles of the officers have yet to be determined. The principal executive officers of Aetna Inc. are expected to be Karen S. Lynch (Chair and President), Shawn M. Guertin (Executive Vice President and Treasurer) and Harold L. Paz, M.D. (Executive Vice President and Secretary). We will inform the Department of the exact titles of each of the officers when that information becomes available.

Mr. Guertin will remain a principal executive officer of Aetna Inc. and will also be named a director of Aetna Inc., as provided above. He will become Executive Vice President and Chief Financial Officer of CVS Health Corporation at the time of the closing. As discussed above, his exact title(s) for Aetna Inc. post-closing are yet to be determined, but he is expected to be Executive Vice President and Treasurer at a minimum.

(b) Present Principal Business Activity, Occupation or Employment. The present principal business activity, occupation or employment, including positions and offices held, and the name, principal business and address of any corporation or other organization in which such employment is carried on, with respect to the directors and executive officers of the Applicant identified on Exhibit 7-A, are included in the

biographical affidavits for such persons attached hereto as Exhibit 8-A. The same information is provided for CVS Pharmacy in Exhibits 7-B and 8-B.

(c) Material Occupations, Positions, Offices or Employment. The material occupations, positions, offices or employment during the last five years, including the starting and ending dates of each, and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on, with respect to the directors and executive officers of the Applicant and CVS Pharmacy identified on Exhibits 7A-7B, are included in the biographical affidavits for such persons attached hereto as Exhibits 8A-8B. Except as set forth in Exhibits 8A-8B, no such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency. The current status of any such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith, if any, will be stated in such biographical affidavits.

To the best of CVS Health's knowledge, based upon information provided to CVS Health by its stockholders, there are no stockholders owning 10% or more of any class of CVS Health's voting securities or who will own 10% or more of any class of CVS Health's voting securities following the closing of the Transaction.

(d) Criminal Proceedings. To the best knowledge, information and belief of the Applicant, no director or executive officer of the Applicant or CVS Pharmacy identified on Exhibits 7A-7B has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years.

(e) Bankruptcy Proceedings. To the best knowledge, information and belief of the Applicant, no director or executive officer of the Applicant or CVS Pharmacy identified on Exhibits 7A-7B has during the last ten (10) years, been subject of any proceeding under the Federal Bankruptcy Code, or, during the ten (10) year period, has any business or organization in which such person was a director, officer, trustee, partner, owner, manager or other official been subject to any such proceeding, either during the time in which such person was a director, officer or trustee, if a corporation, or a partner, owner, manager, joint venturer, or the official, if not a corporation, or within twelve (12) months thereafter.

(f) Violation of Insurance, Securities, or Banking Laws. To the best knowledge, information and belief of the Applicant, no director or executive officer of the Applicant or CVS Pharmacy identified on Exhibits 7A-7B has during the last ten (10) years, has been enjoined, either temporarily or permanently, by a court of competent jurisdiction from violating, actually or potentially, any federal or state law regulating the business of insurance, securities, or banking.

(g) Credit Report. The Applicant will provide a credit report by an independent credit agency for the individuals listed on Exhibits 7A-7B if requested by the Insurance Department.

#### **ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

(a) Nature, Source and Amount of Consideration. As described in the Merger Agreement (Exhibit 1) and the Form 8-K's (Exhibits 2A-2B), Aetna shareholders will be entitled to receive, for each Aetna common share they own immediately prior to consummation of the Transaction, \$145.00 per share in cash and 0.8378 of a share of CVS Health common stock. Based on the volume weighted average price of shares of CVS Health common stock during the five-day period ending December 1, 2017, the last trading day prior to public announcement of the execution of the Merger Agreement, the Transaction values Aetna at approximately \$207 per share or approximately \$69 billion in the aggregate. Including the assumption of Aetna's debt, the total value of the transaction is \$77 billion. Upon closing of the Transaction, Aetna shareholders will own approximately 22% of the combined company and CVS Health shareholders will own approximately 78%.

#### *Financing.*

CVS Health intends to fund the cash portion of the Transaction through a combination of existing cash on hand and debt financing. On December 3, 2017, CVS Health entered into a bridge facility commitment letter (the "Commitment Letter") pursuant to which Barclays Bank PLC, Goldman Sachs Bank USA, Goldman Sachs Lending Partners LLC and Bank of America, N.A. (none of which are affiliates of CVS Health) committed to provide a senior unsecured 364-day term loan facility in an aggregate principal amount of \$49.0 billion to finance the acquisition by CVS Health of Aetna pursuant to the Merger Agreement in the event and to the extent that neither CVS Health nor any one of its wholly-owned subsidiaries shall have (i) issued a combination of equity securities, equity-linked securities or unsecured debt securities and/or (ii) borrowed unsecured term loans, in an aggregate principal amount of at least \$49.0 billion prior to or concurrently with the consummation of the Transaction. The Commitment Letter is subject to customary conditions and attached as Exhibit 9-A. On December 15, 2017, CVS Health executed and delivered a joinder agreement (the "Commitment Letter Joinder") to the Commitment Letter, which amended the Commitment Letter. The Commitment Letter Joinder is attached as Exhibit 9-B. The Commitment Letter Joinder amended the Commitment Letter to, among other things, add JPMorgan Chase Bank, N.A., Wells Fargo Bank, N.A., The Bank of New York Mellon, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., Royal Bank of Canada, SunTrust Bank, U.S. Bank National Association, Fifth Third Bank, KeyBank National Association, PNC Bank, National Association, Banco Santander, S.A., New York Branch, Sumitomo Mitsui Banking Corporation, Bank of China, New York Branch, Industrial and Commercial Bank of China Limited, New York Branch, The Toronto-Dominion Bank, New York

Branch and Guggenheim Life and Annuity Company as additional commitment parties and reallocate the commitments thereunder. Also on December 15, 2017, CVS Health entered into a Term Loan Agreement (the “Term Loan Agreement”) with the lenders party thereto and Barclays Bank PLC, as administrative agent. The Term Loan Agreement provides for total term loan commitments in an aggregate principal amount of \$5.0 billion and the occurrence of the effective date thereunder on December 15, 2017 reduced the \$49.0 bridge facility commitments under the Commitment Letter by such \$5.0 billion principal amount. The Term Loan Agreement contains customary covenants and events of default and is attached as Exhibit 9-C. The Commitment Letter Joinder and Term Loan Agreement are further described in the Form 8-K dated December 19, 2017 attached as Exhibit 9-D. The Transaction is not contingent upon receipt of financing. A copy of the December 4, 2017 CVS Health investor presentation and investor fact sheet which includes the sources and uses of funds is attached as Exhibit 11.

All of such foregoing debt will be solely the obligation of CVS Health, the ultimate parent company, and not an obligation of the Domestic Insurers. The Domestic Insurers will remain capitalized at existing levels, and the Domestic Insurers’ risk based capital ratio will be unchanged. Further, through disciplined financial policies, CVS Health anticipates rapidly paying down a significant portion of the debt it will incur in connection with the Transaction, with a focus on de-levering to a low 3x adjusted debt to adjusted EBITDA ratio. CVS Health’s businesses generate strong annual cash flows (approximately \$6 billion annually). CVS Health will suspend its share repurchase program and will suspend shareholder dividend increases in order to achieve the desired leverage.

Please see the attached CVS Health Form 8-K regarding the March 6, 2018 long term financing obtained as Exhibit 27.

#### *Financial Ratios and Related Information.*

As of December 2017, CVS Health was operating at an adjusted debt to EBITDA ratio of 3.2x. We believe we maintain a level of liquidity sufficient to allow us to meet our cash needs in the short-term. Over the long-term, we manage our cash and capital structure to maximize shareholder return, maintain our financial position and maintain flexibility for future strategic initiatives. We continuously assess our working capital needs, debt and leverage levels, capital expenditures requirements, dividend payouts, potential share repurchases and future investments or acquisitions. We believe our operating cash flows, commercial paper program, sale-leaseback program as well as any potential future borrowings will be sufficient to fund these payments.

Following the acquisition, we anticipate an adjusted debt to EBITDA ratio of 4.6x. In evaluating our capital structure, CVS Health has committed, as has Aetna, to suspend their share repurchase programs. Historically CVS Health has repurchased \$5-6 billion of shares. In addition, CVS Health has suspended increases in its shareholder dividends. Both will be suspended until the leverage ratio reaches the low 3x range.

CVS Health's operating subsidiaries generate approximately \$6-6.5 billion annually of free cash flow. When combined with the historical ordinary dividends from the Aetna subsidiaries as well as the cash flows from their unrestricted subsidiaries, we would expect Aetna to contribute approximately \$2-2.5 billion of free cash. The combined entity will generate \$8-9 billion of cash, which will be used to service debt after the payment of the shareholder dividend (which for the combined entity is estimated to be \$2.6 billion). We anticipate reaching a leverage ratio of the mid 3x by the end of the second year following the acquisition close date. This will largely be through debt reduction. This information was provided to the rating agencies. CVS Health has also stated to the rating agencies that it would not increase the shareholder dividend or begin the repurchase of shares until CVS Health is in the low 3x leveraged. We have also stated that we anticipate being at approximately 3.5x within two full years of the acquisition. Please see the attached slides regarding CVS Health deleveraging as Exhibit 28.

The rating agencies do not comment regarding their potential actions if CVS Health were to not achieve its deleveraging goals, as there are many factors that go into the rating. However, our public statements provide that we will suspend shareholder dividend increases and share repurchase until we reach a ratio of low 3x. That is a commitment to both the market and the rating agencies. If the timeline turns out to be longer, the commitment still remains.

The financial information included with this Form A Statement 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.

Please see the attached documents from A.M. Best regarding a description of the leverage<sup>45</sup> enclosed as Exhibit 29.

CVS Health is not aware of any potential regulatory violations resulting from CVS Health's Total Consolidated Debt/Total Equity ratio increasing post-closing. Please note that neither Aetna nor any of the insurance subsidiaries will be obligors under, or guarantors of, the debt to finance the acquisition. Moreover, the proposed acquisition will not have an impact on the insurance subsidiaries' ability to comply with regulatory capital requirements. CVS Health intends to maintain the Aetna insurance subsidiaries' current RBC ratios.

<sup>45</sup> <http://www3.ambest.com/ambv/ratingmethodology/OpenPDF.aspx?rc=250950> (in particular pages 34-35 and 40-41 in the Best's Credit Rating Methodology); <http://www.ambest.com/resource/glossary.html#L> (page 19 in the glossary of terms)

As noted above, the shareholder dividends will continue. Please see the above information regarding leverage and desired leverage ratio in the low 3x range and the continuation of dividends including the historical ordinary dividends from the Aetna subsidiaries.

Dividends and share repurchases over the past three years are as follows (in millions):

<i>In millions</i>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Dividends	1,576	1,840	2,049
Share Repurchase	5,001	4,461	4,361

The share repurchase program has been suspended indefinitely and the quarterly cash dividends will remain at 50 cents per share as CVS Health deleverages.

Documentation of anticipated cash demands including a debt payment schedule over the next 5 years with the amounts broken down by source is attached in a spreadsheet as Exhibit 30.

[Even though the Divestiture is to occur as described in Item 1 above, there is no change to the nature, source or amount of consideration for the Transaction, nor the criteria used in determining the nature and amount of consideration as set forth below.](#)

(b) Criteria Used in Determining Nature and Amount of Consideration. The Applicant performed due diligence and reviewed, among other things, the financial statements, operations and material legal documents of Aetna and its subsidiaries. The Applicant utilized widely accepted valuation techniques to obtain an indication of value for determining the amount of consideration and also considered such additional factors and information as the Applicant deemed relevant under the circumstances including, but not limited to, the financial position and results of operations of Aetna and its subsidiaries, their past and current business operations, historical and potential earnings, financial prospects, and assets and liabilities. The Applicant utilized financial advisors and legal counsel to assist it in its due diligence and received the written opinion of each of Goldman Sachs & Company LLC, Barclays Capital Inc. and Centerview Partners LLC, to the effect that, as of the date of the Merger Agreement and based upon and subject to the limitations, qualifications and assumptions set forth in those opinions, the Merger Consideration (as defined in the Merger Agreement) to be paid by CVS Health pursuant to the Merger Agreement was fair, from a financial point of view, to the Applicant. In addition, the basis and terms of the Transaction, including the nature and amount of consideration, were determined by arm's-length negotiations between the respective management and representatives of the Applicant and Aetna. The respective boards of directors of the Applicant and Aetna unanimously have approved the Merger Agreement and the transactions contemplated thereby, including the Transaction.

## **ITEM 5. FUTURE PLANS FOR INSURER**

CVS Health has no present plans or proposals following the closing of the Transaction to cause the Domestic Insurers to declare any extraordinary dividend, to liquidate the Domestic Insurers, to sell any material portion of the assets of the Domestic Insurers, to merge them with any other person or persons or to make any other material change in the Domestic Insurers' business, corporate structure, management or general plan of operations. From time to time following the closing of the Transaction, CVS Health may assess the advisability of causing one or more of the Domestic Insurers to declare a dividend. Such determination and any declaration would be effected in compliance with all applicable statutory and regulatory requirements. The Applicant understands that any dividends intended to be paid out of unearned surplus would be considered extraordinary and require prior approval of the Insurance Commissioner pursuant to Conn. Gen. Stat. section 38a-136(h)(3).

The Domestic Insurers will be part of the CVS Health group after closing. The operational philosophy at the Aetna group level is not anticipated to change. In addition, CVS Health intends to maintain the Aetna insurance subsidiaries' current RBC ratios. Please see the attached capital management plan as Exhibit 31.

Following the closing of the Transaction, the Domestic Insurers will maintain their separate corporate existence and will be indirect wholly-owned subsidiaries of CVS Health. No specific material changes in the Board of Directors or senior management or operations of the Domestic Insurers are currently planned as part of the Transaction or immediately after the Transaction other than to replace any current Board members or employees who may resign following the closing of the Transaction. If any such changes were to occur following the closing of the Transaction, they would be communicated to the Insurance Department as appropriate and as required by law and would be effected in compliance with all applicable statutory and regulatory requirements.

After the Transaction is consummated and as part of the ongoing integration of the management and operations of Aetna and its subsidiaries, including the Domestic Insurers, CVS Health may choose, from time to time, to terminate existing and enter into new affiliate or intercompany agreements such as Federal tax sharing agreements. Any such changes to affiliate or intercompany agreements proposed to be made with respect to the Domestic Insurers following the Transaction would be implemented subject to and after any required insurance regulatory approvals (including of the Insurance Department), as appropriate and as required by law, and would be effected in compliance with all applicable statutory and regulatory requirements.

### *CVS Health's Intention Regarding Changes in Specified Areas*

Key management roles: CVS Health intends to maintain Aetna's insurance expertise and personnel by maintaining employee and key management roles.

Enterprise Risk Management (ERM): including any changes in risk appetite: CVS Health does not intend to make changes to the ERM process. This will be expanded to include the entire enterprise post-closing. In addition, no changes are intended for the risk appetite.

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).

Products: The integration planning process is ongoing and there are no specific changes at this time to products. Any changes would be made in compliance with applicable laws, including review by the required Departments of Insurance.

Corporate Governance Structure: There are no anticipated changes to the corporate governance structure.

Aetna Health Inc. (a Connecticut corporation) Service Agreement: Please note that on page 2 of the three year business plan of Aetna Health Inc. (a Connecticut corporation), under the caption Service Agreement, the business plan states that “[t]he Company is a party to an agreement that enables the Company to receive manufacturers’ pharmacy rebates from AHM under which the Company remits a percentage of its earned pharmaceutical rebates to AHM as a fee.” The Applicant does not anticipate any changes to this agreement post-closing.

#### *Corporate Governance and Enterprise Risk Management (“ERM”)*

Both CVS Health and Aetna have strong corporate governance and risk management. Once the merger closes, CVS Health intends to maintain the strong ERM/ORSA program that currently exists at Aetna, and CVS Health is committed to working with the Department to further strengthen the program.

Aetna relies on its comprehensive ERM process to identify, aggregate, monitor, measure and manage risks to Aetna. The ERM process is dynamic and ongoing. It is designed to identify the most important risks facing Aetna as well as to prioritize those risks in the context of Aetna’s overall strategy. Aetna’s ERM team is led by Aetna’s Chief Enterprise Risk Officer, who is also the Aetna’s Chief Financial Officer. In

collaboration with the Audit Committee and the board, the ERM team regularly conducts a risk assessment of Aetna's businesses. All of Aetna's key business leaders are involved in the risk assessment process. The risk assessment is presented to, and reviewed by, the Audit Committee and, after reflecting the Audit Committee's views, the list of enterprise risks is then reviewed and approved by the board. As part of their reviews, the Audit Committee and the board consider the internal governance structure for managing risks, and the board assigns responsibility for ongoing oversight of each identified risk to a specific Committee of the board or to the board. Discussions of assigned risks are then incorporated into the agenda for each Committee (or the board) throughout the year. Risk management is ongoing, and the importance assigned to identified risks can change and new risks can emerge during the year as Aetna develops and implements its strategy. Consequently, Aetna's Chief Enterprise Risk Officer, in consultation with the Chairman and Chief Executive Officer, monitors risk management and mitigation activities across the organization throughout the year and reports periodically to the Audit Committee and the board concerning the Aetna's risk management profile and activities. For example, the Audit Committee receives quarterly reports on cybersecurity. Aetna believe having the same individual serve as both Chairman and Chief Executive Officer assists the board in performing its risk oversight function because the Chairman and Chief Executive Officer is directly involved in the Aetna's ERM process. The Audit Committee also meets regularly in private sessions with Aetna's Chief Enterprise Risk Officer.

In addition, Aetna meets annually with its lead state insurance regulator, the Insurance Department, after the filing of its Annual Own Risk and Solvency Assessment ("ORSA") Summary Report, and has incorporated certain suggestions made by the Insurance Department in subsequent years.

Although both the ERM and the ORSA are done at the Aetna Inc. level, they are applicable to Aetna Inc. and its subsidiaries, including the licensed insurance and HMO subsidiaries.

CVS Health's board's role in risk oversight involves both the full board and its committees. At CVS Health each major business unit is responsible for identifying risks, assessing the likelihood and potential impact of significant risks, and reporting to management's Executive Risk Steering Committee on actions to monitor, manage and mitigate significant risks. The Audit Committee is charged with the primary role in carrying out risk oversight responsibilities on behalf of the board. Pursuant to its charter, the Audit Committee annually reviews its policies and practices with respect to risk assessment and risk management, including discussing with management the company's major risk exposures and the steps that have been taken to monitor and mitigate such exposures. The Audit Committee also reviews CVS Health's major financial risk exposures as well as major operational, compliance, cybersecurity, reputational and strategic risks, including developing steps to monitor, manage and mitigate those risks. Each of the other board committees is responsible for oversight of risk management practices for categories of risks relevant to their functions. For example, the Management

Planning and Development Committee has oversight responsibility for CVS Health's overall compensation structure, including review of its compensation practices, with a view to assessing associated risk. The CVS Health Corporate governance guidelines are attached hereto as Exhibit 32.<sup>56</sup> CVS Health's corporate governance and risk management functions are reviewed and updated on a periodic basis and this will continue after closing.

The changes to the CVS Health Corporate Governance Guidelines on January 25, 2018 were the result of a comprehensive review of substantially all of the CVS Health's principal governance documents, including the Certificate of Incorporation and all amendments ("Company Charter"), the Amended and Restated By-laws ("By-laws"), the Corporate Governance Guidelines ("Guidelines"), each of the Committee Charters. Following that review, the Nominating and Corporate Governance Committee recommended a number of changes to the Company Charter, the By-laws, the Guidelines, its own Charter, and the other Committee Charters.

The purpose of the changes to the Guidelines and the Committee Charters were to clarify and conform the language in the various documents, and to reflect certain leading practices that CVS Health had adopted but had not reflected in its Guidelines. (CVS Health also went through a benchmarking exercise, comparing its Guidelines to other companies' guidelines and recommended some additional provisions.) The Nominating and Corporate Governance Committee recommended the changes to the Guidelines and the Board approved them in January 2018. The various Committees approved their Charters on various dates.

As an example of a changes to the Guidelines, CVS Health Corporation has always had annual election of all directors, and adopted a majority vote standard for uncontested directors elections in 2007, but those practices were not reflected in the CVS Health Corporate Governance Guidelines. They are now in the Guidelines at page 2. In addition, stock ownership guidelines for executive officers had been in place since 2005, and are now reflected in the Guidelines at Section 10. CVS Health's related persons transactions policy, recoupment policy and confidential stockholder voting policy are now reflected in the Guidelines at Sections 15, 16 and 17, respectively.

The changes to the Company Charter and By-laws were to simplify the Company Charter (consolidating the various amendments that were roughly 60 to 70 pages long into a single 15-page document) and to adopt a reduction in the ownership threshold required for stockholders to call special meetings from 25% of shares outstanding to 15%. Those amendments were completed following our annual meeting in June, because stockholder approval was required for the Company Charter amendment.

The CVS Health ERM Program is part of the CVS Health Treasury Department under the Risk Management Department. The Treasury Department reports to the CFO.

<sup>56</sup> <http://investors.cvshealth.com/corporate-governance/guidelines>

In regards to the ERM Program, the Risk Assessment reports to the Enterprise Risk Management Committee and the Audit Committee of the Board.

At CVS Health risk management and corporate governance is a priority at all levels of the organization. Neither the individuals involved with the CVS Health ERM Program nor CVS Health Corporate Governance will be involved in the day to day management of any of the Domestic Insurers.

### *Integration*

CVS Health and Aetna are conducting integration planning and continuing to develop their post-merger plans. As a result of its acquisition and successful integration of Caremark, a pharmacy benefit manager (PBM), CVS Health was able to pursue several innovations that led to significant cost savings and benefits to consumers. CVS's numerous face-to-face interactions with its customers through its retail pharmacies drove the innovations made possible by the integration with Caremark. Through new programs that depend on these interactions, CVS has reduced costs, enhanced medication adherence, and improved health outcomes, greatly benefitting its clients and their members.

One example of the innovations resulting from the Caremark acquisition is CVS Health's Maintenance Choice program. Launched in 2008, shortly after the Caremark acquisition, Maintenance Choice allows Caremark plan members with chronic conditions to choose to fill 90-day medication supplies either through Caremark mail order pharmacies or at any CVS retail pharmacy location. Regardless of the member's choice, he or she pays the typically lower mail co-pay, while the plan sponsor receives the typically lower mail rate. In addition to lowering costs, Maintenance Choice has also improved health outcomes for members. Providing patients the ability to choose how to receive their 90-day maintenance medications drives significantly higher adherence rates. In 2013, CVS found that Maintenance Choice improved member medication adherence by 6.8%. Customers who opt for in-store pickup may also benefit from face-to-face counseling and support from their local CVS pharmacist.

Another innovation that followed the acquisition of Caremark is CVS Health's Pharmacy Advisor program, which is designed to help Caremark plan members achieve better health outcomes by promoting adherence and by closing gaps in care. Through this program, CVS Health engages plan members who are diagnosed with chronic conditions either face-to-face when they choose to fill prescriptions at a CVS retail pharmacy or by phone when they use CVS's mail order pharmacy. This personalized interaction allows CVS pharmacists to intervene directly with patients. In addition to improving medication adherence, the program also directs members with chronic conditions to disease management programs where they can obtain additional support. Since its inception as a pilot program in 2009, Pharmacy Advisor has yielded proven results. Published research found that the program increased both patient medication adherence rates and physician

initiation of prescriptions for diabetic members, improving care for the members and reducing health care costs for employers.<sup>67</sup> Through Pharmacy Advisor, medication adherence rates for oral diabetes medications improved by 9.9%.

Shortly after completing the Caremark merger, CVS Health launched a special discount for Caremark plan members using its ExtraCare Health Card, which provided a 20% discount on the price of CVS-brand over-the-counter drugs. This program not only lowered pricing for consumers but also provided more targeted patient care. Today plan sponsors tout the CVS ExtraCare card as a way for members to reduce health costs.<sup>78</sup> For example, Tufts Health Freedom Plan instructs its members that the CVS ExtraCare card offers an “important opportunit[y] to save” on healthcare expenditures.<sup>89</sup>

CVS Health does not anticipate any obstacles or impediments to a successful integration. CVS Health expects to expand upon cost savings and consumer benefits through its acquisition of Aetna. The combined company will be uniquely positioned to improve health outcomes and lower health care spending for patients and the overall health care system. One of the key drivers of consumer benefits is the ability to combine CVS Health’s pharmacy data and expertise with Aetna’s medical data and expertise. By enhancing access to data and through greater use of predictive analytics, the combined company will create targeted interactions with patients to promote healthy behaviors and drive medication adherence, further improving the quality of care and health outcomes of patients, while also reducing costs for consumers. CVS Health does not anticipate any material obstacles or impediments to a successful integration of Aetna.

CVS Health and Aetna continue to plan the integration of their businesses in order to achieve the substantial savings and other consumer benefits from the proposed Transaction as quickly as feasible following its closing.

### *Synergies*

CVS Health projects that it will achieve approximately \$750 million in annual recurring savings shortly after closing the transaction.<sup>910</sup> These shorter-term benefits will include substantial savings in the form of medical cost reductions from improved care

<sup>67</sup> CVS Health, CVS Caremark Study Finds Integrated Pharmacy-Based Program Improved Diabetes Medication Initiation and Adherence Rates (Jan. 9, 2012), <https://cvshealth.com/newsroom/press-releases/cvs-caremark-study-finds-integrated-pharmacy-based-program-improved-diabetes>.

<sup>78</sup> See, e.g., Alexandria City Public Schools, Frequently Asked Questions, CareFirst CVS/Caremark Prescription Drugs (May 2016), <https://www.acps.k12.va.us/cms/lib/VA01918616/Centricity/Domain/804/benefits/medical/rx-faq.pdf>.

<sup>89</sup> Tufts Health Freedom Plan, 3 Great Ways to Save on Pharmacy Costs! (Mar. 2018), <https://thfp.com/documents/email/broker/march-2018/pharmacy-savings>.

<sup>910</sup> See CVS Health Corp., CVS Health + Aetna: Revolutionizing the Consumer Health Care Experience, at 16-17, [http://investors.cvshealth.com/~/\\_media/Files/C/ CVS-IR-v3/AET%20transaction/ CVS-Aetna%20Investor%20Presentation.pdf](http://investors.cvshealth.com/~/_media/Files/C/ CVS-IR-v3/AET%20transaction/ CVS-Aetna%20Investor%20Presentation.pdf).

management and shifting site of care, as well as aligning the two companies' drug formularies.

Over the longer term (within 3-5 years), the transaction is expected to result in further reductions in medical costs. One of the most significant opportunities for obtaining those savings is through the improved chronic care management that CVS Health will be able to provide as a result of the proposed transaction. Patients with at least one chronic condition, such as diabetes, heart disease, or cancer, account for more than 80 percent of all hospital admissions and more than 90 percent of all prescriptions filled.<sup>+11</sup> The combined company will be able to better manage medical costs for chronic patients by providing them: (1) greater access to care through convenient, lower-cost sites of care; (2) increased patient engagement (at the pharmacy, at a walk-in clinic, or at home) to supplement physician office visits; (3) better coordination of care across providers, including physicians and pharmacists; and (4) post-discharge support to increase medication adherence and reduce hospital readmissions.

The combined company also will lower medical costs through additional shifting of care, when appropriate, to lower-cost and more convenient sites, including by reducing emergency department visits through the use of retail walk-in clinics, such as MinuteClinics, and shifting infusion services from outpatient hospital settings to patients' homes through the use of home infusion providers, such as Coram. The expected improvement in health outcomes and reduction in spending will inure to the benefit of the combined company's members and the health care system overall.

The shorter-term savings will also include lower costs resulting from combining the companies' operations in the PBM and Medicare areas and the streamlining of redundant corporate functions. CVS Health has not yet determined the number of any employee reductions in these areas.

In assessing likely cost savings and other efficiencies from the proposed transaction, CVS Health identified the following areas for streamlining of redundant functions: (1) corporate functions, such as finance, human resources, and investor relations; (2) pharmacy benefit management (PBM) operations; and (3) standalone Medicare Part D operations.<sup>+12</sup> Because CVS Health's integration planning efforts are ongoing, CVS Health has not yet made final determinations about the corporate functions it will streamline upon closing the transaction.

<sup>+11</sup> See Testimony of Thomas M. Moriarty, EVP, Chief Policy and External Affairs Officer, and General Counsel, CVS Health, Hearing on "Competition in the Pharmaceutical Supply Chain: the Proposed Merger of CVS Health and Aetna," before Subcommittee on Regulatory Reform, Commercial and Antitrust Law of U.S. House of Rep. Committee on the Judiciary, Feb. 27, 2018, at 2, <https://judiciary.house.gov/wp-content/uploads/2018/02/Moriarty-REVISED-Testimony.pdf>

<sup>+12</sup> See CVS Health Corp., CVS Health + Aetna: Revolutionizing the Consumer Health Care Experience, at 16, [http://investors.cvshealth.com/~/\\_media/Files/C/ CVS-IR-v3/AET%20transaction/ CVS-Aetna%20Investor%20Presentation.pdf](http://investors.cvshealth.com/~/_media/Files/C/ CVS-IR-v3/AET%20transaction/ CVS-Aetna%20Investor%20Presentation.pdf)

As announced earlier this year, CVS Health has no plans to move Aetna's headquarters from Hartford, Connecticut. Rather, CVS Health views Hartford as its future "center of excellence" for its insurance business.<sup>1213</sup>

### *Plans for Aetna Health Insurance Company of New York*

CVS Health has no plans to change Aetna's current plans for Aetna Health Insurance Company of New York. CVS Health understand that because the Aetna Health Insurance Company of New York has ceased to write any new business, Aetna intends to merge this company into an Aetna insurer licensed in New York as a foreign insurer after closing of the CVS Health acquisition. The Applicant has no plans to change Aetna's current plans with regard to merging this entity, and understands that regulatory approvals would be required.

### *Proposed Operating Model*

The proposed operating model referenced in Exhibit 17 is the health care platform CVS Health and Aetna will be able to offer as a result of the proposed transaction. This 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. The combined CVS Health-Aetna will be a trusted community partner who will help consumers better manage the cost of the health care they need. Through the integration of CVS Health's pharmacy data and expertise with Aetna's medical data and expertise, the combined company will be uniquely positioned to improve health outcomes and lower health care spending for patients and the overall health care system.

The "platform" referenced above is the enhanced set of products and services that the combined company will be able to offer consumers by combining the companies' respective areas of expertise – that is, CVS Health's retail pharmacy, pharmacy benefit management, retail health clinics, specialty pharmacy, long-term care pharmacy and infusion services, and Aetna's medical benefits, medical provider relations, and analytics capabilities. The new platform will be the result of the integration of CVS Health and Aetna, rather than particular changes to the companies' preexisting businesses.

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

<sup>1213</sup> See Susan Haigh, "CVS Says It Will Keep Aetna in Connecticut's Capital City," INSURANCE JOURNAL (Jan. 16, 2018), <https://www.insurancejournal.com/news/east/2018/01/16/477201.htm>.

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.

#### *Employee Retention Payments*

Regarding the proposed plan for the distribution of employee retention payments which is noted on page 201 of Exhibit 17, Aetna is permitted to establish a cash-based retention program providing for retention payments in an aggregate amount of up to \$70 million. Executive officers and members of the Aetna executive leadership team are excluded from participating in this program. Aetna currently projects that approximately 20% of the retention payments will be made within 30 days following the date of completion of the merger and the remaining payments will be made between three- and twelve-months following the date of completion of the merger, subject to the participant's continued employment with Aetna or its subsidiaries (or upon an earlier involuntary termination under certain circumstances).

The three employee categories in which retention payments are authorized under the Merger Agreement are "key staff critical for successful close," "staff required to maintain operations until initial integration is complete," and "key talent required to drive future performance during integration."

#### *Point of Sale Rebates*

CVS Caremark has been offering its clients point-of-sale rebates since last year and will continue to support Aetna's point-of-sale rebate programs post-merger.

#### *Divestiture*

As described in Item 1 above, Aetna has entered into the Divestiture transaction with WellCare. The Divestiture involves a PDP contract held by ALIC, a Connecticut domiciled insurer (as well as non-domestic insurer First Health). The financial projections of ALIC in Exhibit 12 reflect this Divestiture with a comparison of the projections without the Divestiture to show the changes.

### **ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

Aetna currently beneficially owns directly for Aetna Life Insurance Company and Aetna Health and Life Insurance Company and indirectly for Aetna Insurance Company of Connecticut, Aetna Health Inc. (a Connecticut corporation) and Aetna Better Health

Inc. (a Connecticut corporation), 100% of the issued and outstanding voting securities of the Domestic Insurers. As discussed above, CVS Health plans to acquire control of the Domestic Insurers through the merger of a wholly-owned subsidiary of CVS Health with and into Aetna, the Domestic Insurers' ultimate parent company. Upon and following completion of the Transaction, CVS Health will indirectly own and control all the shares of the Domestic Insurers' issued and outstanding capital stock.

The terms and conditions of the Transaction are set forth in the Merger Agreement attached as Exhibit 1 and are discussed in Items 1 and 4 above. The discussion in Item 4 relating to the criteria used in determining the nature and amount of consideration to be conveyed for the Transaction and the transactions contemplated thereby is incorporated herein by reference as the statement of the method by which the fairness of the proposed Transaction was derived.

**ITEM 7. OWNERSHIP OF VOTING SECURITIES**

Aetna currently beneficially owns directly and indirectly 100% of the issued and outstanding voting securities of the Domestic Insurers. Neither Applicant, its affiliates nor any person identified on Exhibits 7A-7B currently beneficially owns any voting securities of the Domestic Insurers or, except as contemplated by the Merger Agreement, has any right to acquire beneficial ownership of any voting security issued by the Domestic Insurers.

**ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER**

The Merger Agreement contemplates that immediately following the Transaction, CVS Health indirectly will own 100% of the capital stock of the Domestic Insurers. Other than as contemplated by the Merger Agreement, there are no contracts, arrangements or understandings, whether oral or written, with respect to any voting security issued by the Domestic Insurers in which CVS Health, any affiliate of CVS Health or any person identified on Exhibits 7A-7B is involved.

**ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

During the past twelve (12) calendar months preceding the filing of this Statement, neither the Applicant, its affiliates nor any person identified on Exhibits 7A-7B has purchased any voting securities of the Domestic Insurers.

**ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

Neither the Applicant, its affiliates, any person identified on Exhibits 7A-7B, nor anyone else based upon interviews or at the suggestion of the Applicant, its affiliates or any person identified on Exhibits 7A-7B, made any recommendations to purchase any

voting security of the Domestic Insurers during the twelve (12) calendar months preceding the filing of this Statement.

#### **ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

Neither CVS Health nor any of its affiliates nor any person identified on Exhibits 7A-7B has or will have any contract, understanding or agreement with any broker-dealers as to the solicitation of any voting security for tender issued by the Domestic Insurers.

#### **ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS**

(a)-(b) Financial Statements and Exhibits. The following is a list of the financial statements and exhibits filed with this Statement:

- |                    |  |
|--------------------|--|
| <u>Exhibit 1</u>   | Agreement and Plan of Merger dated as of December 3, 2017 (the “ <u>Merger Agreement</u> ”), among CVS Health, Aetna and Hudson Merger Sub Corp. (Filed with CVS Health Form A Statement dated January 17, 2018 (the “Original Form A”)) <sup>†314</sup> |
| <u>Exhibit 2-A</u> | CVS Health Form 8-K filed with the Securities and Exchange Commission on December 4, 2017. (Filed with Original Form A)  |
| <u>Exhibit 2-B</u> | CVS Health Form 8-K filed with the Securities and Exchange Commission on December 5, 2017. (Filed with Original Form A)  |
| <u>Exhibit 3-A</u> | Current organizational chart of CVS Health and its affiliates. (Filed with Original Form A)  |
| <u>Exhibit 3-B</u> | Current organizational chart of Aetna and its affiliates. (Filed with Original Form A)   |
| <u>Exhibit 3-C</u> | Pro Forma organizational chart of CVS Health and its affiliates following the Transaction. (Filed with Original Form A)  |
| <u>Exhibit 4-A</u> | Item 1 of CVS Health’s 2016 Annual Report on Form 10-K. (Filed with Original Form A)   |
| <u>Exhibit 4-B</u> | Item 1 of CVS Health’s 2015 Annual Report on Form 10-K. (Filed with Original Form A)   |
| <u>Exhibit 4-C</u> | Item 1 of CVS Health’s 2014 Annual Report on Form 10-K. (Filed with Original Form A)   |

<sup>†314</sup> Exhibits filed with the Original Form A and First Amended and Restated Form A Statement dated August 13, 2018 that remain unchanged are not being refiled with this Amended and Restated Form A Statement.

- Exhibit 4-D Item 1 of CVS Health’s 2013 Annual Report on Form 10-K. (Filed with Original Form A)
- Exhibit 4-E Item 1 of CVS Health’s 2012 Annual Report on Form 10-K. (Filed with Original Form A)
- Exhibit 5-A Aetna’s 2016 Annual Report to Stockholders on Form 10-K (Filed with Original Form A)
- Exhibit 5-B Aetna’s 2015 Annual Report to Stockholders on Form 10-K. (Filed with Original Form A)
- Exhibit 5-C Aetna’s 2014 Annual Report to Stockholders on Form 10-K. (Filed with Original Form A)
- Exhibit 5-D Aetna’s 2017 Annual Report to Stockholders on Form 10-K.
- Exhibit 6 CVS Health’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017. (Filed with Original Form A)
- Exhibit 7-A Directors and Executive Officers of CVS Health (~~Updated~~<sup>14</sup>[Filed with Amended and Restated Form A dated August 13, 2018 \(“First Amended and Restated Form A”\)](#))<sup>15</sup>
- Exhibit 7-B Directors and Executive Officers of CVS Pharmacy (~~Updated~~<sup>15</sup>[Filed with the First Amended and Restated Form A](#))<sup>16</sup>
- Exhibit 8-A NAIC Biographical Affidavits of Directors and Executive Officers of CVS Health. *The Applicant is requesting confidential treatment with respect to the personal information in the biographical affidavits and is filing redacted biographical affidavits with the complete confidential biographical affidavits filed under separate cover. (~~Updated~~<sup>16</sup>[Filed with the First Amended and Restated Form A](#))*<sup>17</sup>
- Exhibit 8-B NAIC Biographical Affidavits of Directors and Executive Officers of CVS Pharmacy. *The Applicant is requesting confidential treatment with respect to the personal information in the*

<sup>14</sup><sup>15</sup> Updated with list provided to Insurance Department under cover of letter dated June 8, 2018.

<sup>15</sup><sup>16</sup> Updated with list provided to Insurance Department under cover of letter dated June 8, 2018.

<sup>16</sup><sup>17</sup> Redacted biographical affidavits updated to include those biographical affidavits provided to the Insurance Department under cover of letter dated February 21, 2018. Both redacted and unredacted biographical affidavits have been updated to include Mr. Derica Rice and Mr. Kevin Hourican whose biographical affidavits were included with the updated list of directors and executive officers provided to the Insurance Department under cover of letter dated June 6, 2018. Ms. Foulkes, who resigned, has been removed.

*biographical affidavits and is filing redacted biographical affidavits with the complete confidential biographical affidavits filed under separate cover. (~~Updated~~)<sup>17</sup>[Filed with the First Amended and Restated Form A](#))<sup>18</sup>*

- Exhibit 9-A Bridge Facility Commitment Letter, dated December 3, 2017, among CVS Health, Barclays Bank PLC, Goldman Sachs Bank USA, Goldman Sachs Lending Partners LLC, Bank of America, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. (Filed with Original Form A)
- Exhibit 9-B Joinder to Bridge Facility Commitment Letter, dated December 15, 2017, among CVS Health, Barclays Bank PLC, Goldman Sachs Bank USA, Goldman Sachs Lending Partners LLC, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and each of the Additional Commitment Parties party thereto. (Filed with Original Form A)
- Exhibit 9-C Term Loan Agreement, dated as of December 15, 2017, by and among CVS Health, the lenders party thereto and Barclays Bank PLC, as administrative agent. (Filed with Original Form A)
- Exhibit 9-D CVS Health Form 8-K filed with the Securities and Exchange Commission on December 19, 2017. (Filed with Original Form A)
- Exhibit 10-A CVS Health's 2016 Annual Report to Stockholders (including audited consolidated Financial Statements and the independent public accounting firm's report thereon) and CVS Health Form 10-K Filed with the SEC For Fiscal Year Ended December 31, 2016. (Filed with Original Form A)
- Exhibit 10-B CVS Health's 2015 Annual Report to Stockholders (including audited consolidated Financial Statements and the independent public accounting firm's report thereon) and CVS Health Form 10-K Filed with the SEC For Fiscal Year Ended December 31, 2015. (Filed with Original Form A)
- Exhibit 10-C CVS Health's 2014 Annual Report to Stockholders (including audited consolidated Financial Statements and the independent public accounting firm's report thereon) and CVS Health Form 10-K Filed with the SEC For Fiscal Year Ended December 31, 2014. (Filed with Original Form A)

<sup>17</sup><sup>18</sup> Ms. Foulkes, who has resigned, has been removed.

- Exhibit 10-D CVS Health's 2013 Annual Report to Stockholders (including audited consolidated Financial Statements and the independent public accounting firm's report thereon) and CVS Health Form 10-K Filed with the SEC For Fiscal Year Ended December 31, 2013. (Filed with Original Form A)
- Exhibit 10-E CVS Health's 2012 Annual Report to Stockholders (including audited consolidated Financial Statements and the independent public accounting firm's report thereon) and CVS Health Form 10-K Filed with the SEC For Fiscal Year Ended December 31, 2012. (Filed with Original Form A)
- Exhibit 11 CVS Health Investor Fact Sheet and Investor Presentation December 4, 2017. (Filed with Original Form A)
- Exhibit 12 Financial Projections of the Domestic Insurers (Updated)<sup>1819</sup>
- Exhibit 13 Cash Flow Projections of CVS Health. (Filed with Original Form A)
- Exhibit 14 Business Plans of the Domestic Insurers. (Filed with Original Form A)
- Exhibit 15-A Annual Statements of Aetna Life Insurance Company For Years 2014-2016. (Filed with Original Form A)
- Exhibit 15-B Annual Statements of Aetna Insurance Company of Connecticut For Years 2014-2016. (Filed with Original Form A)
- Exhibit 15-C Annual Statements of Aetna Health and Life Insurance Company For Years 2014-2016. (Filed with Original Form A)
- Exhibit 15-D Annual Statements of Aetna Health Inc. (a Connecticut corporation) For Years 2014-2016. (Filed with Original Form A)
- Exhibit 15-E Annual Statements of Aetna Better Health Inc. (a Connecticut corporation) For Years 2014-2016. (Filed with Original Form A)

<sup>18</sup> ~~Updated Aetna Life Insurance Company projections which reflect changes in liabilities (fluctuations adjusted in all other liabilities) as~~<sup>19</sup> The ALIC financial projections have been updated from those provided to the Insurance Department in the May 14, 2018 Form A response. CVS Health and Aetna do not currently anticipate changes in total assets, net income or capital and surplus from the projections that were provided with Department under cover of letter dated August 31, 2018 to provide for the Divestiture. The remainder of the Domestic Insurer financial projections remain the Original Form A same.

- Exhibit 15-F Annual Statements for the Domestic Insurers for 2017<sup>19</sup> (Filed with the First Amended and Restated Form A)<sup>20</sup>
- Exhibit 15-G Quarterly Statements for the Domestic Insurers for the Quarter Ended June 30, 2018
- Exhibit 16 Competitive Impact Analysis of the Transaction in the State of Connecticut. (Updated) ~~(Aetna Health and Life Insurance Company is currently writing Medicare Supplement in Connecticut. There are no current plans to suspend Medicare Supplement in Connecticut. Amended Exhibit 16 reflects this change and also includes Exhibit X).~~<sup>2021</sup>
- Exhibit 17 Form S-4 Registration Statement Filed with the SEC on January 4, 2018. (Filed with Original Form A)
- Exhibit 18-A Financial Strength and Debt Ratings of the Applicant. (Filed with Original Form A)
- Exhibit 18-B Financial Strength and Debt Ratings of Aetna and the Domestic Insurers. (Filed with Original Form A)
- Exhibit 19 Material Litigation and Investigations of the Applicant. ~~(Updated)~~<sup>21</sup> Filed with the First Amended and Restated Form A)<sup>22</sup>
- Exhibit 20 List of Regulatory Filings of the Applicant. (Filed with Original Form A)
- Exhibit 21 State of Connecticut Form A Checklist. (Filed with Original Form A)
- Exhibit 22 Redacted Disclosure Schedules to The Merger Agreement.<sup>22</sup> (Filed under cover of letter dated August 15, 2018 as a supplement to the First Amended and Restated Form A).<sup>23</sup>

<sup>19</sup><sup>20</sup> Filed with the Applicant's May 14, 2018 Form A response to comments.

<sup>20</sup><sup>21</sup> Exhibit 16 has been updated ~~in regard to Item A.2 (Health Only), page 2 to provide that~~ "to include the Divestiture. As previously provided Aetna Health and Life Insurance Company is currently writing Medicare Supplement in Connecticut."<sup>22</sup> ~~This was provided with the May 14, 2018 Form A response. There are no current plans to suspend Medicare Supplement in Connecticut. Exhibit 16 continues to reflect this and also continues to include Exhibit X.~~

<sup>21</sup><sup>22</sup> The information included is from CVS Health's Form 10-Q for period ended June 30, 2018 and Annual Report to Stockholders for the Year Ended December 31, 2017.

<sup>22</sup><sup>23</sup> Included in the Company (Aetna's) Disclosure Schedules is the detailed description of a contemplated employee retention program and the description of fines and their amounts requested in the Insurance Department's July 31, 2018 request letter to the Applicant.

- Exhibit 23 Company Organizational Documents (as defined in the Merger Agreement) [\(Filed with the First Amended and Restated Form A\)](#)
- Exhibit 24 Parent Organizational Documents (as defined in the Merger Agreement)<sup>23</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>24</sup>
- Exhibit 25 Directors and Executive Officers of the Domestic Insurers<sup>24</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>25</sup>
- Exhibit 26 Biographical Affidavits of the Directors and Executive Officers of the Domestic Insurers. *The Applicant is requesting confidential treatment with respect to the personal information in the biographical affidavits and is filing redacted biographical affidavits with the complete confidential biographical affidavits filed under separate cover.* <sup>25</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>26</sup>
- Exhibit 27 CVS Health Form 8-K regarding the long term financing obtained March 6, 2018 by CVS Health.<sup>26</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>27</sup>
- Exhibit 28 CVS Health Deleveraging Slides.<sup>27</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>28</sup>
- Exhibit 29 A.M. Best Description of Leverage.<sup>28</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>29</sup>
- Exhibit 30 Documentation of anticipated cash demands including a debt payment schedule over the next 5 years with the amounts broken down by source.<sup>29</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>30</sup>
- Exhibit 31 Capital Management Plan.<sup>30</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>31</sup>

<sup>23</sup><sup>24</sup> The Applicant has included the Articles and Bylaws that CVS Health provided to Aetna at the time of the Merger Agreement, as well as the Articles and Bylaws of CVS Health subsequently amended as described in the Form 8-K included with this Exhibit.

<sup>24</sup><sup>25</sup> Filed with the Applicant's May 14, 2018 Form A response to comments.

<sup>25</sup><sup>26</sup> Filed with the Applicant's May 14, 2018 Form A response to comments and as subsequently updated under cover of letter dated July 20, 2018.

<sup>26</sup><sup>27</sup> Filed with the Applicant's May 14, 2018 Form A response to comments.

<sup>27</sup><sup>28</sup> Filed with the Applicant's May 14, 2018 Form A response to comments.

<sup>28</sup><sup>29</sup> Filed with the Applicant's May 14, 2018 Form A response to comments.

<sup>29</sup><sup>30</sup> Filed with the Applicant's July 24, 2018 Form A response to comments.

<sup>30</sup><sup>31</sup> Filed with the Applicant's May 14, 2018 Form A response to comments.

- Exhibit 32 CVS Health Corporate governance guidelines.<sup>31</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>32</sup>
- Exhibit 33 February 1, 2018 Form 8-K regarding the second request received from the Department of Justice<sup>32</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>33</sup>
- Exhibit 34 Overview of the types of items requested in a second request.<sup>33</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>34</sup>
- Exhibit 35 Redacted HSR Filing Statements for Aetna and CVS Health.<sup>34</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>35</sup>
- Exhibit 36 CVS Health Information Security Controls.<sup>35</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>36</sup>
- Exhibit 37 CVS Health's 2017 Annual Report to Stockholders (including audited consolidated Financial Statements and the independent public accounting firm's report thereon) and CVS Health Form 10-K Filed with the SEC For Fiscal Year Ended December 31, 2017.<sup>36</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>37</sup>
- Exhibit 38 Final Effective Form S-4 Registration Statement Filed with the SEC on February 9, 2018.<sup>37</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>38</sup>
- Exhibit 39 CVS Health Form 10-Q For the Period Ended March 31, 2018.<sup>38</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>39</sup>
- Exhibit 40 CVS Health Form 10-Q For the Period Ended June 30, 2018.<sup>39</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>40</sup>

<sup>31</sup><sup>32</sup> Filed with the Applicant's May 14, 2018 Form A response to comments.

<sup>32</sup><sup>33</sup> Filed with the Applicant's May 14, 2018 Form A response to comments.

<sup>33</sup><sup>34</sup> Filed with the Applicant's May 14, 2018 Form A response to comments.

<sup>34</sup><sup>35</sup> Redactions of Item 4(c) and 4(d) document lists and Items 5 dollar amounts which are confidential.

<sup>35</sup><sup>36</sup> Filed with the Applicant's May 14, 2018 Form A response to comments.

<sup>36</sup><sup>37</sup> SEC Form 10-K provided to Insurance Department under cover of letter dated February 21, 2018 and Annual Report to Stockholders provided to Insurance Department in the Applicant's May 14, 2018 response.

<sup>37</sup><sup>38</sup> Filed under cover of letter to the Insurance Department dated February 21, 2018.

<sup>38</sup><sup>39</sup> Filed under cover letter to the Insurance Department dated June 8, 2018.

<sup>39</sup><sup>40</sup> Filed with SEC on August 8, 2018.

Exhibit 41 CVS Health Form 8-K dated June 6, 2018 Regarding Post-Closing Management.<sup>40</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>41</sup>

Exhibit 42 Copies of Regulatory Filings.<sup>41</sup> [\(Filed with the First Amended and Restated Form A\)](#)<sup>42</sup>

Exhibit 43 [CVS Health Form 8-K Filed with the Securities and Exchange Commission on September 27, 2018 Regarding the Divestiture](#)

Exhibit 44 [Aetna Form 8-K filed with the Securities and Exchange Commission on September 27, 2018 Regarding the Divestiture](#)

(c) Other Information. There are no tender offers for, requests or invitations for, tenders of, exchange offers for or agreements to acquire or exchange any voting security of the Domestic Insurers, or additional soliciting materials relating thereto, any proposed employment, consultation, advisory, managing general agent, controlling producer or management contracts concerning the Domestic Insurers entered into in connection with the Transaction, other than as disclosed herein.

### **ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT**

Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.

### **ITEM 14. OTHER INFORMATION.**

(a) List of Regulatory Filings. A list of regulatory filings of the Applicant is attached as Exhibit 20. Copies of regulatory filings are attached as Exhibit 42.

(b) Competitive Impact Analysis. An analysis of the competitive impact in the State of Connecticut is attached as Exhibit 16.

(c) Additional Information. The Applicant will address as needed such applicable additional information as the Commissioner may prescribe as necessary or appropriate for the protection of policyholders of the Domestic Insurers or in the public interest.

*Exhibit 13 under Adjusted Aetna Projections*

<sup>40</sup><sup>41</sup> Filed with the Insurance Department under cover of letter dated June 8, 2018.

<sup>41</sup><sup>42</sup> Filed with the Applicant's May 14, 2018 Form A response to comments. This includes a list of international filings. We have also included Form 8-K's filed with the SEC regarding the shareholder votes related to the transaction and dismissal of litigation related to the transaction.

On page 158 of Exhibit 13 under Adjusted Aetna Projections, it states that “CVS Health made certain adjustments to the assumptions and estimates underlying the Aetna projections in light of, among other things, the due diligence CVS Health conducted on Aetna, the potential impact of the transaction pursuant to the terms of the Merger Agreement and other effects of the transaction, and certain macroeconomic and industry trends.” CVS Health made an adjustment to the assumptions that impacted “Aetna unlevered free cash flow” for 2018P. The adjustment reduced Aetna’s free cash flow assumption by \$280 million and the impact can be seen in the difference between the Aetna assumption on page 157 (\$3.5 billion of unlevered free cash flow for 2018 Projected) versus the adjusted assumptions on page 159 (\$3.2 billion of Aetna unlevered free cash flow for 2018 Projected). There are no other differences in the projections. CVS Health made the adjustment based on a more conservative view of the unlevered free cash after due diligence and considering other effects of the transaction and certain macroeconomic and industry trends.

#### *Lower Costs*

CVS Health expects consumers in Connecticut and elsewhere to benefit substantially from the proposed transaction, including through lower costs. Consumers will benefit from the synergies that are expected to result from the transaction. As discussed above, CVS Health projects that it will achieve approximately \$750 million in annual recurring savings shortly after closing the transaction. CVS Health further expects to reduce medical costs by improving chronic care management and shifting care to lower-cost and more convenient sites, which will insure to the benefit of consumers. In addition, the combined company’s ability to reduce medical and pharmacy costs – through, for example, earlier and more effective medical interventions and increased medication adherence – will lead to lower healthcare costs and trend.

Together, the combined company’s unique ability to manage patients’ health will not only drive health care innovation and improve patient outcomes, but will also favorably impact health premiums and thereby reduce consumer costs. Prior to closing the transaction, CVS Health is unable to precisely measure the beneficial impact on health premiums. CVS Health notes, however, the substantial savings reported by United Health Group’s OptumRx from integrating medical and pharmacy benefits. This integration with an overall savings of \$11-16 per member per month.<sup>4243</sup> Applying those results to the combined CVS Health-Aetna would yield hundreds of millions of dollars in medical cost savings, which could be passed on to consumers in the form of lower health premiums. CVS Health expects that its investments in creating new products and services through the integration of its pharmacies, clinics, and infusion services will generate additional savings and improve patients’ health and wellness.

#### *Patient Benefits*

<sup>4243</sup> See OptumRx – Measuring the Financial Advantage, White Paper (2017), [https://www.optum.com/resources/library/measuring\\_the\\_financial\\_advantage.html](https://www.optum.com/resources/library/measuring_the_financial_advantage.html).

CVS Health expects patients to see numerous benefits from the new patient interactions the combined company will be able to offer. Among those consumer benefits are: (1) greater access to health care through convenient, lower-cost sites of care, including walk-in clinics and home infusions; (2) better coordination of care across providers, including physicians and pharmacists, particularly for patients with chronic conditions; and (3) post-discharge support by pharmacists and other providers to increase medication adherence and reduce hospital readmissions. Together, these increased patient interactions will help eliminate gaps in health care, increase medication adherence, and more effectively treat members with chronic conditions, thereby lowering medical costs for consumers.

The addition of medical records data to retail pharmacies – likely only through the type of integration achieved in a merger – will allow the combined company to close gaps in care and make the health care system less fragmented. As discussed above, by combining CVS Health pharmacy and Aetna medical information, CVS pharmacists will be able to provide information from physicians to patients at the pharmacy counter and give patients tools to more effectively manage their chronic conditions, which will keep patients on track with their care plan between physician visits and thereby improve their care. This is the type of pharmacist-patient interaction leading to improved coordination of care that will be achievable under the proposed transaction.

#### *Consumers are Realizing Savings By Using MinuteClinics*

Over the last ten years, retail medical clinics have become a fixture of the modern health care system due to the benefits they offer compared to traditional health care providers, including longer hours, more convenient locations, and lower prices. Typically staffed by nurse practitioners and physicians assistants with varying degrees of physician oversight, such clinics offer convenient evening, weekend, and walk-in hours. Retail medical clinics provide care for low-acuity medical conditions – such as the flu, certain infections, and minor lacerations – as well as administer services such as vaccinations and certain medical tests.

The combined company, through greater coordination of medical and pharmacy services, will augment use of retail medical clinics. CVS Health expects to increase the use of lower-cost, clinically-appropriate sites of care, including retail medical clinics, while decreasing the unnecessary use of higher-cost sites of care, such as hospitals and emergency rooms. A substantial portion of emergency room visits, including in particular those with lower-acuity conditions, can be avoided through increased awareness and use of retail medical clinics. Better data integration, made possible by the combination, will increase awareness and appropriate use.

CVS Health views its MinuteClinics as an important complement to the services offered by primary care physicians. MinuteClinics make every effort to assure that patients have a primary care physician. In the past year, MinuteClinic has made about 3.5

million physician referrals for the approximately 50 percent of MinuteClinic patients who did not have a primary care physician at the time of their visit.

CVS Health plans to reduce unnecessary emergency room visits or other higher-cost sites of care in several ways. Better data will lead to more frequent interactions with patients and increased patient awareness of retail medical clinics and their capabilities. This will make patients more likely to seek care at these lower-cost sites of care when the need arises rather than going to emergency rooms unnecessarily. CVS Health will offer permissible financial incentives for seeking care at these lower-cost sites when appropriate, which may lower client premiums as well as patients' out-of-pocket costs. With more complete data, CVS Health will analyze the times and geographies in which unnecessary emergency room visits occur most often, and may extend the hours of its MinuteClinics accordingly so that patients will have increased access during these times. Today, many unnecessary emergency room visits for low-acuity conditions occur at times when primary care physicians' offices are closed (*e.g.*, on nights and weekends). Extending clinic hours will complement primary care physician services and reduce unnecessary emergency room admissions during these off-times. CVS Health is also considering building new MinuteClinics in underserved areas to increase patient access and expanding the low-acuity conditions that can be treated in MinuteClinics to cover more of those that are unnecessarily treated in higher-cost emergency rooms today.

While many patients have benefitted from the use of retail medical clinics, the full savings from their use have not yet been achieved. There continue to be substantial numbers of unnecessary emergency room visits each year for lower-acuity conditions that could have been appropriately treated at retail medical clinics. With the proposed transaction, CVS Health will be able to help a greater number of patients obtain lower-cost, clinically-appropriate care at such clinics.

MinuteClinic's convenience is valuable for patients seeking treatment, with approximately half of MinuteClinic's visits outside of normal hours. The health care system benefits when these off-hour patients visit MinuteClinics for lower-acuity conditions rather than emergency rooms, which tend to be crowded, expensive, and better reserved for people in need of serious emergency care. In addition, half of MinuteClinic patients do not have a primary care physician, in which case CVS Health makes every effort to connect these patients to a doctor in their community to help ensure their future well-being.

Generally, prices for retail clinic visits are lower than doctor's office visits and significantly lower than emergency room visits. This is particularly important for the underinsured or uninsured patients who often visit retail clinics. Studies have also demonstrated that retail clinic use is associated with lower overall total cost of care

compared to that at alternative provider sites.<sup>4344</sup> At the same time, published research shows that the quality of care for the conditions most commonly treated in retail medical clinics is at least as good as what is provided in traditional provider settings.<sup>4445</sup> As a result, most health insurers cover care at retail medical clinics, and many have created financial incentives to encourage use of the clinics, such as waiving co-pays for such care.

Utilization of retail medical clinics results in consumers saving substantial amounts of time and money, relative to more expensive and less convenient provider settings. In addition to these direct benefits, consumers have benefitted indirectly from increased competition, as physician groups and hospitals have responded to retail clinics by making their services more accessible, establishing their own clinics, or extending their hours. Retail clinic utilization also reduces unnecessary burdens on emergency rooms and other facilities, allowing providers to focus on higher-acuity cases and reducing the waiting time for patients at those facilities. When appropriate, use of retail clinics in lieu of more costly emergency rooms also results in substantial savings for the overall health care system.

If the medical staff at a MinuteClinic is unable to treat a patient – because, for example, the patient has a condition that MinuteClinic does not typically treat – the patient will not incur any costs. If the patient is in need of emergency medical treatment and MinuteClinic is unable to treat the patient, MinuteClinic staff will either direct the patient to the nearest emergency room or urgent-care center or call 911 to request emergency medical assistance, as appropriate. MinuteClinic also makes frequent referrals to primary care physicians.

#### *Facilitation of Increase in Services*

The combined CVS Health-Aetna will be able to provide consumers access to a network of services and resources that complements traditional provider networks. CVS

<sup>4344</sup> See, e.g., Andrew Sussman, et al., “Retail Clinic Utilization Associated with Lower Total Cost of Care,” 19 AMERICAN JOURNAL OF MANAGED CARE 148 (2013), <http://www.ajmc.com/journals/issue/2013/2013-1-vol19-n4/retail-clinic-utilization-associated-with-lower-total-cost-of-care> [https://www.optum.com/resources/library/measuring\\_the\\_financial\\_advantage.html](https://www.optum.com/resources/library/measuring_the_financial_advantage.html); Ateev M [https://www.optum.com/resources/library/measuring\\_the\\_financial\\_advantage.html](https://www.optum.com/resources/library/measuring_the_financial_advantage.html)ehrotra, et al., “The Costs and Quality of Care for Three Common Illnesses at Retail Clinics as Compared to Other Medical Settings,” 151 ANNALS OF INTERNAL MEDICINE 321 (2009), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2805258/pdf/nihms133894.pdf>.

<sup>4445</sup> See, e.g., William H. Shrank, et al., “Quality of Care at Retail Clinics for 3 Common Conditions,” 20 AMERICAN JOURNAL OF MANAGED CARE 794 (2014), <http://www.ajmc.com/journals/issue/2014/2014-vol20-n10/quality-of-care-at-retail-clinics-for--3-common-conditions>; Ateev M [https://www.optum.com/resources/library/measuring\\_the\\_financial\\_advantage.html](https://www.optum.com/resources/library/measuring_the_financial_advantage.html)ehrotra, et al., “The Costs and Quality of Care for Three Common Illnesses at Retail Clinics as Compared to Other Medical Settings,” 151 ANNALS OF INTERNAL MEDICINE 321 (2009), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2805258/pdf/nihms133894.pdf>.

Health’s analysis of post-closing changes to its MinuteClinics is ongoing. Although not finalized, upon the closing of the transaction, the plans include changes to store designs at pilot stores. The results of the pilots will enable the combined company to determine which changes are most successful in improving patient access and lowering health care costs. CVS Health does not anticipate any changes to its debt/equity ratio as a result of changes it may make to its MinuteClinics.

While the merger integration work may lead to changes to facilities based on the pilot tests, additional plans are being made to expand services and care coordination in stores without making physical changes to facilities. The goal of these changes is to increase interactions with patients and to increase access to affordable, convenient, and high-quality care. While the combined company will have local physical access points, the integrated service offering will also have a strong digital or data component – with tools, personnel, and resources for customers, regardless of whether they are Aetna plan members or use CVS Health pharmacies to fill their prescriptions.

### *Chronic Care Management*

Patients with at least one chronic condition – such as diabetes, heart disease, or cancer – account for more than 80 percent of all hospital admissions and more than 90 percent of all prescriptions filled.<sup>4546</sup> The combined company will be better able to manage patients with chronic conditions by providing them: (1) greater access to care through convenient, lower-cost sites of care; (2) increased patient engagement to supplement physician office visits; (3) better coordination of care across providers, including physicians and pharmacists; and (4) better coordinated post-discharge support to increase medication adherence and reduce hospital readmissions.

The combined company will be better able to manage medical costs for patients with chronic conditions than CVS Health and Aetna can independently. Without the full integration of the businesses made possible through the merger, neither party has sufficient financial incentives to invest in, nor the data necessary for the successful implementation of, the programs and capabilities that the combined company will have to reduce medical costs for patients with chronic conditions. For example, by combining CVS Health pharmacy and Aetna medical information, CVS pharmacists will be able to provide information from physicians to patients at the pharmacy counter and give patients tools to more effectively manage their chronic conditions, which will keep patients on track with their care plan in between physician visits and thereby improve patient care. The companies independently lack the appropriate incentives and data to effectively pursue this type of increased patient engagement; the combined company will have both.

<sup>4546</sup> See Testimony of Thomas M. Moriarty, EVP, Chief Policy and External Affairs Officer and General Counsel, CVS Health, Hearing on “Competition in the Pharmaceutical Supply Chain: the Proposed Merger of CVS Health and Aetna,” before Subcommittee on Regulatory Reform, Commercial and Antitrust Law of U.S. House of Rep. Committee on the Judiciary, Feb. 27, 2018, at 2, <https://judiciary.house.gov/wp-content/uploads/2018/02/Moriarty-REVISED-Testimony.pdf>.

There are many areas in need of improved chronic care management. One key area, diabetes, alone represents approximately \$245 billion in annual medical costs. The combined company will be uniquely situated to help the 30 million Americans suffering from diabetes better manage their condition. With the combined company's pharmacy, medical, and data assets, it will be able to deliver preventative counseling for pre-diabetics, provide more frequent engagement and counseling once a diabetic is diagnosed, and more effectively deploy digital tools such as remote monitoring of blood glucose levels that make it more convenient for patients to manage their care. The combined CVS Health-Aetna will have the data and financial incentives to effectively pursue such programs.

### *Data and Analytics*

Currently, CVS Health retail pharmacies (as well as other retail pharmacies in the United States) lack access to medical records data. The combined company expects to make the investment needed to add electronic medical records to its retail pharmacies, which will facilitate interventions that will improve care and lower overall health system costs.

In addition, CVS Caremark, CVS Health's PBM business, currently has very limited access to medical records. Integrating medical and pharmacy data will substantially improve PBM services and lead to significant cost savings.

### *Medication Adherence*

Studies have shown that greater medication adherence for chronic disease alone could save up to \$300 billion in unnecessary medical costs each year and more importantly save tens of thousands of lives.<sup>4647</sup> The combined company will use its combined pharmacy and medical data to identify patients with chronic conditions and others to whom the company can apply its proven medication adherence solutions, resulting in substantial reductions in medical spend for non-adherent members. CVS Health's existing adherence programs include, among others: (1) Maintenance Choice<sup>®</sup>, which allows CVS Caremark plan members with chronic conditions to choose to fill 90-day prescriptions through either mail order pharmacies or at any CVS retail pharmacy location; (2) Pharmacy Advisor<sup>®</sup>, which involves personalized interactions by CVS pharmacists to promote adherence by patients with chronic conditions; and (3) ScriptSync<sup>®</sup>, which allows patients with multiple maintenance medications to pick up all of their eligible prescriptions at the same time in a monthly visit to a CVS pharmacy. The

<sup>4647</sup> See Testimony of Thomas M. Moriarty, EVP, Chief Policy and External Affairs Officer and General Counsel, CVS Health, Hearing on "Competition in the Pharmaceutical Supply Chain: the Proposed Merger of CVS Health and Aetna," before Subcommittee on Regulatory Reform, Commercial and Antitrust Law of U.S. House of Rep. Committee on the Judiciary, Feb. 27, 2018, at 2, <https://judiciary.house.gov/wp-content/uploads/2018/02/Moriarty-REVISED-Testimony.pdf>.

combined company will be able to increase the number of patients benefitting from these programs and will be better positioned to innovate or develop new programs.

### *Post-Discharge Support*

According to analysis conducted by CVS Health, approximately 14 percent of patients are readmitted within 30 days of an inpatient stay. Two-thirds of those readmissions relate to medication issues, including adverse drug reactions and non-adherence. CVS Health expects to reduce these readmissions by implementing post-discharge medication reconciliation programs for high-risk members. Studies have shown that such programs reduce readmissions by up to 50 percent. Combining the medical data from Aetna with CVS Health pharmacies and community presence will allow the combined company to identify and engage with the high-risk members that would benefit most from the medication reconciliation program.

CVS Health currently seeks to provide post-discharge support to patients through several offerings. First, Caremark offers a Hospital Readmission Prevention & Medication Reconciliation Program to health plan clients. Through this program, pharmacists conduct telephonic post-discharge medication reconciliations for patients identified by the health plan client as at-risk for readmission. A client decides whether to enroll in this program, and at this time, no client is enrolled in this program, despite encouraging results in an early pilot. Second, for patients requiring infused therapy post-discharge, Coram nurses provide a variety of services, including discharge planning, transition coaching, education, and comprehensive in-home medication reconciliations; these services include risk scoring and intervention strategies tailored to impact the most vulnerable patients. Third, CVS Pharmacy has partnered with certain health systems to offer bedside delivery of medications at discharge.

Aetna generally provides post-acute discharge support for its commercial plans as follows. Aetna begins the discharge planning process at the onset of admission by assuring that the care team at the facility, the member's family and, most importantly, the member are aware of the expected post discharge goals and settings. Aetna then connects the discharge plan of care to the appropriate services, such as skilled nursing facilities, rehabilitation facilities, or home health care. Once the member is discharged, Aetna engages its care management nurses face-to-face with the member in the facility or subsequently in his or her home to ensure that the discharge plan is followed. Importantly, these efforts focus on medication reconciliation, physician follow-up, and safety in the home. Aetna also engages community resources, such as meals, when appropriate, to assist with post-discharge needs. Aetna does not anticipate any changes to its discharge support model as a result of the transaction.

CVS Health expects the post-discharge support to continue and as noted above, and CVS Health expects the combined entity to be in an even better position to provide such support.

### *Impact on Competitors*

Competitive advantage will arise from better use of pharmacy and medical data, more localized care options, better coordinated care across providers, and more cost management tools to deliver the most clinically-appropriate care in the most cost-effective settings. By creating lower-cost and more competitive products and services as well as investing in health care innovations, CVS Health expects that it will be able to earn the business of more customers looking to control their health care spending and to compete even more effectively in what is already a highly competitive space.

Following its acquisition of Aetna, CVS Health will continue its long-standing efforts to win and maintain the PBM business of health plans and other insurers, including those that may compete with Aetna. CVS Health has strong commercial incentives to maintain and grow its health plan business following its acquisition of Aetna. Health plans are a critical part of CVS Health's commercial success, and the company cannot afford to lose those customers.

After acquiring Aetna, CVS Health will continue to serve its Part D and other health plan clients as it does today – with the objective of providing competitive pricing, exceptional service, and innovative solutions.<sup>4748</sup> Far from being harmed, CVS Health expects health plans in Connecticut and elsewhere to benefit from the proposed transaction. Combining the convenience, community presence, and pharmacy expertise of CVS Health with Aetna's health plans, analytics capabilities, and extensive network of health care providers will allow the combined company to bring enhanced products and services to its health plan clients. CVS Health has testified to Congress about its intention to make its offerings “available, in an ‘open source’ environment, to all our business, labor, and public and private health plan clients” just as it does today.<sup>4849</sup>

CVS Health's experience in the Medicare Part D area shows how health plans can and will benefit from the proposed transaction. Caremark currently provides PBM

<sup>4748</sup> See CVS Health, CVS Health Corporation to Acquire Aetna Inc., Transcript of Joint Conference Call, Dec. 4, 2017, at 4 (Rule 425 Filing with Securities and Exchange Commission) (comments of Larry J. Merlo, President & CEO, CVS Health Corp.) (“[T]his transaction will not, in any way, diminish the strong relationships CVS and Aetna have with our clients and their health care partners, nor will it reduce the value that we both create for them every day. CVS has a long history of developing solutions that deliver on the cost quality access goals of our partners, and we see no reason for that not to continue into the future. As we have shown with the merger of CVS and Caremark, we have the ability to integrate where needed while maintaining the necessary firewalls in order to protect client data and ensure competition.”), [http://otp.investis.com/clients/us/cvs\\_caremark1/SEC/sec-show.aspx?Type=html&FilingId=12415274&CIK=0000064803&Index=10000](http://otp.investis.com/clients/us/cvs_caremark1/SEC/sec-show.aspx?Type=html&FilingId=12415274&CIK=0000064803&Index=10000).

<sup>4849</sup> Testimony of Thomas M. Moriarty, EVP, Chief Policy and External Affairs Officer, and General Counsel, CVS Health, Hearing on “Competition in the Pharmaceutical Supply Chain: the Proposed Merger of CVS Health and Aetna,” before Subcommittee on Regulatory Reform, Commercial and Antitrust Law of U.S. House of Rep. Committee on the Judiciary, Feb. 27, 2018, at 6-7, <https://judiciary.house.gov/wp-content/uploads/2018/02/Moriarty-REVISED-Testimony.pdf>.

services to health plans providing Medicare Part D prescription drug plans (PDPs). Those health plans compete with CVS Health’s SilverScript business, which provides standalone PDPs. Yet, those health plans chose, and continue to use, Caremark as their PBM because of the attractive products and services Caremark offers. In fact, Caremark’s health plan clients have been able to grow their business at a higher rate than the overall marketplace.<sup>4950</sup> Further, more than 80 percent of Medicare lives served by Caremark’s PBM are in four-star or five-star plans – the highest of any PBM serving Medicare Part D.<sup>5051</sup> In short, Caremark is helping its health plan clients (including competitors to SilverScript) to be more competitive in the marketplace today and this will continue – the addition of Aetna’s Part D plans will not change this dynamic.

Further, CVS Health has several, long-standing firewall policies in place to ensure that competitively-sensitive information from customers of one business unit is not inappropriately accessed or used by another unit to gain a competitive advantage. For example, a Caremark/SilverScript firewall policy prevents SilverScript employees from accessing competitively sensitive information Caremark has collected from health plans that compete with SilverScript in the Medicare Part D area. There are robust compliance protocols in place at CVS Health to prevent any improper exchanges of information across its business units.<sup>5152</sup>

Following its acquisition of Aetna, CVS Health will continue its long-standing efforts to win and maintain the business of health plans, including health plans such as WellCare.<sup>5253</sup> Health plans are a critical part of CVS Health’s commercial success, and retention of these customers is key to the success of the combination.

### *HSR Filings*

<sup>4950</sup> See Jon Roberts, *Meeting the Health Care Challenges of Tomorrow*, CVS Health 2016 Analyst Day, Dec. 15, 2016, at 13, <http://investors.cvshealth.com/~media/Files/C/ CVS-IR-v3/documents/12-15-2016/2016-analyst-day-jon-roberts-presentation.pdf>.

<sup>5051</sup> See Testimony of Thomas M. Moriarty, EVP, Chief Policy and External Affairs Officer, and General Counsel, CVS Health, Hearing on “Competition in the Pharmaceutical Supply Chain: the Proposed Merger of CVS Health and Aetna,” before Subcommittee on Regulatory Reform, Commercial and Antitrust Law of U.S. House of Rep. Committee on the Judiciary, Feb. 27, 2018, at 7, <https://judiciary.house.gov/wp-content/uploads/2018/02/Moriarty-REVISED-Testimony.pdf>.

<sup>5152</sup> See CVS Health, Frequently Asked Questions, Dec. 7, 2017, at 2 (Rule 425 Filing with Securities and Exchange Commission) (“Aetna will be an integral part of CVS Health; however, it will run as a separate business. It will have the proper protections and divisions to ensure that our PBM clients’ confidential information is not seen or used by Aetna.”), [http://otp.investis.com/clients/us/cvs\\_caremark1/SEC/sec-show.aspx?Type=html&FilingId=12420703&CIK=0000064803&Index=10000](http://otp.investis.com/clients/us/cvs_caremark1/SEC/sec-show.aspx?Type=html&FilingId=12420703&CIK=0000064803&Index=10000).

<sup>5253</sup> Mr. Andrew Asher, CFO of WellCare was reportedly quoted in a May 1, 2018 article by David Hood of SNL Financial which stated; “Asher said during the company’s first-quarter earnings call that WellCare has only had ‘quasi-constructive’ discussions ‘about the future and the assurances that will be necessary for large customers such as ourselves.’”

Attached please find the February 1, 2018 Form 8-K regarding the second request received from the Department of Justice as Exhibit 33. Each of CVS Health and Aetna filed its respective HSR Act notification and report with respect to the merger on January 2, 2018. On February 1, 2018, CVS Health and Aetna each received a request for additional information, referred to as the second request, from the DOJ in connection with the DOJ's review of the transactions contemplated by the Merger Agreement. Issuance of the second request extends the waiting period under the HSR Act until 30 days after both CVS Health and Aetna have substantially complied with the second request or such later time as the parties may agree with the DOJ, unless the waiting period is terminated earlier by the DOJ. CVS Health and Aetna have been cooperating with the DOJ staff since shortly after the announcement of the Merger Agreement and are continuing to cooperate with the DOJ staff in its review of the transactions contemplated by the Merger Agreement. Please also see the attached overview of the types of items requested in a second request as Exhibit 34. Please see the redacted HSR Filing Statements for Aetna and CVS Health as Exhibits 35.

*Material Litigation.*

There is no potential material litigation of which CVS Health is aware, which are currently not reflected in the Form A, which could affect the Domestic Insurers.

*Risk Factors Noted in Exhibit 10-A<sup>5354</sup>*

Below sets forth plans or controls has CVS Health has put into place to mitigate these risk factors:

CVS Health offers security and privacy controls and programs to ensure the confidentiality, integrity and availability of client and member data. Our programs provide the framework for the protection of corporate information assets through established policies, procedures, controls, and programs. Our Information Security policies and procedures regarding information confidentiality provide for protection against unauthorized access, disclosure, modification, or destruction of sensitive information. The programs consist of the following:

- Risk Management
- Third Party Risk Management
- Internal and External Penetration Testing
- Patch Management
- Anti-Malware Program
- Enforcement of Minimum Security Baselines
- Network Monitoring
- Internet Content Filtering

<sup>5354</sup> These include, but are not limited to, disruption of IT systems, information security systems or infrastructure to support businesses.

- Web Application Security
- Workforce Awareness Training
- Developer-Specific Training
- Forensics
- Multifactor Authentication for remote access and for privileged access to certain resources
- Firewall and Network Management
- Data Loss Prevention
- Encryption

Please refer to the accompanying document “CVS Health Information Security Controls” attached as [Exhibit 36](#) for more details on the aspects of the program.

#### *IT Systems Compromised*

Anti-Malware Program: With regard to US operations, on 12/21/16, an Omnicare ACS company file server was infected with ransomware. The event was successfully detected, contained and eradicated, with 100% recovery and no data loss as a result of the event. Please note that this appliance was separate and distinct from the CVS Health corporate appliances, which were not affected; nor were any CVS Health information systems or services affected.

#### *Dedicated Personnel Assigned to Cyber Risks*

CVS Health has an Information Security department and program led by a Chief Information Security Officer, reporting to the Chief Information Officer. The program is monitored by the Audit Committee and the Board of Directors.

#### *Pharmacy Service Clients*

Page 6 of the CVS Health 2017 Form 10-K (received by the Department in March 2018) discusses pharmacy services clients, one of which is Aetna. Aetna has represented an increasing percentage of revenue for CVS of 12.3% for 2017, 11.7% for 2016 and 10% for 2015. These percentages represent Aetna revenue as a percentage of CVS Health consolidated net revenues. CVS Health does not expect this percentage to change materially given the growth in our overall business.

There are several health insurance companies under the CVS Health umbrella as identified in [Exhibit 3-A](#). The insurance companies identified in [Exhibit 3-A](#) include SilverScript Insurance Company, which offers standalone Part D prescription drug plans. SilverScript plans to continue to invest in and grow its Part D services and offerings after the closing of the CVS Health-Aetna transaction. Although SilverScript has begun to explore post-closing strategies to grow and enhance the quality of its offerings, it has not made any decisions regarding the strategic initiatives the combined company will pursue with respect to its Part D business. [Please also refer to the Divesture transaction](#).

[regarding the Aetna PDP plans in Item 1.](#) The other two insurance companies identified in [Exhibit 3-A](#) do not currently market any products.

#### *Rating Agency Information*

As of March 31, 2018, CVS Health long-term debt was rated “Baa1” by Moody’s and “BBB” by Standard & Poor’s, and our commercial paper program was rated “P 2” by Moody’s and “A 2” by Standard & Poor’s. In December 2017, subsequent to the announcement of the proposed acquisition of Aetna, Moody’s changed the outlook on our long-term debt to “Under Review” from “Stable.” Similarly, S&P placed our long-term debt outlook on “Watch Negative” from “Stable”. Upon the issuance of the CVS Health’s long-term notes on March 9, 2018, Standard & Poor’s lowered its corporate credit rating on CVS Health’s long-term debt to “BBB” from “BBB+” and changed the outlook from “Watch Negative” to “Stable”. Moody’s rating remains unchanged at the present time.

#### **ITEM 15. SIGNATURE AND CERTIFICATION**

The Applicant ~~incorporates the~~ [has executed and attached a new](#) signature ~~to the Original page for this Amended and Restated~~ Form A and confirms that all persons who signed the Form A Application will be present at the hearing.

Document comparison by Workshare 9 on Wednesday, September 26, 2018  
9:02:19 PM

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Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

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Deletions	111
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Style change	0
Format changed	0

Total changes	236
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