OLIVER WYMAN

Consulting Actuaries

HEALTH INSURER FINANCIAL INSIGHTS

Volume 1 | **SUMMER 2019**

IN THIS ISSUE

1 2018 Statutory Financials by Market

2 Market Capitalization: Statutory Capital/RBC Trends

3 Public Companies Financial Performance

4 M&A Corner: CVS/Aetna and Cigna/Express Scripts

We are very excited to present the first edition of our *Health Insurer Financial Insights* newsletter. This newsletter focuses on market profitability and capitalization trends for public and non-public health insurers. Our aim is to keep you abreast of key trends and market news that impact market dynamics and profitability. We hope you enjoy the newsletter and find it informative. Please look for our second edition this Fall.

2018 Statutory Financials — Individual, Group, Medicare, and Medicaid Markets:
Health insurers' financial performance remained strong in 2018 with carriers experiencing improved profit margins in individual and group commercial business due to improved margins in the individual market that saw improved pricing, but lower enrollment. Medicare margins remained fairly consistent, and Medicaid margins remained tight.

December 31, 2018 Market Capitalization: Statutory Capital/ Rate Based Capital (RBC) Trends
Market capitalization measured by Total Adjusted Capital (TAC) increased due to overall increases in the size of the market, and a slight increase in RBC ratios. Overall, Public Companies maintained similar RBC ratios in 2018, while Non-Public Blues saw substantial increases in both TAC and RBC ratios which followed the trend from 2017 following two difficult years in 2015 and 2016 due largely to ACA market losses.

Public Companies Financial Performance
Public Companies continue to perform well. We reviewed the profitability for the insured blocks of business and noted that margins remained strong, as loss ratios remained in check, and operating expense ratios continued at fairly low levels.

MARSH & McLENNAN COMPANIES

HEALTH INSURERS
FINANCIALS BY MARKET

We summarize the enrollment and profitability trends of carriers in the individual, group, Medicare, and Medicaid markets. Pre-tax margins, overall, have rebounded since the profitability challenges seen in 2014–2016, especially for Non-Public Blues and Other Carriers, due largely to ACA implementation.

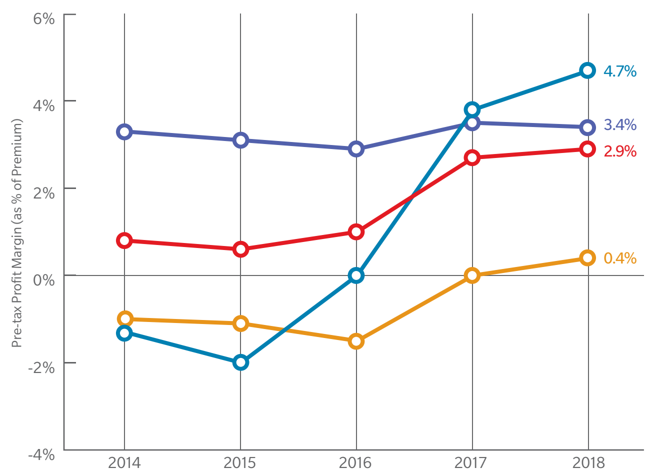
ALL MARKETS (COMMERCIAL, MEDICARE, & MEDICAID)

PROFIT MARGIN

Overall, health insurer profit margins remained strong in 2018 at 2.9% on a pre-tax basis; this is generally in line with historical averages. 2017–2018 recoveries from the losses in 2014–2016 following ACA implementation had a significant impact on overall market profitability, and drove Non-Public Blues and Other Carriers improved profitability trends.

Public Companies | Non-Public Blues | Other Health Carriers | All Health Carriers

ALL MARKETS PRE-TAX PROFIT MARGINS
PUBLIC VS. BLUE VS. OTHER



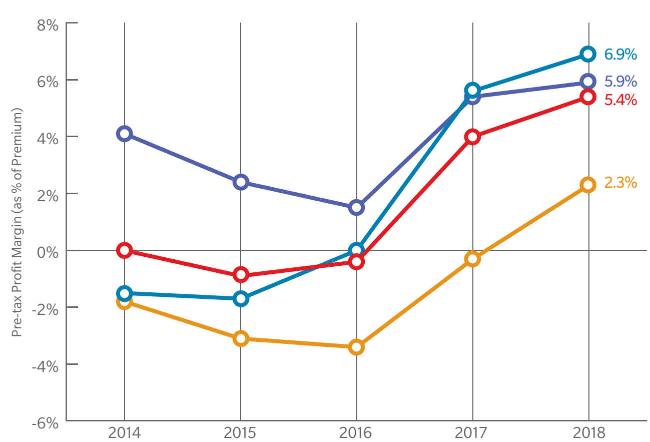
COMMERCIAL INDIVIDUAL AND GROUP MARKETS

PROFIT MARGIN

Companies reported higher profit margins (before federal income taxes and investment income) in 2018 in the commercial market. Pre-tax profit margins were 5.4% in 2018, up from 4.0% in 2017, and -0.4% in 2016. Non-Public Blues and Publics had similar profit margins in 2018 at 6.9% and 5.9%, respectively. Profit margins increased largely due to improved loss ratios in the individual market.

Public Companies | Non-Public Blues | Other Health Carriers | All Health Carriers

COMMERCIAL MARKET PRE-TAX PROFIT MARGIN
PUBLIC VS. BLUE VS. OTHER



*NAIC Health Blanks Only, Excludes NAIC Life/Accident/Health, NAIC P&C, and CA DMHC Filers, Data as of Sept 2019.

1

YEAR END 2018 STATUTORY* RESULTS BY MARKET

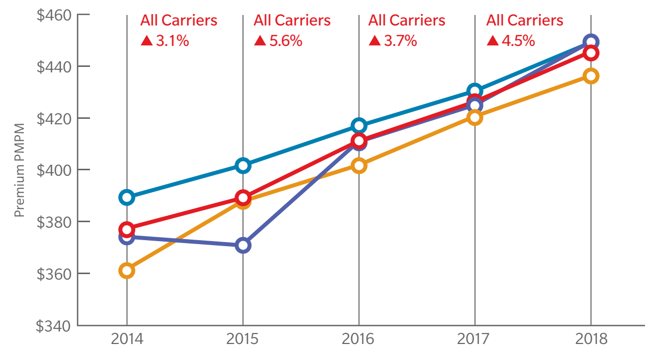
GROUP MARKET

PREMIUMS PMPM

Premiums increased in 2018, reaching $445 per member per month (PMPM), an increase of 4.5% from 2017. The average premium does not differ significantly between the Non-Public Blue, Public, and Other companies.

COMMERCIAL GROUP PREMIUMS PMPM

PUBLIC VS. BLUE VS. OTHER

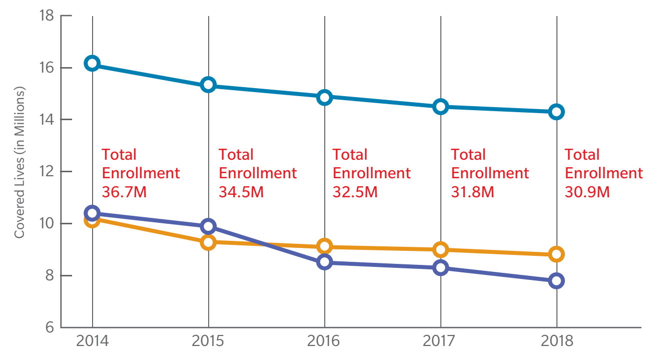


ENROLLMENT

Enrollment in the comprehensive fully insured group market continued to decline in 2018 for health insurers. The downward trend is consistent with the meaningful increase in self-funding by employer groups.

COMMERCIAL GROUP ENROLLMENT

PUBLIC VS. BLUE VS. OTHER



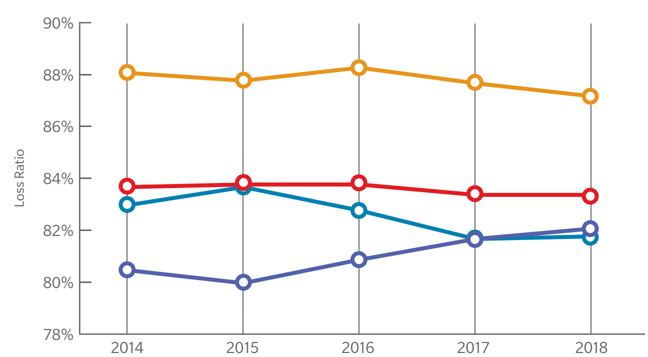
Note: Some of the group market enrollment is not included, most notably those insured by Life/Accident/Health statutory filers, which needs to be considered when reviewing this chart and others in this report.

LOSS RATIO

Reported loss ratios remain stable in the group market at 83.4% in 2018. Publics and Non-Public Blues reported lower loss ratios at 82.1% and 81.8%, respectively, than Other Health Carriers (87.2%).

COMMERCIAL GROUP LOSS RATIO

PUBLIC VS. BLUE VS. OTHER



	2014		2015		2016		2017		2018
Public Companies	80.5%	▼0.5%	80.0%	▲0.9%	80.9%	▲0.8%	81.7%	▲0.4%	82.1%
Non-Public Blues	83.0%	▲0.7%	83.7%	▼0.9%	82.8%	▼1.1%	81.7%	▲0.1%	81.8%
Other Health Carriers	88.1%	▼0.3%	87.8%	▲0.5%	88.3%	▼0.6%	87.7%	▼0.5%	87.2%
All Health Carriers	83.7%	▲0.1%	83.8%	0.0%	83.8%	▼0.4%	83.4%	0.0%	83.4%

*NAIC Health Blanks Only, Excludes NAIC Life/Accident/Health, NAIC P&C, and CA DMHC Filers, Data as of Sept 2019.

1

YEAR END 2018 STATUTORY* RESULTS BY MARKET

INDIVIDUAL MARKET

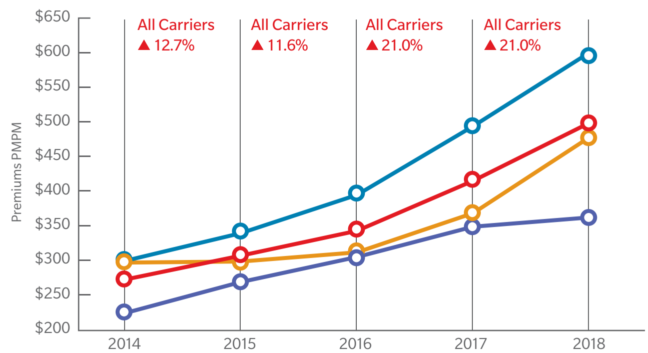
PREMIUMS PMPM

Premiums increased in 2018, reaching $500 per member per month (PMPM), an increase of 20% from 2017. Non-Public Blues had the highest premiums of the three carrier types at $601 PMPM. The large increases in last two years were necessary to reduce losses, and to cover defunded CSR payments.

Public Companies | Non-Public Blues | Other Health Carriers | All Health Carriers

COMPREHENSIVE INDIVIDUAL PREMIUMS PMPM

PUBLIC VS. BLUE VS. OTHER



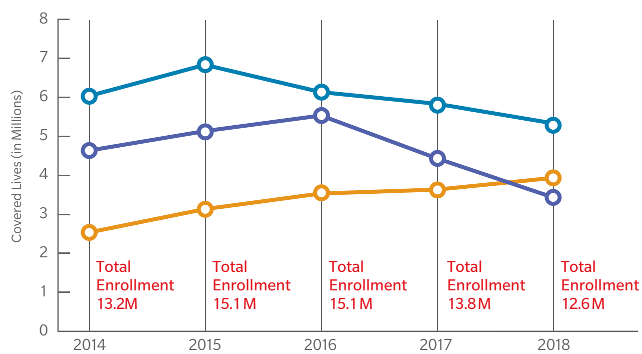
ENROLLMENT

Enrollees without ACA premium subsidies had to absorb the premium increases which lead to lower enrollment in the individual market with continued decline in enrollment among Non-Public Blues and Public companies. Publics also decreased participation in these markets following early losses.

Public Companies | Non-Public Blues | Other Health Carriers

COMPREHENSIVE INDIVIDUAL ENROLLMENT

PUBLIC VS. BLUE VS. OTHER



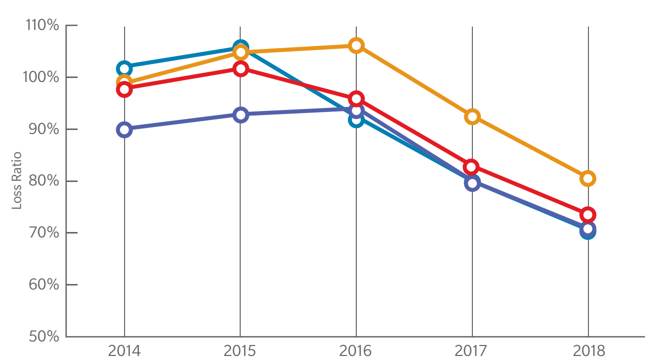
LOSS RATIO

Loss ratios continued to improve from 82.7% in 2017 to 73.4% in 2018 on a market wide basis. The Non-Public Blues and Public companies were reporting an average loss ratio around 70%. Overall, we expect 2019 loss ratios to increase based on market pricing.

Public Companies | Non-Public Blues | Other Health Carriers | All Health Carriers

COMPREHENSIVE INDIVIDUAL LOSS RATIO

PUBLIC VS. BLUE VS. OTHER



	2014		2015		2016		2017		2018
Public Companies	90.0%	▲2.8%	92.8%	▲1.1%	93.9%	▼14.1%	79.8%	▼9.1%	70.7%
Non-Public Blues	102.0%	▲3.6%	105.6%	▼13.4%	92.2%	▼12.4%	79.8%	▼9.4%	70.4%
Other Health Carriers	98.8%	▲5.9%	104.7%	▲1.3%	106.0%	▼13.7%	92.3%	▼11.9%	80.4%
All Health Carriers	97.8%	▲3.8%	101.6%	▼5.9%	95.7%	▼13.0%	82.7%	▼9.3%	73.4%

*NAIC Health Blanks Only, Excludes NAIC Life/Accident/Health, NAIC P&C, and CA DMHC Filers, Data as of Sept 2019.

1

YEAR END 2018 STATUTORY* RESULTS BY MARKET

MEDICARE ADVANTAGE

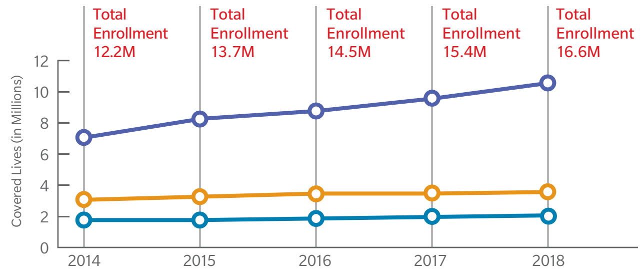
ENROLLMENT

Enrollment growth in the Medicare Advantage market continued with the overall trend of gradual increases driven by population demographics and the continued popularity of MA plans. Most of the growth has gone to the Publics.

Public Companies
Non-Public Blues
Other Health Carriers

MEDICARE ENROLLMENT

PUBLIC VS. BLUE VS. OTHER



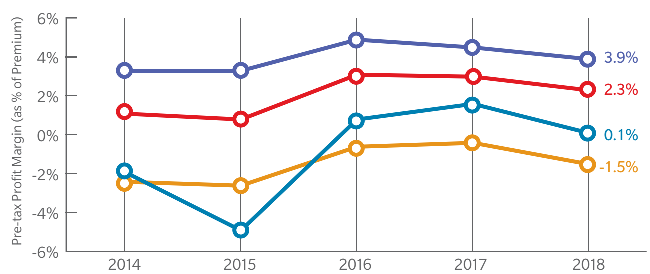
PROFIT MARGIN

Pre-tax profit margins in the Medicare Advantage market decreased slightly from 3.0% in 2017 to 2.3% in 2018. Public Companies had higher reported margins at 3.9% compared to Non-Public Blues at 0.1% in 2018 and -1.5% at Other Health Carriers.

Public Companies
Non-Public Blues
Other Health Carriers
All Health Carriers

MEDICARE PRE-TAX PROFIT MARGIN

PUBLIC VS. BLUE VS. OTHER



MEDICAID MANAGED CARE

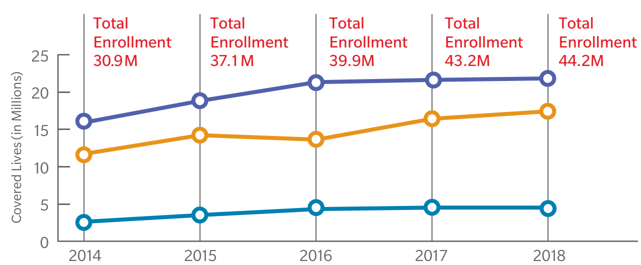
ENROLLMENT

Enrollment in insured managed Medicaid Programs was consistent with the overall growth in the Medicaid population, including the impact of ACA expansion, as well as the trend away from FFS towards managed programs through insurers.

Public Companies
Non-Public Blues
Other Health Carriers

MEDICAID ENROLLMENT

PUBLIC VS. BLUE VS. OTHER



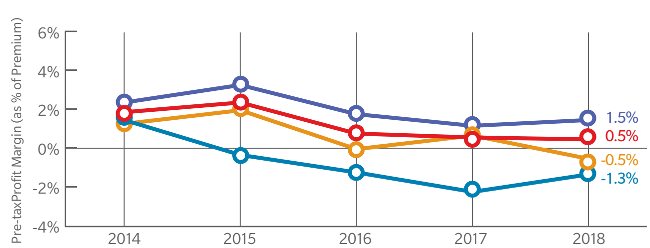
PROFIT MARGIN

Pre-tax profit margins in this market remained low at 0.5% in 2018. Publics had higher reported profit margins at 1.5% compared to Non-Public Blues loss at -1.3% and Other Health Carriers at -0.5%.

Public Companies
Non-Public Blues
Other Health Carriers
All Health Carriers

MEDICAID PRE-TAX PROFIT MARGIN

PUBLIC VS. BLUE VS. OTHER



*NAIC Health Blanks Only, Excludes NAIC Life/Accident/Health, NAIC P&C, and CA DMHC Filers, Data as of Sept 2019.

2

2014 TO 2018 STATUTORY* RISK BASED CAPITAL

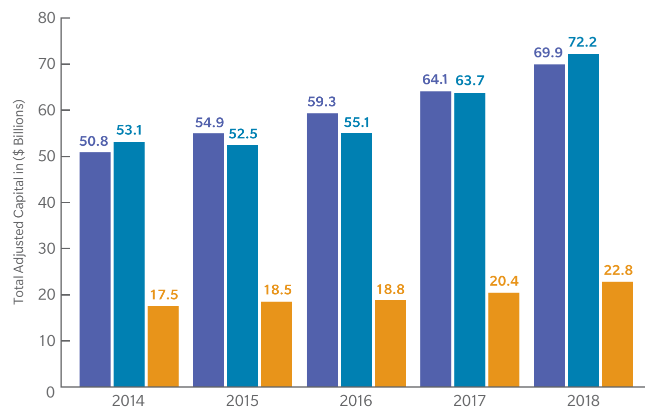
MARKET CAPITALIZATION: STATUTORY CAPITAL/RBC TRENDS

Market capitalization measured by Total Adjusted Capital (TAC) increased due to overall increases in the size of the market (measured by premium), and a slight increase in Risk Based Capital (RBC) ratios. Overall, Public Companies maintained similar RBC ratios in 2018, while Non-Public Blues saw substantial increases in both TAC and RBC ratios.

CAPITAL HELD

- Total Adjusted Capital held by health companies grew every year since 2014, from $121.5 billion to $164.9 billion.
- Every segment grew capital each year since 2014, except for the Non-Public Blues in 2015.
- In 2018, the Non-Public Blues collectively held more capital than the Publics, a change relative to 2015–2017.

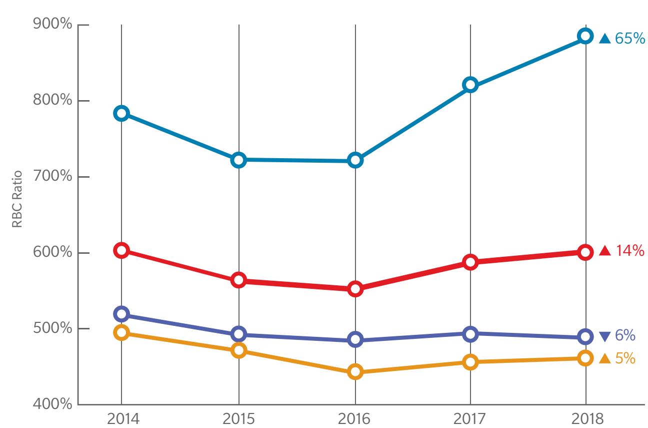
TOTAL ADJUSTED CAPITAL BY CARRIER TYPE
2014 TO 2018



RBC RATIOS

- RBC ratios for all three carrier groupings declined from 2014 to 2016, before rebounding in 2017 and 2018.
- Non-Public Blue carriers have consistently had the highest RBC ratios.
- Public Companies and Other Health Carriers experienced less fluctuation in RBC ratios.

RBC RATIOS BY CARRIER TYPE
2014 TO 2018



	2018 Premium (in Billions) Comprehensive Medical	2018 Adjusted Capital (In Billions)	Average Insured Lives (in Millions) Comprehensive Medical	2014	2015	2016	2017	2018
Public Companies	$377.1	$69.9	56.3	519%	493%	485%	495%	489%
Non-Public Blues	$196.0	$72.2	31.5	785%	724%	722%	819%	884%
Other Health Carriers	$142.3	$23.0	22.4	495%	472%	443%	457%	462%
All Carriers	$715.5	$165.2	110.3	604%	564%	553%	588%	602%

*NAIC Health and Life Blanks Only, Excludes NAIC P&C and CA DMHC Filers, Companies with Less than $500 Million in Accident and Health Direct Premiums from the 2018 Accident and Health Policy Experience Exhibit, and Companies who Derive Less than 60% of Total AHPEE Premium from Non-Comprehensive Medical Products.

2

2014 TO 2018 STATUTORY* RISK BASED CAPITAL

RBC RATIOS OF PUBLIC COMPANIES

- Public Companies' RBC ratios were relatively flat over the 2014 to 2018 period.
- This is likely driven by the practice of managing capital to corporate targets and the desire to either deploy excess capital or return it to shareholders vs. tie it up in statutory entities.

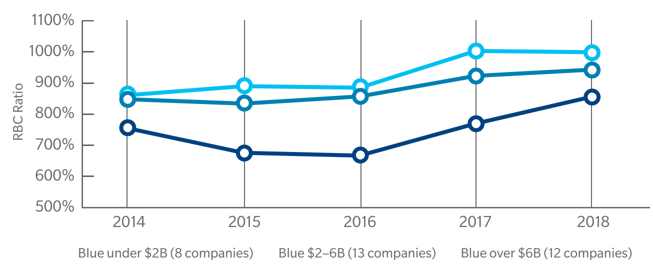
Public Companies	2018 Premium (in Billions) Comprehensive Medical	2018 Adjusted Capital (In Billions)	Average Insured Lives (in Millions) Comprehensive Medical	2014	2015	2016	2017	2018
UnitedHealthcare	$135.9	$23.0	18.4	540%	515%	474%	478%	476%
Anthem	$ 61.3	$11.7	9.5	544%	504%	496%	510%	506%
Humana	$ 50.5	$7.7	5.8	448%	427%	497%	543%	483%
CVS Health (Aetna)	$42.9	$9.1	6.1	586%	596%	577%	617%	567%
Centene	$30.3	$4.3	6.0	403%	384%	373%	374%	417%
Cigna	$18.3	$9.2	3.2	592%	542%	544%	559%	554%
Other Public Companies	$38.0	$5.0	7.3	352%	344%	350%	333%	390%
Total Public Companies	**$377.1**	**$69.9**	**56.3**	**519%**	**493%**	**485%**	**495%**	**489%**

RBC RATIOS OF NON-PUBLIC BLUES

- RBC ratios for Non-Public Blues have increased in 2017 and 2018. Slight decreases seen, overall, in 2014–2016.
- RBC ratios for Non-Public Blue licensees tend to have in inverse relationship with revenue; the lower the revenue, the higher the RBC ratio.

NON-PUBLIC BLUES RBC RATIOS BY ANNUAL PREMIUM

2014 TO 2018



Non-Public Blues	2018 Premium (in Billions) Comprehensive Medical	2018 Adjusted Capital (In Billions)	Average Insured Lives (in Millions) Comprehensive Medical	2014	2015	2016	2017	2018
Blue over $6B (12 companies)	$145.2	$50.0	22.5	755%	676%	667%	770%	856%
Blue $2–6B (13 companies)	$41.2	$18.4	7.2	848%	834%	857%	923%	943%
Blue under $2B (8 companies)	$9.6	$3.8	1.8	861%	890%	885%	1,003%	999%
Total Non-Public Blues	**$196.0**	**$72.2**	**31.5**	**785%**	**724%**	**722%**	**819%**	**884%**

RBC RATIOS OF OTHER HEALTH CARRIERS

- Other Health Carriers often are affiliated with health systems and prefer not to tie up capital in insurance companies. Overall capital levels have been fairly stable, similar to Publics.

Other Health Carriers	2018 Premium (in Billions) Comprehensive Medical	2018 Adjusted Capital (In Billions)	Average Insured Lives (in Millions) Comprehensive Medical	2014	2015	2016	2017	2018
Kaiser Foundation Health Plan, Inc.	$19.1	$2.5	3.1	467%	610%	590%	442%	555%
CareSource Management Group Co.	$9.5	$0.9	1.6	425%	412%	328%	335%	280%
University of Pittsburgh Medical Center	$7.4	$1.1	1.1	403%	357%	436%	464%	368%
Other over $500M Premium	$104.1	$18.1	16.2	512%	471%	436%	471%	476%
Total Other Health Carriers	**$140.1**	**$22.8**	**22.1**	**497%**	**473%**	**444%**	**459%**	**463%**

*NAIC Health and Life Blanks Only, Excludes NAIC P&C and CA DMHC Filers, Companies with Less than $500 Million in Accident and Health Direct Premiums from the 2018 Accident and Health Policy Experience Exhibit, and Companies who Derive Less than 60% of Total AHPEE Premium from Non-Comprehensive Medical Products.

2

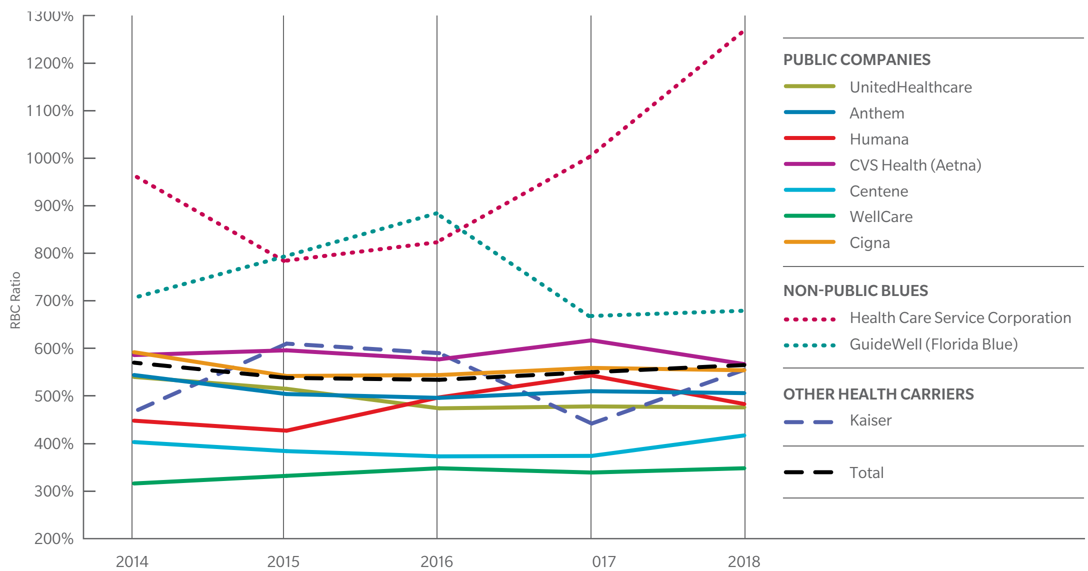
2014 TO 2018 STATUTORY* RISK BASED CAPITAL

RBC RATIOS THE TOP TEN COMPANIES BY 2018 PREMIUMS

- The top ten companies by 2018 premiums represent 60% of 2018 major medical premiums, 58% of 2018 lives, and 55% of 2018 adjusted capital of major medical carriers included in this report.
- The two Non-Public Blues in the top ten, GuideWell and Health Care Service Corporation (HCSC), have consistently had the highest RBC ratios of the top ten.
- The only company in the Other category in the top ten, Kaiser, had the most volatility in their RBC ratio besides HCSC.
- The seven Publics all had little variability in their RBC ratios.

RBC RATIOS OF THE TOP TEN CARRIERS

2014 TO 2018



Top Ten Carriers	Carrier Type	2018 Premium (in Billions) Comprehensive Medical	2018 Adjusted Capital (In Billions)	Average Insured Lives (in Millions) Comprehensive Medical	2014	2015	2016	2017	2018
UnitedHealthcare	Public	$135.9	$23.0	18.4	540%	515%	474%	478%	476%
Anthem	Public	$61.3	$11.7	9.5	544%	504%	496%	510%	506%
Humana	Public	$50.5	$7.7	5.8	448%	427%	497%	543%	483%
CVS Health (Aetna)	Public	$42.9	$9.1	6.1	586%	596%	577%	617%	567%
Health Care Service Corporation	Blue	$34.4	$17.4	5.4	967%	784%	823%	1,002%	1,264%
Centene	Public	$30.3	$4.3	6.0	403%	384%	373%	374%	417%
WellCare	Public	$19.4	$2.3	3.9	316%	332%	348%	339%	348%
Kaiser	Other	$19.1	$2.5	3.1	467%	610%	590%	442%	555%
Cigna	Public	$18.3	$9.2	3.2	592%	542%	544%	559%	554%
GuideWell (Florida Blue)	Blue	$17.3	$3.5	2.6	705%	793%	884%	668%	679%
Total Top Ten Carriers		**$429.3**	**$90.6**	**64.0**	**570%**	**538%**	**534%**	**550%**	**565%**

*NAIC Health and Life Blanks Only, Excludes NAIC P&C and CA DMHC Filers, Companies with Less than $500 Million in Accident and Health Direct Premiums from the 2018 Accident and Health Policy Experience Exhibit, and Companies who Derive Less than 60% of Total AHPEE Premium from Non-Comprehensive Medical Products.

3

PUBLIC COMPANIES PROFITABILITY RESULTS

PUBLIC COMPANIES **FINANCIAL PERFORMANCE**

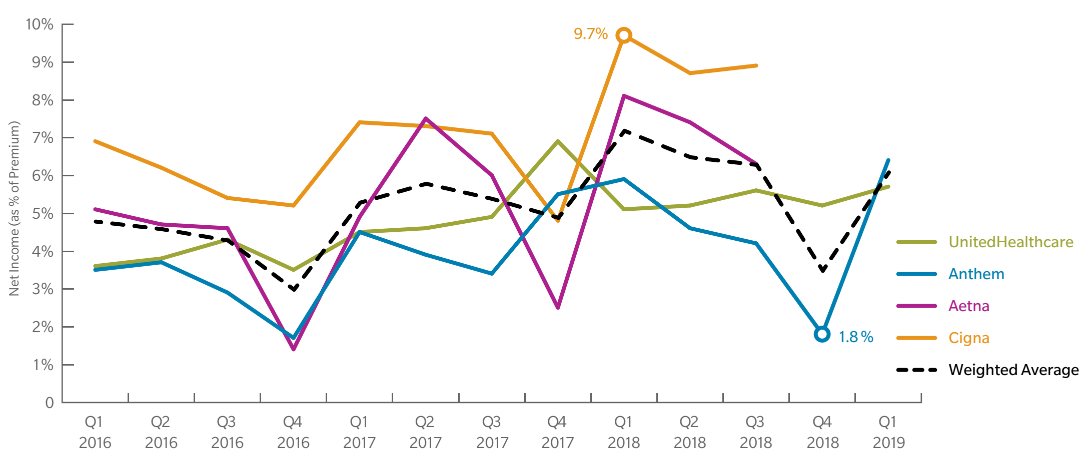
Public Companies continue to perform well. We reviewed the profitability for the insured blocks of business and noted that margins remained strong, as loss ratios and operating expenses generally improved or remained in check for the 13 quarters from Q1 2016 to Q1 2019.

Note: This analysis attempts to show comparable results amongst companies for insured business, only, by assuming self-funded business is break even and removing their associated administrative fees from revenues and expenses.

NET INCOME TRENDS — INSURED BUSINESS[1]

- All companies in this study have a positive trend in their reported net income percentage of revenue during this timeframe.
- Part of the reason for the improved margins is the reduction in the corporate income tax rate.
- Most Q4 data shows a decrease in health care profit margins, due to higher claims towards the end of the year, higher expenses (possibly due to marketing for open enrollment periods), or both higher claims and expenses.

HEALTH CARE NET INCOME — INSURED BUSINESS (ESTIMATED)
2016 TO 2018



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
UnitedHealthcare	3.6%	3.8%	4.3%	3.5%	4.5%	4.6%	4.9%	6.9%	5.1%	5.2%	5.6%	5.2%	5.7%
Anthem	3.5%	3.7%	2.9%	1.7%	4.5%	3.9%	3.4%	5.5%	5.9%	4.6%	4.2%	1.8%	6.4%
Aetna[2]	5.1%	4.7%	4.6%	1.4%	4.9%	7.5%	6.0%	2.5%	8.1%	7.4%	6.3%	—	—
Cigna[2]	6.9%	6.2%	5.4%	5.2%	7.4%	7.3%	7.1%	4.8%	9.7%	8.7%	8.9%	—	—
Weighted Average	4.8%	4.6%	4.3%	3.0%	5.3%	5.8%	5.4%	4.9%	7.2%	6.5%	6.3%	3.5%	6.1%

1. Based on 10Q and 10K segment reporting, and revenue and expense allocation assumptions between insured and self-insured business.
2. Data displayed above for Cigna and Aetna is through Q3 of 2018. This is to verify that data points across all time periods are comparable. Since Aetna was bought by CVS in November 2018, and Cigna bought Express Scripts in December 2018, only data points before these times are similar.

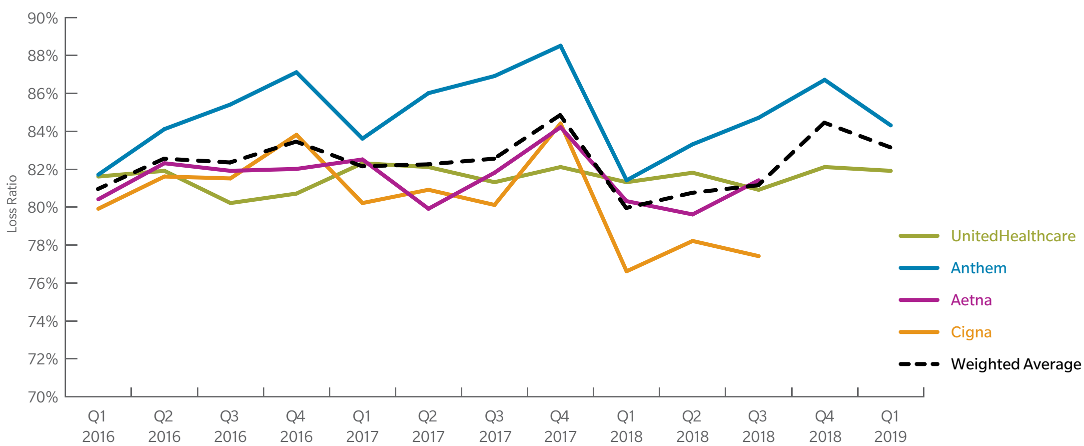
3

PUBLIC COMPANIES PROFITABILITY RESULTS

MEDICAL LOSS RATIO

- Reported medical loss ratios have stayed relatively level since 2016, with the exception of some seasonality being seen with higher fourth quarter loss ratios particularly with Anthem and Cigna.
- Anthem has the highest average loss ratio of 85.0% during this timeframe. This is 3.8% above the average for the three other companies in this study.
- Cigna has the lowest average loss ratio of 80.5%, mainly due to the low loss ratios recognized in 2018.

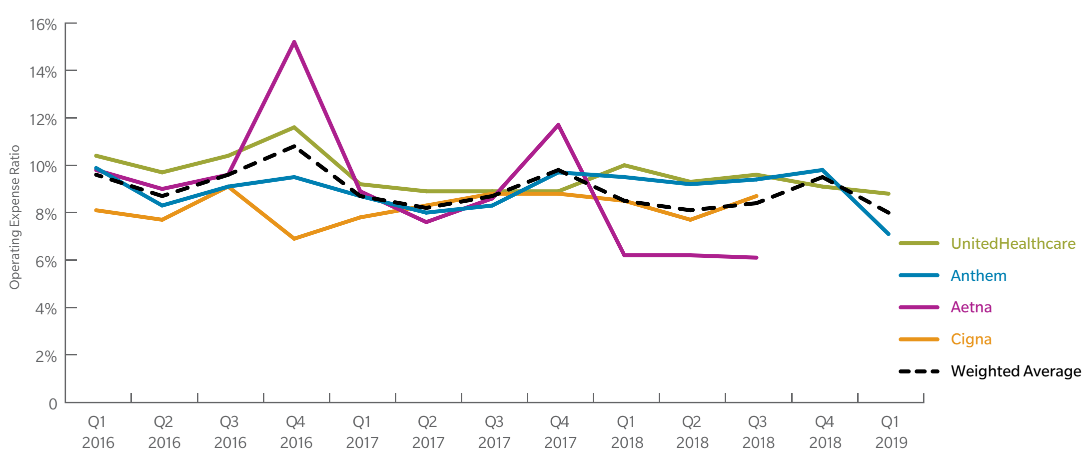
MEDICAL LOSS RATIO
2016 TO 2018



OPERATING EXPENSE RATIO

- Operating expense ratios have remained relatively level, with the exception of Aetna, whose operating expense ratio sees large increases towards the end of the year, but has trended downward over time.
- The operating expense ratio trended downward about 0.4% each year during this timeframe.

OPERATING EXPENSE RATIO
2016 TO 2018



4

M&A CORNER

CIGNA/EXPRESS SCRIPTS MERGER

Cigna Corp. and Express Scripts merged on December, 20, 2018. The $67 billion deal was the second massive insurance merger of 2018. Healthcare companies continue to consolidate in efforts to improve profitability, offer more end-to-end solutions, and maintain the competitiveness of their product offerings with stiff competition from traditional insurers and new market entrants.

2019 UPDATE

CIGNA 8/1/2019 Earnings Release: Cigna Delivers Strong Second Quarter 2019 Results, Raises Revenue and Earnings Outlook

"'As Cigna accelerates our focus on whole person health, our strong second quarter results reflect the value we deliver to customers and clients, and our consistent execution in a dynamic environment,' said David M. Cordani, President and Chief Executive Officer. 'We continue to invest in innovative, customer-centric solutions to improve affordability and personalization for those we serve.'

"Total revenues for second quarter 2019 were $38.8 billion. Adjusted revenues were $34.4 billion and reflect strong contributions from each of Cigna's ongoing businesses.

"Shareholders' net income for second quarter 2019 was $1.41 billion, or $3.70 per share, compared with $0.81 billion, or $3.29 per share, for second quarter 2018. Cigna's adjusted income from operations for second quarter 2019 was $1.64 billion, or $4.30 per share, compared with $0.96 billion, or $3.89 per share, for second quarter 2018. This reflects strong earnings contributions led by the Health Services and Integrated Medical segments."[1]

CIGNA CORP (CI)

$153.80

CLOSE: SEPTEMBER 6, 2019

The stock has dropped -19% so far this year, as the S&P 500 has increased 19%.

Mkt cap	$58.1B
P/E ratio	14.05
Div yield	0.03%
52-wk high	226.61
52-wk low	141.95

Cigna's pharmacy services business revenue increased by $22 billion in the second quarter of 2019 relative to the second quarter of 2018 — due to the addition of Express Scripts. This deal was also the driver of the $0.6 billion increase in net income from the second quarter of 2018 to the second quarter of 2019.

1. Press Release: cigna-corp-second-quarter-2019-release, https://www.cigna.com/assets/docs/about-cigna/Investor%20Relations/cigna-corp-second-quarter-2019-release.pdf?WT.z_nav=about-us%2Finvestors%2Fquarterly-reports-and-sec-filings%3Blink-List%3BSecond%20Quarter%202019%20Earnings%20%2F%20August%201%2C%202019%3BSecond%20Quarter%202019%20Earnings%20News%20Release

4

M&A CORNER

CVS HEALTH CORP/AETNA MERGER

The CVS/Aetna merger created a lot of buzz as it blurred lines around traditional insurance, pharmacy management, and retail operations. The integration of diverse businesses has been closely watched by many. The combined company offers the potential to integrate pharmacy and health services and make the customer experience more convenient and efficient. Objections were also raised related to the potential for increased consumer costs while the merger was being vetted by various stakeholders and legal and regulatory parties. There is no doubt that the execution of the new CVS will have a significant impact on the funding and delivery of healthcare over the foreseeable future.

2019 UPDATE

CVS 8/7/2019 Earnings Release Highlights

"Total revenues and adjusted revenues increased 35.2% and 35.8%, respectively, for the three months ended June 30, 2019 compared to the prior year. Revenue growth was primarily driven by the acquisition of Aetna Inc. ("Aetna"), which the Company acquired on November 28, 2018 (the "Aetna Acquisition"), as well as increased volume and brand name drug price inflation in both the Pharmacy Services and Retail/LTC segments. The revenue increase was partially offset by continued reimbursement pressure in the Retail/LTC segment, price compression in the Pharmacy Services segment, and an increased generic dispensing rate.

"Operating expenses and adjusted operating expenses increased 65.2% and 59.1%, respectively, for the three months ended June 30, 2019 compared to the prior year. The increase in operating expenses is due to the impact of the Aetna Acquisition, an increase in intangible amortization related to the Aetna Acquisition, and an increase in acquisition-related integration costs. The increase in adjusted operating expenses was primarily driven by the impact of the Aetna Acquisition.

"Operating income and adjusted operating income increased 342.7% and 55.1%, respectively, for the three months ended June 30, 2019 compared to the prior year. The increase in both operating income and adjusted operating income was primarily due to the Aetna Acquisition as well as increased claims volume and improved purchasing economics in the Pharmacy Services segment."[1]

CVS HEALTH CORP

$62.23

CLOSE: SEPTEMBER 6, 2019

The stock has dropped -5% so far this year, as the S&P 500 has increased 19%.

Mkt cap	80.9B
P/E ratio	17.43
Div yield	3.21%
52-wk high	82.15
52-wk low	51.72

*"We continue to advocate for policies that lower out-of-pocket costs for consumers and demonstrate the innovation and cost-saving solutions the private sector can deliver as the broader questions of care access and quality are debated nationally."
— CVS CEO Larry Merlo*

1. Press Release: CVS Health Reports Second Quarter Results, https://investors.cvshealth.com/investors/newsroom/press-release-details/2019/CVS-Health-Reports-Second-Quarter-Results/default.aspx

ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across nearly 30 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 5,000 professionals around the world who work with clients to optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC].

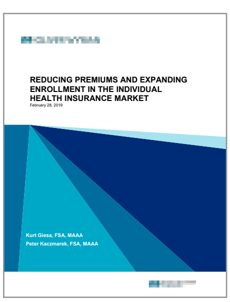
The Actuarial Practice of Oliver Wyman has health, life, and property & casualty actuaries that advise financial institutions, insurance companies, regulators, and self-insured entities across a broad spectrum of risk management issues. With over 300 professionals in 20 offices across North America, the Caribbean and Europe, the firm's consulting actuaries provide independent, objective advice, combining a wide range of expertise with specialized knowledge of specific risks.

For more information, visit www.oliverwyman.com.
Follow Oliver Wyman on Twitter @OliverWyman.

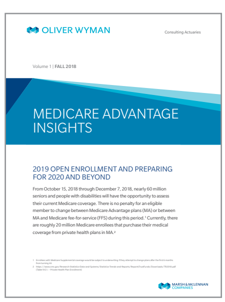
How can we support you?

We understand that actuarial advice is valuable only if the message is timely, clear and client focused. We look forward to exploring how our actuaries — specialized experts with deep industry knowledge — can help you succeed.
Contact: Marc Lambright at marc.lambright@oliverwyman.com

YOU MAY ALSO BE INTERESTED IN:



Reducing Premiums And Expanding Enrollment In The Individual Health Insurance Market In 2021



Medicare Advantage Insights, Volume 1

Carrier Trend Report, July 2019

If you would like a copy of our current Carrier Trend Survey, please email us at actuaries@oliverwyman.com.

For more information about this report, please contact:

Marc Lambright, FSA, MAAA
Senior Principal
marc.lambright@oliverwyman.com

Peter Kaczmarek, FSA, MAAA
Senior Consultant
peter.kaczmarek@oliverwyman.com

Zach Smith, FSA, MAAA, CERA
Senior Consultant
zachary.smith@oliverwyman.com

www.oliverwyman.com

OLIVER WYMAN