

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

FORM 10-Q

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

For the quarterly period ended September 30, 2024
or

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

For the transition period from _____ to _____

Commission File Number: 001-01011



CVS HEALTH CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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

05-0494040
(I.R.S. Employer Identification No.)

02895
(Zip Code)

Registrant's telephone number, including area code: (401) 765-1500
Former name, former address and former fiscal year, if changed since last report: N/A

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of October 30, 2024, the registrant had 1,258,407,645 shares of common stock issued and outstanding.

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Part I. Financial Information

Item 1. Financial Statements

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CVS Health Corporation
Condensed Consolidated Statements of Operations
(Unaudited)

<i>In millions, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues:				
Products	\$ 59,674	\$ 61,298	\$ 169,610	\$ 179,984
Premiums	30,925	24,657	91,983	74,117
Services	4,279	3,532	12,108	8,977
Net investment income	550	277	1,398	885
Total revenues	95,428	89,764	275,099	263,963
Operating costs:				
Cost of products sold	52,948	54,688	151,019	159,679
Health care costs	29,922	21,499	85,578	63,729
Operating expenses	10,557	9,876	31,185	29,329
Restructuring charges	1,169	11	1,169	507
Loss on assets held for sale	—	—	—	349
Total operating costs	94,596	86,074	268,951	253,593
Operating income	832	3,690	6,148	10,370
Interest expense	752	693	2,200	1,968
Other income	(25)	(22)	(74)	(66)
Income before income tax provision	105	3,019	4,022	8,468
Income tax provision	34	754	1,059	2,147
Net income	71	2,265	2,963	6,321
Net (income) loss attributable to noncontrolling interests	16	(4)	7	(23)
Net income attributable to CVS Health	\$ 87	\$ 2,261	\$ 2,970	\$ 6,298
Net income per share attributable to CVS Health:				
Basic	\$ 0.07	\$ 1.76	\$ 2.36	\$ 4.90
Diluted	\$ 0.07	\$ 1.75	\$ 2.35	\$ 4.88
Weighted average shares outstanding:				
Basic	1,259	1,287	1,258	1,284
Diluted	1,259	1,290	1,262	1,289
Dividends declared per share	\$ 0.665	\$ 0.605	\$ 1.995	\$ 1.815

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

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

<i>In millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 71	\$ 2,265	\$ 2,963	\$ 6,321
Other comprehensive income (loss), net of tax:				
Net unrealized investment gains (losses)	679	(321)	544	85
Change in discount rate on long-duration insurance reserves	(147)	181	(26)	167
Foreign currency translation adjustments	—	(2)	—	(1)
Net cash flow hedges	(4)	(4)	(12)	9
Other comprehensive income (loss)	528	(146)	506	260
Comprehensive income	599	2,119	3,469	6,581
Comprehensive (income) loss attributable to noncontrolling interests	16	(4)	7	(23)
Comprehensive income attributable to CVS Health	<u>\$ 615</u>	<u>\$ 2,115</u>	<u>\$ 3,476</u>	<u>\$ 6,558</u>

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

CVS Health Corporation
Condensed Consolidated Balance Sheets
(Unaudited)

<i>In millions, except per share amounts</i>	September 30, 2024	December 31, 2023
Assets:		
Cash and cash equivalents	\$ 6,875	\$ 8,196
Investments	2,805	3,259
Accounts receivable, net	36,179	35,227
Inventories	17,649	18,025
Other current assets	3,835	3,151
Total current assets	67,343	67,858
Long-term investments	28,939	23,019
Property and equipment, net	12,728	13,183
Operating lease right-of-use assets	16,231	17,252
Goodwill	91,272	91,272
Intangible assets, net	27,817	29,234
Separate accounts assets	3,334	3,250
Other assets	4,763	4,660
Total assets	\$ 252,427	\$ 249,728
Liabilities:		
Accounts payable	\$ 15,713	\$ 14,897
Pharmacy claims and discounts payable	23,917	22,874
Health care costs payable	15,237	12,049
Policyholders' funds	913	1,326
Accrued expenses	20,174	22,189
Other insurance liabilities	1,051	1,141
Current portion of operating lease liabilities	1,912	1,741
Short-term debt	800	200
Current portion of long-term debt	4,910	2,772
Total current liabilities	84,627	79,189
Long-term operating lease liabilities	15,258	16,034
Long-term debt	59,824	58,638
Deferred income taxes	3,632	4,311
Separate accounts liabilities	3,334	3,250
Other long-term insurance liabilities	5,162	5,459
Other long-term liabilities	5,484	6,211
Total liabilities	177,321	173,092
Shareholders' equity:		
Preferred stock, par value \$0.01: 0.1 shares authorized; none issued or outstanding	—	—
Common stock, par value \$0.01: 3,200 shares authorized; 1,777 shares issued and 1,258 shares outstanding at September 30, 2024 and 1,768 shares issued and 1,288 shares outstanding at December 31, 2023 and capital surplus	49,510	48,992
Treasury stock, at cost: 519 shares at September 30, 2024 and 480 shares at December 31, 2023	(36,813)	(33,838)
Retained earnings	62,038	61,604
Accumulated other comprehensive income (loss)	209	(297)
Total CVS Health shareholders' equity	74,944	76,461
Noncontrolling interests	162	175
Total shareholders' equity	75,106	76,636
Total liabilities and shareholders' equity	\$ 252,427	\$ 249,728

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

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

<i>In millions</i>	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Cash receipts from customers	\$ 264,538	\$ 260,300
Cash paid for inventory, prescriptions dispensed and health services rendered	(145,469)	(153,051)
Insurance benefits paid	(80,357)	(61,658)
Cash paid to other suppliers and employees	(28,933)	(26,038)
Interest and investment income received	1,288	1,174
Interest paid	(2,391)	(2,049)
Income taxes paid	(1,429)	(2,616)
Net cash provided by operating activities	7,247	16,062
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	7,634	5,547
Purchases of investments	(12,677)	(6,625)
Purchases of property and equipment	(2,013)	(2,120)
Acquisitions (net of cash and restricted cash acquired)	(85)	(16,492)
Other	75	43
Net cash used in investing activities	(7,066)	(19,647)
Cash flows from financing activities:		
Commercial paper borrowings (repayments), net	600	—
Proceeds from issuance of short-term loan	—	5,000
Repayment of short-term loan	—	(5,000)
Proceeds from issuance of long-term debt	4,959	10,898
Repayments of long-term debt	(1,706)	(2,734)
Repurchase of common stock	(3,023)	(2,013)
Dividends paid	(2,535)	(2,353)
Proceeds from exercise of stock options	342	242
Payments for taxes related to net share settlement of equity awards	(181)	(175)
Other	(22)	(210)
Net cash provided by (used in) financing activities	(1,566)	3,655
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,385)	70
Cash, cash equivalents and restricted cash at the beginning of the period	8,525	13,305
Cash, cash equivalents and restricted cash at the end of the period	\$ 7,140	\$ 13,375

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

<i>In millions</i>	Nine Months Ended September 30,	
	2024	2023
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 2,963	\$ 6,321
Adjustments required to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,450	3,232
Stock-based compensation	403	461
Restructuring charges (impairment of long-lived assets)	840	152
Deferred income taxes and other items	(912)	(163)
Change in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, net	(986)	(3,920)
Inventories	355	1,305
Other assets	(850)	(518)
Accounts payable and pharmacy claims and discounts payable	2,169	2,466
Health care costs payable and other insurance liabilities	2,878	4,679
Other liabilities	(3,063)	2,047
Net cash provided by operating activities	<u>\$ 7,247</u>	<u>\$ 16,062</u>

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

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

<i>In millions</i>	Number of shares outstanding		Attributable to CVS Health					Noncontrolling Interests	Total Shareholders' Equity
	Common Shares	Treasury Shares ⁽¹⁾	Common Stock and Capital Surplus ⁽²⁾	Treasury Stock ⁽¹⁾	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total CVS Health Shareholders' Equity		
Balance at December 31, 2023	1,768	(480)	\$ 48,992	\$ (33,838)	\$ 61,604	\$ (297)	\$ 76,461	\$ 175	\$ 76,636
Net income	—	—	—	—	1,113	—	1,113	11	1,124
Other comprehensive loss	—	—	—	—	—	(44)	(44)	—	(44)
Stock option activity, stock awards and other	3	—	244	—	—	—	244	—	244
Purchase of treasury shares, net of ESPP issuances	—	(39)	(27)	(2,935)	—	—	(2,962)	—	(2,962)
Common stock dividends	—	—	—	—	(844)	—	(844)	—	(844)
Other decreases in noncontrolling interests	—	—	—	—	—	—	—	(4)	(4)
Balance at March 31, 2024	1,771	(519)	49,209	(36,773)	61,873	(341)	73,968	182	74,150
Net income	—	—	—	—	1,770	—	1,770	(2)	1,768
Other comprehensive income	—	—	—	—	—	22	22	—	22
Stock option activity, stock awards and other	6	—	159	—	—	—	159	—	159
Purchase of treasury shares, net of ESPP issuances	—	(2)	3	(146)	—	—	(143)	—	(143)
Common stock dividends	—	—	—	—	(846)	—	(846)	—	(846)
Other increases in noncontrolling interests	—	—	—	—	—	—	—	1	1
Balance at June 30, 2024	1,777	(521)	49,371	(36,919)	62,797	(319)	74,930	181	75,111
Net income	—	—	—	—	87	—	87	(16)	71
Other comprehensive income (Note 10)	—	—	—	—	—	528	528	—	528
Stock option activity, stock awards and other	—	—	138	—	—	—	138	—	138
ESPP issuances, net of purchase of treasury shares	—	2	1	106	—	—	107	—	107
Common stock dividends	—	—	—	—	(846)	—	(846)	—	(846)
Other decreases in noncontrolling interests	—	—	—	—	—	—	—	(3)	(3)
Balance at September 30, 2024	1,777	(519)	\$ 49,510	\$ (36,813)	\$ 62,038	\$ 209	\$ 74,944	\$ 162	\$ 75,106

(1) Treasury shares include 1 million shares held in trust and treasury stock includes \$29 million related to shares held in trust as of September 30, 2024, June 30, 2024, March 31, 2024 and December 31, 2023.

(2) Common stock and capital surplus includes the par value of common stock of \$18 million as of September 30, 2024, June 30, 2024, March 31, 2024 and December 31, 2023.

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

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

	Number of shares outstanding		Attributable to CVS Health					Noncontrolling Interests	Total Shareholders' Equity
	Common Shares	Treasury Shares ⁽¹⁾	Common Stock and Capital Surplus ⁽²⁾	Treasury Stock ⁽¹⁾	Retained Earnings	Accumulated Other Comprehensive Loss	Total CVS Health Shareholders' Equity		
<i>In millions</i>									
Balance at December 31, 2022	1,758	(458)	\$ 48,193	\$ (31,858)	\$ 56,398	\$ (1,264)	\$ 71,469	\$ 300	\$ 71,769
Net income	—	—	—	—	2,136	—	2,136	6	2,142
Other comprehensive income	—	—	—	—	—	389	389	—	389
Stock option activity, stock awards and other	1	—	122	—	—	—	122	—	122
Purchase of treasury shares, net of ESPP issuances	—	(22)	(18)	(1,944)	—	—	(1,962)	—	(1,962)
Common stock dividends	—	—	—	—	(781)	—	(781)	—	(781)
Other increases (decreases) in noncontrolling interests	—	—	9	—	—	—	9	(108)	(99)
Balance at March 31, 2023	1,759	(480)	48,306	(33,802)	57,753	(875)	71,382	198	71,580
Net income	—	—	—	—	1,901	—	1,901	13	1,914
Other comprehensive income	—	—	—	—	—	17	17	—	17
Stock option activity, stock awards and other	5	—	345	—	—	—	345	—	345
Purchase of treasury shares, net of ESPP issuances	—	(2)	2	(131)	—	—	(129)	—	(129)
Common stock dividends	—	—	—	—	(786)	—	(786)	—	(786)
Acquisition of noncontrolling interests	—	—	—	—	—	—	—	66	66
Other decreases in noncontrolling interests	—	—	(4)	—	—	—	(4)	(1)	(5)
Balance at June 30, 2023	1,764	(482)	48,649	(33,933)	58,868	(858)	72,726	276	73,002
Net income	—	—	—	—	2,261	—	2,261	4	2,265
Other comprehensive loss (Note 10)	—	—	—	—	—	(146)	(146)	—	(146)
Stock option activity, stock awards and other	3	—	165	—	—	—	165	—	165
ESPP issuances, net of purchase of treasury shares	—	2	3	102	—	—	105	—	105
Common stock dividends	—	—	—	—	(786)	—	(786)	—	(786)
Other increases (decreases) in noncontrolling interests	—	—	12	—	—	—	12	(107)	(95)
Balance at September 30, 2023	1,767	(480)	\$ 48,829	\$ (33,831)	\$ 60,343	\$ (1,004)	\$ 74,337	\$ 173	\$ 74,510

(1) Treasury shares include 1 million shares held in trust and treasury stock includes \$29 million related to shares held in trust as of September 30, 2023, June 30, 2023, March 31, 2023 and December 31, 2022.

(2) Common stock and capital surplus includes the par value of common stock of \$18 million as of September 30, 2023, June 30, 2023, March 31, 2023 and December 31, 2022.

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

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Significant Accounting Policies

Description of Business

CVS Health Corporation, together with its subsidiaries (collectively, “CVS Health” or the “Company”), has more than 9,000 retail locations, more than 900 walk-in medical clinics, more than 225 primary care medical clinics, a leading pharmacy benefits manager with approximately 90 million plan members and expanding specialty pharmacy solutions, and a dedicated senior pharmacy care business serving more than 800,000 patients per year. The Company also serves an estimated more than 36 million people through traditional, voluntary and consumer-directed health insurance products and related services, including expanding Medicare Advantage offerings and a leading standalone Medicare Part D prescription drug plan (“PDP”). The Company is creating new sources of value through its integrated model allowing it to expand into personalized, technology driven care delivery and health services, increasing access to quality care, delivering better health outcomes and lowering overall health care costs.

The Company has four reportable segments: Health Care Benefits, Health Services, Pharmacy & Consumer Wellness and Corporate/Other, which are described below.

Health Care Benefits Segment

The Health Care Benefits segment operates as one of the nation’s leading diversified health care benefits providers. The Health Care Benefits segment has the information and resources to help members, in consultation with their health care professionals, make more informed decisions about their health care. The Health Care Benefits segment offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental and behavioral health plans, medical management capabilities, Medicare Advantage and Medicare Supplement plans, PDPs and Medicaid health care management services. The Health Care Benefits segment’s customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers (“providers”), governmental units, government-sponsored plans, labor groups and expatriates. The Company refers to insurance products (where it assumes all or a majority of the risk for medical and dental care costs) as “Insured” and administrative services contract products (where the plan sponsor assumes all or a majority of the risk for medical and dental care costs) as “ASC.” The Company sold Insured plans directly to individual consumers through the individual public health insurance exchanges (“Public Exchanges”) in 17 states as of September 30, 2024.

Health Services Segment

The Health Services segment provides a full range of pharmacy benefit management (“PBM”) solutions, delivers health care services in its medical clinics, virtually, and in the home, and offers provider enablement solutions. PBM solutions include plan design offerings and administration, formulary management, retail pharmacy network management services, and specialty and mail order pharmacy services. In addition, the Company provides clinical services, disease management services, medical spend management and pharmacy and/or other administrative services for providers and federal 340B drug pricing program covered entities (“Covered Entities”). The Company operates a group purchasing organization that negotiates pricing for the purchase of pharmaceuticals and rebates with pharmaceutical manufacturers on behalf of its participants and provides various administrative, management and reporting services to pharmaceutical manufacturers. During 2023, the Company completed the acquisition of two key health care delivery assets – Signify Health, Inc. (“Signify Health”), a leader in health risk assessments, value-based care and provider enablement services, and Oak Street Health, Inc. (“Oak Street Health”), a leading multi-payor operator of value-based primary care centers serving Medicare eligible patients. The Company also launched CordavisTM, a wholly owned subsidiary that works directly with pharmaceutical manufacturers to commercialize and/or co-produce high quality biosimilar products. The Health Services segment’s clients and customers are primarily employers, insurance companies, unions, government employee groups, health plans, PDPs, Medicaid managed care plans, the U.S. Centers for Medicare & Medicaid Services (“CMS”), plans offered on public and private health insurance exchanges and other sponsors of health benefit plans throughout the U.S., patients who receive care in the Health Services segment’s medical clinics, virtually or in the home, as well as Covered Entities.

Pharmacy & Consumer Wellness Segment

The Pharmacy & Consumer Wellness segment dispenses prescriptions in its retail pharmacies and through its infusion operations, provides ancillary pharmacy services including pharmacy patient care programs, diagnostic testing and vaccination administration, and sells a wide assortment of health and wellness products and general merchandise. The segment also conducts long-term care pharmacy (“LTC”) operations, which distribute prescription drugs and provide related pharmacy consulting and ancillary services to long-term care facilities and other care settings, and provides pharmacy fulfillment services

to support the Health Services segment's specialty and mail order pharmacy offerings. As of September 30, 2024, the Pharmacy & Consumer Wellness segment operated more than 9,000 retail locations, as well as online retail pharmacy websites, LTC pharmacies and on-site pharmacies, retail specialty pharmacy stores, compounding pharmacies and branches for infusion and enteral nutrition services.

Corporate/Other Segment

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

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of CVS Health and its subsidiaries have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") regarding interim financial reporting. In accordance with such rules and regulations, certain information and accompanying note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted, although the Company believes the disclosures included herein are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K").

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

Principles of Consolidation

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

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

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

Reclassifications

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

Restricted Cash

Restricted cash included in other current assets on the unaudited condensed consolidated balance sheets primarily represents funds held on behalf of members and funds held in escrow in connection with agreements with accountable care organizations. Restricted cash included in other assets on the unaudited condensed consolidated balance sheets represents amounts held in a trust in one of the Company's captive insurance companies to satisfy collateral requirements associated with the assignment of certain insurance policies. All restricted cash is invested in demand deposits, time deposits and money market funds.

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

<i>In millions</i>	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 6,875	\$ 8,196
Restricted cash (included in other current assets)	65	90
Restricted cash (included in other assets)	200	239
Total cash, cash equivalents and restricted cash in the statements of cash flows	<u>\$ 7,140</u>	<u>\$ 8,525</u>

Accounts Receivable

Accounts receivable are stated net of allowances for credit losses, customer credit allowances, contractual allowances and estimated terminations. Accounts receivable, net at September 30, 2024 and December 31, 2023 was composed of the following:

<i>In millions</i>	September 30, 2024	December 31, 2023
Trade receivables	\$ 9,884	\$ 11,908
Vendor and manufacturer receivables	15,621	15,711
Premium receivables	3,942	3,714
Other receivables	6,732	3,894
Total accounts receivable, net	<u>\$ 36,179</u>	<u>\$ 35,227</u>

The Company's allowance for credit losses was \$346 million and \$343 million as of September 30, 2024 and December 31, 2023, respectively. When developing an estimate of the Company's expected credit losses, the Company considers all available relevant information regarding the collectability of cash flows, including historical information, current conditions and reasonable and supportable forecasts of future economic conditions over the contractual life of the receivable. The Company's accounts receivable are short duration in nature and typically settle in less than 30 days.

Health Care Contract Acquisition Costs

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

The following is a roll forward of deferred acquisition costs for the nine months ended September 30, 2024 and 2023:

<i>In millions</i>	Nine Months Ended September 30,	
	2024	2023
Deferred acquisition costs, beginning of the period	\$ 1,502	\$ 1,219
Capitalizations	405	414
Amortization expense	(217)	(196)
Deferred acquisition costs, end of the period	<u>\$ 1,690</u>	<u>\$ 1,437</u>

Premium Deficiency Reserves

The Company evaluates its short-duration insurance contracts to determine if it is probable that a loss will be incurred. For purposes of determining premium deficiency reserves, contracts are grouped consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. For each contract grouping, a premium deficiency reserve is recognized when it is probable that expected future incurred claims, including costs to maintain the contract grouping, exceed anticipated future premiums and reinsurance recoveries. Anticipated investment income is not considered in the calculation of premium deficiency reserves. A premium deficiency is first recognized by charging any unamortized acquisition costs to operating expenses, and to the extent the premium deficiency is greater than the unamortized acquisition costs, a premium deficiency reserve liability is established and reflected in health care costs payable on the unaudited condensed consolidated balance sheets. Losses recognized as a premium deficiency reserve result in a beneficial effect in subsequent periods as subsequent costs under these contracts are then charged to this previously established liability.

During the third quarter of 2024, the Company determined it had a premium deficiency in its Medicare product line related to the 2024 coverage year. Accordingly, during the three and nine months ended September 30, 2024, the Company recorded a premium deficiency reserve of \$766 million, consisting of a \$383 million charge of unamortized acquisition costs, which was recorded in operating expenses, and the establishment of a premium deficiency reserve of \$383 million, which was recorded in health care costs.

Additionally, during the three and nine months ended September 30, 2024, the Company established a premium deficiency reserve of \$270 million related to its individual exchange product line for the 2024 coverage year, consisting of an \$11 million charge of unamortized acquisition costs, which was recorded in operating expenses, and the establishment of a premium deficiency reserve of \$259 million, which was recorded in health care costs. During the three and nine months ended September 30, 2024, the Company also established a premium deficiency reserve of \$28 million related to its Medicaid product line, which was recorded in health care costs.

The Company did not establish any premium deficiency reserves during the three and nine months ended September 30, 2023.

Revenue Recognition

Disaggregation of Revenue

The following tables disaggregate the Company's revenue by major source in each segment for the three and nine months ended September 30, 2024 and 2023:

<i>In millions</i>	Health Care Benefits	Health Services	Pharmacy & Consumer Wellness	Corporate/ Other	Intersegment Eliminations	Consolidated Totals
Three Months Ended September 30, 2024						
Major goods/services lines:						
Pharmacy	\$ —	\$ 41,350	\$ 26,666	\$ —	\$ (13,357)	\$ 54,659
Front Store	—	—	5,196	—	—	5,196
Premiums	30,914	—	—	11	—	30,925
Net investment income (loss)	423	(1)	—	128	—	550
Other	1,659	2,780	561	3	(905)	4,098
Total	<u>\$ 32,996</u>	<u>\$ 44,129</u>	<u>\$ 32,423</u>	<u>\$ 142</u>	<u>\$ (14,262)</u>	<u>\$ 95,428</u>
Health Services distribution channel:						
Pharmacy network ⁽¹⁾		\$ 24,136				
Mail & specialty ⁽²⁾		17,214				
Other		2,780				
Net investment income (loss)		(1)				
Total		<u>\$ 44,129</u>				
Three Months Ended September 30, 2023						
Major goods/services lines:						
Pharmacy	\$ —	\$ 44,985	\$ 22,977	\$ —	\$ (11,764)	\$ 56,198
Front Store	—	—	5,371	—	—	5,371
Premiums	24,645	—	—	12	—	24,657
Net investment income (loss)	187	—	(2)	92	—	277
Other	1,464	1,906	526	1	(636)	3,261
Total	<u>\$ 26,296</u>	<u>\$ 46,891</u>	<u>\$ 28,872</u>	<u>\$ 105</u>	<u>\$ (12,400)</u>	<u>\$ 89,764</u>
Health Services distribution channel:						
Pharmacy network ⁽¹⁾		\$ 27,981				
Mail & specialty ⁽²⁾		17,004				
Other		1,906				
Total		<u>\$ 46,891</u>				

<i>In millions</i>	Health Care Benefits	Health Services	Pharmacy & Consumer Wellness	Corporate/ Other	Intersegment Eliminations	Consolidated Totals
Nine Months Ended September 30, 2024						
Major goods/services lines:						
Pharmacy	\$ —	\$ 118,575	\$ 73,463	\$ —	\$ (38,002)	\$ 154,036
Front Store	—	—	15,847	—	—	15,847
Premiums	91,947	—	—	36	—	91,983
Net investment income (loss)	1,076	(3)	—	325	—	1,398
Other	4,684	8,013	1,676	7	(2,545)	11,835
Total	<u>\$ 97,707</u>	<u>\$ 126,585</u>	<u>\$ 90,986</u>	<u>\$ 368</u>	<u>\$ (40,547)</u>	<u>\$ 275,099</u>
Health Services distribution channel:						
Pharmacy network ⁽¹⁾		\$ 66,448				
Mail & specialty ⁽²⁾		52,127				
Other		8,013				
Net investment income (loss)		(3)				
Total		<u>\$ 126,585</u>				

Nine Months Ended September 30, 2023

Major goods/services lines:						
Pharmacy	\$ —	\$ 133,428	\$ 67,371	\$ —	\$ (36,754)	\$ 164,045
Front Store	—	—	16,597	—	—	16,597
Premiums	74,079	—	—	38	—	74,117
Net investment income (loss)	556	—	(4)	333	—	885
Other	4,285	4,269	1,614	5	(1,854)	8,319
Total	<u>\$ 78,920</u>	<u>\$ 137,697</u>	<u>\$ 85,578</u>	<u>\$ 376</u>	<u>\$ (38,608)</u>	<u>\$ 263,963</u>
Health Services distribution channel:						
Pharmacy network ⁽¹⁾		\$ 83,050				
Mail & specialty ⁽²⁾		50,378				
Other		4,269				
Total		<u>\$ 137,697</u>				

⁽¹⁾ Health Services pharmacy network is defined as claims filled at retail and specialty retail pharmacies, including the Company's retail pharmacies and LTC pharmacies, as well as activity associated with Maintenance Choice®, which permits eligible client plan members to fill their maintenance prescriptions through mail order delivery or at a CVS pharmacy retail store for the same price as mail order.

⁽²⁾ Health Services mail & specialty is defined as specialty mail claims inclusive of Specialty Connect® claims picked up at a retail pharmacy, as well as mail order and specialty claims fulfilled by the Pharmacy & Consumer Wellness segment.

Contract Balances

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

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

<i>In millions</i>	September 30, 2024	December 31, 2023
Trade receivables (included in accounts receivable, net)	\$ 9,884	\$ 11,908
Contract liabilities (included in accrued expenses)	174	149

New Accounting Pronouncements Recently Adopted

Segment Reporting

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This standard requires the Company to disclose significant segment expenses that are regularly provided to the Chief Operating Decision Maker (the "CODM") and are included within each reported measure of segment operating results. The standard also requires the Company to disclose the total amount of any other items included in segment operating results which were not deemed to be significant expenses for separate disclosure, along with a qualitative description of the composition of these other items. In addition, the standard also requires disclosure of the CODM's title and position, as well as detail on how the CODM uses the reported measure of segment operating results to evaluate segment performance and allocate resources. The standard also aligns interim segment reporting disclosure requirements with annual segment reporting disclosure requirements. The Company adopted the standard for its annual reporting effective January 1, 2024. While the standard requires additional disclosures related to the Company's reportable segments in its 2024 annual reporting, adoption of the standard did not have any impact on the Company's consolidated operating results, financial condition or cash flows. The standard requires retrospective application to all prior periods presented. The standard is effective for interim reporting periods in fiscal years beginning after December 15, 2024.

New Accounting Pronouncements Not Yet Adopted

Income Taxes

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The standard requires the Company to provide further disaggregated income tax disclosures for specific categories on the effective tax rate reconciliation, as well as additional information about federal, state/local and foreign income taxes. The standard also requires the Company to annually disclose its income taxes paid (net of refunds received), disaggregated by jurisdiction. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The standard is to be applied on a prospective basis, although optional retrospective application is permitted. While the standard will require additional disclosures related to the Company's income taxes, the standard is not expected to have any impact on the Company's consolidated operating results, financial condition or cash flows.

2. Restructuring Program

During the third quarter of 2024, the Company finalized an enterprise-wide restructuring plan intended to streamline and simplify the organization, improve efficiency and reduce costs. In connection with this restructuring plan, during the three months ended September 30, 2024, the Company recorded restructuring charges of approximately \$1.2 billion, comprised of a \$607 million store impairment charge, \$293 million of costs associated with corporate workforce optimization, including severance and employee-related costs, and \$269 million of other asset impairments and related charges associated with the discontinuation of certain non-core assets.

Store impairment charges

The Company evaluates its retail store right-of-use and property and equipment assets for impairment at the retail store level, which is the lowest level at which cash flows can be identified. For retail stores where there is an indicator of impairment present, the Company first compares the carrying amount of the asset group to the estimated future cash flows associated with the asset group (undiscounted). If the estimated undiscounted future cash flows used in the analysis are less than the carrying amount of the asset group, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset group to its estimated fair value which is the greater of the asset group's estimated future cash flows (discounted), or the consideration of what a market participant would pay to lease the assets, net of leasing costs. The Company's estimate of fair value considers historical results, current operating trends, consolidated sales, profitability and cash flow results and forecasts. For assets which the Company has determined it will be able to sublease, the estimated future cash flows include the estimated sublease income, net of estimated leasing costs.

When the carrying value of an asset group exceeds its estimated fair value, an impairment loss is recorded to reduce the value of the asset group to its estimated fair value. As the impaired assets are measured at fair value on a nonrecurring basis primarily using unobservable inputs as of the measurement date, the assets are classified in Level 3 of the fair value hierarchy.

During the third quarter of 2024, in connection with its enterprise-wide restructuring plan, the Company completed a strategic review of its retail business, which included evaluating changes in population, consumer buying patterns and future health requirements to ensure continued alignment of its retail footprint with consumer needs. In connection with this initiative, in September 2024, the Company determined it plans to close 271 retail stores in 2025. As a result, management determined that

there were indicators of impairment with respect to the impacted stores' asset groups, including the associated operating lease right-of-use assets and property and equipment.

A long-lived asset impairment test was performed during the third quarter of 2024, the results of which indicated that the fair value of certain retail store asset groups was lower than their respective carrying values. Accordingly, in the three months ended September 30, 2024, the Company recorded a store impairment charge of \$607 million, consisting of a write down of \$483 million related to operating lease right-of-use assets and \$124 million related to property and equipment. The charge associated with the store impairments was included in the restructuring charges within the Pharmacy & Consumer Wellness segment. Subsequent to the impairment loss, the fair value of the associated operating lease right-of-use assets and property and equipment were \$100 million and \$39 million, respectively.

Corporate workforce optimization costs

Corporate workforce optimization costs, including severance and employee-related costs, consist primarily of salary continuation benefits, prorated annual incentive compensation, continuation of health care benefits and outplacement services. Severance and employee-related benefits are determined pursuant to the Company's written severance plans and are recognized when the benefits are determined to be probable of being paid and are reasonably estimable.

In connection with its enterprise-wide restructuring plan, the Company recorded corporate workforce optimization costs of \$293 million, which were recorded in accrued expenses on the unaudited condensed consolidated balance sheet. There were no payments made related to these costs during the three months ended September 30, 2024. The restructuring charge associated with the corporate workforce optimization costs is reflected within the Corporate/Other segment.

Other asset impairment charges

In connection with its enterprise-wide restructuring plan, the Company also conducted a review of its various strategic assets and determined that it would discontinue the use of certain non-core assets, including certain virtual care services and compounding infusion pharmacies and branches. As a result, management determined that there were indicators of impairment with respect to the impacted long-lived assets and a long-lived asset impairment test was performed during the third quarter of 2024. The results of the long-lived asset impairment test indicated that the fair value of the impacted assets was lower than their respective carrying values and, accordingly, the Company recorded \$269 million of other asset impairments and related charges associated with the discontinuation of these assets in the three months ended September 30, 2024. The asset impairment charges were recorded as reductions to property and equipment, net and operating lease right-of-use assets on the unaudited condensed consolidated balance sheet. The other asset impairment charges were included in the restructuring charges within the Corporate/Other and Pharmacy & Consumer Wellness segments. Subsequent to the impairment charges, the fair value of the associated long-lived assets was not material.

The restructuring program is expected to be substantially complete by the end of 2025.

3. Acquisition

Oak Street Health Acquisition

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

The Company's assessment of the fair value of assets acquired and liabilities assumed was finalized during the second quarter of 2024. There were no measurement period adjustments to assets acquired and liabilities assumed in 2024.

4. Investments

Total investments at September 30, 2024 and December 31, 2023 were as follows:

<i>In millions</i>	September 30, 2024			December 31, 2023		
	Current	Long-term	Total	Current	Long-term	Total
Debt securities available for sale	\$ 2,633	\$ 23,857	\$ 26,490	\$ 3,131	\$ 18,582	\$ 21,713
Mortgage loans	172	1,315	1,487	128	1,183	1,311
Other investments	—	3,767	3,767	—	3,254	3,254
Total investments	\$ 2,805	\$ 28,939	\$ 31,744	\$ 3,259	\$ 23,019	\$ 26,278

Debt Securities

Debt securities available for sale at September 30, 2024 and December 31, 2023 were as follows:

<i>In millions</i>	Amortized Cost ⁽¹⁾	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2024				
Debt securities:				
U.S. government securities	\$ 2,755	\$ 52	\$ (23)	\$ 2,784
States, municipalities and political subdivisions	738	11	(11)	738
U.S. corporate securities	13,086	283	(254)	13,115
Foreign securities	2,645	68	(69)	2,644
Residential mortgage-backed securities	815	13	(33)	795
Commercial mortgage-backed securities	1,609	32	(58)	1,583
Other asset-backed securities	4,767	51	(5)	4,813
Redeemable preferred securities	18	—	—	18
Total debt securities ⁽²⁾	\$ 26,433	\$ 510	\$ (453)	\$ 26,490
December 31, 2023				
Debt securities:				
U.S. government securities	\$ 2,071	\$ 19	\$ (54)	\$ 2,036
States, municipalities and political subdivisions	2,219	31	(35)	2,215
U.S. corporate securities	10,156	133	(446)	9,843
Foreign securities	2,593	41	(122)	2,512
Residential mortgage-backed securities	862	8	(60)	810
Commercial mortgage-backed securities	1,066	9	(100)	975
Other asset-backed securities	3,294	26	(18)	3,302
Redeemable preferred securities	21	—	(1)	20
Total debt securities ⁽²⁾	\$ 22,282	\$ 267	\$ (836)	\$ 21,713

(1) There was no allowance for expected credit losses recorded on available-for-sale debt securities at September 30, 2024 or December 31, 2023.

(2) Investment risks associated with the Company's experience-rated products generally do not impact the Company's consolidated operating results. At September 30, 2024, debt securities with a fair value of \$548 million, gross unrealized capital gains of \$14 million and gross unrealized capital losses of \$16 million, and at December 31, 2023, debt securities with a fair value of \$592 million, gross unrealized capital gains of \$10 million and gross unrealized capital losses of \$28 million were included in total debt securities, but support experience-rated products. Changes in net unrealized capital gains (losses) on these securities are not reflected in accumulated other comprehensive income (loss).

The amortized cost and fair value of debt securities at September 30, 2024 are shown below by contractual maturity. Actual maturities may differ from contractual maturities because securities may be restructured, called or prepaid, or the Company intends to sell a security prior to maturity.

<i>In millions</i>	Amortized Cost	Fair Value
Due to mature:		
Less than one year	\$ 819	\$ 816
One year through five years	10,469	10,529
After five years through ten years	4,827	4,890
Greater than ten years	3,127	3,064
Residential mortgage-backed securities	815	795
Commercial mortgage-backed securities	1,609	1,583
Other asset-backed securities	4,767	4,813
Total	\$ 26,433	\$ 26,490

Summarized below are the debt securities the Company held at September 30, 2024 and December 31, 2023 that were in an unrealized capital loss position, aggregated by the length of time the investments have been in that position:

<i>In millions, except number of securities</i>	Less than 12 months			Greater than 12 months			Total		
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
September 30, 2024									
Debt securities:									
U.S. government securities	13	\$ 41	\$ 1	203	\$ 620	\$ 22	216	\$ 661	\$ 23
States, municipalities and political subdivisions	30	46	—	159	235	11	189	281	11
U.S. corporate securities	267	366	2	2,798	3,727	252	3,065	4,093	254
Foreign securities	44	45	1	678	984	68	722	1,029	69
Residential mortgage-backed securities	6	27	—	365	370	33	371	397	33
Commercial mortgage-backed securities	28	110	—	261	528	58	289	638	58
Other asset-backed securities	105	236	3	86	114	2	191	350	5
Redeemable preferred securities	—	—	—	4	6	—	4	6	—
Total debt securities	493	\$ 871	\$ 7	4,554	\$ 6,584	\$ 446	5,047	\$ 7,455	\$ 453
December 31, 2023									
Debt securities:									
U.S. government securities	74	\$ 194	\$ 2	280	\$ 891	\$ 52	354	\$ 1,085	\$ 54
States, municipalities and political subdivisions	95	181	1	455	733	34	550	914	35
U.S. corporate securities	576	672	14	4,120	5,602	432	4,696	6,274	446
Foreign securities	160	243	4	964	1,407	118	1,124	1,650	122
Residential mortgage-backed securities	33	97	1	461	517	59	494	614	60
Commercial mortgage-backed securities	44	94	2	287	581	98	331	675	100
Other asset-backed securities	196	449	4	443	867	14	639	1,316	18
Redeemable preferred securities	4	2	—	8	18	1	12	20	1
Total debt securities	1,182	\$ 1,932	\$ 28	7,018	\$ 10,616	\$ 808	8,200	\$ 12,548	\$ 836

The Company reviewed the securities in the table above and concluded that they are performing assets generating investment income to support the needs of the Company's business. In performing this review, the Company considered factors such as the quality of the investment security based on research performed by the Company's internal credit analysts and external rating agencies and the prospects of realizing the carrying value of the security based on the investment's current prospects for recovery. Unrealized capital losses at September 30, 2024 were generally caused by interest rate increases and not by unfavorable changes in the credit quality associated with these securities. As of September 30, 2024, the Company did not intend to sell these securities, and did not believe it was more likely than not that it would be required to sell these securities prior to the anticipated recovery of their amortized cost basis.

The maturity dates for debt securities in an unrealized capital loss position at September 30, 2024 were as follows:

<i>In millions</i>	Supporting experience-rated products		Supporting remaining products		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Due to mature:						
Less than one year	\$ 1	\$ —	\$ 477	\$ 5	\$ 478	\$ 5
One year through five years	65	2	2,931	107	2,996	109
After five years through ten years	48	4	1,064	86	1,112	90
Greater than ten years	106	9	1,378	144	1,484	153
Residential mortgage-backed securities	6	—	391	33	397	33
Commercial mortgage-backed securities	10	1	628	57	638	58
Other asset-backed securities	10	—	340	5	350	5
Total	\$ 246	\$ 16	\$ 7,209	\$ 437	\$ 7,455	\$ 453

Mortgage Loans

The Company's mortgage loans are collateralized by commercial real estate. During the three and nine months ended September 30, 2024 and 2023, the Company had the following activity in its mortgage loan portfolio:

<i>In millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
New mortgage loans	\$ 125	\$ 63	\$ 262	\$ 286
Mortgage loans fully repaid	33	17	67	34
Mortgage loans foreclosed	—	—	—	—

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

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

Based on the Company's assessments at September 30, 2024 and December 31, 2023, the amortized cost basis of the Company's mortgage loans within each credit quality indicator by year of origination was as follows:

<i>In millions, except credit quality indicator</i>	Amortized Cost Basis by Year of Origination						
	2024	2023	2022	2021	2020	Prior	Total
September 30, 2024							
1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8	\$ 8
2 to 4	255	301	334	206	35	288	1,419
5 and 6	—	—	5	13	—	42	60
7	—	—	—	—	—	—	—
Total	<u>\$ 255</u>	<u>\$ 301</u>	<u>\$ 339</u>	<u>\$ 219</u>	<u>\$ 35</u>	<u>\$ 338</u>	<u>\$ 1,487</u>
December 31, 2023							
1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11	\$ 11
2 to 4		302	346	225	35	354	1,262
5 and 6		—	—	13	—	19	32
7		—	—	6	—	—	6
Total		<u>\$ 302</u>	<u>\$ 346</u>	<u>\$ 244</u>	<u>\$ 35</u>	<u>\$ 384</u>	<u>\$ 1,311</u>

Net Investment Income

Sources of net investment income for the three and nine months ended September 30, 2024 and 2023 were as follows:

<i>In millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Debt securities	\$ 307	\$ 217	\$ 816	\$ 612
Mortgage loans	20	16	56	43
Other investments	230	199	665	609
Gross investment income	557	432	1,537	1,264
Investment expenses	(26)	(13)	(50)	(34)
Net investment income (excluding net realized capital gains or losses)	531	419	1,487	1,230
Net realized capital gains (losses) ⁽¹⁾	19	(142)	(89)	(345)
Net investment income ⁽²⁾	<u>\$ 550</u>	<u>\$ 277</u>	<u>\$ 1,398</u>	<u>\$ 885</u>

(1) Net realized capital gains are net of yield-related impairment losses on debt securities of \$12 million in the three months ended September 30, 2024. Net realized capital losses include yield-related impairment losses on debt securities of \$51 million in the nine months ended September 30, 2024. There were no credit-related impairment losses on debt securities in the three and nine months ended September 30, 2024. Net realized capital losses include yield-related impairment losses on debt securities of \$47 million in the three months ended September 30, 2023. There were no credit-related impairment losses on debt securities in the three months ended September 30, 2023. Net realized capital losses include yield-related impairment losses on debt securities of \$108 million and are net of the reversal of previously recorded credit-related impairment losses on debt securities of \$3 million in the nine months ended September 30, 2023.

(2) Net investment income includes \$8 million and \$24 million for the three and nine months ended September 30, 2024, respectively, and \$8 million and \$25 million for the three and nine months ended September 30, 2023, respectively, related to investments supporting experience-rated products.

Excluding amounts related to experience-rated products, proceeds from the sale of available-for-sale debt securities and the related gross realized capital gains and losses for the three and nine months ended September 30, 2024 and 2023 were as follows:

<i>In millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Proceeds from sales	\$ 2,322	\$ 1,171	\$ 5,203	\$ 3,503
Gross realized capital gains	16	2	30	7
Gross realized capital losses	39	110	162	294

5. Fair Value

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

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

For a description of the methods and assumptions that are used to estimate the fair value and determine the fair value hierarchy classification of each class of financial instrument, see Note 5 "Fair Value" in the 2023 Form 10-K.

There were no financial liabilities measured at fair value on a recurring basis on the unaudited condensed consolidated balance sheets at September 30, 2024 or December 31, 2023. Financial assets measured at fair value on a recurring basis on the unaudited condensed consolidated balance sheets at September 30, 2024 and December 31, 2023 were as follows:

<i>In millions</i>	Level 1	Level 2	Level 3	Total
September 30, 2024				
Cash and cash equivalents	\$ 2,480	\$ 4,395	\$ —	\$ 6,875
Debt securities:				
U.S. government securities	2,767	17	—	2,784
States, municipalities and political subdivisions	—	738	—	738
U.S. corporate securities	—	13,089	26	13,115
Foreign securities	—	2,644	—	2,644
Residential mortgage-backed securities	—	795	—	795
Commercial mortgage-backed securities	—	1,568	15	1,583
Other asset-backed securities	—	4,813	—	4,813
Redeemable preferred securities	—	18	—	18
Total debt securities	2,767	23,682	41	26,490
Equity securities	230	—	103	333
Total	\$ 5,477	\$ 28,077	\$ 144	\$ 33,698
December 31, 2023				
Cash and cash equivalents	\$ 2,174	\$ 6,022	\$ —	\$ 8,196
Debt securities:				
U.S. government securities	2,013	23	—	2,036
States, municipalities and political subdivisions	—	2,215	—	2,215
U.S. corporate securities	—	9,814	29	9,843
Foreign securities	—	2,512	—	2,512
Residential mortgage-backed securities	—	810	—	810
Commercial mortgage-backed securities	—	975	—	975
Other asset-backed securities	—	3,302	—	3,302
Redeemable preferred securities	—	20	—	20
Total debt securities	2,013	19,671	29	21,713
Equity securities	194	—	79	273
Total	\$ 4,381	\$ 25,693	\$ 108	\$ 30,182

During the three and nine months ended September 30, 2024, there were \$47 million of transfers out of Level 3. During the three months ended September 30, 2023, there were no transfers into or out of Level 3. During the nine months ended September 30, 2023, there were \$42 million of transfers out of Level 3.

The carrying value and estimated fair value classified by level of fair value hierarchy for financial instruments carried on the unaudited condensed consolidated balance sheets at adjusted cost or contract value at September 30, 2024 and December 31, 2023 were as follows:

<i>In millions</i>	Carrying Value	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
September 30, 2024					
Assets:					
Mortgage loans	\$ 1,487	\$ —	\$ —	\$ 1,478	\$ 1,478
Equity securities ⁽¹⁾	602	N/A	N/A	N/A	N/A
Liabilities:					
Investment contract liabilities:					
With a fixed maturity	1	—	—	1	1
Without a fixed maturity	316	—	—	286	286
Long-term debt	64,734	61,923	—	—	61,923
December 31, 2023					
Assets:					
Mortgage loans	\$ 1,311	\$ —	\$ —	\$ 1,274	\$ 1,274
Equity securities ⁽¹⁾	534	N/A	N/A	N/A	N/A
Liabilities:					
Investment contract liabilities:					
With a fixed maturity	1	—	—	1	1
Without a fixed maturity	312	—	—	279	279
Long-term debt	61,410	58,451	—	—	58,451

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

Separate Accounts assets relate to the Company's large case pensions products which represent funds maintained to meet specific objectives of contract holders. Since contract holders bear the investment risk of these assets, a corresponding Separate Accounts liability has been established equal to the assets. These assets and liabilities are carried at fair value. Separate Accounts financial assets as of September 30, 2024 and December 31, 2023 were as follows:

<i>In millions</i>	September 30, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1	\$ 164	\$ —	\$ 165	\$ 2	\$ 166	\$ —	\$ 168
Debt securities	202	697	—	899	558	1,949	—	2,507
Common/collective trusts	—	2,372	—	2,372	—	529	—	529
Total ⁽¹⁾	\$ 203	\$ 3,233	\$ —	\$ 3,436	\$ 560	\$ 2,644	\$ —	\$ 3,204

(1) Excludes \$102 million of other payables and \$46 million of other receivables at September 30, 2024 and December 31, 2023, respectively.

6. Health Care Costs Payable

The following table shows the components of the change in health care costs payable during the nine months ended September 30, 2024 and 2023:

<i>In millions</i>	Nine Months Ended September 30,	
	2024	2023
Health care costs payable, beginning of the period	\$ 12,049	\$ 10,142
Less: Reinsurance recoverables	5	5
Less: Impact of discount rate on long-duration insurance reserves ⁽¹⁾	(23)	8
Health care costs payable, beginning of the period, net	12,067	10,129
Acquisitions, net	—	1,098
Add: Components of incurred health care costs		
Current year	85,541	64,183
Prior years	(845)	(679)
Total incurred health care costs ⁽²⁾	84,696	63,504
Less: Claims paid		
Current year	71,356	52,952
Prior years	10,886	9,207
Total claims paid	82,242	62,159
Health care costs payable, end of the period, net	14,521	12,572
Add: Premium deficiency reserve	670	—
Add: Reinsurance recoverables	65	4
Add: Impact of discount rate on long-duration insurance reserves ⁽¹⁾	(19)	(26)
Health care costs payable, end of the period	\$ 15,237	\$ 12,550

(1) Reflects the difference between the current discount rate and the locked-in discount rate on long-duration insurance reserves which is recorded within accumulated other comprehensive income (loss) on the unaudited condensed consolidated balance sheets.

(2) Total incurred health care costs for the nine months ended September 30, 2024 and 2023 in the table above exclude \$70 million and \$62 million, respectively, of health care costs recorded in the Health Care Benefits segment that are included in other insurance liabilities on the unaudited condensed consolidated balance sheets and \$142 million and \$163 million, respectively, of health care costs recorded in the Corporate/Other segment that are included in other insurance liabilities on the unaudited condensed consolidated balance sheets. Total incurred health care costs for the nine months ended September 30, 2024 also exclude \$670 million for premium deficiency reserves related to the Company's Medicare, individual exchange and Medicaid product lines.

The Company's estimates of prior years' health care costs payable decreased by \$845 million and \$679 million, respectively, in the nine months ended September 30, 2024 and 2023, because claims were settled for amounts less than originally estimated (i.e., the amount of claims incurred was lower than originally estimated), primarily due to lower health care cost trends as well as the actual claim submission time being faster than originally assumed (i.e., the Company's completion factors were higher than originally assumed) in estimating health care costs payable at the end of the prior year.

At September 30, 2024, the Company's liabilities for the ultimate cost of (i) services rendered to the Company's Insured members but not yet reported to the Company and (ii) claims which have been reported to the Company but not yet paid (collectively, "IBNR") plus expected development on reported claims totaled approximately \$11.0 billion. Substantially all of the Company's liabilities for IBNR plus expected development on reported claims at September 30, 2024 related to the current year.

7. Other Insurance Liabilities and Separate Accounts

Future Policy Benefits

The following tables show the components of the change in the liability for future policy benefits, which is included in other insurance liabilities and other long-term insurance liabilities on the unaudited condensed consolidated balance sheets, during the nine months ended September 30, 2024 and 2023:

<i>In millions</i>	Nine Months Ended September 30, 2024	
	Large Case Pensions	Long-Term Care
Present value of expected net premiums ⁽¹⁾		
Liability for future policy benefits, beginning of the period - current discount rate		\$ 293
Beginning liability for future policy benefits at original (locked-in) discount rate		\$ 288
Effect of changes in cash flow assumptions		—
Effect of actual variances from expected experience		12
Adjusted beginning liability for future policy benefits - original (locked-in) discount rate		300
Interest accrual (using locked-in discount rate)		11
Net premiums (actual)		(29)
Ending liability for future policy benefits at original (locked-in) discount rate		282
Effect of changes in discount rate assumptions		6
Liability for future policy benefits, end of the period - current discount rate		\$ 288
Present value of expected future policy benefits		
Liability for future policy benefits, beginning of the period - current discount rate	\$ 2,139	\$ 1,640
Beginning liability for future policy benefits at original (locked-in) discount rate	\$ 2,251	\$ 1,632
Effect of changes in cash flow assumptions	—	—
Effect of actual variances from expected experience	(20)	5
Adjusted beginning liability for future policy benefits - original (locked-in) discount rate	2,231	1,637
Issuances	26	—
Interest accrual (using locked-in discount rate)	69	61
Benefit payments (actual)	(192)	(55)
Ending liability for future policy benefits at original (locked-in) discount rate	2,134	1,643
Effect of changes in discount rate assumptions	(90)	12
Liability for future policy benefits, end of the period - current discount rate	\$ 2,044	\$ 1,655
Net liability for future policy benefits	\$ 2,044	\$ 1,367
Less: Reinsurance recoverable	—	—
Net liability for future policy benefits, net of reinsurance recoverable	\$ 2,044	\$ 1,367

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

<i>In millions</i>	Nine Months Ended September 30, 2023	
	Large Case Pensions	Long-Term Care
Present value of expected net premiums ⁽¹⁾		
Liability for future policy benefits, beginning of the period - current discount rate		\$ 300
Beginning liability for future policy benefits at original (locked-in) discount rate		\$ 302
Effect of changes in cash flow assumptions		—
Effect of actual variances from expected experience		7
Adjusted beginning liability for future policy benefits - original (locked-in) discount rate		309
Interest accrual (using locked-in discount rate)		11
Net premiums (actual)		(29)
Ending liability for future policy benefits at original (locked-in) discount rate		291
Effect of changes in discount rate assumptions		(12)
Liability for future policy benefits, end of the period - current discount rate		\$ 279
Present value of expected future policy benefits		
Liability for future policy benefits, beginning of the period - current discount rate	\$ 2,253	\$ 1,566
Beginning liability for future policy benefits at original (locked-in) discount rate	\$ 2,425	\$ 1,613
Effect of changes in cash flow assumptions	—	—
Effect of actual variances from expected experience	1	9
Adjusted beginning liability for future policy benefits - original (locked-in) discount rate	2,426	1,622
Issuances	8	—
Interest accrual (using locked-in discount rate)	74	61
Benefit payments (actual)	(210)	(53)
Ending liability for future policy benefits at original (locked-in) discount rate	2,298	1,630
Effect of changes in discount rate assumptions	(247)	(146)
Liability for future policy benefits, end of the period - current discount rate	\$ 2,051	\$ 1,484
Net liability for future policy benefits	\$ 2,051	\$ 1,205
Less: Reinsurance recoverable	—	—
Net liability for future policy benefits, net of reinsurance recoverable	\$ 2,051	\$ 1,205

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

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

The amount of undiscounted expected gross premiums and expected future benefit payments for long-duration insurance liabilities as of September 30, 2024 and 2023 were as follows:

<i>In millions</i>	September 30, 2024	September 30, 2023
Large case pensions		
Expected future benefit payments	\$ 3,091	\$ 3,337
Expected gross premiums	—	—
Long-term care		
Expected future benefit payments	\$ 3,198	\$ 3,237
Expected gross premiums	402	419

The weighted-average interest rate used in the measurement of the long-duration insurance liabilities as of September 30, 2024 and 2023 were as follows:

	September 30, 2024	September 30, 2023
Large case pensions		
Interest accretion rate	4.20%	4.20%
Current discount rate	4.82%	5.86%
Long-term care		
Interest accretion rate	5.11%	5.11%
Current discount rate	5.07%	5.99%

The weighted-average durations (in years) of the long-duration insurance liabilities as of September 30, 2024 and 2023 were as follows:

	September 30, 2024	September 30, 2023
Large case pensions	7.3	7.4
Long-term care	11.8	12.2

Policyholders' Funds

The following table shows the components of the change in policyholders' funds related to long-duration insurance contracts, which are included in policyholders' funds and other long-term liabilities on the unaudited condensed consolidated balance sheets, during the nine months ended September 30, 2024 and 2023:

<i>In millions, except weighted average crediting rate</i>	Nine Months Ended September 30,	
	2024	2023
Policyholders' funds, beginning of the period	\$ 332	\$ 345
Deposits received	2	1
Policy charges	(1)	(2)
Surrenders and withdrawals	(9)	(23)
Interest credited	8	9
Change in net unrealized gains (losses)	17	(4)
Other	(18)	(23)
Policyholders' funds, end of the period	<u>\$ 331</u>	<u>\$ 303</u>
Weighted average crediting rate	4.30%	4.40%
Net amount at risk	\$ —	\$ —
Cash surrender value	\$ 310	\$ 324

Separate Accounts

The following table shows the fair value of assets, by major investment category, supporting Separate Accounts as of September 30, 2024 and December 31, 2023:

<i>In millions</i>	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 165	\$ 168
Debt securities:		
U.S. government securities	223	573
States, municipalities and political subdivisions	16	28
U.S. corporate securities	527	1,632
Foreign securities	52	202
Residential mortgage-backed securities	68	51
Commercial mortgage-backed securities	3	6
Other asset-backed securities	10	15
Total debt securities	<u>899</u>	<u>2,507</u>
Common/collective trusts	<u>2,372</u>	<u>529</u>
Total ⁽¹⁾	<u>\$ 3,436</u>	<u>\$ 3,204</u>

(1) Excludes \$102 million of other payables and \$46 million of other receivables at September 30, 2024 and December 31, 2023, respectively.

The following table shows the components of the change in Separate Accounts liabilities during the nine months ended September 30, 2024 and 2023:

<i>In millions</i>	Nine Months Ended September 30,	
	2024	2023
Separate Accounts liability, beginning of the period	\$ 3,250	\$ 3,228
Premiums and deposits	661	657
Surrenders and withdrawals	(203)	(7)
Benefit payments	(706)	(714)
Investment earnings	327	42
Net transfers from general account	8	4
Other	(3)	(10)
Separate Accounts liability, end of the period	<u>\$ 3,334</u>	<u>\$ 3,200</u>
Cash surrender value, end of the period	\$ 2,209	\$ 2,136

The Company did not recognize any gains or losses on assets transferred to Separate Accounts during the nine months ended September 30, 2024 and 2023.

8. Borrowings

The following table is a summary of the Company's borrowings at September 30, 2024 and December 31, 2023:

<i><u>In millions</u></i>	September 30, 2024	December 31, 2023
<u>Short-term debt</u>		
Commercial paper	\$ 800	\$ 200
<u>Long-term debt</u>		
3.375% senior notes due August 2024	—	650
2.625% senior notes due August 2024	—	1,000
3.5% senior notes due November 2024	750	750
5% senior notes due December 2024	299	299
4.1% senior notes due March 2025	950	950
3.875% senior notes due July 2025	2,828	2,828
5% senior notes due February 2026	1,500	1,500
2.875% senior notes due June 2026	1,750	1,750
3% senior notes due August 2026	750	750
3.625% senior notes due April 2027	750	750
6.25% senior notes due June 2027	372	372
1.3% senior notes due August 2027	2,250	2,250
4.3% senior notes due March 2028	5,000	5,000
5% senior notes due January 2029	1,000	1,000
5.4% senior notes due June 2029	1,000	—
3.25% senior notes due August 2029	1,750	1,750
5.125% senior notes due February 2030	1,500	1,500
3.75% senior notes due April 2030	1,500	1,500
1.75% senior notes due August 2030	1,250	1,250
5.25% senior notes due January 2031	750	750
1.875% senior notes due February 2031	1,250	1,250
5.55% senior notes due June 2031	1,000	—
2.125% senior notes due September 2031	1,000	1,000
5.25% senior notes due February 2033	1,750	1,750
5.3% senior notes due June 2033	1,250	1,250
5.7% senior notes due June 2034	1,250	—
4.875% senior notes due July 2035	652	652
6.625% senior notes due June 2036	771	771
6.75% senior notes due December 2037	533	533
4.78% senior notes due March 2038	5,000	5,000
6.125% senior notes due September 2039	447	447
4.125% senior notes due April 2040	1,000	1,000
2.7% senior notes due August 2040	1,250	1,250
5.75% senior notes due May 2041	133	133
4.5% senior notes due May 2042	500	500
4.125% senior notes due November 2042	500	500
5.3% senior notes due December 2043	750	750
4.75% senior notes due March 2044	375	375
6% senior notes due June 2044	750	—
5.125% senior notes due July 2045	3,500	3,500
3.875% senior notes due August 2047	1,000	1,000
5.05% senior notes due March 2048	8,000	8,000

4.25% senior notes due April 2050	750	750
5.625% senior notes due February 2053	1,250	1,250
5.875% senior notes due June 2053	1,250	1,250
6.05% senior notes due June 2054	1,000	—
6% senior notes due June 2063	750	750
Finance lease liabilities	1,373	1,391
Other	304	309
Total debt principal	66,087	62,160
Debt premiums	174	186
Debt discounts and deferred financing costs	(727)	(736)
	65,534	61,610
Less:		
Short-term debt (commercial paper)	(800)	(200)
Current portion of long-term debt	(4,910)	(2,772)
Long-term debt	<u>\$ 59,824</u>	<u>\$ 58,638</u>

Short-term Borrowings

Commercial Paper

The Company had \$800 million of commercial paper outstanding at a weighted average interest rate of 5.00% as of September 30, 2024. The Company had \$200 million of commercial paper outstanding at a weighted average interest rate of 4.31% as of December 31, 2023.

Term Loan Credit Agreement

On March 25, 2024, the Company entered into a 364-day \$3.0 billion term loan credit agreement. The term loan credit agreement allowed for borrowings at various rates that were dependent, in part, on the Company's public debt ratings. On May 9, 2024, following the issuance of the \$5.0 billion in senior notes described under "Long-term Borrowings" below, the term loan credit agreement terminated. There were no borrowings under the term loan credit agreement through the date of termination.

Long-term Borrowings

2024 Notes

On May 9, 2024, the Company issued \$1.0 billion aggregate principal amount of 5.4% senior notes due June 2029, \$1.0 billion aggregate principal amount of 5.55% senior notes due June 2031, \$1.25 billion aggregate principal amount of 5.7% senior notes due June 2034, \$750 million aggregate principal amount of 6.0% senior notes due June 2044 and \$1.0 billion aggregate principal amount of 6.05% senior notes due June 2054 for total proceeds of approximately \$5.0 billion, net of discounts and underwriting fees. The net proceeds of these offerings were used for general corporate purposes.

9. Shareholders' Equity

Share Repurchases

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

<u>In billions</u> <u>Authorization Date</u>	<u>Authorized</u>		<u>Remaining as of</u> <u>September 30, 2024</u>	
November 17, 2022 ("2022 Repurchase Program")	\$	10.0	\$	10.0
December 9, 2021 ("2021 Repurchase Program")		10.0		1.5

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

During the nine months ended September 30, 2024 and 2023, the Company repurchased an aggregate of 39.7 million shares of common stock for approximately \$3.0 billion and an aggregate of 22.8 million shares of common stock for approximately \$2.0 billion, respectively, both pursuant to the 2021 Repurchase Program. This activity includes the share repurchases under the ASR transactions described below.

Pursuant to the authorization under the 2021 Repurchase Program, the Company entered into a \$3.0 billion fixed dollar ASR with Morgan Stanley & Co. LLC. Upon payment of the \$3.0 billion purchase price on January 4, 2024, the Company received a number of shares of CVS Health Corporation's common stock equal to 85% of the \$3.0 billion notional amount of the ASR or approximately 31.4 million shares, which were placed into treasury stock in January 2024. The ASR was accounted for as an initial treasury stock transaction for \$2.6 billion and a forward contract for \$0.4 billion. The forward contract was classified as an equity instrument and was recorded within capital surplus. In March 2024, the Company received approximately 8.3 million shares of CVS Health Corporation's common stock, representing the remaining 15% of the \$3.0 billion notional amount of the ASR, thereby concluding the ASR. These shares were placed into treasury and the forward contract was reclassified from capital surplus to treasury stock in March 2024.

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

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

Dividends

The quarterly cash dividend declared by the Board was \$0.665 and \$0.605 per share in the three months ended September 30, 2024 and 2023, respectively. Cash dividends declared by the Board were \$1.995 and \$1.815 per share in the nine months ended September 30, 2024 and 2023, respectively. CVS Health Corporation has paid cash dividends every quarter since becoming a public company. Future dividend payments will depend on the Company's earnings, capital requirements, financial condition and other factors considered relevant by the Board.

10. Other Comprehensive Income (Loss)

Shareholders' equity included the following activity in accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2024 and 2023:

<i>In millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net unrealized investment gains (losses):				
Beginning of period balance	\$ (564)	\$ (1,113)	\$ (429)	\$ (1,519)
Other comprehensive income (loss) before reclassifications (\$710, \$(475), \$427, \$(310) pretax)	647	(478)	382	(313)
Amounts reclassified from accumulated other comprehensive loss (\$36, \$157, \$184, \$398 pretax) ⁽¹⁾	32	157	162	398
Other comprehensive income (loss)	679	(321)	544	85
End of period balance	115	(1,434)	115	(1,434)
Change in discount rate on long-duration insurance reserves:				
Beginning of period balance	273	205	152	219
Other comprehensive income (loss) before reclassifications (\$189), \$233, \$(33), \$210 pretax)	(147)	181	(26)	167
Other comprehensive income (loss)	(147)	181	(26)	167
End of period balance	126	386	126	386
Foreign currency translation adjustments:				
Beginning of period balance	—	1	—	—
Other comprehensive loss before reclassifications	—	(2)	—	(1)
Other comprehensive loss	—	(2)	—	(1)
End of period balance	—	(1)	—	(1)
Net cash flow hedges:				
Beginning of period balance	236	252	244	239
Other comprehensive income before reclassifications (\$0, \$0, \$0, \$25 pretax)	—	—	—	19
Amounts reclassified from accumulated other comprehensive income (\$(6), \$(5), \$(16), \$(13) pretax) ⁽²⁾	(4)	(4)	(12)	(10)
Other comprehensive income (loss)	(4)	(4)	(12)	9
End of period balance	232	248	232	248
Pension and other postretirement benefits:				
Beginning of period balance	(264)	(203)	(264)	(203)
Other comprehensive income	—	—	—	—
End of period balance	(264)	(203)	(264)	(203)
Total beginning of period accumulated other comprehensive loss	(319)	(858)	(297)	(1,264)
Total other comprehensive income (loss)	528	(146)	506	260
Total end of period accumulated other comprehensive income (loss)	\$ 209	\$ (1,004)	\$ 209	\$ (1,004)

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

(2) Amounts reclassified from accumulated other comprehensive income for specifically identified cash flow hedges are included in interest expense in the unaudited condensed consolidated statements of operations. The Company expects to reclassify approximately \$16 million, net of tax, in net gains associated with its cash flow hedges into net income within the next 12 months.

11. Earnings Per Share

Earnings per share is computed using the treasury stock method. Stock options and stock appreciation rights to purchase 8 million and 7 million shares of common stock were outstanding, but were excluded from the calculation of diluted earnings per share for the three and nine-month periods ended September 30, 2024, respectively, because their exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive. For the same reason, stock options and stock appreciation rights to purchase 9 million and 7 million shares of common stock were outstanding, but were excluded from the calculation of diluted earnings per share for the three and nine months ended September 30, 2023, respectively.

The following is a reconciliation of basic and diluted earnings per share for the three and nine months ended September 30, 2024 and 2023:

<i>In millions, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator for earnings per share calculation:				
Net income attributable to CVS Health	\$ 87	\$ 2,261	\$ 2,970	\$ 6,298
Denominator for earnings per share calculation:				
Weighted average shares, basic	1,259	1,287	1,258	1,284
Restricted stock units and performance stock units	—	2	3	3
Stock options and stock appreciation rights	—	1	1	2
Weighted average shares, diluted	1,259	1,290	1,262	1,289
Earnings per share:				
Basic	\$ 0.07	\$ 1.76	\$ 2.36	\$ 4.90
Diluted	\$ 0.07	\$ 1.75	\$ 2.35	\$ 4.88

12. Commitments and Contingencies

Lease Guarantees

Between 1995 and 1997, the Company sold or spun off a number of subsidiaries, including Bob's Stores and Linens 'n Things, each of which subsequently filed for bankruptcy, and Marshalls. In many cases, when a former subsidiary leased a store, the Company provided a guarantee of the former subsidiary's lease obligations for the initial lease term and any extension thereof pursuant to a renewal option provided for in the lease prior to the time of the disposition. When the subsidiaries were disposed of and accounted for as discontinued operations, the Company's guarantees remained in place, although each initial purchaser agreed to indemnify the Company for any lease obligations the Company was required to satisfy. If any of the purchasers or any of the former subsidiaries fail to make the required payments under a store lease, the Company could be required to satisfy those obligations. As of September 30, 2024, the Company guaranteed 61 such store leases (excluding the lease guarantees related to Linens 'n Things, which have been recorded as a liability on the unaudited condensed consolidated balance sheets), with the maximum remaining lease term extending through 2035.

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

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

In 2009, the Pennsylvania Insurance Commissioner placed long-term care insurer Penn Treaty Network America Insurance Company and one of its subsidiaries (collectively, "Penn Treaty") in rehabilitation, an intermediate action before insolvency, and subsequently petitioned a state court to convert the rehabilitation into a liquidation. Penn Treaty was placed in liquidation in March 2017. The Company has recorded a liability for its estimated share of future assessments by applicable life and health insurance guaranty associations. It is reasonably possible that in the future the Company may record a liability and expense relating to other insolvencies which could have a material adverse effect on the Company's operating results, financial condition and cash flows. While historically the Company has ultimately recovered more than half of guaranty fund assessments through statutorily permitted premium tax offsets, significant increases in assessments could lead to legislative and/or regulatory actions that limit future offsets.

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

Litigation and Regulatory Proceedings

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

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

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

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

Usual and Customary Pricing Litigation

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

and are based on different legal theories. Some of these cases are brought as putative class actions, and in some instances, classes have been certified. The Company is defending itself against these claims.

PBM Litigation and Investigations

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

The Company is facing multiple lawsuits, including by the FTC, state Attorneys General, governmental subdivisions, private parties and several putative class actions, regarding drug pricing and its rebate arrangements with drug manufacturers. These complaints, brought by a number of different types of plaintiffs under a variety of legal theories, generally allege that rebate agreements between the drug manufacturers and PBMs caused inflated prices for certain drug products. The majority of these cases have now been transferred into a multi-district litigation in the U.S. District Court for the District of New Jersey. The Company is defending itself against these claims. The Company has also received subpoenas, civil investigative demands ("CIDs"), and other requests for documents and information from, and is being investigated by, the FTC and Attorneys General of several states and the District of Columbia regarding its PBM practices, including pharmacy contracting practices and reimbursement, pricing and rebates. The Company has been providing documents and information in response to these subpoenas, CIDs, and requests for information. In July 2024, the FTC released an interim staff report on PBMs in which it studies, among other things, the impacts that the PBM industry may have on prescription drug costs and pharmacies. The Company disagrees with many of the statements made in the FTC's interim staff report. In September 2024, the FTC filed an administrative complaint against the three largest PBMs and their affiliated group purchasing organizations, including subsidiaries of the Company. The complaint alleged that the PBMs engaged in anti-competitive and unfair practices that "artificially" increased insulin costs. The Company is aggressively defending itself against the complaint.

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

Controlled Substances Litigation, Audits and Subpoenas

In December 2022, the Company agreed to a formal settlement agreement, the financial amounts of which were agreed to in principle in October 2022, with a leadership group of a number of state Attorneys General and the Plaintiffs' Executive Committee. Upon finalization, the agreement resolves substantially all opioid claims against Company entities by participating states and political subdivisions but not private plaintiffs, alleging claims beginning as far back as the early 2000s generally concerning the impacts of widespread prescription opioid abuse. The maximum amount payable by the Company under the settlement is approximately \$4.3 billion in opioid remediation and \$625 million in attorneys' fees and costs and additional remediation. The amounts are payable over 10 years, beginning in 2023. The agreement also contains injunctive terms relating to the dispensing of opioid medications. The settlement agreement is available at nationalopioidsettlement.com.

Upon reaching an agreement in principle in October 2022, the Company concluded that settlement of opioid claims by governmental entities and tribes was probable, and the loss related thereto could be reasonably estimated. As a result of that conclusion, and its assessment of certain other opioid-related claims including those for which the Company reached agreement in August and September 2022, the Company recorded pre-tax charges of \$5.3 billion during the year ended December 31, 2022. Settlement accruals expected to be paid within twelve months from the balance sheet date are classified as accrued expenses on the unaudited condensed consolidated balance sheets and settlement accruals expected to be paid greater than twelve months from the balance sheet date are classified as other long-term liabilities on the unaudited condensed consolidated balance sheets.

In June 2023, the Company elected to move forward with a final settlement agreement, the financial amounts of which were agreed to in principle in October 2022, to resolve claims brought by participating states and political subdivisions such as counties, cities, and towns, but not by private plaintiffs, alleging claims beginning as far back as the early 2000s generally concerning the impacts of widespread prescription opioid abuse. The agreement became effective in June 2023.

Forty-five states, the District of Columbia, and all eligible United States territories are participating in the settlement. A high percentage of eligible subdivisions within the participating states also have elected to join the settlement. The Company has

separately entered into settlement agreements with four states – Florida, West Virginia, New Mexico and Nevada – and a high percentage of eligible subdivisions within those states also have elected to participate.

The final settlement agreement contains certain contingencies related to payment obligations. Because these contingencies are inherently unpredictable, the assessment requires judgments about future events. The amount of ultimate loss may differ from the amount accrued by the Company.

The State of Maryland has elected not to participate, and thus subdivisions within the State of Maryland may not participate, in the settlement. The State of Maryland has issued a civil subpoena for information from the Company, and litigation is pending with certain subdivisions within the State of Maryland, though in August 2024 the Company reached a settlement with the City of Baltimore for an amount immaterial to the Company. The Company is defending itself against claims made in these cases.

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

These settlements resolve a majority of the cases against the Company that had been pending in the consolidated multidistrict litigation captioned *In re National Prescription Opiate Litigation* (MDL No. 2804) pending in the U.S. District Court for the Northern District of Ohio. However, certain opioid-related cases against the Company remain pending in the multidistrict litigation and in various state courts, including those brought by non-participating subdivisions, including the City of Philadelphia, and private parties such as hospitals and third-party payors. The Company continues to defend those cases.

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

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

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

Prescription Processing Litigation and Investigations

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

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

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

Provider Proceedings

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

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

CMS Actions

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

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

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

it would begin the RADV and OIG contract-level audits for payment year 2018, however as of the end of October 2024 no Company contracts have been selected.

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

The RADV Audit Rule does not apply to the CMS Part C Improper Payment Measures audits nor the U.S. Department of Health and Human Services RADV programs.

Medicare and Medicaid Litigation and Investigations

The Company has received CIDs from the Civil Division of the DOJ in connection with investigations of the Company's identification and/or submission of diagnosis codes related to risk adjustment payments, including patient chart review processes, under Parts C and D of the Medicare program. The Company is cooperating with the government and providing documents and information in response to these CIDs.

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

In November 2021, prior to its acquisition by the Company, Oak Street Health received a CID from the DOJ in connection with an investigation of possible false claims submitted to Medicare related to Oak Street Health's relationships with third-party marketing agents and Oak Street Health's provision of free transportation to federal health care beneficiaries. In September 2024, the Company settled the matter for an amount immaterial to the Company.

Since January 2022, the U.S. Attorney's Office for the District of Massachusetts has issued subpoenas to Aetna Life Insurance Company seeking, among other things, information in connection with its relationship and compensation arrangements with certain brokers, and the Company may receive similar inquiries in the future. The Company is cooperating with the investigation.

Stockholder Matters

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

Beginning in December 2021, the Company has received three demands for inspection of books and records pursuant to Delaware General Corporation Law Section 220 ("Section 220 demands"), as well as a derivative complaint (*Vladimir Gusinsky Revocable Trust v. Lynch, et al.*) that was filed in January 2023, which the defendants have moved to dismiss. The Section 220 demands and the complaint purport to be related to potential breaches of fiduciary duties by the Board in relation to certain matters concerning opioids. Following the Company's response to the Section 220 demands, two of the three stockholders sent demand letters to the Board containing allegations substantially similar to those made in the earlier Section 220 demands and the derivative matter, and requested that it take certain actions, including consideration of its governance and policies with respect to controlled substances. The Board deferred consideration of these two demands until after the motion to dismiss the

Gusinsky case was decided. In July 2024, the court granted the defendants' motion to dismiss the *Gusinsky* case. In September 2024, the Board received a third demand letter containing similar allegations and requesting the Board take action. The Board is considering its response to the three demands in light of the *Gusinsky* dismissal.

In January 2022, a shareholder class action complaint was filed in the Northern District of Illinois, *Allison v. Oak Street Health, Inc., et al.* Defendants include Oak Street Health and certain of its pre-acquisition officers and directors. The putative plaintiffs assert causes of action under various securities laws premised on allegations that defendants made omissions and misrepresentations to investors relating to marketing conduct they allege may violate the False Claims Act. In May 2024, the parties reached agreement in principle to settle this action for an amount immaterial to the Company. The court preliminarily approved the settlement in September 2024, and the final approval hearing has been scheduled for December 2024.

Beginning in July 2024, two purported class action complaints, as well as multiple derivative complaints, were filed by putative plaintiffs against the Company and certain current and former officers and directors. The plaintiffs in these cases assert a variety of causes of action under federal securities laws and state law that are premised on allegations that the defendants made certain omissions and misrepresentations relating to the profitability of the Health Care Benefits segment. The two purported class actions were filed in U.S. District Court for the Southern District of New York, *Nixon v. CVS Health Corporation, et al.* and *Tatone v. CVS Health Corporation, et al.*, as were two of the pending derivative cases, *Kaufmann v. Lynch, et al.*, and *Silva v. Lynch, et al.* Two derivative cases were filed in the District of Rhode Island, *Duffy v. Lynch, et al.* and *Lovoi v. Lynch, et al.*, and two were filed in Rhode Island Superior Court, *Goff v. Lynch, et al.* and *Brodin v. Lynch, et al.* The Company and the individual defendants are defending themselves against these claims.

Other Legal and Regulatory Proceedings

The Company is also a party to other legal proceedings and is subject to government investigations, inquiries and audits, and has received and is cooperating with the government in response to CIDs, subpoenas, or similar process from various governmental agencies requesting information. These other legal proceedings and government actions include claims of or relating to bad faith, medical or professional malpractice, breach of fiduciary duty, claims processing, dispensing of medications, the use of medical testing devices in the in-home evaluation setting, non-compliance with state and federal regulatory regimes, marketing misconduct, denial of or failure to timely or appropriately pay or administer claims and benefits, provider network structure (including the use of performance-based networks and termination of provider contracts), rescission of insurance coverage, improper disclosure or use of personal information, anticompetitive practices, the Company's participation in the 340B program, general contractual matters, product liability, intellectual property litigation, discrimination and employment litigation. Some of these other legal proceedings are or are purported to be class actions or derivative claims. The Company is defending itself against the claims brought in these matters.

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

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

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

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

13. Segment Reporting

The Company has three operating segments, Health Care Benefits, Health Services and Pharmacy & Consumer Wellness, as well as a Corporate/Other segment. The Company's segments maintain separate financial information, and the CODM evaluates the segments' operating results on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. The CODM evaluates the performance of the Company's segments based on adjusted operating income. Total assets by segment are not used by the CODM to assess the performance of, or allocate resources to, the Company's segments, therefore total assets by segment are not disclosed.

Adjusted operating income is defined as operating income (loss) (GAAP measure) excluding the impact of amortization of intangible assets, net realized capital gains or losses and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance. See the reconciliations of consolidated operating income (GAAP measure) to consolidated adjusted operating income below for further context regarding the items excluded from operating income in determining adjusted operating income. The CODM uses adjusted operating income as its principal measure of segment performance as it enhances the CODM's ability to compare past financial performance with current performance and analyze underlying business performance and trends. Non-GAAP financial measures the Company discloses, such as consolidated adjusted operating income, should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

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

<i>In millions</i>	Health Care Benefits	Health Services ⁽¹⁾	Pharmacy & Consumer Wellness	Corporate/ Other	Intersegment Eliminations ⁽²⁾	Consolidated Totals
Three Months Ended						
September 30, 2024						
Revenues from external customers	\$ 32,555	\$ 40,794	\$ 21,515	\$ 14	\$ —	\$ 94,878
Intersegment revenues	18	3,336	10,908	—	(14,262)	—
Net investment income (loss)	423	(1)	—	128	—	550
Total revenues	32,996	44,129	32,423	142	(14,262)	95,428
Adjusted operating income (loss)	(924)	2,204	1,596	(329)	—	2,547
September 30, 2023						
Revenues from external customers	\$ 26,089	\$ 44,064	\$ 19,321	\$ 13	\$ —	\$ 89,487
Intersegment revenues	20	2,827	9,553	—	(12,400)	—
Net investment income (loss)	187	—	(2)	92	—	277
Total revenues	26,296	46,891	28,872	105	(12,400)	89,764
Adjusted operating income (loss)	1,536	1,878	1,389	(347)	—	4,456
Nine Months Ended						
September 30, 2024						
Revenues from external customers	\$ 96,577	\$ 115,954	\$ 61,127	\$ 43	\$ —	\$ 273,701
Intersegment revenues	54	10,634	29,859	—	(40,547)	—
Net investment income (loss)	1,076	(3)	—	325	—	1,398
Total revenues	97,707	126,585	90,986	368	(40,547)	275,099
Adjusted operating income (loss)	746	5,482	4,016	(996)	—	9,248
September 30, 2023						
Revenues from external customers	\$ 78,302	\$ 127,907	\$ 56,826	\$ 43	\$ —	\$ 263,078
Intersegment revenues	62	9,790	28,756	—	(38,608)	—
Net investment income (loss)	556	—	(4)	333	—	885
Total revenues	78,920	137,697	85,578	376	(38,608)	263,963
Adjusted operating income (loss)	4,901	5,452	3,936	(982)	—	13,307

(1) Total revenues of the Health Services segment include approximately \$2.7 billion and \$3.2 billion of retail co-payments for the three months ended September 30, 2024 and 2023, respectively. Total revenues of the Health Services segment include approximately \$8.9 billion and \$10.7 billion of retail co-payments for the nine months ended September 30, 2024 and 2023, respectively.

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

The following are reconciliations of consolidated operating income to adjusted operating income for the three and nine months ended September 30, 2024 and 2023:

<i>In millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating income (GAAP measure)	\$ 832	\$ 3,690	\$ 6,148	\$ 10,370
Amortization of intangible assets ⁽¹⁾	507	509	1,522	1,396
Net realized capital (gains) losses ⁽²⁾	(19)	142	89	345
Acquisition-related transaction and integration costs ⁽³⁾	41	94	203	294
Restructuring charges ⁽⁴⁾	1,169	11	1,169	507
Office real estate optimization charges ⁽⁵⁾	17	10	17	46
Opioid litigation charge ⁽⁶⁾	—	—	100	—
Loss on assets held for sale ⁽⁷⁾	—	—	—	349
Adjusted operating income	\$ 2,547	\$ 4,456	\$ 9,248	\$ 13,307

- (1) The Company's acquisition activities have resulted in the recognition of intangible assets as required under the acquisition method of accounting which consist primarily of trademarks, customer contracts/relationships, covenants not to compete, technology, provider networks and value of business acquired. Definite-lived intangible assets are amortized over their estimated useful lives and are tested for impairment when events indicate that the carrying value may not be recoverable. The amortization of intangible assets is reflected in the unaudited condensed consolidated statements of operations in operating expenses within each segment. Although intangible assets contribute to the Company's revenue generation, the amortization of intangible assets does not directly relate to the underwriting of the Company's insurance products, the services performed for the Company's customers or the sale of the Company's products or services. Additionally, intangible asset amortization expense typically fluctuates based on the size and timing of the Company's acquisition activity. Accordingly, the Company believes excluding the amortization of intangible assets enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance and to analyze underlying business performance and trends. Intangible asset amortization excluded from the related non-GAAP financial measure represents the entire amount recorded within the Company's GAAP financial statements, and the revenue generated by the associated intangible assets has not been excluded from the related non-GAAP financial measure. Intangible asset amortization is excluded from the related non-GAAP financial measure because the amortization, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised.
- (2) The Company's net realized capital gains and losses arise from various types of transactions, primarily in the course of managing a portfolio of assets that support the payment of insurance liabilities. Net realized capital gains and losses are reflected in the unaudited condensed consolidated statements of operations in net investment income (loss) within each segment. These capital gains and losses are the result of investment decisions, market conditions and other economic developments that are unrelated to the performance of the Company's business, and the amount and timing of these capital gains and losses do not directly relate to the underwriting of the Company's insurance products, the services performed for the Company's customers or the sale of the Company's products or services. Accordingly, the Company believes excluding net realized capital gains and losses enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance and to analyze underlying business performance and trends.
- (3) During the three and nine months ended September 30, 2024, the acquisition-related integration costs relate to the acquisitions of Signify Health and Oak Street Health. During the three and nine months ended September 30, 2023, the acquisition-related transaction and integration costs relate to the acquisitions of Signify Health and Oak Street Health. The acquisition-related transaction and integration costs are reflected in the Company's unaudited condensed consolidated statements of operations in operating expenses within the Corporate/Other segment.
- (4) During the three and nine months ended September 30, 2024, the restructuring charges are primarily comprised of a store impairment charge, corporate workforce optimization costs, including severance and employee-related costs, and other asset impairment and related charges associated with the discontinuation of certain non-core assets. During the third quarter of 2024, the Company finalized an enterprise-wide restructuring plan intended to streamline and simplify the organization, improve efficiency and reduce costs. In connection with this restructuring plan, the Company completed a strategic review of its retail business and determined that it plans to close 271 retail stores in 2025, and, accordingly, it recorded a store impairment charge to write down the associated operating lease right-of-use assets and property and equipment. In addition, during the third quarter of 2024, the Company also conducted a review of its various strategic assets and determined that it would discontinue the use of certain non-core assets, at which time impairment losses were recorded to write down the carrying value of these assets to the Company's best estimate of their fair value. During the three months ended September 30, 2023, the restructuring charges are primarily comprised of a stock-based compensation charge. During the nine months ended September 30, 2023, the restructuring charges also include severance and employee-related costs and asset impairment charges. The restructuring charges associated with the store impairments are reflected within the Pharmacy & Consumer Wellness segment, other asset impairments and related charges are reflected within the Corporate/Other and Pharmacy & Consumer Wellness segments and corporate workforce optimization costs, including severance and employee-related costs, are reflected within the Corporate/Other segment.
- (5) During the three and nine months ended September 30, 2024 and 2023, the office real estate optimization charges primarily relate to the abandonment of leased real estate and the related right-of-use assets and property and equipment in connection with the Company's continuous evaluation of corporate office real estate space in response to its ongoing flexible work arrangement. The office real estate optimization charges are reflected in the Company's unaudited condensed consolidated statements of operations in operating expenses within each segment.
- (6) During the nine months ended September 30, 2024, the opioid litigation charge relates to a change in the Company's accrual related to ongoing opioid litigation matters.
- (7) During the nine months ended September 30, 2023, the loss on assets held for sale relates to the LTC reporting unit within the Pharmacy & Consumer Wellness segment. During 2022, the Company determined that its LTC business was no longer a strategic asset and committed to a plan to sell it, at which time the LTC business met the criteria for held-for-sale accounting and its net assets were accounted for as assets held for sale. During the first quarter of 2023, a loss on assets held for sale was recorded to write down the carrying value of the LTC business to the Company's best estimate of the ultimate selling price which reflected its estimated fair value less costs to sell. As of the third quarter of 2023, the Company determined the LTC business no

longer met the criteria for held-for-sale accounting and accordingly the net assets associated with the LTC business were reclassified to held and used at their respective fair values.

Report of Independent Registered Public Accounting Firm

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

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of CVS Health Corporation (the Company) as of September 30, 2024, the related condensed consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended September 30, 2024 and 2023, the related condensed consolidated statements of shareholders' equity for the three-month periods ended March 31, 2024 and 2023, June 30, 2024 and 2023 and September 30, 2024 and 2023, the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2024 and 2023, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2023, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated February 7, 2024, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it was derived.

Basis for Review Results

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

/s/ Ernst & Young LLP

Boston, Massachusetts
November 6, 2024

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

Overview of Business

CVS Health Corporation, together with its subsidiaries (collectively, "CVS Health," the "Company," "we," "our" or "us"), is a leading health solutions company building a world of health around every consumer it serves and connecting care so that it works for people wherever they are. As of September 30, 2024, the Company had more than 9,000 retail locations, more than 900 walk-in medical clinics, more than 225 primary care medical clinics, a leading pharmacy benefits manager with approximately 90 million plan members and expanding specialty pharmacy solutions, and a dedicated senior pharmacy care business serving more than 800,000 patients per year. The Company also serves an estimated more than 36 million people through traditional, voluntary and consumer-directed health insurance products and related services, including expanding Medicare Advantage offerings and a leading standalone Medicare Part D prescription drug plan ("PDP"). The Company is creating new sources of value through its integrated model allowing it to expand into personalized, technology driven care delivery and health services, increasing access to quality care, delivering better health outcomes and lowering overall health care costs.

The Company has four reportable segments: Health Care Benefits, Health Services, Pharmacy & Consumer Wellness and Corporate/Other, which are described below.

Overview of the Health Care Benefits Segment

The Health Care Benefits segment operates as one of the nation's leading diversified health care benefits providers. The Health Care Benefits segment has the information and resources to help members, in consultation with their health care professionals, make more informed decisions about their health care. The Health Care Benefits segment offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental and behavioral health plans, medical management capabilities, Medicare Advantage and Medicare Supplement plans, PDPs and Medicaid health care management services. The Health Care Benefits segment's customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers ("providers"), governmental units, government-sponsored plans, labor groups and expatriates. The Company refers to insurance products (where it assumes all or a majority of the risk for medical and dental care costs) as "Insured" and administrative services contract products (where the plan sponsor assumes all or a majority of the risk for medical and dental care costs) as "ASC." The Company sold Insured plans directly to individual consumers through the individual public health insurance exchanges in 17 states as of September 30, 2024.

Overview of the Health Services Segment

The Health Services segment provides a full range of pharmacy benefit management ("PBM") solutions, delivers health care services in its medical clinics, virtually, and in the home, and offers provider enablement solutions. PBM solutions include plan design offerings and administration, formulary management, retail pharmacy network management services, and specialty and mail order pharmacy services. In addition, the Company provides clinical services, disease management services, medical spend management and pharmacy and/or other administrative services for providers and federal 340B drug pricing program covered entities ("Covered Entities"). The Company operates a group purchasing organization that negotiates pricing for the purchase of pharmaceuticals and rebates with pharmaceutical manufacturers on behalf of its participants and provides various administrative, management and reporting services to pharmaceutical manufacturers. During 2023, the Company completed the acquisition of two key health care delivery assets – Signify Health, Inc. ("Signify Health"), a leader in health risk assessments, value-based care and provider enablement services, and Oak Street Health, Inc. ("Oak Street Health"), a leading multi-payor operator of value-based primary care centers serving Medicare eligible patients. The Company also launched Cordavis™, a wholly owned subsidiary that works directly with pharmaceutical manufacturers to commercialize and/or co-produce high quality biosimilar products. The Health Services segment's clients and customers are primarily employers, insurance companies, unions, government employee groups, health plans, PDPs, Medicaid managed care plans, the U.S. Centers for Medicare & Medicaid Services ("CMS"), plans offered on public and private health insurance exchanges and other sponsors of health benefit plans throughout the U.S., patients who receive care in the Health Services segment's medical clinics, virtually or in the home, as well as Covered Entities.

Overview of the Pharmacy & Consumer Wellness Segment

The Pharmacy & Consumer Wellness segment dispenses prescriptions in its retail pharmacies and through its infusion operations, provides ancillary pharmacy services including pharmacy patient care programs, diagnostic testing and vaccination administration, and sells a wide assortment of health and wellness products and general merchandise. The segment also

conducts long-term care pharmacy (“LTC”) operations, which distribute prescription drugs and provide related pharmacy consulting and ancillary services to long-term care facilities and other care settings, and provides pharmacy fulfillment services to support the Health Services segment’s specialty and mail order pharmacy offerings. As of September 30, 2024, the Pharmacy & Consumer Wellness segment operated more than 9,000 retail locations, as well as online retail pharmacy websites, LTC pharmacies and on-site pharmacies, retail specialty pharmacy stores, compounding pharmacies and branches for infusion and enteral nutrition services.

Overview of the Corporate/Other Segment

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

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

Operating Results

The following discussion explains the material changes in the Company's operating results for the three and nine months ended September 30, 2024 and 2023, and the significant developments affecting the Company's financial condition since December 31, 2023. We strongly recommend that you read our audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K").

Summary of Consolidated Financial Results

In millions	Three Months Ended September 30,		Nine Months Ended September 30,		Change			
					Three Months Ended September 30, 2024 vs 2023		Nine Months Ended September 30, 2024 vs 2023	
	2024	2023	2024	2023	\$	%	\$	%
Revenues:								
Products	\$ 59,674	\$ 61,298	\$ 169,610	\$ 179,984	\$ (1,624)	(2.6)%	\$ (10,374)	(5.8)%
Premiums	30,925	24,657	91,983	74,117	6,268	25.4 %	17,866	24.1 %
Services	4,279	3,532	12,108	8,977	747	21.1 %	3,131	34.9 %
Net investment income	550	277	1,398	885	273	98.6 %	513	58.0 %
Total revenues	95,428	89,764	275,099	263,963	5,664	6.3 %	11,136	4.2 %
Operating costs:								
Cost of products sold	52,948	54,688	151,019	159,679	(1,740)	(3.2)%	(8,660)	(5.4)%
Health care costs	29,922	21,499	85,578	63,729	8,423	39.2 %	21,849	34.3 %
Operating expenses	10,557	9,876	31,185	29,329	681	6.9 %	1,856	6.3 %
Restructuring charges	1,169	11	1,169	507	1,158	10,527.3 %	662	130.6 %
Loss on assets held for sale	—	—	—	349	—	— %	(349)	(100.0)%
Total operating costs	94,596	86,074	268,951	253,593	8,522	9.9 %	15,358	6.1 %
Operating income	832	3,690	6,148	10,370	(2,858)	(77.5)%	(4,222)	(40.7)%
Interest expense	752	693	2,200	1,968	59	8.5 %	232	11.8 %
Other income	(25)	(22)	(74)	(66)	(3)	(13.6)%	(8)	(12.1)%
Income before income tax provision	105	3,019	4,022	8,468	(2,914)	(96.5)%	(4,446)	(52.5)%
Income tax provision	34	754	1,059	2,147	(720)	(95.5)%	(1,088)	(50.7)%
Net income	71	2,265	2,963	6,321	(2,194)	(96.9)%	(3,358)	(53.1)%
Net (income) loss attributable to noncontrolling interests	16	(4)	7	(23)	20	500.0 %	30	130.4 %
Net income attributable to CVS Health	\$ 87	\$ 2,261	\$ 2,970	\$ 6,298	\$ (2,174)	(96.2)%	\$ (3,328)	(52.8)%

Commentary - Three Months Ended September 30, 2024 vs. 2023

Revenues

- Total revenues increased \$5.7 billion, or 6.3%, in the three months ended September 30, 2024 compared to the prior year primarily driven by growth in the Health Care Benefits and Pharmacy & Consumer Wellness segments, partially offset by a decline in the Health Services segment.
- Please see "Segment Analysis" later in this report for additional information about the revenues of the Company's segments.

Operating expenses

- Operating expenses increased \$681 million, or 6.9%, in the three months ended September 30, 2024 compared to the prior year. The increase in operating expenses was primarily due to the accelerated recognition of unamortized acquisition costs of \$394 million in connection with premium deficiency reserves recorded during the third quarter of 2024, as well as increased operating expenses to support growth in the business.

- Please see “Segment Analysis” later in this report for additional information about the operating expenses of the Company’s segments.

Operating income

- Operating income decreased \$2.9 billion, or 77.5%, in the three months ended September 30, 2024, primarily due to a decline in the Health Care Benefits segment, driven by increased utilization and premium deficiency reserves of approximately \$1.1 billion recorded in the third quarter of 2024, as well as restructuring charges of approximately \$1.2 billion recorded in the three months ended September 30, 2024. These decreases were partially offset by an increase in operating income in the Health Services segment, primarily driven by improved purchasing economics.
- Please see “Segment Analysis” later in this report for additional information about the operating results of the Company’s segments.

Interest expense

- Interest expense increased \$59 million, or 8.5%, due to higher debt in the three months ended September 30, 2024, primarily driven by long-term debt issued in May 2024. See “Liquidity and Capital Resources” later in this report for additional information.

Income tax provision

- The effective income tax rate was 32.4% for the three months ended September 30, 2024 compared to 25.0% for the three months ended September 30, 2023. The increase in the effective income tax rate was primarily due to lower pre-tax income in the three months ended September 30, 2024 compared to the prior year.

Commentary - Nine Months Ended September 30, 2024 vs. 2023

Revenues

- Total revenues increased \$11.1 billion, or 4.2%, in the nine months ended September 30, 2024 compared to the prior year driven by growth in the Health Care Benefits and Pharmacy & Consumer Wellness segments, partially offset by a decline in the Health Services segment.
- Please see “Segment Analysis” later in this report for additional information about the revenues of the Company’s segments.

Operating expenses

- Operating expenses increased \$1.9 billion, or 6.3%, in the nine months ended September 30, 2024 compared to the prior year. The increase in operating expenses was primarily due to increased operating expenses to support growth in the business, the accelerated recognition of unamortized acquisition costs in connection with premium deficiency reserves recorded during the third quarter of 2024, as well as operating expenses associated with Oak Street Health which was acquired in May of 2023, including the amortization of acquired intangible assets.
- Please see “Segment Analysis” later in this report for additional information about the operating expenses of the Company’s segments.

Operating income

- Operating income decreased \$4.2 billion, or 40.7%, in the nine months ended September 30, 2024 compared to the prior year. The decrease in operating income was primarily driven by a decline in the Health Care Benefits segment, driven by increased utilization in the Medicare and Medicaid product lines and premium deficiency reserves of approximately \$1.1 billion recorded in the third quarter of 2024, as well as an increase in restructuring charges compared to the prior year. These decreases were partially offset by the absence of a \$349 million loss on assets held for sale related to the write-down of the Company’s Omnicare® long-term care business recorded in the prior year.
- Please see “Segment Analysis” later in this report for additional information about the operating results of the Company’s segments.

Interest expense

- Interest expense increased \$232 million, or 11.8%, due to higher debt in the nine months ended September 30, 2024, primarily driven by long-term debt issued in February and June of 2023 to fund the Company’s acquisitions of Signify Health and Oak Street Health, respectively, as well as long-term debt issued in May 2024. See “Liquidity and Capital Resources” later in this report for additional information.

Income tax provision

- The effective income tax rate was 26.3% for the nine months ended September 30, 2024 compared to 25.4% for the nine months ended September 30, 2023. The increase in the effective income tax rate was primarily due to lower pre-tax income in the nine months ended September 30, 2024 compared to the prior year.

2024 Outlook

The Company believes you should consider the following key business and regulatory trends and uncertainties:

Key Business Trends and Uncertainties

- Membership enrollment in Medicare Advantage and individual exchange plans has exceeded expectations.
- Utilization, particularly in Medicare Advantage programs, persisted at elevated levels through the third quarter of 2024. Although the level of Medicare utilization is difficult to accurately predict, at this time, the Company expects that continued elevated utilization will pressure its Health Care Benefits segment and its health care delivery assets in its Health Services segment for the remainder of the year. Further, continued elevated utilization may also result in the Company having to record additional premium deficiency reserves in the Health Care Benefits segment during the fourth quarter of 2024.
- The Company's Medicaid business is experiencing medical cost pressures, largely driven by higher than expected acuity following the resumption of member redeterminations. While the Company continues to work closely with its state partners to ensure the underlying trends are reflected in its premium rates going forward, it is uncertain when these pressures will be fully offset by state rate updates.
- The Company's individual exchange business is subject to a risk adjustment program whereby the Company estimates its ultimate risk adjustment receivable or payable based on the risk of its qualified plan members relative to the average risk of members of other qualified plans in comparable markets. Changes in the Company's risk relative to the markets' risk could adversely impact the Company's estimate of its risk adjustment receivable or payable.
- The Company expects growth in its new Cordavis, Oak Street Health and Signify Health businesses.
- The Company continues to share with clients a larger portion of rebates, fees and/or discounts received from pharmaceutical manufacturers. In addition, marketplace dynamics and regulatory changes have limited the Company's ability to offer plan sponsors pricing that includes retail network "differential" or "spread." The Company expects these trends to continue.
- Glucagon-like peptide 1 ("GLP-1") supply disruptions, and the associated impact on product mix, could pressure the Company's ability to deliver savings to clients and could impact the Company's results.
- Consumer spend management and a decline in consumer discretionary spending, as well as a shift to value, grocery and digital retailers, could drive lower front store sales.
- Future costs are influenced by a number of factors including competitive demand for products and services, legislative and regulatory considerations, and labor and other market dynamics, including inflation. We evaluate and adjust our approach in each of the markets we serve, considering all relevant factors.
- The Company expects benefits from ongoing enterprise-wide cost savings initiatives and investments in efficiencies, which aim to reduce the Company's operating cost structure in a way that improves the consumer experience and is sustainable. During the third quarter of 2024, the Company finalized an enterprise-wide restructuring plan intended to streamline and simplify the organization, improve efficiency and reduce costs. Refer to Note 2 "Restructuring Program" for actions implemented under the plan.
- Changes in conditions in the U.S. and global capital markets can significantly and adversely affect interest rates and capital market conditions which could result in increased financing costs.
- Actions taken by ratings agencies, including changes in the Company's debt ratings, could impact the Company's future borrowing costs, access to capital markets and new store operating lease costs.

Key Regulatory Trends and Uncertainties

- The Company is exposed to funding and regulation of, and changes in government policy with respect to and/or funding or regulation of, the various Medicare programs in which the Company participates, including changes in the amounts payable to us under those programs and/or new reforms or surcharges on existing programs, including changes to applicable risk adjustment mechanisms.
- Legislation and/or regulations seeking to regulate PBM activities in a comprehensive manner have been proposed or enacted in a majority of states and on the federal level. This legislative and regulatory activity could adversely affect the Company's ability to conduct business on commercially reasonable terms and the Company's ability to standardize its PBM products and services across state lines.

For additional information regarding these and other trends and uncertainties, see Item 1A, “Risk Factors” and Part I, Item 1 “Business - Government Regulation” included in the 2023 Form 10-K.

Segment Analysis

The following discussion of segment operating results is presented based on the Company's reportable segments in accordance with the accounting guidance for segment reporting and is consistent with the segment disclosure in Note 13 "Segment Reporting" to the unaudited condensed consolidated financial statements.

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

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

<i>In millions</i>	Health Care Benefits	Health Services ⁽¹⁾	Pharmacy & Consumer Wellness	Corporate/Other	Intersegment Eliminations ⁽²⁾	Consolidated Totals
Three Months Ended						
September 30, 2024						
Total revenues	\$ 32,996	\$ 44,129	\$ 32,423	\$ 142	\$ (14,262)	\$ 95,428
Adjusted operating income (loss)	(924)	2,204	1,596	(329)	—	2,547
September 30, 2023						
Total revenues	\$ 26,296	\$ 46,891	\$ 28,872	\$ 105	\$ (12,400)	\$ 89,764
Adjusted operating income (loss)	1,536	1,878	1,389	(347)	—	4,456
Nine Months Ended						
September 30, 2024						
Total revenues	\$ 97,707	\$ 126,585	\$ 90,986	\$ 368	\$ (40,547)	\$ 275,099
Adjusted operating income (loss)	746	5,482	4,016	(996)	—	9,248
September 30, 2023						
Total revenues	\$ 78,920	\$ 137,697	\$ 85,578	\$ 376	\$ (38,608)	\$ 263,963
Adjusted operating income (loss)	4,901	5,452	3,936	(982)	—	13,307

(1) Total revenues of the Health Services segment include approximately \$2.7 billion and \$3.2 billion of retail co-payments for the three months ended September 30, 2024 and 2023, respectively, and \$8.9 billion and \$10.7 billion of retail co-payments for the nine months ended September 30, 2024 and 2023, respectively.

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

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

Three Months Ended September 30, 2024					
<i>In millions</i>	Health Care Benefits	Health Services	Pharmacy & Consumer Wellness	Corporate/ Other	Consolidated Totals
Operating income (loss) (GAAP measure)	\$ (1,229)	\$ 2,055	\$ 784	\$ (778)	\$ 832
Amortization of intangible assets ⁽¹⁾	294	149	64	—	507
Net realized capital (gains) losses ⁽²⁾	1	—	—	(20)	(19)
Acquisition-related integration costs ⁽³⁾	—	—	—	41	41
Restructuring charges ⁽⁴⁾	—	—	747	422	1,169
Office real estate optimization charges ⁽⁵⁾	10	—	1	6	17
Adjusted operating income (loss)	\$ (924)	\$ 2,204	\$ 1,596	\$ (329)	\$ 2,547

Three Months Ended September 30, 2023					
<i>In millions</i>	Health Care Benefits	Health Services	Pharmacy & Consumer Wellness	Corporate/ Other	Consolidated Totals
Operating income (loss) (GAAP measure)	\$ 1,115	\$ 1,727	\$ 1,322	\$ (474)	\$ 3,690
Amortization of intangible assets ⁽¹⁾	294	150	65	—	509
Net realized capital losses ⁽²⁾	119	—	2	21	142
Acquisition-related transaction and integration costs ⁽³⁾	—	—	—	94	94
Restructuring charges ⁽⁴⁾	—	—	—	11	11
Office real estate optimization charges ⁽⁵⁾	8	1	—	1	10
Adjusted operating income (loss)	\$ 1,536	\$ 1,878	\$ 1,389	\$ (347)	\$ 4,456

Nine Months Ended September 30, 2024					
<i>In millions</i>	Health Care Benefits	Health Services	Pharmacy & Consumer Wellness	Corporate/ Other	Consolidated Totals
Operating income (loss) (GAAP measure)	\$ (227)	\$ 5,034	\$ 3,076	\$ (1,735)	\$ 6,148
Amortization of intangible assets ⁽¹⁾	881	448	192	1	1,522
Net realized capital losses ⁽²⁾	82	—	—	7	89
Acquisition-related integration costs ⁽³⁾	—	—	—	203	203
Restructuring charges ⁽⁴⁾	—	—	747	422	1,169
Office real estate optimization charges ⁽⁵⁾	10	—	1	6	17
Opioid litigation charge ⁽⁶⁾	—	—	—	100	100
Adjusted operating income (loss)	\$ 746	\$ 5,482	\$ 4,016	\$ (996)	\$ 9,248

Nine Months Ended September 30, 2023					
<i>In millions</i>	Health Care Benefits	Health Services	Pharmacy & Consumer Wellness	Corporate/ Other	Consolidated Totals
Operating income (loss) (GAAP measure)	\$ 3,683	\$ 5,132	\$ 3,388	\$ (1,833)	\$ 10,370
Amortization of intangible assets ⁽¹⁾	883	316	195	2	1,396
Net realized capital losses ⁽²⁾	296	—	4	45	345
Acquisition-related transaction and integration costs ⁽³⁾	—	—	—	294	294
Restructuring charges ⁽⁴⁾	—	—	—	507	507
Office real estate optimization charges ⁽⁵⁾	39	4	—	3	46
Loss on assets held for sale ⁽⁷⁾	—	—	349	—	349
Adjusted operating income (loss)	\$ 4,901	\$ 5,452	\$ 3,936	\$ (982)	\$ 13,307

- (1) The Company's acquisition activities have resulted in the recognition of intangible assets as required under the acquisition method of accounting which consist primarily of trademarks, customer contracts/relationships, covenants not to compete, technology, provider networks and value of business acquired. Definite-lived intangible assets are amortized over their estimated useful lives and are tested for impairment when events indicate that the carrying value may not be recoverable. The amortization of intangible assets is reflected in the unaudited condensed consolidated statements of operations in operating expenses within each segment. Although intangible assets contribute to the Company's revenue generation, the amortization of intangible assets does not directly relate to the underwriting of the Company's insurance products, the services performed for the Company's customers or the sale of the Company's products or services. Additionally, intangible asset amortization expense typically fluctuates based on the size and timing of the Company's acquisition activity. Accordingly, the Company believes excluding the amortization of intangible assets enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance and to analyze underlying business performance and trends. Intangible asset amortization excluded from the related non-GAAP financial measure represents the entire amount recorded within the Company's GAAP financial statements, and the revenue generated by the associated intangible assets has not been excluded from the related non-GAAP financial measure. Intangible asset amortization is excluded from the related non-GAAP financial measure because the amortization, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised.
- (2) The Company's net realized capital gains and losses arise from various types of transactions, primarily in the course of managing a portfolio of assets that support the payment of insurance liabilities. Net realized capital gains and losses are reflected in the unaudited condensed consolidated statements of operations in net investment income (loss) within each segment. These capital gains and losses are the result of investment decisions, market conditions and other economic developments that are unrelated to the performance of the Company's business, and the amount and timing of these capital gains and losses do not directly relate to the underwriting of the Company's insurance products, the services performed for the Company's customers or the sale of the Company's products or services. Accordingly, the Company believes excluding net realized capital gains and losses enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance and to analyze underlying business performance and trends.
- (3) During the three and nine months ended September 30, 2024, the acquisition-related integration costs relate to the acquisitions of Signify Health and Oak Street Health. During the three and nine months ended September 30, 2023, the acquisition-related transaction and integration costs relate to the acquisitions of Signify Health and Oak Street Health. The acquisition-related transaction and integration costs are reflected in the Company's unaudited condensed consolidated statements of operations in operating expenses within the Corporate/Other segment.
- (4) During the three and nine months ended September 30, 2024, the restructuring charges are primarily comprised of a store impairment charge, corporate workforce optimization costs, including severance and employee-related costs, and other asset impairment and related charges associated with the discontinuation of certain non-core assets. During the third quarter of 2024, the Company finalized an enterprise-wide restructuring plan intended to streamline and simplify the organization, improve efficiency and reduce costs. In connection with this restructuring plan, the Company completed a strategic review of its retail business and determined that it plans to close 271 retail stores in 2025, and, accordingly, it recorded a store impairment charge to write down the associated operating lease right-of-use assets and property and equipment. In addition, during the third quarter of 2024, the Company also conducted a review of its various strategic assets and determined that it would discontinue the use of certain non-core assets, at which time impairment losses were recorded to write down the carrying value of these assets to the Company's best estimate of their fair value. During the three months ended September 30, 2023, the restructuring charges are primarily comprised of a stock-based compensation charge. During the nine months ended September 30, 2023, the restructuring charges also include severance and employee-related costs and asset impairment charges. The restructuring charges associated with the store impairments are reflected within the Pharmacy & Consumer Wellness segment, other asset impairments and related charges are reflected within the Corporate/Other and Pharmacy & Consumer Wellness segments and corporate workforce optimization costs, including severance and employee-related costs, are reflected within the Corporate/Other segment.
- (5) During the three and nine months ended September 30, 2024 and 2023, the office real estate optimization charges primarily relate to the abandonment of leased real estate and the related right-of-use assets and property and equipment in connection with the Company's continuous evaluation of corporate office real estate space in response to its ongoing flexible work arrangement. The office real estate optimization charges are reflected in the Company's unaudited condensed consolidated statements of operations in operating expenses within each segment.
- (6) During the nine months ended September 30, 2024, the opioid litigation charge relates to a change in the Company's accrual related to ongoing opioid litigation matters.
- (7) During the nine months ended September 30, 2023, the loss on assets held for sale relates to the LTC reporting unit within the Pharmacy & Consumer Wellness segment. During 2022, the Company determined that its LTC business was no longer a strategic asset and committed to a plan to sell it, at which time the LTC business met the criteria for held-for-sale accounting and its net assets were accounted for as assets held for sale. During the first quarter of 2023, a loss on assets held for sale was recorded to write down the carrying value of the LTC business to the Company's best estimate of the ultimate selling price which reflected its estimated fair value less costs to sell. As of the third quarter of 2023, the Company determined the LTC business no longer met the criteria for held-for-sale accounting and accordingly the net assets associated with the LTC business were reclassified to held and used at their respective fair values.

Health Care Benefits Segment

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

<i>In millions, except percentages and basis points ("bps")</i>	Three Months Ended September 30,		Nine Months Ended September 30,		Change			
					Three Months Ended September 30, 2024 vs 2023		Nine Months Ended September 30, 2024 vs 2023	
	2024	2023	2024	2023	\$	%	\$	%
Revenues:								
Premiums	\$ 30,914	\$ 24,645	\$ 91,947	\$ 74,079	\$ 6,269	25.4 %	\$ 17,868	24.1 %
Services	1,659	1,464	4,684	4,285	195	13.3 %	399	9.3 %
Net investment income	423	187	1,076	556	236	126.2 %	520	93.5 %
Total revenues	32,996	26,296	97,707	78,920	6,700	25.5 %	18,787	23.8 %
Health care costs	29,443	21,114	84,359	63,329	8,329	39.4 %	21,030	33.2 %
MBR (Health care costs as a % of premium revenues)	95.2 %	85.7 %	91.7 %	85.5 %	950 bps		620 bps	
Operating expenses	\$ 4,782	\$ 4,067	\$ 13,575	\$ 11,908	\$ 715	17.6 %	\$ 1,667	14.0 %
Operating expenses as a % of total revenues	14.5 %	15.5 %	13.9 %	15.1 %				
Operating income (loss)	\$ (1,229)	\$ 1,115	\$ (227)	\$ 3,683	\$ (2,344)	(210.2)%	\$ (3,910)	(106.2)%
Operating income (loss) as a % of total revenues	(3.7) %	4.2 %	(0.2) %	4.7 %				
Adjusted operating income (loss) ⁽¹⁾	\$ (924)	\$ 1,536	\$ 746	\$ 4,901	\$ (2,460)	(160.2)%	\$ (4,155)	(84.8)%
Adjusted operating income (loss) as a % of total revenues	(2.8) %	5.8 %	0.8 %	6.2 %				
Premium revenues (by business):								
Government	\$ 22,331	\$ 17,208	\$ 66,269	\$ 52,680	\$ 5,123	29.8 %	\$ 13,589	25.8 %
Commercial	8,583	7,437	25,678	21,399	1,146	15.4 %	4,279	20.0 %

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

Commentary - Three Months Ended September 30, 2024 vs. 2023

Revenues

- Total revenues increased \$6.7 billion, or 25.5%, in the three months ended September 30, 2024 compared to the prior year driven by growth in the Medicare and Commercial product lines.

Premium Deficiency Reserves

- During the third quarter of 2024, the Company recorded premium deficiency reserves of approximately \$1.1 billion, primarily in its Medicare and individual exchange product lines related to anticipated losses for the 2024 coverage year. The \$1.1 billion premium deficiency recorded was comprised of \$394 million of operating expenses related to the write-off of unamortized acquisition costs and \$670 million of health care costs.

Medical Benefit Ratio ("MBR")

- Medical benefit ratio is calculated by dividing the Health Care Benefits segment's health care costs by premium revenues and represents the percentage of premium revenues spent on medical benefits for the segment's Insured members. Management uses MBR to assess the underlying business performance and underwriting of its insurance products, understand variances between actual results and expected results and identify trends in period-over-period results. MBR provides management and investors with information useful in assessing the operating results of the Health Care Benefits segment's Insured products.
- The MBR increased to 95.2% in the three months ended September 30, 2024 compared to 85.7% in the prior year driven by increased utilization, \$670 million (220 basis points) of premium deficiency reserves recorded as health care costs in the third quarter of 2024 primarily related to anticipated losses in the fourth quarter of 2024 within the Medicare and individual exchange product lines, higher acuity in Medicaid and the unfavorable impact of the previously disclosed decline in the Company's Medicare Advantage star ratings for the 2024 payment year.

Operating expenses

- Operating expenses in the Health Care Benefits segment include selling, general and administrative expenses and depreciation and amortization expenses.
- Operating expenses increased \$715 million, or 17.6%, in the three months ended September 30, 2024 compared to the prior year primarily driven by the accelerated recognition of unamortized acquisition costs of \$394 million in connection with the premium deficiency reserves recorded in the third quarter of 2024 and increased operating expenses to support growth across the business. Operating expenses as a percentage of total revenues decreased to 14.5% in the three months ended September 30, 2024 compared to 15.5% in the prior year, reflecting improved fixed cost leverage across the business due to membership growth, partially offset by the 120 basis points impact of the \$394 million of accelerated unamortized acquisition costs described above.

Adjusted operating income (loss)

- During the three months ended September 30, 2024, the Health Care Benefits segment had an adjusted operating loss of \$924 million compared to adjusted operating income of \$1.5 billion in the prior year. The change was primarily driven by increased utilization, approximately \$1.1 billion of premium deficiency reserves recorded in the third quarter of 2024 primarily related to anticipated losses in the fourth quarter of 2024 within the Medicare and individual exchange product lines, the impact of higher acuity in Medicaid following the resumption of redeterminations and the unfavorable impact of the Company's Medicare Advantage star ratings for the 2024 payment year. These decreases were partially offset by an increase in net investment income.

Commentary - Nine Months Ended September 30, 2024 vs. 2023

Revenues

- Total revenues increased \$18.8 billion, or 23.8%, in the nine months ended September 30, 2024 compared to the prior year driven by growth in the Medicare and Commercial product lines.

Premium Deficiency Reserves

- During the nine months ended September 30, 2024, the Company recorded premium deficiency reserves of approximately \$1.1 billion as described above.

Medical Benefit Ratio

- The MBR increased to 91.7% in the nine months ended September 30, 2024 compared to 85.5% in the prior year driven by increased utilization and the unfavorable impact of the Company's Medicare Advantage star ratings for the 2024 payment year within the Medicare product line, higher acuity in Medicaid following the resumption of redeterminations, as well as the premium deficiency reserves recorded as health care costs in the third quarter of 2024.

Operating expenses

- Operating expenses increased \$1.7 billion, or 14.0%, in the nine months ended September 30, 2024 compared to the prior year primarily driven by increased operating expenses to support the growth across the business and the accelerated recognition of unamortized acquisition costs in connection with the premium deficiency reserves recorded in the third quarter of 2024. Operating expenses as a percentage of total revenues decreased to 13.9% in the nine months ended September 30, 2024 compared to 15.1% in the prior year, reflecting improved fixed cost leverage across the business due to membership growth, partially offset by the 40 basis points impact of the \$394 million of accelerated unamortized acquisition costs described above.

Adjusted operating income

- Adjusted operating income decreased \$4.2 billion, or 84.8%, in the nine months ended September 30, 2024 compared to the prior year primarily driven by increased utilization and the unfavorable impact of the Company's Medicare Advantage star ratings for the 2024 payment year within the Medicare product line, the premium deficiency reserves recorded in the third quarter of 2024, as well as the higher acuity in Medicaid. These decreases were partially offset by an increase in net investment income and improved fixed cost leverage across the business due to membership growth.

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

<i>In thousands</i>	September 30, 2024			June 30, 2024			December 31, 2023			September 30, 2023		
	Insured	ASC	Total	Insured	ASC	Total	Insured	ASC	Total	Insured	ASC	Total
Medical membership:												
Commercial	4,751	14,155	18,906	4,702	14,099	18,801	4,252	14,087	18,339	4,198	14,075	18,273
Medicare Advantage	4,438	—	4,438	4,342	—	4,342	3,460	—	3,460	3,438	—	3,438
Medicare Supplement	1,291	—	1,291	1,294	—	1,294	1,343	—	1,343	1,352	—	1,352
Medicaid	2,077	436	2,513	2,090	443	2,533	2,073	444	2,517	2,173	452	2,625
Total medical membership	12,557	14,591	27,148	12,428	14,542	26,970	11,128	14,531	25,659	11,161	14,527	25,688
Supplemental membership information:												
Medicare Prescription Drug Plan (stand-alone)			4,898			4,903			6,081			6,092

Medical Membership

- Medical membership represents the number of members covered by the Health Care Benefits segment's Insured and ASC medical products and related services at a specified point in time. Management uses this metric to understand variances between actual medical membership and expected amounts as well as trends in period-over-period results. This metric provides management and investors with information useful in understanding the impact of medical membership on the Health Care Benefits segment's total revenues and operating results.
- Medical membership as of September 30, 2024 of 27.1 million increased 178,000 members compared with June 30, 2024, reflecting increases in the Commercial and Medicare product lines.
- Medical membership as of September 30, 2024 of 27.1 million increased 1.4 million members compared with September 30, 2023, reflecting increases in the Medicare and Commercial product lines.

Medicare Update

On April 1, 2024, CMS issued its final notice detailing final 2025 Medicare Advantage payment rates. Final 2025 Medicare Advantage rates resulted in an expected average decrease in revenue for the Medicare Advantage industry of 0.16%, excluding the CMS estimate of Medicare Advantage risk score trend.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "ACA") ties a portion of each Medicare Advantage plan's reimbursement to the plan's "star ratings." Plans must have a star rating of four or higher (out of five) to qualify for bonus payments. CMS released the Company's 2025 star ratings in October 2024. The Company's 2025 star ratings will be used to determine which of the Company's Medicare Advantage plans have ratings of four stars or higher and qualify for bonus payments in 2026. Based on the Company's membership as of September 2024, 88% of the Company's Medicare Advantage members were in plans with 2025 star ratings of at least 4.0 stars, compared to 87% of the Company's Medicare Advantage members being in plans with 2024 star ratings of at least 4.0 stars based on the Company's membership as of September 2023.

Health Services Segment

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

In millions, except percentages	Three Months Ended		Nine Months Ended		Change			
	September 30,		September 30,		Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023	September 30, 2024 vs 2023		September 30, 2024 vs 2023	
					\$	%	\$	%
Revenues:								
Products	\$ 41,208	\$ 45,019	\$ 118,417	\$ 133,371	\$ (3,811)	(8.5)%	\$ (14,954)	(11.2)%
Services	2,922	1,872	8,171	4,326	1,050	56.1 %	3,845	88.9 %
Net investment income (loss)	(1)	—	(3)	—	(1)	(100.0)%	(3)	(100.0)%
Total revenues	44,129	46,891	126,585	137,697	(2,762)	(5.9)%	(11,112)	(8.1)%
Cost of products sold	40,381	43,738	116,678	129,425	(3,357)	(7.7)%	(12,747)	(9.8)%
Health care costs	936	612	2,428	995	324	52.9 %	1,433	144.0 %
Operating expenses	757	814	2,445	2,145	(57)	(7.0)%	300	14.0 %
Operating expenses as a % of total revenues	1.7 %	1.7 %	1.9 %	1.6 %				
Operating income	\$ 2,055	\$ 1,727	\$ 5,034	\$ 5,132	\$ 328	19.0 %	\$ (98)	(1.9)%
Operating income as a % of total revenues	4.7 %	3.7 %	4.0 %	3.7 %				
Adjusted operating income ⁽¹⁾	\$ 2,204	\$ 1,878	\$ 5,482	\$ 5,452	\$ 326	17.4 %	\$ 30	0.6 %
Adjusted operating income as a % of total revenues	5.0 %	4.0 %	4.3 %	4.0 %				
Revenues (by distribution channel):								
Pharmacy network ⁽²⁾	\$ 24,136	\$ 27,981	\$ 66,448	\$ 83,050	\$ (3,845)	(13.7)%	\$ (16,602)	(20.0)%
Mail & specialty ⁽³⁾	17,214	17,004	52,127	50,378	210	1.2 %	1,749	3.5 %
Other	2,780	1,906	8,013	4,269	874	45.9 %	3,744	87.7 %
Net investment income (loss)	(1)	—	(3)	—	(1)	(100.0)%	(3)	(100.0)%
Pharmacy claims processed ⁽⁴⁾	484.1	579.6	1,418.2	1,743.5	(95.5)	(16.5)%	(325.3)	(18.7)%
Generic dispensing rate ⁽⁴⁾	86.8 %	87.5 %	87.8 %	88.1 %				

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

(2) Pharmacy network revenues relate to claims filled at retail and specialty retail pharmacies, including the Company's retail pharmacies and LTC pharmacies, as well as activity associated with Maintenance Choice, which permits eligible client plan members to fill their maintenance prescriptions through mail order delivery or at a CVS pharmacy retail store for the same price as mail order.

(3) Mail & specialty revenues relate to specialty mail claims inclusive of Specialty Connect® claims picked up at a retail pharmacy, as well as mail order and specialty claims fulfilled by the Pharmacy & Consumer Wellness segment.

(4) Includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal prescription.

Commentary - Three Months Ended September 30, 2024 vs. 2023

Revenues

- Total revenues decreased \$2.8 billion, or 5.9%, in the three months ended September 30, 2024 compared to the prior year primarily driven by the previously announced loss of a large client and continued pharmacy client price improvements. These decreases were partially offset by pharmacy drug mix, increased contributions from the Company's health care delivery assets and growth in specialty pharmacy.

Operating expenses

- Operating expenses in the Health Services segment include selling, general and administrative expenses; and depreciation and amortization expense.
- Operating expenses decreased \$57 million, or 7.0%, in the three months ended September 30, 2024 compared to the prior year. Operating expenses as a percentage of total revenues remained consistent at 1.7% in both the three months ended September 30, 2024 and 2023.

Adjusted operating income

- Adjusted operating income increased \$326 million, or 17.4%, in the three months ended September 30, 2024 compared to the prior year primarily driven by improved purchasing economics, partially offset by continued pharmacy client price improvements and the previously announced loss of a large client.
- As you review the Health Services segment's performance in this area, you should consider the following important information about the business:
 - The Company's efforts to (i) retain existing clients, (ii) obtain new business and (iii) maintain or improve the rebates, fees and/or discounts the Company receives from manufacturers, wholesalers and retail pharmacies continue to have an impact on adjusted operating income. In particular, the Company continues to share with clients a larger portion of rebates, fees and/or discounts received from pharmaceutical manufacturers. In addition, marketplace dynamics and regulatory changes have limited the Company's ability to offer plan sponsors pricing that includes retail network "differential" or "spread," and the Company expects these trends to continue. The "differential" or "spread" is any difference between the drug price charged to plan sponsors, including Medicare Part D plan sponsors, by a PBM and the price paid for the drug by the PBM to the dispensing provider.

Pharmacy claims processed

- Pharmacy claims processed represents the number of prescription claims processed through the Company's pharmacy benefits manager and dispensed by either its retail network pharmacies or the Company's mail and specialty pharmacies. Management uses this metric to understand variances between actual claims processed and expected amounts as well as trends in period-over-period results. This metric provides management and investors with information useful in understanding the impact of pharmacy claim volume on segment total revenues and operating results.
- Pharmacy claims processed decreased 16.5% on a 30-day equivalent basis in the three months ended September 30, 2024 compared to the prior year, reflecting the previously announced loss of a large client.

Generic dispensing rate

- Generic dispensing rate is calculated by dividing the Health Services segment's generic drug claims processed by its total claims processed. Management uses this metric to evaluate the effectiveness of the business at encouraging the use of generic drugs when they are available and clinically appropriate, which aids in decreasing costs for client members and retail customers. This metric provides management and investors with information useful in understanding trends in segment total revenues and operating results.
- The Health Services segment's generic dispensing rate decreased to 86.8% in the three months ended September 30, 2024 compared to 87.5% in the prior year. The decrease was primarily driven by an increase in GLP-1 pharmacy claims in the three months ended September 30, 2024 compared to the prior year.

Commentary - Nine Months Ended September 30, 2024 vs. 2023

Revenues

- Total revenues decreased \$11.1 billion, or 8.1%, in the nine months ended September 30, 2024 compared to the prior year primarily driven by the previously announced loss of a large client and continued pharmacy client price improvements. These decreases were partially offset by pharmacy drug mix, increased contributions from the Company's health care delivery assets, including the acquisitions of Oak Street Health and Signify Health, as well as growth in specialty pharmacy.

Operating expenses

- Operating expenses increased \$300 million, or 14.0%, in the nine months ended September 30, 2024 compared to the prior year primarily due to operating expenses associated with Oak Street Health, including the amortization of acquired intangible assets.

Adjusted operating income

- Adjusted operating income increased slightly in the nine months ended September 30, 2024 compared to the prior year primarily driven by improved purchasing economics, largely offset by continued pharmacy client price improvements and the previously announced loss of a large client.

Pharmacy claims processed

- The Company's pharmacy claims processed decreased 18.7% on a 30-day equivalent basis in the nine months ended September 30, 2024 compared to the prior year, reflecting the previously announced loss of a large client.

Generic dispensing rate

- The Health Services segment's generic dispensing rate decreased to 87.8% in the nine months ended September 30, 2024 compared to 88.1% in the prior year. The decrease was primarily driven by an increase in GLP-1 pharmacy claims in the nine months ended September 30, 2024 compared to the prior year.

Pharmacy & Consumer Wellness Segment

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

In millions, except percentages	Change							
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30, 2024 vs 2023		Nine Months Ended September 30, 2024 vs 2023	
	2024	2023	2024	2023	\$	%	\$	%
Revenues:								
Products	\$ 31,823	\$ 28,043	\$ 89,195	\$ 83,442	\$ 3,780	13.5 %	\$ 5,753	6.9 %
Services	600	831	1,791	2,140	(231)	(27.8)%	(349)	(16.3)%
Net investment income (loss)	—	(2)	—	(4)	2	100.0 %	4	100.0 %
Total revenues	32,423	28,872	90,986	85,578	3,551	12.3 %	5,408	6.3 %
Cost of products sold	26,032	22,797	72,627	67,301	3,235	14.2 %	5,326	7.9 %
Operating expenses	4,860	4,753	14,536	14,540	107	2.3 %	(4)	— %
Operating expenses as a % of total revenues	15.0 %	16.5 %	16.0 %	17.0 %				
Restructuring charges	\$ 747	\$ —	\$ 747	\$ —	\$ 747	100.0 %	\$ 747	100.0 %
Loss on assets held for sale	—	—	—	349	—	— %	(349)	(100.0)%
Operating income	784	1,322	3,076	3,388	(538)	(40.7)%	(312)	(9.2)%
Operating income as a % of total revenues	2.4 %	4.6 %	3.4 %	4.0 %				
Adjusted operating income ⁽¹⁾	\$ 1,596	\$ 1,389	\$ 4,016	\$ 3,936	\$ 207	14.9 %	\$ 80	2.0 %
Adjusted operating income as a % of total revenues	4.9 %	4.8 %	4.4 %	4.6 %				
Revenues (by major goods/service lines):								
Pharmacy	\$ 26,666	\$ 22,977	\$ 73,463	\$ 67,371	\$ 3,689	16.1 %	\$ 6,092	9.0 %
Front Store	5,196	5,371	15,847	16,597	(175)	(3.3)%	(750)	(4.5)%
Other	561	526	1,676	1,614	35	6.7 %	62	3.8 %
Net investment income (loss)	—	(2)	—	(4)	2	100.0 %	4	100.0 %
Prescriptions filled ⁽²⁾	431.6	407.1	1,269.6	1,217.6	24.5	6.0 %	52	4.3 %
Same store sales increase (decrease): ⁽³⁾								
Total	15.5 %	8.8 %	9.1 %	10.4 %				
Pharmacy	19.5 %	11.9 %	12.1 %	13.0 %				
Front Store	(1.1) %	(2.2) %	(2.5) %	1.6 %				
Prescription volume ⁽²⁾	9.1 %	2.7 %	7.1 %	3.7 %				
Generic dispensing rate ⁽²⁾	88.2 %	88.3 %	89.5 %	89.1 %				

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

Commentary - Three Months Ended September 30, 2024 vs. 2023

Revenues

- Total revenues increased \$3.6 billion, or 12.3%, in the three months ended September 30, 2024 compared to the prior year primarily driven by increased prescription volume, including increased contributions from vaccines, and pharmacy drug

mix. These increases were partially offset by continued pharmacy reimbursement pressure, the impact of recent generic introductions and decreased front store volume, including the impact of a decrease in store count.

- Pharmacy same store sales increased 19.5% in the three months ended September 30, 2024 compared to the prior year. The increase was primarily driven by the 9.1% increase in pharmacy same store prescription volume on a 30-day equivalent basis, including increased contributions from vaccines, and pharmacy drug mix. These increases were partially offset by continued pharmacy reimbursement pressure and the impact of recent generic introductions.
- Front store same store sales decreased 1.1% in the three months ended September 30, 2024 compared to the prior year. The decrease was primarily due to general softening of consumer demand compared to the prior year.

Operating expenses

- Operating expenses in the Pharmacy & Consumer Wellness segment include payroll, employee benefits and occupancy costs associated with the segment's stores and pharmacy fulfillment operations; selling expenses; advertising expenses; depreciation and amortization expense and certain administrative expenses.
- Operating expenses increased \$107 million, or 2.3%, in the three months ended September 30, 2024 compared to the prior year primarily driven by the absence of gains from anti-trust legal settlements recorded in the three months ended September 30, 2023, as well as increased investments in the segment's operations and capabilities. These increases were partially offset by the impact of the decrease in store count.

Restructuring charges

- During the three months ended September 30, 2024, the Company recorded \$747 million of restructuring charges related to the write-down of operating lease right-of-use assets and property and equipment in connection with the Company's restructuring program. See Note 2 "Restructuring Program" to the unaudited condensed consolidated financial statements for additional information.

Adjusted operating income

- Adjusted operating income increased \$207 million, or 14.9%, in the three months ended September 30, 2024 compared to the prior year primarily driven by increased prescription volume, including increased contributions from vaccinations, as well as improved drug purchasing. These increases were partially offset by continued pharmacy reimbursement pressure and decreased front store volume in the three months ended September 30, 2024.
- As you review the Pharmacy & Consumer Wellness segment's performance in this area, you should consider the following important information about the business:
 - The segment's adjusted operating income has been adversely affected by the efforts of managed care organizations, PBMs and governmental and other third-party payors to reduce their prescription drug costs, including the use of restrictive networks, as well as changes in the mix of business within the pharmacy portion of the Pharmacy & Consumer Wellness segment. If the pharmacy reimbursement pressure accelerates, the segment may not be able to grow revenues, and its adjusted operating income could be adversely affected.

Prescriptions filled

- Prescriptions filled represents the number of prescriptions dispensed through the Pharmacy & Consumer Wellness segment's retail and long-term care pharmacies and infusion services operations. Management uses this metric to understand variances between actual prescriptions dispensed and expected amounts as well as trends in period-over-period results. This metric provides management and investors with information useful in understanding the impact of prescription volume on segment total revenues and operating results.
- Prescriptions filled increased 6.0% on a 30-day equivalent basis in the three months ended September 30, 2024 compared to the prior year primarily driven by increased utilization.

Generic dispensing rate

- Generic dispensing rate is calculated by dividing the Pharmacy & Consumer Wellness segment's generic drug prescriptions filled by its total prescriptions filled. Management uses this metric to evaluate the effectiveness of the business at encouraging the use of generic drugs when they are available and clinically appropriate, which aids in decreasing costs for client members and retail customers. This metric provides management and investors with information useful in understanding trends in segment total revenues and operating results.
- The Pharmacy & Consumer Wellness segment's generic dispensing rate remained relatively consistent at 88.2% in the three months ended September 30, 2024 compared to 88.3% in the prior year.

Commentary - Nine Months Ended September 30, 2024 vs. 2023

Revenues

- Total revenues increased \$5.4 billion, or 6.3%, in the nine months ended September 30, 2024 compared to the prior year primarily driven by increased prescription volume, including increased contributions from vaccinations, as well as pharmacy drug mix. These increases were partially offset by continued pharmacy reimbursement pressure, the impact of recent generic introductions and decreased front store volume, including the impact of a decrease in store count and lower contributions from COVID-19 over-the-counter (“OTC”) test kits since the expiration of the public health emergency in May 2023.
- Pharmacy same store sales increased 12.1% in the nine months ended September 30, 2024 compared to the prior year. The increase was primarily driven by the 7.1% increase in pharmacy same store prescription volume on a 30-day equivalent basis, including increased contributions from vaccines, and pharmacy drug mix. These increases were partially offset by continued pharmacy reimbursement pressure and the impact of recent generic introductions.
- Front store same store sales decreased 2.5% in the nine months ended September 30, 2024 compared to the prior year. The decrease was primarily due to general softening of consumer demand and lower contributions from COVID-19 OTC test kits compared to the prior year.

Operating expenses

- Operating expenses remained relatively consistent in the nine months ended September 30, 2024 compared to the prior year. The impact of the decrease in store count was largely offset by the absence of gains from anti-trust legal settlements described above and increased investments in the segment’s operations and capabilities.

Restructuring charges

- During the nine months ended September 30, 2024, the Company recorded \$747 million of restructuring charges related to the write-down of operating lease right-of-use assets and property and equipment in connection with the Company’s restructuring program. See Note 2 “Restructuring Program” to the unaudited condensed consolidated financial statements for additional information.

Loss on assets held for sale

- During the nine months ended September 30, 2023, the Company recorded a \$349 million loss on assets held for sale related to the write-down of its LTC business.

Adjusted operating income

- Adjusted operating income increased \$80 million, or 2.0%, in the nine months ended September 30, 2024 compared to the prior year primarily driven by increased prescription volume, including increased contributions from vaccinations, as well as improved drug purchasing. These increases were partially offset by continued pharmacy reimbursement pressure and decreased front store volume, including lower contributions from COVID-19 OTC test kits.

Prescriptions filled

- Prescriptions filled increased 4.3% on a 30-day equivalent basis in the nine months ended September 30, 2024 compared to the prior year primarily driven by increased utilization.

Generic dispensing rate

- The Pharmacy & Consumer Wellness segment’s generic dispensing rate increased to 89.5% in the nine months ended September 30, 2024 compared to 89.1% in the prior year. The increase in the segment’s generic dispensing rate was primarily driven by the impact of new generic drug introductions and the Company’s ongoing efforts to encourage plan members to use generic drugs when they are available and clinically appropriate.

Corporate/Other Segment

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

<i>In millions, except percentages</i>	Change							
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30, 2024 vs 2023		Nine Months Ended September 30, 2024 vs 2023	
	2024	2023	2024	2023	\$	%	\$	%
Revenues:								
Premiums	\$ 11	\$ 12	\$ 36	\$ 38	\$ (1)	(8.3)%	\$ (2)	(5.3)%
Services	3	1	7	5	2	200.0 %	2	40.0 %
Net investment income	128	92	325	333	36	39.1 %	(8)	(2.4)%
Total revenues	142	105	368	376	37	35.2 %	(8)	(2.1)%
Cost of products sold	—	—	—	1	—	— %	(1)	(100.0)%
Health care costs	49	61	142	163	(12)	(19.7)%	(21)	(12.9)%
Operating expenses	449	507	1,539	1,538	(58)	(11.4)%	1	0.1 %
Restructuring charges	422	11	422	507	411	3,736.4 %	(85)	(16.8)%
Operating loss	(778)	(474)	(1,735)	(1,833)	(304)	(64.1)%	98	5.3 %
Adjusted operating loss ⁽¹⁾	(329)	(347)	(996)	(982)	18	5.2 %	(14)	(1.4)%

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

Commentary - Three Months Ended September 30, 2024 vs. 2023

Revenues

- Revenues primarily relate to products for which the Company no longer solicits or accepts new customers, such as large case pensions and long-term care insurance products.
- Total revenues increased \$37 million, or 35.2% in the three months ended September 30, 2024 compared to the prior year primarily driven by an increase in net investment income.

Restructuring charges

- During the three months ended September 30, 2024, the Company recorded \$422 million of restructuring charges. During the three months ended September 30, 2023, the Company recorded an \$11 million restructuring charge. See Note 2 "Restructuring Program" to the unaudited condensed consolidated financial statements for additional information.

Adjusted operating loss

- Adjusted operating loss decreased \$18 million, or 5.2% in the three months ended September 30, 2024 compared to the prior year.

Commentary - Nine Months Ended September 30, 2024 vs. 2023

Revenues

- Total revenues decreased \$8 million, or 2.1%, in the nine months ended September 30, 2024 compared to the prior year primarily driven by a slight decrease in net investment income, reflecting lower average invested assets compared to the prior year, largely offset by favorable average investment yields compared to the prior year.

Restructuring charges

- During the nine months ended September 30, 2024, the Company recorded \$422 million of restructuring charges. During the nine months ended September 30, 2023, the Company recorded \$507 million of restructuring charges.

Adjusted operating loss

- Adjusted operating loss increased \$14 million, or 1.4%, in the nine months ended September 30, 2024 compared to the prior year.

Liquidity and Capital Resources

Cash Flows

The Company maintains a level of liquidity sufficient to allow it to meet its cash needs in the short-term. Over the long term, the Company manages its cash and capital structure to maximize shareholder return, maintain its financial condition and maintain flexibility for future strategic initiatives. The Company continuously assesses its regulatory capital requirements, working capital needs, debt and leverage levels, debt maturity schedule, capital expenditure requirements, dividend payouts, potential share repurchases and future investments or acquisitions. The Company believes its operating cash flows, commercial paper program, credit facilities, as well as any potential future borrowings, will be sufficient to fund these future payments and long-term initiatives. As of September 30, 2024, the Company had approximately \$6.9 billion in cash and cash equivalents, approximately \$1.2 billion of which was held by the parent company or nonrestricted subsidiaries.

The net change in cash, cash equivalents and restricted cash during the nine months ended September 30, 2024 and 2023 was as follows:

<i>In millions, except percentages</i>	Nine Months Ended September 30,		Change	
	2024	2023	\$	%
Net cash provided by operating activities	\$ 7,247	\$ 16,062	\$ (8,815)	(54.9)%
Net cash used in investing activities	(7,066)	(19,647)	12,581	64.0 %
Net cash provided by (used in) financing activities	(1,566)	3,655	(5,221)	(142.8)%
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ (1,385)	\$ 70	\$ (1,455)	(2,078.6)%

Commentary

- *Net cash provided by operating activities* decreased by \$8.8 billion in the nine months ended September 30, 2024 compared to the prior year. The decrease was primarily due to the early receipt of the October 2023 CMS payment of \$5.2 billion in the prior year and the impact of Medicare utilization, partially offset by the timing of cash receipts and payments.
- *Net cash used in investing activities* decreased by \$12.6 billion in the nine months ended September 30, 2024 compared to the prior year primarily due to the acquisitions of Oak Street Health in May 2023 and Signify Health in March 2023, partially offset by higher net purchases of investments.
- *Net cash used in financing activities* was \$1.6 billion in the nine months ended September 30, 2024 compared to net cash provided by financing activities of \$3.7 billion in the prior year. The change in cash provided by (used in) financing activities primarily related to proceeds from the issuance of approximately \$10.9 billion of long-term senior notes in the prior year, as well as higher share repurchases during the nine months ended September 30, 2024 compared to the prior year, partially offset by proceeds from the issuance of \$5.0 billion of long-term senior notes in the nine months ended September 30, 2024.

Short-term Borrowings

Commercial Paper and Back-up Credit Facilities

The Company had \$800 million of commercial paper outstanding at a weighted average interest rate of 5.00% as of September 30, 2024. In connection with its commercial paper program, the Company maintains a \$2.5 billion, five-year unsecured back-up revolving credit facility, which expires on May 11, 2027, a \$2.5 billion, five-year unsecured back-up revolving credit facility, which expires on May 16, 2028, and a \$2.5 billion, five-year unsecured back-up revolving credit facility, which expires on May 16, 2029. The credit facilities allow for borrowings at various rates that are dependent, in part, on the Company's public debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.03%, regardless of usage. As of September 30, 2024, there were no borrowings outstanding under any of the Company's back-up credit facilities.

Term Loan Credit Agreement

On March 25, 2024, the Company entered into a 364-day \$3.0 billion term loan credit agreement. The term loan credit agreement allowed for borrowings at various rates that were dependent, in part, on the Company's public debt ratings. On May 9, 2024, following the issuance of the \$5.0 billion in senior notes described under "Long-term Borrowings" below, the term loan credit agreement terminated. There were no borrowings under the term loan credit agreement through the date of termination.

Federal Home Loan Bank of Boston

A subsidiary of the Company is a member of the Federal Home Loan Bank of Boston (the “FHLBB”). As a member, the subsidiary has the ability to obtain cash advances, subject to certain minimum collateral requirements. The maximum borrowing capacity available from the FHLBB as of September 30, 2024 was approximately \$1.1 billion. As of September 30, 2024, there were no outstanding advances from the FHLBB.

Long-term Borrowings

2024 Notes

On May 9, 2024, the Company issued \$1.0 billion aggregate principal amount of 5.4% senior notes due June 2029, \$1.0 billion aggregate principal amount of 5.55% senior notes due June 2031, \$1.25 billion aggregate principal amount of 5.7% senior notes due June 2034, \$750 million aggregate principal amount of 6.0% senior notes due June 2044 and \$1.0 billion aggregate principal amount of 6.05% senior notes due June 2054 for total proceeds of approximately \$5.0 billion, net of discounts and underwriting fees. The net proceeds of these offerings were used for general corporate purposes.

Debt Covenants

The Company’s back-up revolving credit facilities, term loan agreement and unsecured senior notes contain customary restrictive financial and operating covenants. These covenants do not include an acceleration of the Company’s debt maturities in the event of a downgrade in the Company’s credit ratings. The Company does not believe the restrictions contained in these covenants materially affect its financial or operating flexibility. As of September 30, 2024, the Company was in compliance with all of its debt covenants.

Debt Ratings

As of September 30, 2024, the Company’s long-term debt was rated “Baa2” by Moody’s Investor Service, Inc. (“Moody’s”) and “BBB” by Standard & Poor’s Financial Services LLC (“S&P”), and its commercial paper program was rated “P-2” by Moody’s and “A-2” by S&P. In August 2024, Moody’s and S&P changed their outlook on the Company’s long-term debt from “Stable” to “Negative.” Subsequently, in October 2024, Moody’s placed the Company’s commercial paper program and long-term debt ratings on review for downgrade. In assessing the Company’s credit strength, the Company believes that both Moody’s and S&P considered, among other things, the Company’s capital structure and financial policies, as well as its consolidated balance sheet, its historical acquisition activity and other financial information, including the Company’s expectations for full year earnings and cash flows. Although the Company currently believes its long-term debt ratings will remain investment grade, it cannot predict the future actions of Moody’s and/or S&P. The Company’s debt ratings have a direct impact on its future borrowing costs, access to capital markets and new store operating lease costs.

Share Repurchase Programs

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

<i>In billions</i> Authorization Date	Authorized	Remaining as of September 30, 2024
November 17, 2022 (“2022 Repurchase Program”)	\$ 10.0	\$ 10.0
December 9, 2021 (“2021 Repurchase Program”)	10.0	1.5

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

During the nine months ended September 30, 2024 and 2023, the Company repurchased an aggregate of 39.7 million shares of common stock for approximately \$3.0 billion and an aggregate of 22.8 million shares of common stock for approximately \$2.0 billion, respectively, both pursuant to the 2021 Repurchase Program. This activity includes the share repurchases under the ASR transactions described below.

Pursuant to the authorization under the 2021 Repurchase Program, the Company entered into a \$3.0 billion fixed dollar ASR with Morgan Stanley & Co. LLC. Upon payment of the \$3.0 billion purchase price on January 4, 2024, the Company received a number of shares of CVS Health Corporation’s common stock equal to 85% of the \$3.0 billion notional amount of the ASR or

approximately 31.4 million shares, which were placed into treasury stock in January 2024. The ASR was accounted for as an initial treasury stock transaction for \$2.6 billion and a forward contract for \$0.4 billion. The forward contract was classified as an equity instrument and was recorded within capital surplus. In March 2024, the Company received approximately 8.3 million shares of CVS Health Corporation's common stock, representing the remaining 15% of the \$3.0 billion notional amount of the ASR, thereby concluding the ASR. These shares were placed into treasury and the forward contract was reclassified from capital surplus to treasury stock in March 2024.

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

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

Critical Accounting Policies

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

Goodwill

During the fourth quarter of 2023, the Company performed its required annual impairment test of goodwill. The results of the impairment test indicated that there was no impairment of goodwill as of the testing date. During 2024, the Government reporting unit within the Health Care Benefits segment has experienced continued elevated utilization pressure in Medicare and higher than expected acuity following the resumption of member redeterminations in Medicaid, which have resulted in higher medical benefit ratios and lower gross margins than those originally estimated when the prior year annual goodwill impairment test was performed. In addition, during the third quarter of 2024, the Company established premium deficiency reserves of \$766 million and \$28 million, related to its Medicare and Medicaid product lines, respectively, as further described in Note 1 "Significant Accounting Policies" to the unaudited condensed consolidated financial statements. Upon assessment of the impact of these factors on the Company's year-to-date 2024 results and its expectations for the full year, the Company determined there were indicators that the Government reporting unit's goodwill may be impaired, and accordingly, performed an interim goodwill impairment test during the third quarter of 2024. The results of the impairment test showed that the fair value of the Government reporting unit exceeded its carrying value by approximately 10%, therefore there was no impairment of goodwill as of the interim testing date.

The fair value of the Company's reporting units is estimated using a combination of a discounted cash flow method and a market multiple method. The determination of the fair value of the reporting units requires the Company to make significant assumptions and estimates. These assumptions and estimates primarily include the selection of appropriate peer group companies; control premiums and valuation multiples appropriate for acquisitions in the industries in which the Company competes; discount rates; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization, income taxes, capital expenditures and future working capital requirements. When determining these assumptions and preparing these estimates, the Company considers each reporting unit's historical results and current operating trends; consolidated revenues, profitability and cash flow results and forecasts; and industry trends. The Company's estimates can be affected by a number of factors, including general economic and regulatory conditions; the risk-free interest rate environment; the Company's market capitalization; efforts of customers and payers to reduce costs, including their prescription drug costs, and/or

increase member co-payments; the continued efforts of competitors to gain market share, consumer spending patterns and the Company's ability to achieve its revenue growth projections and execute on its cost reduction initiatives.

Although the Company believes the financial projections used to determine the fair value of the Government reporting unit in the third quarter of 2024 were reasonable and achievable, continued utilization pressure within the Medicare product line and continued higher acuity in Medicaid may affect the Company's ability to increase operating income in the Government reporting unit at the rate estimated when such goodwill impairment test was performed. Some of the key assumptions included in the Company's financial projections to determine the estimated fair value of its Government reporting unit include utilization levels, changes in medical membership, revenue growth rates, operating margins and operating expense savings, including the Company's ability to extract cost savings from labor productivity and other initiatives. The estimated fair value of the Government reporting unit is also dependent on earnings multiples of market participants in the health insurance industry, as well as the risk-free interest rate environment which impacts the discount rate used in the discounted cash flow method. As of September 30, 2024, the goodwill balance in the Government reporting unit was approximately \$21.2 billion.

For a full description of the Company's other critical accounting policies, see "Critical Accounting Policies" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2023 Form 10-K.

Cautionary Statement Concerning Forward-Looking Statements

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

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

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

All statements addressing the future operating performance of CVS Health or any segment or any subsidiary and/or future events or developments, including, but not limited to, statements relating to the Company's investment portfolio, operating results, cash flows and/or financial condition, statements relating to corporate strategy, statements relating to future revenue, operating income or adjusted operating income, earnings per share or adjusted earnings per share, Health Care Benefits segment business, sales results and/or trends, medical cost trends, medical membership, Medicare Part D membership, medical benefit ratios and/or operations, Health Services segment business, sales results and/or trends and/or operations, Pharmacy & Consumer Wellness segment business, sales results and/or trends and/or operations, incremental investment spending, interest expense, effective tax rate, weighted-average share count, cash flow from operations, net capital expenditures, cash available for debt repayment, statements related to possible, proposed, pending or completed acquisitions, joint ventures, investments or combinations that involve, among other things, the timing or likelihood of receipt of regulatory approvals, the timing of completion, integration synergies, net synergies and integration risks and other costs, including those related to CVS Health's acquisitions of Oak Street Health and Signify Health, enterprise modernization, transformation, leverage ratio, cash available for enhancing shareholder value, inventory reduction, turn rate and/or loss rate, debt ratings and actions taken by ratings agencies, the Company's ability to attract or retain customers and clients, store development and/or relocations, new product development, and the impact of industry and regulatory developments as well as statements expressing optimism or pessimism about future operating results or events, are forward-looking statements within the meaning of the Reform Act.

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

Certain additional risks and uncertainties and other factors are described under "Risk Factors" included in Part I, Item 1A of the 2023 Form 10-K and under "Risk Factors" included in Part II, Item 1A of this report; these are not the only risks and

uncertainties we face. There can be no assurance that the Company has identified all the risks that may affect it. Additional risks and uncertainties not presently known to the Company or that the Company currently believes to be immaterial also may adversely affect the Company's businesses. If any of those risks or uncertainties develops into actual events, those events or circumstances could have a material adverse effect on the Company's businesses, operating results, cash flows, financial condition and/or stock price, among other effects.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has not experienced any material changes in exposures to market risk since December 31, 2023. See the information contained in Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for a discussion of the Company's exposures to market risk.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures: The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f)) as of September 30, 2024, have concluded that as of such date the Company's disclosure controls and procedures were adequate and effective and designed to provide reasonable assurance that material information relating to the Company and its subsidiaries would be made known to such officers on a timely basis.

Changes in internal control over financial reporting: There has been no change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that occurred in the three months ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information**Item 1. Legal Proceedings**

The information contained in Note 12 “Commitments and Contingencies” contained in “Notes to Condensed Consolidated Financial Statements (Unaudited)” in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference herein.

Item 1A. Risk Factors

There have been no material changes to the “Risk Factors” disclosed in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Those risk factors could adversely affect the Company’s businesses, operating results, cash flows and/or financial condition as well as the market price of CVS Health Corporation’s common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**(c) Stock Repurchases**

The following table presents the total number of shares purchased in the three months ended September 30, 2024, the average price paid per share and the approximate dollar value of shares that still could have been purchased at the end of the applicable fiscal period, pursuant to the share repurchase programs authorized by CVS Health Corporation’s Board of Directors on November 17, 2022 and December 9, 2021. See Note 9 “Shareholders’ Equity” contained in “Notes to Condensed Consolidated Financial Statements (Unaudited)” in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

<i><u>Fiscal Period</u></i>	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2024 through July 31, 2024	—	\$ —	—	\$ 11,500,000,143
August 1, 2024 through August 31, 2024	—	\$ —	—	\$ 11,500,000,143
September 1, 2024 through September 30, 2024	—	\$ —	—	\$ 11,500,000,143
	—		—	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information**Securities Trading Plans of Directors and Executive Officers**

During the three months ended September 30, 2024, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of CVS Health Corporation securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

Item 6. Exhibits

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

INDEX TO EXHIBITS

15	Letter re: unaudited interim financial information
15.1	Letter from Ernst & Young LLP acknowledging awareness of the use of a report dated November 6, 2024 related to their reviews of interim financial information.
31	Rule 13a-14(a)/15d-14(a) Certifications
31.1	Certification by the Chief Executive Officer.
31.2	Certification by the Chief Financial Officer.
32	Section 1350 Certifications
32.1	Certification by the Chief Executive Officer.
32.2	Certification by the Chief Financial Officer.
101	
101	The following materials from the CVS Health Corporation Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2024 formatted in Inline XBRL: (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Shareholders' Equity and (vi) the related Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	
104	Cover Page Interactive Data File - The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL (included as Exhibit 101).

SIGNATURES

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

CVS HEALTH CORPORATION

Date: November 6, 2024

By: /s/ Thomas F. Cowhey

Thomas F. Cowhey

Executive Vice President and Chief Financial Officer