THE ECONOMIC CLUB

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Larry Merlo, President and Chief Executive Officer of CVS Health, Discusses the U.S. Healthcare System and CVS' Acquisition of Health Insurer Aetna.

Larry Merlo
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MR. RUBENSTEIN: So how many people here have a CVS card? Wow, OK. Pretty good. So, our special guest is Larry Merlo. As I mentioned, he is the CEO of CVS Health, and has been the president and CEO since 2011. He previously was the president of CVS in 2007. He is a native of Pittsburgh, grew up in the Pittsburgh area, and went to University of Pittsburgh to get his pharmacy degree. And then after he graduated in 1978, he joined People's Drugs, which was later acquired by CVS. And so, he joined CVS. He is very involved in a number of philanthropic organizations in Pittsburgh, and he's on the board of the University of Pittsburgh.

CVS is a company that has done quite well under his leadership. Since he became the CEO, the stock is up 110 percent, which is pretty good. Wish I had bought it. [Laughter.] The company itself is quite large, as you probably know. It has a market capitalization of 75 – roughly $75-76 billion. It is a company that has about 246,000 employees, 9,800 drug stores in the United States, Puerto Rico, and Brazil. And has about $148 billion or so in annual revenue. And we'll hear a little bit how the size of the company will grow shortly after an acquisition that is likely to be finally approved by state regulators is done, the Aetna acquisition.

So, it is my pleasure to introduce the CEO and president of CVS Health, Larry Merlo.

[Applause.]

LARRY MERLO: Thank you. Well, David, thank you for the introduction. And by the way, David does not have an Extra Care Card, OK? [Laughter.] I was telling him at lunch how much he's missing with Extra Bucks, and all of you can remind him of that when you see him later.

Let me also acknowledge the members of the Economic Club here in Washington. You really play a vital role in providing this forum for sharing, learning, debating, and discussing the pressing issues of our time. And your commitment to the local community here is very evident. So, let me thank you for that.

I'm here today to talk about one of the most pressing issues facing our nation and our economy. And that's health care. Today, it accounts for more than 17 percent of the U.S. GDP. That is equal to more than $3 trillion, or about $10,000 per person. About 10 percent of that spending is due to prescription drugs. And I'll come back to that in a few moments. The other 90 percent of U.S. health care spending can only be addressed by what we consider to be fundamentally transforming the health care system itself, which as we all know is not delivering the value that it should.

We look at today's health care system as one that is episodic, it's fee for service, it's a fragmented model. It's confusing. It's difficult to navigate for many. It doesn't meet people where they are, give them the information they need, or help them connect what we refer to as the dots of care. So, in the end, it doesn't put consumers at the center of their own care, which is where they really need to be because consumer-driven health care is increasingly becoming the norm.

Today, more than 30 percent of covered workers are enrolled in a high deductible health plan, or some call them consumer-directed health plans. And that compares to just 4 percent a

decade ago. We have pushed people to become more accountable for their health care decision-making, but the tools, the capabilities, and the products and services that they need haven't kept up. And many consumers don't really know how to use what's available to them.

You know, importantly, health care is not a commodity. And it can't function effectively with the one-size-fits-all approach. So, in creating a more affordable, effective, and better health care system, I would argue that we need disruptive innovation from within the health care system itself. And the combination of CVS Health and Aetna is designed to do just that. We were very pleased to announce just last week that we received clearance from the Department of Justice to proceed with the transaction. And we expect to close the transaction in the fourth quarter of this year.

So, let me take just a few minutes to explain how bringing together CVS Health and Aetna as one company will help bring about the disruptive, transformational changes that are more broadly needed in our health care system today. So, let me ask you to think about your own experiences in health care. I'm going to ask you, are you a patient? Are you a consumer of health care? Or are you both? Well, if you're sitting in the exam room in the doctor's office or, heaven forbid, on the operating table in the hospital, you most certainly are a patient. You're relying on the physicians' expertise to diagnose, treat, prescribe a course of treatment.

And let me go ahead and introduce you to Diane. Diane is a person with a new diagnosis of diabetes. She leaves the doctor's office with a care plan. It will have instructions for new medication that she'll need to take. It'll have lab instructions for bloodwork to measure her sugar levels. It'll have instructions for her diet, instructions to lose weight. But will Diane know how to execute her care plan effectively? Her doctor warns her that if she doesn't get her blood sugar under control, her risk increases significantly for diabetes-related complications, like heart and kidney damage.

So, it's at this point that Diane just isn't a patient. She's now also becoming a consumer of health care, because you think about as a patient she has gotten expert advice from her physician. But as a consumer, she is now accountable for finding and accessing the services that are called for in her care plan in the most effective and affordable ways. And as a consumer, she is now engaged in the steps that she needs to take to follow and execute that care plan to stay well. Now, fortunately, whereas she might see her physician four to five times a year, she is likely to see her pharmacist as many as 18 to 24 times in the same year.

And this is just one example where the combination of CVS Health and Aetna can make an important difference. So, we think about this new company leading the change that's needed in American health care in three important ways. First, we will be local. You know, today we have a presence in 10,000 communities all across the country. And our combined company will be able to offer many options to access care, whether it's in the community at a retail pharmacy or clinic, or perhaps in the home, or through digital tools and capabilities.

Second, we will make it simple. Through our combination of data, information, and expertise, we can make this often-complicated and confusing system easier for all. And, third, we will work hard to improve health. You know, we will be uniquely positioned to help to

personalize health care and help people achieve better health at a lower cost, and access care when and where they need it. And I'll look forward to expanding on this vision, I'm sure, with David more in the conversation.

Before I do, I want to come back to prescription drug spending. I mentioned earlier it accounts for about 10 cents of every health care dollar. You know, we know many Americans struggle to afford their medications today. And some have pointed fingers at pharmacy benefit managers, or PBMs, along with, you know, others in the drug supply chain as the cause for this. And one pharma CEO recently remarked that the supply chain was retaining up to 55 percent of the profits on prescription drugs.

Now, as the leader of a company that is part of the supply chain, I am here to tell you that this is simply not true. What was left out of those comments is that almost all of that 55 percent flows back to employers, flows back to other prescription drug plan sponsors in the form of discounts. You know, in fact, we project that this year, 2018, our PBM clients will receive about 98 percent of the discounts and rebates that we obtain from pharmaceutical manufacturers.

And the truth here is that drug manufacturers set drug prices, and prices are higher for drugs that face the least amount of competition from, you know, generic products and other therapeutically equivalent alternatives. And the important role that's played by PBMs is to negotiate discounts from drug manufacturers on behalf of their clients, and to also deploy a variety of tools to ensure that their members receive high quality pharmacy care at the lowest possible cost. And as an example of that, last year, 2017, drug price growth for our own clients was only 0.2 percent – 0.2 percent on a per-capita basis, despite list price inflation of nearly 10 percent.

And if you look across the entire PBM industry, these time-tested, market-based techniques are projected to save the health care system more than $600 billion over the next decade. Through the combination of CVS Health and Aetna, we believe we'll also be able to do even more to help lower overall spending associated with prescription drugs by helping people stay adherent to the medications that their physician prescribes which, as you would expect, can prevent more costly interventions, like hospital admissions or visits to the emergency room.

So, let me summarize just a few of the things that I touched on. We'll be there when patients pick up their medications to talk with them face-to-face and answer questions. We'll expand the use of digital tools that empower patients to better manage their health and wellness. And these tools can help patients monitor key indicators. Think, again, back to Diane. Diane's managing her blood glucose levels. We can help her with that and actually send texts to her or her caregiver when the results look concerning. We'll even be able to help some people avoid developing chronic disease in the first place. We'll have the data to predict who's at risk, and the ability to provide them with preventative counseling in a convenient and local setting.

And we'll be able to do all of this not in an ad hoc or fragmented way, but seamlessly with patients, their physicians, and many other players it takes to coordinate care. So, the new health care model that we intend to create through this combination of CVS and Aetna, it's bold. It's disruptive. It's truly unique. And it's also achievable, with the right engagement at the

community level. We'll be local. We'll make it simple. And we will work to improve the health of those we serve. And we can't wait to roll up our sleeves and get started. So, with that, David, come on back up and we'll the start the conversation. [Applause.]

MR. RUBENSTEIN: So, you mentioned that I don't have a CVS card, which is true. [Laughter.]

MR. MERLO: I was also working with him to get him to download the CVS app. How many – how many have the CVS pharmacy app?

MR. RUBENSTEIN: But – OK.

MR. MERLO: See what you're missing out on, David? [Laughter.]

MR. RUBENSTEIN: Well, my theory is – tell me why I'm wrong. My theory is, whenever they have these places they say you want the Barnes and Noble card or this card, I'm going to get on the email list. And I'm going to be getting emails for the rest of my life, because they're going to use my email address. And then they're going to sell it to other people and so forth, and I'm going to get thousands of emails I don't really want. Is that wrong?

MR. MERLO: That is wrong, because if you have the app you can take all those offers, and you can decide what's relevant for you, send it to your card, and you don't have to bother with the emails anymore.

MR. RUBENSTEIN: All right. If I had a CVS card, how much would I really save? When you cut through everything, am I saving 5 percent, 10 percent? [Laughter.] I'm just – what's the average?

MR. MERLO: Yeah. You know, while we were sitting here talking at the table, we have shoppers out there that, you know, are very – you know, I would say that they're students of the shopping experience. And I wouldn't be surprised if those discounts were as much as 30 percent.

MR. RUBENSTEIN: Thirty percent? Wow. When I go to these CVS places and they say, do you have a CVS card, I say no, they don't actually say, well, you should get one. Do you train your people to get – or they just leave people like me alone? [Laughter.]

MR. MERLO: Tell me what store you shop at. I'm going to go back and follow up with that. [Laughter.]

MR. RUBENSTEIN: OK. I won't do that. Let's go back to the acquisition that you've done. You've grown the company quite nicely. It has, let's say, a market cap that varies between $75 billion and $80 billion, something like that. You're buying Aetna Health, which is – and you paid $69 billion for. You're paying $69 billion. So, I know from my own experience, when you're a company of the size that you're buying, roughly – you're a little bit bigger – if you put these two together and it doesn't work, you know, that's not good for your company, right?

Because you're buying – it's not like a little thing, if it doesn't work you can push it aside. You're buying something that's almost the same size. Have you thought about that? [Laughter.]

MR. MERLO: Maybe I'll take you to our next investor meeting.

MR. RUBENSTEIN: All right. OK. So is the – this is not a bet your company kind of thing, but it's a big acquisition.

MR. MERLO: No, David, listen, you're right. And it is an important question. And, you know, think about some of the things that we've talked about. You know, we've got, you know, health care continuing to grow at an unsustainable rate. You know, I mean, you know, left unchanged, we're headed to 20 percent of GDP.[1] And think about the challenges that that's creating, you know, in terms of funding infrastructure, funding education.

You know, you hear that whether it's in state governments, you know, here in D.C. You certainly hear it, you know, within employers, you know, challenging in terms of – CVS ourselves, we spend $1.2 billion in terms of, you know, health care coverage for our employees and dependents. So, you know, our belief, for the reasons that I mentioned, is that, you know, there is consumerism entering health care. Health care is local. You know, we have an opportunity to make it simple.

And, you know, go back to the example that I used with Diane. We are not going to cure Diane of diabetes. However, we can help her, you know, achieve her lifestyle goals, OK? And in doing so, avoid the complications that are all too common, you know, with diabetes. You know, there are 30 million people walking around today with full-blown diabetes. Here's the scary fact: There are another 84 million people who are in some pre-diabetic state. If half of those – just half – develop full-blown diabetes, we're looking at another $400 billion in health care costs that doesn't exist today.

So, David, we're sitting here saying that, yes, this will take some time, you know, to build the tools, the capabilities, the products and services, and the market. But, you know, we can help people achieve their best health and, at the same time, reduce costs.

MR. RUBENSTEIN: OK. All right. So, you're buying it for $69 billion. You're not having – it's been approved by the U.S. Antitrust Division, is that right?

MR. MERLO: Correct.

MR. RUBENSTEIN: So, was that a matter where they just loved it and they said yes, or you had to go in and talk to them, hire lawyers, talk to other people? How long did it take you to get this? [Laughter.]

MR. MERLO: I'm looking over at our general counsel, because he's – [laughter] –

[1] Gross Domestic Product, a monetary measure of the market value of all the final goods and services produced in a period of time.

MR. RUBENSTEIN: Well, how long did it take to get this approved?

MR. MERLO: No, you know what, first of all, I want to give, you know, Tom[2] and his team, you know, a tremendous amount of credit. Because, you know, we've seen many challenges in the marketplace. You know, we got the DOJ approval in 10 months. I would say that, you know, it was a very detailed and thorough process. And, you know, I'm very proud of the work that Tom and his team have done. And we're very pleased with the outcome.

MR. RUBENSTEIN: OK. But as always, the case, when you think you've got something you always have something else you have to do. So, you haven't gotten all the state regulatory approvals yet, right?

MR. MERLO: That's correct.

MR. RUBENSTEIN: So how many do you need? Like, 28, or some of those?

MR. MERLO: Yeah, 28, 29. And we're in the home stretch around that.

MR. RUBENSTEIN: Right. OK. So, you expect this deal will close by the end of this year?

MR. MERLO: Yes.

MR. RUBENSTEIN: OK. Now, when it closes, if I'm still a CVS customer – and I will be, because it's right near my house. I have no choice. It's right near my house. [Laughter.] But I'm happy with it. I'm really happy with it. They treat me very well. And I told you – I'll tell you later some of the good things they've done. But how am I going to benefit? I'm going to CVS every day. I'm getting my newspapers and other stuff. How am I going to benefit by your owning Aetna?

MR. MERLO: You know what? Here's the interesting thing. When you look at Aetna, or, you know, a health insurer, they have a tremendous amount of information about, you know, the members that they serve. And, you know, Aetna likes to describe it as, you know, we have all this information, and we have the next best action for the members that we serve. But think about this for a minute: How does that get executed? We were talking earlier about, you know, what's the consumer behavior change that is going to improve, you know, the health of individuals?

So, you know, listen, a health insurer, what do they do? They call your home. I don't know about you, but, you know, I don't answer the phone at home anymore, OK? All right? And I sense I'm not the only one from some of the laughter. [Laughter.] Now, if the health insurer has your cellphone number, then they try it. If they have it, they try you there. And, you know, if someone needs to get ahold of me, their number's in my directory. So, if I don't recognize the number or the name doesn't come up, I don't answer that either. So, then what happens, if you're 0-for-2? Then they put a letter and send it to you in the mail, OK? And what do we do with that?

[2] Thomas Moriarty, General Counsel for CVS Health

So, the point that I'm making is, you know, a health insurer has a tremendous amount of information, you know. And they can help intervene if somebody's at risk. Go back to those prediabetics. Or, you know, there are just countless stories.

MR. RUBENSTEIN: All right. Well, let's suppose – all right. Let's suppose I'm an Aetna Health – I'm insured by Aetna. How am I going to benefit by Aetna now owning – or, being owned by CVS?

MR. MERLO: Because, you know, back to the story that I'm sharing there, that we can now use the CVS assets with which to – you know, here's what I know about the member. And, by the way, we can deliver that intervention through one of the ways that we engage or talk to our customers – whether it's in the pharmacy. And, you know, the role of the pharmacist, the role of the nurse practitioner I believe is going to expand in this new model.

MR. RUBENSTEIN: Now, when you – who came up with the idea of doing this? Did you come up with the idea? Did you call up the CEO of Aetna and say: Guess what? We're going to buy you. [Laughter.] Was it – did he say that's a good idea? How did the idea come about?

MR. MERLO: You know what, David? We have – we, CVS and Aetna – have had a business relationship for more than eight years now. So, you know, the – Mark Bertolini, the CEO, and I meet on a regular basis. We're having dinner one night in Hartford. If you know Hartford, Peppercorn's restaurant. Famous place, OK? And we were talking about deepening our – you know, our partnership and some of the things that, you know, we could do. And, you know, through that discussion – again, continuing the story in terms of things that we can do because we're out in the communities. We would incur the build out, the costs associated with managing that. And when you think about the value that's created, it really accrues to the health plan if we can reduce health care costs. So, the economic model really doesn't work, OK, with, that construct.

MR. RUBENSTEIN: So, he agreed? He said that's a good –

MR. MERLO: Well, one thing led to another. And that brings us to where we are today.

MR. RUBENSTEIN: OK. So, what's the name of the company going to be in the future? CVS Health Aetna, or just CVS Health?

MR. MERLO: No, it'll be CVS Health. And Aetna, you know, will be an important component of CVS Health, running as a separate business.

MR. RUBENSTEIN: OK. Right. And so, when you were – during your term as CEO, one of – I think a couple years ago, 2014, you said no more tobacco. You were selling tobacco, all kinds of tobacco products. Whose idea was that, to get rid of tobacco?

MR. MERLO: You know what, David? As we were beginning on our journey of becoming more of a health care company, our chief medical officer was, you know, out in the community,

meeting with some of you in this group. You know, and he said, Larry, and members of the management team, you've got to come with me to some of these meetings, because we're having great discussion. And about two-thirds of the way through the meeting, somebody would turn around and say: But you sell tobacco products, don't you? And it – and it literally, you know, sucked all the energy out of the room and created, you know, an integrity question in terms of the motives of the company.

And, you know, we – and, by the way, several of us went out with them. And we saw it firsthand. And, you know, as a – as a management team, we had a lot of discussion, healthy discussion, because at the time we were selling a $1.5 billion worth of tobacco products. You know, and there was another half-a-billion dollars' worth of somebody coming and buying a pack of cigarettes, they were also buying chewing gum, water, mints. Well, essentially, they were using us as a convenience store. So, there was $2 billion of revenue at stake. And we had a lot of healthy discussion and decided that, listen, we're not going to make that up, you know, in one year, maybe not even two years. But it was going to be a barrier to the future growth of the company and the strategy that we were pursuing. And, you know, we actually went to our board, had a discussion, and made a decision.

MR. RUBENSTEIN: All right. When you announced it, did your stock go up or down?

MR. MERLO: The day we announced it, the stock went down 7 percent.

MR. RUBENSTEIN: And did you say, well, maybe we didn't mean that, or you didn't – [laughter] –

MR. MERLO: No, we – David, I wished it was that simple at the time. Listen, we had talked about the strategy of the company. We went back, as part of that announcement, and – you know, and once again articulated the strategic direction of the company. I will say, as we look back on this – and, you know, we have two of our, board members, you know, sitting here that were, you know, part of that discussion. And, you know, we got great support from our board. And I can sit here and say: It did open new doors. And it did enable, you know, the strategic direction of the company to come to life. And, you know, as I look back, you know, four years ago, it was absolutely the right decision, looking back. And, by the way, importantly in this, in the first year we saw a 38 percent reduction in tobacco sales, you know, in markets where we had a sizable presence in the country.

MR. RUBENSTEIN: Now, second-largest drugstore chain in the United States, is that Walgreens?

MR. MERLO: Yeah.

MR. RUBENSTEIN: And then third, effectively, is Walmart.

MR. MERLO: Correct.

MR. RUBENSTEIN: Right? Have they announced the same policy on tobacco?

MR. MERLO: They have not. And I – you know, listen, I have tremendous respect, you know, David for all of our competitors. They do – they do terrific things. But, listen, I think this is a point of differentiation, you know, in terms of how CVS is focused in the marketplace, you know, on things that may be different than some of these companies.

MR. RUBENSTEIN: What about opioids? Now, opioid addiction is a big problem. How can you really deal with it? Because what you do, I guess, is if a doctor prescribes an opioid-related product for his patient, or her patient, you have to prescribe it – or, you have to give it out to them. So, what are you able to do to deal with the opioid problem?

MR. MERLO: Yeah, David, it's a great discussion. And, listen, this is – this is a problem that we should all be concerned with. That, you know, it doesn't discriminate anymore. It's in – I think everybody thought it was in, you know, the urban, you know, cities. But it's in the suburbs. It's in rural America. And it's a great cause for concern for us. And, David, some of the things that we started doing a few years back – and, you know, think about what's in your medicine cabinet today. And we started, you know, doing drug take-back programs. We started working with, you know, local municipalities, the police departments, putting in receptacles. The next thing you knew, we had taken back a couple 100,000 pounds of unused medications. Now, to be clear, this was not all opioids. And –

MR. RUBENSTEIN: When you take it back, what does that mean?

MR. MERLO: That means we – the customer brings it from their home to one of these receptacles, and we ensure that it's safely disposed of, OK, from both the security as well as the environment.

MR. RUBENSTEIN: But in other words, why would – why is that easier than just throwing it in the trashcan in your house?

MR. MERLO: Because it's not – it's not secure.

MR. RUBENSTEIN: It's not secure. OK.

MR. MERLO: And it's not environmentally safe as well.

MR. RUBENSTEIN: OK. All right.

MR. MERLO: So, one of the – one of the discussions that ensued – we could go and empty, you know, every medicine cabinet in America. By the time we're done, we haven't gotten to the root cause. And – you know, and I'm sure everyone of us here can relate a story, whether you went to the dentist for a root canal or an extraction or you had some acute injury, and the next thing you know you're walking away with a prescription for 60 or 90 oxy or – oxycontin or 100. So one of the things that we began to do was, you know, working with the medical community in terms of, listen, doctor, you know, whatever quantity you're writing for, if it is a first-time user

of an opioid for an acute injury, we are going to limit the quantity that is being dispensed to that patient to not more than a seven-day supply.

MR. RUBENSTEIN: And suppose you do that, and the doctor says: Well, I'll go to Walgreens then? They don't do that?

MR. MERLO: You know what? I – first of all – David, first of all, I could tell you that that has not happened.

MR. RUBENSTEIN: That doesn't happen.

MR. MERLO: It has not happened. I think physicians, you know, recognize their professional responsibility and this dynamic. But this year alone we have seen more than a 70 percent reduction in the number of opioid prescriptions being dispensed for more than a seven-day quantity.

MR. RUBENSTEIN: Now, in opioids, you have them in the pharmacies. How do you know, like, that somebody's not coming along who works there and maybe putting one or two in their pocket?

MR. MERLO: That would be a problem, OK.

MR. RUBENSTEIN: Right. And how do you prevent that?

MR. MERLO: Well, listen, you know, first of all, you know, our pharmacists, just as everyone across the medical profession, you know, they understand, you know, the standards of, you know, professional practice, professional responsibility. And there are very, very stringent inventory and security controls around those products that if something is missing, you know, we will know about it in short order.

MR. RUBENSTEIN: OK. OK. So, another policy you have I noticed in doing some research, which was this: If a company puts advertisement or things on their packaging that enhances women, that makes them look younger, thinner, less – wrinkle-free, whatever you want to call it – you don't sell that. But what about men? [Laughter, applause.] How come if they put pictures of men and they make them look stronger, do you do those? Do you sell those products?

MR. MERLO: David, I'm going to take that back as a recommendation.

MR. RUBENSTEIN: OK. All right. Because, I think, you know, we want equal treatment too. We want to know what we're supposed to look like. And, you know, you look at these packages of these guys with muscles, you know, it makes you feel bad. [Laughter.] But OK. So, what's the reason behind your policy?

MR. MERLO: Well, David, some of this – some of what you're describing is really – I'll describe it as an outpost from the tobacco decision. That, you know, I would say that we spend a

lot of time talking about purpose in our company. And our company purpose is what we do to help people on their path to better health. And I think, David, one of the things that – and, by the way, you mentioned we have, you know, over a quarter of a million, you know, employees. And I consider myself fortunate in terms of the quality of our workforce and the dedication that, you know, these folks have to our company and our purpose. And one of the things that, you know, happened after the tobacco decision is, you know, people across the organization, based on the role that they had, started talking about, well, you know, this is what we could do. Or here's another thought, you know, that is tied to that purpose.

This happened to be one example, where, you know, it had nothing to do with pharmacy, OK. But, you know, there's a lot of literature out there today in terms of, you know, the younger – the teens, OK? In terms of seeing these magazine articles and seeing these things on TV, how they're developing unhealthy behaviors, you know, to be able to emulate and look like these people. Another example is – you know, that – is the person that manages the sun care products for us. You know, came back and said, you know, there's no clinical literature that speaks to the effectiveness of a suntan product with an SPF less than 15. But yet, we sell an SPF of eight. Why are we doing that? And as a result of, you know, her initiative, we stopped selling, you know, any suntan products that don't have at least an SPF of 15. And by the way, there are many, many other examples like that.

MR. RUBENSTEIN: All right. So, let me ask you this, it used to be – Ronald Reagan once famously said, the most dangerous words in the English language are: I'm from the federal government. I'm here to help you. [Laughter.] And so, for business people, sometimes the most dangerous words are: Amazon is getting into your business. [Laughter.] So recently Amazon spent a billion dollars buying a company called PillPack. One billion, $1.1 billion, something like that. Their market cap went up, upon the announcement, of $20 billion. The three largest drugstore companies in the United States, their market cap went down by, like, $6 billion. So, how can you explain that? And are you worried about PillPack? And for people who don't use that company, what is PillPack, and do you do the same kind of thing?

MR. MERLO: Yeah. I'm trying to figure out, David, where I want to start this discussion. [Laughter.]

MR. RUBENSTEIN: All right. Well –

MR. MERLO: OK. No, let me – and it is an important question. You know, first of all, you know, listen, Amazon's a great organization. You know, I thought where you were going to go is, you know, do you lay awake at night worried about Amazon, OK.

MR. RUBENSTEIN: Well, do you?

MR. MERLO: And, listen, you know, what we worry about is, you know, how do we meet the needs of our customers, OK? And, you know, so, we spend a lot of time listening to our customers. And, you know, our belief is a customer can never tell you what to do next. But if you listen well, you know, you'll hear the things that they're not happy with, or things that they would expect you to do better. And then it becomes our job through, you know, innovation, new

product services, to, you know, meet the unmet need, OK, that is being felt in the marketplace today. So that's what we focus on as an organization, with the goal being: Don't leave any white space for Amazon to disrupt, OK?

MR. RUBENSTEIN: OK.

MR. MERLO: So, in the case of PillPack, you know, PillPack is—you know, you go to a—I'll say a traditional pharmacy, and you get your prescription for high blood pressure. And, you know, there's a nice amber bottle. And, you know, PillPack, you know, dispenses – let's say you're on four medications now. And it puts – and it puts everything in a nice cellophane package so you don't have to sort your medications by day, by dose, OK? So, it's really intended for, you know, a very high pharmacy user that may be suffering from multiple co-morbidities. And, yes, we have those capabilities today. It's a very niche-y product, because these are our most vulnerable populations. So, oftentimes, you know, they're the ones that are having their medications changed, or their dosage changed. And the minute you do that, you know, whatever is left from, you know, that cellophane roll, is now waste. So, you typically don't see, you know, those medications being dispensed in 90-day quantities or even 30-day quantities for that matter.

MR. RUBENSTEIN: So, I see. But right now, Amazon sells many of the products by overnight kind of mailing that you sell, right? They just – they haven't done prescription drugs. Now they're going to in fact be in that business as well?

MR. MERLO: Listen, the acquisition of PillPack does give them a pharmacy license with which to –

MR. RUBENSTEIN: OK. Did you think of buying PillPack before they thought of buying it, or?

MR. MERLO: Well, it – listen, we have that capability today.

MR. RUBENSTEIN: Oh, you already have it. OK.

MR. MERLO: And, listen, with PillPack, it's – there's nothing proprietary about that technology. It's off-the-shelf technology.

MR. RUBENSTEIN: OK. So, let's talk about your background. So, you grew up in – you were born in Pittsburgh. You grew up in the Pittsburgh area. And why did you decide you wanted to be a pharmacist?

MR. MERLO: You know what? I actually loved chemistry in high school. I had a chemistry – and I liked, you know, health. And I had a chemistry teacher that influenced that direction. And –

MR. RUBENSTEIN: All right. So, you went to pharmacy school. And how many years did it take to go to pharmacy school, to get a degree?

MR. MERLO: At the time it was five. Now it's six. You graduate today with a Doctor of Pharmacy.

MR. RUBENSTEIN: All right. So, I don't – I don't – I hope my pharmacist is not listening – but I don't know – explain to me what a pharmacist does that is so complicated? Because now what you do is you get the prescription and he, or she, fills it. Where is the discretion that requires you to have six years of college to know that? [Laughter.] I mean, I assume it's complicated – more complicated than I'm making it. But in the old days, they used to make some of the drugs, maybe in your pharmacy in the old days. But now everything's made in advance, so you just, say, put in three pills here, two pills there. What is the – how do you decide a – how do you determine a good pharmacist from a bad pharmacist?

MR. MERLO: David, here's the secret sauce.

MR. RUBENSTEIN: All right.

MR. MERLO: OK? First of all, think about, you know, the health care profession, OK? The pharmacist is the most accessible health care professional that exists. And by the way, I'm not – I'm not isolating this discussion out of CVS, OK? You know, you can walk into any pharmacy and, you know, can I speak to the pharmacist? And, you know, as a practicing pharmacist – I was talking to the judge earlier. And he told me he went to CVS this morning. And I asked him which one. He said, the one in Georgetown. I said, Wisconsin and O Street? He said – he looked and me and said, yeah. And I – and then I told him I managed that store in 1981. [Laughter.]

MR. RUBENSTEIN: And you said, the prices are the same as 1981. [Laughter.]

MR. MERLO: No, they – no they are not, OK? [Laughter.] All right? But, listen, as a pharmacist, you're the most accessible health care professional. Nielsen and Gallup have done surveys for the last 15 or 20 years. Pharmacists consistently have ranked, you know, in the top two or three most trusted professions, not just within health care, just broadly. As a pharmacist myself, going back to those days in Georgetown, I was always amazed at what a customer would tell me about their health, or the questions that they would ask me. And oftentimes, I would say: have you talked to your doctor about this? And they would say, no. Should I? And I would say yes. And then oftentimes, well, would you call him for me?

So, there's this – I don't want to refer to it, David, as magic, OK, but there's this level of trust, you know, that exists that, you know, a pharmacist is that – they are that resource. And there's so much more that a pharmacist can do to practice to the top of the license to go well beyond, you know, the –

MR. RUBENSTEIN: Well, OK, it obviously is more –

MR. MERLO: I got you going. You got me going now.

MR. RUBENSTEIN: It's more complicated. But here's the for-example. How does one rise up from being a pharmacist to being an executive? You're a pharmacist. You were initially at People Drugs, is that where it was? And so, when you – when you were a pharmacist, where were doing it? In what area? Here, or?

MR. MERLO: Here.

MR. RUBENSTEIN: You were in Washington, D.C.

MR. MERLO: Yeah.

MR. RUBENSTEIN: At what part of Washington? You were doing People Drugs here?

MR. MERLO: Yeah, I was – I was – I had the store over on E Street across from the State Department, Georgetown, a couple stores in Northern Virginia.

MR. RUBENSTEIN: OK. OK. And so, government people were coming in all the time getting things they needed? [Laughter.] OK. All right. So how do you –

MR. MERLO: We call it HIPAA[3] today. [Laughter.]

MR. RUBENSTEIN: OK. So how do you go from being a pharmacist to being a manager? Because I assume most of your pharmacists are not rising up to be CEO or managers. So, what is it that you think you did that made somebody say: This guy is better than being a pharmacist, he should be an executive?

MR. MERLO: You know, David, I would – and people – CVS is not alone in this. People's, you know, had started this. CVS has this today. I know some of our competitors do the same thing. They have – we have management development programs for, you know, pharmacists who aspire, you know, to move into the business end and getting out of pharmacy.

MR. RUBENSTEIN: So now you do that.

MR. MERLO: And that's how all that got started.

MR. RUBENSTEIN: All right. So, CVS – I should have gotten to that – where did CVS start? And what does CVS stand for?

MR. MERLO: Well, the first store opened in 1963. You know, as you mentioned, we're headquartered in Woonsocket, Rhode Island. Very northern part of the state.

MR. RUBENSTEIN: And why did you pick there? Because it's not exactly a big city, is it?

[3] The Health Insurance Portability and Accountability Act of 1996 provides data privacy and security provisions for safeguarding medical information.

MR. MERLO: Yes. You're right. [Laughter.] The founders, the Goldstein brothers, were actually born and raised in Woonsocket. That's how it got started. They opened their first store in Lowell, Massachusetts. It did not have a pharmacy. It was about 1,500 square feet. It sold just health and beauty products. And so, 1,500 square feet would be about a tenth of the size of today's, you now, CVS Pharmacy.

MR. RUBENSTEIN: All right. And then CVS stands for?

MR. MERLO: CVS stands for Consumer Value Stores. This is a – you know, Stan Goldstein, one of the founders – Stan's in his late '80s. He's a great storyteller. He loves to tell the story, because oftentimes what does CVS stand for? And it's Consumer Value Stores. If you saw a first picture of that very first store, you would see the words "Consumer Value Stores" spelled out. And if Stan were here, Stan would say: We got to CVS because when I got the bill, OK, for that sign, it's a lot cheaper to spell out three letters than it is three words, OK? [Laughter.] That's a true story.

MR. RUBENSTEIN: So, all right, today you have 9,800, roughly, stores, is that right? But you're not outside the United States that much. You have Brazil. But are you thinking of going other places, or?

MR. MERLO: You know what? We think about international being in our future. At the same time, there is so much opportunity, you know, in health care that, you know, that's somewhere down the road.

MR. RUBENSTEIN: OK. But, like, Canada is right – a lot of times U.S. companies have things in Canada. And you could tell people there CVS stands for Canada Value Stores. [Laughter.] You wouldn't do that? All right. So, what is the big – what is the biggest CVS store in the United States? Where is the biggest one?

MR. MERLO: You know, there are some – from a size point of view, there are larger stores in California and Hawaii.

MR. RUBENSTEIN: OK. And of the people that you have as pharmacists – you have 9,800 stores. How many pharmacists do you have? Like, 10-20,000?

MR. MERLO: No, we have 30,000 pharmacists.

MR. RUBENSTEIN: Thirty thousand. And would they be half male, half female? Or, what's – what do you –

MR. MERLO: No, you know – you know what's interesting? If you look at the pharmacy schools today, about 70 percent of the graduates are females. That trend has been, you know, moving in that direction for probably the last 10 years.

MR. RUBENSTEIN: OK. So, in an average – what is the most popular thing bought at a CVS store? The most common thing? I mean, that you can legally mention. I mean – or you could

mention. I mean, I don't want to mention certain products. [Laughter.] But are there certain things that – is there certain things that you – that people buy? Like, I asked Walmart – the CEO of Walmart, I asked him once: What is the most common thing bought there? And he told me, bananas. That's what he said.

MR. MERLO: Well, it's not bananas. That I can tell you. [Laughter.]

MR. RUBENSTEIN: OK. All right.

MR. MERLO: You know, it's going to be one of the health products. One of the OTC[4] products.

MR. RUBENSTEIN: OK. All right.

MR. MERLO: Probably a CVS brand.

MR. RUBENSTEIN: What is your – by the way, CVS brand, like, for example – I mentioned this earlier when we were talking. If I go and buy CVS product that says CVS versus, let's say, the name-brand, the advertised brand, is there really any difference other than price is lower on the CVS brand? Is the quality exactly the same?

MR. MERLO: And we would argue that it is.

MR. RUBENSTEIN: OK.

MR. MERLO: OK? We make sure that the manufacturing of those products are, you know, at, you know, a very high quality. And there are products that we just won't try to replicate because of patent protections. We can't.

MR. RUBENSTEIN: OK. But the generic, so-called – the CVS product, let's say, you go buy Head & Shoulders, and you buy CVS – the equivalent. The differential in price, is it 20 percent?

MR. MERLO: It could be 20-40 percent. It'll vary.

MR. RUBENSTEIN: OK. Now, sometimes, I said to you earlier, when I go to buy things at CVS, they're locked up. You can't buy them. Like, a razor blade. Sometimes you lock them up. How do you sell them when they're locked up? [Laughter.]

MR. MERLO: That's a good question, OK? Listen, you know, we have – you know, we're – [laughs] – I'm going to stick my foot in my mouth with this one, OK? Listen, you've got the elements of, you know, merchandise protection that, you know, exist –

MR. RUBENSTEIN: OK. Some people steal these things?

[4] Over the counter

MR. MERLO: It happens, OK? And one of the things that we're working, you know, towards is how can we make it a better customer experience? Because I agree with you that, you know, if they're locked up, yes, we're – you know, we've kind of become the sales prevention shelf, OK, if we're – if you can't make it convenient to purchase it. Some of the things that we're working on is, you know, making cards for some of those products that, you know, have a lot of theft associated, so you can pick up a card. And we'll have the product behind the checkout. And it makes it easy for you. That seems to be a better solution that customers appreciate.

MR. RUBENSTEIN: Like, I'm in a modestly high-income area in Washington, D.C. Are people stealing razor blades in my neighborhood? I guess they must be if they lock them up.

MR. MERLO: David, you would be amazed at some of the things that go on.

MR. RUBENSTEIN: That people are stealing? OK. All right. So, when I go to the CVS store, sometimes there's a person who does the – you know, you check out with. But then you have these machines. And I try to do the machines. I think they're quicker. And the reason I like the machines, as I mentioned to you earlier, is if you want – if you have a $100 bill and you want to get cash for it – get change for it, you go to some person and say: Can I get change? They say, no, I really can't make change. But if you go to the machine, they're happy to do it because they never complain. So, you give them the $100 – [laughter] – and you buy something for, you know, $5 and you get $95 back, and you get the product. OK.

So, when I go to use the machine, very often I notice that it has a thing where it says skip bagging. And then I have to keep changing it back and forth. I mean, are a lot of people frustrated with these machines or are they really working well? [Laughter.]

MR. MERLO: You know, we're trying to prevent people like you, OK? [Laughter.]

MR. RUBENSTEIN: Like me? OK. OK. All right. But – OK. So, when I go in there, these machines, what percentage of people use the machines?

MR. MERLO: No, you know what? We have those machines in urban markets that have extremely high traffic.

MR. RUBENSTEIN: And people use them?

MR. MERLO: And people do use them.

MR. RUBENSTEIN: And do people do stealing of it? Because it's very easy to steal where you kind of – where you kind of say, let's suppose you buy five things, and you four – you scan four of them and you just throw one in. Maybe you forget, or accidentally, or just say I'll take one for free.

MR. MERLO: That's why that – that's why that skip bag function exists.

MR. RUBENSTEIN: OK. All right. OK. So, the machines are – they save you money over employees, I guess. That's why you have them, is that right?

MR. MERLO: You know what? It has more to do with, you know, the throughput of – you know, of customers. We can actually get, you know, more throughput with a combination of, you know, having, you know, staffed checkouts and then having these machines.

MR. RUBENSTEIN: And now you have also 1,100 clinics.

MR. MERLO: Yeah.

MR. RUBENSTEIN: And so, what do you – what do you do – and I haven't been to one of them. When you go to them, what do they – who do they – are there doctors there? Nurse practitioners? Who's there?

MR. MERLO: No, we – as you mentioned, we have, you know, about 1,100 Minute Clinics. They're staffed by nurse practitioners. You know, some – here's the history of this. The Minute Clinic was, you know, started probably – I'm going to say 12 or 13 years ago. And you know, this speaks to some of the earlier points that I made about, you know, consumers and health care. Because if you go back a decade ago, who would have thought that, you know, I've got 102 temperature and my throat hurts. I might have strep throat. Let me walk into a drug store, OK, and be seen by a nurse practitioner, have a strep test. If positive, I get a prescription, I go back, and have it filled. And, you know, I'm back in the car on my way home, all in about an hour. And, by the way, at 8:00 at night.

Because today 50 percent of the visits that we see at Minute Clinic are nights and weekends. Fifty percent of the patients that we see do not have a primary care physician. And we've now seen more than 40 million patients, you know, at Minute Clinic. I will say that when Minute Clinic first opened our tagline was: You're sick, we're quick. [Laughter.] OK? And now – we have evolved that, OK? [Laughter.] All right, into, you know, something that speaks more to, you know, the quality that is associated with those visits.

MR. RUBENSTEIN: So, it's you're sick, we get you better or something like that? All right, so today do you go into CVS stores very much? I assume you go in all the time.

MR. MERLO: I do.

MR. RUBENSTEIN: So, when you walk in, do they – do they have, like, your picture everywhere, so they know who you are? Or do you tell them who you are? I mean, I assume in Woonsocket they know who you are.

MR. MERLO: You know what? A lot of the stores, they know who you are, OK.

MR. RUBENSTEIN: OK. So, you walk in – if you came into my store, the one in my neighborhood, I don't know if they would know you. But if you started asking them questions, would they say none of your business, or they – would they – they would –

MR. MERLO: No, I – listen, I'd tell them, you know, if I wasn't, you know, recognized I'd let them know I'm from the office, OK, and chat with them. And, you know, people are great, OK?

MR. RUBENSTEIN: OK. All right. If you're the CEO of CVS, as you are, you have to be healthy, right? Because you're not going to be unhealthy. So how do you stay in shape to – and to be able to say: I'm the head of CVS Health. You're not smoking, presumably.

MR. MERLO: I'm not smoking. I need to exercise a little more. You know, follow my – the care plan that my physician has given me, OK? And – you know.

MR. RUBENSTEIN: All right. So, for example, you don't sell tobacco, you sell potato chips. Now, potato chips. Would you say they're healthy? Maybe they are healthy. I don't know. [Laughter.]

MR. MERLO: You know what, David? You're – actually you're raising a good point because one of the things that we were worried about, back to 2014, because you're right, we do sell, you know, candy bars and, you know, sugar foods, and even in some states, you know, we sell alcohol, spirits, wine.

MR. RUBENSTEIN: Oh, really?

MR. MERLO: OK. And, you know, we were worried about, you know, where do you draw that line? And it was interesting, because we went out and we talked to several in the medical field, you know, about what we were thinking about and our concern. And the feedback that we got, you know, very consistent was: Listen, you know, there's no amount of tobacco use that could be considered safe. Those other products, you know, moderate, occasional use have not been proven to cause, you know, medical harm. When we made the announcement and went and talked to consumers, we heard something similar, with one edition: Help educate me at the shelf in terms of healthier alternatives. And by the way, that's another one of the things that we've done in terms of introducing snack lines that, you know, have, you know, reduced trans-fat and lower sodium content, and things of that nature. So, there are alternatives.

MR. RUBENSTEIN: OK. All right. In your current position you come to Washington very much. Do you have to lobby members of Congress or the administration? Leave aside your acquisition, but are you here regularly anyway?

MR. MERLO: I am.

MR. RUBENSTEIN: And your mission is to kind of educate them about healthy related issues, or what?

MR. MERLO: I would say it's a dual purpose. It's to talk about the company, some of the things that we're doing, OK? And, you know, importantly, how we can be part of the solution to some of the challenges that, you know, our country faces.

MR. RUBENSTEIN: OK. So where do you think the – your business is going in the next five years? In five years from now or 10 years from now if I went into a CVS store, how will it be different than it is today?

MR. MERLO: Yeah. You know, well, first of all, you know, you'll see the pharmacy. And maybe it'll be, you know, slightly larger. As you look at those products that, you know, are – that are in what we refer to as the front of the store, you'll still see them. There'll be a focus on, you know, the health, the beauty, the personal care categories, and what I'll describe as, you know, elements of convenience. But you'll see more services, you know, that'll be tied to, you know, how do we work together to improve one's health?

MR. RUBENSTEIN: So, if – in virtually every CVS store, when you walk into them today the products are all in, like, the same, different place – or same place? I mean, you have a science as to where you should put them, and what – the science about – the stuff in the back is the higher margin stuff or the lower margin stuff?

MR. MERLO: No, it's – you know, if you look at the – if the store today – if you think about it, there's really four quadrants. You have that health quadrant, you know, that is very close to the pharmacy. You have that beauty quadrant, OK? Then you have that, you know, personal care quadrant. And then you have, you know, the convenience, general merchandise. And that's an area that, you know, you'll see deemphasized as we move forward.

MR. RUBENSTEIN: OK. So, you have, as I mentioned earlier, about 246,000 employees, something like that. So, are they minimum wage employees? Are they above minimum wage? Do you have, you know, big turnover? How long does a typical person stay at a CVS store?

MR. MERLO: Yeah. I mean, you think about the makeup of our store. You know, we've got pharmacists, pharmacy technicians, you know, store managers, store supervisors, and, you know, cashiers. So, we have a broad cross-section of skill levels within the store. You know, I would say that, you know, we have a very low turnover of, you know, the professional jobs, you know, in our store. We have a higher turnover of the entry-level jobs, recognizing that, you know, for, you know, some of our colleagues, these are first-time jobs for their – you know, for them. They, you know, may be, you know, still high school, college age. You know, in many cases, you know, those jobs have, you know, had a life impact on them in terms of going into, you know, one of our management programs or even going back to pharmacy school as a result.

MR. RUBENSTEIN: So, as I said, you have 9,800 stores. Would you prefer to have many more? Are you going to build out? Are you always building more every day? How many more are opening? Or are you just kind of happy with where you have it now?

MR. MERLO: No, we'll open about 150 stores this year. And, you know, we see that, you know, trajectory for growth for the next several years.

MR. RUBENSTEIN: And the prices for your products in your store versus Walgreens or Walmart, are they roughly the same for these products, would you say?

MR. MERLO: Yeah, I would say that, you know, there's probably more parity with Walgreens than there is Walmart. I think you would – you would find – if you looked at, you know, the price on the shelf, you would see, you know, Walmart's prices, you know, a little cheaper than CVS prices. That's why you need to have an Extra Care card.

MR. RUBENSTEIN: I'm going to think about that. But so, if I was interested in buying your stock, why would I want to buy it? Is it going to go up by a lot? It's been up 110 percent since you became the CEO. So, that's not bad. Can you do another 110 percent over the next couple years? [Laughter.]

MR. MERLO: Well, David, what's – go back to the comments that I made earlier that, you know, we've got a health care system that needs help, OK? And you know, we're on the forefront of this transformation. You know, you've got – I mentioned it in my prepared remarks, health care is a $3.5 trillion industry. And, you know, there can be more than one successful model out there. And by the way, health care is going to continue to grow. You know, think about the fact that there are 10,000 Baby Boomers turning 65 every day. That's going to go on for another 12 years. And by the way, once we hit that age, we take three times the number of medications as the younger population. So, you know, we have not reached the pinnacle of costs associated with health care, or the demand for health care.

So, the good news is we're in an industry that's going to continue to grow. We're on the forefront of, you know, innovation that can bring meaningful change and solutions to, you know, what ails health care. And I think that's a good reason to buy our stock.

MR. RUBENSTEIN: OK. And the Affordable Care Act. Has it helped your company? Hurt your company? Had no impact on your company?

MR. MERLO: You know what? I would say the impact of the Affordable Care – you know, expanding eligibility for the Medicaid population was a benefit, you know, to our companies, and, you know, others as well. I do think that there are elements of, you know, the Affordable Care Act that, you know, have been especially – you know, the elements around, you know, prevention and coverage for, you know, preventive activities that, you know, have been a benefit.

MR. RUBENSTEIN: Now, the average person who comes into your store, when he or she leaves, they've spent what amount of money? Is the average person spending $5 a visit, $10, $20?

MR. MERLO: No, you know, if you leave pharmacy, you know, out of this answer, the average person spends about $15 and buys three and half items.

MR. RUBENSTEIN: OK.

MR. MERLO: So, it's more of a convenience. We get this question all the time, that, well, what about – what about Walmart or Target? And I would sit here and say we share customers, you

know, with Walmart and Target, that, you know, that they may go to Target and fill up the shopping basket. They come to CVS for that fill-in trip in between.

MR. RUBENSTEIN: So, you've been the CEO, as I mentioned, since 2014 – or, 2011. I'm sorry – '11. You became the president in 2007, CEO since 2011. How many more years will you want to do this?

MR. MERLO: [Laughs.] You know what? Till it still stops being fun.

MR. RUBENSTEIN: OK. And that could be another 10, 20 years?

MR. MERLO: You know what? I don't put a time on that. You know, there's –

MR. RUBENSTEIN: Well, whenever you do step down, if you do step down, would you want to go into government? Do you have any interest in being secretary of HHS[5] or something like that?

MR. MERLO: That one – that one will not be on the list.

MR. RUBENSTEIN: No? OK. [Laughter.] OK, all right, so for your outside activities, what do you do to stay in shape? Do you have to be healthy? Are you a runner, bike person, golfer? What do you do?

MR. MERLO: Yeah. I like to golf. I like to bike.

MR. RUBENSTEIN: OK. And what would you like your legacy to be? In other words, when you eventually step down in 25 years from now, whenever that might be, would you like people to say: He was the greatest builder of drugstore companies ever? Or what would you like them to say?

MR. MERLO: You know what, David? I think what I'd like to be able to say is that, you know, we were able to transform the company from its roots as, you know, a pharmacy retailer, to becoming a total health care company. And as part of that transition, you know, always trying to do the right thing for the business and the people in it.

MR. RUBENSTEIN: OK. Well, I'm sure you'll have that legacy. I want to thank you very much for your time. And I assume I'm going to get a CVS card soon, right? [Applause.]

[5] Department of Health and Human Services, a cabinet-level department of the U.S. government.

Larry Merlo,
President and Chief Executive Officer,
CVS Health

Larry Merlo is President and Chief Executive Officer of CVS Health, a pharmacy innovation company that is at the forefront of a changing health care environment. The company, with $184.8 billion in net revenues for 2017, touches more than 100 million people each year through its unique combination of assets, including more than 9,800 retail pharmacies, over 1,100 walk-in medical clinics, a leading pharmacy benefits manager with more than 94 million plan members, a comprehensive provider of pharmacy services to long-term care facilities, and expanding specialty pharmacy services.

Under Merlo's leadership, the company is transforming health care by delivering breakthrough products and services that enable people, businesses and communities to manage health in more affordable, effective ways. As part of this deep commitment to public health, in 2014 the company announced the landmark decision to be the first major retail pharmacy to eliminate tobacco sales in all of its stores. To reflect this broader health care commitment, the company subsequently changed its corporate name to CVS Health.

Merlo, a pharmacist by education, joined CVS Pharmacy in 1990 through the company's acquisition of Peoples Drug. Prior to assuming the role of President and CEO in 2011, Merlo held positions of increasing responsibility, most recently President of CVS Pharmacy. Under his leadership, the company completed some of the most successful acquisitions in the history of retail pharmacy and delivered significant organic growth in major markets across the country.

Merlo currently serves on the Board of the National Association of Chain Drug Stores (NACDS) and the University of Pittsburgh's Board of Trustees. He is also a member of the Consumer Goods Forum Board and serves on the Business Roundtable Executive Committee.

He is a graduate of the University of Pittsburgh School of Pharmacy.