CVS Health Corp

Q1 2025 Earnings Call

Thu May 01 2025 Earnings Call Transcript

Q1 2025 Earnings Call *(Corrected version)*

Summary NEW

Positives

- The segment generated adjusted operating income of approximately $2 billion, an increase of over $1.2 billion from the prior-year quarter.
- The company increased its full-year 2025 adjusted EPS guidance to a range of $6 to $6.20, up from the previous range of $5.75 to $6.
- The company generated revenues of nearly $32 billion, an increase of over 11% YoY and over 14% on a same-store basis.
- The company generated cash flows from operations of approximately $4.6 billion during Q1, an excellent start to the year that allowed it to increase its full-year cash flow guidance.
- The company delivered Q1 adjusted operating income of approximately $4.6 billion and adjusted EPS of $2.25, driven by strong performance across all segments including meaningful improvement in the Healthcare Benefits segment.

Negatives

- Health plan partners have raised issues as they will now have trouble satisfying network adequacy requirements, including for the Medicare program.
- The company expects its Medicare Advantage membership to end the year consistent with the previously guided range of down 5% to 10% YoY.
- The company is closely monitoring the potential for a softening consumer environment and the implications of tariffs, as well as potential changes in consumer sentiment towards vaccines that may impact market demand.
- Independent pharmacies will not be able to fill the void this legislation creates in Arkansas as they often do not stock specialty medications and lack the capabilities to manage complex conditions.

Outlook From Earnings Call

- The company increased its full-year 2025 guidance for adjusted EPS to a range of $6 to $6.20.
- The company projects its full-year 2025 medical benefit ratio at the low end of its Health Care Benefits adjusted operating income guidance range to be approximately 91.3%.
- The company increased its full-year 2025 adjusted EPS guidance to a range of $6 to $6.20, up from its previous range of $5.75 to $6.

Q & A Highlights

- **Analyst asked about the company's coverage for weight loss and the potential increase in the number of lives that could be covered with this program.**
- The company has been innovating in the areas that its customers care about, and it has known that there have been cost pressures in this category. The company has announced a new relationship with Novo Nordisk to significantly increase the access to Wegovy for its members at a more affordable price. The company has taken a formulary action on 07/01 to prefer Wegovy, which is the largest commercial template that has tens of millions of lives on it. The company is excited about this partnership and the value it will bring to its customers and clients.
- **Analyst asked about the prior period revenue adjustments and their impact on the company's earnings.**
- The development occurred across all business lines, with the majority of the development being off the fourth quarter dates of service. The largest single source of favorability was Medicare, which is also the company's largest block of business. The largest driver of favorability in the fourth quarter was inpatient, but the company also saw some favorability in its specialist categories. The offsets are gross, and the $1.6 billion that the company got out of the roll forward does not incorporate all the earnings that it took into account. The bottom-line impact, net of the revenue items, is specifically $400 million, which is the increase in the guidance this morning. The company expects to see a year-over-year improvement in earnings, with the elimination of the variable loss, which is expected to be in the range of $350 million to $400 million.
- **Analyst asked about the impact of the Wegovy announcement on CVS Health's guidance expectations.**
- The Wegovy announcement is not impacting CVS Health's guidance, and it is not factored into their guidance. The company expects to deliver savings for their customers, and they are considering alternative sourcing and diversifying suppliers to mitigate the impact of tariffs.
- **Analyst asked about the nature and timing of the early signs of pressure at Oak Street, and if anything changed from year one to year two of V28 that was either unanticipated or more challenging from an operational perspective.**
- The healthcare delivery business has performed in line with expectations, but there are some signs of pressure in the first quarter as it relates to medical cost trends at Oak Street. The company is watching how claims will develop over the next several months and will report back on that piece. The Signify business had a strong start to the year with IHE volume, and customers are valuing the service and operational excellence provided by the company. Overall, the company feels good about healthcare delivery with a little bit of pressure in Oak Street.
- **Analyst asked about the market impact of the CostVantage program and the potential for rolling it out to government programs.**
- The company has seen a positive impact from the CostVantage program, with improved performance in both the front store and pharmacy business. The program has allowed the company to address the cross-subsidization issue in the marketplace and create stable, more predictable margins. The company is still early in the transformation process, but they are pleased with the results so far. They have moved 100% of their commercial scripts into CostVantage and are working to move the rest into this model by January 2026.
- **Analyst asked about the possibility of divesting the PBM part of the business and retaining the specialty pharmacy.**
- The company believes that having a vertically integrated business makes more sense than divesting one or the other. They believe that this approach allows them to better serve customers and deliver value. However, they recognize that there may be other states that are considering similar policies, and they are monitoring the situation closely.
- **Analyst asked about the impact of the Arkansas policy on the company's business and the potential for other states to adopt similar policies.**
- The company believes that the Arkansas policy is bad for patients and will increase costs and disruption. They are concerned about the impact on vulnerable populations, such as the specialty population, and the potential for pharmacy deserts and access problems. They recognize that other states are considering similar policies, but they believe that common sense will prevail and that they won't have to make the difficult decisions about which businesses to divest. They believe that their integrated assets allow them to serve customers effectively and deliver value.
- **Analyst asked about the impact of Wegovy being on the national formulary on the company's business.**
- The company believes that Wegovy being on the national formulary will lower costs for customers and increase access to the drug. They are opening up access to 9,000 pharmacies and believe that this will benefit customers. They also believe that their integrated assets allow them to deliver value to customers and create competition in the marketplace.
- **Analyst asked about the company's concern regarding the flu program.**
- The company is monitoring consumer sentiment and potential changes in the protocols required to deliver vaccines, particularly for COVID vaccines. The ACIP committee will help drive national standards for vaccine delivery. The company's stores are prepared and ready to deliver vaccinations, and they continue to create a good consumer experience. The company is focused on gaining share of the total addressable market of patients who need vaccines.

Topics

1 Wegovy
2 Medicare
3 Consumer
4 Caremark

Wegovy

- The company is partnering with Novo Nordisk to increase access to Wegovy for members at a more affordable price.
- The partnership will enable the company to provide convenient, safe, and affordable access to Wegovy for eligible patients.
- The partnership will take a formulary action on 07/01 to prefer Wegovy.
- The partnership is not impacting the company's guidance and is not factored in.

5	Oak Street
6	Specialty Drugs
7	Medications
8	Arkansas
9	Vaccine
10	Geopolitical Risks

Event Details

Date: 2025-05-01
Company: CVS Health Corp.
Ticker: CVS-US

Company Participants

Laurence McGrath - CVS Health Corp., Executive Vice President, Chief Strategy Officer and Chief Strategic Advisor to the CEO of CVS Health
J. David Joyner - CVS Health Corp., President, Chief Executive Officer & Director
Thomas F. Cowhey - CVS Health Corp., Executive Vice President & Chief Financial Officer
Steven H. Nelson - CVS Health Corp., Executive Vice President and President, Aetna
Prem S. Shah - CVS Health Corp., Group President & Executive Vice President

Other Participants

Justin Lake - Analyst
Lisa C. Gill - Analyst
Stephen Baxter - Analyst
Elizabeth Anderson - Analyst
Andrew Mok - Analyst
Michael Cherny - Analyst
Charles Rhyee - Analyst
Ann Hynes - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, and thank you all for attending the CVS Health Q1 2025 Earnings Conference Call. My name is Brika, and I will be your moderator for today. All lines will be muted during the presentation portion of the call with an opportunity for questions-and-answers at the end.

I would now like to pass the conference over to your host, Larry McGrath, Chief Strategy Officer. Thank you. You may proceed, Larry.

Laurence McGrath

Good morning, and welcome to the CVS Health first quarter 2025 earnings call and webcast. I'm Larry McGrath, Chief Strategy Officer. I'm joined this morning by David Joyner, President and Chief Executive Officer; and Tom Cowhey, Chief Financial Officer.

Following our prepared remarks, we'll host a question-and-answer session that will include additional members of the leadership team. Our press release and slide presentation are being posted to our website along with our Form 10-Q filed this morning with the SEC. Today's call is also being broadcast on our website, where it will be archived for one year.

During this call, we'll make certain forward-looking statements. Our forward-looking statements are subject to significant risks and uncertainties that could cause actual results to differ materially from currently projected results. We strongly encourage you to review the reports we file with the SEC regarding these risks and uncertainties. In particular, those that are described in the cautionary statement concerning forward-looking statements and risk factors in our most recent Annual Report on Form 10-K, our quarterly report on Form 10-Q filed this morning and our recent filings on Form 8-K, including this morning's earnings press release.

During this call, we'll use non-GAAP measures when talking about the company's financial performance and financial condition, and you can find a reconciliation of these non-GAAP measures in this morning's press release and the reconciliation document posted to the Investor Relations portion of our website.

With that, I'd like to turn the call over to David. David?

J. David Joyner

Thank you, Larry, and good morning, everyone. We continue to build momentum across CVS Health and are progressing on our aspiration to be America's most trusted healthcare company. This morning, we are pleased to report solid results in what continues to be a challenging and volatile environment.

We delivered first quarter adjusted earnings per share of $2.25 and adjusted operating income of $4.6 billion. In addition, we increased our full year 2025 adjusted EPS guidance to a range of $6 to $6.20, up from our previous range of $5.75 to $6.

Our strong start to the year and our increased guidance reflects solid performance and execution across each of our businesses as we maintain a prudent outlook with opportunities for outperformance and deliver on our promise to you, our shareholders.

One of my top and most urgent priorities coming into this role was ensuring I had a leadership team with diverse experiences that can help me execute against my strategic priorities. Last month, we announced the appointments of Brian Newman as Chief Financial Officer, effective May 12, and Amy Compton-Phillips as the Chief Medical Officer effective May 19.

I am confident that Brian and Amy will help us continue building upon the momentum we've created over the past several months as we execute on our strategy to deliver better healthcare to those we are privileged to serve. I believe I now have completed my management team and that Brian and Amy's collective and individual experience and expertise are well suited to position CVS Health for the future.

Brian is succeeding Tom Cowhey, who will continue to serve as a strategic adviser to me effective May 12, to help ensure a successful transition.

I want to express my personal appreciation for all Tom has done in his 11 years at Aetna and three years at CVS Health. Tom has been instrumental in advancing our talent, advocating for the finance function and engaging with our shareholders.

Tom has also played a critical role in our efforts to stabilize the Aetna business and position us on the path to improved results. I'm grateful for my time with Tom and wish him all the best in the future.

We are driving towards becoming America's most trusted healthcare company. Every day, we earn the trust of customers we serve by improving outcomes, expanding access and improving affordability to address one of the largest problems faced by our country, rising and unsustainable healthcare costs.

We hold a unique position in healthcare with our scaled assets, our 9,000 community health destinations, our more than 1,000 walk-in and primary care clinics and the deep connections we have with more than 185 million consumers we serve.

It is this combination that differentiates CVS Health and provides us with a competitive advantage, allowing us to drive change and bring solutions to market at scale.

Addressing the fragmented and broken healthcare system of today is not easy, but we are facing this challenge head-on. This is personal for me, my leadership team and the more than 300,000 CVS Health colleagues that work tirelessly every day to earn the trust of the customers we serve.

Our solutions are driven by insights, from the millions of consumer touch points we have across CVS Health. We are purposely using these insights, through our digital capabilities to improve transparency, empower our members and drive better outcomes.

In our CVS Health app, customers now have greater visibility into their healthcare journey and how to address potential barriers to care. This core digital asset is helping to drive a more trusted and integrated healthcare experience for our customers.

We are also directly supporting our members with real-time AI-powered recommendations to help them better manage their health and achieve better outcomes. Our capabilities allow us to precisely engage with members where we can have the most impact on their health and experience.

We have the best-run pharmacy businesses in the country. We have been investing our colleagues, strengthening our technology, and we continue to build on our market-leading cost of goods sold.

Our focus in these areas has allowed us to deliver superior experiences to our customers, while driving significant operational improvements across our nationwide footprint.

Between our community, specialty and mail-order pharmacies, we process and dispense over 1.7 billion scripts each year, generating unique insights that create opportunities to improve processes and healthcare experiences, at scale.

We have been focused on simplifying and improving the prior-authorization process for many years with the goal of getting patients their critical medications as quickly as possible.

We eliminated requirements, accelerated decisions, created transparency as well as provided proactive support to improve their experience. We took what we know matters most to our customers and applied it to what we do every day across each of our businesses.

In the last several months, our team is taking meaningful steps to address points of friction, including simplifying and streamlining the prior-authorization process at Aetna.

Today, Aetna maintains one of the shortest list of treatments and procedures that require prior authorization. Of the eligible prior-authorization requests we received, over 95% are approved within 24 hours, with some approved in as little as just a few hours.

However, we know patients still feel friction in the system, and we are not satisfied with the status quo. We will continue leading the industry in driving change and improving member and provider experiences.

We recently announced a novel approach, which bundles multiple prior-authorization requests into one. We have begun to deploy this solution in some common areas of cancer care, where we can have a meaningful impact supporting our members.

By bundling the prior authorization for multiple high-tech imaging scans like MRIs that are used for restaging cancer care, we are reducing the administrative load on providers, expediting treatment and reducing uncertainty for our members.

Our goal is to launch additional bundles later this year and to expand the program more broadly to other conditions such as musculoskeletal and select cardiology services.

We are excited about rolling out this new approach particularly after the positive response we've received from plan sponsors. Another critical component of earning the trust of our customers is enhancing access and making the cost of life-changing medications more affordable. We have a proven history of leading the market with the use of preferred formularies more than a decade ago.

We led the market in driving the adoption of Humira biosimilars delivering over $1 billion of savings for our clients. A year after we revitalized the biosimilar market, with our launch of Cordavis, our low-cost Humira biosimilar has the largest market share in the US.

Today, we're leading the way forward on GLP-1s. These innovative drugs, which can have a meaningful impact on people's health, were launched at prices that pressured our clients' budgets.

To address this, we are pleased to announce that we are partnering with Novo Nordisk to significantly increase access to Wegovy for our members at a more affordable price. We can increase the power of GLP-1s by combining them with additional lifestyle clinical support as part of our CVS weight management program offered to our clients through Caremark. This combination allows members to achieve better outcomes and even greater weight loss than the preprogram results.

Additionally, we are the first retail pharmacy in the NovoCare Pharmacy network, this will enable us to provide convenient, safe and affordable access to Wegovy for eligible patients at our 9,000 community health locations across the country.

Taken together, this demonstrates the value of our integrated model and what CVS helped us day in and day out. Our clients and the patients we serve continue to choose us because we innovate, create competition, increase access and deliver savings while leveraging our leading clinical capabilities to improve health outcomes.

Our industry-leading pharmacy capabilities built across our national footprint and powered by our efficient operations and our innovative and transparent pricing models have allowed us greater flexibility to focus on improving health outcomes.

Patient experience and trust have a meaningful impact on medication adherence. Our success in this area has enabled us to be the top-ranked national retail chain for medication adherence.

In our Aetna business, Medicare Advantage members who utilize CVS pharmacy are more adherent to the therapy. This results in fewer acute medical events such as emergency room visits and on average, these members have 3% lower medical costs. Our unrivaled reach to consumer and our integrated business model allow us to establish deeper connections in the community and drive better outcomes.

The combination of our capabilities across each of our businesses are what allow us to deliver on these promises. This is why the ongoing rhetoric and misguided actions by some aimed at integrated healthcare companies like CVS Health are so flawed.

In April, the Arkansas government took unjustified action that will leave hundreds of thousands of patients without their community pharmacy, severely limiting access to critical drugs and increasing cost for employers and consumers. The actions will also affect more than 10,000 people in Arkansas who have complex conditions like cancer and multiple sclerosis.

These vulnerable patients require specialized care and close coordination with their specialty pharmacists. Independent pharmacies will not be able to fill the void this legislation creates in Arkansas as they often do not stock specialty medications and lack the capabilities to manage complex conditions.

We saw an overwhelming response against this proposal from patients and customers who will now see a rise in the cost of medications and a decrease in their accessibility. We've also seen several direct letters from trade groups like the American Benefits Council and the ERISA Industry Committee, who are also concerned about the negative impact resulting from this bill.

Our health plan partners have also raised issues as they will now have trouble satisfying network adequacy requirements, including for the Medicare program. We will continue to serve patients in the state for as long as we can and will work to educate stakeholders on all the ramifications of this flawed legislation.

We are already seeing other states rejecting the Arkansas approach. Our position remains that we believe in common sense, meaningful actions that help lower the cost of medications in the US, which is why we were pleased to see that the President's executive order on drug pricing focuses on the entire supply chain.

We remain focused on building trust with you, our shareholders, by taking the right actions to strengthen our business and deliver on our commitments. As you've seen over the last six months, we actively manage our portfolio of businesses to ensure a pathway to sustainable earnings and competitive viability. We took action at the end of last year with our infusion business at Coram and we've announced earlier this year our exit from the ACO REACH program and the sale of our MSSP business.

We are disappointed by the continued underperformance from our individual exchange products and have recently determined there is not a near or long-term pathway for Aetna to materially improve its position in this product. As a result, we've decided that effective 2026 we will exit the states in which Aetna independently operates ACA plans.

Despite our multiyear efforts, we must recognize what is and what is not working and we'll focus on the areas where we have a clear right to win. This is not a decision we made lightly, as we recognize the importance of this product to millions of members. This action will allow us to focus on areas where we will have the strongest capabilities, including Medicare, Commercial and Medicaid where we continue to build on our ability to serve members and customers in a differentiated way.

We are committed to supporting our individual exchange members for as long as we have the privilege to serve them, and we'll also work closely with our partners to ensure a smooth transition and that these members continue to have access to quality, affordable care.

We are dedicated to transforming the healthcare experience in this country and believe we have the right set of assets, the right strategy and the right team to deliver the most affordable and highest quality healthcare solutions to our customers. We are focused on executing against the strategic priorities I laid out when I spoke to you last quarter and delivering strong results.

We continue to lead the industry in driving innovation and better experiences for our members, patients and consumers and are working hard to ensure we deliver best-in-class performance from each of our businesses.

As we continue to build trust and look to the future, we are setting expectations that are appropriate and achievable and continue to focus on areas where we can drive outperformance.

With that, I'd like to hand the call over to Tom. Tom?

Thomas F. Cowhey

Thank you, David, and thanks to everyone for joining us this morning. I'll start with a few highlights on total company performance. First quarter revenues of nearly $95 billion increased 7% over the prior-year quarter, driven by revenue growth across all segments.

We delivered first quarter adjusted operating income of approximately $4.6 billion and adjusted EPS of $2.25, driven by strong performance across all segments including meaningful improvement in our Healthcare Benefits segment.

Finally, we generated cash flows from operations of approximately $4.6 billion during the quarter, an excellent start to the year that allowed us to increase our full year cash flow guidance this morning.

Turning now to our segments, Healthcare Benefits generated nearly $35 billion of revenue in the quarter, an increase of 8% over the prior year, driven by increases in our Medicare business, including the impact of improved Medicare Advantage Star Ratings for payment year 2025.

Medical membership of approximately 27.1 million was flat sequentially, as declines in our individual exchange and Medicare businesses were largely offset by growth in our commercial fee-based business.

Shortly after quarter end, the premium grace period for individual exchange members expire, and we obtained additional clarity on our effectuated membership. As a result of this subsequent attrition, our membership declined by approximately 300,000 members, which will be reflected in our second quarter membership.

During the quarter, the segment generated adjusted operating income of approximately $2 billion, an increase of over $1.2 billion from the prior-year quarter. Our medical benefit ratio of 87.3%, decreased 310 basis points from the prior year.

These improvements were primarily driven by the favorable year-over-year impact of prior-year reserve development across all lines of business, the majority of which was related to fourth quarter 2024 dates of service.

We also benefited from better underlying performance in Medicare, including the impact of improved Medicare Advantage star ratings for the 2025 payment year and seasonally strong performance in our Medicare Part D products.

Partially offsetting this strong performance were a number of estimate changes related to prior period revenue. Altogether, prior-year reserve development net of changes in revenue estimates, contributed approximately $400 million to adjusted operating income in the quarter.

As David mentioned earlier, we plan to exit our individual exchange business in 2026. We are currently projecting that variable losses in this business will be between $350 million and $400 million for the full year 2025.

As a result of these losses, as well as updates to reflect the seasonality of this business. This quarter, we established a premium deficiency reserve of approximately $450 million related solely to the 2025 coverage.

This PDR reflects updated seasonality projections, based on our current membership mix as well as higher membership than previously anticipated. The premium deficiency reserve increased our first quarter medical benefit ratio by approximately 130 basis points.

Medical cost trends during the quarter remained elevated, but appeared to show early signs of stabilization, and we're broadly in line with our expectations for most of our businesses. While our group commercial business delivered a strong quarter, our individual exchange business did experience higher-than-expected trends as reflected in our PDR.

Trends in Medicare, while elevated, were modestly better than our expectations. In Medicare broadly, we continue to see higher trends in inpatient, outpatient and medical pharmacy, three categories which were elevated in 2024, and which we will continue to monitor closely. That said, performance in Part D during the quarter was better than our projections but may simply reflect updated seasonality given program changes and our current mix of members. In particular, we are watching specialty utilization in this product.

We also saw strong improvements in the performance of our supplemental benefit offerings. We'll remain cautious on the outlook for these products until we have more experience with the substantial changes we made for 2025. We are also closely watching trends in our group Medicare Advantage business, which remain pressured.

In Medicaid, our overall rate advocacy efforts remain on track as we continue to work with our state partners to align rates with changes in acuity. Days claims payable at the end of the quarter was approximately 43 days, down about one day sequentially and from the prior-year quarter, primarily driven by pharmacy costs, partially offset by the impact of the premium deficiency reserves.

When we compare sequential premium growth against reserve growth, those metrics were more consistent when normalized for the Part D premium changes. We remain confident in the adequacy of our reserves. Our Health Services segment generated revenues of over $43 billion during the quarter, an increase of nearly 8% year-over-year, primarily driven by pharmacy drug mix, growth in specialty and brand inflation partially offset by continued pharmacy client price improvements.

First quarter adjusted operating income of over $1.6 billion increased nearly 18% from the prior-year quarter, primarily driven by improved purchasing economics and pharmacy drug mix, partially offset by continued pharmacy client price improvements. Total pharmacy claims processed in the quarter were over 464 million and total pharmacy services membership as of the end of the quarter was approximately 88 million.

We started the year with another strong quarter of top-line growth in our Healthcare Delivery business. Total revenues grew 27% compared to the same quarter last year, excluding the impact of our exit from the ACO REACH program and the sale of our MSSP business. This increase was primarily driven by strong patient growth at Oak Street and increased volumes at Signify.

Total at-risk members at Oak Street increased approximately 37% in the same period last year. While very immature, we have seen some signs of pressure in first quarter medical cost trends at Oak Street Health, which we will continue to monitor closely over the next several months as they continue to develop.

Our Pharmacy and Consumer Wellness segment also delivered another strong quarter. We generated revenues of nearly $32 billion, an increase of over 11% versus the prior-year quarter and over 14% on a same-store basis. Adjusted operating income of over $1.3 billion increased over 11% from the prior-year quarter, primarily driven by increased prescription volume and improved drug purchase.

First quarter results also benefited from stronger seasonal factors, including the impact of increased demand for certain vaccines and the extended flu season. Partially offsetting these items were continued pharmacy reimbursement pressure and the impact of softening consumer demand in the front store.

Same-store pharmacy sales in the quarter grew nearly 18% versus the prior year and same-store prescription volumes increased nearly 7%. Same-store front store sales were roughly flat versus the prior-year quarter, but were up nearly 1% after adjusting for the impact of leap day in the first quarter of 2024.

Retail pharmacy script share in the quarter grew to approximately 27.6%, an increase of approximately 70 basis points from the same period last year, driven by continued strong execution, our ability to deliver superior customer experiences and our commitment to pharmacy access across the communities we serve.

Shifting now to cash flow and the balance sheet. We generated cash flows from operations of approximately $4.6 billion in the first quarter. During the quarter, we returned $840 million to our shareholders through our quarterly dividend. We ended the quarter with approximately $1.5 billion of cash at the parent and unrestricted subsidiaries.

Our leverage ratio at the end of the quarter improved meaningfully from year-end. While our ratio remains above our long-term targets, we are pleased by the progress we made in lowering our leverage this quarter. We continue to expect our leverage ratio to return to more normalized levels as we maintain our disciplined financial policies and make progress on margin recovery in the Aetna business.

Shifting now to our outlook for 2025. As David mentioned, we are increasing our full year 2025 guidance for adjusted EPS to a range of $6 to $6.20. This update incorporates our first quarter performance while maintaining a respectful view on medical cost trend and a prudent outlook on various macro factors for the remainder of the year. We now expect total revenue of $382.6 billion, down approximately $3.3 billion, largely due to our exit from the ACO REACH program and the sale of our MSSP business.

In our Health Care Benefits segment, we now expect adjusted operating income of approximately $1.91 billion at the low end of our guidance range. This reflects an increase of approximately $400 million, primarily driven by the previously mentioned prior-year reserve development, net of changes in estimates related to prior-period revenue that we experienced in the first quarter.

We project our full year 2025 medical benefit ratio at the low end of our Health Care Benefits adjusted operating income guidance range to be approximately 91.3%. Our guidance maintains a respectful view of medical cost trends for the remainder of the year. In particular, we continue to keep a close eye on performance of our Group Medicare Advantage business.

As we discussed last quarter, contracts in this book are typically multiyear and thus take longer to reprice. While we are encouraged by the favorable development of our 2024 medical cost estimates, our claims experience for 2025 remains immature, particularly in light of changing membership mix in our Medicare Advantage and individual exchange products. That said, outperformance on the medical benefit ratio remains one of the largest potential factors that could drive us higher in our adjusted EPS guidance range.

We expect to end the year with approximately 26.4 million members, up approximately 600,000 members from our previous guidance, primarily driven by higher membership in our individual exchange and Medicare businesses. We continue to expect our Medicare Advantage membership to end the year consistent with our previously guided range of down 5% to 10% year-over-year.

Adjusted operating income guidance for our Health Services and Pharmacy and Consumer Wellness segment is unchanged from our previous expectations. We are encouraged by the performance of each of these segments in the first quarter and are maintaining a cautious outlook for the remainder of the year.

In PCW, we are closely monitoring the potential for a softening consumer environment and the implications of tariffs, as well as potential changes in consumer sentiment towards vaccines that may impact market demand.

We are also closely watching the persistently elevated trends in Medicare Advantage and the potential impact they could have on our Healthcare Delivery business, particularly at Oak Street Health. In aggregate, we expect our consolidated adjusted operating income to be in a range of $13.31 billion to $13.65 billion.

We continue to believe these expectations represent an appropriately achievable baseline with opportunities for outperformance. Based on these changes, we are also updating our expectation for full year cash flow from operations to approximately $7 billion. Additionally, we now expect our interest expense to be approximately $3.15 billion, and our adjusted effective tax rate to be approximately 25.9%.

As you think about the cadence of earnings for the remainder of the year, we now expect approximately 60% of full year consolidated earnings to occur in the first half of the year. This reflects a change from our previous estimate, largely driven by strong first quarter performance.

For Health Services, while we were pleased with the strength of the quarter and our reiteration of full year guidance, we will remind you that results in the Pharmacy Services business can see material fluctuations by quarter. Specifically, as we sit here today, consensus expectations for the second quarter are notably higher than our own expectations.

You can find additional details on the components of our 2025 guidance on our Investor Relations website. We are encouraged by our performance in the first quarter as our results demonstrate execution of initial steps to restore Aetna to target margins. While we still have a significant amount of work to do, this quarter was an important first step in our multiyear journey to unlock the embedded earnings power of CVS Health.

With that, we'll now open the call to your questions. Operator?

QUESTION AND ANSWER SECTION

Operator

Thank you. We will now begin the question-and-answer session. We have the first question from Justin Lake with Wolfe Research. Your line is open.

Analyst: Justin Lake

Question – Justin Lake: Thanks. Good morning. I wanted to focus on your comments around Medicare Advantage, specifically – it sounds like you're seeing early trends better in individual and Part D, maybe some pressure incrementally in group MA. So, hoping you can give us some more color there across those three segments. And also maybe give us your early impression of trend versus that high-single-digit medical trend you put in guidance for MA?

Answer – J. David Joyner: Yeah. Justin, this is David. Thanks for the question. We expect that there will be questions around the trend. And let me – before I hand it off to the team to talk more specifically about the drivers and how we're thinking about the end of – or the rest of this year. I want to just take a moment talking about what we've done in the last six months, and we've talked a lot about creating operating stability, improving the way in which we're forecasting and pricing our products. And then we had to have a good open enrollment.

So, I think we've executed against all three of those priorities. And I feel really good about the team, the focus and the execution that's in front of us. And so, I think that has allowed us, again, to, I think, drive the kind of performance that we've seen in this first quarter. I will also say that we will continue to hold a respect for trend. And I think will be the theme you'll hear today as we look at both the performance in Q1 and also the elevated trends as we expect for the rest of this year.

So, with that, I'll let Steve Nelson give a broader framework on Medicare and in that with the other businesses within that, and I'll let Tom speak to the specific trends.

Answer – Steven H. Nelson: Great. Well, thanks, David. Good morning, Justin. David used the word this morning momentum. And I think that's the right word, as you think about Aetna specifically. The objectives that we've laid out are clear. We have a multiyear path to return Aetna to its target margins. And while it's very early in that journey, the progress is very encouraging. So, maybe I'll just highlight 4 or 5 points that I think point to some of the drivers of that progress.

I'll start with Medicare Advantage in the individual business. Through the AEP process, we, I think, did a really good job of rationalizing both geographies and product mix, combined with really strong execution around the total cost of care and just the overall operational rigor and management process focus, discipline, it's really producing results.

And as Dave and Tom both said, early innings here, but the elevated trends that we've seen, we are starting to see early signs of stabilization. So, it's really producing results and very pleased with the progress in that business overall.

I'll just touch on the other businesses quickly to kind of round out just the overall perspective on Aetna. Our Medicaid business is continuing to perform well, and we really like the progress we're making around rate advocacy very much tracking in line with our full year expectations. And we're very competitive in this space.

We had couple really good wins with Texas and Georgia. They're obviously pending protests. We're confident that we'll prevail there and hopeful, but really strong performance in the early innings at Medicaid as well.

And then our Commercial business has been performing slightly ahead of our expectations, mainly driven by a return to more competitiveness in our fully insured book. That's due to really nice disciplined pricing and great work on our trend as well as better than expected retention.

And then when you think about our self-insured our Meritain business, our national public and labor accounts business, we've seen some really nice wins there in incredibly competitive markets. The Pennsylvania Employee Benefits Trust Fund, the Advocate Health System, these are examples of full replacement opportunities that we were able to achieve, incredibly proud to be able to serve those customers.

We've – David mentioned in his prepared remarks that we'll be exiting the IFP business, our exchange business. And we've now met with all of our independent market and states, including CMS and they're appreciative of the transparency and the thoughtful approach that we're taking here, and we are committed to serving these members through the rest of the year, and that's our focus. So, we will continue to update you on that process.

And then the last point, we're continuing to make progress in our culture and the way that folks think, our colleagues and moving to an advocacy mindset, focusing on innovation around member experience and our provider experience. David made an announcement about how we're going to be streamlining the prior-authorization process for certain conditions, and we're just going to build on this. This is going to be a focus of our company.

A watch item, just to finish up here, is the Medicare Group. Medicare Advantage Group business, Justin, you asked about that specifically. And that business will be – we have a strong market position there, and we've had success. It has not been immune from the elevated trends.

So, we've seen that definitely in the group business due to the multiyear contract nature of the business, there's not as many levers to pull there, but we are getting after the clinical opportunities aggressively, and we're also going to be introducing some rate actions as well. So, we think that will mitigate some of the pressure. But overall, again, multiyear journey, it's early, but incredibly encouraged about the progress and proud of the team for what they've done.

So, Tom, I'll turn it over to you for more detail on the trend part.

Answer – Thomas F. Cowhey: Great. Good morning, Justin. So, as you look at the quarter, if you strip out the premium deficiency reserve, the underlying Aetna business beat by about $1 billion. So, we had strong prior period reserve development of the 12/31 reserves, which, as I noted in the prepared remarks, was partially offset by some out-of-period revenue changes. And so, net those two are worth about $400 million, which was the driver of the increased guidance this morning.

As you look at the current period, the upside is almost entirely driven by Medicare. So, the other businesses are largely going to offset. And inside Medicare, there's a few things going on. First, there was about $100 million of expense favorability, which is primarily timing will come back over the remainder of the year.

As you look at the core Medicare trends, they're running consistent with to slightly better than our outlook. And as Steve said, they're showing early signs of stabilization. First quarter inpatient trends are generally consistent with the full year 2024. We've also seen some modest favorability in outpatient, but medical pharmacy trends remain stubbornly high.

Outside of the core trends, as I noted, we saw a strong seasonal performance out of Part D and we also saw strong year-over-year improvement in our supplemental benefit trends. But we haven't pulled through this favorability until we've seen more data.

And then turning last – just to close out your specific question on group. That is a place where we continue to watch specifically inpatient trends on that block have remained quite high. And we've also seen a little bit of acceleration in outpatient. And so, we're watching that very closely. But net-net, very pleased with the performance in the quarter. Obviously, pleased enough that we were able to raise the guidance this morning. And we think that the outlook that we've taken here is quite prudent and respectful of how trends may emerge over the remainder of the year.

Operator

We now have Lisa Gill with JPMorgan.

Analyst: Lisa C. Gill

Question – Lisa C. Gill: Hi. Thanks very much and good morning. I'm going to shift over to the relationship that you announced today with Novo for Wegovy. David, can you help me to understand a few things. One, when we think about your preferred formulary, can you talk about the number of lives that are on there? Two, when we think about coverage, I know we've been talking in the last few years around how expensive this is for employers to cover, where are we on coverage today for weight loss? And will this increase the number of potential lives that could be covered with this program?

And then just wrapping that around, you talked about clinical services, and this will come through Caremark, can you maybe just talk about the economic value of this for both Caremark, as well as the member? And then just lastly, when I think about the pricing, should I assume what you've been able to negotiate through Caremark is going to be better than the 499 that you also announced at retail?

Answer – J. David Joyner: Yeah. Lisa, thank you and really good thoughtful questions on the new relationship. And I'm going to turn it over to Prem. But before I do, I just want to say we continue to be a leader and innovate in the areas that our customers care most about. And we've known that we've had cost pressures in this category. They've been asking for solutions. And I couldn't be happier about what we announced today.

So, I'll have Prem walk through the relationship and then answer specifically the questions that you asked. Prem?

Answer – Prem S. Shah: Yeah. Thanks, David. And Lisa thanks for the question. As you know, our company in Caremark has a long proven history of creating competition and driving affordability and increasing access for all patients. With this relationship, we'll do that for our insured and covered lives as well as for uninsured lives that choose to use our 9,000 community health destinations.

Our announcement today also demonstrates the value of our integrated model and what we can do every single day. And we're really excited about this example on how we're going to continue to create competition and affordability for the clients and members that we serve.

Just as a little bit of a history lesson. If you look back over the last couple decades, the main pain point for our customers and clients was the rising cost of specialty drugs. You saw our organization take action last year

with the launch of Cordavis. It generated over $1 billion of net savings for our clients, and we led the market in terms of conversion to biosimilars and are continuing to create a competitive marketplace over there.

If you kind of fast forward to today, and over the course of last year, exactly as you mentioned, our clients' biggest pain point today has kind of moved from these specialty drugs that were rising and the utilization increasing to GLP-1s, and the trend on these are now rising faster than those specialty drugs. And so – as you think about GLP-1s, they're our biggest pharmacy trend driver for our clients. And we continue to – what I would say is leverage all of the PBM cost management strategies to enable and deliver maximized savings for our customers.

And the facts are, to your question, because of the high cost of these medications, about one-third of our clients have elected not to cover GLP-1s as part of their benefits, due to affordability concerns. And so, today, we're pleased to announce this partnership with Novo Nordisk to significantly increase the access to Wegovy for our members at a more affordable price by taking a formulary action on 07/01 to prefer Wegovy. And it's for our largest commercial template that has tens of millions of lives on it.

And later today, we're going to be providing this detail to our clients and the benefit consultant community around this important formulary change and how we're continuing to what I would say is drive the market to make medications more affordable and drive long-term value for our clients and create competition with pharma.

And so, as you think about that and then you wrap that into what I would say is the enhanced value you bring as part of Caremark in our CVS weight management program, this results in better outcomes and even greater weight loss than their preprogram results. So, it's the medication plus the wraparound support that we give to members in our channel that really delivers the results for our customers.

And as you know, our pharmacy benefit manager customers rely on us and depend on us in our expertise to deliver these types of solutions to make medications more affordable, which allow our clients to expand access to their members.

And then lastly, the news on the – what we're launching in our 9,000 community health pharmacy locations are excited to be part of the NovoCare Pharmacy network. This will enable us to provide convenient, safe and affordable access to Wegovy for eligible patients. And again, we reiterate our excitement of this partnership and the value we're going to deliver for our clients and customers as we go forward.

Answer – J. David Joyner: Thanks, Prem. Maybe, Brika...

Operator

Thank you. We have the next question from Stephen Baxter with Wells Fargo on the line.

Analyst: Stephen Baxter

Question – Stephen Baxter: Hi. Thanks. Just a follow-up on the healthcare benefits guidance. It looks like you had close to $1.6 billion worth of prior-year development and understanding it, it seems like the individual losses are also increasing inside the P&L. But just trying to understand better what are these prior period sort of revenue adjustments that you're talking about, I guess what businesses actually relate to? And how do we think about there's an impact to the prior year, is there an impact to 2025 to consider?

And then as we just think about your expectations around the kind of earnings that you can generate from exiting the individual business, I know you gave us the variable loss figure for the year. Is that the right way to think about the potential for year-over-year earnings contribution from exiting the exchanges? Or are there other considerations we should be keeping in mind? Thank you.

Answer – Thomas F. Cowhey: Hey, Stephen. So, as you think about the development, here's what I can say. The development occurred across all business lines. The majority of the development was off the fourth quarter dates of service. And the largest single source of favorability was Medicare, which is also our largest block of business. As you look at Medicare, in particular, the largest driver of favorability in the fourth quarter was inpatient, but we also saw some favorability in our specialist categories.

As you think about the offsets there, and your $1.6 billion that you're getting out of the roll forward, that's gross. That does not incorporate all the earnings that we took into – all the impact that we took into earnings. And so, a lot of that is put back into the reserve. So, you can't translate the $1.6 billion into the bottom-line impact. So, the bottom-line impact, net of the revenue items, is specifically $400 million that we called out, which is the increase in the guidance this morning. And most of those changes are out of period and they relate specifically to both Medicare and to the individual business – the individual exchange business.

As you think about the losses then on the individual business, that's why we gave you the $350 million to $400 million. This is a $7.5 billion block of business at this point. And so, it carries with it a fair amount of fixed costs. It's unclear whether or not we'll be able to reallocate those fixed costs or whether we'll be able to take them out for the 2026 calendar year. So, you should think about the year-over-year improvement as being the elimination of the variable loss, which will be in that $350 million to $400 million range.

Operator

Thank you. We have Elizabeth Anderson with Evercore ISI.

Analyst: Elizabeth Anderson

Question – Elizabeth Anderson: Hi, guys. Thanks so much for the question. I was wondering if – two questions about your sort of guidance expectations. One, are you having any change in your guidance expectation on the back of the Wegovy announcement? It doesn't look like it, but I just wanted to check on that. And two, could you comment on how you see the potential tariff impact? I know some of the pieces are still very much moving, but maybe you could at least sort of comment on the front end of the store? And then maybe some of your broader thoughts on potential other impact to the business? Thank you so much.

Answer – J. David Joyner: Yeah. Thanks, Elizabeth. So, the first answer on the Wegovy announcement, it is not impacting our guidance, and it's not factored in. So, this will be obviously savings that we will deliver for our customers, the customers will get the benefit of our negotiated savings. And I think as we look at – and it's unknown at this point how the migration from the compound pharmacies into other pharmacy settings are going to occur, but we do expect that there will be obviously some benefit by opening up 9,000 stores – 9,000 opportunities for patients to be able to get the medication.

As it relates to tariffs, it's obviously a very fluid environment. And there's many variables in play at the moment, and we look at it really in three different ways. The first is the front store, in which we currently source the vast majority of our front-store items in American-based companies today. So, we do not see a significant impact as it relates to the tariffs and where we are looking at impacts, we're looking at alternative sourcing and/or diversifying the suppliers.

As it relates to the pharma supply chain, there's a lot of what I would say, a lot of variables that will go into how this will be impacted depending on how we're dealing with both the country of origin as well as how we're looking at brands versus generics.

And if I look at even the Novo announcement for GLP-1s, they manufacture that product here in the US. So, that will obviously get the benefit of a US-based manufacturing and be able to not be impacted by the tariffs. So, we're obviously watching closely the announcements that will be made over the course of the next week or so, as it relates to how we're going to be dealing with tariffs with the pharmaceutical supply chain.

And as it relates to Aetna, because we're in the midst of preparing for our 2026 Medicare bid for both Part D and the MA, we are obviously watching closely the impact both of the pharmaceutical supply chain as well as the other medical devices and supplies that will impact the broader healthcare system. And we are currently monitoring it and really more planning today for our 26 bids as Aetna is contemplating the impact for tariffs.

Operator

Thank you. We have Andrew Mok with Barclays now.

Analyst: Andrew Mok

Question – Andrew Mok: Hi. Good morning. I wanted to follow-up on your comments at Oak Street, where you noted some early signs of pressure. Can you elaborate on the nature and timing of what you're seeing there? And relatedly, is there anything that changed from year one to year two of V28 that was either unanticipated or more challenging from an operational perspective? Thanks.

Answer – J. David Joyner: Prem, I'll let you take this question.

Answer – Prem S. Shah: Thanks. And, Andrew thanks for the question. The healthcare delivery business has performed in line with our expectations. As we said, some signs of pressure in the first quarter as it relates to medical cost trends at Oak Street. That is offset by some of the favorability we're seeing in other parts of healthcare delivery. Oak Street, it's still very immature, we're early in the year. We see that pressure. We're watching how claims will develop over the course of the next several months and we'll report back on that piece.

On the Signify business, it's a strong start to the year with our IHE volume. Our customers are really valuing the service that we provide and the operational excellence that we have there as well. So, more to come as we go. But right now, we feel good overall about health care delivery with a little bit of pressure in Oak Street.

Operator

We now have Michael Cherny with Leerink Partners on the line.

Analyst: Michael Cherny

Question – Michael Cherny: Good morning and thanks for taking the question. Maybe just a follow-up on PCW. Obviously, this is the first quarter that you've had the CostVantage impact. Anything you can say about the market impact, how it's trended based to your expectations? And then going forward, you've talked about the potential to roll this into government. Any updated thoughts there? Thanks.

Answer – J. David Joyner: So maybe before I turn it over to Prem, I think this is another example where you've heard consistently today, the innovation that we're driving in the business, whether it be the prior-authorization work that Steve Nelson is working on at Aetna or the biosimilars that we announced last year or now the Novo. I think, this is another example where Prem and the PCW team has led on the front in terms of reshaping how pharmacy pricing is delivered in this country. So, Prem, why don't you speak more broadly to Michael's question?

Answer – Prem S. Shah: Yeah. So, Mike thanks for the question. And from my perspective, the PCW business continues to perform really strong. In the simple statement, we're the best run national pharmacy, period. If you think about how we're achieving our results. One, it's extremely strong execution in our 9,000 local community health destinations that are powered by our 200,000-plus colleagues every single day that we're enabling, and we continue to make labor investments and technology investments to continue to improve the workforce environment. We continue to see our NPS of our colleagues improve in our stores, and we've transformed the technology and the operating model in our stores to better serve our customers.

And lastly, we've really focused on our omnichannel capabilities inside of our stores to really connect care and make those experiences better and more convenient for our customers. If you look at the quarter, there's probably three things that impacted PCW first front store. If you think about this challenging macro environment, we're pleased with our performance. We saw a shift in seasonal illness into Q1, and we had a double peak from that seasonal – double peak of that seasonal illness that contributed to our outperformance. We also grew our customer base in the front store and grew – increased our frequency of trips. So, those are both two really promising signs as we go into the back half.

The second piece is in our pharmacy business. Our script comp growth was approximately 7%. Our share is now at 27.6%. So, we're really excited about what we're delivering there. As it relates to CostVantage, we're still early. We're obviously in Q1 of the transformation into a much more transparent model that allows our payer customers to get the value that we receive from our industry-leading cost of goods in a much more transparent way.

As you recall from November 2023, when we first announced this, the goal of this is to address, one, the cross subsidization that exists in the marketplace across brands and generics and to create stable, more predictable margins and pass the value back to payers in a much more predictable way when we receive that.

And so, where we are today, we've moved a 100% of our commercial scripts as we said on 01/01/25 into CostVantage. We've moved the cash discount card space into CostVantage as well. We're working very hard for 01/01/26 to move the rest of our scripts into this model, and we'll provide more updates on the outcomes of this, but we're really pleased with where we are with this, and we're really pleased with the results of PCW and the strong performance powered by the 200,000 colleagues we have in retail.

Answer – J. David Joyner: And Michael, one – maybe just one thing to add. As we look in the back half of year, obviously, PCW is running as well as we would expect. With the one caution to watch out is the vaccines and immunizations as we anticipate volume impacts depending on the government action for the end of this year.

Operator

We now have Charles Rhyee with TD Cowen. Please go ahead.

Analyst: Charles Rhyee

Question – Charles Rhyee: Yeah. Thanks for taking the question. David, I wanted to circle back to your comments earlier about the law passed in Arkansas. And obviously, I think, it's been reported that you could end up potentially closing sort of your retail locations in the state. Obviously, some other states are considering kind of similar legislation and certainly, maybe Arkansas is an easy state to exit from if you had to – but if we think this gets adopted more broadly. And I think back to the Blue Shield of California contract where you – where they kind of split that contract up and you guys ended up retaining the specialty pharmacy part of the business. And I think at the time, you guys had said that was obviously the most profitable part of the business.

If that's the case, and we see a future where sort of splitting these businesses, and I understand the argument why having a vertically integrated business makes more sense, but if you have to divest one or the other, is it fair to think that you would look to divest maybe the PBM part of the business and retain specialty pharmacy? And if that's the case, is that a difficult kind of process to enact if you had to?

And just a quick follow-up to Lisa's question earlier, Wegovy being on the national formulary, I assume that comes with a better rebate structure? Thanks.

Answer – J. David Joyner: All right. Charles, thanks for the question. Let me first talk about Arkansas because I think it's important in terms of just stating how we see at least laying out the facts as we see them. One is we believe this is really bad policy. And it's putting a lot of patients at risk, it's taking the most competitive pharmacies out of the marketplace. And so, it will essentially increase the cost on the backs of the consumer.

So, I think, when you take a step back and look at this, this is going to be impactful, both in terms of cost and disruption and access. There's over 300,000 people that we currently serve with more than 4 million prescriptions. So, it's going to create what we know will be the headline of the day, which is pharmacy deserts and access problems. So, when you look at the most vulnerable population, which is the specialty population.

As I mentioned in the opening comments, there's 10,000 patients that will be disrupted and/or potentially have access to care issues. And not to mention the savings that we've delivered for biosimilars and other things that we've taken cost out of our plan sponsors pockets and actually saved the consumers' money.

So, this is what I believe that most other states are looking at and saying whether or not this is going to be picked up across the country. I recognize that there are other states that are looking at this. We've had some really positive developments over the last couple weeks with states that have rejected this notion. And I think they've done this in large part because the plan sponsors and the payers are going to see their costs go up, and they're going to see the complexity of being able to meet the access needs of the patients.

So, as we look in presenting the facts, I do believe that common sense will prevail and that we won't have to make the decisions that you're asking us – what businesses we are or not going to be in because I do believe in the power of and the ability for us to be able to serve customers through the integrated assets that we currently operate.

So, as it relates to Wegovy, the obvious answer is, this is what a PBM does. When there's enough supply in the marketplace, we create competition and we ultimately lower cost for the customers in which we serve. And that is also now going to be delivered to the pharmacies that we run and operate. So, if you go back to the Arkansas example, we are now opening up Wegovy access to 9,000 pharmacies and potentially not being – they will not be an affordable retail access in their state if this continues.

So, I think when you just look more broadly at the role that we play, I think that we clearly have, I think, the fact base and I think the proof points to be able to demonstrate the value that we're bringing. But thanks for the question, Charles.

All right. One more question, operator?

Operator

We have the last question from Ann Hynes with Mizuho.

Analyst: Ann Hynes

Question – Ann Hynes: Yeah. Great. Thank you. Could you just provide a little bit more commentary on your – commentary on the flu in your prepared remarks? I guess what makes you a little bit more concerned? Is it just less support from the CDC? And can you remind us how much of your – how many flu vaccines you do a year and what you have embedded in guidance for a potential change in behavior?

And then additionally, is it – are you just worried about the flu? Are you just – or is it your entire vaccine portfolio that you might be a little bit more worried about given the Washington environment? Thanks.

Answer – J. David Joyner: Yeah. Thank you, Ann. And I'll let Prem answer this, but this is more broadly the immunization and vaccination program that we're talking about. So, Prem, do you want to address the question?

Answer – Prem S. Shah: Yeah. So, as Tom and David said in prepared remarks, we're monitoring a few things. One is consumer sentiment. And what I would say is around vaccines and potential changes in the protocols required to deliver these. The pressure that we're contemplating is primarily on COVID vaccines and if there's some changes in terms of those requirements. And so, there's a committee called ACIP that meets in the middle of the year that will kind of help drive and make sure that we understand what the national standards are for delivery of this.

What I'll say is our stores are prepared and ready to deliver vaccinations. We continue to create a really good consumer experience to deliver that. We continue to see really good progress in terms of our ability to gain share of the total addressable market of patients that need vaccine. So, it's really around the size of the entire market as it relates to COVID.

All right. Thank you, Prem. So, before I end the call, I want to thank over 300,000 dedicated colleagues for the work you do every day. Your commitment to serving our consumers, patients and members are important drivers of the strong results we delivered this quarter and key contributors in our journey to become America's most trusted healthcare company.

Thank you for joining our call today, and we look forward to providing updates as our progress – as we progress throughout the year.

Operator

Thank you all for joining today's conference call with CVS Health. I can confirm today's call has now concluded. You may now disconnect. Thank you for your participation, and please enjoy the rest of your day.