

CVS HEALTH Corp
Form DEF 14A
April 05, 2019
Table of Contents

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

CHECK THE APPROPRIATE BOX:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

CVS Health Corporation

(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- 1) Amount previously paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:
-

Table of Contents

Notice of 2019
**Annual Meeting
of Stockholders
and Proxy Statement**
May 16, 2019; 8:00 a.m.

CVS Health Corporation
Customer Support Center
One CVS Drive
Woonsocket, Rhode Island 02895

Table of Contents

Message from Our Chair and Our Chief Executive Officer

DEAR FELLOW STOCKHOLDERS:

2018 was a year marked by tremendous change in the industry, and CVS Health was at the center of it all. In a health care landscape scarred by an overly complex system, which has been delivering inconsistent outcomes to patients for years, CVS Health's acquisition of Aetna (the Aetna Transaction) brings together two premier health-centric companies that are best positioned to reshape the health care landscape.

Creating the Front Door to Health Care

The combination of the nation's largest pharmacy retailer with one of the country's leading diversified health care benefits companies creates nearly limitless possibilities to transform the broken health care system. Aetna's "go local" approach is a perfect match with CVS Health's nearly 10,000 stores across the country. This winning combination creates a true front door to health care in local communities as we continue to develop innovative products and services to expand access to quality health care. CVS Health recently launched our first HealthHUBs, with the goal of bringing more health-centric services to CVS customers than ever before. These HealthHUBs will serve as the testing grounds for a variety of new products and services that will continue to grow and expand across the country over time. In addition to our new store concepts, CVS Health is investing in digital capabilities to bring health care to the palm of your hand. CVS already engages with one in three Americans on a daily basis and, through our digital expansion, we expect to grow that reach even more. Ultimately, between our nationwide store presence and through the growth of our electronic platforms, we expect to expand access to quality care across the country.

Corporate Social Responsibility

CVS Health is committed to helping people on their path to better health across the country, and this is evident in our commitment of \$100 million to the *Building Healthier Communities* initiative announced earlier this year. In collaboration with the CVS Health Foundation and the Aetna Foundation, we will invest \$20 million annually over five years to partner with local communities and to help support a wide range of initiatives and non-profit organizations. Under this initiative, CVS Health and its affiliates will join forces with organizations that have missions to improve local access to affordable quality care and to impact public health challenges. Through this new initiative, we will strengthen our local and community engagement and further improve the health of our neighborhoods. Some of the highlights of this program as well as other initiatives can be found inside the back cover of this proxy statement.

Corporate Governance

Following the Aetna Transaction, we added four of Aetna's directors to our Board and, in conjunction with our existing directors, we will leverage their guidance to help drive future

success at CVS Health. Over this past year we've proactively met with our stockholders to understand your needs and are actively working to position our company for future growth, and within this proxy statement you will find the details of the changes we have made in response to those conversations. We pride ourselves on our strong governance practices, thank you for your continued support and welcome your feedback regarding future improvements.

Overall 2018 Performance

CVS Health showed strong growth in 2018, with revenues increasing nearly \$10 billion year-over-year, bolstered by the Aetna Transaction and by continued script growth of 8.6% for the year. We delivered adjusted earnings per share of \$7.08,* at the top end of our previous guidance range. However, last year was not without its challenges: CVS Health took \$6.1 billion of goodwill impairment charges related to our Long-Term Care business, which was largely responsible for our 2018 GAAP loss per share of \$0.57. We are taking comprehensive actions to address the impact of certain headwinds we are facing, and we are confident that our actions will position us well in 2020 and beyond.

Annual Meeting of Stockholders

Our 2019 Annual Meeting of Stockholders will be held on Thursday, May 16, 2019, at 8:00 a.m., at the CVS Health Customer Support Center located at One CVS Drive in Woonsocket, Rhode Island. We invite you to attend, and ask you to please vote at your earliest convenience. Your vote is important.

Thank you for your interest and investment in CVS Health. We appreciate your continued support as we look to transform our health care system as we know it today.

Sincerely,

Edgar Filing: CVS HEALTH Corp - Form DEF 14A

David W. Dorman
Chair of the Board

Larry J. Merlo
President and Chief Executive Officer

* Adjusted earnings per share is a non-GAAP measure. See Annex A to the proxy statement.

cvshealthannualmeeting.com

1

Table of Contents

Table of Contents

<u>Message from Our Chair and Our Chief Executive Officer</u>	1
<u>Notice of Annual Meeting of Stockholders</u>	3
<u>Proxy Statement Highlights</u>	4
<u>Corporate Governance and Related Matters</u>	9
<u>Item 1: Election of Directors</u>	9
<u>The Board's Role and Activities in 2018</u>	20
<u>Board Structure and Processes</u>	23
<u>Committees of the Board as of the Annual Meeting</u>	24
<u>Board Meetings and Attendance</u>	31
<u>Non-Employee Director Compensation</u>	31
<u>Audit Committee Matters</u>	33
<u>Item 2: Ratification of Appointment of Independent Registered Public Accounting Firm for 2019</u>	33
<u>Executive Compensation and Related Matters</u>	35
<u>Item 3: Say on Pay, a Proposal to Approve, on an Advisory Basis, the Company's Executive Compensation</u>	35
<u>Letter from the Management Planning and Development Committee</u>	37
<u>Compensation Committee Report</u>	37
<u>Compensation Discussion and Analysis</u>	38
<u>Summary</u>	38
<u>Business and Performance Highlights</u>	42
<u>Detailed Program Discussion</u>	44
<u>Compensation of Named Executive Officers</u>	63
<u>Important Information Regarding the Presentation of Executive Compensation</u>	63
<u>Summary Compensation Table</u>	63
<u>Grants of Plan-Based Awards</u>	66
<u>Outstanding Equity Awards at Fiscal Year-End</u>	67
<u>Option Exercises and Stock Vested</u>	69
<u>Pension Benefits</u>	69
<u>Nonqualified Deferred Compensation</u>	70
<u>Payments/(Forfeitures) Under Termination Scenarios</u>	72
<u>CEO Pay Ratio</u>	75
<u>Stockholder Proposal</u>	76
<u>Item 4: Stockholder Proposal Regarding Exclusion of Legal or Compliance Costs from Financial Performance</u>	76
<u>Adjustments for Executive Compensation</u>	76
<u>Executive Officers and Ownership of and Trading in Our Stock</u>	79
<u>Executive Officers of CVS Health</u>	79
<u>Executive Officer and Director Stock Ownership Requirements</u>	80
<u>Share Ownership of Directors and Certain Executive Officers</u>	81
<u>Share Ownership of Principal Stockholders</u>	82
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	82
<u>Other Information</u>	83
<u>Information About the 2019 Annual Meeting and Voting</u>	83
<u>Stockholder Proposals and Other Business for Our Annual Meeting in 2020</u>	85
<u>Other Matters</u>	85
<u>Annex A</u>	A-1

Table of Contents

Notice of Annual Meeting of Stockholders

Date and Time

May 16, 2019, 8:00 a.m.

Place

CVS Health Corporation
Customer Support Center
One CVS Drive
Woonsocket, Rhode Island 02895

Items to be Voted

Elect 16 directors named in this proxy statement;
Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2019;
Say on pay, an advisory vote to approve the Company's executive compensation;
Act on one stockholder proposal, if properly presented; and
Conduct any other business properly brought before the Annual Meeting.

Eligibility to Vote

Stockholders of record at the close of business on March 21, 2019 may vote at the Annual Meeting.

By Order of the Board of Directors,

Colleen M. McIntosh

Senior Vice President, Corporate Secretary and Chief Governance Officer

Your vote is important.

Whether or not you plan to attend the Annual Meeting, please vote your shares. In addition to voting in person or by mail, stockholders of record have the option of voting by telephone or via the Internet. If your shares are held in the name of a bank, broker or other holder of record (i.e., in "street name"), please read your voting instructions to see which of these options are available to you. Even if you are attending the Annual Meeting in person, we encourage you to vote in advance by mail, phone or Internet.

We began mailing and made available this proxy statement and proxy card on or about April 5, 2019 to all stockholders entitled to vote. Our 2018 Annual Report, which includes our financial statements, is being sent with this proxy statement.

HOW TO VOTE

Your vote is important to the future of CVS Health. You are eligible to vote if you were a stockholder of record at the close of business on March 21, 2019. Even if you plan to attend the Annual Meeting, please vote as soon as possible using one of the following methods. In all cases, you should have your proxy card in hand:

Use the Internet

www.proxyvote.com

Use a Mobile Device

Scan this QR Code

Call Toll-Free

1-800-690-6903

Mail Your Proxy Card

Follow the instructions on your voting form

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on May 16, 2019:

The proxy statement and annual report to stockholders are available at www.cvshealthannualmeeting.com and at www.proxyvote.com/cvs.

cvshealthannualmeeting.com

3

Table of Contents**Proxy Statement Highlights**

This summary highlights selected information in this Proxy Statement – please review the entire document before voting.

All of our Annual Meeting materials are available in one place at www.cvshealthannualmeeting.com. There, you can download electronic copies of our Annual Report and Proxy Statement, and use the link to vote.

Voting Items

	Board Recommendation		Further information
Item 1 Election of directors	FOR each director nominee	Our 16 directors are seasoned leaders who bring a mix of skills and qualifications to the Board	9-17
Item 2 Ratify the appointment of the Company's independent registered public accounting firm for 2019	FOR	Based on its recent evaluation, our Audit Committee believes that the retention of Ernst & Young LLP is in the best interests of the Company and its stockholders	33-34
Item 3 Say on pay - an advisory vote on the approval of the Company's executive compensation	FOR	Our executive compensation program reflects our unwavering commitment to paying for performance and reflects feedback received from stockholder outreach	35-36
Item 4 Stockholder proposal regarding exclusion of legal or compliance costs from financial performance adjustments for executive compensation	AGAINST	The proposal is overly restrictive and broad, preventing the Board from exercising discretion to consider important additional factors. Further, we believe that our approach to incentive compensation for our senior executives, which considers individual results, company performance and the values set forth in our <i>Code of Conduct</i> , is an appropriate way to align the interests of our senior executives with the long-term interests of our stockholders	76-78

Table of ContentsProxy Statement Highlights [The CVS Health Board](#)**The CVS Health Board**

You are asked to vote on the election of the following 16 nominees to serve on the Board of Directors of CVS Health. All directors are elected by a majority of votes cast, and all presently serve on the CVS Health Board. The information reflected below is as of our Annual Meeting date, May 16, 2019.

Name, Primary Occupation	Director		Other Public Company Boards	CVS Health Committees
	Age	Since		
Fernando Aguirre Former Chairman, President and CEO of Chiquita Brands International, Inc.	61	2018	YES	1
Mark T. Bertolini Former Chairman and CEO of Aetna Inc.	62	2018	NO	1
Richard M. Bracken Former Chairman and CEO of HCA Holdings, Inc.	66	2015	YES	None
C. David Brown II Partner & Member of Executive Committee of Nelson Mullins Riley & Scarborough	67	2007	YES	1
Alecia A. DeCoudreaux President Emerita of Mills College and Former Executive at Eli Lilly and Company	64	2015	YES	None
Nancy-Ann M. DeParle ¹ Co-Founding Partner of Consonance Capital Partners, LLC and Former Director of White House Office of Health Reform	62	2013	YES	1
David W. Dorman Chair of the Board of CVS Health Corporation and Former Chairman and CEO of AT&T Corporation	65	2006	YES	1
Roger N. Farah Chairman of Tiffany & Co. and Former Executive at Tory Burch and Ralph Lauren	66	2018	YES	3
Anne M. Finucane Vice Chairman and Member of the Executive Management Team of Bank of America Corporation	66	2011	YES	None
Edward J. Ludwig Former Chairman and CEO of Becton, Dickinson and Company	67	2018	YES	1
Larry J. Merlo President and CEO of CVS Health Corporation	63	2010	NO	None
Jean-Pierre Millon Former President and CEO of PCS Health Systems, Inc.	68	2007	YES	None
Mary L. Schapiro Vice Chair of Public Policy and Special Advisor to the Chairman of Bloomberg L.P.	63	2017	YES	1
Richard J. Swift ² Former Chairman, President and CEO of Foster Wheeler Ltd.	74	2006	YES	2
William C. Weldon Former Chairman and CEO of Johnson & Johnson	70	2013	YES	2
Tony L. White Former Chairman, President and CEO of Applied Biosystems, Inc.	72	2011	YES	1
Member	A	Audit	MP&D	Medical
Committee Chair	I&F	Investment and Finance	N&CG	Nominating and Corporate Governance
				MA Affairs
				E Executive

Ms. DeParle will become Chair of the Nominating and Corporate Governance Committee and a member of the Executive Committee at the time of the Annual Meeting.

²At the time of the Annual Meeting, Mr. Swift will be retired from two of the four other public company boards of directors on which he currently sits.

Table of Contents

Proxy Statement Highlights [The CVS Health Board](#)

SELECTING OUR DIRECTORS

Director Independence

14	2
Independent	Not Independent

14 directors, including our Chair, are independent of the Company and management. Mr. Merlo, our President and CEO, and Mr. Bertolini, former Chairman and CEO of Aetna, are our only non-independent directors.

Director Tenure

7	4	5
0-3 years	4-7 years	>7 years

Our directors bring a balance of experience and fresh perspective to our boardroom. The average tenure of our directors is 5.7 years.

Financial Expertise

12	4
Financial Experts	Financially Literate

Five members of our Audit Committee are designated Audit Committee Financial Experts. Seven other board members have qualifications to be financial experts, and the remainder are financially literate.

Born Outside of the U.S.

3	13
Born Outside U.S.	U.S. Born

Our directors come from varied backgrounds, including 10 different states and three foreign countries.

Director Gender

4	12
Female	Male

25% of our directors are women.

DIRECTOR SKILLS AND EXPERIENCE

Our directors possess relevant experience, skills and qualific