

Q3 2025 Insights: CVS Health

Earnings Call Competitive Intelligence Report



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Why This Report

As Medicare Advantage competition intensifies, staying informed isn't optional, it's a strategic advantage. That's why HealthworksAI is curating rapid-turn summaries of earnings calls from key MA players, started with Humana. In a matter of minutes, you'll get the key themes and what it all means for your 2026 plan design, provider alignment, and market positioning.

This is part of our CI (Competitive Intelligence) Beta Series—insightful, fast, and focused on helping MA leaders to strategize.

Executive Summary

Third Consecutive Beat & Raise

EPS \$1.60 vs \$1.36 consensus (+17.6% beat). Revenue \$102.9B beat by \$4B. Raised full-year EPS to \$6.55-\$6.65. Aetna leading STARS (81% in 4+ stars), PCW gaining share (28.9%), strong selling season (\$6B wins).

Oak Street Reality Check

\$5.7B goodwill impairment from slowing clinic expansion. \$240 million decrease in our Caremark business as a result of the impact from recent market dynamics on a subset of contracts.. Mid-teens 2026 EPS growth off adjusted baseline = strategic pivot to margin quality over growth velocity.

Bottom Line:

CVS delivered its strongest quarter of 2025 with adjusted EPS of \$1.60 on record revenue of \$102.9B, marking three consecutive quarters of beat-and-raise execution. The company is in the midst of a strategic recalibration—choosing sustainable margin recovery over growth acceleration. Aetna’s transformation is working (industry-leading STARS, margin improvement, flat MA enrollment expected), but the \$5.7B Oak Street impairment and \$240M Caremark guide cut signal realistic acknowledgment of near-term headwinds.

The strategic narrative centers on three simultaneous transformations: (1) Aetna returning to target margins through disciplined plan design and operational excellence, (2) Caremark transitioning from market basket guarantees to drug-level True Cost pricing over “next few years,” and (3) retail pharmacy leveraging Cost Advantage and scale to become “best-run pharmacy in the country.” CEO David Joyner’s first-year urgency is evident—exiting individual exchange, acquiring Rite Aid assets, slowing Oak Street expansion, and closing underperforming VBC clinics.

What Changed vs. Q2 2025

1. Oak Street: From Growth Story to Rationalization

The Impairment:

\$5.7B non-cash goodwill charge driven by decision to temper clinic expansion over next few years. Q3 performance was “in line with expectations” post-Q2 guidance adjustment—this isn’t about current results deteriorating, but recalibrating growth assumptions.

- Clinic closures: Shutting underperforming locations with “no reasonable path to sustainable margins”
- Slower expansion: Reduced new clinic openings, focusing on membership density in existing footprint
- Payer negotiations: Working toward “fair and equitable” contracts that recognize value delivered

Strategic Framing: Value-based care remains “critical component” of Medicare strategy. Actions expected to support improved financial performance beginning 2026. V28 impact in line with expectations.



“The marketplace is evolving, and we are adapting our strategy to get financial performance back in line with our expectations.”

CEO Joyner

2. Caremark: Market Basket Guarantee Pressure

Guide Reduction:

Full-year health services AOI cut by \$240M to at least \$7.1B. Q3 modestly missed expectations. 2026 outlook: low single-digit growth as multi-year recontracting progresses.

Three Primary Drivers (NOT True Cost related):

- **GLP-1 slower growth:** Back-half volumes lower than expected; compounding not returning to benefit
- **Autoimmune category:** Drug mix shifts (not Cordavis-related)
- **HIV category:** Unexpected utilization patterns

Context: Legacy industry practice used aggregate market basket approach for guarantees. Drug mix and utilization differed from forecasts, creating pressure. Mitigations “didn’t materialize as quickly or have impact initially anticipated.”

Offsetting strength: \$6B new client wins, high-90s retention, True Cost model adoption progressing.

3. Aetna: Recovery Accelerating

STARS Leadership Restored:

2026 MA STARS: Industry leader among national payers. 81% of members in 4+ stars. CMS cut points becoming more challenging, making achievement more impressive.

Q3 Performance:

- **AOI:** \$314M vs operating loss Q3 2024

- **MBR:** 92.8% (91.8% adjusted for one-time items) vs 95.2% prior year
- **Medical trends:** Modestly favorable, individual MA outperformed
- **FY guide raised:** \$2.72B AOI (+\$300M)

2026 AEP Outlook: Early days but “going according to expectations.” Expect to exit AEP roughly FLAT in individual MA membership—disciplined approach prioritizing margin recovery over volume.



“The plan is working. We are really encouraged by the progress... this momentum will carry into 2026.”

President Steve Nelson

4. Retail Pharmacy: Momentum Building

Guide Increase:

PCW full-year AOI raised by \$270M to at least \$5.95B. Now projecting ~3% growth for year—an 8 percentage point swing from initial -5% expectation.

Market Performance:

- **Pharmacy share:** 28.9% (growing)
- **Same-store script volume:** +8.9% YoY
- **Same-store pharmacy sales:** +16.8% YoY
- **Customer base:** +2.6% YoY

Cost Advantage Progress: Year 2 transition. All commercial/discount cards moved. Medicare over 60% complete, targeting 100% by 2026 start. Negotiations ahead of last year. Performance in line with expectations on multi-year journey.



“At this point, [CVS Pharmacy is] the best-run pharmacy in the country, operating nationally at scale.”

Prem Shah

Q3 2025 Financial Performance

Adjusted EPS

\$1.60

vs \$1.09 consensus

+17.6% beat

Total Revenue

\$102.9B

+7.8% YoY growth

Beat by \$4.03B

Adjusted Op Income

\$3.46B

+36% YoY

Strong diversification

FY2025 Guidance (Raised - 3rd Consecutive Quarter)

- **Adj EPS:** \$6.55-\$6.65 (was \$6.30-\$6.40)
- **Revenue:** At least \$397B (+\$6B)
- **Operating Cash Flow:** \$7.5B-\$8.0B
- **Effective Tax Rate:** 25.3% (improved 40 bps)
- **YTD OCF:** \$7.2B through Q3
- **Enterprise AOI:** \$14.14B-\$14.31B

Healthcare Benefits		Health Services		Pharmacy & Wellness	
Revenue:	~\$36B	Revenue:	\$49.3B	Revenue:	\$36.2B
AOI:	~\$314M	AOI:	\$2.05B	AOI:	\$1.48B
MBR:	92.8%	YoY:	-7%	Script Share:	28.9%
FY Guide:	~\$2.72B	FY Guide:	≥\$7.1B	FY Guide:	≥\$5.95B

2026 Preliminary Outlook

Healthcare Benefits

Another year of meaningful margin improvement

- Medicare progress (plan design, footprint)
- Group MA repricing (~50% of book)

- Individual exchange exit tailwind
- Medicaid cautious (industry pressures)

Health Services

Low single-digit AOI growth

- Oak Street improvement expected
- Caremark modestly lower growth
- Multi-year drug-level pricing transition
- Recontracting over next few years

Pharmacy & Wellness

Momentum continuing

- Trajectory improving vs -5% LT
- Cost Advantage scaling
- Reimbursement pressure ongoing
- Consumer dynamics monitored

Key Executive Quotes



“This transformation is clearly visible within our Aetna business, where after a challenging 2024, there is renewed vigor and optimism about the future.”

CEO David Joyner - Strategic Direction



“I want to be clear that this business’s [healthcare delivery] performance in the quarter was in line with our most recent expectations. However, our decision during the quarter to temper Oak Street Health clinic growth over the next few years was the primary reason for recording this charge.”

CEO Stephen Hemsley - Strategic Direction



“We are incredibly bullish about the road ahead and believe we will continue to lead this industry, given our unique advantages and insights.”

CEO Stephen Hemsley - Strategic Direction



“Altogether, and after adjusting for these items [out-of-period], we currently expect a reasonable starting point for our 2026 adjusted EPS guidance to reflect mid-teens growth.”

CFO Brian Newman - 2026 Framing



“When we entered this year, we were focused on a couple of objectives. One is to return the business to target margins, second, to regain the leadership position overall in the industry... The plan is working.”

Aetna President Steve Nelson - Recovery Progress



“We expect to exit AEP roughly flat in our individual Medicare Advantage membership. Very encouraged so far, early signs.”

Aetna President Steve Nelson - Recovery Progress



“As you know, 10% of drugs drive 88% of our pharmacy costs in this country. We’re going to continue to lead and be a leader in this space.”

Prem Shah (Caremark/PCW) - PBM Value



“From our perspective, at this point, [CVS Pharmacy is] the best-run pharmacy in the country, and it’s operating nationally at scale.”

Prem Shah (Caremark/PCW) - PBM Value



“The PBM business continues to be a very competitive space, continues to have durable margins, and continues to be a very necessary component of how we deliver care and lower cost in this country.”

Prem Shah (Caremark/PCW) - PBM Value

This competitive intelligence report is part
of HealthWorksAI’s rapid-response earnings
analysis series.

For questions or custom analysis, contact HealthWorksAI team