Bybee, Cressinda

From: Farber, Tim <TFarber@lockelord.com>
Sent: Tuesday, March 13, 2018 7:06 PM
To: Bybee, Cressinda
Subject: RE: Form A Filing of CVS
Attachments: CVSForm10K2017.PDF; Aetna10K2017.PDF; UpdatedCVSHealthDOs.PDF

Hi Cris,

Please see the below update on a few items regarding the above transaction. Please let me know if you have any questions. Thanks.

A. Aetna Inc. Shareholder Approval

At today's special meeting of Aetna Inc. shareholders, approximately 97 percent of the votes cast, and over 77 percent of the 326,942,525 shares outstanding and entitled to vote, voted to approve and adopt the agreement and plan of merger. Please see the below press release.

http://investor.aetna.com/phoenix.zhtml?c=110617&p=irol-newsArticle&ID=2337857

B. CVS Health Corporation Stockholder Approval

In a special meeting held today, CVS Health Corporation stockholders voted to approve the shares of company stock to be issued in the company's acquisition of Aetna Inc. According to the preliminary results announced at the meeting, more than 98 percent of the shares voted were in favor of the proposal. Please see below press release.

https://cvshealth.com/newsroom/press-releases/cvs-health-stockholders-approve-aetna-acquisition

C. 2017 SEC Form 10-K Filings

The CVS Health 2017 SEC Form 10-K with the latest consolidated audited financial information for CVS Health has been filed with the SEC and is attached. Aetna has also filed its Form 10-K for 2017 which is attached.

D. CVS Health Executive Officer Resignation

Helena B. Foulkes has resigned as CVS Health Corporation's Executive Vice President and President – CVS Pharmacy (CVS Health's retail operations). The position is currently vacant, and CVS Health is conducting a search for a replacement that will include both internal and external candidates. At the present time, ultimate responsibility for retail operations resides with Jonathan C. Roberts, CVS Health's Executive Vice President and Chief Operating Officer, and Larry J. Merlo, CVS Health's President and Chief Executive Officer. Both individuals have provided biographical affidavits to the Department in connection with this transaction. Ms. Foulkes also resigned as President of CVS Pharmacy, Inc., a subsidiary of CVS Health Corporation. That position has been filled by Carol A. DeNale, the current Treasurer of CVS Pharmacy, Inc. who has also already provided her biographical affidavit for this acquisition. The updated list of directors and executive officers which has Ms. Foulkes name removed and also includes Ms. DeNale's expanded title at CVS Pharmacy, Inc. is attached.

Thanks.

Best Regards,

Tim

Tim Farber
Locke Lord LLP
111 South Wacker Drive
Chicago, IL 60606
(312) 443-0532 Direct
tfarber@lockelord.com

From: Farber, Tim
Sent: Tuesday, February 06, 2018 9:04 AM
To: Bybee, Cressinda
Subject: Re: Form A Filing of CVS

Hi Cris,

Yes, I will send you the public documents on a flash drive. Thanks.

Tim

On Feb 6, 2018, at 8:58 AM, Bybee, Cressinda <cbybee@pa.gov> wrote:

> Good morning - Could you please provide the **public** documents on diskette so that I am able to easily upload them to the Department's website. I will need a separate file for each document.
>
> I am including a link to the page that was created in an earlier filing to give you an idea of what will be developed for the Form A filing made by CVS. (See: http://www.insurance.pa.gov/Companies/IndustryActivity/CorporateTransactionsofPublicInterest/Aetna-Humana/Pages/default.aspx)
>
> Going forward, as the filing is supplemented with additional information, please provide public documents in hard copy and diskette.
>
> Please do not hesitate to call with any questions.
>
> Thank you,
> Cris
>
> **Cressinda E. Bybee** | PIR | Chief, Company Licensing Division
> Insurance Department | Bureau of Company Licensing and Financial Analysis
> 1345 Strawberry Square | Hbg, PA 17120
> Phone: 717.783.2144 | Fax: 717.787.8557
> www.insurance.pa.gov
> Twitter: @PAInsuranceDept
> Facebook: Facebook.com/PAInsuranceDepartment

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

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2017

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission file number 001-01011

CVS HEALTH CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**05-0494040**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One CVS Drive, Woonsocket, Rhode Island	**02895**
(Address of principal executive offices)	(Zip Code)

(401) 765-1500

(Registrant's telephone number, including area code)

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

Common Stock, par value $0.01 per share	**New York Stock Exchange**
Title of each class	Name of each exchange on which registered

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

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

The aggregate market value of the registrant's common stock held by non-affiliates was approximately $81,440,458,676 as of June 30, 2017, based on the closing price of the common stock on the New York Stock Exchange. For purposes of this calculation, only executive officers and directors are deemed to be the affiliates of the registrant.

As of February 9, 2018, the registrant had 1,014,532,157 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Filings made by companies with the Securities and Exchange Commission sometimes "incorporate information by reference." This means that the company is referring you to information that was previously filed or is to be filed with the SEC, and this information is considered to be part of the filing you are reading. The following materials are incorporated by reference into this Form 10-K:

Portions of our Annual Report to Stockholders for the fiscal year ended December 31, 2017 are incorporated by reference in our response to Items 7, 8 and 9 of Part II.

Information contained in our Proxy Statement for the 2018 Annual Meeting of Stockholders is incorporated by reference in our response to Items

10 through 14 of Part III.

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PART I

Item 1. Business

Overview

CVS Health Corporation, together with its subsidiaries (collectively, "CVS Health," the "Company," "we," "our" or "us"), is a pharmacy innovation company helping people on their path to better health. At the forefront of a changing health care landscape, the Company has an unmatched suite of capabilities and the expertise needed to drive innovations that will help shape the future of health care.

We are currently the only integrated pharmacy health care company with the ability to impact consumers, payors, and providers with innovative, channel-agnostic solutions. We have a deep understanding of their diverse needs through our unique integrated model, and we are bringing them innovative solutions that help increase access to quality care, deliver better health outcomes and lower overall health care costs.

Through more than 9,800 retail locations, more than 1,100 walk-in health care clinics, a leading pharmacy benefits manager with more than 94 million plan members, a dedicated senior pharmacy care business serving more than one million patients per year, expanding specialty pharmacy services and a leading stand-alone Medicare Part D prescription drug plan, we enable people, businesses, and communities to manage health in more affordable, effective ways. We are delivering break-through products and services, from advising patients on their medications at our CVS Pharmacy® locations, to introducing unique programs to help control costs for our clients at CVS Caremark®, to innovating how care is delivered to our patients with complex conditions through CVS Specialty®, to improving pharmacy care for the senior community through Omnicare®, or by expanding access to high-quality, low-cost care at CVS MinuteClinic®.

We have three reportable segments: Pharmacy Services, Retail/LTC and Corporate.

Proposed Acquisition of Aetna

On December 3, 2017, we entered into a definitive merger agreement to acquire all of the outstanding shares of Aetna Inc. ("Aetna") for a combination of cash and stock (the "Aetna Acquisition"). Under the terms of the merger agreement, Aetna shareholders will receive $145.00 per share in cash and 0.8378 CVS Health shares for each Aetna share. The transaction values Aetna at approximately $207 per share or approximately $69 billion based on the Company's 5-day volume weighted average price ending December 1, 2017 of $74.21 per share. Including the assumption of Aetna's debt, the total value of the transaction is approximately $77 billion. The final purchase price will be determined based on the Company's stock price on the date of closing of the transaction.

The proposed acquisition is currently projected to close in the second half of 2018 and remains subject to approval by CVS Health and Aetna shareholders and customary closing conditions, including the expiration of the waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") and approvals of state departments of insurance and U.S. and international regulators.

Pharmacy Services Segment

The Pharmacy Services Segment provides a full range of pharmacy benefit management ("PBM") solutions, as described more fully below, to clients consisting primarily of employers, insurance companies, unions, government employee groups, health plans, Medicare Part D plans, Managed Medicaid plans, plans offered on the public and private exchanges, other sponsors of health benefit plans and individuals throughout the United States. In addition, through our SilverScript Insurance Company ("SilverScript") subsidiary, we are a national provider of drug benefits to eligible beneficiaries under the federal government's Medicare Part D program. The Pharmacy Services Segment operates under the CVS Caremark Pharmacy Services, Caremark®, CVS Specialty®, AccordantCare™, SilverScript®, Wellpartner®, NovoLogix®, Coram®, Navarro® Health Services and ACS Pharmacy names. As of December 31, 2017, the Pharmacy Services Segment operated 23 retail specialty pharmacy stores, 18 specialty mail order pharmacies and four mail order dispensing pharmacies, and 83 branches for infusion and enteral services, including approximately 73 ambulatory infusion suites and three centers of excellence, located in 42 states, Puerto Rico and the District of Columbia. During the year ended December 31, 2017, our PBM filled or managed approximately 1.8 billion prescriptions on a 30-day equivalent basis.

Pharmacy Services Business Strategy - Our pharmacy services business strategy centers on providing innovative tools and strategies, as well as quality client service, in order to help improve clinical outcomes for our clients' plan members while assisting them with better managing pharmacy and overall health care costs. Our goal is to produce superior results for our clients and their plan members by leveraging our expertise in core PBM services, including: plan design offerings and administration, formulary management, Medicare Part D services, mail order, specialty pharmacy and infusion services, retail pharmacy network management services, prescription management systems, clinical services, disease management services and medical spend management.

In addition, as a fully integrated pharmacy services company that helps clients improve quality and lower their pharmacy costs, we offer our clients and their plan members a variety of programs and tools, including plan design offerings, that benefit from our integrated systems and the ability of our almost 36,000 pharmacists, nurses, nurse practitioners and physician assistants to interact personally with the many plan members we serve. Through our multiple member touch points (retail stores, mail order, infusion, long-term care and specialty pharmacies, retail clinics, digital resources and cost management tools), we seek to engage plan members in behaviors that help lower cost and improve health care outcomes. Examples of these programs and services include: Maintenance Choice®, a program where eligible client plan members can elect to fill their maintenance prescriptions through delivery to their home or business or at our CVS Pharmacy retail stores for the same price as mail order; Pharmacy Advisor®, a program that facilitates face-to-face and telephone counseling by our pharmacists to help participating plan members with certain chronic diseases, such as diabetes and cardiovascular conditions, to identify gaps in care, adhere to their prescribed medications and manage their health conditions; enhanced disease management programs, such as our TransformCare™ offerings, that are targeted at managing chronic disease states; Specialty Connect®, our specialty pharmacy offering that integrates specialty mail and retail capabilities, providing members with disease-state specific counseling from our experienced specialty pharmacists and the convenience of picking up their prescriptions at their local CVS Pharmacy or having them delivered to their home or office and an ExtraCare® Health Card program that offers discounts to eligible plan members on certain over-the-counter health care products sold in our CVS Pharmacy stores. In addition, CVS MinuteClinic ("MinuteClinic") is an important and differentiated part of the enterprise that offers certain capabilities to PBM clients and their members. For example, we offer plan-sponsored co-pay reductions to encourage use of MinuteClinic, thereby helping to reduce emergency room visits and to lower overall health care costs. We also partner with our health plan clients sponsoring patient-centered medical homes, biometric screenings for plan members, closing gaps in care, and onsite clinics at client corporate headquarters.

PBM Services - Our PBM solutions are described more fully below.

Plan Design Offerings and Administration - We administer pharmacy benefit plans for clients who contract with us to facilitate prescription coverage and claims processing for their eligible plan members. We assist our clients in designing pharmacy benefit plans that help improve health outcomes while minimizing the costs to the client. We also assist clients in monitoring the effectiveness of their plans through frequent, informal communications, their use of our proprietary software, as well as through formal annual, quarterly and sometimes monthly performance reviews.

We make recommendations to help clients design benefit plans that promote the use of the lower cost, clinically appropriate drugs. We help our clients control costs by recommending plan designs that encourage the use of generic equivalents of brand name drugs when such equivalents are available. Our clients also have the option, through plan design, to further lower their pharmacy benefit plan costs by setting different member payment levels for different products on their drug lists or "formularies," which helps guide members to choose lower cost alternatives through appropriate financial incentives.

Formulary Management - We utilize an independent panel of doctors, pharmacists and other medical experts, referred to as our CVS Caremark National Pharmacy and Therapeutics Committee, to review and approve the selection of drugs that meet our high standards of safety and efficacy for inclusion on one of our template formularies. Our formularies provide recommended products in numerous drug classes to help ensure member access to clinically appropriate drugs with alternatives within a class under the client's pharmacy benefit plan, while helping to drive the lowest net cost for our clients that select one of our formularies. To help improve clinical outcomes for members and clients, we conduct ongoing, independent reviews of all drugs, including, but not limited to, those appearing on the formularies and generic equivalent products. Many of our clients choose to adopt one of our template formulary offerings as part of their plan design. Beginning in 2018, clients will have new capabilities to offer real time benefits information for a member's specific plan design, provided digitally at the point of prescribing, at the pharmacy and directly to members.

Medicare Part D Services - We participate in the administration of the drug benefit added to the Medicare program under Part D of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (“MMA”) through the provision of PBM services to those of our health plan clients and other clients that have qualified as a Medicare Part D prescription drug plans (“PDP”) or as a Medicare Advantage prescription drug plan (“MA-PD”) and by offering Medicare Part D pharmacy benefits through SilverScript, a PDP that has contracted with the United States Centers for Medicare and Medicaid Services (“CMS”). We also assist employer, union and other health plan clients that qualify for the retiree drug subsidy made available under the MMA by collecting and submitting eligibility and/or drug cost data to CMS in order for them to obtain the subsidy and offer Medicare Part D pharmacy benefits to such clients' retirees through SilverScript-sponsored Employer Group Waiver Plans (“EGWPs”).

Mail Order Pharmacy - As of December 31, 2017, we operated four mail order dispensing pharmacies in the United States. Plan members or their prescribers submit prescriptions or refill requests, primarily for maintenance medications, to these pharmacies via mail, telephone, fax, e-prescribing or the Internet. We also operate a network of smaller mail order specialty pharmacies described below. Our staff pharmacists review mail order prescriptions and refill requests with the assistance of our prescription management systems. This review may involve communications with the prescriber and, with the prescriber’s approval when required, can result in generic substitution, therapeutic interchange or other actions designed to help reduce cost and/or improve quality of treatment. These pharmacies have been awarded Mail Order Pharmacy accreditation from Utilization Review Accreditation Commission (“URAC”), a Washington DC-based health care accrediting organization that establishes quality standards for the health care industry.

Specialty Pharmacy - Our specialty pharmacies support individuals who require complex and expensive drug therapies. As of December 31, 2017, our specialty pharmacy operations included 18 specialty mail order pharmacies located throughout the United States, including Puerto Rico, that are used for delivery of advanced medications to individuals with chronic or genetic diseases and disorders. These pharmacies have also been awarded Specialty Pharmacy accreditation from URAC. As of December 31, 2017, the Company operated a network of 23 retail specialty pharmacy stores, which operate under the CVS Pharmacy specialty services and Navarro® Health Services names. These stores average 1,100 square feet in size and sell prescription drugs and a limited assortment of front store items such as alternative medications, homeopathic remedies and vitamins. Our care management program, AccordantCare, is a differentiated clinical model that focuses on whole patient care, including comorbidity management. It embeds specially trained nurses into the CVS Specialty CareTeam for members who fill their specialty medications through CVS Specialty helping deliver better care and improved outcomes. Through our affiliate Coram LLC and its subsidiaries (collectively, “Coram”), one of the nation’s largest providers of comprehensive infusion services, we care for approximately 165,000 patients annually, providing specialty infusion and enteral nutrition services. Our Specialty Connect® offering integrates our specialty pharmacy mail and retail capabilities, providing members with disease-state specific counseling from our experienced specialty pharmacists and the convenience of picking-up their prescriptions at their local CVS Pharmacy, or having them delivered to their preferred address. Whether submitted through our specialty mail order pharmacy or at a CVS Pharmacy, all prescriptions are filled through our specialty mail order pharmacies, so all revenue from this specialty prescription services program is recorded within the Pharmacy Services Segment. Members then can choose to pick up their medication at their local CVS Pharmacy, or have it sent to their home through the mail. Specialty Connect is available where allowed by law. Innovative digital tools for specialty pharmacy provide a more accessible, connected, and personal health experience. Members can manage all their specialty medications in real-time using the CVS Specialty app and more than 60 percent have opted in to receive email and text messages including refill reminders and order status. Patients can also use secure messaging to contact their Specialty CareTeam with any questions. Additionally, with the acquisition of Omnicare, Inc. (“Omnicare”), we expanded our specialty pharmacy to include the specialty pharmacy operations of Omnicare which operates under the name ACS Pharmacy.

Retail Pharmacy Network Management - We maintain a national network of more than 68,000 retail pharmacies, consisting of approximately 41,000 chain pharmacies (which includes our CVS Pharmacy locations) and 27,000 independent pharmacies, in the United States, including Puerto Rico, the District of Columbia, Guam and the U.S. Virgin Islands. When a customer fills a prescription in a retail pharmacy, the pharmacy sends prescription data electronically to us from the point-of-sale. This data interfaces with our proprietary prescription management systems, which verify relevant plan member data and eligibility, while also performing a drug utilization review to help evaluate clinical appropriateness and safety and confirming that the pharmacy will receive payment for the prescription. We are also able to build client-specific networks and managed network solutions to further drive savings for our clients. These include a performance-based pharmacy network with approximately 30,000 stores that will be anchored by CVS Pharmacy and Walgreens, along with up to 10,000 community-based, independently owned pharmacies across the United States. The network is designed to deliver unit cost savings and to improve clinical outcomes that will help to lower overall health

care costs for participating payors and their members. This network will be available beginning March 2018 to eligible commercial and Medicaid clients.

Prescription Management Systems - We dispense prescription drugs both directly, through one of our mail order or specialty pharmacies, or through a network of retail pharmacies, described above. All prescriptions processed through our systems, whether they are filled through one of our mail order or specialty dispensing pharmacies or through a pharmacy in our retail network, are analyzed, processed and documented by our proprietary prescription management systems. These systems provide essential features and functionality to allow a plan member to use their prescription drug benefit. These systems also streamline the process by which prescriptions are processed by staff and network pharmacists, by enhancing review of various items through automation, including, but not limited to, plan eligibility, early refills, duplicate dispensing, appropriateness of dosage, drug interactions or allergies, over-utilization and potential fraud.

Clinical Services - We offer multiple clinical programs and services to help clients manage overall pharmacy and health care costs in a clinically appropriate manner. Our programs are primarily designed to promote good health outcomes, and to help target inappropriate utilization and non-adherence to medication, each of which may result in adverse medical events that negatively impact member health and client pharmacy and medical spend. In this regard, we offer various utilization management ("UM"), medication management, quality assurance, adherence and counseling programs to complement the client's plan design and clinical strategies. To help address the opioid epidemic, we introduced an industry-leading UM approach that limits to seven days the supply of opioids dispensed for certain acute prescriptions for patients who are new to therapy; limits the daily dosage of opioids dispensed based on the strength of the opioid; and requires the use of immediate-release formulations of opioids before extended-release opioids are dispensed. To support improved adherence, our Pharmacy Advisor program facilitates pharmacist counseling, both face-to-face and over the telephone, to help participating plan members with certain chronic diseases, such as diabetes and cardiovascular conditions, to identify gaps in care, adhere to their prescribed medications and manage their health conditions. We also have digital connectivity that helps to lower drug costs for patients by providing expanded visibility to lower cost alternatives through enhanced analytics and data sharing.

Disease Management Programs - Our clinical services utilize advanced protocols and offer clients convenience in working with health care providers and other third parties. Our AccordantCare programs include integrated rare disease management programs, which cover diseases such as rheumatoid arthritis, Parkinson's disease, seizure disorders and multiple sclerosis. The majority of these integrated programs are accredited by the National Committee for Quality Assurance ("NCQA"), a private, not-for-profit organization that evaluates, accredits and certifies a wide range of health care organizations. They have also been awarded Case Management accreditation from URAC.

Medical Benefit Management - We offer a technology platform, NovoLogix®, an online preauthorization tool that helps identify and capture cost savings opportunities for specialty drugs billed under the medical benefit by identifying outliers to appropriate dosages and costs, and helps to ensure clinically appropriate use of these drugs.

Pharmacy Services Information Systems - We currently operate and support a small number of claim adjudication platforms to support our Pharmacy Services Segment. However, the majority of our clients have migrated to one platform. These information systems incorporate architecture that centralizes the data generated from filling mail order prescriptions, adjudicating retail pharmacy claims and delivering other solutions to our PBM clients. Our Health Engagement Engine® technology and proprietary clinical algorithms help connect the various parts of the enterprise and serves an essential role in cost management and health improvement. This capability responsibly transforms pharmacy data into actionable interventions at key points of care such as our mail and specialty pharmacists to help provide quality care, and our enterprise digital strategy and integrated digital offerings help patients seamlessly manage mail, specialty and retail prescriptions.

Pharmacy Services Clients - Our clients are primarily employers, insurance companies, unions, government employee groups, health plans, Medicare Part D plans, Managed Medicaid plans and plans offered on public and private exchanges, other sponsors of health benefit plans and individuals located throughout the United States. We provide pharmaceuticals to eligible members in benefit plans maintained by our clients and utilize our information systems, among other things, to help perform safety checks, drug interaction screening and identify opportunities for generic substitution. We generate substantially all of our Pharmacy Services Segment net revenue from dispensing and managing prescription drugs to eligible members in benefit plans maintained by our clients. In 2017, 2016 and 2015, net revenues from Aetna accounted for approximately 12.3%, 11.7% and 10.0%, respectively, of our consolidated net revenues.

Pharmacy Services Seasonality - The majority of our Pharmacy Services Segment revenues are not seasonal in nature. However, our quarterly earnings and operating cash flows are impacted by the Medicare Part D benefit design and changes in the composition of our membership. The Medicare Part D standard benefit design results in coverage that varies with a member's cumulative annual out-of-pocket costs. The benefit design generally results in plan sponsors sharing a greater portion of the responsibility for total prescription drug costs in the early part of the year. As a result, the PDP pay percentage or benefit ratio generally decreases and operating profit generally increases as the year progresses.

Pharmacy Services Competition - We believe the primary competitive factors in the industry include: (i) the ability to negotiate favorable discounts from drug manufacturers as well as to negotiate favorable discounts from, and access to, retail pharmacy networks; (ii) the ability to identify and apply effective cost management programs utilizing clinical strategies including the development and utilization of preferred formularies; (iii) the ability to market PBM products and services; (iv) the commitment to provide flexible, clinically-oriented services to clients and be responsive to clients' needs; (v) the quality, scope and costs of products and services offered to clients and their members including satisfaction of experience; and (vi) operational excellence in delivering services. The Pharmacy Services Segment has a significant number of competitors (e.g., Express Scripts, OptumRx, Prime Therapeutics, MedImpact, and Humana) offering PBM services including large, national PBM companies, PBMs owned by large national health plans and smaller standalone PBMs.

Retail/LTC Segment

As of December 31, 2017, the Retail/LTC Segment included 9,803 retail locations (of which 8,060 were our stores that operated a pharmacy and 1,695 were our pharmacies located within Target Corporation ("Target") stores), our online retail pharmacy websites, CVS.com®, Navarro.com™ and Onofre.com.br™, 37 onsite pharmacy stores, our long-term care pharmacy operations and our retail health care clinics. The retail locations are in 49 states, the District of Columbia, Puerto Rico and Brazil, operating primarily under the CVS Pharmacy®, CVS®, CVS Pharmacy y más®, Longs Drugs®, Navarro Discount Pharmacy® and Drogaria Onofre™ names. Including the pharmacies within Target, we currently operate in all of the top 100 United States drugstore markets. Existing retail stores range in size from approximately 5,000 to 30,000 square feet, although most new stores range in size from approximately 11,000 to 15,000 square feet and typically include a drive-thru pharmacy. The pharmacies within Target stores range in size from approximately 450 to 1,100 square feet. During 2017, our Retail/LTC Segment filled approximately 1.2 billion prescriptions (counting 90-day prescriptions as three prescriptions), and we held approximately 23.6% of the United States retail pharmacy market.

Our acquisition of Omnicare broadened our base of pharmacy care to an additional dispensing channel, long-term care pharmacy. Omnicare's LTC operations include the distribution of pharmaceuticals, related pharmacy consulting and other ancillary services to chronic care facilities and other care settings. Omnicare also provided commercialization services under the name RxCrossroads until January 2, 2018, when we completed the sale of RxCrossroads. LTC is comprised of 145 spoke pharmacies that primarily handle new prescription orders, of which 30 are also hub pharmacies that use automation to support spoke pharmacies with refill prescriptions. LTC primarily operates under the Omnicare® and NeighborCare® names. With the addition of the LTC operations, we are continuing to enhance our service offerings to further address the needs of an aging population throughout the continuum of senior care.

Retail Pharmacy Business Strategy - Our integrated pharmacy services model has enhanced the ability of our retail pharmacy stores to expand customer access to care while helping to lower overall health care costs and improve health outcomes. In that regard, the role of our retail pharmacist is shifting from primarily dispensing prescriptions to also providing services, including flu vaccinations as well as face-to-face patient counseling with respect to adherence to drug therapies, closing gaps in care and recommending more cost effective drug therapies. We also provide a broad assortment of quality merchandise at competitive prices using a retail format that emphasizes service, innovation and convenience. One of the keys to our strategy is technology, which allows us to focus on constantly improving service and exploring ways to provide more personalized product offerings and services. We are continuing to leverage digital to empower our customers and patients by making the full breadth of health care and pharmacy services available to them anytime, anywhere. We are continuing to introduce digital tools to make it easier for people to save time and money and to live healthier lives. In 2017, we rolled out CVS Pay® nationwide, an end-to-end mobile payment solution that integrates payment, prescription pick-up and our ExtraCare® loyalty program into one spot at checkout. We believe that continuing to innovate with new and unique products and services, using innovative marketing and adjusting our mix of merchandise to match our customers' needs and preferences is very important to our ability to continue to improve customer satisfaction.

Retail/LTC Products and Services - A typical retail store sells prescription drugs and a wide assortment of high-quality, nationally advertised brand name and proprietary brand merchandise. Front store categories include over-the-counter drugs, beauty products and cosmetics, personal care products, convenience foods, photo finishing services, seasonal merchandise and greeting cards. The pharmacies within Target stores sell prescription drugs and over-the-counter drugs that are required to be held behind the counter. The LTC operations include distribution of pharmaceuticals and related consulting and ancillary services. We purchase our merchandise from numerous manufacturers and distributors. We believe that competitive sources are readily available for substantially all of the products we carry and the loss of any one supplier would not likely have a material effect on the business. Our clinics offer a variety of health care services by nurse practitioners and physician assistants.

Retail/LTC net revenues by major product group are as follows:

	Percentage of Net Revenues		
	2017	2016	2015
Pharmacy [1]	75.0 %	75.0 %	72.9 %
Front store and other [2]	25.0	25.0	27.1
	100.0 %	100.0 %	100.0 %

(1) Pharmacy includes LTC sales and sales in pharmacies within Target stores.
(2) "Other" represents less than 5% of the "Front store and other" net revenue category.

Pharmacy - Pharmacy revenues represented approximately three-fourths of the Retail Pharmacy Segment revenues in each of 2017, 2016 and 2015. We believe that our retail pharmacy operations will continue to represent a critical part of our business due to industry demographics, e.g., an aging American population consuming a greater number of prescription drugs, pharmaceuticals being used more often as the first line of defense for managing illness, the introduction of new pharmaceutical products, and Medicare Part D. We believe our retail pharmacy business benefits from our investment in both people and technology, as well as our innovative partnerships with health plans, PBMs and providers. Given the nature of prescriptions, people want their prescriptions filled accurately by professional pharmacists using the latest tools and technology, and ready when promised. Consumers need medication management programs and better information to help them get the most out of their health care dollars. To assist our customers with these needs, we have introduced integrated pharmacy health care services that provide an earlier, easier and more effective approach to engaging them in behaviors that can help lower costs, improve health, and save lives. Examples include: our Patient Care Initiative, an enhanced medication adherence program; Maintenance Choice®, a program where eligible client plan members can elect to fill their maintenance prescriptions through delivery to their home or business or at our CVS Pharmacy retail stores for the same price as mail order; Pharmacy Advisor®, our program that facilitates pharmacist counseling, both face-to-face and over the telephone, to help participating plan members with certain chronic diseases, such as diabetes and cardiovascular conditions, to identify gaps in care, adhere to their prescribed medications and manage their health conditions; Specialty Connect®, which integrates our specialty pharmacy mail and retail capabilities, providing members with disease-state specific counseling from our experienced specialty pharmacists and the convenience of picking-up their prescriptions at their local CVS Pharmacy, or having them delivered to their preferred address; ScriptSync®, a service that enables patients with multiple medications to pick up their eligible maintenance prescriptions in a single monthly CVS Pharmacy visit; ScriptPath™ Prescription Schedule, a new capability for CVS Pharmacy patients, who manage multiple prescription medications, which features all of a patient's current CVS Pharmacy prescription information in one place – including which medications the patient takes, when the patient should take them and how much of each medication should be taken in each dose; and HealthTag®, an integrated communications platform that can be leveraged to communicate healthcare opportunities to members that provides unmatched ability to reach and connect with members as well as industry-leading data integration to improve coordination of member care. Each of these are programs that demonstrate our ability to enhance the customer experience through our integrated enterprise products and services. Further evidencing our belief in the importance of pharmacy service is our continuing investment in technology, such as our Drug Utilization Review system that helps check for harmful interactions between prescription drugs and patient identified over-the-counter products, vitamins and herbal remedies; RxConnect, our proprietary pharmacy system that integrates our product delivery and clinical workflows as well as advanced patient safety functionality such as drug utilization review; our prescription refill program, ReadyFill®; and our online retail businesses, CVS.com, Navarro.com and Onofre.com.br. Our Health Engagement Engine enables patient-specific opportunities to be prioritized and delivered at each key moment of care relevant to that specific patient. In December 2015, we expanded our pharmacy offering with the acquisition of the

pharmacies within Target stores. We offer all the same pharmacy services available in our retail drugstores and online at our pharmacies within Target stores.

Front Store - Front store revenues benefited from our strategy to innovate with new and unique products and services, using innovative personalized marketing and adjusting our mix of merchandise to match our customers' needs and preferences. A key component of our front store strategy is our ExtraCare® card program, which is helping us continue to build our loyal customer base. The ExtraCare program is one of the largest and most successful retail loyalty programs in the United States. The ExtraCare program allows us to balance our marketing efforts so we can reward our best customers by providing them automatic sale prices, customized coupons, ExtraBucks® rewards and other benefits. We continue to launch and enhance new and exclusive brands to create unmatched offerings in beauty. Another component of our front store strategy is our unique product offerings, which include a full range of high-quality CVS Pharmacy® and proprietary brand products that are only available through CVS Pharmacy stores. We currently carry approximately 7,000 CVS Pharmacy and proprietary brand products, which accounted for approximately 23% of our front store revenues during 2017. These products include expanded offerings of healthy foods and vitamins. Furthermore, we are tailoring certain groups of stores, such as suburban area stores, to better meet the needs of our customers.

MinuteClinic - As of December 31, 2017, we operated 1,134 MinuteClinic® locations in 33 states and the District of Columbia, of which 1,050 were located in our retail pharmacy stores, and 79 were located in Target stores. We opened 15 new clinics during 2017. Our clinics are staffed by nurse practitioners and physician assistants who utilize nationally established guidelines to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions, provide wellness services and deliver vaccinations. Payors value our clinics because they provide convenient, high-quality, cost-effective care, in many cases offering an attractive alternative to more expensive sites of care. As a result, visits paid for by employers, health insurers or other third parties accounted for approximately 91% of MinuteClinic's total revenues in 2017. MinuteClinic is collaborating with our Pharmacy Services Segment to help meet the needs of CVS Caremark's client plan members by offering programs that can improve member health and lower costs. MinuteClinic is now affiliated with more than 75 major health systems and continues to build a platform that supports primary care.

Long-term Care - Through our Omnicare business, we provide the distribution of pharmaceuticals, related pharmacy consulting and other ancillary services to chronic care facilities and other care settings. Omnicare's customers consist of skilled nursing facilities, assisted living facilities, independent living communities, hospitals, correctional facilities, and other health care service providers. We provide pharmacy consulting, including monthly patient drug therapy evaluations, assist in compliance with state and federal regulations and provide proprietary clinical and health management programs. We also provide pharmaceutical case management services for retirees, employees and dependents who have drug benefits under corporate-sponsored health care programs.

Onsite Pharmacies - We also operate a limited number of small pharmacies located at client sites, typically under the CarePlus®, CarePlus CVS Pharmacy® or CVS Pharmacy® name, which provide certain health plan members and customers with a convenient alternative for filling their prescriptions.

Retail Pharmacy Drugstore Development - The addition of new stores has played, and will continue to play, a key role in our continued growth and success. Our store development program focuses on three areas: entering new markets, adding stores within existing markets and relocating stores to more convenient sites. During 2017, we opened 175 new retail locations, relocated 30 stores and closed 81 locations. During the last five years, we opened approximately 1,000 new and relocated locations, and acquired 1,880 locations including the pharmacies acquired from Target. We believe that continuing to grow our store base and locating stores in more accessible markets are essential components to compete effectively in the current health care environment. As a result, we believe that our store development program is an integral part of our ability to maintain our leadership position given the changing health care landscape and to meet the increasing needs of our customers.

Retail/LTC Information Systems - We have continued to invest in information systems to enable us to deliver exceptional customer service, enhance safety and quality, and expand our patient care services while lowering operating costs. Our proprietary WeCARE Workflow supports our pharmacy teams by prioritizing work to meet customer expectations, facilitating prescriber outreach, and seamlessly integrating our clinical programs. This solution delivers improved efficiency and enhances the customer experience, as well as providing a framework to accommodate the evolution of pharmacy practice and the expansion of our clinical programs. Our Health Engagement Engine technology and proprietary clinical algorithms enable us to help identify opportunities for our pharmacists to deliver face-to-face

counseling regarding patient health and safety matters, including adherence issues, gaps in care and management of certain chronic health conditions. Our digital strategy empowers the consumer to navigate their pharmacy experience and manage their condition through our on-line and mobile tools that offer utility and convenience. This includes the ability to schedule an appointment at MinuteClinic, get next-in line alerts or health reminders and appointment updates via text messages. Our integrated digital offerings help patients seamlessly manage retail, mail and specialty prescriptions dispensed by a CVS Pharmacy or LTC location and enhance front store personalization to drive value for customers. We continue to experience strong adoption of our digital solutions with our mobile app receiving critical acclaim for ease of use and our text message program experiencing significant growth. LTC's digital technology suite, Omniview®, improves the efficiency of customers' operations with tools that include executive dashboards, pre-admission pricing, electronic ordering of prescription refills, proof-of-delivery tracking, access to patient profiles, receipt and management of facility bills, and real-time validation of Medicare Part D coverage, among other capabilities.

Retail/LTC Customers - The success of our retail drugstore and LTC businesses is dependent upon our ability to establish and maintain contractual relationships with pharmacy benefit managers and other payors on acceptable terms. Pharmacy benefit managers, managed care organizations, government-funded health care programs, commercial employers and other third party payors accounted for 99.2% of our 2017 pharmacy revenues. No single Retail/LTC payor accounts for 10% or more of our annual consolidated net revenues.

Retail/LTC Seasonality - The majority of our revenues, particularly pharmacy revenues, are generally not seasonal in nature. However, retail front store revenues tend to be higher during the December holiday season. In addition, both pharmacy and retail front store revenues are affected by the timing and severity of the cough, cold and flu season. For additional information, we refer you to "Risks related to the seasonality of our business" in Item 1A. Risk Factors.

Retail/LTC Competition - The retail drugstore business is highly competitive. We believe that we compete principally on the basis of: (i) store location and convenience, (ii) customer service and satisfaction, (iii) product selection and variety, and (iv) price. In the markets we serve, we compete with other drugstore chains (e.g., Walgreens and Rite Aid), supermarkets, discount retailers (e.g., Wal-Mart), independent pharmacies, restrictive pharmacy networks, membership clubs, Internet companies, and retail health clinics (including urgent care centers), as well as other mail order pharmacies.

LTC pharmaceutical services are highly regional or local in nature and within a given geographic area of operation, highly competitive. Our largest competitor nationally is PharMerica. We also compete with numerous local and regional institutional pharmacies, pharmacies owned by long-term care facilities and local retail pharmacies. Some states have enacted "freedom of choice" or "any willing provider" requirements as part of their state Medicaid programs or in separate legislation, which may increase the competition that we face in providing services to long-term care facility residents in these states.

Corporate Segment

Our Corporate Segment provides management and administrative services to support the overall operations of the Company. The Corporate Segment consists of certain aspects of our executive management, corporate relations, legal, compliance, human resources, information technology and finance departments.

Generic Sourcing Venture

The Company and Cardinal Health, Inc. ("Cardinal") each have a 50% ownership in Red Oak Sourcing, LLC ("Red Oak"), a generic pharmaceutical sourcing entity. Under this arrangement, the Company and Cardinal contributed their sourcing and supply chain expertise to Red Oak and agreed to source and negotiate generic pharmaceutical supply contracts for both companies through Red Oak; however, Red Oak does not own or hold inventory on behalf of either company.

Working Capital Practices

We fund the growth of our business through a combination of cash flow from operations, commercial paper and other short-term borrowings, proceeds from sale-leaseback transactions and long-term borrowings. For additional information on our working capital practices, we refer you to the caption "Management's Discussion and Analysis - Liquidity and Capital Resources" in our Annual Report to Stockholders for the year ended December 31, 2017, which section is

incorporated by reference herein. The majority of our non-pharmacy revenues are paid in cash, or with debit or credit cards. Managed care organizations, pharmacy benefit managers, government-funded health care programs, commercial employers and other third party insurance programs, which represent the vast majority of our consolidated pharmacy revenues, typically settle in less than 30 days. With the exception of our Medicare Part D services, the remainder of our consolidated pharmacy revenues are paid in cash, or with debit or credit cards. As a provider of Medicare Part D services, we contract annually with CMS. Utilization of services each plan year results in the accumulation of either a receivable from or a payable to CMS. The timing of settlement of the receivable or payable with CMS takes several quarters which impacts our working capital from year to year.

Colleague Development

As of December 31, 2017, we employed approximately 246,000 colleagues in 50 states, the District of Columbia, Puerto Rico and Brazil, which included approximately 36,000 pharmacists, nurses, nurse practitioners and physician assistants. The total included approximately 86,000 part-time colleagues who work less than 30 hours per week. To deliver the highest levels of service to our customers, we devote considerable time and attention to our people and service standards. We emphasize attracting and training knowledgeable, friendly and helpful associates to work in our organization.

Intellectual Property

We have registered and/or applied to register a variety of our trademarks and service marks used throughout our business, as well as domain names, and rely on a combination of copyright, patent, trademark and trade secret laws, in addition to contractual restrictions, to establish and protect our proprietary rights. We regard our intellectual property as having significant value in our Pharmacy Services and Retail/LTC segments. We are not aware of any facts that could materially impact our continuing use of any of our intellectual property.

Government Regulation

Overview - Much of our business is subject to federal and state laws and regulations. In addition, many of our PBM clients and our payors in the Retail/LTC Segment, including insurers, Medicare Part D plans, Managed Medicaid plans and managed care organizations ("MCOs"), are themselves subject to extensive regulations that affect the design and implementation of prescription drug benefit plans that they sponsor. Similarly, our LTC clients, such as skilled nursing facilities, are subject to government regulations, including many of the same government regulations to which we are subject. The application of these complex legal and regulatory requirements to the detailed operation of our business creates areas of uncertainty. Further, there are numerous proposed health care laws and regulations at the federal and state levels, some of which could adversely affect our business if they are enacted. We are unable to predict what federal or state legislation or regulatory initiatives may be enacted in the future relating to our business or the health care industry in general, or what effect any such legislation or regulations might have on our business. Any failure or alleged failure to comply with applicable laws and regulations as summarized below, or any adverse applications of, or changes in, the laws and regulations affecting our business, could have a material adverse effect on our operating results and/or financial condition. See Item 3, "Legal Proceedings" for further information.

Although we believe that we are in material compliance with existing laws and regulations applicable to our various business lines, we cannot give any assurances that our business, financial condition and results of operations will not be materially adversely affected, or that we will not be required to materially change our business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations, including the laws and regulations described in this Government Regulation section, as they may relate to our business, the pharmacy services, retail pharmacy, long-term care or retail clinic industry or to the health care industry generally; (iii) pending or future federal or state governmental investigations of our business or the pharmacy services, retail pharmacy, long-term care or retail clinic industry or of the health care industry generally; (iv) institution of government enforcement actions against us; (v) adverse developments in any pending *qui tam* lawsuit against us, whether sealed or unsealed, or in any future *qui tam* lawsuit that may be filed against us; or (vi) adverse developments in other pending or future legal proceedings against us or affecting the pharmacy services, retail pharmacy, long-term care or retail clinic industry or the health care industry generally.

Laws and Regulations Related to Each Operating Segment of Our Business

Laws Related to Reimbursement by Government Programs - We are subject to various state and federal laws concerning our submission of claims for reimbursement by Medicare, Medicaid and other government-sponsored health care programs. Potential sanctions for violating these laws include recoupment or reduction of government reimbursement amounts, civil penalties, multiples damages, and exclusion from participation in government health care programs. Such laws include the federal False Claims Act ("FCA"), the federal Anti-Kickback statute, various state false claims acts and anti-kickback statutes, the federal "Stark Law" and related state laws. In particular, the FCA prohibits intentionally submitting, conspiring to submit, or causing to be submitted, false claims, records, or statements to the federal government, or intentionally failing to return overpayments, in connection with reimbursement by federal government programs. As part of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, "ACA"), the federal Anti-Kickback Statute was amended in 2010 to provide that any claim for government reimbursement violates the FCA where it results from a violation of the Anti-Kickback Statute. Most states have enacted false claims laws analogous to the FCA, and both federal and state false claims laws permit private individuals to file *qui tam* or "whistleblower" lawsuits on behalf of the federal or state government. Further, the federal Stark Law generally prohibits physicians from referring Medicare or Medicaid beneficiaries for certain services, including outpatient prescription drugs, to any entity with which the physician, or an immediate family member of the physician, has a financial relationship. The Stark Law further prohibits the entity receiving a prohibited referral from presenting a claim for reimbursement by Medicare or Medicaid for services furnished pursuant to the prohibited referral. Various states have enacted similar laws.

Anti-Remuneration Laws - Federal law prohibits, among other things, an entity from knowingly and willfully offering, paying, soliciting or receiving, subject to certain exceptions and "safe harbors," any remuneration to induce the referral of individuals or the purchase, lease or order of items or services for which payment may be made under Medicare, Medicaid or certain other federal health care programs. A number of states have similar laws, some of which are not limited to services paid for with government funds. Sanctions for violating these federal and state anti-remuneration laws may include imprisonment, criminal and civil fines, and exclusion from participation in Medicare, Medicaid and other government-sponsored health care programs.

Antitrust and Unfair Competition - The Federal Trade Commission ("FTC") has authority under Section 5 of the Federal Trade Commission Act ("FTCA") to investigate and prosecute practices that are "unfair trade practices" or "unfair methods of competition." Numerous lawsuits have been filed throughout the United States against pharmaceutical manufacturers, retail pharmacies and/or PBMs under various state and federal antitrust and unfair competition laws challenging, among other things: (i) brand drug pricing practices of pharmaceutical manufacturers, (ii) the maintenance of retail or specialty pharmacy networks by PBMs, and (iii) various other business practices of PBMs and retail pharmacies. To the extent that we appear to have actual or potential market power in a relevant market or CVS Pharmacy or CVS Specialty plays a unique or expanded role in a PBM product offering, our business arrangements and uses of confidential information may be subject to heightened scrutiny from an anti-competitive perspective and possible challenge by state or federal regulators or private parties.

Privacy and Confidentiality Requirements - Many of our activities involve the receipt, use and disclosure by us of personally identifiable information ("PII") as permitted in accordance with applicable federal and state privacy and data security laws, which require organizations to provide appropriate privacy and security safeguards for such information. In addition to PII, we use and disclose de-identified data for analytical and other purposes when permitted. Additionally, there are industry standards for handling credit card data known as the Payment Card Industry Data Security Standard, which are a set of requirements designed to help ensure that entities that process, store or transmit credit card information maintain a secure environment. Certain states have recently incorporated these requirements into state laws.

The federal Health Insurance Portability and Accountability Act of 1996 and the regulations issued thereunder (collectively, "HIPAA") impose extensive requirements on the way in which health plans, health care providers, health care clearinghouses (known as "covered entities") and their business associates use, disclose and safeguard protected health information ("PHI"). Criminal penalties and civil sanctions may be imposed for failing to comply with HIPAA standards. The Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), enacted as part of the American Recovery and Reinvestment Act of 2009, amended HIPAA to impose additional restrictions on third-party funded communications using PHI and the receipt of remuneration in exchange for PHI. It also extended HIPAA privacy and security requirements and penalties directly to business associates. In addition to HIPAA, state health privacy laws apply to the extent they are more protective of individual privacy than is HIPAA.

Finally, the Health Insurance Marketplaces (formerly known as the "exchanges") are required to adhere to privacy and security standards with respect to PII, and to impose privacy and security standards that are at least as protective of PII as those the Health Insurance Marketplace has implemented for itself or non-Health Insurance Marketplace entities, which include insurers offering plans through the Health Insurance Marketplaces and their designated downstream entities, including PBMs and other business associates. These standards may differ from, and be more stringent than, HIPAA.

Consumer Protection Laws - The federal government has many consumer protection laws, such as the FTCA, the Federal Postal Service Act and the FTC's Telemarketing Sales Rule. Most states also have similar consumer protection laws. These laws have been the basis for investigations, lawsuits and multi-state settlements relating to, among other matters, the marketing of loyalty programs and health care services, pricing accuracy, expired front store products, financial incentives provided by drug manufacturers to pharmacies in connection with therapeutic interchange programs and disclosures related to how personal data is used and protected.

Government Agreements and Mandates - The Company and/or its various affiliates are subject to certain consent decrees, settlement agreements, corrective action plans and corporate integrity agreements with various federal, state and local authorities relating to such matters as privacy practices, controlled substances, Medicare Part D prescription drug plans, expired products, environmental and safety matters, marketing and advertising practices, PBM, long term care and pharmacy operations and various other business practices. These agreements may contain certain ongoing reporting, monitoring or other compliance requirements for the Company. Failure to meet the Company's obligations under these agreements could result in civil or criminal remedies, financial penalties, administrative remedies, and/or exclusion from participation in federal health care programs.

Environmental and Safety Regulation - Our business is subject to various federal, state and local laws, regulations and other requirements pertaining to protection of the environment, public health and employee safety, including, for example, regulations governing the management of hazardous substances, the cleaning up of contaminated sites, and the maintenance of safe working conditions in our stores, distribution centers and other facilities. Governmental agencies on the federal, state and local levels have, in recent years, increasingly focused on the retail and health care sectors' compliance with such laws and regulations, and have at times pursued enforcement activities. Any failure to comply with these regulations could result in fines or other sanctions by government authorities.

Health Reform Legislation - Passed in 2010, ACA affects virtually every aspect of health care in the country. In addition to establishing the framework for every individual to have health coverage, ACA enacted a number of significant health care reforms. Many of these reforms affect the coverage and plan designs that are provided by our health plan clients. As a result, these reforms impact a number of our services and business practices. Some significant ACA provisions are still being finalized (e.g., implementation of the excise tax on high-cost employer-sponsored health coverage has been delayed by Congress) and parts of ACA may still face potential Congressional changes, so the full impact of ACA on our Company is still uncertain.

Pharmacy and Professional Licensure and Regulation - We are subject to a variety of intersecting state and federal statutes and regulations that govern the wholesale distribution of drugs; operation of retail, specialty, infusion, LTC and mail order pharmacies; licensure of facilities and professionals, including pharmacists, technicians and nurses; registration of facilities with the United States Drug Enforcement Administration ("DEA") and analogous state agencies that regulate controlled substances; packaging, storing, shipping and tracking of pharmaceuticals; repackaging of drug products; labeling, medication guides and other consumer disclosures; interactions with prescribers and health care professionals; compounding of prescription medications; dispensing of controlled and non-controlled substances; counseling of patients; transfers of prescriptions; advertisement of prescription products and pharmacy services; security; inventory control; recordkeeping; reporting to Boards of Pharmacy, the United States Food and Drug Administration ("FDA"), the Consumer Product Safety Commission, the DEA and related state agencies; and other elements of pharmacy practice. Pharmacies are highly regulated and have contact with a wide variety of local, state and federal agencies, with various powers to investigate, inspect, audit or solicit information, including Boards of Pharmacy and Nursing, the DEA, the FDA, the United States Department of Justice, the United States Department of Health and Human Services ("HHS") and others. Many of these agencies have broad enforcement powers, conduct audits on a regular basis, can impose substantial fines and penalties, and may revoke the license, registration or program enrollment of a facility or professional.

Telemarketing and Other Outbound Contacts - Certain federal and state laws, such as the Telephone Consumer Protection Act, give the FTC, Federal Communications Commission ("FCC") and state attorneys general the ability to regulate, and bring enforcement actions relating to, telemarketing practices and certain automated outbound contacts such as phone calls, texts or emails. Under certain circumstances, these laws may provide consumers with a private right of action. Violations of these laws could result in substantial statutory penalties and other sanctions.

Laws and Regulations Related to Our Pharmacy Services Segment

In addition to the laws and regulations discussed above that may affect our business as a whole, we are subject to federal, state and local statutes and regulations governing the operation of our Pharmacy Services Segment specifically. Among these are the following:

PBM Laws and Regulation - Legislation seeking to regulate PBM activities in a comprehensive manner has been introduced or enacted in a number of states. This legislation could adversely impact our ability to conduct business on commercially reasonable terms in states where the legislation is in effect.

In addition, certain quasi-regulatory organizations, including the National Association of Boards of Pharmacy and the National Association of Insurance Commissioners ("NAIC") have issued model regulations or may propose future regulations concerning PBMs and/or PBM activities. Similarly, credentialing organizations such as NCQA and URAC may establish voluntary standards regarding PBM, mail or specialty pharmacy activities. While the actions of these quasi-regulatory or standard-setting organizations do not have the force of law, they may influence states to adopt their requirements or recommendations and influence client requirements for PBM or specialty pharmacy services. Moreover, any standards established by these organizations could also impact our health plan clients and/or the services we provide to them.

Medicare Part D - The Medicare Part D program, which makes prescription drug coverage available to eligible Medicare beneficiaries through private insurers, regulates all aspects of the provision of Medicare drug coverage, including enrollment, formularies, pharmacy networks, marketing, and claims processing. The Medicare Part D program has undergone significant legislative and regulatory changes since its inception, and continues to attract a high degree of legislative and regulatory scrutiny. The applicable government rules and regulations continue to evolve. CMS has imposed restrictions and issued new requirements to protect Medicare Part D beneficiaries and has used its authority to sanction and impose civil monetary penalties on plans for non-compliance.

Network Access Legislation - Medicare Part D and a majority of states now have some form of legislation affecting the ability to limit access to a pharmacy provider network or remove network providers. For example, certain "any willing provider" legislation may require us or our clients to admit a non-participating pharmacy if such pharmacy is willing and able to meet the plan's price and other applicable terms and conditions for network participation. These laws could negatively impact the services and economic benefits achievable through a limited pharmacy provider network.

Also, a majority of states now have some form of legislation affecting our ability (and the health plans' ability) to conduct audits of network pharmacies regarding claims submitted to us for payment. These laws could negatively impact our ability to recover overpayments in health care payments stemming from pharmacy audits. Lastly, several states have passed legislation regulating our ability to manage and establish maximum allowable costs ("MAC") for generic prescription drugs. MAC methodology is a common cost management practice used by private and public payors (including CMS) to pay pharmacies for dispensing generic prescription drugs. MAC prices specify the allowable reimbursement by a PBM for a particular strength and dosage of a generic drug that is available from multiple manufacturers but sold at different prices. State legislation can regulate the disclosure of MAC prices and MAC price methodologies, the kinds of drugs that a PBM can pay at a MAC price, and the rights of pharmacies to appeal a MAC price established by a PBM. These laws could negatively impact our ability to establish MAC prices for generic drugs.

Contract Audits - We are subject to audits of many of our contracts, including our PBM client contracts, our PBM rebate contracts, our PBM network contracts, our contracts relating to Medicare Part D and the agreements our pharmacies enter into with other payors. Because some of our contracts are with state or federal governments or with entities contracted with state or federal agencies, audits of these agreements are often regulated by the federal or state agencies responsible for administering federal or state benefits programs, including those which operate Medicaid fee for service plans, Managed Medicaid plans, Medicare Part D plans or Medicare Advantage organizations.

Federal Employee Health Benefits Program - We have a contractual arrangement with carriers for the Federal Employee Health Benefits ("FEHB") Program, such as the BlueCross BlueShield Association, to provide pharmacy services to federal employees, postal workers, annuitants, and their dependents under the Government-wide Service Benefit Plan, as authorized by the FEHB Act and as part of the FEHB Program. These arrangements subjects us to certain aspects of FEHB Act, and other federal regulations, such as the FEHB Acquisition Regulation, that otherwise are not applicable to us.

State Insurance Laws - PDPs and our PBM service contracts, including those in which we assume certain risks under performance guarantees or similar arrangements, are generally not subject to insurance regulation by the states. However, state departments of insurance are increasing their oversight of PBM activities due to legislation passing in several states requiring PBMs to register or obtain a license with the department. Rulemaking is either underway or has already taken place in a few states with the areas of focus on licensure requirements, pharmacy reimbursement for generics (MAC reimbursement) and pharmacy audits - most of which fall under the state insurance code. Additionally, some states have laws that prohibit submitting a false claim or making a false record or statement in order to secure reimbursement from an insurance company. These state laws vary, and violation of them may lead to the imposition of civil or criminal penalties.

As a PDP, SilverScript is subject to state insurance laws limited to licensure and solvency. In addition, PBM offerings of prescription drug coverage under certain risk arrangements may be subject to laws and regulations in various states. Such laws may require that the party at risk become licensed as an insurer, establish reserves or otherwise demonstrate financial viability. Laws that may apply in such cases include insurance laws and laws governing MCOs and limited prepaid health service plans.

ERISA Regulation - The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), provides for comprehensive federal regulation of certain employee pension and benefit plans, including private employer and union sponsored health plans and certain other plans that contract with us to provide PBM services. In general, we assist plan sponsors in the administration of the prescription drug portion of their health benefit plans in accordance with the plan designs adopted by the plan sponsors. We do not believe that the conduct of our business subjects us to the fiduciary obligations of ERISA, except when we have specifically contracted with a plan sponsor to accept limited fiduciary responsibility, such as for the adjudication of initial prescription drug benefit claims and/or the appeals of denied claims under a plan, and with respect to the Contraceptive Coverage Mandate, one of the health reforms presently included in ACA.

In addition to its fiduciary provisions, ERISA imposes civil and criminal liability on service providers to health plans and certain other persons if certain forms of illegal remuneration are made or received. These provisions of ERISA are broadly written and their application to specific business practices is often uncertain.

Formulary and Plan Design Regulation - A number of government entities regulate the administration of prescription drug benefits. HHS regulates how Medicare Part D formularies are developed and administered, including requiring the inclusion of all drugs in certain classes and categories, subject to limited exceptions. Under ACA, CMS imposes drug coverage requirements for health plans required to cover essential health benefits, including plans offered through federal or state exchanges. Additionally, NAIC and health care accreditation agencies like NCQA and URAC have developed model acts and standards for formulary development that are often incorporated into government requirements. Many states regulate the scope of prescription drug coverage, as well as the delivery channels to receive such prescriptions, for insurers, MCOs and Medicaid managed care plans. The increasing government regulation of formularies could significantly affect our ability to develop and administer formularies, networks and other plan design features on behalf of our insurer, MCO and other clients. Similarly, some states prohibit health plan sponsors from implementing certain restrictive design features. This regulation could limit or preclude (i) limited networks, (ii) a requirement to use particular providers, (iii) copayment differentials among providers and (iv) formulary tiering practices.

Managed Care Reform - In addition to health reforms enacted by ACA, proposed legislation has been considered at the state level, and legislation has been enacted in several states, aimed primarily at providing additional rights and access to drugs to individuals enrolled in managed care plans. This legislation may impact the design and implementation of prescription drug benefit plans sponsored by our PBM health plan clients and/or the services we provide to them. Both the scope of the managed care reform proposals considered by state legislatures and reforms enacted by states to date vary greatly, and the scope of future legislation that may be enacted is uncertain.

Disease Management Services Regulation - We provide disease management programs to PBM plan members for rare medical conditions and arrange for them to receive disease management programs for common medical conditions. State laws regulate the practice of medicine, the practice of pharmacy and the practice of nursing. Clinicians engaged in a professional practice in connection with the provision of disease management services must satisfy applicable state licensing requirements and must act within their scope of practice.

Third Party Administration and Other State Licensure Laws - Many states have licensure or registration laws governing certain types of administrative organizations, such as preferred provider organizations, third party administrators and companies that provide utilization review services. Several states also have licensure or registration laws governing the organizations that provide or administer consumer card programs (also known as cash card or discount card programs).

Laws and Regulations Related to Our Retail/LTC Segment

In addition to the laws and regulations discussed above that may affect our business as a whole, we are subject to federal, state and local statutes and regulations governing the operation of our Retail/LTC Segment specifically. Among these are the following:

Specific FDA Regulation - The FDA generally has authority to, among other things, regulate the manufacture, distribution, sale and labeling of many products sold through retail pharmacies, including prescription drugs, over-the-counter medications, medical devices (including mobile medical devices), cosmetics, dietary supplements and certain food items.

Retail Clinics - States regulate retail clinics operated by nurse practitioners or physician assistants through physician oversight, lab licensing and the prohibition of the corporate practice of medicine. A number of states have implemented or proposed laws or regulations that impact certain components of retail clinic operations such as physician oversight, signage, third party contracting requirements, bathroom facilities, and scope of services. These laws and regulations may affect the operation and expansion of our owned and managed retail clinics.

Available Information

CVS Health Corporation is a Delaware corporation. Our corporate office is located at One CVS Drive, Woonsocket, Rhode Island 02895, telephone (401) 765-1500. Our common stock is listed on the New York Stock Exchange under the trading symbol "CVS." General information about CVS Health is available through the Company's Web site at *http://www.cvshealth.com*. Our financial press releases and filings with the United States Securities and Exchange Commission ("SEC") are available free of charge within the Investors section of our Web site at *http://www.cvshealth.com/investors*. In addition, the SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers, such as the Company, that file electronically with the SEC. The address of that Web site is *http://www.sec.gov*.

Item 1A. Risk Factors

Our business is subject to various industry, economic, regulatory and other risks and uncertainties. Our business, financial condition, results of operations, cash flows and prospects could be materially adversely affected by any one or more of the following risk factors and by additional risks and uncertainties not presently known to us or that we currently deem to be immaterial:

Risks of declining gross margins in the PBM, retail pharmacy and LTC pharmacy industries.

The PBM industry has been experiencing margin pressure as a result of competitive pressures and increased client demands for lower prices, increased revenue sharing, enhanced service offerings and/or higher service levels. In that regard, we maintain contractual relationships with generic pharmaceutical manufacturers and brand name pharmaceutical manufacturers that provide for purchase discounts and/or rebates on drugs dispensed by pharmacies in our retail network and by our specialty and mail order pharmacies (all or a portion of which may be passed on to clients). Manufacturer rebates often depend on a PBM's ability to meet contractual market share or other requirements, including in some cases the placement of a manufacturer's products on the PBM's formularies. If we lose our relationship with one

or more pharmaceutical manufacturers, or if the discounts or rebates provided by pharmaceutical manufacturers decline, our business and financial results could be adversely affected. Further, competitive pressures in the PBM industry have resulted in our clients sharing in a larger portion of rebates and/or discounts received from pharmaceutical manufacturers. Market dynamics and regulatory changes have impacted our ability to offer plan sponsors pricing that includes the use of retail "differential" or "spread", which could negatively impact our future profitability. Further, changes in existing federal or state laws or regulations or the adoption of new laws or regulations relating to patent term extensions, purchase discount and rebate arrangements with pharmaceutical manufacturers, or to formulary management or other PBM services could also reduce the discounts or rebates we receive. In addition, changes in federal or state laws or regulations or the adoption of new laws or regulations relating to claims processing and billing, including our ability to use MAC lists and collect transmission fees, could adversely impact our profitability.

Our retail pharmacy, specialty pharmacy and LTC pharmacy operations have also been affected by the margin pressures described above, including client demands for lower prices, generic pricing and network reimbursement pressure. In addition, as competition increases in the markets in which we operate, a significant increase in general pricing pressures could occur, and this could require us to reevaluate our pricing structures to remain competitive. A shift in the mix of our pharmacy prescription volume towards programs offering lower reimbursement rates could adversely affect our margins, including the shift in pharmacy mix towards 90-day prescriptions at retail and the shift in pharmacy mix towards Medicare Part D prescriptions. Finally, the margins of our LTC business are further affected by the increased efforts of health care payors to negotiate reduced or capitated pricing arrangements. These actions could also adversely affect the margins of our LTC business.

Efforts to reduce reimbursement levels and alter health care financing practices.

The continued efforts of health maintenance organizations, managed care organizations, PBMs, government entities, and other third party payors to reduce prescription drug costs and pharmacy reimbursement rates, as well as litigation and other legal proceedings relating to how drugs are priced, may impact our profitability. In particular, increased utilization of generic pharmaceuticals (which normally yield a higher gross profit rate than equivalent brand named drugs) has resulted in pressure to decrease reimbursement payments to retail, specialty, LTC and mail order pharmacies for generic drugs, causing a reduction in the generic profit rate. Historically, the effect of this trend on generic profitability has been mitigated by our efforts to negotiate reduced acquisition costs of generic pharmaceuticals with manufacturers. However, in recent years, there has been significant consolidation within the generic manufacturing industry, and it is possible that this and other external factors may enhance the ability of manufacturers to sustain or increase pricing of generic pharmaceuticals and diminish our ability to negotiate reduced acquisition costs. Any inability to offset increased costs or to modify our activities to lessen the impact could have a significant adverse effect on our results of operations.

In addition, during the past several years, the United States health care industry has been subject to an increase in governmental regulation and audits at both the federal and state levels. Efforts to control health care costs, including prescription drug costs, are continuing at the federal and state government levels. Changing political, economic and regulatory influences may significantly affect health care financing and reimbursement practices. For example, we anticipate that federal and state governments will continue to review and assess alternative health care delivery systems, payment methodologies and operational requirements for health care providers, including LTC facilities and pharmacies. A change in the composition of pharmacy prescription volume toward programs offering lower reimbursement rates could negatively impact our profitability. Any action taken to repeal or replace all or significant parts of ACA could also impact our profitability, though it is unclear at this time what the full effects will be.

ACA made several significant changes to Medicaid rebates and to reimbursement. One of these changes was to revise the definition of the Average Manufacturer Price, a pricing element common to most payment formulas, and the reimbursement formula for multi-source (i.e., generic) drugs. This change has negatively affected our reimbursement. In addition, ACA made other changes that affect the coverage and plan designs that are or will be provided by many of our health plan clients, including the requirement for health insurers to meet a minimum medical loss ratio to avoid having to pay rebates to enrollees. These ACA changes may not affect our business directly, but they could indirectly impact our services and/or business practices.

A highly competitive business environment.

Each of our retail pharmacy, LTC pharmacy, retail health clinic and pharmacy services operations currently operates in a highly competitive and evolving health care environment.

The competitive success of our retail pharmacy business, as well as our specialty pharmacy operations with non-Caremark payors, is derived by their ability to establish and maintain contractual relationships with PBMs and other payors on acceptable terms in an environment where some PBM clients are considering adopting narrow or restricted retail pharmacy networks. As a pharmacy retail business, we compete with other drugstore chains, supermarkets, on-line and other discount retailers, independent pharmacies, membership clubs, convenience stores and mass merchants, some of which are aggressively expanding into markets we serve. We also face competition from other retail health clinics, as well as other mail order pharmacies and PBMs. Disruptive innovation by existing or new competitors could alter the competitive landscape in the future and require us to accurately identify and assess such changes and make timely and effective changes to our strategies and business model to compete effectively. Competition may also come from other sources in the future. Changes in market dynamics or the actions of competitors or manufacturers, including industry consolidation, the emergence of new competitors and strategic alliances, and the exclusion from new narrow or restricted networks, could materially and adversely impact us.

We could also be adversely affected if we fail to identify or effectively respond to changes in market dynamics. For example, specialty pharmacy represents a significant and growing proportion of prescription drug spending in the United States, a significant portion of which is dispensed outside of traditional retail pharmacies. Because our specialty pharmacy operations focuses on complex and high-cost medications that serve a relatively limited universe of patients, the future growth of this business depends to a significant extent upon expanding our ability to access key drugs and successfully penetrate key treatment categories.

The competitive success of our LTC pharmacy operations is dependent upon our ability to compete in each geographic region where we have operations. In the geographic regions we serve, we compete with PharMerica, our largest competitor, as well as with numerous local and regional institutional pharmacies, pharmacies owned by long-term care facilities and local retail pharmacies. Our long-term care customers consist of skilled nursing facilities, assisted living facilities, independent living communities, hospitals, correctional facilities, and other health care service providers. We believe that the assisted living segment, where residents can choose which pharmacy will provide them with pharmaceuticals, is projected to grow the most as a percentage of the total LTC sector over the near term. The ability of a resident of an assisted living facility to select the pharmacy that supplies him or her with pharmaceuticals could adversely affect our business, financial condition and results of operations because there can be no assurance that such resident will select us.

The competitive success of our pharmacy services business is impacted by its ability to establish and maintain contractual relationships with network pharmacies in an environment where some PBM clients are considering adopting narrow or restricted retail pharmacy networks. Competitors in the PBM industry (e.g., Express Scripts, OptumRx, Prime Therapeutics, MedImpact and Humana), include large, national PBM companies, PBMs owned by large national health plans and smaller standalone PBMs. Competition may also come from other sources in the future. In addition, changes in the overall composition of our pharmacy networks, or reduced pharmacy access under our networks, could adversely affect our claims volume and/or our competitiveness generally.

Competitors in each of our business areas may offer services and pricing terms that we may not be willing or able to offer. Strong competition in the PBM marketplace has generated greater client demand for lower pricing, increased revenue sharing and enhanced product and service offerings. Unless we can demonstrate enhanced value to our clients through innovative product and service offerings, particularly in a rapidly changing health care industry, we may be unable to remain competitive.

Changes in U.S. policy, laws and regulations, including reform of the United States health care system.

The results of the November 2016 elections continue to generate some uncertainty with respect to, and could result in, significant changes in legislation, regulation and government policy that could significantly impact our business and the health care and retail industries. While it is not possible to predict whether and when any such changes will occur or what form any such changes may take (including through the use of Executive Orders), specific proposals discussed by the Presidential Administration could have a material adverse effect on our business, liquidity and results of operations include, but are not limited to, immigration policies, the modification of ACA. Other significant changes to health care system legislation or regulation as well as changes with respect to tax and trade policies, tariffs and other government regulations affecting trade between the United States and other countries are also possible.

Potential modification to ACA, significant changes to Medicaid funding or even significant destabilization of the Health Insurance Marketplaces could impact the number of Americans with health insurance and, consequently, prescription drug coverage. Further changes to ACA are possible and we cannot predict the effect, if any, on future changes to ACA, the implementation or failure to implement the outstanding provisions of ACA, or the enactment of new health care system legislation to replace current legislation may have on our retail pharmacy, LTC pharmacy, specialty pharmacy and pharmacy services operations.

In addition, much of the branded and generic drug product that we sell in our retail, mail and specialty pharmacies, and much of the other merchandise we sell, is manufactured in whole or in substantial part outside of the United States. In most cases, the products or merchandise are imported by others and sold to us. As a result, significant changes in tax or trade policies, tariffs or trade relations between the United States and other countries, such as the imposition of unilateral tariffs on imported products, could result in significant increases in our costs, restrict our access to suppliers, depress economic activity, and have a material impact on our business, liquidity and results of operations. In addition, other countries may change their business and trade policies and such changes, as well as any negative sentiments towards the United States in response to increased import tariffs and other changes in U.S. trade regulations, could adversely affect our business.

Risks related to compliance with a broad and complex regulatory framework.

Our business is subject to numerous federal, state and local laws and regulations. See “Business - Government Regulation.” In addition, during the past several years, the United States health care industry has been subject to an increase in governmental regulation and enforcement activity at both the federal and state levels. Further, uncertainties exist regarding the application of many of these legal requirements to our business. In addition, it is possible that certain provisions of the current health care reform legislation may be modified, repealed or otherwise invalidated. Changes in these laws and regulations and the related interpretations and enforcement practices may require extensive system and operating changes that may be difficult to implement. Untimely compliance or noncompliance with applicable laws and regulations could adversely affect the continued operation of our business, including, but not limited to: imposition of civil or criminal penalties; significant fines or monetary penalties; suspension or disgorgement of payments from government programs; loss of required government certifications or approvals; loss of authorizations to participate in or exclusion from government reimbursement programs, such as the Medicare and Medicaid programs; or loss of registrations or licensure. The regulations to which we are subject include, but are not limited to: the laws and regulations described in the Government Regulation section; accounting standards; financial disclosure; securities laws and regulations; federal anti-trust laws; tax laws and regulations and their possible reform; laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous materials and wastes; and laws and regulations of the FTC, the FCC, and the Consumer Product Safety Commission, as well as state regulatory authorities, governing the sale, advertisement and promotion of products that we sell, such as Boards of Pharmacy. The FDA, DEA and various states regulate the distribution of pharmaceuticals and controlled substances. We are required to hold valid DEA and state-level registrations and licenses, meet various security and operating standards and comply with the federal and various states’ controlled substances acts and their accompanying regulations governing the sale, marketing, packaging, holding and distribution of controlled substances. The DEA, FDA and state regulatory authorities have broad enforcement powers, including the ability to suspend our registrations and licenses, seize or recall products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations. In addition, our business interests outside of the United States are subject to the Foreign Corrupt Practices Act and other applicable domestic and international laws and regulations. We are also subject to the terms of various government agreements and mandates, including those described in the Government Regulation section. In that regard, our business, financial position and results of operations could be adversely affected by existing and new government legislative, regulatory action and enforcement activity, including, without limitation, any one or more of the following:

- federal and state laws and regulations concerning the submission of claims for reimbursement by Medicare, Medicaid and other government programs, whether at retail, mail, specialty or LTC;
- federal and state laws and regulations governing the purchase, distribution, tracking, management, compounding, dispensing and reimbursement of prescription drugs and related services, whether at retail, mail, specialty or LTC, and applicable registration or licensing requirements;
- heighted enforcement of controlled substances regulations;
- the effect of the expiration of patents covering brand name drugs and the introduction of generic products;

- the frequency and rate of approvals by the FDA of new brand name and generic drugs, or of over-the-counter status for brand name drugs;
- rules and regulations issued pursuant to HIPAA and the HITECH Act; and other federal and state laws affecting the collection, use, disclosure and transmission of health or other personal information, such as federal laws on information privacy precipitated by concerns about information collection through the Internet, state security breach laws and state laws limiting the use and disclosure of prescriber information;
- health care fraud and abuse laws regulations;
- consumer protection laws affecting our health care services, our loyalty programs, our drug discount card programs, the products we sell, the informational calls we make and/or the marketing of our goods and services;
- federal, state and local environmental, health and safety laws and regulations applicable to our business, including the management of hazardous substances, storage and transportation of hazardous materials, and various recordkeeping disclosure and procedure requirements promulgated by the Occupational Safety and Health Administration that may apply to our operations;
- health care reform, managed care reform and plan design legislation;
- laws against the corporate practice of medicine;
- FDA regulation affecting the retail, LTC, specialty or PBM industry;
- government regulation of the development, administration, review and updating of formularies and drug lists including requirements and/or limitations around formulary tiering and patient cost sharing;
- state laws and regulations related to increased oversight of PBM activities by state departments of insurance pharmacy reimbursement for generics and pharmacy audits;
- drug pricing legislation, including "most favored nation" pricing;
- federal and state laws and regulations establishing or changing prompt payment requirements for payments to retail pharmacies;
- impact of network access legislation or regulations, including "any willing provider" laws, on our ability to manage pharmacy networks;
- ERISA and related regulations;
- administration of Medicare Part D, including legislative changes and/or CMS rulemaking and interpretation;
- Medicare and Medicaid regulations applicable to our business, in particular our LTC pharmacies and those of our client's facilities;
- ongoing compliance with consent decrees, corporate integrity agreements, corrective action plans and other agreements with government agencies;
- insurance licensing and other insurance regulatory requirements applicable to offering Medicare Part D programs and services or other health care services; and
- direct regulation of pharmacies or PBMs by regulatory and quasi-regulatory bodies.

The possibility of client losses and/or the failure to win new business.

Our PBM business generates net revenues primarily by contracting with clients to provide prescription drugs and related health care services to plan members. PBM client contracts often have terms of approximately three years in duration, so approximately one third of a PBM's client base typically is subject to renewal each year. In some cases, however, PBM clients may negotiate a shorter or longer contract term or may require early or periodic renegotiation of pricing prior to expiration of a contract. Our clients are generally well informed and organized, can move between our competitors and often seek competing bids prior to expiration of their contracts. In addition, the reputational impact of a service-related incident could negatively affect our business. These factors, together with the impact of competitive pressures, could make it difficult for us to attract new clients, retain existing clients and cross-sell additional services. Further, the PBM industry has been affected by consolidation activity that may continue in the future. In the event one or more of our PBM clients is acquired by an entity that is not also our client, we may be unable to retain all or a portion of the acquired business. These circumstances, either individually or in the aggregate, could result in an adverse effect on our business and financial results. Therefore, we continually face challenges in competing for new PBM business and retaining or renewing our existing PBM business. With respect to our LTC business, reimbursement from skilled nursing facilities for prescriptions we dispense is determined pursuant to our agreements with those skilled nursing facilities. The termination of these agreements generally causes our ability to provide services to any of the residents of that facility to cease, resulting in the loss of revenue from any source for those residents. There can be no assurance that we will be able to win new business or secure renewal business on terms as favorable to us as the present terms.

Additionally, with respect to our retail and LTC pharmacy businesses, reimbursement under Medicare Part D, as well as reimbursement from certain private third-party payors, is determined pursuant to agreements that we negotiate with those payors or their pharmacy benefit manager representatives. The loss of those agreements, or a material change in the terms of those agreements, could negatively impact the Company. In addition, restricted networks that exclude our retail or specialty pharmacies negatively impact those businesses.

Risks relating to the market availability, suppliers and safety profiles of prescription drugs that we purchase and sell.

We dispense significant volumes of brand-name and generic drugs from our retail, LTC, specialty and mail-order pharmacies and through our PBM's network of retail pharmacies. When increased safety risk profiles or manufacturing or other supply issues of specific drugs or classes of drugs occur, or drugs become subject to greater restrictions as controlled substances, physicians may cease writing prescriptions for these drugs or the utilization of these drugs may be otherwise reduced.

Additionally, adverse publicity regarding drugs with higher safety risk profiles may result in reduced consumer demand for such drugs. On occasion, products are withdrawn by their manufacturers or transition to over-the-counter products, which can result in lower prescription utilization. In addition, future FDA rulings could restrict the supply or increase the cost of products sold to our customers. Our volumes, net revenues, profitability and cash flows may decline as a result of such regulatory rulings or market changes.

Further, we acquire a substantial amount of our mail and specialty pharmacies' prescription drug supply from a limited number of suppliers. Our agreements with these suppliers are often short-term and easily cancelable by either party without cause. In addition, these agreements may limit our ability to provide services for competing drugs during the term of the agreement and may allow the supplier to distribute through channels other than ours. Certain of these agreements also allow pricing and other terms to be adjusted periodically for changing market conditions or required service levels. A termination or modification to any of these relationships could have a material adverse effect on our business, financial condition and results of operations. Moreover, many products distributed by our specialty pharmacy business are manufactured with ingredients that are susceptible to supply shortages. In some cases, we depend upon a single source of supply.

In addition, our suppliers are independent entities subject to their own operational and financial risks that are outside our control. If our current suppliers were to stop selling prescription drugs to us or delay delivery, including as a result of supply shortages, supplier production disruptions, supplier quality issues, closing or bankruptcies of our suppliers, or for other reasons, we may be unable to procure alternatives from other suppliers in a timely and efficient manner and on acceptable terms, or at all.

A disruption in our business operations could occur as a result of contamination of drugs, a failure to maintain necessary shipment and storage conditions, errors in mail order processing, the unavailability of prescription drugs provided by suppliers, labor disruptions or other unanticipated disruptions at our mail order facilities, call centers, data centers or corporate facilities, among other factors. Such disruption could reduce our ability to process and dispense prescriptions and provide products and services to our customers.

In the event any products we distribute are in limited supply for significant periods of time, our financial condition and results of operations could be materially and adversely affected.

Risks related to the frequency and rate of the introduction and pricing of generic drugs and brand name prescription products.

The profitability of our business is dependent upon the utilization of prescription drug products. Utilization trends are affected by, among other factors, the introduction of new and successful prescription pharmaceuticals as well as lower-priced generic alternatives to existing brand name products, as the sale of generic alternatives normally yield higher gross margins than brand name equivalents. In addition, inflation in the price of the brand name drugs can affect utilization, particularly given the increase in high deductible health plans. Accordingly, our business could be impacted by a slowdown or delay in the number or magnitude of new and successful prescription pharmaceuticals and/or generic alternatives, as well as the pricing of brand name drugs.

The health of the economy in general and in the markets we serve.

Our business is affected by the economy and consumer confidence in general, including various economic factors, inflation and changes in consumer purchasing power, preferences and/or spending patterns. It is possible that an unfavorable, uncertain or volatile economic environment will cause a decline in drug and health care services utilization and dampen demand for pharmacy benefit management services as well as consumer demand for products sold in our retail stores. Further economic conditions including interest rate fluctuations, changes in capital market conditions and regulatory changes may affect our ability to obtain necessary financing on acceptable terms, our ability to secure suitable store locations under acceptable terms and our ability to execute sale-leaseback transactions under acceptable terms. These changes in conditions could result in an adverse effect on our business and financial results. This could be further exacerbated by the increasing prevalence of high deductible health plans and health plan designs favoring co-insurance over co-payments.

The failure or disruption of our information technology systems, our information security systems and our infrastructure to support our business and to protect the privacy and security of sensitive customer and business information.

Many aspects of our operations are dependent on our information systems and the information collected, processed, stored, and handled by these systems. We rely heavily on our computer systems to manage our ordering, pricing, point-of-sale, pharmacy fulfillment, inventory replenishment, claims processing, ExtraCare customer loyalty program, finance, human resource and other processes. Throughout our operations, we receive, retain and transmit certain confidential information, including PII that our customers and clients provide to purchase products or services, enroll in programs or services, register on our websites, interact with our personnel, or otherwise communicate with us. In addition, for these operations, we depend in part on the secure transmission of confidential information over public networks. Our information systems are subject to damage or interruption from power outages, facility damage, computer and telecommunications failures, computer viruses, security breaches including credit card or personally identifiable information breaches, coordinated cyber attacks, vandalism, catastrophic events and human error. Although we deploy a layered approach to address information security threats and vulnerabilities, including ones from a cyber security standpoint, designed to protect confidential information against data security breaches, a compromise of our information security controls or of those businesses with whom we interact, which results in confidential information being accessed, obtained, damaged, or used by unauthorized or improper persons, could harm our reputation and expose us to regulatory actions and claims from customers and clients, financial institutions, payment card associations and other persons, any of which could adversely affect our business, financial position, and results of operations. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these techniques or to implement adequate preventative measures. Moreover, a data security breach could require that we expend significant resources related to our information systems and infrastructure, and could distract management and other key personnel from performing their primary operational duties. We also could be adversely affected by any significant disruption in the systems of third parties we interact with, including key payors and vendors.

If our information systems are damaged, fail to work properly or otherwise become unavailable, or if we are unable to successfully complete our planned consolidation of our PBM claims adjudication platforms, we may incur substantial costs to repair or replace them, and may experience reputational damage, loss of critical information, customer disruption and interruptions or delays in our ability to perform essential functions and implement new and innovative services. In addition, compliance with changes in privacy and information security laws and standards may result in considerable expense due to increased investment in technology and the development of new operational processes.

Failure to adequately protect receipt and use of confidential health information concerning individuals.

Many aspects of our business involve the collection, transmission and use of an individual's protected health information or other sensitive personal information. In some cases, we also use aggregated and de-identified data as defined by HIPAA for analytical and research purposes, particularly data related to improving the quality of the care we provide. In other cases, we may provide de-identified data to pharmaceutical manufacturers and to third-party data aggregators where permitted by our contracts. These activities are subject to federal and state privacy and security laws and regulations and, in the future, may be subject to international regulatory requirements such as the General Data Protection Regulation, a new European Union privacy regulation that takes effect on May 25, 2018. At the federal level, HIPAA imposes extensive privacy and security requirements governing the transmission, use and disclosure of health

information by all participants in the health care industry, whether directly as a covered entity or as a business associate. Our business encompasses both situations and includes our pharmacists, nurse practitioners and PBM operations. In addition, industry requirements, such as Generally Accepted Privacy Principles may be imposed on us by our contracts with our PBM clients or other customers. Many of our businesses are also subject to the Payment Card Industry Data Security Standard, which is a security standard mandated by the credit card industry for the purpose of protecting credit card account data. These increasingly complex laws, regulations and industry requirements are subject to change and compliance with them may result in significant expenses associated with increased operational and compliance costs, particularly as we continue to collect and retain large amounts of information. To the extent that either we or our vendors with whom we share information are found to be out of compliance with applicable laws and regulations or experience a data security breach, we could be subject to additional litigation, regulatory risks and reputational harm. For example, the privacy and security of the information we maintain may be compromised by the actions of outside parties, by employee errors or by malfeasance. Such risks may result in an unauthorized party obtaining access to our data systems thereby threatening the privacy of protected health information or other sensitive personal information we use and maintain. Failure to comply with federal or state statutes or regulations may result in criminal penalties and civil sanctions. In addition, failure to comply with our own privacy or security policies may result in sanctions by the FTC or other federal oversight agencies. Future regulations and legislation that severely restrict or prohibit our use of patient, member or customer identifiable or other information could limit our ability to use information critical to the operation of our business. Furthermore, if we violate a patient's privacy or are found to have violated any federal or state statute or regulation with regard to confidentiality or dissemination or use of PHI, we could be liable for significant damages, fines or penalties and suffer reputational harm, any one of which could have a material adverse effect on our business and results of operations.

Regulatory and business changes relating to our participation in Medicare Part D.

Medicare Part D has resulted in increased utilization and puts pressure on pharmacy gross margin rates due to regulatory and competitive pressures. Further, as a result of ACA and changes to the retiree drug subsidy rules, our PBM clients could decide to discontinue providing prescription drug benefits to their Medicare-eligible members. To the extent this occurs, the adverse effects of increasing customer migration into Medicare Part D may outweigh the benefits we realize from growth of our Medicare Part D business. In addition, if the cost and complexity of Medicare Part D exceed management's expectations or prevent effective program implementation or administration; if changes to the regulations regarding how drug costs are reported for Medicare Part D are implemented in a manner that impacts the profitability of our Medicare Part D business; if changes to the regulations impact our ability to retain fees from third parties including network pharmacies; if the government alters Medicare program requirements or reduces funding because of the higher-than-anticipated cost to taxpayers of Medicare Part D or for other reasons; if the government mandates the use of point-of-sale manufacturer rebates or makes changes to how pharmacy pay-for-performance is calculated; if Congress acts to reduce reinsurance thresholds from 80% to 20%; if we fail to design and maintain programs that are attractive to Medicare participants; if CMS imposes restrictions on our Medicare Part D business as a result of audits or other regulatory actions; if we fail to successfully implement corrective action or other remedial measures sufficient to prevent or remove any applicable restrictions that may be imposed by CMS; or if we are not successful in retaining enrollees, or winning contract renewals or new contracts under Medicare Part D's competitive bidding process, our Medicare Part D services and the ability to expand our Medicare Part D services could be negatively impacted.

Possible changes in industry pricing benchmarks and drug pricing generally.

It is possible that the pharmaceutical industry or regulators may evaluate and/or develop an alternative pricing reference to replace Average Wholesale Price ("AWP") or Wholesale Acquisition Cost ("WAC"), which are the pricing references used for many of our PBM and LTC client contracts, pharmaceutical purchase agreements, retail network contracts, specialty payor agreements and other contracts with third party payors in connection with the reimbursement of drug payments. In addition, many state Medicaid fee-for-service programs ("FFS Medicaid") have established pharmacy network payments on the basis of Actual Acquisition Cost ("AAC"). The use of an AAC basis in FFS Medicaid could have an impact in reimbursement practices in other commercial and government segments. Future changes to the use of AWP, WAC or to other published pricing benchmarks used to establish pharmaceutical pricing, including changes in the basis for calculating reimbursement by federal and state health programs and/or other payors, could impact the reimbursement we receive from Medicare and Medicaid programs, the reimbursement we receive from PBM clients and other payors and/or our ability to negotiate rebates and/or discounts with pharmaceutical manufacturers, wholesalers, PBMs and retail pharmacies. A failure or inability to fully offset any increased prices or costs or to modify our operations to mitigate the impact of such increases could have an adverse effect on our results of operations.

Additionally, any future changes in drug prices could be significantly different than our projections. The effect of these possible changes on our business cannot be predicted at this time.

Product liability, product recall or personal injury issues could damage our reputation; failure to maintain adequate liability insurance coverage.

The products that we sell could become subject to contamination, product tampering, mislabeling, recall or other damage. In addition, errors in the dispensing and packaging of pharmaceuticals could lead to serious injury or death. Product liability or personal injury claims may be asserted against us with respect to any of the products or pharmaceuticals we sell or services we provide. Our business involves the provision of professional services including by pharmacists, nurses and nurse practitioners that exposes us to professional liability claims. Should a product or other liability issue arise, the coverage limits under our insurance programs and the indemnification amounts available to us may not be adequate to protect us against claims. We also may not be able to maintain this insurance on acceptable terms in the future. Damage to our reputation in the event of a product liability or personal injury issue or judgment against us or a product recall could have a significant adverse effect on our business, financial condition and results of operations.

Relationship with our retail and specialty pharmacy customers and the demand for our products and services, including propriety brands.

The success of our business depends in part on customer loyalty, superior customer service and our ability to persuade customers to frequent our retail stores and online sites and to purchase products in additional categories and our proprietary brands. Failure to timely identify or effectively respond to changing consumer preferences and spending patterns, and evolving demographic mixes in our markets, an inability to expand the products being purchased by our clients and customers, or the failure or inability to obtain or offer particular categories of products could negatively affect our relationship with our clients and customers and the demand for our products and services and could result in excess inventories of products.

We offer our retail customers proprietary brand products that are available exclusively at our retail stores and through our online retail sites. The sale of proprietary products subjects us to unique risks including potential product liability risks and mandatory or voluntary product recalls, potential supply chain and distribution chain disruptions for raw materials and finished products, our ability to successfully protect our intellectual property rights and the rights of applicable third parties, and other risks generally encountered by entities that source, market and sell private-label products. Any failure to adequately address some or all of these risks could have an adverse effect on our business, results of operations and financial condition. Additionally, an increase in the sales of our proprietary brands may negatively affect our sales of products owned by our suppliers which, consequently, could adversely impact certain of our supplier relationships. Our ability to locate qualified, economically stable suppliers who satisfy our requirements, and to acquire sufficient products in a timely and effective manner, is critical to ensuring, among other things, that customer confidence is not diminished. Any failure to develop sourcing relationships with a broad and deep supplier base could adversely affect our financial performance and erode customer loyalty.

Finally, our specialty pharmacy business focuses on complex and high-cost medications, many of which are made available by manufacturers to a limited number of pharmacies (so-called limited distribution drugs), that serve a relatively limited universe of patients. As a result, the future growth of our specialty pharmacy business is dependent largely upon expanding our base of drugs or penetration in certain treatment categories. Any contraction of our base of patients or reduction in demand for the prescriptions we currently dispense could have an adverse effect on our business, financial condition and results of operations.

Risks related to developing and maintaining a relevant omni-channel experience for our customers.

Our business has evolved from a retail store experience to interaction with customers across numerous channels, including in-store, online, mobile and social media, among others. Omni-channel retailing is rapidly evolving and we must keep pace with changing customer expectations and new developments by our competitors. Our customers are increasingly using computers, tablets, mobile phones, and other devices to comparison shop, determine product availability and complete purchases through mobile commerce applications. As a result, the portion of total consumer expenditures with all retailers occurring online and through mobile commerce applications is increasing and the pace of this increase could accelerate. We must compete by offering a consistent and convenient shopping experience for our customers regardless of the ultimate sales channel and by investing in, providing and maintaining mobile commerce

applications for our customers that have the right features and are reliable and easy to use. If we are unable to make, improve, or develop relevant customer-facing technology in a timely manner that keeps pace with technological developments and dynamic customer expectations, our ability to compete and our results of operations could be materially and adversely affected. In addition, if our online activities or our other customer-facing technology systems do not function as designed, we may experience a loss of customer confidence, data security breaches, lost sales, or be exposed to fraudulent purchases, any of which could materially and adversely affect our business operations, reputation and results of operations.

We are subject to payment-related risks that could increase our operating costs, expose us to fraud or theft, subject us to potential liability and disrupt our business operations.

We accept payments using a variety of methods, including cash, checks, credit cards, debit cards, gift cards, mobile payments and potentially other technologies in the future. Acceptance of these payment methods subjects us to rules, regulations, contractual obligations and compliance requirements, including payment network rules and operating guidelines, data security standards and certification requirements, and rules governing electronic funds transfers. These requirements may change in the future, which could make compliance more difficult or costly. For certain payment options, including credit and debit cards, we pay interchange and other fees, which could increase periodically thereby raising our operating costs. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, and various other forms of electronic payment. If these companies are unable to provide these services to us, or if their systems are compromised, our operations could be disrupted. The payment methods that we offer also expose us to potential fraud and theft by persons seeking to obtain unauthorized access to, or exploit any weaknesses in, the payment systems. If we fail to abide by applicable rules or requirements, or if data relating to our payment systems is compromised due to a breach or misuse, we may be responsible for any costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees. In addition, our reputation and ability to accept certain types of payments could each be harmed resulting in reduced sales and adverse effects on our results of operations.

Solvency of our customers.

In the event that our customers' operating and financial performance deteriorates, or they are unable to make scheduled payments or obtain adequate financing, our customers may not be able to pay timely, or may delay payment of, amounts owed to us. Any inability of our customers to pay us for our products and services may adversely affect our business, financial condition and results of operations. In addition, both state and federal government sponsored payers, as a result of budget deficits or reductions, may suspend payments or seek to reduce their healthcare expenditures resulting in our customers delaying payments to us or renegotiating their contracts with us. Any delay or reduction in payments by such government sponsored payers may adversely affect our business, financial condition and results of operations.

Our outstanding debt and associated payment obligations could significantly increase in the future if we incur additional debt and do not retire existing debt.

Our current debt service costs associated with our increased debt levels may negatively impact our ability to make important investments in our business and limit our flexibility to respond to industry changes and market conditions. In addition, our debt levels and related debt service obligations could make it more difficult or expensive for us to obtain financing for working capital, capital expenditures, acquisitions or other purposes in the future. These circumstances could have a material adverse effect on our business operations and financial condition.

Further, we may incur and assume significantly more debt in the future, including in connection with the Aetna Acquisition or other acquisitions, strategic investments or joint ventures. For example, in connection with the Aetna Acquisition, if it is completed, we expect to incur approximately, $45.0 billion of new indebtedness and assume approximately $8.2 billion of existing indebtedness of Aetna. If we do not retire our existing debt or debt we assume in acquisitions or other strategic transactions, the risks described above could increase. We also could be adversely impacted by any failure to renew or replace, on terms acceptable to us or at all, existing indebtedness when it expires, and by any failure to satisfy applicable covenants.

We may be unable to refinance existing indebtedness or otherwise access the capital markets for any reason, whether due to market conditions or otherwise. Our continued access to the capital markets, and the terms of such access, depend on multiple factors including the condition of debt capital markets, our operating performance, the amount of our

indebtedness and debt service obligations and our credit ratings. Any disruptions or turmoil in the capital markets or any downgrade of our credit ratings could have a material adverse effect on our cost of funds, liquidity, competitive position and access to capital markets, which could materially and adversely affect our business operations, financial condition, and results of operations.

Our long-term debt obligations include covenants that limit our ability and the ability of our subsidiaries to secure indebtedness with a security interest on certain property or stock or engage in certain sale and leaseback transactions with respect to certain properties. In addition, our existing credit agreements require us to maintain a ratio of consolidated debt to total capitalization not to exceed specified levels. Our ability to comply with these restrictions and covenants may be affected by events beyond our control, and if we fail to comply with such restrictions or covenants, our outstanding indebtedness could be declared immediately due and payable. This could have a material adverse effect on our business operations and financial condition.

We may be unable to successfully integrate companies acquired by us.

Upon the closing of any acquisition we complete, we will need to successfully integrate the products, services and related assets, as well as internal controls into our business operations. If an acquisition is consummated, the integration of the acquired business, its products, services and related assets into our company may also be complex and time-consuming and, if the integration is not fully successful, we may not achieve the anticipated benefits, operating and cost synergies or growth opportunities of an acquisition. Potential difficulties that may be encountered in the integration process include the following:

- Integrating personnel, operations and systems, while maintaining focus on producing and delivering consistent, high quality products and services;
- Coordinating geographically dispersed organizations;
- Disruption of management's attention from our ongoing business operations;
- Retaining existing customers and attracting new customers; and
- Managing inefficiencies associated with integrating our operations.

An inability to realize the full extent of the anticipated benefits, operating and cost synergies, innovations and operations efficiencies or growth opportunities of an acquisition, as well as any delays encountered in the integration process, could have a material adverse effect on our business and results of operation. Furthermore, these acquisitions, even if successfully integrated, may fail to further our business strategy as anticipated, expose us to increased competition or challenges with respect to our products, services or geographic markets, and expose us to additional liabilities associated with an acquired business including risks and liabilities associated with litigation involving the acquired business. Any one of these challenges or risks could impair our ability to realize any benefit from our acquisitions after we have expended resources on them.

Risks related to the seasonality of our business.

Although the majority of our revenues, particularly pharmacy revenues, are generally not seasonal in nature, front store revenues tend to be higher during the December holiday season. Uncharacteristic or extreme weather conditions can adversely impact consumer shopping patterns as well. This could lead to lost sales, as well as increased snow removal and other costs, thereby negatively affecting our short-term results of operations. In addition, both pharmacy and front store revenues are affected by the timing and severity of the cough, cold and flu season, which is susceptible to large fluctuations from year to year, and our quarterly earnings and operating cash flows are impacted by the Medicare Part D benefit design and changes in the composition of our membership. See "Business - Pharmacy Services Seasonality."

Our operations are subject to a variety of business continuity hazards and risks, any of which could interrupt operations or otherwise adversely affect our performance and results.

We are subject to business continuity hazards and other risks, including natural disasters, utility and other mechanical failures, acts of war or terrorism, disruption of communications, data security and preservation, disruption of supply or distribution, safety regulation and labor difficulties. The occurrence of any of these or other events might disrupt or shut down operations, or otherwise adversely impact our operations. We may also be subject to certain liability claims in the event of an injury or loss of life, or damage to property, resulting from such events. Although we have developed business continuity plans and maintain insurance policies that we believe are customary and adequate for our size and

industry, our insurance policies include limits and, as such, our coverage may be insufficient to protect against all potential hazards and risks incident to our business. Should any such hazards or risks occur, or should our insurance coverage be inadequate or unavailable, our business financial condition and results of operations could be adversely affected.

Risks related to litigation and other legal proceedings.

Pharmacy services, retail pharmacy and LTC pharmacy are highly regulated and litigious industries. We are currently subject to various litigation matters, investigations, audits, inspections, government inquiries, and regulatory and legal proceedings. Litigation, and particularly securities and collective or class action litigation, is often expensive and disruptive. Further, under the *qui tam* or "whistleblower" provisions of the federal and various state false claims acts, private citizens may bring lawsuits alleging that a violation of the federal anti-kickback statute or similar laws has resulted in the submission of "false" claims to federal and/or state health care programs, including Medicare and Medicaid. Litigation related to our provision of professional services in our pharmacies, specialty pharmacies, clinics and LTC facilities has also increased as we expand our services along the continuum of health care. We cannot predict the outcome of any of these matters, and the costs incurred may be substantial regardless of outcome. Our business, financial condition and results of operations may be adversely affected, or we may be required to materially change our business practices, as a result of such proceedings. We refer you to Item 3, "Legal Proceedings" for additional information.

We face significant competition in attracting and retaining talented employees. Further, managing succession for, and retention of, key executives is critical to our success, and our failure to do so could have an adverse impact on our future performance.

Our ability to attract and retain qualified and experienced employees is essential to meet current and future goals and objectives and there is no guarantee we will be able to attract and retain such employees or that competition among potential employers will not result in increased salaries or other benefits. An inability to retain existing employees or attract additional employees, or an unexpected loss of leadership, could have a material adverse effect on our business and results of operations.

In addition, our failure to adequately plan for succession of senior management and other key management roles or the failure of key employees to successfully transition into new roles could have a material adverse effect on our business and results of operations. While we have succession plans in place and employment arrangements with certain key executives, these do not guarantee the services of these executives will continue to be available to us.

Goodwill and other intangible assets could, in the future, become impaired.

As of December 31, 2017, we had $52.1 billion of goodwill and other intangible assets. Goodwill and indefinitely-lived intangible assets are subject to annual impairment reviews, or more frequent reviews if events or circumstances indicate that the carrying value may not be recoverable. When evaluating goodwill for potential impairment, we first compare the fair value of our reporting units to their respective carrying amounts. We estimate the fair value of our reporting units using a combination of a discounted cash flow model and a comparable market multiple model. If the estimated fair value of the reporting unit is less than its carrying amount, an impairment loss calculation is prepared. The impairment loss calculation compares the fair value of a reporting unit to its carrying amount. If the carrying amount of the reporting unit exceeds the fair value, a goodwill impairment loss is recognized in an amount equal to the excess to the extent of the goodwill balance. Estimated fair values could change if, for example, there are changes in the business climate, changes in the competitive environment, adverse legal or regulatory actions or developments, changes in capital structure, cost of debt, interest rates, capital expenditure levels, operating cash flows, or market capitalization. Because of the significance of our goodwill and intangible assets, any future impairment of these assets could require material noncash charges to our results of operations, which could have a material adverse effect on our financial condition and results of operations.

The foregoing is not a comprehensive listing of all possible risks and there can be no assurance that we have correctly identified and appropriately assessed all factors affecting the business. As such, we refer you to "Management's Discussion and Analysis of Financial Condition and Results of Operations," which includes our "Cautionary Statement Concerning Forward-Looking Statements" at the end of such section, of our Annual Report to Stockholders for the year ended December 31, 2017, which section is incorporated by reference herein.

Aetna-Related Risk Factors In addition to the risk factors described above that could materially adversely affect our business, financial condition, results of operations, cash flows and prospects, the following risk factors, and additional risks not presently known to us or that we currently deem to be immaterial, could also materially adversely affect us and the Aetna Acquisition.

In order to complete the merger, we and Aetna must obtain certain governmental authorizations, and if such authorizations are not granted or are granted with conditions that become applicable to the parties, completion of the merger may be jeopardized or prevented or the anticipated benefits of the merger could be reduced.

Completion of the merger is conditioned upon the expiration or early termination of the waiting period relating to the merger under the HSR Act and certain other applicable laws or regulations and the required governmental authorizations having been obtained and being in full force and effect. Although we and Aetna have agreed in the merger agreement to use our reasonable best efforts, subject to certain limitations, to make certain governmental filings or obtain the governmental authorizations required to complete the merger (the "required governmental authorizations"), as the case may be, there can be no assurance that the relevant waiting periods will expire or authorizations will be obtained and no assurance that the merger will be completed.

In addition, the governmental authorities from which these authorizations are required have broad discretion in administering the governing laws and regulations, and may take into account various facts and circumstances in their consideration of the merger, including other potential transactions in the health care industry or other industries. These governmental authorities may initiate proceedings seeking to prevent, or otherwise seek to prevent, the merger. As a condition to authorization of the merger or related transactions, these governmental authorities also may impose requirements, limitations or costs, require divestitures or place restrictions on the conduct of our business after completion of the merger. Under the terms of the merger agreement, we are not required, and Aetna is not permitted without our consent, to take any actions or agree to any terms or conditions in connection with (i) the expiration or early termination of the waiting period relating to the merger under the HSR Act, (ii) any other antitrust law or (iii) the required governmental authorizations, in each case if such action, term or condition would have, or would reasonably be expected to have, individually or in the aggregate, a regulatory material adverse effect on us or Aetna.

However, notwithstanding the provisions of the merger agreement, either we or Aetna could become subject to terms or conditions in connection with such waiting periods, laws or other authorizations (whether because such term or condition does not rise to the specified level of materiality or we otherwise consent to its imposition) the imposition of which could adversely affect our ability to integrate Aetna's operations with our operations, reduce the anticipated benefits of the merger or otherwise materially and adversely affect our business and results of operations after completion of the merger.

In addition to receipt of certain governmental authorizations, completion of the merger is subject to a number of other conditions, and if these conditions are not satisfied or waived, the merger will not be completed.

Our obligations and the obligations of Aetna to complete the merger are subject to satisfaction or waiver of a number of conditions in addition to receipt of certain governmental authorizations, including, among other conditions: (i) approval and adoption of the merger agreement by Aetna shareholders at an Aetna special meeting, (ii) approval of the stock issuance by our stockholders at the CVS Health special meeting, (iii) approval for the listing on the New York Stock Exchange of the shares of CVS Health common stock to be issued in the merger, (iv) absence of any applicable law or order that prohibits completion of the transaction, (v) accuracy of the representations and warranties made in the merger agreement by the other party, subject to certain materiality qualifications, (vi) performance in all material respects by the other party of the material obligations required to be performed by it at or prior to completion of the transaction, and (vii) the absence of a material adverse effect on the other party. There can be no assurance that the conditions to completion of the merger will be satisfied or waived or that the merger will be completed.

In addition, the CVS Health special meeting and the Aetna special meeting may take place before certain governmental authorizations have been obtained and, therefore, before the terms on which such governmental authorizations may be obtained, or the conditions to obtaining such governmental authorizations that may be imposed, are known. As a result, if CVS Health stockholders approve the stock issuance at the CVS Health special meeting, or Aetna shareholders approve and adopt the merger agreement at the Aetna special meeting, we and Aetna may make decisions after the respective meetings to waive a condition as to the receipt of certain governmental authorizations or to take certain

actions required to obtain such governmental authorizations without seeking further stockholder or shareholder approval, as applicable, and such actions could have an adverse effect on the combined company.

After completion of the merger, we may fail to realize the anticipated benefits and cost savings of the merger, which could adversely affect the value of shares of our common stock.

The success of the merger will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the businesses of CVS Health and Aetna. Our ability to realize these anticipated benefits and cost savings is subject to certain risks, including:

- Our ability to successfully combine the businesses of CVS Health and Aetna;
- whether the combined businesses will perform as expected;
- the possibility that we paid more for Aetna than the value we will derive from the acquisition;
- the reduction of our cash available for operations and other uses and the incurrence of indebtedness to finance the acquisition; and
- the assumption of known and unknown liabilities of Aetna.

If we are not able to successfully combine the businesses of CVS Health and Aetna within the anticipated time frame, or at all, the anticipated cost savings and other benefits of the merger may not be realized fully or may take longer to realize than expected, the combined businesses may not perform as expected and the value of the shares of our common stock may be adversely affected.

We and Aetna have operated and, until completion of the merger will continue to operate, independently, and there can be no assurances that our respective businesses can be integrated successfully. It is possible that the integration process could result in the loss of key CVS Health or Aetna employees, the disruption of either company's or both companies' ongoing businesses or in unexpected integration issues, higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated. Specifically, issues that must be addressed in integrating the operations of Aetna and CVS Health in order to realize the anticipated benefits of the merger so the combined business performs as expected include, among other things:

- combining the companies' separate operational, financial, reporting and corporate functions;
- integrating the companies' technologies, products and services;
- identifying and eliminating redundant and underperforming operations and assets;
- harmonizing the companies' operating practices, employee development, compensation and benefit programs, internal controls and other policies, procedures and processes;
- addressing possible differences in business backgrounds, corporate cultures and management philosophies;
- consolidating the companies' corporate, administrative and information technology infrastructure;
- coordinating sales, distribution and marketing efforts;
- managing the movement of certain businesses and positions to different locations;
- maintaining existing agreements with customers, providers and vendors and avoiding delays in entering into new agreements with prospective customers, providers and vendors;
- operating in industry sectors in which we and our current management may have little or no experience;
- coordinating geographically dispersed organizations;
- consolidating offices of Aetna and CVS Health that are currently in or near the same location; and
- effecting potential actions that may be required in connection with obtaining regulatory approvals.

In addition, at times, the attention of certain members of each company's management and each company's resources may be focused on completion of the merger and the integration of the businesses of the two companies and diverted from day-to-day business operations, which may disrupt each company's ongoing business and the business of the combined company.

We have limited experience in the insurance and managed health care industry, which may hinder our ability to achieve the combined company's objectives.

We have limited experience operating an insurance and managed health care business, and will rely in large part on the existing management of Aetna to continue to manage the Aetna business following the merger. However, there is no

assurance that we will be able to retain the services of such management. If we fail to retain the existing management of Aetna, our ability to realize the anticipated benefits of the transaction may be adversely affected.

We and Aetna may have difficulty attracting, motivating and retaining executives and other key employees in light of the merger.

As we will be operating in industry sectors for which our existing management team has little or no experience, our success after the transaction will depend in part on our ability to retain key executives and other employees of Aetna. Uncertainty about the effect of the merger on CVS Health and Aetna employees may have an adverse effect on each of us and Aetna separately and consequently the combined business. This uncertainty may impair our and/or Aetna's ability to attract, retain and motivate key personnel. Employee retention may be particularly challenging during the pendency of the merger, as employees of CVS Health and Aetna may experience uncertainty about their future roles in the combined business.

Additionally, Aetna's officers and employees may hold Aetna common shares, as well as Aetna stock appreciation rights, Aetna restricted stock units ("Aetna RSUs") and Aetna performance stock units ("Aetna PSUs") that are subject to accelerated vesting on a change in control, and, if the merger is completed, these officers and employees may be entitled to cash and/or the consideration payable under the merger agreement in respect of such Aetna common shares, stock appreciation rights, Aetna RSUs and Aetna PSUs. These payouts could also make retention of these officers and employees more difficult. Additionally, pursuant to employment agreements and/or other agreements or arrangements with Aetna, certain key employees of Aetna are entitled to receive severance payments upon a termination without cause and/or a resignation for "good reason" following completion of the merger. Under these agreements, certain key employees of Aetna potentially could resign from his or her employment following specified circumstances set forth in his or her applicable agreement, including an adverse change in his or her title, authority or responsibilities, compensation and benefits or primary office location.

Furthermore, if key employees of CVS Health or Aetna depart or are at risk of departing, including because of issues relating to the uncertainty and difficulty of integration, financial security or a desire not to become employees of the combined business, we may have to incur significant costs in retaining such individuals or in identifying, hiring and retaining replacements for departing employees and may lose significant expertise and talent relating to the business of Aetna, and our ability to realize the anticipated benefits of the merger may be materially and adversely affected. Accordingly, no assurance can be given that we will be able to attract or retain key employees of Aetna to the same extent that Aetna has been able to attract or retain employees in the past.

Our and Aetna's business relationships may be subject to disruption due to uncertainty associated with the merger.

Parties with which we or Aetna do business may experience uncertainty associated with the merger, including with respect to current or future business relationships with us, Aetna or the combined business. Our and Aetna's business relationships may be subject to disruption as customers, providers, vendors and others may attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than us, Aetna or the combined business. These disruptions could have a material adverse effect on the businesses, financial condition, results of operations or prospects of CVS Health, Aetna and/or the combined business, including a material adverse effect on our ability to realize the anticipated benefits of the merger. The risk and adverse effect of such disruptions could be exacerbated by a delay in completion of the merger or termination of the merger agreement.

The merger agreement contains provisions that may make it more difficult for us and Aetna to pursue alternatives to the merger.

The merger agreement contains provisions that make it more difficult for Aetna to sell its business to a party other than us, or for us to sell its business. These provisions include a general prohibition on each party soliciting any acquisition proposal. Further, there are only limited exceptions to each party's agreement that its board of directors will not withdraw or modify in a manner adverse to the other party the recommendation of its board of directors in favor of the approval and adoption of the merger agreement, in the case of Aetna, or the approval of the stock issuance, in our case, and the other party generally has a right to match any acquisition proposal that may be made. However, at any time prior to the approval and adoption of the merger agreement by Aetna shareholders, in the case of Aetna, or the approval of the stock issuance by CVS Health stockholders, in our case, such party's board of directors is permitted to take certain of

these actions if it determines in good faith that the failure to take such action would be reasonably likely to be inconsistent with its fiduciary duties under applicable law.

While we believe these provisions are reasonable and not preclusive of other offers, these restrictions might discourage a third party that has an interest in acquiring all or a significant part of either Aetna or CVS Health from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher per-share value than the currently proposed merger consideration, in the case of Aetna, or that party were prepared to enter into an agreement that may be favorable to us or our stockholders, in our case. Furthermore, the termination fees described below may result in a potential competing acquirer proposing to pay a lower per-share price to acquire the applicable party than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable by such party in certain circumstances.

Failure to complete the merger could negatively impact our stock price and our future business and financial results.

If the merger is not completed for any reason, including as a result of Aetna shareholders failing to approve and adopt the merger agreement or CVS Health stockholders failing to approve the stock issuance, our ongoing business may be materially and adversely affected and, without realizing any of the benefits of having completed the merger, we would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on the trading price of our common stock and other securities, and from our customers, providers, vendors, regulators and employees;
- we may be required to pay Aetna a termination fee of $2.1 billion if the merger agreement is terminated under certain circumstances;
- we will be required to pay certain transaction expenses and other costs incurred in connection with the merger, whether or not the merger is completed;
- the merger agreement places certain restrictions on the conduct of our businesses prior to completion of the merger, and such restrictions, the waiver of which is subject to the consent of Aetna, may prevent us from making certain acquisitions, taking certain other specified actions or otherwise pursuing business opportunities during the pendency of the merger that we would have made, taken or pursued if these restrictions were not in place; and
- matters relating to the merger (including arranging permanent financing and integration planning) will require substantial commitments of time and resources by our management and the expenditure of significant funds in the form of fees and expenses, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to us as an independent company.

There can be no assurance that the risks described above will not materialize. If any of those risks materialize, they may materially and adversely affect our businesses, financial condition, financial results, ratings, stock prices and/or bond prices.

In addition, we could be subject to litigation related to any failure to complete the merger or related to any proceeding to specifically enforce our obligation to perform our obligations under the merger agreement. If the merger is not completed, these risks may materialize and may materially and adversely affect our businesses, financial condition, financial results, ratings, stock prices and/or bond prices.

We and Aetna may be targets of securities class action and derivative lawsuits which could result in substantial costs and may delay or prevent the merger from being completed.

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into merger agreements. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on our and Aetna's respective liquidity and financial condition. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting completion of the merger, then that injunction may delay or prevent the merger from being completed, which may adversely affect our and Aetna's respective business, financial position and results of operation. Since the filing with the SEC of the preliminary joint proxy statement/prospectus relating to the proposed merger, a number of class action lawsuits in connection with the merger have been filed against us, Aetna and Aetna's

directors and officers. Neither we nor Aetna presently believe that there is any merit to any such lawsuit. We and Aetna intend to defend them vigorously.

Our indebtedness following completion of the merger will be substantially greater than our indebtedness on a stand-alone basis and greater than the combined indebtedness of CVS Health and Aetna existing prior to the announcement of the transaction. This increased level of indebtedness could adversely affect our business flexibility, and increase our borrowing costs. Downgrades in our ratings could adversely affect our business, cash flows, financial condition and operating results.

In order to complete the merger, we expect to incur acquisition-related debt financing of approximately $45.0 billion and assume Aetna's existing indebtedness of approximately $8.2 billion. Our substantially increased indebtedness and higher debt-to-equity ratio following completion of the merger in comparison to that of CVS Health prior to the merger will have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and will increase our borrowing costs. In addition, the amount of cash required to service our increased indebtedness levels and thus the demands on our cash resources will be greater than the amount of cash flows required to service the indebtedness of CVS Health or Aetna individually prior to the merger. The increased levels of indebtedness could also reduce funds available to fund our efforts to combine our business with Aetna and realize expected benefits of the merger and/or engage in investments in product development, capital expenditures, dividend payments, share repurchases and other activities and may create competitive disadvantages for us relative to other companies with lower debt levels.

In addition, our credit ratings impact the cost and availability of future borrowings, and, as a result, our cost of capital. Our ratings reflect each rating organization's opinion of our financial strength, operating performance and ability to meet our debt obligations or, following completion of the merger, obligations to the combined company's insureds. Each of the ratings organizations reviews our ratings periodically, and there can be no assurance that our current ratings will be maintained in the future. Following the announcement of the merger agreement, each of Standard & Poor's and Moody's placed certain of our debt, financial strength and other credit ratings under review for a possible downgrade. Following the announcement of the merger agreement, Standard & Poor's, A.M. Best and Fitch placed Aetna's debt, financial strength and other credit ratings under review with negative implications. Downgrades in our ratings could adversely affect our business, cash flows, financial condition and operating results. In addition, if the merger is completed and, in certain circumstances, Aetna's debt securities are rated below investment grade, this may constitute a change of control triggering event under the indentures governing such debt. Upon the occurrence of a change of control triggering event, Aetna, as the surviving corporation of the merger, would be required to offer to repurchase most of Aetna's outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest if any, to, but not including, the date of repurchase. However, it is possible that Aetna (or us) would not have sufficient funds at the time of the change of control triggering event to make the required repurchase of notes or that restrictions in other debt instruments would not allow such repurchases. We cannot provide any assurance that there will be sufficient funds available for Aetna (or us) to make any required repurchases of the notes upon a change of control triggering event.

We will incur significant transaction and integration-related costs in connection with the merger.

We expect to incur a number of non-recurring costs associated with the merger and combining the operations of the two companies. We will incur significant transaction costs related to the merger, including with respect to the financing for the cash consideration to be paid to Aetna shareholders. We also will incur significant integration-related fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the merger and the integration of the two companies' businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

The merger may not be accretive, and may be dilutive, to our earnings per share, which may negatively affect the market price of shares of our common stock.

We currently project that the merger will result in a number of benefits, including enhanced competitive positioning and a platform from which to accelerate growth, and that it will be accretive to earnings per share in the second full year after the close of the transaction. This projection is based on preliminary estimates that may materially change. In addition, future events and conditions could decrease or delay the accretion that is currently projected or could result in dilution, including adverse changes in market conditions, additional transaction and integration-related costs and other factors such as the failure to realize some or all of the anticipated benefits of the merger. Any dilution of, decrease in or delay of any accretion to, our earnings per share could cause the price of shares of our common stock to decline or grow at a reduced rate.

The future results of the combined company may be adversely impacted if the combined company does not effectively manage its expanded operations following completion of the merger.

Following completion of the merger, the size of the combined company's business will be significantly larger than the current size of either our or Aetna's respective businesses. The combined company's ability to successfully manage this expanded business will depend, in part, upon management's ability to implement an effective integration of the two companies and its ability to manage a combined business with significantly larger size and scope with the associated increased costs and complexity. There can be no assurances that the management of the combined company will be successful or that the combined company will realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the merger.

Additional information concerning these risks, uncertainties and assumptions can be found in the section entitled "Risk Factors" beginning on page 62 of our preliminary joint proxy statement/prospectus filed February 9, 2018 with the SEC on Form S-4/A.

Item 1B. Unresolved Staff Comments

There are no unresolved SEC Staff Comments.

Item 2. Properties

We lease most of our stores under long-term leases that vary as to rental amounts, expiration dates, renewal options and other rental provisions. For additional information on the amount of our rental obligations for our leases, we refer you to Note 7 "Leases" in our Annual Report to Stockholders for the year ended December 31, 2017, which section is incorporated by reference herein.

As of December 31, 2017, we owned approximately 4% of our 8,108 retail stores. Net selling space for our retail stores was approximately 79.5 million square feet as of December 31, 2017. Approximately 20% of our store base was opened or significantly remodeled within the last five years.

We lease 1,695 retail pharmacies and 79 clinics in Target stores located in 47 states and the District of Columbia.

We own nine distribution centers located in Alabama, California, Hawaii, New York, Rhode Island, South Carolina, Tennessee and Texas and lease 13 additional distribution facilities located in Arizona, Florida, Indiana, Michigan, Missouri, New Jersey, Pennsylvania, Texas, Virginia and Brazil. The 22 distribution centers total approximately 10.4 million square feet as of December 31, 2017.

As of December 31, 2017, we owned six and leased 139 LTC pharmacies in 44 states and owned one LTC repackaging facility in Kentucky.

As of December 31, 2017, we owned one mail service dispensing pharmacy located in Texas and leased three additional mail order dispensing pharmacies located in Hawaii, Illinois and Pennsylvania; we leased call centers located in California, Missouri, Pennsylvania, Tennessee and Texas; we leased 37 onsite pharmacy stores and 23 specialty pharmacy stores, and leased 18 specialty mail order pharmacies; we leased 83 branches for infusion and enteral services, including approximately 73 ambulatory infusion suites and three centers of excellence.

We own our corporate offices located in Woonsocket, Rhode Island, which totals approximately one million square feet. In addition, we lease corporate offices in Scottsdale, Arizona, Northbrook, Illinois, Cincinnati, Ohio, Monroeville, Pennsylvania, Irving, Texas, and Sao Paulo, Brazil.

In connection with certain business dispositions completed between 1991 and 1997, we continue to guarantee lease obligations for approximately 85 former stores. We are indemnified for these guarantee obligations by the respective purchasers. These guarantees generally remain in effect for the initial lease term and any extension thereof pursuant to a renewal option provided for in the lease prior to the time of the disposition. For additional information, we refer you to Note 12 “Commitments and Contingencies” in our Annual Report to Stockholders for the year ended December 31, 2017, which section is incorporated by reference herein.

Management believes that the Company’s owned and leased facilities are suitable and adequate to meet the Company’s anticipated needs. At the end of the existing lease terms, management believes the leases can be renewed or replaced by alternative space.

The following is a breakdown by state, District of Columbia, Puerto Rico and Brazil of our retail stores, pharmacies and clinics in Target stores, LTC hub and spoke pharmacies, onsite pharmacy stores, specialty pharmacy stores, specialty mail order pharmacies, mail order dispensing pharmacies and branches and centers of excellence for infusion and enteral services as of December 31, 2017:

	Retail Stores	Pharmacies within Target [1]	LTC Hub & Spoke Pharmacies	Onsite Pharmacy Stores	Specialty Pharmacy Stores	Specialty Mail Order Pharmacies	Mail Order Dispensing Pharmacies	Infusion & Enteral Services Locations	Total
United States:									
Alabama	160	22	2	1	1	—	—	1	187
Alaska	3	3	—	—	—	—	—	—	6
Arizona	152	46	2	—	1	1	—	2	204
Arkansas	15	8	1	—	—	—	—	1	25
California	886	260	8	—	3	1	—	8	1,166
Colorado	3	39	3	—	1	—	—	1	47
Connecticut	154	20	1	1	—	—	—	1	177
Delaware	17	3	—	—	—	—	—	—	20
District of Columbia	58	1	—	—	1	—	—	—	60
Florida	754	121	5	1	1	2	—	7	891
Georgia	311	41	1	3	1	—	—	1	358
Hawaii	64	7	—	—	1	—	1	—	73
Idaho	—	2	1	—	—	—	—	1	4
Illinois	282	90	7	2	—	1	1	3	386
Indiana	309	30	4	—	—	—	—	3	346
Iowa	20	18	2	—	—	—	—	1	41
Kansas	39	14	2	—	—	1	—	2	58
Kentucky	70	9	9	—	—	1	—	—	89
Louisiana	119	14	3	—	—	—	—	1	137
Maine	22	5	1	—	—	—	—	1	29
Maryland	185	39	2	5	—	—	—	1	232
Massachusetts	376	40	5	2	2	1	—	1	427
Michigan	248	50	4	1	—	1	—	2	306
Minnesota	61	75	6	1	—	—	—	2	145
Mississippi	52	5	1	1	—	—	—	1	60
Missouri	97	33	5	—	—	—	—	1	136
Montana	14	2	1	—	—	—	—	—	17
Nebraska	19	11	1	—	—	—	—	1	32
Nevada	86	15	2	—	—	—	—	2	105
New Hampshire	40	9	1	—	—	—	—	—	50
New Jersey	291	45	3	4	—	1	—	1	345
New Mexico	19	6	1	—	—	—	—	1	27
New York	489	75	5	—	1	—	—	7	577
North Carolina	314	51	3	1	1	1	—	3	374
North Dakota	6	—	—	—	—	—	—	—	6
Ohio	329	59	7	—	—	—	—	4	399
Oklahoma	62	15	2	—	—	—	—	1	80
Oregon	—	18	2	—	1	1	—	1	23
Pennsylvania	410	66	6	2	1	1	1	2	489
Puerto Rico	25	—	—	—	—	1	—	—	26
Rhode Island	62	4	1	1	1	—	—	1	70
South Carolina	191	19	3	1	1	—	—	2	217
South Dakota	—	3	1	—	—	—	—	—	4
Tennessee	136	27	3	1	1	3	—	3	174
Texas	695	135	10	3	2	1	1	5	852
Utah	12	13	2	—	—	—	—	1	28
Vermont	10	—	—	—	—	—	—	—	10
Virginia	286	58	6	5	1	—	—	2	358
Washington	12	30	3	—	1	—	—	2	48
West Virginia	51	6	2	—	—	—	—	—	59
Wisconsin	50	33	5	1	—	—	—	1	90
Wyoming	—	—	—	—	—	—	—	1	1
Total United States	8,066	1,695	145	37	23	18	4	83	10,071

Brazil	42	—	—	—	—	—	—	—	42
Total	8,108	1,695	145	37	23	18	4	83	10,113

(1) The Retail Stores above include 1,050 in-store MinuteClinic locations and the Target stores with CVS pharmacies also include 79 MinuteClinic locations.

Item 3. Legal Proceedings

I. Legal Proceedings

We refer you to the Note 12 “Commitments and Contingencies” contained in the “Notes to the Consolidated Financial Statements” of our Annual Report to Stockholders for the year ended December 31, 2017, which section is incorporated by reference herein.

II. Environmental Matters

Item 103 of SEC Regulation S-K requires disclosure of certain environmental legal proceedings if management reasonably believes that the proceedings involve potential monetary sanctions of $100,000 or more. The Company is in the process of negotiating with the New York State Department of Environmental Conservation to resolve claims of alleged historical noncompliance with hazardous waste regulations in connection with long-term care pharmacies in the State of New York. These proceedings are not material to the Company's business or financial position.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

Executive Officers of the Registrant

The following sets forth the name, age and biographical information for each of our executive officers as of February 14, 2018. In each case the officer's term of office extends to the date of the board of directors meeting following the next annual meeting of stockholders of the Company. Previous positions and responsibilities held by each of the executive officers over the past five years are indicated below:

Lisa G. Bisaccia, age 61, Executive Vice President of CVS Health Corporation since March 2016 and Chief Human Resources Officer of CVS Health Corporation since January 2010; Senior Vice President of CVS Health Corporation from January 2010 through February 2016; Vice President, Human Resources of CVS Pharmacy, Inc. from September 2004 through December 2009. Ms. Bisaccia is also a member of the Board of Directors of Aramark, a leading global provider of food, facilities and uniform services.

Eva C. Boratto, age 51, Executive Vice President - Controller and Chief Accounting Officer of CVS Health Corporation since March 2017; Senior Vice President - Controller and Chief Accounting Officer of CVS Health Corporation from July 2013 through February 2017; Senior Vice President of PBM Finance from July 2010 through June 2013; Vice President, U.S. Market Finance Leader of Merck & Co., Inc. from June 2009 through June 2010.

Troyen A. Brennan, M.D., age 63, Executive Vice President and Chief Medical Officer of CVS Health Corporation since November 2008; Executive Vice President and Chief Medical Officer of Aetna, Inc. from February 2006 through November 2008.

David M. Denton, age 52, Executive Vice President and Chief Financial Officer of CVS Health Corporation since January 2010; Senior Vice President and Controller and Chief Accounting Officer of CVS Health Corporation from March 2008 until December 2009; Senior Vice President, Financial Administration of CVS Health Corporation and CVS Pharmacy, Inc. from April 2007 to March 2008. Mr. Denton is also a member of the Board of Directors of Tapestry, Inc. (formerly known as Coach, Inc.), a leading retailer of premium bags and luxury accessories.

Larry J. Merlo, age 62, President and Chief Executive Officer of CVS Health Corporation since March 2011; President and Chief Operating Officer of CVS Health Corporation from May 2010 through March 2011; President of CVS Pharmacy from January 2007 through August 2011; Executive Vice President of CVS Health Corporation from January 2007 through May 2010; also a director of CVS Health Corporation since May 2010.

Thomas M. Moriarty, age 54, Executive Vice President and General Counsel of CVS Health Corporation since October 2012 and Chief Policy and External Affairs Officer since March 2017; Chief Strategy Officer from March 2014 through February 2017; General Counsel of Celgene Corporation, a global biopharmaceutical company, from May 2012 through September 2012; General Counsel and Corporate Secretary of Medco Health Solutions, Inc. ("Medco"), a pharmacy benefit management company, from March 2008 through April 2012; also President of Global Pharmaceutical Strategies of Medco from March 2011 through April 2012.

Jonathan C. Roberts, age 62, Executive Vice President and Chief Operating Officer of CVS Health Corporation since March 2017; Executive Vice President of CVS Health Corporation and President of CVS Caremark from September 2012 through February 2017; Executive Vice President of CVS Health Corporation and Chief Operating Officer of CVS Caremark from October 2010 through August 2011; Executive Vice President, Rx Purchasing, Pricing and Network Relations of CVS Health Corporation from January 2009 through October 2010.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange under the symbol "CVS." The table below sets forth the high and low closing prices of our common stock on the New York Stock Exchange Composite Tape and the quarterly cash dividends declared per share of common stock during the periods indicated.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2017 High	$ 83.92	$ 82.79	$ 83.31	$ 80.91	$ 83.92
Low	$ 74.80	$ 75.95	$ 75.35	$ 66.80	$ 66.80
Cash dividends per common share	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 2.00
2016 High	$ 104.05	$ 106.10	$ 98.06	$ 88.80	$106.10
Low	$ 89.65	$ 93.21	$ 88.99	$ 73.53	$ 73.53
Cash dividends per common share	$ 0.425	$ 0.425	$ 0.425	$ 0.425	$ 1.70

CVS Health has paid cash dividends every quarter since becoming a public company. Future dividend payments will depend on the Company's earnings, capital requirements, financial condition and other factors considered relevant by the Company's Board of Directors. As of February 9, 2018, there were 21,453 registered shareholders according to the records maintained by our transfer agent.

The following share repurchase programs were authorized by the Company's Board of Directors:

In billions Authorization Date	Authorized	Remaining as of December 31, 2017
November 2, 2016 ("2016 Repurchase Program")	$ 15.0	$ 13.9
December 15, 2014 ("2014 Repurchase Program")	10.0	—
December 17, 2013 ("2013 Repurchase Program")	6.0	—

The share Repurchase Programs, each of which was effective immediately, permit the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase ("ASR") transactions, and/or other derivative transactions. The 2016 Repurchase Program can be modified or terminated by the Board of Directors at any time.

Pursuant to the authorization under the 2014 Repurchase Program, in August 2016, the Company entered into two fixed dollar ASRs with Barclays Bank PLC ("Barclays") for a total of $3.6 billion. Upon payment of the $3.6 billion purchase price in January 2017, the Company received a number of shares of its common stock equal to 80% of the $3.6 billion notional amount of the ASRs or approximately 36.1 million shares, which were placed into treasury stock in January 2017. The ASRs were accounted for as an initial treasury stock transaction for $2.9 billion and a forward contract for $0.7 billion. In April 2017, the Company received 9.9 million shares of common stock, representing the remaining 20% of the $3.6 billion notional amount of the ASRs, thereby concluding the ASRs. The remaining 9.9 million shares of common stock delivered to the Company by Barclays were placed into treasury stock and the forward contract was reclassified from capital surplus to treasury stock in April 2017.

In the ASR transactions described above, the initial repurchase of the shares and delivery of the remainder of the shares to conclude the ASR, resulted in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share.

During the year ended December 31, 2017, the Company repurchased an aggregate of 55.4 million shares of common stock for approximately $4.4 billion under the 2014 and 2016 Repurchase Programs. As of December 31, 2017, there remained an aggregate of approximately $13.9 billion available for future repurchases under the 2016 Repurchase Program and the 2014 Repurchase Program was complete. During the fourth quarter of 2017, the Company suspended share repurchase activity in connection with the Aetna Acquisition.

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2017 through October 31, 2017	—	$ —	—	$ 13,869,392,446
November 1, 2017 through November 30, 2017	—	$ —	—	$ 13,869,392,446
December 1, 2017 through December 31, 2017	—	$ —	—	$ 13,869,392,446
	—		—	

Item 6. Selected Financial Data

The selected consolidated financial data of CVS Health Corporation as of and for the periods indicated in the five-year period ended December 31, 2017, have been derived from the consolidated financial statements of CVS Health Corporation. The selected consolidated financial data should be read in conjunction with the consolidated financial statements and the audit reports of Ernst & Young LLP, which are incorporated elsewhere herein.

In millions, except per share amounts	2017	2016	2015	2014	2013
Statement of operations data:					
Net revenues	$184,765	$177,526	$153,290	$139,367	$126,761
Gross profit	28,545	28,857	26,528	25,367	23,783
Operating expenses [1]	19,028	18,491	17,053	16,545	15,713
Operating profit	9,517	10,366	9,475	8,822	8,070
Interest expense, net	1,041	1,058	838	600	509
Loss on early extinguishment of debt	—	643	—	521	—
Other expense [1]	208	28	21	23	33
Income tax provision	1,637	3,317	3,386	3,033	2,928
Income from continuing operations	6,631	5,320	5,230	4,645	4,600
Income (loss) from discontinued operations, net of tax	(8)	(1)	9	(1)	(8)
Net income	6,623	5,319	5,239	4,644	4,592
Net income attributable to noncontrolling interest	(1)	(2)	(2)	—	—
Net income attributable to CVS Health	$ 6,622	$ 5,317	$ 5,237	$ 4,644	$ 4,592
Per common share data:					
Basic earnings per common share:					
Income from continuing operations attributable to CVS Health	$ 6.48	$ 4.93	$ 4.65	$ 3.98	$ 3.78
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ 0.01	$ —	$ (0.01)
Net income attributable to CVS Health	$ 6.47	$ 4.93	$ 4.66	$ 3.98	$ 3.77
Diluted earnings per common share:					
Income from continuing operations attributable to CVS Health	$ 6.45	$ 4.91	$ 4.62	$ 3.96	$ 3.75
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ 0.01	$ —	$ (0.01)
Net income attributable to CVS Health	$ 6.44	$ 4.90	$ 4.63	$ 3.96	$ 3.74
Cash dividends per common share	$ 2.00	$ 1.70	$ 1.40	$ 1.10	$ 0.90
Balance sheet and other data:					
Total assets	$ 95,131	$ 94,462	$ 92,437	$ 73,202	$ 70,550
Long-term debt	$ 22,181	$ 25,615	$ 26,267	$ 11,630	$ 12,767
Total shareholders' equity	$ 37,695	$ 36,834	$ 37,203	$ 37,963	$ 37,938
Number of stores (at end of year)	9,846	9,750	9,681	7,866	7,702

(1) As of January 1, 2017, the Company adopted Accounting Standards Update ("ASU") 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which resulted in a retrospective reclassification of $28 million, $21 million, $23 million and $33 million of net benefit costs from operating expenses to other expense in the years ended December 31, 2016, 2015, 2014, and 2013, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

We refer you to "Management's Discussion and Analysis of Financial Condition and Results of Operations," which includes our "Cautionary Statement Concerning Forward-Looking Statements" at the end of such section of our Annual Report to Stockholders for the year ended December 31, 2017, which section is incorporated by reference herein.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

As of December 31, 2017, the Company had outstanding interest rate derivative instruments and believes that as of December 31, 2017, its exposure to interest rate risk (inherent in the Company's debt portfolio) is not material. We refer you to Note 1 "Significant Accounting Policies" contained in the "Notes to the Consolidated Financial Statements" of our Annual Report to Stockholders for the year ended December 31, 2017, which section is incorporated by reference herein.

As of December 31, 2017, the Company did not have any foreign currency exchange rate or commodity derivative instruments in place and believes that as of December 31, 2017, its exposure to foreign currency exchange rate risk and commodity price risk is not material

Item 8. Financial Statements and Supplementary Data

We refer you to the "Consolidated Statements of Income," "Consolidated Statements of Comprehensive Income," "Consolidated Balance Sheets," "Consolidated Statements of Shareholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements," and "Report of Independent Registered Public Accounting Firm" of our Annual Report to Stockholders for the year ended December 31, 2017, which sections are incorporated by reference herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures: The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15 (f) and 15d-15(f) under the Securities Exchange Act of 1934) as of December 31, 2017, have concluded that as of such date the Company's disclosure controls and procedures were adequate and effective at a reasonable assurance level and designed to ensure that material information relating to the Company and its subsidiaries would be made known to such officers on a timely basis.

Internal control over financial reporting: We refer you to "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" of our Annual Report to Stockholders for the fiscal year ended December 31, 2017, which are incorporated by reference herein, for management's report on the Company's internal control over financial reporting and the Independent Registered Public Accounting Firm's report with respect to the effectiveness of internal control over financial reporting.

Changes in internal control over financial reporting: There have been no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that occurred during the fourth quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

No events have occurred during the fourth quarter that would require disclosure under this item.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

We refer you to our Proxy Statement for the 2018 Annual Meeting of Stockholders under the captions “Committees of the Board,” “Code of Conduct,” “Director Nominations,” “Audit Committee Report,” “Biographies of our Board Nominees,” and “Section 16(a) Beneficial Ownership Reporting Compliance,” which sections are incorporated by reference herein. Biographical information on our executive officers is contained in Part I of this Annual Report on Form 10-K.

Item 11. Executive Compensation

We refer you to our Proxy Statement for the 2018 Annual Meeting of Stockholders under the captions “Executive Compensation and Related Matters,” including “Compensation Discussion & Analysis” and “Management Planning and Development Committee Report,” which sections are incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We refer you to our Proxy Statement for the 2018 Annual Meeting of Stockholders under the captions “Share Ownership of Directors and Certain Executive Officers,” and “Share Ownership of Principal Stockholders” which sections are incorporated by reference herein, for information concerning security ownership of certain beneficial owners and management and related stockholder matters.

The following table summarizes information about the Company’s common stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of December 31, 2017.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights[1]	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column) [1]
Equity compensation plans approved by stockholders	32,219	$ 75.32	20,530
Equity compensation plans not approved by stockholders	—	—	—
Total	32,219	$ 75.32	20,530

(1) Shares in thousands.

Item 13. Certain Relationships and Related Transactions and Director Independence

We refer you to our Proxy Statement for the 2018 Annual Meeting of Stockholders under the caption “Independence Determinations for Directors” and “Certain Transactions with Directors and Officers,” which sections are incorporated by reference herein.

Item 14. Principal Accountant Fees and Services

We refer you to our Proxy Statement for the 2018 Annual Meeting of Stockholders under the caption “Item 2: Ratification of Appointment of Independent Registered Public Accounting Firm,” which section is incorporated by reference herein.

PART IV

Item 15. Exhibits and Financial Statement Schedules

A. Documents filed as part of this report:

1. Financial Statements:

The following financial statements are incorporated by reference from our Annual Report to Stockholders for the fiscal year ended December 31, 2017, as provided in Item 8 hereof:

Consolidated Statements of Income for the Years Ended December 31, 2017, 2016 and 2015

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2017, 2016 and 2015

Consolidated Balance Sheets as of December 31, 2017 and 2016

Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2017, 2016 and 2015

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

2. Financial Statement Schedules

All financial statement schedules are omitted because they are not applicable, not required under the instructions, or the information is included in the consolidated financial statements or related notes.

B. Exhibits

Exhibits marked with an asterisk (*) are hereby incorporated by reference to exhibits or appendices previously filed by the Registrant as indicated in brackets following the description of the exhibit.

Exhibit	Description
2.1*	Agreement and Plan of Merger dated as of November 1, 2006 among, the Registrant, Caremark Rx, Inc. and Twain MergerSub Corp. (incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement No. 333-139470 on Form S-4 filed December 19, 2006).
2.2*	Amendment No. 1 dated as of January 16, 2007 to the Agreement and Plan of Merger dated as of November 1, 2006 among the Registrant, Caremark Rx, Inc. and Twain Merger Sub Corp. (incorporated by reference to Exhibit 2.2 to the Registrant's Registration Statement No. 333-139470 on Form S-4/A filed January 16, 2007).
2.3*	Waiver Agreement dated as of January 16, 2007 between the Registrant and Caremark Rx, Inc. with respect to the Agreement and Plan Merger dated as of November 1, 2006 by and between Registrant and Caremark Rx, Inc (incorporated by reference to Exhibit 2.3 to the Registrant's Registration Statement No. 333-139470 on Form S-4/A filed January 16, 2007).
2.4*	Amendment to Waiver Agreement, dated as of February 12, 2007, between Registrant and Caremark Rx, Inc. (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated February 13, 2007; Commission File No. 001-01011).
2.5*	Amendment to Waiver Agreement, dated as of March 8, 2007, between Registrant and Caremark Rx, Inc. (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated March 8, 2007; Commission File No. 001-01011).
2.6*	Agreement and Plan of Merger dated as of August 12, 2008, among the Registrant, Longs Drug Stores Corporation and Blue MergerSub Corp. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated August 13, 2008; Commission File No. 001-01011).

2.7*	Agreement and Plan of Merger, dated as of May 20, 2015, among CVS Pharmacy, Inc., Tree Merger Sub, Inc. and Omnicare, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated May 21, 2015; Commission File No. 001-01011).
2.8*	Agreement and Plan of Merger, dated as of December 3, 2017, among CVS Health Corporation, Hudson Merger Sub Corp. and Aetna Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated December 5, 2017; Commission File No. 001-01011).
2.9*	Bridge Facility Commitment Letter dated December 3, 2017, by and among the Registrant, Barclays Bank PLC, Goldman Sachs Bank USA, Goldman Sachs Lending Partners LLC, Bank of America, N.A., and Merrill Lynch, Pierce Fenner & Smith Incorporated (incorporated by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K dated December 5, 2017; Commission File No. 001-01011).
2.10*	Joinder to Bridge Facility Commitment Letter dated as of December 15, 2017, by and among the Registrant, Barclays Bank PLC, Goldman Sachs Bank USA, Goldman Sachs Lending Partners LLC, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and each of the Additional Commitment Parties party thereto (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated December 19, 2017; Commission File No. 001-01011).
3.1*	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996; Commission File No. 001-01011).
3.1A*	Certificate of Amendment to the Amended and Restated Certificate of Incorporation, effective May 13, 1998 (incorporated by reference to Exhibit 4.1A to Registrant's Registration Statement No. 333-52055 on Form S-3/A dated May 18, 1998).
3.1B*	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated March 22, 2007; Commission File No. 001-01011).
3.1C*	Certificate of Merger dated May 9, 2007 (incorporated by reference to Exhibit 3.1C to Registrant's Quarterly Report on Form 10-Q dated November 1, 2007; Commission File No. 001-01011).
3.1D*	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated May 13, 2010; Commission File No. 001-01011).
3.1E*	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report On Form 8-K dated May 10, 2012; Commission File No. 001-01011).
3.1F*	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report On Form 8-K dated May 13, 2013; Commission File No. 001-01011).
3.1G*	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated September 3, 2014 (Commission File No. 001-01011)).
3.2*	By-laws of the Registrant, as amended and restated (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated January 26, 2016; Commission File No. 001-01011).
4	Pursuant to Regulation S-K, Item 601(b)(4)(iii)(A), no instrument which defines the rights of holders of long-term debt of the Registrant and its subsidiaries is filed with this report. The Registrant hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

4.1*	Specimen common stock certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement of the Registrant on Form 8-B dated November 4, 1996; Commission File No. 001-01011).
10.1*	Stock Purchase Agreement dated as of October 14, 1995 between The TJX Companies, Inc. and Melville Corporation, as amended November 17, 1995 (incorporated by reference to Exhibits 2.1 and 2.2 to Melville's Current Report on Form 8-K dated December 4, 1995; Commission File No. 001-01011).
10.2*	Stock Purchase Agreement dated as of March 25, 1996 between Melville Corporation and Consolidated Stores Corporation, as amended May 3, 1996 (incorporated by reference to Exhibits 2.1 and 2.2 to Melville's Current Report on Form 8-K dated May 5, 1996; Commission File No. 001-01011).
10.3*	Distribution Agreement dated as of September 24, 1996 among Melville Corporation, Footstar, Inc. and Footstar Center, Inc. (incorporated by reference to Exhibit 99.1 to Melville's Current Report on Form 8-K dated October 28, 1996; Commission File No. 001-01011).
10.4*	Tax Disaffiliation Agreement dated as of September 24, 1996 among Melville Corporation, Footstar, Inc. and certain subsidiaries named therein (incorporated by reference to Exhibit 99.2 to Melville's Current Report on Form 8-K dated October 28, 1996; Commission File No. 001-01011).
10.5*	Stockholder Agreement dated as of December 2, 1996 between the Registrant, Nashua Hollis CVS, Inc. and Linens 'n Things, Inc. (incorporated by reference to Exhibit 10(i)(6) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997; Commission File No. 001-01011).
10.6*	Tax Disaffiliation Agreement dated as of December 2, 1996 between the Registrant and Linens 'n Things, Inc. and certain of their respective affiliates (incorporated by reference to Exhibit 10(i)(7) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997; Commission File No. 001-01011).
10.7*	Second Amended and Restated Credit Agreement, dated as of July 24, 2014, by and among the Registrant, the lenders party thereto, Barclays Bank PLC and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and The Bank of New York Mellon, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (Commission File No. 001-01011).
10.8*	Amendment No. 1 to Second Amended and Restated Credit Agreement, dated as of December 15, 2017, by and among the Registrant, the lenders party thereto and The Bank of New York Mellon, as administrative agent (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K dated December 19, 2017; Commission File No. 001-01011).
10.9*	Five Year Credit Agreement dated as of July 1, 2015, by and among the Registrant, the lenders party thereto, Barclays Bank PLC and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and The Bank of New York Mellon, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015 (Commission File No. 001-01011).
10.10*	Amendment No. 1, dated as of December 15, 2017, to Five Year Credit Agreement dated as of July 1, 2015, by and among the Registrant, the lenders party thereto and The Bank of New York Mellon, as administrative agent (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K dated December 19, 2017; Commission File No. 001-01011).
10.11*	364-Day Credit Agreement, dated as of May 18, 2017, by and among the Registrant, the lenders party thereto and The Bank of New York Mellon, as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017; Commission File No. 001-01011).

10.12*	Amendment No. 1, dated as of December 15, 2017, to 364-Day Credit Agreement dated as of May 18, 2017, by and among the Registrant, the lenders party thereto and The Bank of New York Mellon, as administrative agent (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated December 19, 2017; Commission File No. 001-01011).
10.13*	Five Year Credit Agreement, dated as of May 18, 2017, by and among the Registrant, the lenders party thereto and The Bank of New York Mellon, as administrative agent (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017; Commission File No. 001-01011).
10.14*	Amendment No. 1 dated as of December 15, 2017, to Five Year Credit Agreement dated as of May 18, 2017, by and among the Registrant, the lenders party thereto and The Bank of New York Mellon, as administrative agent (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated December 19, 2017; Commission File No. 001-01011).
10.15*	Term Loan Agreement dated as of December 15, 2017, by and among the Registrant, the lenders party thereto and Barclays Bank PLC, as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated December 19, 2017; Commission File No. 001-01011).
10.16*	The Registrant's Supplemental Retirement Plan for Select Senior Management I as amended and restated in December 2008 (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009; Commission File No. 001-01011).
10.17*	The Registrant's 1996 Directors Stock Plan, as amended and restated November 5, 2002 (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 2002; Commission File No. 001-01011).
10.18*	The Registrant's 1997 Incentive Compensation Plan as amended through December 2008 (incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009; Commission File No. 001-01011).
10.19*	Caremark Rx, Inc. 2004 Incentive Stock Plan (incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement No. 333-141481 on Form S-8 filed March 22, 2007; Commission File No. 011-01011).
10.20*	The Registrant's Deferred Stock Compensation Plan, as amended (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015; Commission File No. 001-01011).
10.21*	The Registrant's Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016; Commission File No. 001-01011).
10.22*	The Registrant's 2010 Incentive Compensation Plan, as amended through January 15, 2013 (incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement on Form 14A filed March 27, 2015; Commission File No. 001-01011).
10.23*	The Registrant's 2017 Incentive Compensation Plan (incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement on Form 14A filed March 31, 2017; Commission File No. 001-01011).
10.24*	The Registrant's 2007 Employee Stock Purchase Plan, as amended (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015; Commission File No. 001-01011).

10.25*	The Registrant's Management Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017; Commission File No. 001-01011).
10.26*	The Registrant's Executive Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017; Commission File No. 001-01011).
10.27*	The Registrant's Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017; Commission File No. 001-01011).
10.28*	The Registrant's Partnership Equity Program, as amended (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016; Commission File No. 001-01011).
10.29*	The Registrant's Severance Plan for Non-Store Employees amended as of January 2016 (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016; Commission File No. 001-01011).
10.30*	The Registrant's Performance-Based Restricted Stock Unit Plan, as amended (incorporated by reference to Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016; Commission File No. 001-01011).
10.31*	Form of Enterprise Non-Competition, Non-Disclosure and Developments Agreement between the Registrant and certain of the Registrant's executive officers (incorporated by reference to Exhibit 10.25 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013; Commission File No. 001-01011).
10.32*	Universal 409A Definition Document, as amended (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015; Commission File No. 001-01011).
10.33*	Form of Non-Qualified Stock Option Agreement between the Registrant and selected employees of the Registrant (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014; Commission File No. 001-01011).
10.34*	Form of Restricted Stock Unit Agreement - Annual Grant - between the Registrant and selected employees of the Registrant (incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014; Commission File No. 001-01011).
10.35*	Form of Performance-Based Restricted Stock Unit Agreement between the Registrant and selected employees of the Registrant (incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014; Commission File No. 001-01011).
10.36*	Form of Partnership Equity Program Participant Purchased RSUs, Company Matching RSUs and Company Matching Options Agreement (Pre-Tax) (incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014; Commission File No. 001-01011).
10.37*	Form of Partnership Equity Program Participant Purchased RSUs, Company Matching RSUs and Company Matching Options Agreement (Post-Tax) (incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014; Commission File No. 001-01011).

10.38*	Amended and Restated Employment Agreement dated as of December 22, 2008 between the Registrant and the Registrant's President and Chief Executive Officer (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008; Commission File No. 001-01011).
10.39*	Amendment dated December 21, 2012 to the Amended and Restated Employment Agreement dated as of December 22, 2008 between the Registrant and the Registrant's President and Chief Executive Officer (incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission File No. 001-01011).
10.40*	Form of Non-Qualified Stock Option Agreement between the Registrant and the Registrant's President and Chief Executive Officer (incorporated by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016; Commission File No. 001-01011).
10.41*	Form of Restricted Stock Unit Agreement between the Registrant and the Registrant's President and Chief Executive Officer (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016; Commission File No. 001-01011).
10.42*	Amendment dated January 22, 2015 to Nonqualified Stock Option Agreements between the Registrant and the Registrant's President and Chief Executive Officer (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated January 23, 2015; Commission File No. 001-01011).
10.43*	Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and Chief Financial Officer (incorporated by reference to Exhibit 10.39 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010; Commission File No. 001-01011).
10.44*	Amendment dated as of December 31, 2012 to the Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and Chief Financial Officer (incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission File No. 001-01011).
10.45*	Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and Chief Operating Officer (incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission File No. 001-01011).
10.46*	Amendment dated as of December 31, 2012 to the Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and Chief Operating Officer (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission File No. 001-01011).
10.47*	Restricted Stock Unit Agreement dated April 1, 2017 between the Registrant and the Registrant's Executive Vice President and Chief Operating Officer (incorporated by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016; Commission File No. 001-01011).
10.48*	Restrictive Covenant Agreement dated May 20, 2017 between the Registrant and the Registrant's Executive Vice President and Chief Operating Officer (incorporated by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016; Commission File No. 001-01011).
10.49*	Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and President of CVS Pharmacy (incorporated by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014; Commission File No. 001-01011).

10.50*	Amendment dated as of December 31, 2012 to the Change in Control Agreement between the Registrant and the Registrant's Executive Vice President and President of CVS Pharmacy (incorporated by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014; Commission File No. 001-01011).
10.51*	Change in Control Agreement dated October 1, 2012 between the Registrant and the Registrant's Executive Vice President, Chief Policy and External Affairs Officer and General Counsel (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015; Commission File No. 001-01011).
10.52*	Restrictive Covenant Agreement dated June 1, 2014 between the Registrant and the Registrant's Executive Vice President, Chief Policy and External Affairs Officer and General Counsel (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015; Commission File No. 001-01011).
12	Computation of Ratios of Earnings to Fixed Charges.
13	Portions of the 2018 Annual Report to Stockholders of CVS Health Corporation, which are specifically designated in this Form 10-K as being incorporated by reference.
21	Subsidiaries of the Registrant.
23	Consent of Ernst & Young LLP.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the CVS Health Corporation Annual Report on Form 10-K for the year ended December 31, 2017 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows and (iv) related notes.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

CVS HEALTH CORPORATION

Date: February 14, 2018

By: /s/ DAVID M. DENTON
David M. Denton
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title(s)	Date
/s/ RICHARD M. BRACKEN **Richard M. Bracken**	Director	February 14, 2018
/s/ C. DAVID BROWN II **C. David Brown II**	Director	February 14, 2018
/s/ EVA C. BORATTO **Eva C. Boratto**	Executive Vice President - Controller and Chief Accounting Officer (Principal Accounting Officer)	February 14, 2018
/s/ ALECIA A. DECOUDREAUX **Alecia A. DeCoudreaux**	Director	February 14, 2018
/s/ DAVID M. DENTON **David M. Denton**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 14, 2018
/s/ NANCY-ANN M. DEPARLE **Nancy-Ann M. DeParle**	Director	February 14, 2018
/s/ DAVID W. DORMAN **David W. Dorman**	Chairman of the Board and Director	February 14, 2018
/s/ ANNE M. FINUCANE **Anne M. Finucane**	Director	February 14, 2018
/s/ LARRY J. MERLO **Larry J. Merlo**	President and Chief Executive Officer (Principal Executive Officer) and Director	February 14, 2018
/s/ JEAN-PIERRE MILLON **Jean-Pierre Millon**	Director	February 14, 2018
/s/ MARY L. SCHAPIRO **Mary L. Schapiro**	Director	February 14, 2018
/s/ RICHARD J. SWIFT **Richard J. Swift**	Director	February 14, 2018
/s/ WILLIAM C. WELDON **William C. Weldon**	Director	February 14, 2018
/s/ TONY L. WHITE **Tony L. White**	Director	February 14, 2018

Exhibit 12

CVS Health Corporation
Computation of Ratios of Earnings to Fixed Charges

	Year Ended December 31,				
In millions	**2017**	**2016**	**2015**	**2014**	**2013**
Earnings:					
Income from continuing operations before income taxes [a]	$ 8,267	$ 8,635	$ 8,614	$ 7,678	$ 7,528
Interest portion of net rental expense [b]	802	790	764	786	750
Interest expense (net of interest capitalized)	1,062	1,078	859	615	517
Adjusted earnings	$ 10,131	$ 10,503	$ 10,237	$ 9,079	$ 8,795
Fixed Charges:					
Interest portion of net rental expense [b]	802	790	764	786	750
Interest expense (net of interest capitalized)	1,062	1,078	859	615	517
Interest capitalized	8	13	12	19	25
Total fixed charges	$ 1,872	$ 1,881	$ 1,635	$ 1,420	$ 1,292
Ratio of earnings to fixed charges	5.41 x	5.58 x	6.26 x	6.39 x	6.81 x

(a) Excludes net (income) loss attributable to noncontrolling interest.
(b) The portion of net rental expense deemed to be representative of the interest factor.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and Cautionary Statement Concerning Forward-Looking Statements that are included in this Annual Report.

Overview of Our Business

CVS Health Corporation, together with its subsidiaries (collectively, "CVS Health," the "Company," "we," "our" or "us"), is a pharmacy innovation company helping people on their path to better health. At the forefront of a changing health care landscape, the Company has an unmatched suite of capabilities and the expertise needed to drive innovations that will help shape the future of health care.

We are currently the only integrated pharmacy health care company with the ability to impact consumers, payors, and providers with innovative, channel-agnostic solutions. We have a deep understanding of their diverse needs through our unique integrated model, and we are bringing them innovative solutions that help increase access to quality care, deliver better health outcomes and lower overall health care costs.

Through more than 9,800 retail locations, more than 1,100 walk-in health care clinics, a leading pharmacy benefits manager with more than 94 million plan members, a dedicated senior pharmacy care business serving more than one million patients per year, expanding specialty pharmacy services and a leading stand-alone Medicare Part D prescription drug plan, we enable people, businesses, and communities to manage health in more affordable, effective ways. We are delivering break-through products and services, from advising patients on their medications at our CVS Pharmacy® locations, to introducing unique programs to help control costs for our clients at CVS Caremark®, to innovating how care is delivered to our patients with complex conditions through CVS Specialty®, to improving pharmacy care for the senior community through Omnicare®, or by expanding access to high-quality, low-cost care at CVS MinuteClinic®.

We have three reportable segments: Pharmacy Services, Retail/LTC and Corporate.

Overview of Our Pharmacy Services Segment

Our Pharmacy Services business generates revenue from a full range of pharmacy benefit management ("PBM") solutions, including plan design offerings and administration, formulary management, Medicare Part D services, mail order pharmacy, specialty pharmacy and infusion services, retail pharmacy network management services, prescription management systems, clinical services, disease management services and medical spend management.

Our clients are primarily employers, insurance companies, unions, government employee groups, health plans, Medicare Part D plans, Managed Medicaid plans, plans offered on the public and private exchanges, other sponsors of health benefit plans, and individuals throughout the United States. A portion of covered lives primarily within the Managed Medicaid, health plan and employer markets have access to our services through public and private exchanges.

As a pharmacy benefits manager, we manage the dispensing of prescription drugs through our mail order pharmacies, specialty pharmacies, national network of long-term care pharmacies and more than 68,000 retail pharmacies, consisting of approximately 41,000 chain pharmacies (which includes our CVS Pharmacy® pharmacies) and 27,000 independent pharmacies, to eligible members in the benefit plans maintained by our clients and utilize our information systems to perform, among other things, safety checks, drug interaction screenings and brand-to-generic substitutions.

Our specialty pharmacies support individuals who require complex and expensive drug therapies. Our specialty pharmacy business includes mail order and retail specialty pharmacies that operate under the CVS Caremark®, Navarro® Health Services and Advanced Care Scripts ("ACS Pharmacy") names. Substantially all of our mail service specialty pharmacies have been accredited by The Joint Commission, which is an independent, not-for-profit organization that accredits and certifies health care organizations and programs in the United States. We also offer specialty infusion services and enteral nutrition services through Coram LLC and its subsidiaries (collectively, "Coram"). With Specialty Connect®, which integrates our specialty pharmacy mail and retail capabilities, we provide members with disease-state specific counseling from our experienced specialty pharmacists and the choice to bring their specialty prescriptions to

any CVS Pharmacy location. Whether submitted through one of our mail order pharmacy or at a CVS Pharmacy, all prescriptions are filled through the Company's specialty mail order pharmacies, so all revenue from this specialty prescription services program is recorded within the Pharmacy Services Segment. Members then can choose to pick up their medication at their local CVS Pharmacy or have it sent to their home through the mail.

We also provide health management programs, which include integrated disease management for 18 conditions, through our AccordantCare™ rare disease management offering. The majority of these integrated programs are accredited by the National Committee for Quality Assurance.

In addition, through our SilverScript Insurance Company ("SilverScript") subsidiary, we are a national provider of drug benefits to eligible beneficiaries under the federal government's Medicare Part D program. As of December 31, 2017, we provided Medicare Part D plan benefits to approximately 5.5 million beneficiaries through SilverScript, including our individual and employer group waiver plans.

The Pharmacy Services Segment operates under the CVS Caremark® Pharmacy Services, Caremark®, CVS Caremark®, CVS Specialty®, AccordantCare™, SilverScript®, Wellpartner®, Coram®, NovoLogix®, Navarro® Health Services and ACS Pharmacy names. As of December 31, 2017, the Pharmacy Services Segment operated 23 retail specialty pharmacy stores, 18 specialty mail order pharmacies, four mail order dispensing pharmacies, and 83 branches for infusion and enteral services, including approximately 73 ambulatory infusion suites and three centers of excellence, located in 42 states, Puerto Rico and the District of Columbia.

Overview of Our Retail/LTC Segment

Our Retail/LTC Segment sells prescription drugs and a wide assortment of general merchandise, including over-the-counter drugs, beauty products and cosmetics, personal care products, convenience foods, photo finishing, seasonal merchandise and greeting cards. With the acquisition of Omnicare's long-term care ("LTC") operations, the Retail/LTC Segment now also includes the distribution of prescription drugs, related pharmacy consulting and other ancillary services to chronic care facilities and other care settings. Omnicare operations also included commercialization services which were provided under the name RxCrossroads® ("RxC"), until the sale of RxC was completed on January 2, 2018. See Note 3 "Goodwill and Other Intangibles" to our consolidated financial statements for more information. Our Retail/LTC Segment derives the majority of its revenues through the sale of prescription drugs, which are dispensed by our more than 32,000 pharmacists. The role of our retail pharmacists is expanding from primarily dispensing prescriptions to also providing services, including flu vaccinations as well as face-to-face patient counseling with respect to adherence to drug therapies, closing gaps in care, and more cost-effective drug therapies. Our integrated pharmacy services model enables us to enhance access to care while helping to lower overall health care costs and improve health outcomes.

Our Retail/LTC Segment also provides health care services through our MinuteClinic® health care clinics. MinuteClinics are staffed by nurse practitioners and physician assistants who utilize nationally recognized protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions, and deliver vaccinations. We believe our clinics provide high quality services that are affordable and convenient.

Our proprietary loyalty card program, ExtraCare®, has about 62 million active cardholders, making it one of the largest and most successful retail loyalty card programs in the country.

As of December 31, 2017, our Retail/LTC Segment included 9,803 retail stores (of which 8,060 were our stores that operated a pharmacy and 1,695 were our pharmacies located within Target stores) located in 49 states, the District of Columbia, Puerto Rico and Brazil operating primarily under the CVS Pharmacy®, CVS®, CVS Pharmacy y más®, Longs Drugs®, Navarro Discount Pharmacy® and Drogaria Onofre™ names, 37 onsite pharmacies primarily operating under the CarePlus CVS Pharmacy™, CarePlus® and CVS Pharmacy® names, and 1,134 retail health care clinics operating under the MinuteClinic® name (of which 1,129 were located in our retail pharmacy stores or Target stores), and our online retail websites, CVS.com®, Navarro.com™ and Onofre.com.br™. LTC operations are comprised of 145 spoke pharmacies that primarily handle new prescription orders, of which 30 are also hub pharmacies that use proprietary automation to support spoke pharmacies with refill prescriptions. LTC operates primarily under the Omnicare® and NeighborCare® names.

Overview of Our Corporate Segment

The Corporate Segment provides management and administrative services to support the Company. The Corporate Segment consists of certain aspects of our executive management, corporate relations, legal, compliance, human resources, information technology and finance departments.

Proposed Acquisition of Aetna

On December 3, 2017, we entered into a definitive merger agreement to acquire all of the outstanding shares of Aetna Inc. ("Aetna") for a combination of cash and stock ("Aetna Acquisition"). Under the terms of the merger agreement, Aetna shareholders will receive $145.00 per share in cash and 0.8378 CVS Health shares for each Aetna share. The transaction values Aetna at approximately $207 per share or approximately $69 billion based on the Company's 5-day volume weighted average price ending December 1, 2017 of $74.21 per share. Including the assumption of Aetna's debt, the total value of the transaction is approximately $77 billion. The final purchase price will be determined based on the Company's stock price on the date of closing of the transaction. We expect to finance the cash portion of the purchase price through a combination of cash on hand and by issuing approximately $45.0 billion of new debt, including senior notes and term loans (see "Liquidity and Capital Resources" in "Management's Discussion and Analysis of Financial Condition and Results of Operations"). We made customary representations, warranties and covenants in the merger agreement, including, among others, a covenant, subject to certain exceptions, to conduct our business in the ordinary course between the execution of the merger agreement and the closing of the transaction.

The proposed acquisition is currently projected to close in the second half of 2018 and remains subject to approval by CVS Health and Aetna shareholders and customary closing conditions, including the expiration of the waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976 and approvals of state departments of insurance and U.S. and international regulators.

If the transaction is not completed, the Company could be liable to Aetna for a termination fee of $2.1 billion in connection with the merger agreement, depending on the reasons leading to such termination.

Results of Operations

Summary of our Consolidated Financial Results

	Year Ended December 31,		
In millions, except per share amounts	**2017**	**2016**	**2015**
Net revenues	$184,765	$177,526	$153,290
Cost of revenues	156,220	148,669	126,762
Gross profit	28,545	28,857	26,528
Operating expenses	19,028	18,491	17,053
Operating profit	9,517	10,366	9,475
Interest expense, net	1,041	1,058	838
Loss on early extinguishment of debt	—	643	—
Other expense	208	28	21
Income before income tax provision	8,268	8,637	8,616
Income tax provision	1,637	3,317	3,386
Income from continuing operations	6,631	5,320	5,230
Income (loss) from discontinued operations, net of tax	(8)	(1)	9
Net income	6,623	5,319	5,239
Net income attributable to noncontrolling interest	(1)	(2)	(2)
Net income attributable to CVS Health	$ 6,622	$ 5,317	$ 5,237

Net revenues increased $7.2 billion in 2017 compared to 2016, and increased $24.2 billion in 2016 compared to 2015. As you review our performance in this area, we believe you should consider the following important information:

- During 2017, net revenues in our Pharmacy Services Segment increased 8.9% and net revenues in our Retail/LTC Segment decreased 2.1% compared to the prior year. The Retail/LTC Segment decrease was primarily due to a decline in same store sales of 2.6% as a result of the previously-announced marketplace changes that restrict CVS Pharmacy from participating in certain networks.

- During 2016, net revenues in our Pharmacy Services Segment increased by 19.5% and net revenues in our Retail/LTC Segment increased 12.6% compared to the prior year. The Retail/LTC Segment benefited from the 2015 acquisitions of Omnicare and the pharmacies and clinics of Target.

- In 2017 and 2016, the Pharmacy Services Segment continued to grow from net new business and specialty. The increase in our generic dispensing rates in both of our operating segments continued to have a negative effect on net revenue in 2017 as compared to 2016, as well as in 2016 as compared to 2015.

Please see the Segment Analysis later in this document for additional information about our net revenues.

Gross profit decreased $312 million, or 1.1% in 2017, to $28.5 billion, as compared to $28.9 billion in 2016. Gross profit increased $2.3 billion, or 8.8% in 2016, to $28.9 billion, as compared to $26.5 billion in 2015. Gross profit as a percentage of net revenues declined to 15.4%, as compared to 16.3% in 2016 and 17.3% in 2015.

- During 2017, gross profit in our Pharmacy Services Segment and Retail/LTC Segment increased by 2.4% and decreased by 1.8%, respectively, compared to the prior year. For the year ended December 31, 2017, gross profit as a percentage of net revenues in our Pharmacy Services Segment and Retail/LTC Segment was 4.6% and 29.4%, respectively.

- During 2016, gross profit in our Pharmacy Services Segment and Retail/LTC Segment increased by 12.9% and 7.9%, respectively, compared to the prior year. For the year ended December 31, 2016, gross profit as a percentage of net revenues in our Pharmacy Services Segment and Retail/LTC Segment was 4.9% and 29.3%, respectively.

- The increased weighting toward the Pharmacy Services Segment, which has a lower gross margin than the Retail/LTC Segment, resulted in a decline in consolidated gross profit as a percent of net revenues in 2017 as compared to 2016. In addition, gross profit for 2017 and 2016 has been negatively impacted by price compression in the Pharmacy Services Segment and reimbursement pressure in the Retail/LTC Segment.

- Our gross profit continued to benefit from the increased utilization of generic drugs, which normally yield a higher gross profit rate than brand name drugs, in both the Pharmacy Services and Retail/LTC segments for 2017 and 2016, partially offsetting the negative impacts described above.

Please see the Segment Analysis later in this document for additional information about our gross profit.

Operating expenses increased $537 million, or 2.9%, in the year ended December 31, 2017, as compared to the prior year. Operating expenses as a percent of net revenues declined to 10.3% in the year ended December 31, 2017 compared to 10.4% in the prior year. The increase in operating expense dollars in the year ended December 31, 2017 was primarily due to an increase in charges of $181 million associated with the closure of 71 retail stores in connection with our enterprise streamlining initiative, goodwill impairment charges of $181 million related to the RxCrossroads reporting unit within the Retail/LTC Segment, $57 million of hurricane related expenses which were predominately in the Retail/LTC Segment, and new store openings. The increase in operating expenses also reflects the lack of a favorable impact for the reversal of an accrual of $85 million, in the Pharmacy Services Segment, in connection with a legal settlement in the year ended December 31, 2016. These matters which led to the increase in operating expenses in 2017 were partially offset by a decrease in acquisition-related transaction and integration costs of $226 million due to the bulk of the Omnicare related integration costs being incurred in 2016. The improvement in operating expenses as a percentage of net revenues in 2017 is primarily due to expense leverage from net revenue growth.

Operating expenses increased $1.4 billion, or 8.4%, in the year ended December 31, 2016, as compared to the prior year. Operating expenses as a percent of net revenues declined to 10.4% in the year ended December 31, 2016 compared to 11.1% in the prior year. The increase in operating expense dollars in the year ended December 31, 2016 was primarily due to the acquisition of the Target pharmacy and clinic businesses in December 2015, the Omnicare acquisition in August 2015 and incremental store operating costs associated with a higher store count, partially offset by lower legal settlement costs, including the reversal of an accrual of $85 million, in the Pharmacy Services Segment, in the year ended December 31, 2016. The improvement in operating expenses as a percentage of net revenues in 2016 was primarily due to expense leverage from net revenue growth.

Please see the Segment Analysis later in this document for additional information about operating expenses.

Interest expense, net for the years ended December 31 consisted of the following:

In millions	**2017**	**2016**	**2015**
Interest expense	$ 1,062	$ 1,078	$ 859
Interest income	(21)	(20)	(21)
Interest expense, net	$ 1,041	$ 1,058	$ 838

Net interest expense decreased $17 million during the year ended December 31, 2017, primarily due to the Company's debt issuance and debt tender offers that occurred in 2016 which resulted in overall more favorable interest rates on the Company's long-term debt. See Note 5 "Borrowings and Credit Agreements" to the consolidated financial statements for additional information. During 2016, net interest expense increased $220 million, primarily due to the $15 billion debt issuance in July 2015, the proceeds of which were used to fund the acquisitions of Omnicare and the pharmacies and clinics of Target, and repay the majority of the debt assumed in the Omnicare acquisition.

Loss on early extinguishment of debt - During the year ended December 31, 2016, the Company purchased approximately $4.2 billion aggregate principal amount of certain of its senior notes pursuant to its tender offer for such senior notes and option to redeem the outstanding senior notes (see Note 5 "Borrowings and Credit Agreements" to the consolidated financial statements). The Company paid a premium of $583 million in excess of the debt principal, wrote off $54 million of unamortized deferred financing costs and incurred $6 million in fees, for a total loss on the early extinguishment of debt of $643 million.

Income tax provision - On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the "TCJA"). Among numerous changes to existing tax laws, the TCJA permanently reduces the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The effects of changes in tax rates on deferred tax balances are required to be taken into consideration in the period in which the changes are enacted, regardless of when they are effective. As the result of the reduction of the corporate income tax rate under the TCJA, the Company estimated the revaluation of its net deferred tax liabilities and recorded a provisional noncash income tax benefit of approximately $1.5 billion for year ended December 31, 2017. The Company has not completed all of its processes to determine the TCJA's final impact. The final impact may differ from this provisional amount due to, among other things, changes in interpretations and assumptions the Company has made thus far and the issuance of additional regulatory or other guidance. The accounting is expected to be completed by the time the 2017 federal corporate income tax return is filed in 2018.

Our effective income tax rate was 19.8%, 38.4% and 39.3% in 2017, 2016 and 2015, respectively. The effective income tax rate was lower in 2017 compared to 2016 primarily due to the provisional impact of the TCJA, including the revaluation of net deferred tax liabilities. The effective income tax rate was lower in 2016 compared to 2015 primarily due to the resolution in 2016 of certain income tax matters in tax years through 2012, as well as other permanent items.

Income (loss) from discontinued operations - In connection with certain business dispositions completed between 1991 and 1997, the Company retained guarantees on store lease obligations for a number of former subsidiaries, including Linens 'n Things, which filed for bankruptcy in 2008, and Bob's stores, which filed for bankruptcy in 2016. The Company's loss from discontinued operations includes lease-related costs required to satisfy its Linens 'n Things and Bob's Stores lease guarantees. We incurred a loss from discontinued operations, net of tax, of $8 million and $1 million in 2017 and 2016, respectively. The Company's income from discontinued operations in 2015 of $9 million, net of tax, was related to the release of certain store lease guarantees due to the settlement of a dispute with a landlord.

See Note 1 “Significant Accounting Policies - Discontinued Operations” to the consolidated financial statements for additional information about discontinued operations and Note 12 “Commitments and Contingencies” for additional information about our lease guarantees.

Segment Analysis

We evaluate the performance of our Pharmacy Services and Retail/LTC segments based on net revenues, gross profit and operating profit before the effect of nonrecurring charges and gains and certain intersegment activities. The Company evaluates the performance of its Corporate Segment based on operating expenses before the effect of nonrecurring charges and gains, and certain intersegment activities. The following is a reconciliation of the Company’s business segments to the consolidated financial statements:

In millions	Pharmacy Services Segment[1]	Retail/LTC Segment[2]	Corporate Segment	Intersegment Eliminations[2]	Consolidated Totals
2017:					
Net revenues	$ 130,596	$ 79,398	$ —	$ (25,229)	$ 184,765
Gross profit [3]	6,040	23,317	—	(812)	28,545
Operating profit (loss) [4][5]	4,755	6,469	(966)	(741)	9,517
2016:					
Net revenues	119,963	81,100	—	(23,537)	177,526
Gross profit [3]	5,901	23,738	—	(782)	28,857
Operating profit (loss) [4][5][6][7]	4,676	7,302	(891)	(721)	10,366
2015:					
Net revenues	100,363	72,007	—	(19,080)	153,290
Gross profit	5,227	21,992	—	(691)	26,528
Operating profit (loss) [4][5][6][7]	3,992	7,146	(1,035)	(628)	9,475

(1) Net revenues of the Pharmacy Services Segment include approximately $10.8 billion, $10.5 billion and $8.9 billion of Retail/LTC Co-Payments for 2017, 2016 and 2015, respectively. See Note 1 “Significant Accounting Policies - Revenue Recognition” to the consolidated financial statements for additional information about Retail/LTC Co-Payments.

(2) Intersegment eliminations relate to intersegment revenue generating activities that occur between the Pharmacy Services Segment and the Retail/LTC Segment. These occur in the following ways: when members of Pharmacy Services Segment clients (“members”) fill prescriptions at our retail pharmacies to purchase covered products, when members enrolled in programs such as Maintenance Choice ® elect to pick up maintenance prescriptions at one of our retail pharmacies instead of receiving them through the mail, or when members have prescriptions filled at our long-term care pharmacies. When these occur, both the Pharmacy Services and Retail/LTC segments record the revenues, gross profit and operating profit on a standalone basis.

(3) The Retail/LTC Segment gross profit for the year ended December 31, 2017 and 2016, includes $2 million and $46 million, respectively, of acquisition-related integration costs. The integration costs in 2017 are related to the acquisition of Omnicare and the integration costs in 2016 are related to the acquisitions of Omnicare and the pharmacies and clinics of Target.

(4) The Retail/LTC Segment operating profit for 2017, 2016 and 2015, include $34 million, $281 million and $64 million, respectively, of acquisition-related integration costs. The integration costs in 2017 are related to the acquisition of Omnicare. The integration costs in 2016 and 2015 are related to the acquisitions of Omnicare and the pharmacies and clinics of Target. Operating profit for the year ended December 31, 2017 also includes $215 million of charges associated with store rationalization and $181 million of goodwill impairment charges related to the RxCrossroads reporting unit. For the year ended December 31, 2016, operating profit includes a $34 million asset impairment charge in connection with planned store closures in 2017 related to our enterprise streamlining initiative.

(5) The Corporate Segment operating loss for the year ended December 31, 2017, includes a reduction of $3 million in integration costs for a change in estimate related to the acquisition of Omnicare, $34 million in acquisition-related transaction costs related to the proposed Aetna acquisition and $9 million of transaction costs related to the divestiture of RxCrossroads. The Corporate Segment operating loss for the year ended December 31, 2016 includes integration costs of $10 million related to the acquisitions of Omnicare and the pharmacies and clinics of Target. For the year ended December 31, 2015, the Corporate Segment operating loss includes $156 million of acquisition-related transaction and integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target and a $90 million charge related to a legacy lawsuit challenging the 1999 legal settlement by MedPartners of various securities class actions and a related derivative claim.

(6) The Pharmacy Services Segment operating profit for the year ended December 31, 2016, includes the reversal of an accrual of $88 million in connection with a legal settlement.

(7) Amounts revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased consolidated operating profit by $28 million and $21 million for the years ended December 31, 2016 and 2015, respectively.

Pharmacy Services Segment

The following table summarizes our Pharmacy Services Segment's performance for the respective periods:

	Year Ended December 31,		
In millions	**2017**	**2016**	**2015**
Net revenues	$130,596	$119,963	$100,363
Gross profit	$ 6,040	$ 5,901	$ 5,227
Gross profit % of net revenues	4.6 %	4.9 %	5.2 %
Operating expenses [1][2]	$ 1,285	$ 1,225	$ 1,235
Operating expenses % of net revenues	1.0 %	1.0 %	1.2 %
Operating profit [1]	$ 4,755	$ 4,676	$ 3,992
Operating profit % of net revenues	3.6 %	3.9 %	4.0 %
Net revenues:			
Mail choice [3]	$ 45,709	$ 42,783	$ 37,828
Pharmacy network [4]	$ 84,555	$ 76,848	$ 62,240
Other	$ 332	$ 332	$ 295
Pharmacy claims processed (90 Day = 3 prescriptions) [5][6]:			
Total	1,781.9	1,639.2	1,325.8
Mail choice [3]	265.2	251.5	241.1
Pharmacy network [4]	1,516.7	1,387.7	1,084.7
Generic dispensing rate [5][6]:			
Total	87.0 %	85.9 %	83.9 %
Mail choice [3]	83.1 %	81.4 %	79.4 %
Pharmacy network [4]	87.7 %	86.7 %	84.9 %
Mail choice penetration rate [5][6]	14.9 %	15.3 %	18.2 %

(1) Amounts revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses and increased operating profit by $4 million and $3 million for the year ended December 31, 2016 and 2015, respectively.

(2) The Pharmacy Services Segment operating expenses for the year ended December 31, 2016, includes the reversal of an accrual of $88 million in connection with a legal settlement.

(3) Mail choice is defined as claims filled at a Pharmacy Services mail facility, which includes specialty mail claims inclusive of Specialty Connect® claims picked up at retail, as well as prescriptions filled at our retail pharmacies under the Maintenance Choice® program.

(4) Pharmacy network net revenues, claims processed and generic dispensing rates do not include Maintenance Choice activity, which is included within the mail choice category. Pharmacy network is defined as claims filled at retail and specialty retail pharmacies, including our retail pharmacies and long-term care pharmacies, but excluding Maintenance Choice activity.

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

(6) The pharmacy claims processed, the generic dispensing rate and the mail choice penetration rate for the year ended December 31, 2016, has been revised to reflect 90-day prescriptions to the equivalent of three 30-day prescriptions.

Net revenues in our Pharmacy Services Segment increased $10.6 billion, or 8.9%, to $130.6 billion for the year ended December 31, 2017, as compared to the prior year. The increase is primarily due to growth in pharmacy network and specialty pharmacy volume as well as brand inflation, partially offset by continued price compression and increased generic dispensing.

Net revenues increased $19.6 billion, or 19.5%, to $120.0 billion for the year ended December 31, 2016, as compared to the prior year. The increase is primarily due to increased pharmacy network claims, growth in specialty pharmacy, growth in Medicare Part D, addition of ACS Pharmacy through the acquisition of Omnicare, and inflation, partially offset by increased generic dispensing and price compression.

As you review our Pharmacy Services Segment's revenue performance, we believe you should also consider the following important information about the business:

- Our mail choice claims processed increased 5.5% to 265.2 million claims, on a 30-day equivalent basis, in the year ended December 31, 2017, compared to 251.5 million claims in the prior year. During 2016, our mail choice claims processed increased 4.3% to 251.5 million claims on a 30-day equivalent basis. The increases in mail choice claims

were driven by growth in specialty pharmacy claims, an increase in net new business, and continued adoption of our Maintenance Choice offerings.

- During 2017 and 2016, our average revenue per mail choice claim, on a 30-day equivalent basis, increased by 1.7% and 8.3%, compared to 2016 and 2015, respectively. The increase in both years was primarily due to growth in specialty pharmacy and inflation.

- Our pharmacy network claims processed increased 9.3% to 1,516.7 million claims in the year ended December 31, 2017, compared to 1,387.7 million claims in the prior year on a 30-day equivalent basis. During 2016, our pharmacy network claims processed, on a 30-day equivalent basis, increased 27.9% to 1,387.7 million compared to 1,084.7 million pharmacy network claims processed in 2015. These increases were primarily due to volume from net new business.

- During 2017 and 2016, our average revenue per pharmacy network claim processed remained flat on a 30-day equivalent basis.

- Our mail choice generic dispensing rate was 83.1%, 81.4% and 79.4% in the years ended December 31, 2017, 2016 and 2015, respectively. Our pharmacy network generic dispensing rate was 87.7%, 86.7%, and 84.9% in the years ended December 31, 2017, 2016 and 2015, respectively. These continued increases in mail choice and pharmacy network generic dispensing rates were primarily due to the impact of new generic drug introductions, and our continuous efforts to encourage plan members to use generic drugs when they are available and clinically appropriate. We believe our generic dispensing rates will continue to increase in future periods, albeit at a slower pace. This increase will be affected by, among other things, the number of new brand and generic drug introductions and our success at encouraging plan members to utilize generic drugs when they are available and clinically appropriate.

Gross profit in our Pharmacy Services Segment includes net revenues less cost of revenues. Cost of revenues includes (i) the cost of pharmaceuticals dispensed, either directly through our mail service and specialty retail pharmacies or indirectly through our pharmacy network, (ii) shipping and handling costs and (iii) the operating costs of our mail service dispensing pharmacies, customer service operations and related information technology support.

Gross profit increased $139 million, or 2.4%, to $6.0 billion in the year ended December 31, 2017, as compared to the prior year. Gross profit as a percentage of net revenues decreased to 4.6% for the year ended December 31, 2017, compared to 4.9% in the prior year. The increase in gross profit dollars in the year ended December 31, 2017 was primarily due to growth in specialty pharmacy, higher generic dispensing and favorable purchasing economics, partially offset by price compression. The decrease in gross profit as a percentage of net revenues was primarily due to changes in the mix of our business and continued price compression, partially offset by favorable generic dispensing and purchasing economics.

Gross profit increased $674 million, or 12.9%, to $5.9 billion in the year ended December 31, 2016, as compared to the prior year. Gross profit as a percentage of net revenues decreased to 4.9% for the year ended December 31, 2016, compared to 5.2% in the prior year. The increase in gross profit dollars in the year ended December 31, 2016 was primarily due to growth in specialty pharmacy, growth in Medicare Part D lives, higher generic dispensing and favorable purchasing economics, partially offset by price compression. The decrease in gross profit as a percentage of net revenues was primarily due to changes in the mix of our business and continued price compression, partially offset by favorable generic dispensing and purchasing economics.

As you review our Pharmacy Services Segment's performance in this area, we believe you should consider the following important information about the business:

- Our efforts to (i) retain existing clients, (ii) obtain new business and (iii) maintain or improve the rebates and/or discounts we received from manufacturers, wholesalers and retail pharmacies continue to have an impact on our gross profit dollars and gross profit as a percentage of net revenues. In particular, competitive pressures in the PBM industry have caused us and other PBMs to continue to share with clients a larger portion of rebates and/or discounts received from pharmaceutical manufacturers. In addition, market dynamics and regulatory changes have limited our

ability to offer plan sponsors pricing that includes retail network "differential" or "spread," and we expect these trends to continue. The "differential" or "spread" is any difference between the drug price charged to plan sponsors, including Medicare Part D plan sponsors, by a PBM and the price paid for the drug by the PBM to the dispensing provider.

Operating expenses in our Pharmacy Services Segment, which include selling, general and administrative expenses, depreciation and amortization related to selling, general and administrative activities and administrative payroll, employee benefits and occupancy costs, were flat at 1.0% of net revenues in 2017 and 2016, compared to 1.2% in 2015.

Operating expenses increased $60 million or 4.9% in the year ended December 31, 2017, compared to the prior year. Operating expenses decreased $10 million or 0.8% in the year ended December 31, 2016, compared to the prior year. These changes in operating expense dollars are primarily due to an $88 million reversal of an accrual in connection with a legal settlement in 2016, partially offset by an increase in costs associated with the growth of our business.

Retail/LTC Segment

The following table summarizes our Retail/LTC Segment's performance for the respective periods:

	Year Ended December 31,		
In millions	**2017**	**2016**	**2015**
Net revenues	$ 79,398	$ 81,100	$ 72,007
Gross profit [1]	$ 23,317	$ 23,738	$ 21,992
Gross profit % of net revenues	29.4 %	29.3 %	30.5 %
Operating expenses [2][3]	$ 16,848	$ 16,436	$ 14,846
Operating expenses % of net revenues	21.2 %	20.3 %	20.6 %
Operating profit [3]	$ 6,469	$ 7,302	$ 7,146
Operating profit % of net revenues	8.1 %	9.0 %	9.9 %
Prescriptions filled (90 Day = 3 prescriptions) [4]	1,230.5	1,223.5	1,031.6
Net revenue increase (decrease):			
Total	(2.1)%	12.6 %	6.2 %
Pharmacy	(2.2)%	15.9 %	9.5 %
Front Store	(1.9)%	0.3 %	(2.5)%
Total prescription volume (90 Day = 3 prescriptions) [4]	0.6 %	18.6 %	10.2 %
Same store sales increase (decrease) [5]:			
Total	(2.6)%	1.9 %	1.7 %
Pharmacy	(2.6)%	3.2 %	4.5 %
Front Store [6]	(2.6)%	(1.5)%	(5.0)%
Prescription volume (90 Day = 3 prescriptions) [4]	0.4 %	3.6 %	4.8 %
Generic dispensing rates	87.3 %	85.7 %	84.5 %
Pharmacy % of net revenues	75.0 %	75.0 %	72.9 %

(1) Gross profit for the years ended December 31, 2017 and 2016, includes $2 million and $46 million, respectively, of acquisition-related integration costs. In 2017, the integration costs related to the acquisition of Omnicare. In 2016, the integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target.

(2) Operating expenses for the years ended December 31, 2017, 2016 and 2015, include $32 million, $235 million and $64 million, respectively, of acquisition-related integration costs. In 2017, the integration costs related to the acquisition of Omnicare. In 2016 and 2015, the integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target. For the year ended December 31, 2017, operating expenses include $215 million of charges associated with store closures and $181 million of goodwill impairment charges related to the segment's RxCrossroads reporting unit. Operating expenses for the year ended December 31, 2016, also include a $34 million asset impairment charge in connection with planned store closures in 2017 related to our enterprise streamlining initiative.

(3) Amounts revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses and increased operating profit by $21 million and $16 million for the year ended December 31, 2016 and 2015, respectively.

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

(5) Same store sales and prescriptions exclude revenues from MinuteClinic, and revenue and prescriptions from stores in Brazil, from LTC operations and from commercialization services.

(6) Front store same store sales would have been approximately 520 basis points higher for the year ended December 31, 2015, if tobacco and the estimated associated basket sales were excluded from the year ended December 31, 2014.

Net revenues decreased approximately $1.7 billion, or 2.1%, to $79.4 billion for the year ended December 31, 2017, as compared to the prior year. The decrease was primarily due to a decline in same store sales as a result of the previously-announced marketplace changes that restrict CVS Pharmacy from participating in certain networks.

Net revenues increased approximately $9.1 billion, or 12.6%, to $81.1 billion for the year ended December 31, 2016, as compared to the prior year. This increase was primarily driven by the acquisitions of the pharmacies and clinics of Target and new stores, which accounted for approximately 640 basis points of our total net revenue percentage increase during the year, the acquisition of Omnicare's LTC operations and a same store sales increase of 1.9%. As you review our Retail/LTC Segment's performance in this area, we believe you should consider the following important information about the business:

- Front store same store sales declined 2.6% in the year ended December 31, 2017, as compared to the prior year, and were negatively impacted approximately 30 basis points due to the absence of leap day in the current year. The decrease is primarily driven by softer customer traffic and efforts to rationalize promotional strategies, partially offset by an increase in basket size.

- Pharmacy same store sales declined 2.6% in the year ended December 31, 2017, as compared to the prior year. Pharmacy same store sales were negatively impacted by approximately 390 basis points due to recent generic introductions. Same store prescription volumes increased 0.4%, including the approximately 420 basis point negative impact from previously-discussed marketplace changes that restrict CVS Pharmacy from participating in certain networks that had an.

- Pharmacy revenues continue to be negatively impacted by the conversion of brand name drugs to equivalent generic drugs, which typically have a lower selling price. The generic dispensing rate grew to 87.3% for the year ended December 31, 2017, compared to 85.7% in the prior year. In addition, our pharmacy revenue growth has also been negatively affected by the mix of drugs sold, continued reimbursement pressure and the lack of significant new brand name drug introductions.

- Pharmacy revenue growth may be impacted by industry changes in the LTC business, such as continuing lower occupancy rates at skilled nursing facilities.

- Pharmacy revenue continued to benefit from our ability to attract and retain managed care customers, the increased use of pharmaceuticals by an aging population and as the first line of defense for health care.

Gross profit in our Retail/LTC Segment includes net revenues less the cost of merchandise sold during the reporting period and the related purchasing costs, warehousing costs, delivery costs and actual and estimated inventory losses.

Gross profit decreased $421 million, or 1.8%, to approximately $23.3 billion in the year ended December 31, 2017, as compared to the prior year. Gross profit as a percentage of net revenues increased slightly to 29.4% in year ended December 31, 2017, from 29.3% in 2016. Gross profit increased $1.7 billion, or 7.9%, to approximately $23.7 billion in the year ended December 31, 2016, as compared to the prior year. Gross profit as a percentage of net revenues decreased to 29.3% in year ended December 31, 2016, from 30.5% in 2015.

The decrease in gross profit dollars in both Retail Pharmacy and LTC in the year ended December 31, 2017, was primarily driven by the continued reimbursement pressure as well as a loss of prescriptions in Retail Pharmacy due to previously discussed network restrictions. In the year ended December 31, 2017, gross profit as a percentage of net revenues was relatively flat driven by increased front store margins which offset the continued reimbursement pressure on pharmacy. Front store margins increased due to changes in the mix of products sold and efforts to rationalize promotional strategies.

As you review our Retail/LTC Segment's performance in this area, we believe you should consider the following important information about the business:

- Front store revenues as a percentage of total Retail/LTC Segment net revenues for both of the years ended December 31, 2017 and 2016 was 23.6% and for the year ended December 31, 2015 was 26.5%. On average, our

gross profit on front store revenues is higher than our gross profit on pharmacy revenues. The mix effect from a higher proportion of pharmacy sales had a negative effect on our overall gross profit as a percentage of net revenues for the years ended December 31, 2016 and 2015. This negative effect was partially offset by an increase in generic drugs dispensed, and an improved front store gross margin rate, which includes efforts to rationalize promotional strategies.

- During 2017 and 2016, our front store gross profit as a percentage of net revenues increased compared to the prior year. In both years, the increase reflects a change in the mix of products sold, including store brand products, as a result of our efforts to rationalize promotional strategies.

- Our pharmacy gross profit rates have been adversely affected by the efforts of managed care organizations, PBMs and governmental and other third-party payors to reduce their prescription drug costs, including the use of restrictive networks, as well as changes in the mix of our business within the pharmacy portion of the Retail/LTC Segment. In the event the reimbursement pressure accelerates, we may not be able to grow our revenues and gross profit dollars could be adversely impacted. The increased use of generic drugs has positively impacted our gross profit but has resulted in third-party payors augmenting their efforts to reduce reimbursement payments to retail pharmacies for prescriptions. This trend, which we expect to continue, reduces the benefit we realize from brand to generic product conversions.

Operating expenses in our Retail/LTC Segment include store payroll, store employee benefits, store occupancy costs, selling expenses, advertising expenses, depreciation and amortization expense and certain administrative expenses.

Operating expenses increased $412 million, or 2.5% to $16.8 billion, or 21.2% as a percentage of net revenues, in the year ended December 31, 2017, as compared to $16.4 billion, or 20.3% as a percentage of net revenues, in the prior year. Operating expenses increased $1.6 billion, or 10.7%, to $16.4 billion, or 20.3% as a percentage of net revenues, in the year ended December 31, 2016, as compared to $14.9 billion, or 20.6% as a percentage of net revenues, in the prior year.

The increase in operating expense dollars for the year ended December 31, 2017, was primarily due to $181 million increase in charges associated with the closure of 71 retail stores in connection with our enterprise streamlining initiative, $181 million of goodwill impairment charges related to the RxCrossroads reporting unit, which was subsequently sold on January 2, 2018, $55 million in hurricane related costs, and new store openings. Operating expenses as a percentage of net revenues for the year ended December 31, 2017 increased due to a decline in expense leverage with the loss of business from restricted network changes.

The increase in operating expense dollars for the year ended December 31, 2016, was primarily due to the 2015 acquisitions of LTC and the pharmacies and clinics within Target stores, including acquisition-related integration costs of $235 million, as well as incremental store operating costs associated with operating more stores. Operating expenses for the year ended December 31, 2016, includes a gain from a legal settlement with certain credit card companies of $32 million and an asset impairment charge of $34 million in connection with planned store closures in 2017 related to our enterprise streamlining initiative. Additionally, in April 2016, the Retail/LTC Segment made a charitable contribution of $32 million to the CVS Foundation to fund future charitable giving. The CVS Foundation is a non-profit entity that focuses on health, education and community involvement programs. The charitable contribution was recorded as an operating expense in the year ended December 31, 2016.

Corporate Segment

Operating expenses increased $75 million, or 8.4%, to $966 million in the year ended December 31, 2017, as compared to the prior year. Operating expenses decreased $144 million, or 13.9%, to $891 million in the year ended December 31, 2016. Operating expenses within the Corporate Segment include executive management, corporate relations, legal, compliance, human resources, information technology and finance related costs. The increase in operating expenses for the year ended December 31, 2017, was partially driven by ongoing investments in strategic initiatives and increased employee benefit costs. Operating expenses for the year ended December 31, 2017, include $34 million in transaction costs associated with the proposed acquisition of Aetna, $9 million of transaction costs associated with the divestiture of RxCrossroads. The decrease in operating expenses for the year ended December 31, 2016 was primarily due to

acquisition-related transaction and integration costs associated with the acquisition of Omnicare that occurred in August 2015, and the acquisition of the pharmacies and clinics of Target that occurred in December 2015.

Liquidity and Capital Resources

We maintain a level of liquidity sufficient to allow us to meet our cash needs in the short-term. Over the long-term, we manage our cash and capital structure to maximize shareholder return, maintain our financial position and maintain flexibility for future strategic initiatives. We continuously assess our working capital needs, debt and leverage levels, capital expenditure requirements, dividend payouts, potential share repurchases and future investments or acquisitions. We believe our operating cash flows, commercial paper program, credit facilities, sale-leaseback program, as well as any potential future borrowings, will be sufficient to fund these future payments and long-term initiatives.

The change in cash and cash equivalents is as follows:

	Year Ended December 31,		
In millions	**2017**	**2016**	**2015**
Net cash provided by operating activities	$ 8,007	$10,141	$ 8,539
Net cash used in investing activities	(2,932)	(2,470)	(13,420)
Net cash provided by (used in) financing activities	(6,751)	(6,761)	4,879
Effect of exchange rate changes on cash and cash equivalents	1	2	(20)
Net increase (decrease) in cash and cash equivalents	$ (1,675)	$ 912	$ (22)

Net cash provided by operating activities decreased by $2.1 billion in 2017 and increased by $1.6 billion in 2016. These changes are primarily related to the timing of payments for our Medicare Part D operations.

Net cash used in investing activities increased by $462 million in 2017 and decreased $11.0 billion in 2016. The increase in 2017 is largely driven by an increase in acquisition activity as compared to 2016. The decrease in 2016 was primarily due to the $9.6 billion paid for the acquisition of Omnicare and the $1.9 billion paid for the acquisition of the pharmacies and clinics of Target in 2015, compared to the $539 million paid for acquisitions in 2016.

In 2017, gross capital expenditures totaled approximately $1.9 billion, a decrease of approximately $306 million compared to the prior year. The decrease in 2017 capital expenditures is due to the Target integration being completed in 2016. During 2017, approximately 25% of our total capital expenditures were for new store construction, 30% were for store, fulfillment and support facilities expansion and improvements and 45% were for technology and other corporate initiatives. Gross capital expenditures totaled approximately $2.2 billion and $2.4 billion during 2016 and 2015, respectively. During 2016, approximately 31% of our total capital expenditures were for new store construction, 20% were for store, fulfillment and support facilities expansion and improvements and 49% were for technology and other corporate initiatives.

Proceeds from sale-leaseback transactions totaled $265 million in 2017. This compares to $230 million in 2016 and $411 million in 2015. Under the sale-leaseback transactions, the properties are generally sold at net book value, which generally approximates fair value, and the resulting leases generally qualify and are accounted for as operating leases. The specific timing and amount of future sale-leaseback transactions will vary depending on future market conditions and other factors.

Below is a summary of our store development activity for the respective years:

	2017 (2)	**2016 (2)**	**2015 (2)**
Total stores (beginning of year)	9,750	9,665	7,866
New and acquired stores [(1)]	179	132	1,833
Closed stores [(1)]	(83)	(47)	(34)
Total stores (end of year)	9,846	9,750	9,665
Relocated stores	30	50	58

(1) Relocated stores are not included in new or closed store totals.

(2) Includes retail drugstores, certain onsite pharmacy stores, specialty pharmacy stores and pharmacies within Target stores.

Net cash used in financing activities was $6.8 billion in both 2017 and 2016 as net borrowings and net payments to shareholders were relatively flat in both years. Net cash provided by financing activities was $4.9 billion in 2015 versus net cash used in financing activities of $6.8 billion in 2016. The difference of $11.6 billion was primarily due to higher net borrowings in 2015, including the $14.8 billion in net proceeds received from the July 2015 debt issuance that was used to fund the acquisition of Omnicare and the acquisition of the pharmacies and clinics of Target.

Share repurchase programs — The following share repurchase programs were authorized by the Company's Board of Directors:

In billions			**Remaining as of December 31, 2017**
Authorization Date		**Authorized**	
November 2, 2016 ("2016 Repurchase Program")	$	15.0	$ 13.9
December 15, 2014 ("2014 Repurchase Program")		10.0	—
December 17, 2013 ("2013 Repurchase Program")		6.0	—

The share Repurchase Programs, each of which was effective immediately, permit the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase ("ASR") transactions, and/or other derivative transactions. The 2016 Repurchase Program can be modified or terminated by the Board of Directors at any time.

Pursuant to the authorization under the 2014 Repurchase Program, in August 2016, the Company entered into two fixed dollar ASRs with Barclays Bank PLC ("Barclays") for a total of $3.6 billion. Upon payment of the $3.6 billion purchase price in January 2017, the Company received a number of shares of its common stock equal to 80% of the $3.6 billion notional amount of the ASRs or approximately 36.1 million shares, which were placed into treasury stock in January 2017. The ASRs were accounted for as an initial treasury stock transaction for $2.9 billion and a forward contract for $0.7 billion. In April 2017, the Company received 9.9 million shares of common stock, representing the remaining 20% of the $3.6 billion notional amount of the ASRs, thereby concluding the ASRs. The remaining 9.9 million shares of common stock delivered to the Company by Barclays were placed into treasury stock and the forward contract was reclassified from capital surplus to treasury stock in April 2017.

Pursuant to the authorization under the 2014 Repurchase Program, in December 2015, the Company entered into a $725 million fixed dollar ASR with Barclays. Upon payment of the $725 million purchase price in December 2015, the Company received a number of shares of its common stock equal to 80% of the $725 million notional amount of the ASR or approximately 6.2 million shares. The initial 6.2 million shares of common stock delivered to the Company by Barclays were placed into treasury stock in December 2015. The ASR was accounted for as an initial treasury stock transaction of $580 million and a forward contract of $145 million. The forward contract was classified as an equity instrument and was recorded within capital surplus on the consolidated balance sheet. In January 2016, the Company received 1.4 million shares of common stock, representing the remaining 20% of the $725 million notional amount of the ASR, thereby concluding the ASR. The remaining 1.4 million shares of common stock delivered to the Company by Barclays were placed into treasury stock in January 2016 and the forward contract was reclassified from capital surplus to treasury stock.

Pursuant to the authorization under the 2013 Repurchase Programs, in January 2015, the Company entered into a $2.0 billion fixed dollar ASR agreement with J.P. Morgan Chase Bank ("JP Morgan"). Upon payment of the $2.0 billion purchase price in January 2015, the Company received a number of shares of its common stock equal to 80% of the $2.0 billion notional amount of the ASR agreement or approximately 16.8 million shares, which were placed into treasury stock in January 2015. In May 2015, the Company received approximately 3.1 million shares of common stock, representing the remaining 20% of the $2.0 billion notional amount of the ASR, thereby concluding the ASR. The remaining 3.1 million shares of common stock delivered to the Company by JP Morgan were placed into treasury stock in May 2015. The ASR was accounted for as an initial treasury stock transaction of $1.6 billion and a forward contract of $0.4 billion. The forward contract was classified as an equity instrument and was initially recorded within capital surplus on the consolidated balance sheet and was reclassified to treasury stock upon the settlement of the ASR in May 2015.

In the ASR transactions described above, the initial repurchase of the shares and delivery of the remainder of the shares to conclude the ASR, resulted in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share.

During the year ended December 31, 2017, the Company repurchased an aggregate of 55.4 million shares of common stock for approximately $4.4 billion under the 2014 and 2016 Repurchase Programs. As of December 31, 2017, there remained an aggregate of approximately $13.9 billion available for future repurchases under the 2016 Repurchase Program and the 2014 Repurchase Program was complete. During the fourth quarter of 2017, the Company suspended share repurchase activity as a result of the Aetna Acquisition.

During the year ended December 31, 2016, the Company repurchased an aggregate of 47.5 million shares of common stock for approximately $4.5 billion under the 2014 Repurchase Program. As of December 31, 2016, there remained an aggregate of approximately $18.2 billion available for future repurchases under the 2016 and 2014 Repurchase Programs.

During the year ended December 31, 2015, the Company repurchased an aggregate of 48.0 million shares of common stock for approximately $5.0 billion under the 2013 and 2014 Repurchase Programs. As of December 31, 2015, there remained an aggregate of approximately $7.7 billion available for future repurchases under the 2014 Repurchase Program and the 2013 Repurchase Program was complete.

Short-term borrowings - The Company had approximately $1.3 billion of commercial paper outstanding at a weighted average interest rate of 2.0% as of December 31, 2017. The Company had approximately $1.9 billion of commercial paper outstanding at a weighted average interest rate of 1.22% as of December 31, 2016. In connection with its commercial paper program, the Company maintains a $1.0 billion 364-day unsecured back-up credit facility, which expires on May 17, 2018, a $1.25 billion, five-year unsecured back-up credit facility, which expires on July 24, 2019, a $1.25 billion, five-year unsecured back-up credit facility, which expires on July 1, 2020, and a $1.0 billion, five-year unsecured back-up credit facility which expires on May 18, 2022. The credit facilities allow for borrowings at various rates that are dependent, in part, on the Company's public debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.02%, regardless of usage. As of December 31, 2016, there were no borrowings outstanding under the back-up credit facilities. During 2018, the Company intends to refinance the 364-day unsecured back-up credit facility, which expires on May 17, 2018.

On December 3, 2017, in connection with the proposed acquisition of Aetna, the Company entered into a $49.0 billion unsecured bridge loan facility. The Company paid approximately $221 million in fees upon entering into the agreement. The fees were capitalized in other current assets and will be amortized as interest expense over the period the bridge facility is outstanding. The bridge loan facility was reduced to $44.0 billion on December 15, 2017 upon the Company entering into a $5.0 billion term loan agreement. The Company recorded $56 million of amortization of the bridge loan facility fees during the year ended December 31, 2017, which was recorded in interest expense. On December 15, 2017, in connection with the proposed acquisition of Aetna, the Company entered into a $5.0 billion unsecured term loan agreement. The term loan facility under the term loan agreement consists of a $3.0 billion three-year tranche and a $2.0 billion five-year tranche. The term loan facility allows for borrowings at various rates that are dependent, in part, on the Company's debt ratings and require the Company to pay a weighted average quarterly commitment fee, regardless of usage.

On January 3, 2017, the Company entered into a $2.5 billion revolving credit facility. The credit facility allows for borrowings at various rates that are dependent, in part, on the Company's debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.03%, regardless of usage. The Company terminated the credit facility in May 2017.

On May 20, 2015, in connection with the acquisition of Omnicare, the Company entered into a $13 billion unsecured bridge loan facility. The Company paid approximately $52 million in fees in connection with the facility. The fees were capitalized and amortized as interest expense over the period the bridge facility was outstanding. The bridge loan facility expired on July 20, 2015 upon the Company's issuance of unsecured senior notes with an aggregate principal of $15 billion as discussed below. The bridge loan facility fees became fully amortized in July 2015.

Long-term borrowings - On May 16, 2016, the Company issued $1.75 billion aggregate principal amount of 2.125% unsecured senior notes due June 1, 2021 and $1.75 billion aggregate principal amount of 2.875% unsecured senior notes due June 1, 2026 (collectively, the "2016 Notes") for total proceeds of approximately $3.5 billion, net of discounts and underwriting fees. The 2016 Notes pay interest semi-annually and may be redeemed, in whole at any time, or in part from time to time, at the Company's option at a defined redemption price plus accrued and unpaid interest to the redemption date. The net proceeds of the 2016 Notes were used for general corporate purposes and to repay certain corporate debt.

On May 16, 2016, the Company announced tender offers for (1) any and all of its 5.75% Senior Notes due 2017, its 6.60% Senior Notes due 2019 and its 4.75% Senior Notes due 2020 (collectively, the "Any and All Notes") and (2) up to $1.5 billion aggregate principal amount of its 6.25% Senior Notes due 2027, its 6.125% Senior Notes due 2039, its 5.75% Senior Notes due 2041, the 5.00% Senior Notes due 2024 issued by its wholly-owned subsidiary, Omnicare, Inc. ("Omnicare"), the 4.75% Senior Notes due 2022 issued by Omnicare, its 4.875% Senior Notes due 2035 and its 3.875% Senior Notes due 2025 (collectively, the "Maximum Tender Offer Notes" and together with the Any and All Notes, the "Notes"). On May 31, 2016, the Company increased the aggregate principal amount of the tender offers for the Maximum Tender Offer Notes to $2.25 billion. The Company purchased approximately $835 million aggregate principal amount of the Any and All Notes and $2.25 billion aggregate principal amount of the Maximum Tender Offer Notes pursuant to the tender offers, which expired on June 13, 2016. The Company paid a premium of $486 million in excess of the debt principal in connection with the purchase of the Notes, wrote off $50 million of unamortized deferred financing costs and incurred $6 million in fees, for a total loss on the early extinguishment of debt of $542 million which was recorded in income from continuing operations in the consolidated statement of income for the year ended December 31, 2016.

On June 27, 2016, the Company notified the holders of the remaining Any and All Notes that the Company was exercising its option to redeem the outstanding Any and All Notes pursuant to the terms of the Any and All Notes and the Indenture dated as of August 15, 2006, between the Company and The Bank of New York Mellon Trust Company, N.A. Approximately $1.1 billion aggregate principal amount of Any and All Notes was redeemed on July 27, 2016. The Company paid a premium of $97 million in excess of the debt principal and wrote off $4 million of unamortized deferred financing costs, for a total loss on early extinguishment of debt of $101 million during the year ended December 31, 2016.

The Company recorded a total loss on the early extinguishment of debt of $643 million which was recorded in the income from continuing operations in the consolidated statement of income for the year ended December 31, 2016.

On July 20, 2015, the Company issued an aggregate of $2.25 billion of 1.9% unsecured senior notes due 2018 ("2018 Notes"), an aggregate of $2.75 billion of 2.8% unsecured senior notes due 2020 ("2020 Notes"), an aggregate of $1.5 billion of 3.5% unsecured senior notes due 2022 ("2022 Notes"), an aggregate of $3 billion of 3.875% unsecured senior notes due 2025 ("2025 Notes"), an aggregate of $2 billion of 4.875% unsecured senior notes due 2035 ("2035 Notes"), and an aggregate of $3.5 billion of 5.125% unsecured senior notes due 2045 ("2045 Notes" and, together with the 2018 Notes, 2020 Notes, 2022 Notes, 2025 Notes and 2035 Notes, the "Notes") for total proceeds of approximately $14.8 billion, net of discounts and underwriting fees. The Notes pay interest semi-annually and contain redemption terms which allow or require the Company to redeem the Notes at a defined redemption price plus accrued and unpaid interest at the redemption date. The net proceeds of the Notes were used to fund the Omnicare acquisition and the acquisition of the pharmacies and clinics of Target. The remaining proceeds were used for general corporate purposes.

Upon the closing of the Omnicare acquisition in August 2015, the Company assumed the long-term debt of Omnicare that had a fair value of approximately $3.1 billion, $2.0 billion of which was previously convertible into Omnicare shares that holders were able to redeem subsequent to the acquisition. During the period from August 18, 2015 to December 31, 2015, all but $5 million of the $2.0 billion of previously convertible debt was redeemed and repaid and approximately $0.4 billion in Omnicare term debt assumed was repaid for total repayments of Omnicare debt of approximately $2.4 billion in 2015.

The remaining principal of the Omnicare debt assumed was comprised of senior unsecured notes with an aggregate principal amount of $700 million ($400 million of 4.75% senior notes due 2022 and $300 million of 5% senior notes due 2024). In September 2015, the Company commenced exchange offers for the 4.75% senior notes due 2022 and the 5%

senior notes due 2024 to exchange all validly tendered and accepted notes issued by Omnicare for notes to be issued by the Company. This offer expired on October 20, 2015 and the aggregate principal amounts of $388 million of the 4.75% senior notes due 2022 and $296 million of the 5% senior notes due 2024 were validly tendered and exchanged for notes issued by the Company. The Company recorded this exchange transaction as a modification of the original debt instruments. Consequently, no gain or loss on extinguishment was recognized in the Company's consolidated income statement as a result of this exchange transaction and the issuance costs of the new debt were expensed as incurred.

Our back-up credit facilities and unsecured senior notes (see Note 5 "Borrowings and Credit Agreements" to the consolidated financial statements) contain customary restrictive financial and operating covenants. The covenants do not materially affect the Company's financial or operating flexibility. As of December 31, 2017, the Company is in compliance with all debt covenants.

As of December 31, 2017, we had outstanding derivative financial instruments (see Note 1 "Significant Accounting Policies" to the consolidated financial statements). We had no outstanding derivative financial instruments as of December 31, 2016.

Debt Ratings - As of December 31, 2017, our long-term debt was rated "Baa1" by Moody's and "BBB+" by Standard & Poor's, and our commercial paper program was rated "P-2" by Moody's and "A-2" by Standard & Poor's. In December 2017, subsequent to the announcement of the proposed acquisition of Aetna, Moody's changed the outlook on our long-term debt to "Under Review" from "Stable." Similarly, S&P placed our-long-term debt outlook on "Watch Negative" from "Stable". The outlook for the commercial paper program was unchanged. In assessing our credit strength, we believe that both Moody's and Standard & Poor's considered, among other things, our capital structure and financial policies as well as our consolidated balance sheet, our historical acquisition activity and other financial information. Although we currently believe our long-term debt ratings will remain investment grade, we cannot guarantee the future actions of Moody's and/or Standard & Poor's. Our debt ratings have a direct impact on our future borrowing costs, access to capital markets and new store operating lease costs.

Quarterly Cash Dividend - In December 2016, our Board of Directors authorized an 18% increase in our quarterly common stock cash dividend to $0.50 per share effective in 2017. This increase equated to an annual dividend rate of $2.00 per share. The Company expects to maintain its quarterly dividend of $0.50 per share throughout 2018. In December 2015, our Board of Directors authorized a 21% increase in our quarterly common stock cash dividend to $0.425 per share. This increase equated to an annual dividend rate of $1.70 per share. In December 2014, our Board of directors authorized a 27% increase to our quarterly common stock cash dividend to $0.35 per share. This increase equated to an annual dividend rate of $1.40 per share.

Off-Balance Sheet Arrangements

In connection with executing operating leases, we provide a guarantee of the lease payments. We also finance a portion of our new store development through sale-leaseback transactions, which involve selling stores to unrelated parties and then leasing the stores back under leases that generally qualify and are accounted for as operating leases. We do not have any retained or contingent interests in the stores, and we do not provide any guarantees, other than a guarantee of the lease payments, in connection with the transactions. In accordance with generally accepted accounting principles, our operating leases are not reflected on our consolidated balance sheets.

Between 1995 and 1997, we sold or spun off a number of subsidiaries, including Bob's Stores, Linens 'n Things, and Marshalls. In many cases, when a former subsidiary leased a store, the Company provided a guarantee of the store's lease obligations. When the subsidiaries were disposed of, the Company's guarantees remained in place, although each initial purchaser agreed to indemnify the Company for any lease obligations the Company was required to satisfy. If any of the purchasers or any of the former subsidiaries were to become insolvent and failed to make the required payments under a store lease, the Company could be required to satisfy these obligations.

As of December 31, 2017, we guaranteed approximately 85 such store leases (excluding the lease guarantees related to Linens 'n Things), with the maximum remaining lease term extending through 2029. Management believes the ultimate disposition of any of the remaining lease guarantees will not have a material adverse effect on the Company's consolidated financial condition or future cash flows. Please see "Income (loss) from discontinued operations"

previously in this document for further information regarding our guarantee of certain Linens 'n Things' store lease obligations.

Below is a summary of our significant contractual obligations as of December 31, 2017:

	Payments Due by Period				
In millions	**Total**	**2018**	**2019 to 2020**	**2021 to 2022**	**Thereafter**
Operating leases	$27,151	$2,493	$ 4,562	$ 4,006	$ 16,090
Lease obligations from discontinued operations	11	3	5	3	—
Capital lease obligations	1,342	74	148	146	974
Contractual lease obligations with Target [(1)]	1,924	—	—	—	1,924
Long-term debt	25,224	3,523	3,600	5,449	12,652
Interest payments on long-term debt [(2)]	10,469	893	1,614	1,343	6,619
Other long-term liabilities in the consolidated balance sheet	468	52	346	33	37
	$66,589	$7,038	$10,275	$10,980	$ 38,296

(1) The Company leases pharmacy and clinic space from Target Corporation ("Target"). See Note 7 "Leases" to the consolidated financial statements for additional information regarding the lease arrangements with Target. Amounts related to the operating and capital leases with Target are reflected within the operating leases and capital lease obligations above. Amounts due in excess of the remaining estimated economic lives of the buildings are reflected herein assuming equivalent stores continue to operate through the term of the arrangements.

(2) Interest payments on long-term debt are calculated on outstanding balances and interest rates in effect on December 31, 2017.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with generally accepted accounting principles, which require management to make certain estimates and apply judgment. We base our estimates and judgments on historical experience, current trends and other factors that management believes to be important at the time the consolidated financial statements are prepared. On a regular basis, we review our accounting policies and how they are applied and disclosed in our consolidated financial statements. While we believe the historical experience, current trends and other factors considered, support the preparation of our consolidated financial statements in conformity with generally accepted accounting principles, actual results could differ from our estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 1 "Significant Accounting Policies" to our consolidated financial statements. We believe the following accounting policies include a higher degree of judgment and/or complexity and, thus, are considered to be critical accounting policies. We have discussed the development and selection of our critical accounting policies with the Audit Committee of our Board of Directors and the Audit Committee has reviewed our disclosures relating to them.

Revenue Recognition

Pharmacy Services Segment

Our Pharmacy Services Segment sells prescription drugs directly through our mail service dispensing pharmacies and indirectly through our retail pharmacy network. We recognize revenues in our Pharmacy Services Segment from prescription drugs sold by our mail service dispensing pharmacies and under retail pharmacy network contracts where we are the principal using the gross method at the contract prices negotiated with our clients. Net revenue from our Pharmacy Services Segment includes: (i) the portion of the price the client pays directly to us, net of any volume-related or other discounts paid back to the client, (ii) the price paid to us ("Mail Co-Payments") or a third party pharmacy in our retail pharmacy network ("Retail Co-Payments") by individuals included in our clients' benefit plans, and (iii) administrative fees for retail pharmacy network contracts where we are not the principal. Sales taxes are not included in revenue.

We recognize revenue in the Pharmacy Services Segment when: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and

(iv) collectability is reasonably assured. The following revenue recognition policies have been established for the Pharmacy Services Segment.

- Revenues generated from prescription drugs sold by mail service dispensing pharmacies are recognized when the prescription is delivered. At the time of delivery, the Pharmacy Services Segment has performed substantially all of its obligations under its client contracts and does not experience a significant level of returns or reshipments.

- Revenues generated from prescription drugs sold by third party pharmacies in the Pharmacy Services Segment's retail pharmacy network and associated administrative fees are recognized at the Pharmacy Services Segment's point-of-sale, which is when the claim is adjudicated by the Pharmacy Services Segment's online claims processing system.

We determine whether we are the principal or agent for our retail pharmacy network transactions on a contract by contract basis. In the majority of our contracts, we have determined we are the principal due to us: (i) being the primary obligor in the arrangement, (ii) having latitude in establishing the price, changing the product or performing part of the service, (iii) having discretion in supplier selection, (iv) having involvement in the determination of product or service specifications, and (v) having credit risk. Our obligations under our client contracts for which revenues are reported using the gross method are separate and distinct from our obligations to the third party pharmacies included in our retail pharmacy network contracts. Pursuant to these contracts, we are contractually required to pay the third party pharmacies in our retail pharmacy network for products sold, regardless of whether we are paid by our clients. Our responsibilities under these client contracts typically include validating eligibility and coverage levels, communicating the prescription price and the co-payments due to the third party retail pharmacy, identifying possible adverse drug interactions for the pharmacist to address with the physician prior to dispensing, suggesting clinically appropriate generic alternatives where appropriate and approving the prescription for dispensing. Although we do not have credit risk with respect to Retail Co-Payments or inventory risk related to retail network claims, we believe that all of the other indicators of gross revenue reporting are present. For contracts under which we act as an agent, we record revenues using the net method.

We deduct from our revenues the manufacturers' rebates that are earned by our clients based on their members' utilization of brand-name formulary drugs. We estimate these rebates at period-end based on actual and estimated claims data and our estimates of the manufacturers' rebates earned by our clients. We base our estimates on the best available data at period-end and recent history for the various factors that can affect the amount of rebates due to the client. We adjust our rebates payable to clients to the actual amounts paid when these rebates are paid or as significant events occur. We record any cumulative effect of these adjustments against revenues as identified, and adjust our estimates prospectively to consider recurring matters. Adjustments generally result from contract changes with our clients or manufacturers, differences between the estimated and actual product mix subject to rebates or whether the product was included in the applicable formulary. We also deduct from our revenues pricing guarantees and guarantees regarding the level of service we will provide to the client or member as well as other payments made to our clients. Because the inputs to most of these estimates are not subject to a high degree of subjectivity or volatility, the effect of adjustments between estimated and actual amounts have not been material to our results of operations or financial position.

We participate in the federal government's Medicare Part D program as a PDP through our SilverScript subsidiary. Our net revenues include insurance premiums earned by the PDP, which are determined based on the PDP's annual bid and related contractual arrangements with CMS. The insurance premiums include a beneficiary premium, which is the responsibility of the PDP member, but which is subsidized by CMS in the case of low-income members, and a direct premium paid by CMS. Premiums collected in advance are initially deferred as accrued expenses and are then recognized ratably as revenue over the period in which members are entitled to receive benefits.

In addition to these premiums, our net revenues include co-payments, coverage gap benefits, deductibles and co-insurance (collectively, the "Member Co-Payments") related to PDP members' actual prescription claims. In certain cases, CMS subsidizes a portion of these Member Co-Payments and we are paid an estimated prospective Member Co-Payment subsidy, each month. The prospective Member Co-Payment subsidy amounts received from CMS are also included in our net revenues. These amounts represent 7.2%, 5.9% and 6.3% of consolidated net revenues in 2017, 2016 and 2015, respectively. If the prospective Member Co-Payment subsidies received differ from the amounts based on actual prescription claims, the difference is recorded in either accounts receivable or accrued expenses. We account for fully insured CMS obligations and Member Co-Payments (including the amounts subsidized by CMS) using the gross

method consistent with our revenue recognition policies for Mail Co-Payments and Retail Co-Payments. We have recorded estimates of various assets and liabilities arising from our participation in the Medicare Part D program based on information in our claims management and enrollment systems. Significant estimates arising from our participation in the Medicare Part D program include: (i) estimates of low-income cost subsidy, reinsurance amounts and coverage gap discount amounts ultimately payable to or receivable from CMS based on a detailed claims reconciliation, (ii) an estimate of amounts payable to CMS under a risk-sharing feature of the Medicare Part D program design, referred to as the risk corridor and (iii) estimates for claims that have been reported and are in the process of being paid or contested and for our estimate of claims that have been incurred but have not yet been reported. Actual amounts of Medicare Part D-related assets and liabilities could differ significantly from amounts recorded. Historically, the effect of these adjustments has not been material to our results of operations or financial position.

Retail/LTC Segment

Retail Pharmacy - We recognize revenue from the sale of front store merchandise at the time the merchandise is purchased by the retail customer and recognize revenue from the sale of prescription drugs when the prescription is picked up by the customer. Customer returns are not material. Sales taxes are not included in revenue.

Long-term Care - We recognize revenue when products are delivered or services are rendered or provided to our customers, prices are fixed and determinable, and collection is reasonably assured. A significant portion of our revenues from sales of pharmaceutical and medical products are reimbursed by the federal Medicare Part D program and, to a lesser extent, state Medicaid programs. Payments for services rendered to patients covered by these programs are generally less than billed charges. We monitor our revenues and receivables from these reimbursement sources, as well as other third party insurance payors, and record an estimated contractual allowance for sales and receivable balances at the revenue recognition date, to properly account for anticipated differences between billed and reimbursed amounts. Accordingly, the total net revenues and receivables reported in our consolidated financial statements are recorded at the amount expected to be ultimately received from these payors. Since billing functions for a portion of our revenue systems are largely computerized, enabling on-line adjudication at the time of sale to record net revenues, our exposure in connection with estimating contractual allowance adjustments is limited primarily to unbilled and initially rejected Medicare, Medicaid and third party claims (typically approved for reimbursement once additional information is provided to the payor). For the remaining portion of our revenue systems, the contractual allowance is estimated for all billed, unbilled and initially rejected Medicare, Medicaid and third party claims. We evaluate several criteria in developing the estimated contractual allowances on a monthly basis, including historical trends based on actual claims paid, current contract and reimbursement terms, and changes in customer base and payor/product mix. Contractual allowance estimates are adjusted to actual amounts as cash is received and claims are settled, and the aggregate impact of these resulting adjustments was not significant to our results of operations. Further, we do not expect the impact of changes in estimates related to unsettled contractual allowance amounts from Medicare, Medicaid and third party payors as of December 31, 2017 to be significant to our future consolidated results of operations, financial position and cash flows.

Patient co-payments associated with Medicare Part D, certain state Medicaid programs, Medicare Part B and certain third party payors are typically not collected at the time products are delivered or services are rendered, but are billed to the individuals as part of our normal billing procedures and subject to our normal accounts receivable collections procedures.

Health Care Clinics - for services provided by our health care clinics, revenue recognition occurs for completed services provided to patients, with adjustments made for third party payor contractual obligations and patient direct bill historical collection rates.

Loyalty Program - our customer loyalty program, ExtraCare®, is comprised of two components, ExtraSavings™ and ExtraBucks® Rewards. ExtraSavings coupons redeemed by customers are recorded as a reduction of revenue when redeemed. ExtraBucks Rewards are accrued as a charge to cost of revenues when earned, net of estimated breakage. We determine breakage based on our historical redemption patterns.

Allowances for Doubtful Accounts

Accounts receivable primarily includes amounts due from third party providers (e.g., pharmacy benefit managers, insurance companies, governmental agencies and long-term care facilities), clients, members and private pay customers, as well as vendors and manufacturers. We provide a reserve for accounts receivable considered to be at increased risk of becoming uncollectible by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. We establish this allowance for doubtful accounts and consider such factors as historical collection experience, (i.e., payment history and credit losses) and creditworthiness, specifically identified credit risks, aging of accounts receivable by payor category, current and expected economic conditions and other relevant factors. We regularly review our allowance for doubtful accounts for appropriateness. Judgment is used to assess the collectability of account balances and the economic ability of a customer to pay.

Our allowance for doubtful accounts as of December 31, 2017 was $307 million, compared with $286 million as of December 31, 2016. Our allowance for doubtful accounts represented 2.3% of gross receivables (net of contractual allowance adjustments) as of both December 31, 2017 and 2016. Unforeseen future developments could lead to changes in our provision for doubtful accounts levels and future allowance for doubtful accounts percentages. For example, a one percentage point increase in the allowance for doubtful accounts as a percentage of gross receivables as of December 31, 2017 would result in an increase to the provision of doubtful accounts of approximately $135 million.

Given our experience, we believe that our aggregate reserves for potential losses are adequate, but if any of our larger customers were to unexpectedly default on their obligations, our overall allowances for doubtful accounts may prove to be inadequate. In particular, if economic conditions worsen, the payor mix shifts significantly or reimbursement rates are adversely affected, we may adjust our allowance for doubtful accounts accordingly, and our accounts receivable collections, cash flows, financial position and results of operations could be adversely affected.

Vendor Allowances and Purchase Discounts

Pharmacy Services Segment

Our Pharmacy Services Segment receives purchase discounts on products purchased. Contractual arrangements with vendors, including manufacturers, wholesalers and retail pharmacies, normally provide for the Pharmacy Services Segment to receive purchase discounts from established list prices in one, or a combination, of the following forms: (i) a direct discount at the time of purchase, (ii) a discount for the prompt payment of invoices or (iii) when products are purchased indirectly from a manufacturer (e.g., through a wholesaler or retail pharmacy), a discount (or rebate) paid subsequent to dispensing. These rebates are recognized when prescriptions are dispensed and are generally calculated and billed to manufacturers within 30 days of the end of each completed quarter. Historically, the effect of adjustments resulting from the reconciliation of rebates recognized to the amounts billed and collected has not been material to the results of operations. We account for the effect of any such differences as a change in accounting estimate in the period the reconciliation is completed. The Pharmacy Services Segment also receives additional discounts under its wholesaler contracts if it exceeds contractually defined purchase volumes. In addition, the Pharmacy Services Segment receives fees from pharmaceutical manufacturers for administrative services. Purchase discounts and administrative service fees are recorded as a reduction of “Cost of revenues”.

Retail/LTC Segment

Vendor allowances received by the Retail/LTC Segment reduce the carrying cost of inventory and are recognized in cost of revenues when the related inventory is sold, unless they are specifically identified as a reimbursement of incremental costs for promotional programs and/or other services provided. Amounts that are directly linked to advertising commitments are recognized as a reduction of advertising expense (included in operating expenses) when the related advertising commitment is satisfied. Any such allowances received in excess of the actual cost incurred also reduce the carrying cost of inventory. The total value of any upfront payments received from vendors that are linked to purchase commitments is initially deferred. The deferred amounts are then amortized to reduce cost of revenues over the life of the contract based upon purchase volume. The total value of any upfront payments received from vendors that are not linked to purchase commitments is also initially deferred. The deferred amounts are then amortized to reduce cost of revenues on a straight-line basis over the life of the related contract.

We have not made any material changes in the way we account for vendor allowances and purchase discounts during the past three years.

Inventory

Inventories are valued at the lower of cost or market using the weighted average cost method.

We reduce the value of our ending inventory for estimated inventory losses that have occurred during the interim period between physical inventory counts. Physical inventory counts are taken on a regular basis in each store and a continuous cycle count process is the primary procedure used to validate the inventory balances on hand in each distribution center and mail facility to ensure that the amounts reflected in the accompanying consolidated financial statements are properly stated. The accounting for inventory contains uncertainty since we must use judgment to estimate the inventory losses that have occurred during the interim period between physical inventory counts. When estimating these losses, we consider a number of factors, which include, but are not limited to, historical physical inventory results on a location-by-location basis and current physical inventory loss trends.

Our total reserve for estimated inventory losses covered by this critical accounting policy was $297 million as of December 31, 2017. Although we believe we have sufficient current and historical information available to us to record reasonable estimates for estimated inventory losses, it is possible that actual results could differ. In order to help you assess the aggregate risk, if any, associated with the uncertainties discussed above, a ten percent (10%) pre-tax change in our estimated inventory losses, which we believe is a reasonably likely change, would increase or decrease our total reserve for estimated inventory losses by about $30 million as of December 31, 2017.

Although we believe that the estimates discussed above are reasonable and the related calculations conform to generally accepted accounting principles, actual results could differ from our estimates, and such differences could be material.

Goodwill and Intangible Assets

Identifiable intangible assets consist primarily of trademarks, client contracts and relationships, favorable leases and covenants not to compete. These intangible assets arise primarily from the determination of their respective fair market values at the date of acquisition.

Amounts assigned to identifiable intangible assets, and their related useful lives, are derived from established valuation techniques and management estimates. Goodwill represents the excess of amounts paid for acquisitions over the fair value of the net identifiable assets acquired.

We evaluate the recoverability of certain long-lived assets, including intangible assets with finite lives, but excluding goodwill and intangible assets with indefinite lives which are tested for impairment using separate tests, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We group and evaluate these long-lived assets for impairment at the lowest level at which individual cash flows can be identified. When evaluating these long-lived assets for potential impairment, we first compare the carrying amount of the asset group to the asset group's estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows are less than the carrying amount of the asset group, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset group to the asset group's estimated future cash flows (discounted and with interest charges). If required, an impairment loss is recorded for the portion of the asset group's carrying value that exceeds the asset group's estimated future cash flows (discounted and with interest charges). Our long-lived asset impairment loss calculation contains uncertainty since we must use judgment to estimate each asset group's future sales, profitability and cash flows. When preparing these estimates, we consider historical results and current operating trends and our consolidated sales, profitability and cash flow results and forecasts.

These estimates can be affected by a number of factors including, but not limited to, general economic and regulatory conditions, efforts of third party organizations to reduce their prescription drug costs and/or increased member co-payments, the continued efforts of competitors to gain market share and consumer spending patterns.

Goodwill and indefinitely-lived intangible assets are subject to annual impairment reviews, or more frequent reviews if events or circumstances indicate that the carrying value may not be recoverable.

Indefinitely-lived intangible assets are tested by comparing the estimated fair value of the asset to its carrying value. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized and the asset is written down to its estimated fair value.

Our indefinitely-lived intangible asset impairment loss calculation contains uncertainty since we must use judgment to estimate the fair value based on the assumption that in lieu of ownership of an intangible asset, the Company would be willing to pay a royalty in order to utilize the benefits of the asset. Value is estimated by discounting the hypothetical royalty payments to their present value over the estimated economic life of the asset. These estimates can be affected by a number of factors including, but not limited to, general economic conditions, availability of market information as well as the profitability of the Company.

Goodwill is tested for impairment on a reporting unit basis. The impairment test is calculated by comparing the reporting unit's fair value with its net book value (or carrying amount), including goodwill. The fair value of our reporting units is estimated using a combination of a discounted cash flow method and a market multiple method. If the fair value of the reporting unit exceeds its carrying amount, the reporting unit's goodwill is considered to be impaired and an impairment is recognized in an amount equal to the excess.

The determination of the fair value of our reporting units requires the Company to make significant assumptions and estimates. These assumptions and estimates primarily include, but are not limited to, the selection of appropriate peer group companies; control premiums and valuation multiples appropriate for acquisitions in the industries in which the Company competes; discount rates, terminal growth rates; and forecasts of revenue, operating profit, depreciation and amortization, capital expenditures and future working capital requirements. When determining these assumptions and preparing these estimates, we consider each reporting unit's historical results and current operating trends and our consolidated revenues, profitability and cash flow results, forecasts and industry trends. Our estimates can be affected by a number of factors including, but not limited to, general economic and regulatory conditions, our market capitalization, efforts of customers and payers to reduce costs including their prescription drug costs and/or increase member co-payments, the continued efforts of competitors to gain market share and consumer spending patterns.

The carrying value of goodwill and other intangible assets covered by this critical accounting policy was $38.5 billion and $13.5 billion as of December 31, 2017, respectively. We recorded $181 million in goodwill impairments in 2017 related to our RxCrossroads reporting unit, see Note 3 "Goodwill and Other Intangibles" to our consolidated financial statements. We did not record any impairment losses related to goodwill or other intangible assets during 2016 or 2015. During the third quarter of 2017, we performed our required annual impairment tests of goodwill and indefinitely-lived trademarks. The goodwill impairment tests resulted in the fair values of our Pharmacy Services and Retail Pharmacy reporting units exceeding their carrying values by significant margins. The fair values of our LTC and RxC reporting units exceeded their carrying values by approximately 1% and 6%, respectively. The balance of goodwill for our LTC and RxCrossroads reporting units at December 31, 2017 was approximately $6.5 billion and $0.4 billion, respectively. On January 2, 2018, we sold our RxCrossroads reporting unit to McKesson Corporation for $725 million.

Although we believe we have sufficient current and historical information available to us to test for impairment, it is possible that actual results could differ from the estimates used in our impairment tests.

As previously discussed, the results of our annual goodwill impairment test resulted in the fair value of our LTC reporting unit exceeding its carrying value by approximately 1%. Our multi-year cash flow projections for our LTC reporting unit have declined from the prior year due to customer reimbursement pressures, industry trends such as lower occupancy rates in skilled nursing facilities, and client retention rates. Our projected discounted cash flow model assumes future script growth from our senior living initiative and the impact of acquisitions. Such projections also include expected cost savings from labor productivity and other initiatives. Our market multiple method is heavily dependent on earnings multiples of market participants in the pharmacy industry, including certain competitors and suppliers. If we do not achieve our forecasts, given the small excess of fair value over the related carrying value, as well as current market conditions in the healthcare industry, it is reasonably possible that the operational performance of the LTC reporting unit could be below our current expectations in the near term and the LTC reporting unit could be deemed to be impaired by a material amount.

We have not made any material changes in the methodologies utilized to test the carrying values of goodwill and intangible assets for impairment during the past three years.

Closed Store Lease Liability

We account for closed store lease termination costs when a leased store is closed. When a leased store is closed, we record a liability for the estimated present value of the remaining obligation under the noncancelable lease, which includes future real estate taxes, common area maintenance and other charges, if applicable. The liability is reduced by estimated future sublease income.

The initial calculation and subsequent evaluations of our closed store lease liability contain uncertainty since we must use judgment to estimate the timing and duration of future vacancy periods, the amount and timing of future lump sum settlement payments and the amount and timing of potential future sublease income. When estimating these potential termination costs and their related timing, we consider a number of factors, which include, but are not limited to, historical settlement experience, the owner of the property, the location and condition of the property, the terms of the underlying lease, the specific marketplace demand and general economic conditions.

Our total closed store lease liability covered by this critical accounting policy was $344 million as of December 31, 2017. This amount is net of $156 million of estimated sublease income that is subject to the uncertainties discussed above. Although we believe we have sufficient current and historical information available to us to record reasonable estimates for sublease income, it is possible that actual results could differ.

In order to help you assess the risk, if any, associated with the uncertainties discussed above, a ten percent (10%) pre-tax change in our estimated sublease income, which we believe is a reasonably likely change, would increase or decrease our total closed store lease liability by about $16 million as of December 31, 2017.

We have not made any material changes in the reserve methodology used to record closed store lease reserves during the past three years.

Self-Insurance Liabilities

We are self-insured for certain losses related to general liability, workers' compensation and auto liability, although we maintain stop loss coverage with third party insurers to limit our total liability exposure. We are also self-insured for certain losses related to health and medical liabilities.

The estimate of our self-insurance liability contains uncertainty since we must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date. When estimating our self-insurance liability, we consider a number of factors, which include, but are not limited to, historical claim experience, demographic factors, severity factors and other standard insurance industry actuarial assumptions. On a quarterly basis, we review our self-insurance liability to determine if it is adequate as it relates to our general liability, workers' compensation and auto liability. Similar reviews are conducted semi-annually to determine if our self-insurance liability is adequate for our health and medical liability.

Our total self-insurance liability covered by this critical accounting policy was $696 million as of December 31, 2017. Although we believe we have sufficient current and historical information available to us to record reasonable estimates for our self-insurance liability, it is possible that actual results could differ. In order to help you assess the risk, if any, associated with the uncertainties discussed above, a ten percent (10%) pre-tax change in our estimate for our self-insurance liability, which we believe is a reasonably likely change, would increase or decrease our self-insurance liability by about $70 million as of December 31, 2017.

We have not made any material changes in the accounting methodology used to establish our self-insurance liability during the past three years.

Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are established for any temporary differences between financial and tax reporting bases and are adjusted as needed to reflect changes in the enacted tax rates expected to be in effect when the temporary differences reverse. Such adjustments are recorded in the period in which changes in tax laws are enacted, regardless of when they are effective. Deferred tax assets are reduced, if necessary, by a valuation allowance to the extent future realization of those losses, deductions or other tax benefits is sufficiently uncertain.

Significant judgment is required in determining the provision for income taxes and the related taxes payable and deferred tax assets and liabilities since, in the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, our tax returns are subject to audit by various domestic and foreign tax authorities that could result in material adjustments based on differing interpretations of the tax laws. Although we believe that our estimates are reasonable and are based on the best available information at the time we prepare the provision, actual results could differ from these estimates resulting in a final tax outcome that may be materially different from that which is reflected in our consolidated financial statements.

The tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Interest and/or penalties related to uncertain tax positions are recognized in income tax expense. Significant judgment is required in determining our uncertain tax positions. We have established accruals for uncertain tax positions using our best judgment and adjust these accruals, as warranted, due to changing facts and circumstances.

New Accounting Pronouncements

See Note 1 “Significant Accounting Policies” to the consolidated financial statements for a description of New Accounting Pronouncements applicable to the Company.

Cautionary Statement Concerning Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the “Reform Act”) provides a safe harbor for forward-looking statements made by or on behalf of the Company. In addition, the Company and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Company’s filings with the U.S. Securities and Exchange Commission (“SEC”) and in its reports to stockholders, press releases, webcasts, conference calls, meetings and other communications. Generally, the inclusion of the words “believe,” “expect,” “intend,” “estimate,” “project,” “anticipate,” “will,” “should” and similar expressions identify statements that constitute forward-looking statements. All statements addressing operating performance of CVS Health Corporation or any subsidiary, events or developments that the Company expects or anticipates will occur in the future, including statements relating to corporate strategy; revenue growth; earnings or earnings per common share growth; adjusted earnings or adjusted earnings per common share growth; free cash flow; debt ratings; inventory levels; inventory turn and loss rates; store development; relocations and new market entries; retail pharmacy business, sales trends and operations; PBM business, sales trends and operations; specialty pharmacy business, sales trends and operations; LTC pharmacy business, sales trends and operations; the Company’s ability to attract or retain customers and clients; Medicare Part D competitive bidding, enrollment and operations; new product development; and the impact of industry and regulatory developments, as well as statements expressing optimism or pessimism about future operating results or events, are forward-looking statements within the meaning of the Reform Act.

The forward-looking statements are and will be based upon management’s then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

By their nature, all forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons as described in our SEC filings, including those set forth in the Risk Factors section within the 2017 Annual Report on Form 10-K, and including, but not limited to:

- *Risks relating to the health of the economy in general and in the markets we serve, which could impact consumer purchasing power, preferences and/or spending patterns, drug utilization trends, the financial health of our PBM and LTC clients, retail and specialty pharmacy payors or other payors doing business with the Company and our ability to secure necessary financing, suitable store locations and sale-leaseback transactions on acceptable terms.*

- *Efforts to reduce reimbursement levels and alter health care financing practices, including pressure to reduce reimbursement levels for generic drugs.*

- *The possibility of PBM and LTC client loss and/or the failure to win new PBM and LTC business, including as a result of failure to win renewal of expiring contracts, contract termination rights that may permit clients to terminate a contract prior to expiration and early or periodic renegotiation of pricing by clients prior to expiration of a contract.*

- *The possibility of loss of Medicare Part D business and/or failure to obtain new Medicare Part D business, whether as a result of the annual Medicare Part D competitive bidding process or otherwise.*

- *Risks related to the frequency and rate of the introduction of generic drugs and brand name prescription products.*

- *Risks of declining gross margins attributable to increased competitive pressures, increased client demand for lower prices, enhanced service offerings and/or higher service levels and market dynamics and, with respect to the PBM industry, regulatory changes that impact our ability to offer plan sponsors pricing that includes the use of retail "differential" or "spread" or the use of maximum allowable cost pricing.*

- *Regulatory changes, business changes and compliance requirements and restrictions that may be imposed by Centers for Medicare and Medicaid Services ("CMS"), Office of Inspector General or other government agencies relating to the Company's participation in Medicare, Medicaid and other federal and state government-funded programs, including sanctions and remedial actions that may be imposed by CMS on our Medicare Part D business.*

- *Risks and uncertainties related to the timing and scope of reimbursement from Medicare, Medicaid and other government-funded programs, including the possible impact of sequestration, the impact of other federal budget, debt and deficit negotiations and legislation that could delay or reduce reimbursement from such programs and the impact of any closure, suspension or other changes affecting federal or state government funding or operations.*

- *Possible changes in industry pricing benchmarks used to establish pricing in many of our PBM and LTC client contracts, pharmaceutical purchasing arrangements, retail network contracts, specialty payor agreements and other third party payor contracts.*

- *Efforts to increase reimbursement rates in PBM pharmacy networks and to inhibit the ability of PBMs to audit network pharmacies for fraud, waste and abuse.*

- *Risks related to increasing oversight of PBM activities by state departments of insurance and boards of pharmacy.*

- *A highly competitive business environment, including the uncertain impact of increased consolidation in the PBM industry, the possibility of combinations, joint ventures or other collaboration between PBMs and retailers, uncertainty concerning the ability of our retail pharmacy business to secure and maintain contractual relationships with PBMs and other payors on acceptable terms, uncertainty concerning the ability of our PBM business to secure and maintain competitive access, pricing and other contract terms from retail network pharmacies in an environment where some PBM clients are willing to consider adopting narrow or more restricted retail pharmacy networks, the possibility of our retail stores or specialty pharmacies being excluded from narrow or restricted networks, the potential of disruptive innovation from existing and new competitors and risks related to developing and maintaining a relevant experience for our customers.*

- *The Company's ability to timely identify or effectively respond to changing consumer preferences and spending patterns, an inability to expand the products being purchased by our customers, or the failure or inability to obtain or offer particular categories of products.*

- *Risks relating to our ability to secure timely and sufficient access to the products we sell from our domestic and/or international suppliers, including limited distribution drugs.*

- *Reform of the U.S. health care system, including ongoing implementation of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, "ACA") and the possible repeal and replacement of all or parts of ACA, continuing legislative efforts, regulatory changes and judicial interpretations impacting our health care system and the possibility of shifting political and legislative priorities related to reform of the health care system in the future.*

- *Risks related to changes in legislation, regulation and government policy (including through the use of Executive Orders) that could significantly impact our business and the health care and retail industries, including, but not limited to, the possibility of major developments in tax policy or trade relations, such as the imposition of unilateral tariffs on imported products, changes with respect to the approval process for biosimilars, or changes or developments with respect to the regulation of drug pricing, including federal and state drug pricing programs.*

- *Risks relating to any failure to properly maintain our information technology systems, our information security systems and our infrastructure to support our business and to protect the privacy and security of sensitive customer and business information.*

- *Risks related to compliance with a broad and complex regulatory framework, including compliance with new and existing federal, state and local laws and regulations relating to health care, network pharmacy reimbursement and auditing, accounting standards, corporate securities, tax, environmental and other laws and regulations affecting our business.*

- *Risks related to litigation, government investigations and other legal proceedings as they relate to our business, the pharmacy services, retail pharmacy, LTC pharmacy, specialty pharmacy or retail clinic industries, or to the health care industry generally.*

- *The risk that any condition related to the closing of any proposed acquisition, including the Aetna Acquisition, may not be satisfied on a timely basis or at all, including the inability to obtain required regulatory approvals of any proposed acquisition, including the Aetna Acquisition, or on the terms desired or anticipated; the risk that such approvals may result in the imposition of conditions that could adversely affect the resulting combined company or the expected benefits of any proposed transaction, including the Aetna Acquisition; and the risk that the proposed transactions, including the Aetna Acquisition fail to close for any other reason, which could negatively impact our stock price and our future business and financial results.*

- *The possibility that the anticipated synergies and other benefits from any acquisition by us, including the Aetna Acquisition, will not be realized, or will not be realized within the expected time periods.*

- *Other risks related to the Aetna Acquisition including the possibility of failing to retain existing management including key executives of Aetna, the potential for disruption of our business relationships due to uncertainty associated with the Aetna Acquisition, the increased difficulty for us to pursue alternatives to the Aetna Acquisition, and the possibility that the Aetna Acquisition may not be accretive to our earnings per share.*

- *The risks and uncertainties related to our ability to integrate the operations, products, services and employees of any entities acquired by us, including the Aetna Acquisition and the effect of the potential disruption of management's attention from ongoing business operations due to any pending acquisitions, including the Aetna Acquisition.*

- *The accessibility or availability of adequate financing on a timely basis and on reasonable terms and the risks of increased indebtedness incurred to fund the Aetna Acquisition.*

- *Risks related to the outcome of any legal proceedings related to, or involving any entity that is a part of, any proposed acquisition contemplated by us, including the risk that we may be subject to securities class action and derivative lawsuits in connection with the Aetna Acquisition.*

- *The possibility of lower than expected valuations at the Company's reporting units could result in goodwill impairment charges at those reporting units.*

- *Other risks and uncertainties detailed from time to time in our filings with the SEC.*

The foregoing list is not exhaustive. There can be no assurance that the Company has correctly identified and appropriately assessed all factors affecting its business. Additional risks and uncertainties not presently known to the Company or that it currently believes to be immaterial also may adversely impact the Company. Should any risks and uncertainties develop into actual events, these developments could have a material adverse effect on the Company's business, financial condition and results of operations. For these reasons, you are cautioned not to place undue reliance on the Company's forward-looking statements.

Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. Our Company's internal control over financial reporting includes those policies and procedures that pertain to the Company's ability to record, process, summarize and report a system of internal accounting controls and procedures to provide reasonable assurance, at an appropriate cost/benefit relationship, that the unauthorized acquisition, use or disposition of assets are prevented or timely detected and that transactions are authorized, recorded and reported properly to permit the preparation of financial statements in accordance with generally accepted accounting principles (GAAP) and receipts and expenditures are duly authorized. In order to ensure the Company's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently for its financial reporting as of December 31, 2017.

We conducted an assessment of the effectiveness of our internal controls over financial reporting based on the criteria set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). This evaluation included review of the documentation, evaluation of the design effectiveness and testing of the operating effectiveness of controls. Our system of internal control over financial reporting is enhanced by periodic reviews by our internal auditors, written policies and procedures and a written Code of Conduct adopted by our Company's Board of Directors, applicable to all employees of our Company. In addition, we have an internal Disclosure Committee, comprised of management from each functional area within the Company, which performs a separate review of our disclosure controls and procedures. There are inherent limitations in the effectiveness of any system of internal controls over financial reporting.

Based on our assessment, we conclude our Company's internal control over financial reporting is effective and provides reasonable assurance that assets are safeguarded and that the financial records are reliable for preparing financial statements as of December 31, 2017.

Ernst & Young LLP, independent registered public accounting firm, is appointed by the Board of Directors and ratified by our Company's shareholders. They were engaged to render an opinion regarding the fair presentation of our consolidated financial statements as well as conducting an audit of internal control over financial reporting. Their accompanying reports are based upon audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

February 14, 2018

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited CVS Health Corporation's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, CVS Health Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated February 14, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 14, 2018

Consolidated Statements of Income

In millions, except per share amounts	Year Ended December 31, 2017	2016	2015
Net revenues	$184,765	$177,526	$153,290
Cost of revenues	156,220	148,669	126,762
Gross profit	28,545	28,857	26,528
Operating expenses	19,028	18,491	17,053
Operating profit	9,517	10,366	9,475
Interest expense, net	1,041	1,058	838
Loss on early extinguishment of debt	—	643	—
Other expense	208	28	21
Income before income tax provision	8,268	8,637	8,616
Income tax provision	1,637	3,317	3,386
Income from continuing operations	6,631	5,320	5,230
Income (loss) from discontinued operations, net of tax	(8)	(1)	9
Net income	6,623	5,319	5,239
Net income attributable to noncontrolling interest	(1)	(2)	(2)
Net income attributable to CVS Health	$ 6,622	$ 5,317	$ 5,237
Basic earnings per share:			
Income from continuing operations attributable to CVS Health	$ 6.48	$ 4.93	$ 4.65
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ 0.01
Net income attributable to CVS Health	$ 6.47	$ 4.93	$ 4.66
Weighted average shares outstanding	1,020	1,073	1,118
Diluted earnings per share:			
Income from continuing operations attributable to CVS Health	$ 6.45	$ 4.91	$ 4.62
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ 0.01
Net income attributable to CVS Health	$ 6.44	$ 4.90	$ 4.63
Weighted average shares outstanding	1,024	1,079	1,126
Dividends declared per share	$ 2.00	$ 1.70	$ 1.40

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

In millions	Year Ended December 31, 2017	2016	2015
Net income	$ 6,623	$ 5,319	$ 5,239
Other comprehensive income:			
Foreign currency translation adjustments, net of tax	(2)	38	(100)
Net cash flow hedges, net of tax	(10)	2	2
Pension and other postretirement benefits, net of tax	152	13	(43)
Total other comprehensive income (loss)	140	53	(141)
Comprehensive income	6,763	5,372	5,098
Comprehensive income attributable to noncontrolling interest	(1)	(2)	(2)
Comprehensive income attributable to CVS Health	$ 6,762	$ 5,370	$ 5,096

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

In millions, except per share amounts	December 31, 2017	December 31, 2016
Assets:		
Cash and cash equivalents	$ 1,696	$ 3,371
Short-term investments	111	87
Accounts receivable, net	13,181	12,164
Inventories	15,296	14,760
Other current assets	945	660
Total current assets	31,229	31,042
Property and equipment, net	10,292	10,175
Goodwill	38,451	38,249
Intangible assets, net	13,630	13,511
Other assets	1,529	1,485
Total assets	$ 95,131	$ 94,462
Liabilities:		
Accounts payable	$ 8,863	$ 7,946
Claims and discounts payable	10,355	9,451
Accrued expenses	6,609	6,937
Short-term debt	1,276	1,874
Current portion of long-term debt	3,545	42
Total current liabilities	30,648	26,250
Long-term debt	22,181	25,615
Deferred income taxes	2,996	4,214
Other long-term liabilities	1,611	1,549
Shareholders' equity:		
CVS Health shareholders' equity:		
Preferred stock, par value $0.01: 0.1 shares authorized; none issued or outstanding	—	—
Common stock, par value $0.01: 3,200 shares authorized; 1,712 shares issued and 1,014 shares outstanding at December 31, 2017 and 1,705 shares issued and 1,061 shares outstanding at December 31, 2016	17	17
Treasury stock, at cost: 697 shares at December 31, 2017 and 643 shares at December 31, 2016	(37,765)	(33,452)
Shares held in trust: 1 share at December 31, 2017 and December 31, 2016	(31)	(31)
Capital surplus	32,079	31,618
Retained earnings	43,556	38,983
Accumulated other comprehensive income (loss)	(165)	(305)
Total CVS Health shareholders' equity	37,691	36,830
Noncontrolling interest	4	4
Total shareholders' equity	37,695	36,834
Total liabilities and shareholders' equity	$ 95,131	$ 94,462

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

In millions	Year Ended December 31, 2017	2016	2015
Cash flows from operating activities:			
Cash receipts from customers	$ 176,594	$ 172,310	$ 148,954
Cash paid for inventory and prescriptions dispensed by retail network pharmacies	(149,279)	(142,511)	(122,498)
Cash paid to other suppliers and employees	(15,348)	(15,478)	(14,035)
Interest received	21	20	21
Interest paid	(1,072)	(1,140)	(629)
Income taxes paid	(2,909)	(3,060)	(3,274)
Net cash provided by operating activities	8,007	10,141	8,539
Cash flows from investing activities:			
Purchases of property and equipment	(1,918)	(2,224)	(2,367)
Proceeds from sale-leaseback transactions	265	230	411
Proceeds from sale of property and equipment and other assets	33	37	35
Acquisitions (net of cash acquired) and other investments	(1,287)	(539)	(11,475)
Purchase of available-for-sale investments	(86)	(65)	(267)
Maturities of available-for-sale investments	61	91	243
Net cash used in investing activities	(2,932)	(2,470)	(13,420)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(598)	1,874	(685)
Proceeds from issuance of long-term debt	—	3,455	14,805
Repayments of long-term debt	—	(5,943)	(2,902)
Purchase of noncontrolling interest in subsidiary	—	(39)	—
Payment of contingent consideration	—	(26)	(58)
Dividends paid	(2,049)	(1,840)	(1,576)
Proceeds from exercise of stock options	329	296	362
Payments for taxes related to net share settlement of equity awards	(71)	(72)	(63)
Repurchase of common stock	(4,361)	(4,461)	(5,001)
Other	(1)	(5)	(3)
Net cash provided by (used in) financing activities	(6,751)	(6,761)	4,879
Effect of exchange rate changes on cash and cash equivalents	1	2	(20)
Net increase (decrease) in cash and cash equivalents	(1,675)	912	(22)
Cash and cash equivalents at the beginning of the period	3,371	2,459	2,481
Cash and cash equivalents at the end of the period	$ 1,696	$ 3,371	$ 2,459
Reconciliation of net income to net cash provided by operating activities:			
Net income	$ 6,623	$ 5,319	$ 5,239
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,479	2,475	2,092
Goodwill impairments	181	—	—
Losses on settlements of defined benefit pension plans	187	—	—
Stock-based compensation	234	222	230
Loss on early extinguishment of debt	—	643	—
Deferred income taxes	(1,334)	18	(252)
Other noncash items	53	135	(14)
Change in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable, net	(941)	(243)	(1,594)
Inventories	(514)	(742)	(1,141)
Other current assets	(341)	35	355
Other assets	3	(43)	2
Accounts payable and claims and discounts payable	1,710	2,189	2,834
Accrued expenses	(371)	131	892
Other long-term liabilities	38	2	(104)
Net cash provided by operating activities	$ 8,007	$ 10,141	$ 8,539

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

	Shares			Dollars		
	Year Ended December 31,			Year Ended December 31,		
In millions	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Common stock:						
Beginning of year	1,705	1,699	1,691	$ 17	$ 17	$ 17
Stock options exercised and issuance of stock awards	7	6	8	—	—	—
End of year	1,712	1,705	1,699	$ 17	$ 17	$ 17
Treasury stock:						
Beginning of year	(643)	(597)	(550)	$ (33,452)	$ (28,886)	$ (24,078)
Purchase of treasury shares	(55)	(47)	(48)	(4,361)	(4,606)	(4,856)
Employee stock purchase plan issuances	1	1	1	48	40	48
End of year	(697)	(643)	(597)	$ (37,765)	$ (33,452)	$ (28,886)
Shares held in trust:						
Balance at beginning and end of year	(1)	(1)	(1)	$ (31)	$ (31)	$ (31)
Capital surplus:						
Beginning of year				$ 31,618	$ 30,948	$ 30,418
Stock option activity, stock awards and other				461	449	533
Excess tax benefit on stock options and stock awards				—	76	142
2015 accelerated share repurchase settled in 2016				—	145	(145)
End of year				$ 32,079	$ 31,618	$ 30,948
Retained earnings:						
Beginning of year				$ 38,983	$ 35,506	$ 31,849
Changes in inventory accounting principles				—	—	(4)
Net income attributable to CVS Health				6,622	5,317	5,237
Common stock dividends				(2,049)	(1,840)	(1,576)
End of year				$ 43,556	$ 38,983	$ 35,506
Accumulated other comprehensive income (loss):						
Beginning of year				$ (305)	$ (358)	$ (217)
Foreign currency translation adjustments, net of tax				(2)	38	(100)
Net cash flow hedges, net of tax				(10)	2	2
Pension and other postretirement benefits, net of tax				152	13	(43)
End of year				(165)	(305)	(358)
Total CVS Health shareholders' equity				$ 37,691	$ 36,830	$ 37,196
Noncontrolling interest:						
Beginning of year				$ 4	$ 7	$ 5
Business combinations				—	—	1
Capital contributions				1	1	2
Net income attributable to noncontrolling interest [1]				1	1	1
Distributions				(2)	(5)	(2)
End of year				4	4	7
Total shareholders' equity				$ 37,695	$ 36,834	$ 37,203

(1) Excludes $1 million attributable to redeemable noncontrolling interest in 2016 and 2015 (See Note 1 "Significant Accounting Policies").

See accompanying notes to consolidated financial statements.

1 Significant Accounting Policies

Description of business - CVS Health Corporation and its subsidiaries (the "Company") is the largest integrated pharmacy health care provider in the United States based upon revenues and prescriptions filled. The Company currently has three reportable business segments, Pharmacy Services, Retail/LTC and Corporate, which are described below.

Pharmacy Services Segment (the "PSS") - The PSS provides a full range of pharmacy benefit management services including plan design offerings and administration, formulary management, Medicare Part D services, mail order, specialty pharmacy and infusion services, retail pharmacy network management services, prescription management systems, clinical services, disease management services and medical spend management. The Company's clients are primarily employers, insurance companies, unions, government employee groups, health plans, Medicare Part D, Managed Medicaid plans, plans offered on the public and private exchanges, and other sponsors of health benefit plans and individuals throughout the United States.

As a pharmacy benefits manager, the PSS manages the dispensing of pharmaceuticals through the Company's mail order pharmacies and national network of more than 68,000 retail pharmacies, consisting of approximately 41,000 chain pharmacies and 27,000 independent pharmacies, to eligible members in the benefits plans maintained by the Company's clients and utilizes its information systems to perform, among other things, safety checks, drug interaction screenings and brand to generic substitutions.

The PSS' specialty pharmacies support individuals that require complex and expensive drug therapies. The specialty pharmacy business includes mail order and retail specialty pharmacies that operate under the CVS Caremark®, CarePlus CVS Pharmacy™, Navarro® Health Services and Advanced Care Scripts ("ACS Pharmacy") names. The Company enhanced its provides specialty infusion services and enteral nutrition services through Coram LLC and its subsidiaries (collectively, "Coram"). In August 2015, the Company further expanded its specialty offerings with the acquisition of ACS Pharmacy which was part of the Omnicare, Inc. ("Omnicare") acquisition. See Note 2 "Acquisitions."

The PSS also provides health management programs, which include integrated disease management for 18 conditions, through the Company's AccordantCare rare disease management offering.

In addition, through the Company's SilverScript Insurance Company ("SilverScript") subsidiary, the PSS is a national provider of drug benefits to eligible beneficiaries under the federal government's Medicare Part D program.

The PSS generates net revenues primarily by contracting with clients to provide prescription drugs to plan members. Prescription drugs are dispensed by the mail order pharmacies, specialty pharmacies and national network of retail pharmacies. Net revenues are also generated by providing additional services to clients, including administrative services such as claims processing and formulary management, as well as health care related services such as disease management.

The PSS operates under the CVS Caremark® Pharmacy Services, Caremark®, CVS Caremark®, CVS Specialty®, AccordantCare, SilverScript®, Wellpartner®, Coram®, CVS Specialty®, NovoLogix®, Navarro® Health Services and ACS Pharmacy names. As of December 31, 2017, the PSS operates 23 retail specialty pharmacy stores, 18 specialty mail order pharmacies, four mail order dispensing pharmacies, and 83 branches for infusion and enteral services, including approximately 73 ambulatory infusion suites and three centers of excellence, located in 42 states, Puerto Rico and the District of Columbia.

Retail/LTC Segment (the "RLS") - The RLS sells prescription drugs and a wide assortment of general merchandise, including over-the-counter drugs, beauty products and cosmetics, personal care products, convenience foods, photo finishing services, seasonal merchandise, and greeting cards, through the Company's CVS Pharmacy®, CVS®, CVS Pharmacy y más®, Longs Drugs®, Navarro Discount Pharmacy® and Drogaria Onofre™ retail stores and online through CVS.com®, Navarro.com™ and Onofre.com.br™.

The RLS also provides health care services through its MinuteClinic® health care clinics. MinuteClinics are staffed by nurse practitioners and physician assistants who utilize nationally recognized protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions and deliver vaccinations.

In 2015, the Company made two larger acquisitions which expanded the Retail/LTC Segment's services. With the acquisition of Omnicare, the RLS began providing long-term care ("LTC") operations, which is comprised of providing the distribution of pharmaceuticals, related pharmacy consulting and other ancillary services to chronic care facilities and other care settings, as well as commercialization services which are provided under the name RxCrossroads® ("RxC"). With the December 2015 acquisition of the pharmacies and clinics of Target Corporation ("Target"), the Company added 1,672 pharmacies and approximately 79 clinics.

As of December 31, 2017, our Retail/LTC Segment included 9,803 retail stores (of which 8,060 were our stores that operated a pharmacy and 1,695 were our pharmacies located within Target stores) located in 49 states, the District of Columbia, Puerto Rico and Brazil operating primarily under the CVS Pharmacy®, CVS®, CVS Pharmacy y más®, Longs Drugs®, Navarro Discount Pharmacy® and Drogaria Onofre™ names, 37 onsite pharmacies primarily operating under the CarePlus CVS Pharmacy™, CarePlus® and CVS Pharmacy® names, and 1,134 retail health care clinics operating under the MinuteClinic® name (of which 1,129 were located in our retail pharmacy stores or Target stores), and our online retail websites, CVS.com®, Navarro.com™ and Onofre.com.br™. LTC operations are comprised of 145 spoke pharmacies that primarily handle new prescription orders, of which 30 are also hub pharmacies that use proprietary automation to support spoke pharmacies with refill prescriptions. LTC operates primarily under the Omnicare® and NeighborCare® names.

Corporate Segment - The Corporate Segment provides management and administrative services to support the Company. The Corporate Segment consists of certain aspects of the Company's executive management, corporate relations, legal, compliance, human resources, information technology and finance departments.

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

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

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

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Fair value hierarchy - The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- Level 2 - Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

- Level 3 - Inputs to the valuation methodology are unobservable inputs based upon management's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions about risk.

Cash and cash equivalents - Cash and cash equivalents consist of cash and temporary investments with maturities of three months or less when purchased. The Company invests in short-term money market funds, commercial paper and time deposits, as well as other debt securities that are classified as cash equivalents within the accompanying consolidated balance sheets, as these funds are highly liquid and readily convertible to known amounts of cash. These investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

Restricted cash - As of December 31, 2017 and 2016, the Company had $190 million and $149 million, respectively, of restricted cash held in a trust in its insurance captive to satisfy collateral requirements associated with the assignment of certain insurance policies. Such amounts are included in other assets in the consolidated balance sheets. Additionally, as of December 31, 2017, the Company had $14 million of restricted cash held in escrow accounts in connection with certain recent acquisitions. Such amounts are included in other current assets in the consolidated balance sheets. All restricted cash is invested in time deposits which are classified within Level 1 of the fair value hierarchy.

Short-term investments - The Company's short-term investments consist of certificates of deposit with initial maturities of greater than three months when purchased that mature in less than one year from the balance sheet date. These investments, which were classified as available-for-sale within Level 1 of the fair value hierarchy, were carried at fair value, which approximated their historical cost at December 31, 2017 and 2016.

Fair value of financial instruments - As of December 31, 2017, the Company's financial instruments include cash and cash equivalents, short-term and long-term investments, accounts receivable, accounts payable and short-term debt approximate their fair value due to the nature of these financial instruments. The carrying amount and estimated fair value of total long-term debt was $25.7 billion and $26.8 billion, respectively, as of December 31, 2017. The fair value of the Company's long-term debt was estimated based on quoted rates currently offered in active markets for the Company's debt, which is considered Level 1 of the fair value hierarchy.

Derivative financial instruments - The Company is exposed to interest rate risk and management considers it prudent to periodically reduce the Company's exposure to cash flow variability resulting from interest rate fluctuations. In December 2017, the Company entered into several interest rate swap transactions. These agreements were designated as cash flow hedges and were used to hedge the exposure to variability in future cash flows resulting from changes in interest rates related to the anticipated issuance of long-term debt in connection with the proposed acquisition of Aetna Inc. ("Aetna"). The interest rate swaps had notional amounts totaling $4.75 billion. At December 31, 2017, the fair value of these agreements were a $5 million asset recorded in other current assets and a $23 million liability recorded in accrued expenses. The fair value of these derivative financial instruments was determined using quoted prices in markets that are not active or inputs that are observable for the asset or liability and therefore they are classified as Level 2 in the fair value hierarchy. The Company has deferred gains and losses in accumulated other comprehensive income which are expected to be reclassified to interest expense over the life of the underlying forecasted debt. The hedges are expected to be highly effective; therefore, no ineffectiveness was recognized in earnings. There were no outstanding derivative financial instruments as of December 31, 2016.

Foreign currency translation and transactions - For local currency functional currency, assets and liabilities are translated at end-of-period rates while revenues and expenses are translated at average rates in effect during the period. Equity is translated at historical rates and the resulting cumulative translation adjustments are included as a component of accumulated other comprehensive income (loss).

For U.S. dollar functional currency locations, foreign currency assets and liabilities are remeasured into U.S. dollars at end-of-period exchange rates, except for nonmonetary balance sheet accounts, which are remeasured at historical exchange rates. Revenue and expense are remeasured at average exchange rates in effect during each period, except for those expenses related to the nonmonetary balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in income.

Gains and losses arising from foreign currency transactions and the effects of remeasurements were not material for all periods presented.

Accounts receivable - Accounts receivable are stated net of an allowance for doubtful accounts. The accounts receivable balance primarily includes amounts due from third party providers (e.g., pharmacy benefit managers, insurance companies, governmental agencies and long-term care facilities), clients, members and private pay customers, as well as vendors and manufacturers. Charges to bad debt are based on both historical write-offs and specifically identified receivables.

The activity in the allowance for doubtful accounts receivable for the years ended December 31 is as follows:

In millions	**2017**	**2016**	**2015**
Beginning balance	$ 286	$ 161	$ 256
Additions charged to bad debt expense	177	221	216
Write-offs charged to allowance	(156)	(96)	(311)
Ending balance	$ 307	$ 286	$ 161

Inventories - Inventories are stated at the lower of weighted average cost or market. Physical inventory counts are taken on a regular basis in each retail store and long-term care pharmacy and a continuous cycle count process is the primary procedure used to validate the inventory balances on hand in each distribution center and mail facility to ensure that the amounts reflected in the accompanying consolidated financial statements are properly stated. During the interim period between physical inventory counts, the Company accrues for anticipated physical inventory losses on a location-by-location basis based on historical results and current trends.

Property and equipment - Property, equipment and improvements to leased premises are depreciated using the straight-line method over the estimated useful lives of the assets, or when applicable, the term of the lease, whichever is shorter. Estimated useful lives generally range from 10 to 40 years for buildings, building improvements and leasehold improvements and 3 to 10 years for fixtures, equipment and internally developed software. Repair and maintenance costs are charged directly to expense as incurred. Major renewals or replacements that substantially extend the useful life of an asset are capitalized and depreciated. Application development stage costs for significant internally developed software projects are capitalized and depreciated.

The following are the components of property and equipment at December 31:

In millions	**2017**	**2016**
Land	$ 1,707	$ 1,734
Building and improvements	3,343	3,226
Fixtures and equipment	11,963	10,956
Leasehold improvements	4,793	4,494
Software	2,484	2,392
	24,290	22,802
Accumulated depreciation and amortization	(13,998)	(12,627)
Property and equipment, net	$ 10,292	$ 10,175

The gross amount of property and equipment under capital leases was $588 million and $547 million as of December 31, 2017 and 2016, respectively. Accumulated amortization of property and equipment under capital lease was $140 million

and $119 million as of December 31, 2017 and 2016, respectively. Amortization of property and equipment under capital lease is included within depreciation expense. Depreciation expense totaled $1.7 billion in both 2017 and 2016, and $1.5 billion in 2015.

Goodwill and other indefinitely-lived assets - Goodwill and other indefinitely-lived assets are not amortized, but are subject to impairment reviews annually, or more frequently if necessary. See Note 3 “Goodwill and Other Intangibles” for additional information on goodwill and other indefinitely-lived assets.

Intangible assets - Purchased customer contracts and relationships are amortized on a straight-line basis over their estimated useful lives between 9 and 20 years. Purchased customer lists are amortized on a straight-line basis over their estimated useful lives of up to 10 years. Purchased leases are amortized on a straight-line basis over the remaining life of the lease. See Note 3 “Goodwill and Other Intangibles” for additional information about intangible assets.

Impairment of long-lived assets - The Company groups and evaluates fixed and finite-lived intangible assets for impairment at the lowest level at which individual cash flows can be identified, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If indicators of impairment are present, the Company first compares the carrying amount of the asset group to the estimated future cash flows associated with the asset group (undiscounted and without interest charges). If the estimated future cash flows used in this analysis are less than the carrying amount of the asset group, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset group to the asset group’s estimated future cash flows (discounted and with interest charges). If required, an impairment loss is recorded for the portion of the asset group’s carrying value that exceeds the asset group’s estimated future cash flows (discounted and with interest charges).

Redeemable noncontrolling interest - As a result of the acquisition of Omnicare in 2015, the Company obtained a 73% ownership interest in a limited liability company (“LLC”). Due to the change in control in Omnicare, the noncontrolling member of the LLC had the contractual right to put its membership interest to the Company at fair value. Consequently, the noncontrolling interest in the LLC was recorded as a redeemable noncontrolling interest at fair value. During 2016, the noncontrolling shareholder of the LLC exercised its option to sell its ownership interest and the Company purchased the noncontrolling interest in the LLC for approximately $39 million.

Below is a summary of the changes in redeemable noncontrolling interest for the years ended December 31:

In millions	**2016**	**2015**
Beginning balance	$ 39	$ —
Acquisition of noncontrolling interest	—	39
Net income attributable to noncontrolling interest	1	1
Distributions	(2)	(1)
Purchase of noncontrolling interest	(39)	—
Reclassification to capital surplus in connection with purchase of noncontrolling interest	1	—
Ending balance	$ —	$ 39

Revenue Recognition

Pharmacy Services Segment

The PSS sells prescription drugs directly through its mail service dispensing pharmacies and indirectly through its retail pharmacy network. The PSS recognizes revenue from prescription drugs sold by its mail service dispensing pharmacies and under retail pharmacy network contracts where it is the principal using the gross method at the contract prices negotiated with its clients. Net revenues include: (i) the portion of the price the client pays directly to the PSS, net of any volume-related or other discounts paid back to the client (see “Drug Discounts” below), (ii) the price paid to the PSS by client plan members for mail order prescriptions (“Mail Co-Payments”) and the price paid to retail network pharmacies by client plan members for retail prescriptions (“Retail Co-Payments”), and (iii) administrative fees for retail pharmacy network contracts where the PSS is not the principal as discussed below. Sales taxes are not included in revenue.

Revenue is recognized when: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured. The following revenue recognition policies have been established for the PSS:

- Revenues generated from prescription drugs sold by mail service dispensing pharmacies are recognized when the prescription is delivered. At the time of delivery, the PSS has performed substantially all of its obligations under its client contracts and does not experience a significant level of returns or reshipments.

- Revenues generated from prescription drugs sold by third party pharmacies in the PSS' retail pharmacy network and associated administrative fees are recognized at the PSS' point-of-sale, which is when the claim is adjudicated by the PSS online claims processing system.

The PSS determines whether it is the principal or agent for its retail pharmacy network transactions on a contract by contract basis. In the majority of its contracts, the PSS has determined it is the principal due to it: (i) being the primary obligor in the arrangement, (ii) having latitude in establishing the price, changing the product or performing part of the service, (iii) having discretion in supplier selection, (iv) having involvement in the determination of product or service specifications, and (v) having credit risk. The PSS' obligations under its client contracts for which revenues are reported using the gross method are separate and distinct from its obligations to the third party pharmacies included in its retail pharmacy network contracts. Pursuant to these contracts, the PSS is contractually required to pay the third party pharmacies in its retail pharmacy network for products sold, regardless of whether the PSS is paid by its clients. The PSS' responsibilities under its client contracts typically include validating eligibility and coverage levels, communicating the prescription price and the co-payments due to the third party retail pharmacy, identifying possible adverse drug interactions for the pharmacist to address with the prescriber prior to dispensing, suggesting generic alternatives where clinically appropriate and approving the prescription for dispensing. Although the PSS does not have credit risk with respect to Retail Co-Payments or inventory risk related to retail network claims, management believes that all of the other applicable indicators of gross revenue reporting are present. For contracts under which the PSS acts as an agent, revenue is recognized using the net method.

Drug Discounts - The PSS deducts from its revenues any rebates, inclusive of discounts and fees, earned by its clients. Rebates are paid to clients in accordance with the terms of client contracts, which are normally based on fixed rebates per prescription for specific products dispensed or a percentage of manufacturer discounts received for specific products dispensed. The liability for rebates due to clients is included in "Claims and discounts payable" in the accompanying consolidated balance sheets.

Medicare Part D - The PSS, through its SilverScript subsidiary, participates in the federal government's Medicare Part D program as a Prescription Drug Plan ("PDP"). Net revenues include insurance premiums earned by the PDP, which are determined based on the PDP's annual bid and related contractual arrangements with the Centers for Medicare and Medicaid Services ("CMS"). The insurance premiums include a direct premium paid by CMS and a beneficiary premium, which is the responsibility of the PDP member, but which is subsidized by CMS in the case of low-income members. Premiums collected in advance are initially deferred in accrued expenses and are then recognized in net revenues over the period in which members are entitled to receive benefits.

In addition to these premiums, net revenues include co-payments, coverage gap benefits, deductibles and co-insurance (collectively, the "Member Co-Payments") related to PDP members' actual prescription claims. In certain cases, CMS subsidizes a portion of these Member Co-Payments and pays the PSS an estimated prospective Member Co-Payment subsidy amount each month. The prospective Member Co-Payment subsidy amounts received from CMS are also included in net revenues. SilverScript assumes no risk for these amounts. If the prospective Member Co-Payment subsidies received differ from the amounts based on actual prescription claims, the difference is recorded in either accounts receivable or accrued expenses.

The PSS accounts for CMS obligations and Member Co-Payments (including the amounts subsidized by CMS) using the gross method consistent with its revenue recognition policies for Mail Co-Payments and Retail Co-Payments (discussed previously in this document).

Retail/LTC Segment

Retail Pharmacy - The retail drugstores recognize revenue at the time the customer takes possession of the merchandise. Customer returns are not material. Revenue generated from the performance of services in the RLS' health care clinics is recognized at the time the services are performed. Sales taxes are not included in revenue.

Long-term Care - Revenue is recognized when products are delivered or services are rendered or provided to the customer, prices are fixed and determinable, and collection is reasonably assured. A significant portion of the revenues from sales of pharmaceutical and medical products are reimbursed by the federal Medicare Part D program and, to a lesser extent, state Medicaid programs. Payments for services rendered to patients covered by these programs are generally less than billed charges. The Company monitors its revenues and receivables from these reimbursement sources, as well as other third party insurance payors, and record an estimated contractual allowance for sales and receivable balances at the revenue recognition date, to properly account for anticipated differences between billed and reimbursed amounts. Accordingly, the total net sales and receivables reported in the Company's consolidated financial statements are recorded at the amount expected to be ultimately received from these payors. Since billing functions for a portion of the Company's revenue systems are largely computerized, enabling on-line adjudication at the time of sale to record net revenues, the Company's exposure in connection with estimating contractual allowance adjustments is limited primarily to unbilled and initially rejected Medicare, Medicaid and third party claims (typically approved for reimbursement once additional information is provided to the payor). For the remaining portion of the Company's revenue systems, the contractual allowance is estimated for all billed, unbilled and initially rejected Medicare, Medicaid and third party claims. The Company evaluates several criteria in developing the estimated contractual allowances on a monthly basis, including historical trends based on actual claims paid, current contract and reimbursement terms, and changes in customer base and payor/product mix. Contractual allowance estimates are adjusted to actual amounts as cash is received and claims are settled, and the aggregate impact of these resulting adjustments was not significant to our results of operations for any of the periods presented.

Patient co-payments associated with Medicare Part D, certain state Medicaid programs, Medicare Part B and certain third party payors are typically not collected at the time products are delivered or services are rendered, but are billed to the individuals as part of our normal billing procedures and subject to our normal accounts receivable collections procedures.

Health Care Clinics - For services provided by our health care clinics, revenue recognition occurs for completed services provided to patients, with adjustments taken for third party payor contractual obligations and patient direct bill historical collection rates.

Loyalty Program - The Company's customer loyalty program, ExtraCare®, is comprised of two components, ExtraSavings™ and ExtraBucks® Rewards. ExtraSavings coupons redeemed by customers are recorded as a reduction of revenue when redeemed. ExtraBucks Rewards are accrued as a charge to cost of revenues when earned, net of estimated breakage. The Company determines breakage based on historical redemption patterns.

See Note 13 "Segment Reporting" for additional information about the revenues of the Company's business segments.

Cost of revenues

Pharmacy Services Segment - The PSS' cost of revenues includes: (i) the cost of prescription drugs sold during the reporting period directly through its mail service dispensing pharmacies and indirectly through its retail pharmacy network, (ii) shipping and handling costs, and (iii) the operating costs of its mail service dispensing pharmacies and client service operations and related information technology support costs including depreciation and amortization. The cost of prescription drugs sold component of cost of revenues includes: (i) the cost of the prescription drugs purchased from manufacturers or distributors and shipped to members in clients' benefit plans from the PSS' mail service dispensing pharmacies, net of any volume-related or other discounts (see "Vendor allowances and purchase discounts" below) and (ii) the cost of prescription drugs sold (including Retail Co-Payments) through the PSS' retail pharmacy network under contracts where it is the principal, net of any volume-related or other discounts.

Retail/LTC Segment - The RLS' cost of revenues includes: the cost of merchandise sold during the reporting period and the related purchasing costs, warehousing and delivery costs (including depreciation and amortization) and actual and estimated inventory losses.

See Note 13 "Segment Reporting" for additional information about the cost of revenues of the Company's business segments.

Vendor allowances and purchase discounts

The Company accounts for vendor allowances and purchase discounts as follows:

Pharmacy Services Segment - The PSS receives purchase discounts on products purchased. The PSS' contractual arrangements with vendors, including manufacturers, wholesalers and retail pharmacies, normally provide for the PSS to receive purchase discounts from established list prices in one, or a combination, of the following forms: (i) a direct discount at the time of purchase, (ii) a discount for the prompt payment of invoices, or (iii) when products are purchased indirectly from a manufacturer (e.g., through a wholesaler or retail pharmacy), a discount (or rebate) paid subsequent to dispensing. These rebates are recognized when prescriptions are dispensed and are generally calculated and billed to manufacturers within 30 days of the end of each completed quarter. Historically, the effect of adjustments resulting from the reconciliation of rebates recognized to the amounts billed and collected has not been material to the PSS' results of operations. The PSS accounts for the effect of any such differences as a change in accounting estimate in the period the reconciliation is completed. The PSS also receives additional discounts under its wholesaler contracts if it exceeds contractually defined annual purchase volumes. In addition, the PSS receives fees from pharmaceutical manufacturers for administrative services. Purchase discounts and administrative service fees are recorded as a reduction of "Cost of revenues".

Retail/LTC Segment - Vendor allowances received by the RLS reduce the carrying cost of inventory and are recognized in cost of revenues when the related inventory is sold, unless they are specifically identified as a reimbursement of incremental costs for promotional programs and/or other services provided. Amounts that are directly linked to advertising commitments are recognized as a reduction of advertising expense (included in operating expenses) when the related advertising commitment is satisfied. Any such allowances received in excess of the actual cost incurred also reduce the carrying cost of inventory. The total value of any upfront payments received from vendors that are linked to purchase commitments is initially deferred. The deferred amounts are then amortized to reduce cost of revenues over the life of the contract based upon purchase volume. The total value of any upfront payments received from vendors that are not linked to purchase commitments is also initially deferred. The deferred amounts are then amortized to reduce cost of revenues on a straight-line basis over the life of the related contract. The total amortization of these upfront payments was not material to the accompanying consolidated financial statements.

Insurance - The Company is self-insured for certain losses related to general liability, workers' compensation and auto liability. The Company obtains third party insurance coverage to limit exposure from these claims. The Company is also self-insured for certain losses related to health and medical liabilities. The Company's self-insurance accruals, which include reported claims and claims incurred but not reported, are calculated using standard insurance industry actuarial assumptions and the Company's historical claims experience.

Facility opening and closing costs - New facility opening costs, other than capital expenditures, are charged directly to expense when incurred. When the Company closes a facility, the present value of estimated unrecoverable costs, including the remaining lease obligation less estimated sublease income and the book value of abandoned property and equipment, are charged to expense. The long-term portion of the lease obligations associated with facility closings was $306 million and $181 million in 2017 and 2016, respectively.

Advertising costs - Advertising costs are expensed when the related advertising takes place. Advertising costs, net of vendor funding (included in operating expenses), were $230 million, $216 million and $221 million in 2017, 2016 and 2015, respectively.

Interest expense, net - The following are the components of net interest expense for the years ended December 31:

In millions	2017	2016	2015
Interest expense	$ 1,062	$ 1,078	$ 859
Interest income	(21)	(20)	(21)
Interest expense, net	$ 1,041	$ 1,058	$ 838

Capitalized interest totaled $8 million, $13 million and $12 million in 2017, 2016 and 2015, respectively.

Shares held in trust - The Company maintains grantor trusts, which held approximately one million shares of its common stock at December 31, 2017 and 2016, respectively. These shares are designated for use under various employee compensation plans. Since the Company holds these shares, they are excluded from the computation of basic and diluted shares outstanding.

Accumulated other comprehensive income - Accumulated other comprehensive income (loss) consists of changes in the net actuarial gains and losses associated with pension and other postretirement benefit plans, net losses on cash flow hedge derivative instruments associated with forecasted debt issuances, and foreign currency translation adjustments. The amount included in accumulated other comprehensive loss related to the Company's pension and postretirement plans was $34 million pre-tax ($21 million after-tax) as of December 31, 2017 and $284 million pre-tax ($173 million after-tax) as of December 31, 2016. The net impact on cash flow hedges totaled $24 million pre-tax ($15 million after-tax) and $9 million pre-tax ($5 million after-tax) as of December 31, 2017 and 2016, respectively. Cumulative foreign currency translation adjustments at December 31, 2017 and 2016 were $129 million and $127 million, respectively.

Changes in accumulated other comprehensive income (loss) by component are shown below:

	Year Ended December 31, 2017 [1]			
In millions	Foreign Currency	Losses on Cash Flow Hedges	Pension and Other Postretirement Benefits	Total
Balance, December 31, 2016	$ (127)	$ (5)	$ (173)	$ (305)
Other comprehensive loss before reclassifications	(2)	(11)	—	(13)
Amounts reclassified from accumulated other comprehensive income [2]	—	1	152	153
Net other comprehensive income (loss)	(2)	(10)	152	140
Balance, December 31, 2017	$ (129)	$ (15)	$ (21)	$ (165)

	Year Ended December 31, 2016 [1]			
	Foreign Currency	Losses on Cash Flow Hedges	Pension and Other Postretirement Benefits	Total
Balance, December 31, 2015	$ (165)	$ (7)	$ (186)	$ (358)
Other comprehensive income before reclassifications	38	—	—	38
Amounts reclassified from accumulated other comprehensive income [2]	—	2	13	15
Net other comprehensive income	38	2	13	53
Balance, December 31, 2016	$ (127)	$ (5)	$ (173)	$ (305)

(1) All amounts are net of tax.

(2) The amounts reclassified from accumulated other comprehensive income for cash flow hedges are recorded within interest expense, net on the consolidated statement of income. The amounts reclassified from accumulated other comprehensive income for pension and other postretirement benefits are included in other expense on the consolidated statement of income.

Stock-based compensation - Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable requisite service period of the stock award (generally 3 to 5 years) using the straight-line method.

Variable interest entity - In 2014, the Company and Cardinal Health, Inc. ("Cardinal") established Red Oak Sourcing, LLC ("Red Oak"), a generic pharmaceutical sourcing entity in which the Company and Cardinal each own 50%. The Red Oak arrangement has an initial term of ten years. Under this arrangement, the Company and Cardinal contributed their sourcing and supply chain expertise to Red Oak and agreed to source and negotiate generic pharmaceutical supply contracts for both companies through Red Oak; however, Red Oak does not own or hold inventory on behalf of either company. No physical assets (e.g., property and equipment) were contributed to Red Oak by either company and minimal funding was provided to capitalize Red Oak.

The Company has determined that it is the primary beneficiary of this variable interest entity because it has the ability to direct the activities of Red Oak. Consequently, the Company consolidates Red Oak in its consolidated financial statements within the Retail/LTC Segment.

Cardinal is required to pay the Company 39 quarterly payments beginning in October 2014. As milestones are met, the quarterly payments increase. The Company received approximately $183 million, $163 million and $122 million from Cardinal during the years ended December 31, 2017, 2016 and 2015, respectively. The payments reduce the Company's carrying value of inventory and are recognized in cost of revenues when the related inventory is sold. Revenues associated with Red Oak expenses reimbursed by Cardinal for the years ended December 31, 2017, 2016 and 2015, as well as amounts due to or due from Cardinal at December 31, 2017 and 2016 were immaterial.

Related party transactions - The Company has an equity method investment in SureScripts, LLC ("SureScripts"), which operates a clinical health information network. The Pharmacy Services and Retail/LTC segments utilize this clinical health information network in providing services to its client plan members and retail customers. The Company expensed fees of approximately $35 million, $39 million and $50 million in the years ended December 31, 2017, 2016 and 2015, respectively, for the use of this network. The Company's investment in and equity in earnings of SureScripts for all periods presented is immaterial.

The Company has an equity method investment in Heartland Healthcare Services ("Heartland"). Heartland operates several long-term care pharmacies in four states. Heartland paid the Company approximately $139 million, $140 million and $25 million for pharmaceutical inventory purchases during the years ended December 31, 2017, 2016 and 2015, respectively. Additionally, the Company performs certain collection functions for Heartland and then passes those customer cash collections to Heartland. The Company's investment in and equity in earnings of Heartland as of and for the years ended December 31, 2016 and 2015 is immaterial.

In 2016, the Company made charitable contributions of $32 million to the CVS Foundation (the "Foundation") to fund future giving. The Foundation is an unconsolidated non-profit entity managed by employees of the Company that focuses on health, education and community involvement programs. The charitable contributions were recorded as operating expenses in the Company's consolidated statement of income for the year ended December 31, 2016.

Income taxes - The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year or years in which the differences are expected to reverse. The effect of a change in the tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

On December 22, 2017, the President signed into law the "Tax Cuts and Jobs Act" (the "TCJA"). Among numerous changes to existing tax laws, the TCJA permanently reduces the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The effects on deferred tax balances of changes in tax rates are required to be taken into consideration in the period in which the changes are enacted, regardless of when they are effective. As the result of the

reduction of the corporate income tax rate under the TCJA, the Company estimated the revaluation of its net deferred tax liabilities and recorded a provisional noncash income tax benefit of approximately $1.5 billion for year ended December 31, 2017. The Company has not completed all of its processes to determine the TCJA's final impact. The final impact may differ from this provisional amount due to, among other things, changes in interpretations and assumptions the Company has made thus far and the issuance of additional regulatory or other guidance. The accounting is expected to be completed by the time the 2017 federal income tax return is filed in 2018.

The Company recognizes net deferred tax assets to the extent that it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

The Company records uncertain tax positions on the basis of a two-step process whereby (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

Interest and/or penalties related to uncertain tax positions are recognized in income tax expense.

Discontinued operations - In connection with certain business dispositions completed between 1991 and 1997, the Company retained guarantees on store lease obligations for a number of former subsidiaries, including Bob's Stores and Linens 'n Things which filed for bankruptcy in 2016 and 2008, respectively. Additionally, the Company's recently acquired Bluegrass Pharmacy is considered held for sale and is included in discontinued operations (see Note 2 "Acquisitions" for additional information). The Company's loss from discontinued operations in 2017 and 2016 primarily includes lease-related costs which the Company believes it will likely be required to satisfy pursuant to its lease guarantees. The Company's income from discontinued operations in 2015 of $9 million, net of tax, was related to the release of certain store lease guarantees due to a settlement with a landlord. See Note 12 "Commitments and Contingencies" of the consolidated financial statements.

Below is a summary of the results of discontinued operations for the years ended December 31:

In millions	**2017**	**2016**	**2015**
Income (loss) from discontinued operations	$(13)	$ (2)	$ 15
Income tax benefit (expense)	5	1	(6)
Income (loss) from discontinued operations, net of tax	$ (8)	$ (1)	$ 9

Earnings per common share - Earnings per share is computed using the two-class method. Options to purchase 10.4 million, 6.7 million and 2.7 million shares of common stock were outstanding as of December 31, 2017, 2016 and 2015, respectively, but were not included in the calculation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

New accounting pronouncements recently adopted - In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, *Inventory*, which amends Accounting Standard Codification ("ASC") Topic 330. This ASU simplifies current accounting treatments by requiring entities to measure most inventories at "the lower of cost and net realizable value" rather than using lower of cost or market. This guidance does not apply to inventories measured using the last-in, first-out method or the retail inventory method. The Company adopted this standard effective January 1, 2017. The adoption of this new guidance did not have any impact on the Company's consolidated results of operations, financial position or cash flows.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which amends the accounting for certain aspects of shared-based payments to employees in ASC Topic 718,

Compensation - Stock Compensation. The new guidance eliminates the accounting for any excess tax benefits and deficiencies through equity, and requires all excess tax benefits and deficiencies related to employee share-based compensation arrangements to be recorded in the income statement. This aspect of the guidance is required to be applied prospectively. The guidance also requires the presentation of excess tax benefits on the statement of cash flows as an operating activity rather than a financing activity, a change which may be applied prospectively or retrospectively. The guidance further provides an accounting policy election to account for forfeitures as they occur rather than utilizing the estimated amount of forfeitures at the time of issuance. The Company adopted this guidance effective January 1, 2017. The primary impact of adopting this guidance was the recognition of excess tax benefits in the income statement instead of recognizing them in equity. This income statement guidance was adopted on a prospective basis. As a result, a discrete tax benefit of $53 million was recognized in the income tax provision in the year ended December 31, 2017.

The Company elected to retrospectively adopt the guidance on the presentation of excess tax benefits in the statement of cash flows. The following is a reconciliation of the effect of the resulting reclassification of the excess tax benefits on the Company's consolidated statements of cash flows for the years ended December 31, 2016 and 2015:

In millions	**As Previously Reported**	**Adjustments**	**As Revised**
Year Ended December 31, 2016:			
Cash paid to other suppliers and employees	$ (15,550)	$ 72	$ (15,478)
Net cash provided by operating activities	10,069	72	10,141
Excess tax benefits from stock-based compensation	72	(72)	—
Net cash used in financing activities	(6,689)	(72)	(6,761)
Reconciliation of net income to net cash provided by operating activities:			
Accrued expenses	59	72	131
Year Ended December 31, 2015:			
Cash paid to other suppliers and employees	(14,162)	127	(14,035)
Net cash provided by operating activities	8,412	127	8,539
Excess tax benefits from stock-based compensation	127	(127)	—
Net cash provided by financing activities	5,006	(127)	4,879
Reconciliation of net income to net cash provided by operating activities:			
Accrued expenses	765	127	892

The Company elected to continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period. None of the other provisions in this guidance had a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which amends ASC Topic 715, *Compensation – Retirement Benefits*. ASU 2017-07 requires entities to disaggregate the current service cost component from the other components of net benefit cost and present it with other current compensation costs for related employees in the income statement and present the other components of net benefit cost elsewhere in the income statement and outside of operating income. Only the service cost component of net benefit cost is eligible for capitalization. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted as of the beginning of any annual periods for which an entity's financial statements have not been issued. Entities are required to retrospectively apply the requirement for a separate presentation in the income statement of service costs and other components of net benefit cost and prospectively adopt the requirement to limit the capitalization of benefit costs to the service component. The Company adopted the income statement presentation aspects of this new guidance on a retrospective basis effective January 1, 2017. Nearly all of the Company's net benefit costs for the Company's defined benefit pension and postretirement plans do not contain a service cost component as most of these defined benefit plans have been frozen for an extended period of time.

The following is a reconciliation of the effect of the reclassification of the net benefit cost from operating expenses to other expense in the Company's consolidated statements of income for the years ended December 31 2016 and 2015:

In millions	As Previously Reported	Adjustments	As Revised
Year Ended December 31, 2016:			
Operating expenses	$ 18,519	$ (28)	$ 18,491
Operating profit	10,338	28	10,366
Other expense	—	28	28
Year Ended December 31, 2015:			
Operating expenses	17,074	(21)	17,053
Operating profit	9,454	21	9,475
Other expense	—	21	21

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which amends ASC Topic 350, *Intangibles – Goodwill and Other*. This ASU requires the Company to perform its annual, or applicable interim, goodwill impairment test by comparing the fair value of each reporting unit with its carrying amount. An impairment charge must be recognized at the amount by which the carrying amount exceeds the fair value of the reporting unit; however, the charge recognized should not exceed the total amount of goodwill allocated to that reporting unit. Income tax effects resulting from any tax deductible goodwill should be considered when measuring a goodwill impairment charge, if applicable. The guidance in ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company elected to early adopt this standard as of January 1, 2017. At the date of adoption of this new guidance, the guidance did not have any impact on the Company's consolidated results of operations, financial position or cash flows.

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which amends ASC Topic 815, *Derivative and Hedging*. ASU 2017-12 expands an entity's ability to hedge nonfinancial and financial risk components and reduces complexity in fair value hedges of interest rate risk. It eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. ASU 2017-12 also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The guidance is effective for fiscal years beginning after December 15, 2018, and interims periods with those years. Early adoption is permitted. The guidance with respect to cash flow and net investment hedge relationships existing on the date of adoption must be applied on a modified retrospective basis, and the new presentation and disclosure requirements must be applied on a prospective basis. The Company elected to early adopt this standard as of October 1, 2017. As the date of adoption of this new guidance, the guidance did not have any impact on the Company's consolidated results of operations, financial position or cash flows since the Company did not have any outstanding derivative instruments at that time.

New accounting pronouncements not yet adopted - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In March 2016, the FASB issued ASU 2016-08, "*Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)*," which amends the principal-versus-agent implementation guidance and in April 2016 the FASB issued ASU 2016-10, "*Identifying Performance Obligations and Licensing*," which amends the guidance in those areas in the new revenue recognition standard. The new revenue standard is effective for annual reporting periods (including interim reporting periods within those periods) beginning January 1, 2018. The Company does not expect that the implementation of the new standard will have a material effect on the Company's consolidated results of operations, cash flows or financial position. The new standard will however require more extensive revenue-related disclosures. The Company has identified one difference in its Retail/LTC Segment related to the accounting for its ExtraBucks Rewards customer loyalty program, which is currently accounted for under a cost deferral method. Under the new standard, this program will be accounted for under a revenue deferral method. On

January 1, 2018, the Company adopted the new revenue standard on a modified retrospective basis and recorded an after-tax transition adjustment to reduce retained earnings as of January 1, 2018 by approximately $13 million.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall* (Subtopic 825-10)*: Recognition and Measurement of financial Assets and Financial Liabilities*. This ASU requires equity investments, except those under the equity method of accounting or those that result in the consolidation of an investee, to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. This simplifies the impairment assessment of equity investments previously held at cost. Separate presentation of financial assets and liabilities by measurement category is required. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted for fiscal years or interim periods that have not yet been issued as of the beginning of the fiscal year of adoption. Entities are required to apply the guidance retrospectively, with the exception of the amendments related to equity investments without readily determinable fair values, which must be applied on a prospective basis. The Company is evaluating the effect of adopting this guidance but does not expect the adoption to have a material impact on the Company's consolidated results of operations.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). Lessees will be required to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, a dual model was retained, requiring leases to be classified as either operating or finance leases. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model (e.g., certain definitions, such as initial direct costs, have been updated) and the new revenue recognition standard. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company believes that the new standard will have a material impact on its consolidated balance sheet. The Company is currently evaluating the effect that implementation of this standard will have on the Company's consolidated results of operations, cash flows, financial position and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 is intended to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows and to eliminate the diversity in practice related to such classifications. The guidance in ASU 2016-15 is required for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company is evaluating the effect of adopting this guidance but does not expect the adoption will have a material impact on the Company's consolidated cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*, which amends ASC Topic 230. This ASU requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer be required to present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. Entities will also have to disclose the nature of their restricted cash and restricted cash equivalent balances. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted. Entities are required to apply the guidance retrospectively. The Company is evaluating the effect of adopting this guidance but does not expect the adoption will have a material impact on the Company's consolidated cash flows.

2 Acquisitions

Proposed Aetna Acquisition

On December 3, 2017, the Company entered into a definitive merger agreement to acquire all of the outstanding shares of Aetna for a combination of cash and stock. Under the terms of the merger agreement, Aetna shareholders will receive $145.00 per share in cash and 0.8378 CVS Health shares for each Aetna share. The transaction values Aetna at approximately $207 per share or approximately $69 billion based on the Company's 5-day volume weighted average price ending December 1, 2017 of $74.21 per share. Including the assumption of Aetna's debt, the total value of the transaction is approximately $77 billion. The final purchase price will be determined based on the Company's stock price on the date of closing of the transaction.

The proposed acquisition remains subject to approval by CVS Health and Aetna shareholders and customary closing conditions, including the expiration of the waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976 and approvals of state departments of insurance and U.S. and international regulators.

If the transaction is not completed, the Company could be liable to Aetna for a termination fee of $2.1 billion in connection with the merger agreement, depending on the reasons leading to such termination.

During the year ended December 31, 2017, the Company recorded $34 million of transaction-related costs in operating expenses in connection with the proposed acquisition.

Wellpartner Acquisition

On November 30, 2017, the Company acquired Wellpartner, Inc. ("Wellpartner") for approximately $380 million. The purchase price is subject to a working capital adjustment. Wellpartner is a provider of specialty pharmacy services which provides products and services under the Section 340B drug discount program, which is a U.S. federal government program that requires drug manufacturers participating in the Medicaid program to provide outpatient drugs to eligible health care organizations and covered entities at significantly reduced prices. Wellpartner has two specialty pharmacies, one in Oregon, and the other, Bluegrass Pharmacy of Lexington, LLC ("Bluegrass Pharmacy"), is located in Kentucky. The fair value of the assets acquired and liabilities assumed were $532 million and $152 million, respectively, which included identifiable intangible assets of $233 million and goodwill of $182 million that were recorded in the PSS. The allocation of the purchase price is preliminary and is based on information that was available to management at the time the consolidated financial statements were prepared, accordingly, the allocation may change. The Company has classified the assets of Bluegrass Pharmacy as held for sale, and has reported Bluegrass Pharmacy as a discontinued operation. The assets held for sale and the operating results of Bluegrass Pharmacy as of and for the month ended December 31, 2017 are immaterial.

Target Pharmacy Acquisition

On December 16, 2015, the Company acquired the pharmacy and clinic businesses of Target for approximately $1.9 billion, plus contingent consideration of up to $60 million based on future prescription growth over a three year period through 2019. The Company acquired Target's 1,672 pharmacies which operate in 47 states and will operate them through a store-within-a-store format, branded as CVS Pharmacy. The Company also acquired 79 Target clinic locations which were rebranded as MinuteClinic. The Company acquired the Target pharmacy and clinic businesses primarily to expand the geographic reach of its retail pharmacy business.

The fair values of the assets acquired at the date of acquisition were approximately as follows:

In millions	
Accounts receivable	$ 2
Inventories	467
Property and equipment	9
Intangible assets	490
Goodwill	900
Total cash consideration	$ 1,868

Intangible assets acquired include customer relationships with an estimated useful life of 13 years. The goodwill represents future economic benefits expected to arise from the Company's expanded geographic presence in the retail pharmacy market, the assembled workforce acquired, expected purchasing and revenue synergies, as well as operating efficiencies and cost savings. The goodwill is deductible for income tax purposes. As of December 31, 2017 and 2016, no liability for any potential contingent consideration has been recorded based on projections for future prescription growth over the relevant period.

In connection with the closing of the transaction, the Company and Target entered into pharmacy and clinic operating and master lease agreements. See Note 7 "Leases" of the consolidated financial statements for disclosures of the Company's leasing arrangements.

During the year ended December 31, 2015, the Company incurred transaction costs of approximately $26 million associated with the acquisition that were recorded within operating expenses. The results of the Target pharmacies and clinics are included in the Company's Retail/LTC Segment beginning on December 16, 2015. Pro forma financial information for this acquisition is not presented as such results are immaterial to the Company's consolidated financial statements.

Omnicare Acquisition

On August 18, 2015, the Company acquired 100% of the outstanding common shares and voting interests of Omnicare, for $98 per share for a total of $9.6 billion and assumed long-term debt with a fair value of approximately $3.1 billion. Omnicare is a leading health care services company that specializes in the management of complex pharmaceutical care. Omnicare's LTC business is the nation's largest provider of pharmaceuticals, related pharmacy consulting and other ancillary services to chronic care facilities and other care settings. In addition, Omnicare has a specialty pharmacy business operating primarily under the name of ACS Pharmacy, and provides commercialization services under the name of RxCrossroads®. The Company includes LTC and the commercialization services business in the Retail/LTC Segment, and includes the specialty pharmacy business in its Pharmacy Services Segment. The Company acquired Omnicare to expand its operations in dispensing prescription drugs to assisted-living and long-term care facilities, and to broaden its presence in the specialty pharmacy business as the Company seeks to serve a greater percentage of the growing senior patient population in the United States.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

In Millions	
Current assets (including cash of $298)	$ 1,657
Property and equipment	313
Goodwill	9,139
Intangible assets	3,962
Other noncurrent assets	63
Current liabilities	(773)
Long-term debt	(3,110)
Deferred income tax liabilities	(1,498)
Other noncurrent liabilities	(69)
Redeemable noncontrolling interest	(39)
Total consideration	$ 9,645

The goodwill represents future economic benefits expected to arise from the Company's expanded presence in the pharmaceutical care market, the assembled workforce acquired, expected purchasing and revenue synergies, as well as operating efficiencies and cost savings. Goodwill of $8.7 billion was allocated to the Retail/LTC Segment and the remaining goodwill of $0.4 billion was allocated to the Pharmacy Services Segment. Approximately $0.4 billion of the goodwill is deductible for income tax purposes. Intangible assets acquired include customer relationships and trade names of $3.9 billion and $74 million, respectively, with estimated weighted average useful lives of 19.1 and 2.9 years, respectively, and 18.8 years in total.

During the year ended December 31, 2015, the Company incurred transaction costs of $70 million associated with the acquisition of Omnicare that were recorded within operating expenses.

The Company's consolidated results of operations for the year ended December 31, 2015, include $2.6 billion of net revenues and net income of $61 million associated with the operating results of Omnicare from August 18, 2015 to December 31, 2015. These Omnicare operating results include severance costs and accelerated stock-based compensation.

The following unaudited pro forma information presents a summary of the Company's combined results of operations for the year ended December 31, 2015 as if the Omnicare acquisition and the related financing transactions had occurred on January 1, 2015. The following pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transactions been effected on the assumed date, nor is it necessarily an indication of trends in future results for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma information, basic shares outstanding and dilutive equivalents, cost savings from operating efficiencies, potential synergies, and the impact of incremental costs incurred in integrating the businesses.

(In millions, except per share data)	
Total revenues	$ 156,798
Income from continuing operations	5,277
Basic earnings per share from continuing operations	4.70
Diluted earnings per share from continuing operations	4.66

Pro forma income from continuing operations for the year ended December 31, 2015, excludes $135 million related to severance costs, accelerated stock-based compensation and transaction costs incurred in connection with the Omnicare acquisition.

3 Goodwill and Other Intangibles

Goodwill and other indefinitely-lived assets are not amortized, but are subject to annual impairment reviews, or more frequent reviews if events or circumstances indicate an impairment may exist.

When evaluating goodwill for potential impairment, the Company compares the fair value of its reporting units to their respective carrying amounts. The Company estimates the fair value of its reporting units using a combination of a discounted cash flow method and a market multiple method. If the carrying amount of a reporting unit exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess.

During 2017, the Company began pursuing various strategic alternatives for its RxC reporting unit. In connection with this effort, the Company performed an interim goodwill impairment test in the second quarter of 2017. The results of the impairment test determined that the fair value of the RxC reporting unit was lower than the carrying value, resulting in a $135 million goodwill impairment charge within operating expenses during the second quarter of 2017.

During the third quarter of 2017, the Company performed its required annual impairment tests of its reporting units and concluded there was no impairment of goodwill.

On January 2, 2018, the Company sold RxC to McKesson Corporation for $725 million. The transaction is subject to a working capital adjustment.

The TCJA enacted on December 22, 2017 reduces the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018 (see Note 11 “Income Taxes”). As a result, the RxC deferred income tax liabilities were reduced by $47 million and an income tax benefit of $47 million was recorded in the 2017 income statement. The reduction in the deferred income tax liabilities increased the carrying value of the RxC reporting unit by $47 million which triggered an additional goodwill impairment in the RxC reporting unit of $46 million during the fourth quarter of 2017.

The Company has cumulative goodwill impairments of $181 million as of December 31, 2017.

Below is a summary of the changes in the carrying amount of goodwill by segment for the years ended December 31, 2017 and 2016:

In millions	Pharmacy Services	Retail/LTC	Total
Balance, December 31, 2015	$ 21,685	$ 16,421	$ 38,106
Acquisitions	—	126	126
Foreign currency translation adjustments	—	17	17
Other [1]	(48)	48	—
Balance, December 31, 2016	21,637	16,612	38,249
Acquisitions	182	203	385
Foreign currency translation adjustments	—	(2)	(2)
Impairments	—	(181)	(181)
Balance, December 31, 2017	$ 21,819	$ 16,632	$ 38,451

(1) “Other” represents immaterial purchase accounting adjustments for acquisitions.

Indefinitely-lived intangible assets are tested for impairment by comparing the estimated fair value of the asset to its carrying value. The Company estimates the fair value of its indefinitely-lived trademark using the relief from royalty method under the income approach. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized and the asset is written down to its estimated fair value. During the third quarter of 2017, the Company performed its annual impairment test of the indefinitely-lived trademark and concluded there was no impairment as of the testing date.

The following table is a summary of the Company's intangible assets as of December 31:

	2017			2016		
In millions	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark (indefinitely-lived)	$ 6,398	$ —	$ 6,398	$ 6,398	$ —	$ 6,398
Customer contracts and relationships and covenants not to compete	12,341	(5,536)	6,805	11,485	(4,802)	6,683
Favorable leases and other	1,190	(763)	427	1,123	(693)	430
	$ 19,929	$ (6,299)	$ 13,630	$ 19,006	$ (5,495)	$ 13,511

The Company amortizes intangible assets with finite lives over the estimated useful lives of the respective assets, which have a weighted average useful life of 15.4 years. The weighted average useful life of the Company's customer contracts and relationships and covenants not to compete is 15.3 years. The weighted average life of the Company's favorable leases and other intangible assets is 16.2 years. Amortization expense for intangible assets totaled $817 million, $795 million and $611 million in 2017, 2016 and 2015, respectively. The anticipated annual amortization expense for these intangible assets for the next five years is as follows:

In millions	
2018	$ 817
2019	771
2020	600
2021	539
2022	494

4 Share Repurchase Programs

The following share repurchase programs were authorized by the Company's Board of Directors:

In billions		
Authorization Date	Authorized	Remaining as of December 31, 2017
November 2, 2016 ("2016 Repurchase Program")	$ 15.0	$ 13.9
December 15, 2014 ("2014 Repurchase Program")	10.0	—
December 17, 2013 ("2013 Repurchase Program")	6.0	—

The share Repurchase Programs, each of which was effective immediately, permit the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase ("ASR") transactions, and/or other derivative transactions. The 2016 Repurchase Program can be modified or terminated by the Board of Directors at any time.

Pursuant to the authorization under the 2014 Repurchase Program, in August 2016, the Company entered into two fixed dollar ASRs with Barclays Bank PLC ("Barclays") for a total of $3.6 billion. Upon payment of the $3.6 billion purchase price in January 2017, the Company received a number of shares of its common stock equal to 80% of the $3.6 billion notional amount of the ASRs or approximately 36.1 million shares, which were placed into treasury stock in January 2017. The ASRs were accounted for as an initial treasury stock transaction for $2.9 billion and a forward contract for $0.7 billion. In April 2017, the Company received 9.9 million shares of common stock, representing the remaining 20% of the $3.6 billion notional amount of the ASRs, thereby concluding the ASRs. The remaining 9.9 million shares of common stock delivered to the Company by Barclays were placed into treasury stock and the forward contract was reclassified from capital surplus to treasury stock in April 2017.

Pursuant to the authorization under the 2014 Repurchase Program, in December 2015, the Company entered into a $725 million fixed dollar ASR with Barclays. Upon payment of the $725 million purchase price in December 2015, the Company received a number of shares of its common stock equal to 80% of the $725 million notional amount of the ASR or approximately 6.2 million shares. The initial 6.2 million shares of common stock delivered to the Company by Barclays were placed into treasury stock in December 2015. The ASR was accounted for as an initial treasury stock transaction of $580 million and a forward contract of $145 million. The forward contract was classified as an equity instrument and was recorded within capital surplus on the consolidated balance sheet. In January 2016, the Company received 1.4 million shares of common stock, representing the remaining 20% of the $725 million notional amount of the ASR, thereby concluding the ASR. The remaining 1.4 million shares of common stock delivered to the Company by Barclays were placed into treasury stock in January 2016 and the forward contract was reclassified from capital surplus to treasury stock.

Pursuant to the authorization under the 2013 Repurchase Programs, in January 2015, the Company entered into a $2.0 billion fixed dollar ASR agreement with J.P. Morgan Chase Bank (“JP Morgan”). Upon payment of the $2.0 billion purchase price in January 2015, the Company received a number of shares of its common stock equal to 80% of the $2.0 billion notional amount of the ASR agreement or approximately 16.8 million shares, which were placed into treasury stock in January 2015. In May 2015, the Company received approximately 3.1 million shares of common stock, representing the remaining 20% of the $2.0 billion notional amount of the ASR, thereby concluding the ASR. The remaining 3.1 million shares of common stock delivered to the Company by JP Morgan were placed into treasury stock in May 2015. The ASR was accounted for as an initial treasury stock transaction of $1.6 billion and a forward contract of $0.4 billion. The forward contract was classified as an equity instrument and was initially recorded within capital surplus on the consolidated balance sheet and was reclassified to treasury stock upon the settlement of the ASR in May 2015.

In the ASR transactions described above, the initial repurchase of the shares and delivery of the remainder of the shares to conclude the ASR, resulted in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share.

During the year ended December 31, 2017, the Company repurchased an aggregate of 55.4 million shares of common stock for approximately $4.4 billion under the 2014 and 2016 Repurchase Programs. As of December 31, 2017, there remained an aggregate of approximately $13.9 billion available for future repurchases under the 2016 Repurchase Program and the 2014 and 2013 Repurchase Programs were complete.

During the year ended December 31, 2016, the Company repurchased an aggregate of 47.5 million shares of common stock for approximately $4.5 billion under the 2014 Repurchase Program. During the year ended December 31, 2015, the Company repurchased an aggregate of 48.0 million shares of common stock for approximately $5.0 billion under the 2013 and 2014 Repurchase Programs.

5 Borrowings and Credit Agreements

The following table is a summary of the Company's borrowings as of December 31:

In millions	2017	2016
Short-term debt		
Commercial paper	$ 1,276	$ 1,874
Long-term debt		
1.9% senior notes due 2018	2,250	2,250
2.25% senior notes due 2018	1,250	1,250
2.25% senior notes due 2019	850	850
2.8% senior notes due 2020	2,750	2,750
2.125% senior notes due 2021	1,750	1,750
4.125% senior notes due 2021	550	550
2.75% senior notes due 2022	1,250	1,250
3.5% senior notes due 2022	1,500	1,500
4.75% senior notes due 2022	399	399
4% senior notes due 2023	1,250	1,250
3.375% senior notes due 2024	650	650
5% senior notes due 2024	299	299
3.875% senior notes due 2025	2,828	2,828
2.875% senior notes due 2026	1,750	1,750
6.25% senior notes due 2027	372	372
3.25% senior exchange debentures due 2035	1	1
4.875% senior notes due 2035	652	652
6.125% senior notes due 2039	447	447
5.75% senior notes due 2041	133	133
5.3% senior notes due 2043	750	750
5.125% senior notes due 2045	3,500	3,500
Capital lease obligations	670	648
Other	43	23
Total debt principal	27,170	27,726
Debt premiums	28	33
Debt discounts and deferred financing costs	(196)	(228)
	27,002	27,531
Less:		
Short-term debt (commercial paper)	(1,276)	(1,874)
Current portion of long-term debt	(3,545)	(42)
Long-term debt	$ 22,181	$ 25,615

The Company had approximately $1.3 billion of commercial paper outstanding at a weighted average interest rate of 2.0% as of December 31, 2017. The Company had approximately $1.9 billion of commercial paper outstanding at a weighted average interest rate of 1.22% as of December 31, 2016. In connection with its commercial paper program, the Company maintains a $1.0 billion 364-day unsecured back-up credit facility, which expires on May 17, 2018, a $1.25 billion, five-year unsecured back-up credit facility, which expires on July 24, 2019, a $1.25 billion, five-year unsecured back-up credit facility, which expires on July 1, 2020, and a $1.0 billion, five-year unsecured back-up credit facility, which expires on May 18, 2022. The credit facilities allow for borrowings at various rates that are dependent, in part, on the Company's public debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.02%, regardless of usage. As of December 31, 2017 and 2016, there were no borrowings outstanding under the back-up credit facilities.

On December 3, 2017, in connection with the proposed acquisition of Aetna, the Company entered into a $49.0 billion unsecured bridge loan facility. The Company paid approximately $221 million in fees upon entering into the agreement. The fees were capitalized in other current assets and will be amortized as interest expense over the period the bridge facility is outstanding. The bridge loan facility was reduced to $44.0 billion on December 15, 2017 upon the Company entering into a $5.0 billion term loan agreement. The Company recorded $56 million of amortization of the bridge loan facility fees during the three months and year ended December 31, 2017, which was recorded in interest expense. On December 15, 2017, in connection with the proposed acquisition of Aetna, the Company entered into a $5.0 billion unsecured term loan agreement. The term loan facility under the term loan agreement consists of a $3.0 billion three-year tranche and a $2.0 billion five-year tranche. The term loan facility allows for borrowings at various rates that are dependent, in part, on the Company's debt ratings and require the Company to pay a weighted average quarterly commitment fee, regardless of usage.

On January 3, 2017, the Company entered into a $2.5 billion revolving credit facility. The credit facility allows for borrowings at various rates that are dependent, in part, on the Company's debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.03%, regardless of usage. The Company terminated the credit facility in May 2017.

On May 16, 2016, the Company issued $1.75 billion aggregate principal amount of 2.125% unsecured senior notes due June 1, 2021 and $1.75 billion aggregate principal amount of 2.875% unsecured senior notes due June 1, 2026 (collectively, the "2016 Notes") for total proceeds of approximately $3.5 billion, net of discounts and underwriting fees. The 2016 Notes pay interest semi-annually and may be redeemed, in whole at any time, or in part from time to time, at the Company's option at a defined redemption price plus accrued and unpaid interest to the redemption date. The net proceeds of the 2016 Notes were used for general corporate purposes and to repay certain corporate debt.

On May 16, 2016, the Company announced tender offers for (1) any and all of its 5.75% Senior Notes due 2017, its 6.60% Senior Notes due 2019 and its 4.75% Senior Notes due 2020 (collectively, the "Any and All Notes") and (2) up to $1.5 billion aggregate principal amount of its 6.25% Senior Notes due 2027, its 6.125% Senior Notes due 2039, its 5.75% Senior Notes due 2041, the 5.00% Senior Notes due 2024 issued by its wholly-owned subsidiary, Omnicare, Inc. ("Omnicare"), the 4.75% Senior Notes due 2022 issued by Omnicare, its 4.875% Senior Notes due 2035 and its 3.875% Senior Notes due 2025 (collectively, the "Maximum Tender Offer Notes" and together with the Any and All Notes, the "Notes"). On May 31, 2016, the Company increased the aggregate principal amount of the tender offers for the Maximum Tender Offer Notes to $2.25 billion. The Company purchased approximately $835 million aggregate principal amount of the Any and All Notes and $2.25 billion aggregate principal amount of the Maximum Tender Offer Notes pursuant to the tender offers, which expired on June 13, 2016. The Company paid a premium of $486 million in excess of the debt principal in connection with the purchase of the Notes, wrote off $50 million of unamortized deferred financing costs and incurred $6 million in fees, for a total loss on the early extinguishment of debt of $542 million which was recorded in income from continuing operations in the consolidated statement of income for the year ended December 31, 2016.

On June 27, 2016, the Company notified the holders of the remaining Any and All Notes that the Company was exercising its option to redeem the outstanding Any and All Notes pursuant to the terms of the Any and All Notes and the Indenture dated as of August 15, 2006, between the Company and The Bank of New York Mellon Trust Company, N.A. Approximately $1.1 billion aggregate principal amount of Any and All Notes was redeemed on July 27, 2016. The Company paid a premium of $97 million in excess of the debt principal and wrote off $4 million of unamortized deferred financing costs, for a total loss on early extinguishment of debt of $101 million during the year ended December 31, 2016.

The Company recorded a total loss on the early extinguishment of debt of $643 million which was recorded in the income from continuing operations in the consolidated statement of income for the year ended December 31, 2016.

On May 20, 2015, in connection with the acquisition of Omnicare, the Company entered into a $13 billion unsecured bridge loan facility. The Company paid approximately $52 million in fees in connection with the facility. The fees were capitalized and amortized as interest expense over the period the bridge facility was outstanding. The bridge loan facility

expired on July 20, 2015 upon the Company's issuance of unsecured senior notes with an aggregate principal of $15 billion as discussed below. The bridge loan facility fees became fully amortized in July 2015.

On July 20, 2015, the Company issued an aggregate of $2.25 billion of 1.9% unsecured senior notes due 2018 ("2018 Notes"), an aggregate of $2.75 billion of 2.8% unsecured senior notes due 2020 ("2020 Notes"), an aggregate of $1.5 billion of 3.5% unsecured senior notes due 2022 ("2022 Notes"), an aggregate of $3 billion of 3.875% unsecured senior notes due 2025 ("2025 Notes"), an aggregate of $2 billion of 4.875% unsecured senior notes due 2035 ("2035 Notes"), and an aggregate of $3.5 billion of 5.125% unsecured senior notes due 2045 ("2045 Notes" and, together with the 2018 Notes, 2020 Notes, 2022 Notes, 2025 Notes and 2035 Notes, the "Notes") for total proceeds of approximately $14.8 billion, net of discounts and underwriting fees. The Notes pay interest semi-annually and contain redemption terms which allow or require the Company to redeem the Notes at a defined redemption price plus accrued and unpaid interest at the redemption date. The net proceeds of the Notes were used to fund the Omnicare acquisition and the acquisition of the pharmacies and clinics of Target. The remaining proceeds were used for general corporate purposes.

Upon the closing of the Omnicare acquisition in August 2015, the Company assumed the long-term debt of Omnicare that had a fair value of approximately $3.1 billion, $2.0 billion of which was previously convertible into Omnicare shares that holders were able to redeem subsequent to the acquisition. During the period from August 18, 2015 to December 31, 2015, all but $5 million of the $2.0 billion of previously convertible debt was redeemed and repaid and approximately $0.4 billion in Omnicare term debt assumed was repaid for total repayments of Omnicare debt of approximately $2.4 billion in 2015.

The remaining principal of the Omnicare debt assumed was comprised of senior unsecured notes with an aggregate principal amount of $700 million ($400 million of 4.75% senior notes due 2022 and $300 million of 5% senior notes due 2024). In September 2015, the Company commenced exchange offers for the 4.75% senior notes due 2022 and the 5% senior notes due 2024 to exchange all validly tendered and accepted notes issued by Omnicare for notes to be issued by the Company. This offer expired on October 20, 2015 and the aggregate principal amounts of $388 million of the 4.75% senior notes due 2022 and $296 million of the 5% senior notes due 2024 were validly tendered and exchanged for notes issued by the Company. The Company recorded this exchange transaction as a modification of the original debt instruments. Consequently, no gain or loss on extinguishment was recognized in the Company's consolidated income statement as a result of this exchange transaction and the issuance costs of the new debt were expensed as incurred.

The back-up credit facilities and unsecured senior notes contain customary restrictive financial and operating covenants. The covenants do not materially affect the Company's financial or operating flexibility. As of December 31, 2017, the Company is in compliance with all debt covenants.

The following is a summary of the Company's required principal debt repayments due during each of the next five years and thereafter, as of December 31, 2017:

In millions	
2018	$ 4,821
2019	873
2020	2,775
2021	2,327
2022	3,178
Thereafter	13,196
Total	$27,170

6 Store Closures

In December 2016, the Company announced an enterprise streamlining initiative designed to reduce costs and enhance operating efficiencies to allow the Company to be more competitive in the current health care environment. In connection with the enterprise streamlining initiative, the Company announced its intention to rationalize the number of retail stores by closing approximately 70 underperforming stores during the year ending December 31, 2017. During the

year ended December 31, 2017, the Company closed 71 retail stores and recorded charges of $215 million within operating expenses in the Retail/LTC Segment. The charges are primarily comprised of provisions for the present value of noncancelable lease obligations. The noncancelable lease obligations associated with stores closed during the year ended December 31, 2017 extend through the year 2039.

7 Leases

The Company leases most of its retail and mail order locations, 13 of its distribution centers and certain corporate offices under noncancelable operating leases, typically with initial terms of 15 to 25 years and with options that permit renewals for additional periods. The Company also leases certain equipment and other assets under noncancelable operating leases, typically with initial terms of 3 to 10 years. In December 2015, in connection with the acquisition of the pharmacy and clinic businesses of Target, the Company entered into lease agreements with Target for the pharmacy and clinic space within Target stores. Given that the noncancelable contractual term of the pharmacy lease arrangement exceeds the remaining estimated economic life of the buildings being leased, the Company concluded for accounting purposes that the lease term was the remaining economic life of the buildings. Consequently, most of the individual pharmacy leases are capital leases. Approximately $0.3 billion of capital lease obligations were recorded in connection with this transaction.

Minimum rent on operating leases is expensed on a straight-line basis over the term of the lease. In addition to minimum rental payments, certain leases require additional payments based on sales volume, as well as reimbursement for real estate taxes, common area maintenance and insurance, which are expensed when incurred.

The following table is a summary of the Company's net rental expense for operating leases for the years ended December 31:

In millions	**2017**	**2016**	**2015**
Minimum rentals	$ 2,455	$ 2,418	$ 2,317
Contingent rentals	29	35	34
	2,484	2,453	2,351
Less: sublease income	(24)	(24)	(22)
	$ 2,460	$ 2,429	$ 2,329

The following table is a summary of the future minimum lease payments under capital and operating leases as of December 31, 2017:

In millions	Capital Leases	Operating Leases[1]
2018	$ 74	$ 2,493
2019	74	2,361
2020	74	2,201
2021	73	2,072
2022	73	1,934
Thereafter	974	16,090
Total future lease payments [2]	1,342	$ 27,151
Less: imputed interest	(672)	
Present value of capital lease obligations	$ 670	

(1) Future operating lease payments have not been reduced by minimum sublease rentals of $171 million due in the future under noncancelable subleases.

(2) The Company leases pharmacy and clinic space from Target. Amounts related to such capital and operating leases are reflected above. Amounts due in excess of the remaining estimated economic life of the buildings of approximately $1.9 billion are not reflected herein since the estimated economic life of the buildings is shorter than the contractual term of the lease arrangement.

The Company finances a portion of its store development program through sale-leaseback transactions. The properties are generally sold at net book value, which generally approximates fair value, and the resulting leases generally qualify and are accounted for as operating leases. The operating leases that resulted from these transactions are included in the above table. The Company does not have any retained or contingent interests in the stores and does not provide any guarantees, other than a guarantee of lease payments, in connection with the sale-leaseback transactions. Proceeds from sale-leaseback transactions totaled $265 million in 2017, $230 million in 2016 and $411 million in 2015.

8 Medicare Part D

The Company offers Medicare Part D benefits through SilverScript, which has contracted with CMS to be a PDP and, pursuant to the Medicare Prescription Drug, Improvement and Modernization Act of 2003, must be a risk-bearing entity regulated under state insurance laws or similar statutes.

SilverScript is a licensed domestic insurance company under the applicable laws and regulations. Pursuant to these laws and regulations, SilverScript must file quarterly and annual reports with the National Association of Insurance Commissioners (“NAIC”) and certain state regulators, must maintain certain minimum amounts of capital and surplus under a formula established by the NAIC and must, in certain circumstances, request and receive the approval of certain state regulators before making dividend payments or other capital distributions to the Company. The Company does not believe these limitations on dividends and distributions materially impact its financial position.

The Company has recorded estimates of various assets and liabilities arising from its participation in the Medicare Part D program based on information in its claims management and enrollment systems. Significant estimates arising from its participation in this program include: (i) estimates of low-income cost subsidy, reinsurance amounts, and coverage gap discount amounts ultimately payable to or receivable from CMS based on a detailed claims reconciliation that will occur in the following year; (ii) an estimate of amounts receivable from or payable to CMS under a risk-sharing feature of the Medicare Part D program design, referred to as the risk corridor and (iii) estimates for claims that have been reported and are in the process of being paid or contested and for our estimate of claims that have been incurred but have not yet been reported.

9 Pension Plans and Other Postretirement Benefits

Defined Contribution Plans

The Company sponsors several voluntary 401(k) savings plans that cover all employees who meet plan eligibility requirements. The Company makes matching contributions consistent with the provisions of the plans.

At the participant's option, account balances, including the Company's matching contribution, can be transferred without restriction among various investment options, including the Company's common stock fund under one of the defined contribution plans. The Company also maintains a nonqualified, unfunded deferred compensation plan for certain key employees. This plan provides participants the opportunity to defer portions of their eligible compensation and receive matching contributions equivalent to what they could have received under the CVS Health 401(k) Plan absent certain restrictions and limitations under the Internal Revenue Code. The Company's contributions under the above defined contribution plans were $314 million, $295 million and $251 million in 2017, 2016 and 2015, respectively.

Defined Benefit Pension Plans

As of December 31, 2016 and 2015, the Company sponsored seven defined benefit pension plans, all of which are closed to new participants. Two of the plans are tax-qualified plans that are funded based on actuarial calculations and applicable federal laws and regulations. The other five plans are unfunded nonqualified supplemental retirement plans. In 2015, the Company terminated its largest tax-qualified plan and in 2017, the Company terminated the other tax-qualified plan.

During the year ended December 31, 2017, the Company settled the pension obligations of its two tax-qualified plans by irrevocably transferring pension liabilities to an insurance company through the purchase of group annuity contracts and through lump sum distributions. These purchases, funded with pension plan assets, resulted in pre-tax settlement losses of $187 million in the year ended December 31, 2017, related to the recognition of accumulated deferred actuarial losses. The settlement losses are included in other expense in the consolidated statement of income.

The following tables outline the change in benefit obligations and plan assets over the comparable periods:

In millions	**2017**	**2016**
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 844	$ 844
Interest cost	20	27
Actuarial loss (gain)	(31)	13
Benefit payments	(35)	(37)
Settlements	(667)	(3)
Benefit obligation at end of year	$ 131	$ 844

In millions	**2017**	**2016**
Change in plan assets:		
Fair value of plan assets at the beginning of the year	$ 624	$ 613
Actual return on plan assets	32	26
Employer contributions	46	25
Benefit payments	(35)	(37)
Settlements	(667)	(3)
Fair value of plan assets at the end of the year	—	624
Funded status	$ (131)	$ (220)

The components of net periodic benefit costs for the years ended December 31 are shown below:

In millions	2017	2016	2015
Components of net periodic benefit cost:			
Interest cost	$ 20	$ 27	$ 31
Expected return on plan assets	(20)	(32)	(33)
Amortization of net loss	21	32	21
Settlement losses	187	—	—
Net periodic pension cost	$ 208	$ 27	$ 19

Pension Plan Assumptions

The Company uses a series of actuarial assumptions to determine the benefit obligations and the net benefit costs. The discount rate is determined by examining the current yields observed on the measurement date of fixed-interest, high quality investments expected to be available during the period to maturity of the related benefits on a plan by plan basis. In 2016, the discount rate for the qualified plan that had been terminated was determined by examining the current assumed lump sum and annuity purchase rates. The expected long-term rate of return on plan assets is determined by using the plan's target allocation and historical returns for each asset class on a plan by plan basis. Certain of the Company's pension plans use assumptions on expected compensation increases of plan participants. These increases are determined by an actuarial analysis of the plan participants, their expected compensation increases, and the duration of their earnings period until retirement. Each of these assumptions is reviewed as plan characteristics change and on an annual basis with input from senior pension and financial executives and the Company's external actuarial consultants.

The discount rate for determining plan benefit obligations was 3.5% in 2017 and 4.0% in 2016 for all plans, except the terminated qualified plan. The discount rate for the terminated qualified plan was 3.09% in 2016. The expected long-term rate of return for the plans ranged from 4.0% to 5.5% in 2017 and 2016. The rate of compensation increases for certain of the plans with active participants ranged from 4.0% to 6.0% in 2017 and 2016.

Return on Plan Assets

The Company's investment strategy for its two qualified pension plans was liability management driven. The asset allocation targets were to hold fixed income investments based upon this strategy. The following tables show the fair value allocation of plan assets by asset category as of December 31, 2016.

	Fair value of plan assets at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 8	$ —	$ —	$ 8
Fixed income funds	3	580	—	583
Equity mutual funds	33	—	—	33
Total assets at fair value	$ 44	$ 580	$ —	$ 624

As of December 31, 2016, the Company's qualified defined benefit pension plan assets consisted of 5% equity, 94% fixed income and 1% money market securities of which 7% were classified as Level 1 and 93% as Level 2 in the fair value hierarchy. The Company had no investments in Level 3 alternative investments during the year ended December 31, 2016.

As of December 31, 2017, the assets in the Company's qualified defined benefit pension plans had been fully liquidated through the purchase of group annuity contracts and through lump sum distributions.

Cash Flows

The Company contributed $46 million, $25 million and $22 million to the pension plans during 2017, 2016 and 2015, respectively. The Company plans to make approximately $21 million in contributions to the pension plans during 2018. These contributions include contributions made to certain nonqualified benefit plans for which there is no funding requirement. The Company estimates the following future benefit payments which are calculated using the same actuarial assumptions used to measure the benefit obligation as of December 31, 2017:

In millions	
2018	$ 21
2019	14
2020	12
2021	23
2022	8
Thereafter	31

Multiemployer Pension Plans

The Company also contributes to a number of multiemployer pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer pension plans in the following aspects: (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and (iii) if the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

None of the multiemployer pension plans in which the Company participates are individually significant to the Company. Total Company contributions to multiemployer pension plans were $17 million in 2017, $15 million in 2016 and $14 million in 2015.

Other Postretirement Benefits

The Company provides postretirement health care and life insurance benefits to certain retirees who meet eligibility requirements. The Company's funding policy is generally to pay covered expenses as they are incurred. For retiree medical plan accounting, the Company reviews external data and its own historical trends for health care costs to determine the health care cost trend rates. As of December 31, 2017 and 2016, the Company's other postretirement benefits had an accumulated postretirement benefit obligation of $25 million and $24 million, respectively. Net periodic benefit costs related to these other postretirement benefits were $1 million in both 2017 and 2016, and $2 million in 2015.

Pursuant to various collective bargaining agreements, the Company also contributes to multiemployer health and welfare plans that cover certain union-represented employees. The plans provide postretirement health care and life insurance benefits to certain employees who meet eligibility requirements. Total Company contributions to multiemployer health and welfare plans were $58 million, $52 million and $60 million in 2017, 2016 and 2015, respectively.

10 Stock Incentive Plans

Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the stock award (generally three to five years) using the straight-line method. The following table is a summary of stock-based compensation for each of the respective periods:

In millions	**2017**	**2016**	**2015**
Stock options [1]	$ 65	$ 79	$ 90
Restricted stock awards [2]	169	143	140
Total stock-based compensation	$ 234	$ 222	$ 230

(1) Includes the Employee Stock Purchase Plan (the "ESPP")

(2) Stock-based compensation for the year ended December 31, 2015 includes $38 million associated with accelerated vesting of restricted stock replacement awards issued to Omnicare executives who were terminated subsequent to the acquisition.

The ESPP provides for the purchase of up to 30 million shares of common stock. Under the ESPP, beginning in 2016, eligible employees could purchase common stock at the end of each six month offering period at a purchase price equal to 90% of the lower of the fair market value on the first day or the last day of the offering period. Prior to 2016, the purchase price was equal to 85% of the lower of the fair market value on the first day or the last day of the offering period. During 2017, approximately one million shares of common stock were purchased under the provisions of the ESPP at an average price of $71.66 per share. As of December 31, 2017, approximately 11 million shares of common stock were available for issuance under the ESPP.

The fair value of stock-based compensation associated with the ESPP is estimated on the date of grant (the first day of the six month offering period) using the Black-Scholes option pricing model.

The following table is a summary of the assumptions used to value the ESPP awards for each of the respective periods:

	2017	**2016**	**2015**
Dividend yield [1]	1.24 %	0.88 %	0.71 %
Expected volatility [2]	22.70 %	20.64 %	13.92 %
Risk-free interest rate [3]	0.86 %	0.45 %	0.11 %
Expected life *(in years)* [4]	0.5	0.5	0.5
Weighted-average grant date fair value	$ 13.01	$ 14.98	$ 18.72

(1) The dividend yield is calculated based on semi-annual dividends paid and the fair market value of the Company's stock at the grant date.

(2) The expected volatility is based on the historical volatility of the Company's daily stock market prices over the previous six month period.

(3) The risk-free interest rate is based on the Treasury constant maturity interest rate whose term is consistent with the expected term of ESPP options (i.e., six months).

(4) The expected life is based on the semi-annual purchase period.

The terms of the Company's Incentive Compensation Plan ("ICP") provide for grants of annual incentive and long-term performance awards to executive officers and other officers and employees of the Company or any subsidiary of the Company. Payment of such annual incentive and long-term performance awards will be in cash, stock, other awards or other property, at the discretion of the Management Planning and Development Committee of the Company's Board of Directors. The ICP allows for a maximum of 74 million shares to be reserved and available for grants. The ICP is the only compensation plan under which the Company grants stock options, restricted stock and other stock-based awards to its employees, with the exception of the Company's ESPP. As of December 31, 2017, there were approximately 32 million shares available for future grants under the ICP.

The Company's restricted awards are considered nonvested share awards and require no payment from the employee. Compensation cost is recorded based on the market price of the Company's common stock on the grant date and is recognized on a straight-line basis over the requisite service period. As of December 31, 2017, there was $350 million of total unrecognized compensation cost related to the restricted stock units that are expected to vest. These costs are

expected to be recognized over a weighted-average period of 2.25 years. The total fair value of restricted shares vested during 2017, 2016 and 2015 was $175 million, $218 million and $164 million, respectively.

The following table is a summary of the restricted stock unit and restricted share award activity for the year ended December 31, 2017.

Units in thousands	Units	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	4,876	$ 55.56
Granted	2,873	$ 78.35
Vested	(2,340)	$ 78.92
Forfeited	(395)	$ 89.21
Nonvested at end of year	5,014	$ 86.92

All grants under the ICP are awarded at fair value on the date of grant. The fair value of stock options is estimated using the Black-Scholes option pricing model and stock-based compensation is recognized on a straight-line basis over the requisite service period. Stock options granted generally become exercisable over a four-year period from the grant date. Stock options generally expire seven years after the grant date.

Cash received from stock options exercised, which includes the ESPP, totaled $329 million, $296 million and $362 million during 2017, 2016 and 2015, respectively. Payments for taxes for net share settlement of equity awards totaled $71 million in 2017, $72 million in 2016 and $63 million in 2015, respectively. The total intrinsic value of stock options exercised was $176 million, $244 million and $394 million in 2017, 2016 and 2015, respectively. The total fair value of stock options vested during 2017, 2016 and 2015 was $341 million, $298 million and $334 million, respectively.

The fair value of each stock option is estimated using the Black-Scholes option pricing model based on the following assumptions at the time of grant:

	2017	2016	2015
Dividend yield [1]	2.56 %	1.62 %	1.37 %
Expected volatility [2]	18.39 %	17.22 %	18.07 %
Risk-free interest rate [3]	1.77 %	1.24 %	1.24 %
Expected life *(in years)* [4]	4.1	4.2	4.2
Weighted-average grant date fair value	$ 9.43	$ 13.00	$ 14.01

(1) The dividend yield is based on annual dividends paid and the fair market value of the Company's stock at the grant date.
(2) The expected volatility is estimated using the Company's historical volatility over a period equal to the expected life of each option grant after adjustments for infrequent events such as stock splits.
(3) The risk-free interest rate is selected based on yields from U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the options being valued.
(4) The expected life represents the number of years the options are expected to be outstanding from grant date based on historical option holder exercise experience.

As of December 31, 2017, unrecognized compensation expense related to unvested options totaled $57 million, which the Company expects to be recognized over a weighted-average period of 1.76 years. After considering anticipated forfeitures, the Company expects approximately 9 million of the unvested stock options to vest over the requisite service period.

The following table is a summary of the Company's stock option activity for the year ended December 31, 2017:

Shares in thousands	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2016	23,275	$ 68.60		
Granted	3,513	$ 78.05		
Exercised	(4,814)	$ 43.07		
Forfeited	(889)	$ 94.25		
Expired	(555)	$ 60.00		
Outstanding at December 31, 2017	20,530	$ 75.32	3.62	$180,318,054
Exercisable at December 31, 2017	11,365	$ 61.37	2.30	$179,628,690
Vested at December 31, 2017 and expected to vest in the future	20,114	$ 75.00	3.57	$180,299,134

11 Income Taxes

The income tax provision for continuing operations consisted of the following for the years ended December 31:

In millions	2017	2016	2015
Current:			
Federal	$ 2,594	$ 2,803	$ 3,065
State	464	511	555
	3,058	3,314	3,620
Deferred:			
Federal	(1,435)	5	(180)
State	14	(2)	(54)
	(1,421)	3	(234)
Total	$ 1,637	$ 3,317	$ 3,386

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the "TCJA"). Among numerous changes to existing tax laws, the TCJA permanently reduces the federal corporate income tax rate from 35% to 21% effective on January 1, 2018. The effects on deferred tax balances of changes in tax rates are required to be taken into consideration in the period in which the changes are enacted, regardless of when they are effective. As the result of the reduction of the corporate income tax rate under the TCJA, the Company estimated the revaluation of its net deferred tax liabilities and recorded a provisional income tax benefit of approximately $1.5 billion for year ended December 31, 2017. The Company has not completed all of its processes to determine the TCJA's final impact. The final impact may differ from this provisional amount due to, among other things, changes in interpretations and assumptions the Company has made thus far and the issuance of additional regulatory or other guidance. The accounting is expected to be completed by the time the 2017 federal corporate income tax return is filed in 2018.

The following table is a reconciliation of the statutory income tax rate to the Company's effective income tax rate for continuing operations for the years ended December 31:

	2017	2016	2015
Statutory income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	4.1	4.1	4.0
Provisional effect of the Tax Cuts and Jobs Act	(18.3)	—	—
Other	(1.0)	(0.7)	0.3
Effective income tax rate	19.8 %	38.4 %	39.3 %

The Company has $3.0 billion and $4.2 billion of net deferred income tax liabilities as of December 31, 2017 and 2016, respectively. The following table is a summary of the components of the Company's deferred income tax assets and liabilities as of December 31:

In millions	**2017**	**2016**
Deferred income tax assets:		
Lease and rents	$ 291	$ 375
Inventory	31	57
Employee benefits	246	400
Allowance for doubtful accounts	187	301
Retirement benefits	40	65
Net operating loss and capital loss carryforwards	101	125
Deferred income	93	144
Other	18	336
Valuation allowance	(77)	(135)
Total deferred income tax assets	930	1,668
Deferred income tax liabilities:		
Depreciation and amortization	(3,926)	(5,882)
Total deferred income tax liabilities	(3,926)	(5,882)
Net deferred income tax liabilities	$ (2,996)	$ (4,214)

The Company assesses positive and negative evidence to determine whether it is more likely than not some portion of a deferred tax asset would not be realized. When it would not, a valuation allowance is established for such portion of a deferred tax asset.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

In millions	**2017**	**2016**	**2015**
Beginning balance	$ 307	$ 338	$ 188
Additions based on tax positions related to the current year	62	68	57
Additions based on tax positions related to prior years	32	70	122
Reductions for tax positions of prior years	(28)	(100)	(11)
Expiration of statutes of limitation	(10)	(22)	(13)
Settlements	(19)	(47)	(5)
Ending balance	$ 344	$ 307	$ 338

The Company and most of its subsidiaries are subject to U.S. federal income tax as well as income tax of numerous state and local jurisdictions. The Company is a participant in the Compliance Assurance Process ("CAP"), which is a program made available by the Internal Revenue Service ("IRS") to certain qualifying large taxpayers, under which participants work collaboratively with the IRS to identify and resolve potential tax issues through open, cooperative and transparent interaction prior to the annual filing of their federal income tax return. The IRS is currently examining the Company's 2016 and 2017 consolidated U.S. federal income tax returns.

The Company and its subsidiaries are also currently under income tax examinations by a number of state and local tax authorities. As of December 31, 2017, no examination has resulted in any proposed adjustments that would result in a material change to the Company's results of operations, financial condition or liquidity.

Substantially all material state and local income tax matters have been concluded for fiscal years through 2011. Certain state exams are expected to/likely to be concluded and certain state statutes will lapse in 2018, but the change in the balance of our uncertain tax positions will be immaterial. In addition, it is reasonably possible that the Company's unrecognized tax benefits could change within the next twelve months due to the anticipated conclusion of various

examinations with the IRS for various years. An estimate of the range of the possible change cannot be made at this time.

The Company records interest expense related to unrecognized tax benefits and penalties in income tax expense. The Company accrued interest expense of approximately $11 million in 2017, $10 million in 2016 and $5 million in 2015. The Company had approximately $34 million and $30 million accrued for interest and penalties as of December 31, 2017 and 2016, respectively.

There are no material uncertain tax positions as of December 31, 2017 the ultimate deductibility of which is highly certain but for which there is uncertainty about the timing.

As of December 31, 2017, the total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate is approximately $317 million, after considering the federal benefit of state income taxes.

12 Commitments and Contingencies

Lease Guarantees

Between 1995 and 1997, the Company sold or spun off a number of subsidiaries, including Bob's Stores, Linens 'n Things, and Marshalls. In many cases, when a former subsidiary leased a store, the Company provided a guarantee of the store's lease obligations. When the subsidiaries were disposed of and accounted for as discontinued operations, the Company's guarantees remained in place, although each initial purchaser has agreed to indemnify the Company for any lease obligations the Company was required to satisfy. If any of the purchasers or any of the former subsidiaries were to become insolvent and failed to make the required payments under a store lease, the Company could be required to satisfy these obligations. As of December 31, 2017, the Company guaranteed approximately 85 such store leases (excluding the lease guarantees related to Linens 'n Things, which have been recorded as a liability on the consolidated balance sheet), with the maximum remaining lease term extending through 2029.

Legal Matters

The Company is a party to legal proceedings, investigations and claims in the ordinary course of its business, including the matters described below. The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. None of the Company's accruals for outstanding legal matters are material individually or in the aggregate to the Company's financial position.

Except as otherwise noted, the Company cannot predict with certainty the timing or outcome of the legal matters described below, and is unable to reasonably estimate a possible loss or range of possible loss in excess of amounts already accrued for these matters.

- *Indiana State District Council of Laborers and HOD Carriers Pension and Welfare Fund v. Omnicare, Inc.,* et al. (U.S. District Court for the Eastern District of Kentucky). In February 2006, two substantially similar putative class action lawsuits were filed and subsequently consolidated. The consolidated complaint was filed against Omnicare, three of its officers and two of its directors and purported to be brought on behalf of all open-market purchasers of Omnicare common stock from August 3, 2005 through July 27, 2006, as well as all purchasers who bought shares of Omnicare common stock in Omnicare's public offering in December 2005. The complaint alleged violations of the Securities Exchange Act of 1934 and Section 11 of the Securities Act of 1933 and sought, among other things, compensatory damages and injunctive relief. After dismissals and appeals to the United States Court of Appeals for the Sixth Circuit, the United States Supreme Court remanded the case to the district court. In October 2016, Omnicare filed an answer to plaintiffs' third amended complaint, and

discovery commenced. In August 2017, the plaintiffs moved for class certification, which Omnicare has opposed.

- *FTC and Multi-State Investigation.* In March 2010, the Company learned that various State Attorneys General offices and certain other government agencies were conducting a multi-state investigation of certain of the Company's business practices similar to those being investigated at that time by the U.S. Federal Trade Commission ("FTC"). Twenty-eight states, the District of Columbia and the County of Los Angeles are known to be participating in this investigation. The prior FTC investigation, which commenced in August 2009, was officially concluded in May 2012 when the consent order entered into between the FTC and the Company became final. The Company has cooperated with the multi-state investigation.

- *United States* ex rel. *Jack Chin v. Walgreen Company*, et al. (U.S. District Court for the Central District of California). In March 2010, the Company received a subpoena from the U.S. Department of Health and Human Services, Office of the Inspector General requesting information about programs under which the Company has offered customers remuneration conditioned upon the transfer of prescriptions for drugs or medications to the Company's pharmacies in the form of gift cards, cash, non-prescription merchandise or discounts or coupons for non-prescription merchandise. In October 2016, the U.S. District Court for the Central District of California unsealed a *qui tam* complaint, filed in April 2009 against CVS Pharmacy and other retail pharmacies, alleging that the Company violated the federal False Claims Act, and the False Claims Acts of several states, by offering such programs. The complaint was served on the Company in January 2017. In December 2017, the same court unsealed a second *qui tam* complaint filed by the same relator in September 2017. The complaint is based on the same factual allegations but asserts a legal theory the Court did not permit him to add to the original case. The federal government has declined intervention in both cases. The Company is defending both lawsuits.

- *United States* ex rel. *Anthony R. Spay v. CVS Caremark Corporation,* et al. (U.S. District Court for the Eastern District of Pennsylvania). In January 2012, the court unsealed a first amended *qui tam* complaint filed in August 2011 by an individual relator, Anthony Spay, who is described in the complaint as having once been employed by a firm providing pharmacy prescription benefit audit and recovery services. The complaint seeks monetary damages and alleges that CVS Caremark's processing of Medicare claims on behalf of one of its clients violated the federal False Claims Act. The United States declined to intervene in the lawsuit. In September 2015, the Court granted CVS Caremark's motion for summary judgment in its entirety, and entered judgment in favor of CVS Caremark and against Spay. Spay appealed. In December 2017, the United States Court of Appeals for the Third Circuit affirmed the court's judgment in favor of CVS Caremark.

- *State of Texas* ex rel. *Myron Winkelman and Stephani Martinson,* et al. *v. CVS Health Corporation*, (Travis County Texas District Court). In February 2012, the Attorney General of the State of Texas issued Civil Investigative Demands and has issued a series of subsequent requests for documents and information in connection with its investigation concerning the CVS Health Savings Pass program and other pricing practices with respect to claims for reimbursement from the Texas Medicaid program. In January 2017, the court unsealed a first amended petition. The amended petition alleges the Company violated the Texas Medicaid Fraud Prevention Act by submitting false claims for reimbursement to Texas Medicaid by, among other things, failing to use the price available to members of the CVS Health Savings Pass program as the usual and customary price. The amended petition was unsealed following the Company's filing of *CVS Pharmacy, Inc. v. Charles Smith,* et al. (Travis County District Court), a declaratory judgment action against the State of Texas in December 2016 seeking a declaration that the prices charged to members of the CVS Health Savings Pass program do not constitute usual and customary prices under the Medicaid regulation. The State of Texas is also pursuing temporary injunctive relief.

- *Subpoena Concerning PBM Administrative Fees.* In March 2014, the Company received a subpoena from the United States Attorney's Office for the District of Rhode Island, requesting documents and information concerning bona fide service fees and rebates received from pharmaceutical manufacturers in connection with certain drugs utilized under Medicare Part D, as well as the reporting of those fees and rebates to Part D plan

sponsors. The Company has been cooperating with the government and providing documents and information in response to the subpoena.

- *Corcoran* et al. *v. CVS Health Corporation* (U.S. District Court for the Northern District of California) and *Podgorny* et al. *v. CVS Health Corporation* (U.S. District Court for the Northern District of Illinois). These putative class actions were filed against the Company in July and September 2015. The cases were consolidated in United States District Court in the Northern District of California. Plaintiffs seek damages and injunctive relief on behalf of a class of consumers who purchased certain prescription drugs under the consumer protection statutes and common laws of certain states. Several third-party payors filed similar putative class actions on behalf of payors captioned *Sheet Metal Workers Local No. 20 Welfare and Benefit Fund v. CVS Health Corp.* and *Plumbers Welfare Fund, Local 130 v. CVS Health Corporation* (both pending in the U.S. District Court for the District of Rhode Island) in February and August 2016. In all of these cases the plaintiffs allege the Company overcharged for certain prescription drugs by not submitting the price available to members of the CVS Health Savings Pass program as the pharmacy's usual and customary price. In the consumer case (Corcoran), the Court granted summary judgment to CVS on plaintiffs' claims in their entirety and certified certain subclasses in September 2017. The plaintiffs have filed a notice of appeal to the Ninth Circuit. The Company continues to defend these actions.

- *Omnicare DEA Subpoena.* In September 2015, Omnicare was served with an administrative subpoena by the U.S. Drug Enforcement Administration ("DEA"). The subpoena seeks documents related to controlled substance policies, procedures, and practices at eight pharmacy locations from May 2012 to the present. In September 2017, the DEA expanded the investigation to include an additional pharmacy. The Company has been cooperating and providing documents in response to this administrative subpoena.

- *Omnicare Cycle Fill Civil Investigative Demand.* In October 2015, Omnicare received a Civil Investigative Demand from the United States Attorney's Office for the Southern District of New York requesting information and documents concerning Omnicare's cycle fill process for assisted living facilities. The Company has been cooperating with the government and providing documents and information in response to the Civil Investigative Demand. In July 2017, Omnicare also received a subpoena from the California Department of Insurance requesting documents on similar subject matter.

- *PBM Pricing Civil Investigative Demand.* In October 2015, the Company received from the U.S. Department of Justice (the "DOJ") a Civil Investigative Demand requesting documents and information in connection with a federal False Claims Act investigation concerning allegations that the Company submitted, or caused to be submitted, to the Medicare Part D program prescription drug event data that misrepresented true prices paid by the Company's PBM to pharmacies for drugs dispensed to Part D beneficiaries with prescription benefits administered by the Company's PBM. The Company has been cooperating with the government and providing documents and information in response to the Civil Investigative Demand.

- *United States* ex rel. *Sally Schimelpfenig and John Segura v. Dr. Reddy's Laboratories Limited and Dr. Reddy's Laboratories, Inc.* (U.S. District Court for the Eastern District of Pennsylvania). In November 2015, the court unsealed a second amended *qui tam* complaint filed in September 2015. The DOJ declined to intervene in this action. The relators allege that the Company, Walgreens, Wal-Mart, and Dr. Reddy's Laboratories violated the federal and various state False Claims Acts by dispensing prescriptions in unit dose packaging supplied by Dr. Reddy's that was not compliant with the Consumer Product Safety Improvement Act and the Poison Preventive Packaging Act and thereby allegedly rendering the drugs misbranded under the Food, Drug and Cosmetic Act. In March 2017, the Court granted the Company's motion to dismiss with leave to file an amended complaint. In June 2017, the Company moved to dismiss relators' third amended complaint.

- *Barchock* et al. *v. CVS Health Corporation,* et al. (U.S. District Court for the District of Rhode Island). In February 2016, a class action lawsuit was filed against the Company, the Benefit Plans Committee of the Company, and Galliard Capital Management, Inc., by Mary Barchock, Thomas Wasecko, and Stacy Weller,

purportedly on behalf of the 401(k) Plan and the Employee Stock Ownership Plan of the Company (the "Plan"), and participants in the Plan. The complaint alleged that the defendants breached fiduciary duties owed to the plaintiffs and the Plan by investing too much of the Plan's Stable Value Fund in short-term money market funds and cash management accounts. The court recently granted the Company's motion to dismiss the plaintiffs' amended complaint. In May 2017, plaintiffs appealed that ruling in the United States Court of Appeals for the First Circuit.

- *State of California* ex rel. *Matthew Omlansky v. CVS Caremark Corporation* (Superior Court of the State of California, County of Sacramento). In April 2016, the court unsealed a first amended *qui tam* complaint filed in July 2013. The government has declined intervention in this case. The relator alleges that the Company submitted false claims for payment to California Medicaid in connection with reimbursement for drugs available through the CVS Health Savings Pass program as well as certain other generic drugs. The case has been stayed pending the relator's appeal of the judgment against him in a similar case against another retailer.

- *Retail DEA Matters.* The Company has been also undergoing several audits by the DEA Administrator and is in discussions with the DEA and the U.S. Attorney's Offices in several locations concerning allegations that the Company has violated certain requirements of the Controlled Substance Act.

- *National Opioid Litigation*. In December 2017, the United States Judicial Panel on Multidistrict Litigation ordered consolidated numerous cases filed against various defendants by plaintiffs such as counties, cities, hospitals, Indian tribes, and third-party payors, alleging claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation is *In re National Prescription Opiate Litigation* (MDL No. 2804), pending in the U.S. District Court for the Northern District of Ohio. This multidistrict litigation presumptively includes relevant federal court cases that name the Company, including actions filed by several counties in West Virginia; actions filed by several counties and cities in Michigan; actions filed by hospitals in Florida and Mississippi; and an action filed by the St. Croix Chippewa Indians of Wisconsin. Similar cases that name the Company in some capacity have been filed in state courts, including cases filed by Shelby County, Tennessee, *Shelby County (Tennessee) v. Purdue Pharma, L.P., et al.* (Shelby County Circuit Court, No. CT-004500-17), and several counties in West Virginia, *Brooke County (West Virginia) et al. v. Purdue Pharma, L.P., et al.* (Marshall County Circuit Court, Nos. 17-C-248 – 17-C-255). The Company is defending all such matters.

- *Cherokee Nation Opioid Litigation*. In April 2017, the Company was named as a defendant in an action filed on behalf of the Cherokee Nation in the District Court of Cherokee Nation (the "Cherokee Action") asserting various causes of action allegedly arising from the widespread abuse of opioids. In June 2017, the Company filed a motion to dismiss the Cherokee Action. The Cherokee Nation has since filed an amended petition in the Cherokee Action. Also in June 2017, the six defendants in the Cherokee Action collectively filed a complaint in the U.S. District Court for the Northern District of Oklahoma, *McKesson*, et al. *v. Hembree*, et al., seeking a declaration and preliminary injunction prohibiting the District Court of Cherokee Nation from exercising jurisdiction over the Cherokee Action. In January 2018, the U.S. District Court granted the preliminary injunction motion and issued an order enjoining the Cherokee Nation Attorney General and the judicial officers of the Cherokee Nation District Court from taking any action with respect to the Cherokee Action pending resolution of the federal court case.

- *State of Mississippi v. CVS Health Corporation,* et al. (Chancery Court of DeSoto County, Mississippi, Third Judicial District). In July 2016, the Company was served with a complaint filed on behalf of the State of Mississippi alleging that CVS retail pharmacies in Mississippi submitted false claims for reimbursement to Mississippi Medicaid by not submitting the price available to members of the CVS Health Savings Pass program as the pharmacy's usual and customary price. The Company has responded to the complaint, filed a counterclaim, and moved to transfer the case to circuit court. The motion to transfer was granted, which the State has appealed, and the motion to dismiss remains pending.

- *Part B Insulin Products Civil Investigative Demand.* In December 2016, the Company received a Civil Investigative Demand from the U.S. Attorney's Office for the Northern District of New York, requesting documents and information in connection with a False Claims Act investigation concerning whether the Company's retail pharmacies improperly submitted certain insulin claims to Medicare Part D rather than Part B. The Company has cooperated with the government and provided documents and information in response to the Civil Investigative Demand.

- *Cold Chain Logistics Civil Investigative Demand*. In September 2016, the Company received from the DOJ a Civil Investigative Demand in connection with an investigation as to whether the Company's handling of certain temperature-sensitive pharmaceuticals violates the federal Food, Drug and Cosmetic Act and the False Claims Act. The Company has been cooperating with the government and providing documents and information in response to the Civil Investigative Demand.

- *Amburgey,* et al. *v. CaremarkPCS Health, L.L.C.* (U.S. District Court for the Central District of California). In March 2017, the Company was served with a complaint challenging the policies and procedures used by CVS Specialty pharmacies to ship temperature-sensitive medications. The case is similar to a matter already pending against the Company in the Superior Court of California (Los Angeles County), *Bertram v. Immunex Corp.*, et al., which was filed in October 2014. In November 2017, the plaintiffs voluntarily dismissed the *Amburgey* case without prejudice. The Company continues to defend the Bertram matter.

- *Barnett,* et al. v. *Novo Nordisk Inc*., et al. and *Boss*, et al. v. *CVS Health Corporation*, et al., and *Christensen,* et al., v. *Novo Nordisk Inc.* et al., (all pending in the U.S. District Court for the District of New Jersey). These putative class actions were filed against the Company and other PBMs and manufacturers of insulin in March and April 2017. Plaintiffs in all cases allege that the PBMs and manufacturers have engaged in a conspiracy whereby the PBMs sell access to their formularies by demanding the highest rebates, which in turn causes increased list prices for insulin. The primary claims are antitrust claims, claims under the Racketeer Influenced and Corrupt Organizations Act ("RICO"), violations of state unfair competition and consumer protection laws and in *Boss*, claims pursuant to the Employee Retirement Income Security Act ("ERISA"). In December 2017, the attorney appointed as interim lead counsel in *Barnet, Boss* and *Christensen* filed a consolidated amended class action complaint in a related action, *In re Insulin Pricing Litigation,* against only the drug manufacturers, and not against the PBMs.

- *Insulin Products Investigation.* In April 2017, the Company received a Civil Investigative Demand from the Attorney General of Washington, seeking documents and information regarding pricing and rebates for insulin products in connection with a pending investigation into unfair and deceptive acts or practice regarding insulin pricing. We have been notified by the Office of the Attorney General of Washington that information provided in response to the Civil Investigative Demand will be shared with the Attorneys General of California, Florida, Minnesota, New Mexico and the District of Columbia. In July 2017, the Company received a Civil Investigative Demand from the Attorney General of Minnesota, seeking documents and information regarding pricing and rebates for insulin and epinephrine products in connection with a pending investigation into unfair and deceptive acts or practices regarding insulin and epinephrine pricing.

- *Bewley,* et al. v. *CVS Health Corporation,* et al. and *Prescott*, et al. v. *CVS Health Corporation*, et al. (both pending in the U.S. District Court for the Western District of Washington). These putative class actions were filed in May 2017 against the Company and other pharmacy benefit managers and manufacturers of glucagon kits (Bewley) and diabetes test strips (Prescott). Both cases allege that, by contracting for rebates with the manufacturers of these diabetes products, the Company and other PBMs caused list prices for these products to increase, thereby harming certain consumers. The primary claims are made under federal antitrust laws, RICO, state unfair competition and consumer protection laws, and ERISA. These cases have both been transferred to the United States District Court for the District of New Jersey on defendants' motions. The Company is defending these lawsuits.

- *Klein*, et al. v. *Prime Therapeutics*, et al. (U.S. District Court for the District of Minnesota). In June 2017, a putative class action complaint was filed against the Company and other pharmacy benefit managers on behalf of ERISA plan members who purchased and paid for EpiPen or EpiPen Jr. Plaintiffs allege that the pharmacy benefit managers are ERISA fiduciaries to plan members and have violated ERISA by allegedly causing higher inflated prices for EpiPen through the process of negotiating increased rebates from EpiPen manufacturer, Mylan. The Company is defending this lawsuit.

- *Medicare Part D Civil Investigative Demand*. In May 2017, the United States Attorney's Office for the Southern District of New York issued a Civil Investigative Demand to the Company concerning possible false claims submitted to Medicare in connection with reimbursements for prescription drugs under the Medicare Part D program. The Company has been cooperating with the government and providing documents and information in response to the Civil Investigative Demand.

- *Shareholder Matters.* In August and September 2017, four complaints were filed by putative derivative plaintiffs against certain officers and directors of the Company. Three of those actions, *Sherman v. Merlo*, et al., *Feghali v. Merlo*, et al., and *Banchalter v. Merlo*, et al., were filed in the U.S. District Court for the District of Rhode Island. A fourth, *Boron v. Bracken*, et al., was filed in Rhode Island Superior Court. These matters assert a variety of causes of action, including breach of fiduciary duty, waste of corporate assets, unjust enrichment, civil conspiracy and violation of Section 14(a) of the Exchange Act, and are premised on the allegation that the defendants approved business plans that exposed the Company to various litigations and investigations. The three federal matters have been stayed pending resolution of certain of the underlying matters, and the Company has filed a motion to stay the state court action.

- *MSP Recovery Claims Series, LLC*, et al. v. *CVS Health Corporation*, et al. (U.S. District Court for the Western District of Texas). In September 2017, a putative class action complaint was filed against the company, Express Scripts, Inc., and the manufacturers of insulin on behalf of assignees of claims of Medicare Advantage Organizations. Plaintiffs assert that the PBMs and manufacturers have engaged in a conspiracy whereby the PBMs sell access to their formularies by demanding the highest rebates, which in turn causes increased list prices for insulin. The plaintiffs assert claims on behalf of two putative classes: (1) all Medicare C payors and (2) all Medicare D payors. The complaint asserts claims under RICO, and for common law fraud and unjust enrichment.

The Company is also a party to other legal proceedings, government investigations, inquiries and audits, and has received and is cooperating with subpoenas or similar process from various governmental agencies requesting information, all arising in the normal course of its business, none of which is expected to be material to the Company. The Company can give no assurance, however, that its business, financial condition and results of operations will not be materially adversely affected, or that the Company will not be required to materially change its business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations as they may relate to the Company's business, the pharmacy services, specialty pharmacy, retail pharmacy, long-term care pharmacy or retail clinic industries or to the health care industry generally; (iii) pending or future federal or state governmental investigations of the Company's business or the pharmacy services, specialty pharmacy, retail pharmacy, long-term care pharmacy or retail clinic industry or of the health care industry generally; (iv) pending or future government enforcement actions against the Company; (v) adverse developments in any pending *qui tam* lawsuit against the Company, whether sealed or unsealed, or in any future *qui tam* lawsuit that may be filed against the Company; or (vi) adverse developments in pending or future legal proceedings against the Company or affecting the pharmacy services, specialty pharmacy, retail pharmacy, long-term care pharmacy or retail clinic industry or the health care industry generally.

13 Segment Reporting

The Company currently has three reportable segments: Pharmacy Services, Retail/LTC and Corporate. The Retail/LTC Segment includes the operating results of the Company's Retail Pharmacy and LTC/RxCrossroads operating segments as the operations and economics characteristics are similar. The Company's segments maintain separate financial information for which operating results are evaluated on a regular basis by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company evaluates its Pharmacy Services and Retail/LTC segments' performance based on net revenue, gross profit and operating profit before the effect of nonrecurring charges and gains and certain intersegment activities. The Company evaluates the performance of its Corporate Segment based on operating expenses before the effect of nonrecurring charges and gains and certain intersegment activities. The chief operating decision maker does not use total assets by segment to make decisions regarding resources, therefore the total asset disclosure by segment has not been included. See Note 1 "Significant Accounting Policies" for a description of the Pharmacy Services, Retail/LTC and Corporate segments and related significant accounting policies.

In 2017, 2016 and 2015, approximately 12.3%, 11.7% and 10.0%, respectively, of the Company's consolidated net revenues were from Aetna, a Pharmacy Services Segment client. More than 99% of the Company's consolidated net revenues are earned in, and long-lived assets are located in the United States.

The following table is a reconciliation of the Company's business segments to the consolidated financial statements:

In millions	Pharmacy Services Segment[1][2]	Retail/LTC Segment[2]	Corporate Segment	Intersegment Eliminations[11]	Consolidated Totals
2017:					
Net revenues	$ 130,596	$ 79,398	$ —	$ (25,229)	$ 184,765
Gross profit [3]	6,040	23,317	—	(812)	28,545
Operating profit (loss) [4][5]	4,755	6,469	(966)	(741)	9,517
Depreciation and amortization	712	1,651	117	—	2,480
Additions to property and equipment	311	1,398	340	—	2,049
2016:					
Net revenues	119,963	81,100	—	(23,537)	$ 177,526
Gross profit [3]	5,901	23,738	—	(782)	28,857
Operating profit (loss) [4][5][6][7]	4,676	7,302	(891)	(721)	10,366
Depreciation and amortization	714	1,642	119	—	2,475
Additions to property and equipment	295	1,732	252	—	2,279
2015:					
Net revenues	100,363	72,007	—	(19,080)	$ 153,290
Gross profit	5,227	21,992	—	(691)	26,528
Operating profit (loss) [4][5][7]	3,992	7,146	(1,035)	(628)	9,475
Depreciation and amortization	654	1,336	102	—	2,092
Additions to property and equipment	359	1,883	125	—	2,367

(5) Net revenues of the Pharmacy Services Segment include approximately $10.8 billion, $10.5 billion and $8.9 billion of Retail Co-Payments for 2017, 2016 and 2015, respectively. See Note 1 "Significant Accounting Policies" to the consolidated financial statements for additional information about Retail Co-Payments.

(6) Intersegment eliminations relate to intersegment revenue generating activities that occur between the Pharmacy Services Segment and the Retail/LTC Segment. These occur in the following ways: when members of Pharmacy Services Segment clients ("members") fill prescriptions at the Company's retail pharmacies to purchase covered products, when members enrolled in programs such as Maintenance Choice® elect to pick up maintenance prescriptions at one of the Company's retail pharmacies instead of receiving them through the mail, or when members have prescriptions filled at the Company's long-term care pharmacies. When these occur, both the Pharmacy Services and Retail/LTC segments record the revenues, gross profit and operating profit on a standalone basis.

(7) The Retail/LTC Segment gross profit for the years ended December 31, 2017 and 2016 includes $2 million and $46 million, respectively of acquisition-related integration costs. The integration costs in 2017 are related to the acquisition of Omnicare and the integration costs in 2016 are related to the acquisitions of Omnicare and the pharmacies and clinics of Target.

(8) The Retail/LTC Segment operating profit for the year ended December 31, 2017 includes $215 million of charges associated with store closures and $181 million of goodwill impairment charges related to its RxCrossroads reporting unit. The Retail/LTC Segment operating profit for the year ended December 31, 2016 includes a $34 million asset impairment charge in connection with planned store closures in 2017 related to the Company's enterprise streamlining initiative. The Retail/LTC Segment operating profit for the years ended December 31, 2017, 2016 and 2015, include $34 million, $281 million and $64 million, respectively, of acquisition-related integration costs. The integration costs in 2017 are related to the acquisition of Omnicare and the integration costs in 2016 are related to the acquisitions of Omnicare and the pharmacies and clinics of Target.

(9) The Corporate Segment operating loss for the year ended December 31, 2017 includes a $3 million reduction in integration costs for a change in estimate related to the acquisition of Omnicare. In addition, the Corporate Segment operating loss for the year ended December 31, 2017 includes $34 million in acquisition-related transaction costs related to the proposed Aetna acquisition and $9 million of transaction costs related to the divestiture of RxCrossroads. For the year ended December 31, 2016, the Corporate Segment operating loss includes $10 million of integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target. For the year ended December 31, 2015, the Corporate Segment operating loss includes $156 million of acquisition-related transaction and integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target. The Corporate Segment operating loss for 2015 also includes a $90 million charge related to a legacy lawsuit challenging the 1999 legal settlement by MedPartners of various securities class actions and a related derivative claim.

(10) The Pharmacy Services Segment operating profit for the year ended December 31, 2016 includes the reversal of an accrual of $88 million in connection with a legal settlement.

(11) Amounts revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased consolidated operating profit by $28 and $21 million for the years ended December 31, 2016 and 2015, respectively.

14 Earnings Per Share

The following is a reconciliation of basic and diluted earnings per share from continuing operations for the years ended December 31:

In millions, except per share amounts	2017	2016	2015
Numerator for earnings per share calculation:			
Income from continuing operations	$ 6,631	$ 5,320	$ 5,230
Income allocated to participating securities	(24)	(27)	(26)
Net income attributable to noncontrolling interest	(1)	(2)	(2)
Income from continuing operations attributable to CVS Health	$ 6,606	$ 5,291	$ 5,202
Denominator for earnings per share calculation:			
Weighted average shares, basic	1,020	1,073	1,118
Effect of dilutive securities	4	6	8
Weighted average shares, diluted	1,024	1,079	1,126
Earnings per share from continuing operations:			
Basic	$ 6.48	$ 4.93	$ 4.65
Diluted	$ 6.45	$ 4.91	$ 4.62

15 Quarterly Financial Information (Unaudited)

In millions, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2017:					
Net revenues	$ 44,514	$ 45,685	$ 46,181	$ 48,385	$ 184,765
Gross profit	6,580	6,935	7,126	7,904	28,545
Operating profit	1,793	2,117	2,499	3,108	9,517
Income from continuing operations	962	1,097	1,285	3,287	6,631
Income (loss) from discontinued operations, net of tax	(9)	1	—	—	(8)
Net income attributable to CVS Health	952	1,098	1,285	3,287	6,622
Basic earnings per share:					
Income from continuing operations attributable to CVS Health	$ 0.93	$ 1.07	$ 1.26	$ 3.23	$ 6.48
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ —	$ —	$ (0.01)
Net income attributable to CVS Health	$ 0.92	$ 1.07	$ 1.26	$ 3.23	$ 6.47
Diluted earnings per share:					
Income from continuing operations attributable to CVS Health	$ 0.92	$ 1.07	$ 1.26	$ 3.22	$ 6.45
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ —	$ —	$ (0.01)
Net income attributable to CVS Health	$ 0.92	$ 1.07	$ 1.26	$ 3.22	$ 6.44
Dividends per share	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 2.00
Stock price: (New York Stock Exchange)					
High	$ 83.92	$ 82.79	$ 83.31	$ 80.91	$ 83.92
Low	$ 74.80	$ 75.95	$ 75.35	$ 66.80	$ 66.80

In millions, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2016:					
Net revenues	$ 43,215	$ 43,725	$ 44,615	$ 45,971	$ 177,526
Gross profit	6,744	7,015	7,492	7,606	28,857
Operating profit	2,185	2,357	2,824	3,000	10,366
Income from continuing operations	1,147	924	1,542	1,707	5,320
Loss from discontinued operations, net of tax	—	—	(1)	—	(1)
Net income attributable to CVS Health	1,146	924	1,540	1,707	5,317
Basic earnings per share:					
Income from continuing operations attributable to CVS Health	$ 1.04	$ 0.86	$ 1.44	$ 1.60	$ 4.93
Income (loss) from discontinued operations attributable to CVS Health	$ —	$ —	$ —	$ —	$ —
Net income attributable to CVS Health	$ 1.04	$ 0.86	$ 1.44	$ 1.60	$ 4.93
Diluted earnings per share:					
Income from continuing operations attributable to CVS Health	$ 1.04	$ 0.86	$ 1.43	$ 1.59	$ 4.91
Income (loss) from discontinued operations attributable to CVS Health	$ —	$ —	$ —	$ —	$ —
Net income attributable to CVS Health	$ 1.04	$ 0.86	$ 1.43	$ 1.59	$ 4.90
Dividends per share	$ 0.425	$ 0.425	$ 0.425	$ 0.425	$ 1.70
Stock price: (New York Stock Exchange)					
High	$ 104.05	$ 106.10	$ 98.06	$ 88.80	$ 106.10
Low	$ 89.65	$ 93.21	$ 88.99	$ 73.53	$ 73.53

Five-Year Financial Summary

In millions, except per share amounts	2017	2016	2015	2014	2013
Statement of operations data:					
Net revenues	$184,765	$177,526	$153,290	$139,367	$126,761
Gross profit	28,545	28,857	26,528	25,367	23,783
Operating expenses [1]	19,028	18,491	17,053	16,545	15,713
Operating profit	9,517	10,366	9,475	8,822	8,070
Interest expense, net	1,041	1,058	838	600	509
Loss on early extinguishment of debt	—	643	—	521	—
Other expense [1]	208	28	21	23	33
Income tax provision	1,637	3,317	3,386	3,033	2,928
Income from continuing operations	6,631	5,320	5,230	4,645	4,600
Income (loss) from discontinued operations, net of tax	(8)	(1)	9	(1)	(8)
Net income	6,623	5,319	5,239	4,644	4,592
Net income attributable to noncontrolling interest	(1)	(2)	(2)	—	—
Net income attributable to CVS Health	$ 6,622	$ 5,317	$ 5,237	$ 4,644	$ 4,592
Per share data:					
Basic earnings per share:					
Income from continuing operations attributable to CVS Health	$ 6.48	$ 4.93	$ 4.65	$ 3.98	$ 3.78
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ 0.01	$ —	$ (0.01)
Net income attributable to CVS Health	$ 6.47	$ 4.93	$ 4.66	$ 3.98	$ 3.77
Diluted earnings per share:					
Income from continuing operations attributable to CVS Health	$ 6.45	$ 4.91	$ 4.62	$ 3.96	$ 3.75
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ 0.01	$ —	$ (0.01)
Net income attributable to CVS Health	$ 6.44	$ 4.90	$ 4.63	$ 3.96	$ 3.74
Cash dividends per share	$ 2.00	$ 1.70	$ 1.40	$ 1.10	$ 0.90
Balance sheet and other data:					
Total assets	$ 95,131	$ 94,462	$ 92,437	$ 73,202	$ 70,550
Long-term debt	$ 22,181	$ 25,615	$ 26,267	$ 11,630	$ 12,767
Total shareholders' equity	$ 37,695	$ 36,834	$ 37,203	$ 37,963	$ 37,938
Number of stores (at end of year)	9,846	9,750	9,681	7,866	7,702

(1) As of January 1, 2017, the Company adopted Accounting Standards Update ("ASU") 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which resulted in a retrospective reclassification of $28 million, $21 million, $23 million and $33 million of net benefit costs from operating expenses to other expense in the years ended December 31, 2016, 2015, 2014, and 2013, respectively.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CVS Health Corporation (the Company) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 14, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2007.

Boston, Massachusetts
February 14, 2018

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

As of December 31, 2017, CVS Health Corporation had the following significant subsidiaries:

Caremark, L.L.C. (a California limited liability company)
CaremarkPCS Health, L.L.C. (a Delaware limited liability company)
Caremark Rx, L.L.C. (a Delaware limited liability company)[1]
CVS Caremark Part D Services, L.L.C. (a Delaware limited liability company)
CVS Pharmacy, Inc. (a Rhode Island corporation)[2]
Omnicare, Inc. (a Delaware corporation)[3]
SilverScript Insurance Company (a Tennessee corporation)

(1) Caremark Rx, L.L.C., the parent of the Registrant's pharmacy services subsidiaries, is the immediate or indirect parent of many mail order, pharmacy benefit management, infusion, Medicare Part D, insurance, specialty mail and retail specialty pharmacy subsidiaries, all of which operate in the United States and its territories.

(2) CVS Pharmacy, Inc. is the immediate or indirect parent of approximately 60 entities that operate drugstores, all of which drugstores are in the United States and its territories except approximately 42 drugstores that are operated by Drogaria Onofre Ltda., a Brazil limited liability company that is an indirect subsidiary of CVS Pharmacy, Inc.

(3) Omnicare, Inc., the parent of the Registrant's long-term care subsidiaries, is the immediate or indirect parent of many long-term care and specialty subsidiaries, all of which operate in the United States and its territories.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3ASR No. 333-217596) of CVS Health Corporation,

(2) Registration Statement (Form S-4 No 333-222412) of CVS Health Corporation, and

(3) Registration Statements (Form S-8 Nos. 333-49407, 333-34927, 333-28043, 333-91253, 333-63664, 333-139470, 333-141481, 333-167746, 333-208805, and 333-217853) of CVS Health Corporation;

of our reports dated February 14, 2018, with respect to the consolidated financial statements of CVS Health Corporation and the effectiveness of internal control over financial reporting of CVS Health Corporation incorporated by reference in this Annual Report (Form 10-K) of CVS Health Corporation for the year ended December 31, 2017.

Boston, Massachusetts
February 14, 2018

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Larry J. Merlo, President and Chief Executive Officer of CVS Health Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of CVS Health Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2018

By: /s/ LARRY J. MERLO
Larry J. Merlo
President and
Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David M. Denton, Executive Vice President and Chief Financial Officer of CVS Health Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of CVS Health Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2018

By: /s/ DAVID M. DENTON
David M. Denton
Executive Vice President and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report of CVS Health Corporation (the "Company") on Form 10-K for the period ended December 31, 2017 (the "Report"), for the purpose of complying with Rule 13(a)-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Larry J. Merlo, President and Chief Executive Officer of the Company, certify that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

February 14, 2018

/s/ LARRY J. MERLO
Larry J. Merlo
President and
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the Annual Report of CVS Health Corporation (the "Company") on Form 10-K for the period ended December 31, 2017 (the "Report"), for the purpose of complying with Rule 13(a)-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, David M. Denton, Executive Vice President and Chief Financial Officer of the Company, certify that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

February 14, 2018

/s/ DAVID M. DENTON

David M. Denton
Executive Vice President and Chief Financial Officer

Document and Entity Information - USD ($)	12 Months Ended		
	Dec. 31, 2017	Feb. 09, 2018	Jun. 30, 2017
Document and Entity Information			
Entity Registrant Name	CVS HEALTH Corp		
Entity Central Index Key	0000064803		
Document Type	10-K		
Document Period End Date	Dec. 31, 2017		
Amendment Flag	false		
Current Fiscal Year End Date	--12-31		
Entity Well-known Seasoned Issuer	Yes		
Entity Voluntary Filers	No		
Entity Current Reporting Status	Yes		
Entity Filer Category	Large Accelerated Filer		
Entity Public Float			$ 81,440,458,676
Entity Common Stock, Shares Outstanding		1,014,532,157	
Document Fiscal Year Focus	2017		
Document Fiscal Period Focus	FY		

Consolidated Statements of Income - USD ($) shares in Millions, $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Consolidated Statements of Income			
Net revenues	$ 184,765	$ 177,526	$ 153,290
Cost of revenues	156,220	148,669	126,762
Gross profit	28,545	28,857	26,528
Operating expenses	19,028	18,491	17,053
Operating profit	9,517	10,366	9,475
Interest expense, net	1,041	1,058	838
Loss on early extinguishment of debt		643	0
Other expense	208	28	21
Income before income tax provision	8,268	8,637	8,616
Income tax provision	1,637	3,317	3,386
Income from continuing operations	6,631	5,320	5,230
Income (loss) from discontinued operations, net of tax	(8)	(1)	9
Net income	6,623	5,319	5,239
Net income attributable to noncontrolling interest	(1)	(2)	(2)
Net income attributable to CVS Health	$ 6,622	$ 5,317	$ 5,237
Basic earnings per share:			
Income from continuing operations attributable to CVS Health (in dollars per share)	$ 6.48	$ 4.93	$ 4.65
Income (loss) from discontinued operations attributable to CVS Health (in dollars per share)	(0.01)		0.01
Net income attributable to CVS Health (in dollars per share)	$ 6.47	$ 4.93	$ 4.66
Weighted average shares outstanding (in shares)	1,020	1,073	1,118
Diluted earnings per share:			
Income from continuing operations attributable to CVS Health (in dollars per share)	$ 6.45	$ 4.91	$ 4.62
income (loss) from discontinued operations attributable to CVS Health (in dollars per share)	(0.01)		0.01
Net income attributable to CVS Health (in dollars per share)	$ 6.44	$ 4.90	$ 4.63
Weighted average shares outstanding (in shares)	1,024	1,079	1,126
Dividends declared per share (in dollars per share)	$ 2.00	$ 1.70	$ 1.40

Consolidated Statements of Comprehensive Income - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Consolidated Statements of Comprehensive Income			
Net income	$ 6,623	$ 5,319	$ 5,239
Other comprehensive income:			
Foreign currency translation adjustments, net of tax	(2)	38	(100)
Net cash flow hedges, net of tax	(10)	2	2
Pension and other postretirement benefits, net of tax	152	13	(43)
Total other comprehensive income (loss)	140	53	(141)
Comprehensive income	6,763	5,372	5,098
Comprehensive income attributable to noncontrolling interest	(1)	(2)	(2)
Comprehensive income attributable to CVS Health	$ 6,762	$ 5,370	$ 5,096

Consolidated Balance Sheets - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Assets:		
Cash and cash equivalents	$ 1,696	$ 3,371
Short-term investments	111	87
Accounts receivable, net	13,181	12,164
Inventories	15,296	14,760
Other current assets	945	660
Total current assets	31,229	31,042
Property and equipment, net	10,292	10,175
Goodwill	38,451	38,249
Intangible assets, net	13,630	13,511
Other assets	1,529	1,485
Total assets	95,131	94,462
Liabilities:		
Accounts payable	8,863	7,946
Claims and discounts payable	10,355	9,451
Accrued expenses	6,609	6,937
Short-term debt	1,276	1,874
Current portion of long-term debt	3,545	42
Total current liabilities	30,648	26,250
Long-term debt	22,181	25,615
Deferred income taxes	2,996	4,214
Other long-term liabilities	1,611	1,549
Shareholders' equity:		
Preferred stock, par value $0.01: 0.1 shares authorized; none issued or outstanding		
Common stock, par value $0.01: 3,200 shares authorized; 1,712 shares issued and 1,014 shares outstanding at December 31, 2017 and 1,705 shares issued and 1,061 shares outstanding at December 31, 2016	17	17
Treasury stock, at cost: 697 shares at December 31, 2017 and 643 shares at December 31, 2016	(37,765)	(33,452)
Shares held in trust: 1 share at December 31, 2017 and December 31, 2016	(31)	(31)
Capital surplus	32,079	31,618
Retained earnings	43,556	38,983
Accumulated other comprehensive income (loss)	(165)	(305)
Total CVS Health shareholders' equity	37,691	36,830
Noncontrolling interest	4	4
Total shareholders' equity	37,695	36,834
Total liabilities and shareholders' equity	$ 95,131	$ 94,462

Consolidated Balance Sheets (Parenthetical) - $ / shares shares in Millions	Dec. 31, 2017	Dec. 31, 2016
Consolidated Balance Sheets		
Preferred Stock, par value (in dollars per share)	$ 0.01	$ 0.01
Preferred Stock, shares authorized (in shares)	0.1	0.1
Preferred Stock, shares issued (in shares)	0.0	0.0
Preferred Stock, shares outstanding (in shares)	0.0	0.0
Common Stock, par value (in dollars per share)	$ 0.01	$ 0.01
Common Stock, shares authorized (in shares)	3,200.0	3,200.0
Common Stock, shares issued (in shares)	1,712.0	1,705.0
Common Stock, shares outstanding (in shares)	1,014.0	1,061.0
Treasury Stock, shares (in shares)	697.0	643.0
Shares held in trust: 1 share at September 30, 2017 and December 31, 2016 (in shares)	1.0	1.0

Consolidated Statements of Cash Flows - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Cash flows from operating activities:			
Cash receipts from customers	$ 176,594	$ 172,310	$ 148,954
Cash paid for inventory and prescriptions dispensed by retail network pharmacies	(149,279)	(142,511)	(122,498)
Cash paid to other suppliers and employees	(15,348)	(15,478)	(14,035)
Interest received	21	20	21
Interest paid	(1,072)	(1,140)	(629)
Income taxes paid	(2,909)	(3,060)	(3,274)
Net cash provided by operating activities	8,007	10,141	8,539
Cash flows from investing activities:			
Purchases of property and equipment	(1,918)	(2,224)	(2,367)
Proceeds from sale-leaseback transactions	265	230	411
Proceeds from sale of property and equipment and other assets	33	37	35
Acquisitions (net of cash acquired) and other investments	(1,287)	(539)	(11,475)
Purchase of available-for-sale investments	(86)	(65)	(267)
Maturity of available-for-sale investments	61	91	243
Net cash used in investing activities	(2,932)	(2,470)	(13,420)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(598)	1,874	(685)
Proceeds from issuance of long-term debt		3,455	14,805
Repayments of long-term debt		(5,943)	(2,902)
Purchase of noncontrolling interest in subsidiary		(39)	
Payment of contingent consideration		(26)	(58)
Dividends paid	(2,049)	(1,840)	(1,576)
Proceeds from exercise of stock options	329	296	362
Payments for taxes related to net share settlement of equity awards	(71)	(72)	(63)
Repurchase of common stock	(4,361)	(4,461)	(5,001)
Other	(1)	(5)	(3)
Net cash provided by (used in) financing activities	(6,751)	(6,761)	4,879
Effect of exchange rate changes on cash and cash equivalents	1	2	(20)
Net increase (decrease) in cash and cash equivalents	(1,675)	912	(22)
Cash and cash equivalents at the beginning of the period	3,371	2,459	2,481
Cash and cash equivalents at the end of the period	1,696	3,371	2,459
Reconciliation of net income to net cash provided by operating activities:			
Net income	6,623	5,319	5,239
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,479	2,475	2,092
Goodwill impairment	181		
Losses on settlement of defined benefit pension plans	187		
Stock-based compensation	234	222	230
Loss on early extinguishment of debt		643	0
Deferred income taxes	(1,334)	18	(252)

Other noncash items	53	135	(14)
Change in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable, net	(941)	(243)	(1,594)
Inventories	(514)	(742)	(1,141)
Other current assets	(341)	35	355
Other assets	3	(43)	2
Accounts payable and claims and discounts payable	1,710	2,189	2,834
Accrued expenses	(371)	131	892
Other long-term liabilities	38	2	(104)
Net cash provided by operating activities	$ 8,007	$ 10,141	$ 8,539

Consolidated Statements of Shareholders' Equity - USD ($) shares in Thousands, $ in Millions	Common Stock	Treasury Stock	Shares Held in Trust	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Parent	Noncontrolling Interest	Total
Balance at beginning of year (in shares) at Dec. 31, 2014	1,691,000	(550,000)	(1,000)						
Increase (Decrease) in Stockholders' Equity									
Stock options exercised and issuance of stock awards	8,000								
Purchase of treasury shares (in shares)		(48,000)							
Employee stock purchase plan issuances (in shares)		1,000							
Balance at end of year (in shares) at Dec. 31, 2015	1,699,000	(597,000)	(1,000)						
Beginning of year at Dec. 31, 2014	$ 17	$ (24,078)	$ (31)	$ 30,418	$ 31,849	$ (217)		$ 5	
Increase (Decrease) in Stockholders' Equity									
Purchase of treasury shares		(4,856)							
Employee stock purchase plan issuances		48							
Stock option activity, stock awards and other				533					
Excess tax benefit on stock options and stock awards				142					
2015 accelerated share repurchase not settled until 2016				(145)					
Changes in inventory accounting principles					(4)				
Net income attributable to CVS Health					5,237			1	[1]
Common stock dividends					(1,576)				
Foreign currency translation adjustments, net of tax						(100)			$ (100)
Net cash flow hedges, net of tax						2			2
Pension and other postretirement benefits, net of tax						(43)			(43)
Business combinations								1	
Capital contributions								2	
Net income attributable to redeemable noncontrolling interest								1	
Distributions								(2)	
End of year at Dec. 31, 2015	$ 17	$ (28,886)	$ (31)	30,948	35,506	(358)	$ 37,196	7	37,203
Increase (Decrease) in Stockholders' Equity									

Stock options exercised and issuance of stock awards	6,000									
Purchase of treasury shares (in shares)		(47,000)								
Employee stock purchase plan issuances (in shares)		1,000								
Balance at end of year (in shares) at Dec. 31, 2016	1,705,000	(643,000)	(1,000)							
Increase (Decrease) in Stockholders' Equity										
Purchase of treasury shares		$ (4,606)								
Employee stock purchase plan issuances		40								
Stock option activity, stock awards and other				449						
Excess tax benefit on stock options and stock awards				76						
2015 accelerated share repurchase not settled until 2016				145						
Net income attributable to CVS Health					5,317			1	[1]	
Common stock dividends					(1,840)					
Foreign currency translation adjustments, net of tax						38				38
Net cash flow hedges, net of tax						2				2
Pension and other postretirement benefits, net of tax						13				13
Capital contributions								1		
Net income attributable to redeemable noncontrolling interest								1		
Distributions								(5)		
End of year at Dec. 31, 2016	$ 17	$ (33,452)	$ (31)	31,618	38,983	(305)	36,830	4		$ 36,834
Increase (Decrease) in Stockholders' Equity										
Stock options exercised and issuance of stock awards	7,000									4,814
Purchase of treasury shares (in shares)		(55,000)								
Employee stock purchase plan issuances (in shares)		1,000								
Balance at end of year (in shares) at Dec. 31, 2017	1,712,000	(697,000)	(1,000)							
Increase (Decrease) in Stockholders' Equity										
Purchase of treasury shares		$ (4,361)								
Employee stock purchase plan issuances		48								
Stock option activity, stock awards and other				461						

Net income attributable to CVS Health					6,622			1	
Common stock dividends					(2,049)				
Foreign currency translation adjustments, net of tax						(2)			$ (2)
Net cash flow hedges, net of tax						(10)			(10)
Pension and other postretirement benefits, net of tax						152			152
Capital contributions								1	
Distributions								(2)	
End of year at Dec. 31, 2017	$ 17	$ (37,765)	$ (31)	$ 32,079	$ 43,556	$ (165)	$ 37,691	$ 4	$ 37,695

[1] Excludes $1 million attributable to redeemable noncontrolling interest in 2016 and 2015 (See Note 1 "Significant Accounting Policies")

Significant Accounting Policies

Significant Accounting Policies

Significant Accounting Policies

12 Months Ended
Dec. 31, 2017

1Significant Accounting Policies

Description of business - CVS Health Corporation and its subsidiaries (the "Company") is the largest integrated pharmacy health care provider in the United States based upon revenues and prescriptions filled. The Company currently has three reportable business segments, Pharmacy Services, Retail/LTC and Corporate, which are described below.

Pharmacy Services Segment (the "PSS") - The PSS provides a full range of pharmacy benefit management services including plan design offerings and administration, formulary management, Medicare Part D services, mail order, specialty pharmacy and infusion services, retail pharmacy network management services, prescription management systems, clinical services, disease management services and medical spend management. The Company's clients are primarily employers, insurance companies, unions, government employee groups, health plans, Medicare Part D, Managed Medicaid plans, plans offered on the public and private exchanges, and other sponsors of health benefit plans and individuals throughout the United States.

As a pharmacy benefits manager, the PSS manages the dispensing of pharmaceuticals through the Company's mail order pharmacies and national network of more than 68,000 retail pharmacies, consisting of approximately 41,000 chain pharmacies and 27,000 independent pharmacies, to eligible members in the benefits plans maintained by the Company's clients and utilizes its information systems to perform, among other things, safety checks, drug interaction screenings and brand to generic substitutions.

The PSS' specialty pharmacies support individuals that require complex and expensive drug therapies. The specialty pharmacy business includes mail order and retail specialty pharmacies that operate under the CVS Caremark®, CarePlus CVS Pharmacy™, Navarro® Health Services and Advanced Care Scripts ("ACS Pharmacy") names. The Company enhanced its provides specialty infusion services and enteral nutrition services through Coram LLC and its subsidiaries (collectively, "Coram"). In August 2015, the Company further expanded its specialty offerings with the acquisition of ACS Pharmacy which was part of the Omnicare, Inc. ("Omnicare") acquisition. See Note 2 "Acquisitions."

The PSS also provides health management programs, which include integrated disease management for 18 conditions, through the Company's AccordantCare rare disease management offering.

In addition, through the Company's SilverScript Insurance Company ("SilverScript") subsidiary, the PSS is a national provider of drug benefits to eligible beneficiaries under the federal government's Medicare Part D program.

The PSS generates net revenues primarily by contracting with clients to provide prescription drugs to plan members. Prescription drugs are dispensed by the mail order pharmacies, specialty pharmacies and national network of retail pharmacies. Net revenues are also generated by providing additional services to clients, including administrative services such as claims processing and formulary management, as well as health care related services such as disease management.

The PSS operates under the CVS Caremark® Pharmacy Services, Caremark®, CVS Caremark®, CVS Specialty®, AccordantCare, SilverScript®, Wellpartner®, Coram®, CVS Specialty®, NovoLogix®, Navarro® Health Services and ACS Pharmacy names. As of December 31, 2017, the PSS operates 23 retail specialty pharmacy stores, 18 specialty mail order pharmacies, four mail order dispensing pharmacies, and 83 branches for infusion and enteral services, including approximately 73 ambulatory infusion suites and three centers of excellence, located in 42 states, Puerto Rico and the District of Columbia.

Retail/LTC Segment (the "RLS") - The RLS sells prescription drugs and a wide assortment of general merchandise, including over-the-counter drugs, beauty products and cosmetics, personal care products, convenience foods, photo finishing services, seasonal merchandise, and greeting cards, through the Company's CVS Pharmacy®, CVS®, CVS Pharmacy y más®, Longs Drugs®, Navarro Discount Pharmacy® and Drogaria Onofre™ retail stores and online through CVS.com®, Navarro.com™ and Onofre.com.br™.

The RLS also provides health care services through its MinuteClinic® health care clinics. MinuteClinics are staffed by nurse practitioners and physician assistants who utilize nationally recognized protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions and deliver vaccinations.

In 2015, the Company made two larger acquisitions which expanded the Retail/LTC Segment's services. With the acquisition of Omnicare, the RLS began providing long-term care ("LTC") operations, which is comprised of providing the distribution of pharmaceuticals, related pharmacy consulting and other ancillary services to chronic care facilities and other care settings, as well as commercialization services which are provided under the name RxCrossroads® ("RxC"). With the December 2015 acquisition of the pharmacies and clinics of Target Corporation ("Target"), the Company added 1,672 pharmacies and approximately 79 clinics.

As of December 31, 2017, our Retail/LTC Segment included 9,803 retail stores (of which 8,060 were our stores that operated a pharmacy and 1,695 were our pharmacies located within Target stores) located in 49 states, the District of Columbia, Puerto Rico and Brazil operating primarily under the CVS Pharmacy®, CVS®,

CVS Pharmacy y más®, Longs Drugs®, Navarro Discount Pharmacy® and Drogaria Onofre™ names, 37 onsite pharmacies primarily operating under the CarePlus CVS Pharmacy™, CarePlus® and CVS Pharmacy® names, and 1,134 retail health care clinics operating under the MinuteClinic® name (of which 1,129 were located in our retail pharmacy stores or Target stores), and our online retail websites, CVS.com®, Navarro.com™ and Onofre.com.br™. LTC operations are comprised of 145 spoke pharmacies that primarily handle new prescription orders, of which 30 are also hub pharmacies that use proprietary automation to support spoke pharmacies with refill prescriptions. LTC operates primarily under the Omnicare® and NeighborCare® names.

Corporate Segment - The Corporate Segment provides management and administrative services to support the Company. The Corporate Segment consists of certain aspects of the Company's executive management, corporate relations, legal, compliance, human resources, information technology and finance departments.

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

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

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

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Fair value hierarchy - The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 - Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.
- Level 3 - Inputs to the valuation methodology are unobservable inputs based upon management's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions about risk.

Cash and cash equivalents - Cash and cash equivalents consist of cash and temporary investments with maturities of three months or less when purchased. The Company invests in short-term money market funds, commercial paper and time deposits, as well as other debt securities that are classified as cash equivalents within the accompanying consolidated balance sheets, as these funds are highly liquid and readily convertible to known amounts of cash. These investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

Restricted cash - As of December 31, 2017 and 2016, the Company had $190 million and $149 million, respectively, of restricted cash held in a trust in its insurance captive to satisfy collateral requirements associated with the assignment of certain insurance policies. Such amounts are included in other assets in the consolidated balance sheets. Additionally, as of December 31, 2017, the Company had $14 million of restricted cash held in escrow accounts in connection with certain recent acquisitions. Such amounts are included in other current assets in the consolidated balance sheets. All restricted cash is invested in time deposits which are classified within Level 1 of the fair value hierarchy.

Short-term investments - The Company's short-term investments consist of certificates of deposit with initial maturities of greater than three months when purchased that mature in less than one year from the balance sheet date. These investments, which were classified as available-for-sale within Level 1 of the fair value hierarchy, were carried at fair value, which approximated their historical cost at December 31, 2017 and 2016.

Fair value of financial instruments - As of December 31, 2017, the Company's financial instruments include cash and cash equivalents, short-term and long-term investments, accounts receivable, accounts payable and short-term debt approximate their fair value due to the nature of these financial instruments. The carrying amount and estimated fair value of total long-term debt was $25.7 billion and $26.8 billion, respectively, as of December 31, 2017. The fair value of the Company's long-term debt was estimated based on quoted rates currently offered in active markets for the Company's debt, which is considered Level 1 of the fair value hierarchy.

Derivative financial instruments - The Company is exposed to interest rate risk and management considers

it prudent to periodically reduce the Company's exposure to cash flow variability resulting from interest rate fluctuations. In December 2017, the Company entered into several interest rate swap transactions. These agreements were designated as cash flow hedges and were used to hedge the exposure to variability in future cash flows resulting from changes in interest rates related to the anticipated issuance of long-term debt in connection with the proposed acquisition of Aetna Inc. ("Aetna"). The interest rate swaps had notional amounts totaling $4.75 billion. At December 31, 2017, the fair value of these agreements were a $5 million asset recorded in other current assets and a $23 million liability recorded in accrued expenses. The fair value of these derivative financial instruments was determined using quoted prices in markets that are not active or inputs that are observable for the asset or liability and therefore they are classified as Level 2 in the fair value hierarchy. The Company has deferred gains and losses in accumulated other comprehensive income which are expected to be reclassified to interest expense over the life of the underlying forecasted debt. The hedges are expected to be highly effective; therefore, no ineffectiveness was recognized in earnings. There were no outstanding derivative financial instruments as of December 31, 2016.

Foreign currency translation and transactions - For local currency functional currency, assets and liabilities are translated at end-of-period rates while revenues and expenses are translated at average rates in effect during the period. Equity is translated at historical rates and the resulting cumulative translation adjustments are included as a component of accumulated other comprehensive income (loss).

For U.S. dollar functional currency locations, foreign currency assets and liabilities are remeasured into U.S. dollars at end-of-period exchange rates, except for nonmonetary balance sheet accounts, which are remeasured at historical exchange rates. Revenue and expense are remeasured at average exchange rates in effect during each period, except for those expenses related to the nonmonetary balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in income.

Gains and losses arising from foreign currency transactions and the effects of remeasurements were not material for all periods presented.

Accounts receivable - Accounts receivable are stated net of an allowance for doubtful accounts. The accounts receivable balance primarily includes amounts due from third party providers (e.g., pharmacy benefit managers, insurance companies, governmental agencies and long-term care facilities), clients, members and private pay customers, as well as vendors and manufacturers. Charges to bad debt are based on both historical write-offs and specifically identified receivables.

The activity in the allowance for doubtful accounts receivable for the years ended December 31 is as follows:

In millions	**2017**	**2016**	**2015**
Beginning balance	$ 286	$ 161	$ 256
Additions charged to bad debt expense	177	221	216
Write-offs charged to allowance	(156)	(96)	(311)
Ending balance	$ 307	$ 286	$ 161

Inventories - Inventories are stated at the lower of weighted average cost or market. Physical inventory counts are taken on a regular basis in each retail store and long-term care pharmacy and a continuous cycle count process is the primary procedure used to validate the inventory balances on hand in each distribution center and mail facility to ensure that the amounts reflected in the accompanying consolidated financial statements are properly stated. During the interim period between physical inventory counts, the Company accrues for anticipated physical inventory losses on a location-by-location basis based on historical results and current trends.

Property and equipment - Property, equipment and improvements to leased premises are depreciated using the straight-line method over the estimated useful lives of the assets, or when applicable, the term of the lease, whichever is shorter. Estimated useful lives generally range from 10 to 40 years for buildings, building improvements and leasehold improvements and 3 to 10 years for fixtures, equipment and internally developed software. Repair and maintenance costs are charged directly to expense as incurred. Major renewals or replacements that substantially extend the useful life of an asset are capitalized and depreciated. Application development stage costs for significant internally developed software projects are capitalized and depreciated.

The following are the components of property and equipment at December 31:

In millions	**2017**	**2016**
Land	$ 1,707	$ 1,734
Building and improvements	3,343	3,226
Fixtures and equipment	11,963	10,956
Leasehold improvements	4,793	4,494
Software	2,484	2,392
	24,290	22,802
Accumulated depreciation and amortization	(13,998)	(12,627)
Property and equipment, net	$ 10,292	$ 10,175

The gross amount of property and equipment under capital leases was $588 million and $547 million as of December 31, 2017 and 2016, respectively. Accumulated amortization of property and equipment under

capital lease was $140 million and $119 million as of December 31, 2017 and 2016, respectively. Amortization of property and equipment under capital lease is included within depreciation expense. Depreciation expense totaled $1.7 billion in both 2017 and 2016, and $1.5 billion in 2015.

Goodwill and other indefinitely-lived assets - Goodwill and other indefinitely-lived assets are not amortized, but are subject to impairment reviews annually, or more frequently if necessary. See Note 3 “Goodwill and Other Intangibles” for additional information on goodwill and other indefinitely-lived assets.

Intangible assets - Purchased customer contracts and relationships are amortized on a straight-line basis over their estimated useful lives between 9 and 20 years. Purchased customer lists are amortized on a straight-line basis over their estimated useful lives of up to 10 years. Purchased leases are amortized on a straight-line basis over the remaining life of the lease. See Note 3 “Goodwill and Other Intangibles” for additional information about intangible assets.

Impairment of long-lived assets - The Company groups and evaluates fixed and finite-lived intangible assets for impairment at the lowest level at which individual cash flows can be identified, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If indicators of impairment are present, the Company first compares the carrying amount of the asset group to the estimated future cash flows associated with the asset group (undiscounted and without interest charges). If the estimated future cash flows used in this analysis are less than the carrying amount of the asset group, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset group to the asset group’s estimated future cash flows (discounted and with interest charges). If required, an impairment loss is recorded for the portion of the asset group’s carrying value that exceeds the asset group’s estimated future cash flows (discounted and with interest charges).

Redeemable noncontrolling interest - As a result of the acquisition of Omnicare in 2015, the Company obtained a 73% ownership interest in a limited liability company (“LLC”). Due to the change in control in Omnicare, the noncontrolling member of the LLC had the contractual right to put its membership interest to the Company at fair value. Consequently, the noncontrolling interest in the LLC was recorded as a redeemable noncontrolling interest at fair value. During 2016, the noncontrolling shareholder of the LLC exercised its option to sell its ownership interest and the Company purchased the noncontrolling interest in the LLC for approximately $39 million.

Below is a summary of the changes in redeemable noncontrolling interest for the years ended December 31:

In millions	**2016**	**2015**
Beginning balance	$ 39	$ —
Acquisition of noncontrolling interest	—	39
Net income attributable to noncontrolling interest	1	1
Distributions	(2)	(1)
Purchase of noncontrolling interest	(39)	—
Reclassification to capital surplus in connection with purchase of noncontrolling interest	1	—
Ending balance	$ —	$ 39

Revenue Recognition

Pharmacy Services Segment

The PSS sells prescription drugs directly through its mail service dispensing pharmacies and indirectly through its retail pharmacy network. The PSS recognizes revenue from prescription drugs sold by its mail service dispensing pharmacies and under retail pharmacy network contracts where it is the principal using the gross method at the contract prices negotiated with its clients. Net revenues include: (i) the portion of the price the client pays directly to the PSS, net of any volume-related or other discounts paid back to the client (see “Drug Discounts” below), (ii) the price paid to the PSS by client plan members for mail order prescriptions (“Mail Co-Payments”) and the price paid to retail network pharmacies by client plan members for retail prescriptions (“Retail Co-Payments”), and (iii) administrative fees for retail pharmacy network contracts where the PSS is not the principal as discussed below. Sales taxes are not included in revenue.

Revenue is recognized when: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller’s price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured. The following revenue recognition policies have been established for the PSS:

- Revenues generated from prescription drugs sold by mail service dispensing pharmacies are recognized when the prescription is delivered. At the time of delivery, the PSS has performed substantially all of its obligations under its client contracts and does not experience a significant level of returns or reshipments.

- Revenues generated from prescription drugs sold by third party pharmacies in the PSS’ retail pharmacy network and associated administrative fees are recognized at the PSS’ point-of-sale, which is when the claim is adjudicated by the PSS online claims processing system.

The PSS determines whether it is the principal or agent for its retail pharmacy network transactions on a contract by contract basis. In the majority of its contracts, the PSS has determined it is the principal due to it: (i) being the primary obligor in the arrangement, (ii) having latitude in establishing the price, changing the product or performing part of the service, (iii) having discretion in supplier selection, (iv) having

involvement in the determination of product or service specifications, and (v) having credit risk. The PSS' obligations under its client contracts for which revenues are reported using the gross method are separate and distinct from its obligations to the third party pharmacies included in its retail pharmacy network contracts. Pursuant to these contracts, the PSS is contractually required to pay the third party pharmacies in its retail pharmacy network for products sold, regardless of whether the PSS is paid by its clients. The PSS' responsibilities under its client contracts typically include validating eligibility and coverage levels, communicating the prescription price and the co-payments due to the third party retail pharmacy, identifying possible adverse drug interactions for the pharmacist to address with the prescriber prior to dispensing, suggesting generic alternatives where clinically appropriate and approving the prescription for dispensing. Although the PSS does not have credit risk with respect to Retail Co-Payments or inventory risk related to retail network claims, management believes that all of the other applicable indicators of gross revenue reporting are present. For contracts under which the PSS acts as an agent, revenue is recognized using the net method.

Drug Discounts - The PSS deducts from its revenues any rebates, inclusive of discounts and fees, earned by its clients. Rebates are paid to clients in accordance with the terms of client contracts, which are normally based on fixed rebates per prescription for specific products dispensed or a percentage of manufacturer discounts received for specific products dispensed. The liability for rebates due to clients is included in "Claims and discounts payable" in the accompanying consolidated balance sheets.

Medicare Part D - The PSS, through its SilverScript subsidiary, participates in the federal government's Medicare Part D program as a Prescription Drug Plan ("PDP"). Net revenues include insurance premiums earned by the PDP, which are determined based on the PDP's annual bid and related contractual arrangements with the Centers for Medicare and Medicaid Services ("CMS"). The insurance premiums include a direct premium paid by CMS and a beneficiary premium, which is the responsibility of the PDP member, but which is subsidized by CMS in the case of low-income members. Premiums collected in advance are initially deferred in accrued expenses and are then recognized in net revenues over the period in which members are entitled to receive benefits.

In addition to these premiums, net revenues include co-payments, coverage gap benefits, deductibles and co-insurance (collectively, the "Member Co-Payments") related to PDP members' actual prescription claims. In certain cases, CMS subsidizes a portion of these Member Co-Payments and pays the PSS an estimated prospective Member Co-Payment subsidy amount each month. The prospective Member Co-Payment subsidy amounts received from CMS are also included in net revenues. SilverScript assumes no risk for these amounts. If the prospective Member Co-Payment subsidies received differ from the amounts based on actual prescription claims, the difference is recorded in either accounts receivable or accrued expenses.

The PSS accounts for CMS obligations and Member Co-Payments (including the amounts subsidized by CMS) using the gross method consistent with its revenue recognition policies for Mail Co-Payments and Retail Co-Payments (discussed previously in this document).

Retail/LTC Segment

Retail Pharmacy - The retail drugstores recognize revenue at the time the customer takes possession of the merchandise. Customer returns are not material. Revenue generated from the performance of services in the RLS' health care clinics is recognized at the time the services are performed. Sales taxes are not included in revenue.

Long-term Care - Revenue is recognized when products are delivered or services are rendered or provided to the customer, prices are fixed and determinable, and collection is reasonably assured. A significant portion of the revenues from sales of pharmaceutical and medical products are reimbursed by the federal Medicare Part D program and, to a lesser extent, state Medicaid programs. Payments for services rendered to patients covered by these programs are generally less than billed charges. The Company monitors its revenues and receivables from these reimbursement sources, as well as other third party insurance payors, and record an estimated contractual allowance for sales and receivable balances at the revenue recognition date, to properly account for anticipated differences between billed and reimbursed amounts. Accordingly, the total net sales and receivables reported in the Company's consolidated financial statements are recorded at the amount expected to be ultimately received from these payors. Since billing functions for a portion of the Company's revenue systems are largely computerized, enabling on-line adjudication at the time of sale to record net revenues, the Company's exposure in connection with estimating contractual allowance adjustments is limited primarily to unbilled and initially rejected Medicare, Medicaid and third party claims (typically approved for reimbursement once additional information is provided to the payor). For the remaining portion of the Company's revenue systems, the contractual allowance is estimated for all billed, unbilled and initially rejected Medicare, Medicaid and third party claims. The Company evaluates several criteria in developing the estimated contractual allowances on a monthly basis, including historical trends based on actual claims paid, current contract and reimbursement terms, and changes in customer base and payor/product mix. Contractual allowance estimates are adjusted to actual amounts as cash is received and claims are settled, and the aggregate impact of these resulting adjustments was not significant to our results of operations for any of the periods presented.

Patient co-payments associated with Medicare Part D, certain state Medicaid programs, Medicare Part B and certain third party payors are typically not collected at the time products are delivered or services are rendered, but are billed to the individuals as part of our normal billing procedures and subject to our normal accounts receivable collections procedures.

Health Care Clinics - For services provided by our health care clinics, revenue recognition occurs for completed services provided to patients, with adjustments taken for third party payor contractual obligations and patient direct bill historical collection rates.

Loyalty Program - The Company's customer loyalty program, ExtraCare®, is comprised of two components, ExtraSavings™ and ExtraBucks® Rewards. ExtraSavings coupons redeemed by customers are recorded as a reduction of revenue when redeemed. ExtraBucks Rewards are accrued as a charge to cost of revenues when earned, net of estimated breakage. The Company determines breakage based on historical redemption patterns.

See Note 13 "Segment Reporting" for additional information about the revenues of the Company's business segments.

Cost of revenues

Pharmacy Services Segment - The PSS' cost of revenues includes: (i) the cost of prescription drugs sold during the reporting period directly through its mail service dispensing pharmacies and indirectly through its retail pharmacy network, (ii) shipping and handling costs, and (iii) the operating costs of its mail service dispensing pharmacies and client service operations and related information technology support costs including depreciation and amortization. The cost of prescription drugs sold component of cost of revenues includes: (i) the cost of the prescription drugs purchased from manufacturers or distributors and shipped to members in clients' benefit plans from the PSS' mail service dispensing pharmacies, net of any volume-related or other discounts (see "Vendor allowances and purchase discounts" below) and (ii) the cost of prescription drugs sold (including Retail Co-Payments) through the PSS' retail pharmacy network under contracts where it is the principal, net of any volume-related or other discounts.

Retail/LTC Segment - The RLS' cost of revenues includes: the cost of merchandise sold during the reporting period and the related purchasing costs, warehousing and delivery costs (including depreciation and amortization) and actual and estimated inventory losses.

See Note 13 "Segment Reporting" for additional information about the cost of revenues of the Company's business segments.

Vendor allowances and purchase discounts

The Company accounts for vendor allowances and purchase discounts as follows:

Pharmacy Services Segment - The PSS receives purchase discounts on products purchased. The PSS' contractual arrangements with vendors, including manufacturers, wholesalers and retail pharmacies, normally provide for the PSS to receive purchase discounts from established list prices in one, or a combination, of the following forms: (i) a direct discount at the time of purchase, (ii) a discount for the prompt payment of invoices, or (iii) when products are purchased indirectly from a manufacturer (e.g., through a wholesaler or retail pharmacy), a discount (or rebate) paid subsequent to dispensing. These rebates are recognized when prescriptions are dispensed and are generally calculated and billed to manufacturers within 30 days of the end of each completed quarter. Historically, the effect of adjustments resulting from the reconciliation of rebates recognized to the amounts billed and collected has not been material to the PSS' results of operations. The PSS accounts for the effect of any such differences as a change in accounting estimate in the period the reconciliation is completed. The PSS also receives additional discounts under its wholesaler contracts if it exceeds contractually defined annual purchase volumes. In addition, the PSS receives fees from pharmaceutical manufacturers for administrative services. Purchase discounts and administrative service fees are recorded as a reduction of "Cost of revenues".

Retail/LTC Segment - Vendor allowances received by the RLS reduce the carrying cost of inventory and are recognized in cost of revenues when the related inventory is sold, unless they are specifically identified as a reimbursement of incremental costs for promotional programs and/or other services provided. Amounts that are directly linked to advertising commitments are recognized as a reduction of advertising expense (included in operating expenses) when the related advertising commitment is satisfied. Any such allowances received in excess of the actual cost incurred also reduce the carrying cost of inventory. The total value of any upfront payments received from vendors that are linked to purchase commitments is initially deferred. The deferred amounts are then amortized to reduce cost of revenues over the life of the contract based upon purchase volume. The total value of any upfront payments received from vendors that are not linked to purchase commitments is also initially deferred. The deferred amounts are then amortized to reduce cost of revenues on a straight-line basis over the life of the related contract. The total amortization of these upfront payments was not material to the accompanying consolidated financial statements.

Insurance - The Company is self-insured for certain losses related to general liability, workers' compensation and auto liability. The Company obtains third party insurance coverage to limit exposure from these claims. The Company is also self-insured for certain losses related to health and medical liabilities. The Company's self-insurance accruals, which include reported claims and claims incurred but not reported, are calculated using standard insurance industry actuarial assumptions and the Company's historical claims experience.

Facility opening and closing costs - New facility opening costs, other than capital expenditures, are charged directly to expense when incurred. When the Company closes a facility, the present value of estimated unrecoverable costs, including the remaining lease obligation less estimated sublease income and the book value of abandoned property and equipment, are charged to expense. The long-term portion of the lease obligations associated with facility closings was $306 million and $181 million in 2017 and 2016, respectively.

Advertising costs - Advertising costs are expensed when the related advertising takes place. Advertising costs, net of vendor funding (included in operating expenses), were $230 million, $216 million and $221 million in 2017, 2016 and 2015, respectively.

Interest expense, net - The following are the components of net interest expense for the years ended December 31:

In millions	2017	2016	2015
Interest expense	$ 1,062	$ 1,078	$ 859
Interest income	(21)	(20)	(21)
Interest expense, net	$ 1,041	$ 1,058	$ 838

Capitalized interest totaled $8 million, $13 million and $12 million in 2017, 2016 and 2015, respectively.

Shares held in trust - The Company maintains grantor trusts, which held approximately one million shares of its common stock at December 31, 2017 and 2016, respectively. These shares are designated for use under various employee compensation plans. Since the Company holds these shares, they are excluded from the computation of basic and diluted shares outstanding.

Accumulated other comprehensive income - Accumulated other comprehensive income (loss) consists of changes in the net actuarial gains and losses associated with pension and other postretirement benefit plans, net losses on cash flow hedge derivative instruments associated with forecasted debt issuances, and foreign currency translation adjustments. The amount included in accumulated other comprehensive loss related to the Company's pension and postretirement plans was $34 million pre-tax ($21 million after-tax) as of December 31, 2017 and $284 million pre-tax ($173 million after-tax) as of December 31, 2016. The net impact on cash flow hedges totaled $24 million pre-tax ($15 million after-tax) and $9 million pre-tax ($5 million after-tax) as of December 31, 2017 and 2016, respectively. Cumulative foreign currency translation adjustments at December 31, 2017 and 2016 were $129 million and $127 million, respectively.

Changes in accumulated other comprehensive income (loss) by component are shown below:

	Year Ended December 31, 2017 [1]			
In millions	Foreign Currency	Losses on Cash Flow Hedges	Pension and Other Postretirement Benefits	Total
Balance, December 31, 2016	$ (127)	$ (5)	$ (173)	$ (305)
Other comprehensive loss before reclassifications	(2)	(11)	—	(13)
Amounts reclassified from accumulated other comprehensive income [2]	—	1	152	153
Net other comprehensive income (loss)	(2)	(10)	152	140
Balance, December 31, 2017	$ (129)	$ (15)	$ (21)	$ (165)

	Year Ended December 31, 2016 [1]			
	Foreign Currency	Losses on Cash Flow Hedges	Pension and Other Postretirement Benefits	Total
Balance, December 31, 2015	$ (165)	$ (7)	$ (186)	$ (358)
Other comprehensive income before reclassifications	38	—	—	38
Amounts reclassified from accumulated other comprehensive income [2]	—	2	13	15
Net other comprehensive income	38	2	13	53
Balance, December 31, 2016	$ (127)	$ (5)	$ (173)	$ (305)

(1) All amounts are net of tax.

(2) The amounts reclassified from accumulated other comprehensive income for cash flow hedges are recorded within interest expense, net on the consolidated statement of income. The amounts reclassified from accumulated other comprehensive income for pension and other postretirement benefits are included in other expense on the consolidated statement of income.

Stock-based compensation - Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable requisite service period of the stock award (generally 3 to 5 years) using the straight-line method.

Variable interest entity - In 2014, the Company and Cardinal Health, Inc. ("Cardinal") established Red Oak Sourcing, LLC ("Red Oak"), a generic pharmaceutical sourcing entity in which the Company and Cardinal each own 50%. The Red Oak arrangement has an initial term of ten years. Under this arrangement, the Company and Cardinal contributed their sourcing and supply chain expertise to Red Oak and agreed to source and negotiate generic pharmaceutical supply contracts for both companies through Red Oak; however, Red Oak does not own or hold inventory on behalf of either company. No physical assets (e.g., property and equipment) were contributed to Red Oak by either company and minimal funding was provided to capitalize Red Oak.

The Company has determined that it is the primary beneficiary of this variable interest entity because it has the ability to direct the activities of Red Oak. Consequently, the Company consolidates Red Oak in its

consolidated financial statements within the Retail/LTC Segment.

Cardinal is required to pay the Company 39 quarterly payments beginning in October 2014. As milestones are met, the quarterly payments increase. The Company received approximately $183 million, $163 million and $122 million from Cardinal during the years ended December 31, 2017, 2016 and 2015, respectively. The payments reduce the Company's carrying value of inventory and are recognized in cost of revenues when the related inventory is sold. Revenues associated with Red Oak expenses reimbursed by Cardinal for the years ended December 31, 2017, 2016 and 2015, as well as amounts due to or due from Cardinal at December 31, 2017 and 2016 were immaterial.

Related party transactions - The Company has an equity method investment in SureScripts, LLC ("SureScripts"), which operates a clinical health information network. The Pharmacy Services and Retail/LTC segments utilize this clinical health information network in providing services to its client plan members and retail customers. The Company expensed fees of approximately $35 million, $39 million and $50 million in the years ended December 31, 2017, 2016 and 2015, respectively, for the use of this network. The Company's investment in and equity in earnings of SureScripts for all periods presented is immaterial.

The Company has an equity method investment in Heartland Healthcare Services ("Heartland"). Heartland operates several long-term care pharmacies in four states. Heartland paid the Company approximately $139 million, $140 million and $25 million for pharmaceutical inventory purchases during the years ended December 31, 2017, 2016 and 2015, respectively. Additionally, the Company performs certain collection functions for Heartland and then passes those customer cash collections to Heartland. The Company's investment in and equity in earnings of Heartland as of and for the years ended December 31, 2016 and 2015 is immaterial.

In 2016, the Company made charitable contributions of $32 million to the CVS Foundation (the "Foundation") to fund future giving. The Foundation is an unconsolidated non-profit entity managed by employees of the Company that focuses on health, education and community involvement programs. The charitable contributions were recorded as operating expenses in the Company's consolidated statement of income for the year ended December 31, 2016.

Income taxes - The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year or years in which the differences are expected to reverse. The effect of a change in the tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

On December 22, 2017, the President signed into law the "Tax Cuts and Jobs Act" (the "TCJA"). Among numerous changes to existing tax laws, the TCJA permanently reduces the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The effects on deferred tax balances of changes in tax rates are required to be taken into consideration in the period in which the changes are enacted, regardless of when they are effective. As the result of the reduction of the corporate income tax rate under the TCJA, the Company estimated the revaluation of its net deferred tax liabilities and recorded a provisional noncash income tax benefit of approximately $1.5 billion for year ended December 31, 2017. The Company has not completed all of its processes to determine the TCJA's final impact. The final impact may differ from this provisional amount due to, among other things, changes in interpretations and assumptions the Company has made thus far and the issuance of additional regulatory or other guidance. The accounting is expected to be completed by the time the 2017 federal income tax return is filed in 2018.

The Company recognizes net deferred tax assets to the extent that it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

The Company records uncertain tax positions on the basis of a two-step process whereby (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

Interest and/or penalties related to uncertain tax positions are recognized in income tax expense.

Discontinued operations - In connection with certain business dispositions completed between 1991 and 1997, the Company retained guarantees on store lease obligations for a number of former subsidiaries, including Bob's Stores and Linens 'n Things which filed for bankruptcy in 2016 and 2008, respectively. Additionally, the Company's recently acquired Bluegrass Pharmacy is considered held for sale and is included in discontinued operations (see Note 2 "Acquisitions" for additional information). The Company's loss from discontinued operations in 2017 and 2016 primarily includes lease-related costs which the Company believes it will likely be required to satisfy pursuant to its lease guarantees. The Company's income from discontinued operations in 2015 of $9 million, net of tax, was related to the release of certain store lease guarantees due to a settlement with a landlord. See Note 12 "Commitments and Contingencies" of the consolidated financial statements.

Below is a summary of the results of discontinued operations for the years ended December 31:

In millions	**2017**	**2016**	**2015**

Income (loss) from discontinued operations	$(13)	$ (2)	$ 15
Income tax benefit (expense)	5	1	(6)
Income (loss) from discontinued operations, net of tax	$ (8)	$ (1)	$ 9

Earnings per common share - Earnings per share is computed using the two-class method. Options to purchase 10.4 million, 6.7 million and 2.7 million shares of common stock were outstanding as of December 31, 2017, 2016 and 2015, respectively, but were not included in the calculation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

New accounting pronouncements recently adopted - In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, *Inventory*, which amends Accounting Standard Codification ("ASC") Topic 330. This ASU simplifies current accounting treatments by requiring entities to measure most inventories at "the lower of cost and net realizable value" rather than using lower of cost or market. This guidance does not apply to inventories measured using the last-in, first-out method or the retail inventory method. The Company adopted this standard effective January 1, 2017. The adoption of this new guidance did not have any impact on the Company's consolidated results of operations, financial position or cash flows.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which amends the accounting for certain aspects of shared-based payments to employees in ASC Topic 718, *Compensation - Stock Compensation*. The new guidance eliminates the accounting for any excess tax benefits and deficiencies through equity, and requires all excess tax benefits and deficiencies related to employee share-based compensation arrangements to be recorded in the income statement. This aspect of the guidance is required to be applied prospectively. The guidance also requires the presentation of excess tax benefits on the statement of cash flows as an operating activity rather than a financing activity, a change which may be applied prospectively or retrospectively. The guidance further provides an accounting policy election to account for forfeitures as they occur rather than utilizing the estimated amount of forfeitures at the time of issuance. The Company adopted this guidance effective January 1, 2017. The primary impact of adopting this guidance was the recognition of excess tax benefits in the income statement instead of recognizing them in equity. This income statement guidance was adopted on a prospective basis. As a result, a discrete tax benefit of $53 million was recognized in the income tax provision in the year ended December 31, 2017.

The Company elected to retrospectively adopt the guidance on the presentation of excess tax benefits in the statement of cash flows. The following is a reconciliation of the effect of the resulting reclassification of the excess tax benefits on the Company's consolidated statements of cash flows for the years ended December 31, 2016 and 2015:

In millions	**As Previously Reported**	**Adjustments**	**As Revised**
Year Ended December 31, 2016:			
Cash paid to other suppliers and employees	$ (15,550)	$ 72	$ (15,478)
Net cash provided by operating activities	10,069	72	10,141
Excess tax benefits from stock-based compensation	72	(72)	—
Net cash used in financing activities	(6,689)	(72)	(6,761)
Reconciliation of net income to net cash provided by operating activities:			
Accrued expenses	59	72	131
Year Ended December 31, 2015:			
Cash paid to other suppliers and employees	(14,162)	127	(14,035)
Net cash provided by operating activities	8,412	127	8,539
Excess tax benefits from stock-based compensation	127	(127)	—
Net cash provided by financing activities	5,006	(127)	4,879
Reconciliation of net income to net cash provided by operating activities:			
Accrued expenses	765	127	892

The Company elected to continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period. None of the other provisions in this guidance had a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which amends ASC Topic 715, *Compensation – Retirement Benefits*. ASU 2017-07 requires entities to disaggregate the current service cost component from the other components of net benefit cost and present it with other current compensation costs for related employees in the income statement and present the other components of net benefit cost elsewhere in the income statement and outside of operating income. Only the service cost component of net benefit cost is eligible for capitalization. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted as of the beginning of any annual periods for which an entity's financial statements have not been issued. Entities are required to retrospectively apply the requirement for a separate presentation in the income statement of service costs and other components of net benefit cost and prospectively adopt the requirement to limit the capitalization of benefit costs to the service component. The Company adopted the income statement presentation aspects of this new guidance on a retrospective basis effective January 1, 2017. Nearly all of the Company's net benefit costs for the

Company's defined benefit pension and postretirement plans do not contain a service cost component as most of these defined benefit plans have been frozen for an extended period of time.

The following is a reconciliation of the effect of the reclassification of the net benefit cost from operating expenses to other expense in the Company's consolidated statements of income for the years ended December 31 2016 and 2015:

In millions	**As Previously Reported**	**Adjustments**	**As Revised**
Year Ended December 31, 2016:			
Operating expenses	$ 18,519	$ (28)	$ 18,491
Operating profit	10,338	28	10,366
Other expense	—	28	28
Year Ended December 31, 2015:			
Operating expenses	17,074	(21)	17,053
Operating profit	9,454	21	9,475
Other expense	—	21	21

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which amends ASC Topic 350, *Intangibles – Goodwill and Other*. This ASU requires the Company to perform its annual, or applicable interim, goodwill impairment test by comparing the fair value of each reporting unit with its carrying amount. An impairment charge must be recognized at the amount by which the carrying amount exceeds the fair value of the reporting unit; however, the charge recognized should not exceed the total amount of goodwill allocated to that reporting unit. Income tax effects resulting from any tax deductible goodwill should be considered when measuring a goodwill impairment charge, if applicable. The guidance in ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company elected to early adopt this standard as of January 1, 2017. At the date of adoption of this new guidance, the guidance did not have any impact on the Company's consolidated results of operations, financial position or cash flows.

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which amends ASC Topic 815, *Derivative and Hedging*. ASU 2017-12 expands an entity's ability to hedge nonfinancial and financial risk components and reduces complexity in fair value hedges of interest rate risk. It eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. ASU 2017-12 also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The guidance is effective for fiscal years beginning after December 15, 2018, and interims periods with those years. Early adoption is permitted. The guidance with respect to cash flow and net investment hedge relationships existing on the date of adoption must be applied on a modified retrospective basis, and the new presentation and disclosure requirements must be applied on a prospective basis. The Company elected to early adopt this standard as of October 1, 2017. As the date of adoption of this new guidance, the guidance did not have any impact on the Company's consolidated results of operations, financial position or cash flows since the Company did not have any outstanding derivative instruments at that time.

New accounting pronouncements not yet adopted - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In March 2016, the FASB issued ASU 2016-08, "*Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net),*" which amends the principal-versus-agent implementation guidance and in April 2016 the FASB issued ASU 2016-10, "*Identifying Performance Obligations and Licensing,*" which amends the guidance in those areas in the new revenue recognition standard. The new revenue standard is effective for annual reporting periods (including interim reporting periods within those periods) beginning January 1, 2018. The Company does not expect that the implementation of the new standard will have a material effect on the Company's consolidated results of operations, cash flows or financial position. The new standard will however require more extensive revenue-related disclosures. The Company has identified one difference in its Retail/LTC Segment related to the accounting for its ExtraBucks Rewards customer loyalty program, which is currently accounted for under a cost deferral method. Under the new standard, this program will be accounted for under a revenue deferral method. On January 1, 2018, the Company adopted the new revenue standard on a modified retrospective basis and recorded an after-tax transition adjustment to reduce retained earnings as of January 1, 2018 by approximately $13 million.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall* (Subtopic 825-10)*: Recognition and Measurement of financial Assets and Financial Liabilities*. This ASU requires equity investments, except those under the equity method of accounting or those that result in the consolidation of an investee, to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. This simplifies the impairment assessment of equity investments previously held at cost. Separate presentation of financial assets and liabilities by measurement category is required. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted for fiscal years or

interim periods that have not yet been issued as of the beginning of the fiscal year of adoption. Entities are required to apply the guidance retrospectively, with the exception of the amendments related to equity investments without readily determinable fair values, which must be applied on a prospective basis. The Company is evaluating the effect of adopting this guidance but does not expect the adoption to have a material impact on the Company's consolidated results of operations.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). Lessees will be required to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, a dual model was retained, requiring leases to be classified as either operating or finance leases. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model (e.g., certain definitions, such as initial direct costs, have been updated) and the new revenue recognition standard. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company believes that the new standard will have a material impact on its consolidated balance sheet. The Company is currently evaluating the effect that implementation of this standard will have on the Company's consolidated results of operations, cash flows, financial position and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 is intended to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows and to eliminate the diversity in practice related to such classifications. The guidance in ASU 2016-15 is required for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company is evaluating the effect of adopting this guidance but does not expect the adoption will have a material impact on the Company's consolidated cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*, which amends ASC Topic 230. This ASU requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer be required to present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. Entities will also have to disclose the nature of their restricted cash and restricted cash equivalent balances. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted. Entities are required to apply the guidance retrospectively. The Company is evaluating the effect of adopting this guidance but does not expect the adoption will have a material impact on the Company's consolidated cash flows.

Acquisitions
Acquisitions

2Acquisitions

Proposed Aetna Acquisition

On December 3, 2017, the Company entered into a definitive merger agreement to acquire all of the outstanding shares of Aetna for a combination of cash and stock. Under the terms of the merger agreement, Aetna shareholders will receive $145.00 per share in cash and 0.8378 CVS Health shares for each Aetna share. The transaction values Aetna at approximately $207 per share or approximately $69 billion based on the Company's 5-day volume weighted average price ending December 1, 2017 of $74.21 per share. Including the assumption of Aetna's debt, the total value of the transaction is approximately $77 billion. The final purchase price will be determined based on the Company's stock price on the date of closing of the transaction.

The proposed acquisition remains subject to approval by CVS Health and Aetna shareholders and customary closing conditions, including the expiration of the waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976 and approvals of state departments of insurance and U.S. and international regulators.

If the transaction is not completed, the Company could be liable to Aetna for a termination fee of $2.1 billion in connection with the merger agreement, depending on the reasons leading to such termination.

During the year ended December 31, 2017, the Company recorded $34 million of transaction-related costs in operating expenses in connection with the proposed acquisition.

Wellpartner Acquisition

On November 30, 2017, the Company acquired Wellpartner, Inc. ("Wellpartner") for approximately $380 million. The purchase price is subject to a working capital adjustment. Wellpartner is a provider of specialty pharmacy services which provides products and services under the Section 340B drug discount program, which is a U.S. federal government program that requires drug manufacturers participating in the Medicaid program to provide outpatient drugs to eligible health care organizations and covered entities at significantly reduced prices. Wellpartner has two specialty pharmacies, one in Oregon, and the other, Bluegrass Pharmacy of Lexington, LLC ("Bluegrass Pharmacy"), is located in Kentucky. The fair value of the assets acquired and liabilities assumed were $532 million and $152 million, respectively, which included identifiable intangible assets of $233 million and goodwill of $182 million that were recorded in the PSS. The allocation of the purchase price is preliminary and is based on information that was available to management at the time the consolidated financial statements were prepared, accordingly, the allocation may change. The Company has classified the assets of Bluegrass Pharmacy as held for sale, and has reported Bluegrass Pharmacy as a discontinued operation. The assets held for sale and the operating results of Bluegrass Pharmacy as of and for the month ended December 31, 2017 are immaterial.

Target Pharmacy Acquisition

On December 16, 2015, the Company acquired the pharmacy and clinic businesses of Target for approximately $1.9 billion, plus contingent consideration of up to $60 million based on future prescription growth over a three year period through 2019. The Company acquired Target's 1,672 pharmacies which operate in 47 states and will operate them through a store-within-a-store format, branded as CVS Pharmacy. The Company also acquired 79 Target clinic locations which were rebranded as MinuteClinic. The Company acquired the Target pharmacy and clinic businesses primarily to expand the geographic reach of its retail pharmacy business.

The fair values of the assets acquired at the date of acquisition were approximately as follows:

In millions	
Accounts receivable	$ 2
Inventories	467
Property and equipment	9
Intangible assets	490
Goodwill	900
Total cash consideration	$1,868

Intangible assets acquired include customer relationships with an estimated useful life of 13 years. The goodwill represents future economic benefits expected to arise from the Company's expanded geographic presence in the retail pharmacy market, the assembled workforce acquired, expected purchasing and revenue synergies, as well as operating efficiencies and cost savings. The goodwill is deductible for income tax purposes. As of December 31, 2017 and 2016, no liability for any potential contingent consideration has been recorded based on projections for future prescription growth over the relevant period.

In connection with the closing of the transaction, the Company and Target entered into pharmacy and clinic operating and master lease agreements. See Note 7 “Leases” of the consolidated financial statements for disclosures of the Company’s leasing arrangements.

During the year ended December 31, 2015, the Company incurred transaction costs of approximately $26 million associated with the acquisition that were recorded within operating expenses. The results of the Target pharmacies and clinics are included in the Company’s Retail/LTC Segment beginning on December 16, 2015. Pro forma financial information for this acquisition is not presented as such results are immaterial to the Company’s consolidated financial statements.

Omnicare Acquisition

On August 18, 2015, the Company acquired 100% of the outstanding common shares and voting interests of Omnicare, for $98 per share for a total of $9.6 billion and assumed long-term debt with a fair value of approximately $3.1 billion. Omnicare is a leading health care services company that specializes in the management of complex pharmaceutical care. Omnicare’s LTC business is the nation’s largest provider of pharmaceuticals, related pharmacy consulting and other ancillary services to chronic care facilities and other care settings. In addition, Omnicare has a specialty pharmacy business operating primarily under the name of ACS Pharmacy, and provides commercialization services under the name of RxCrossroads®. The Company includes LTC and the commercialization services business in the Retail/LTC Segment, and includes the specialty pharmacy business in its Pharmacy Services Segment. The Company acquired Omnicare to expand its operations in dispensing prescription drugs to assisted-living and long-term care facilities, and to broaden its presence in the specialty pharmacy business as the Company seeks to serve a greater percentage of the growing senior patient population in the United States.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

In Millions	
Current assets (including cash of $298)	$ 1,657
Property and equipment	313
Goodwill	9,139
Intangible assets	3,962
Other noncurrent assets	63
Current liabilities	(773)
Long-term debt	(3,110)
Deferred income tax liabilities	(1,498)
Other noncurrent liabilities	(69)
Redeemable noncontrolling interest	(39)
Total consideration	$ 9,645

The goodwill represents future economic benefits expected to arise from the Company’s expanded presence in the pharmaceutical care market, the assembled workforce acquired, expected purchasing and revenue synergies, as well as operating efficiencies and cost savings. Goodwill of $8.7 billion was allocated to the Retail/LTC Segment and the remaining goodwill of $0.4 billion was allocated to the Pharmacy Services Segment. Approximately $0.4 billion of the goodwill is deductible for income tax purposes. Intangible assets acquired include customer relationships and trade names of $3.9 billion and $74 million, respectively, with estimated weighted average useful lives of 19.1 and 2.9 years, respectively, and 18.8 years in total.

During the year ended December 31, 2015, the Company incurred transaction costs of $70 million associated with the acquisition of Omnicare that were recorded within operating expenses.

The Company’s consolidated results of operations for the year ended December 31, 2015, include $2.6 billion of net revenues and net income of $61 million associated with the operating results of Omnicare from August 18, 2015 to December 31, 2015. These Omnicare operating results include severance costs and accelerated stock-based compensation.

The following unaudited pro forma information presents a summary of the Company’s combined results of operations for the year ended December 31, 2015 as if the Omnicare acquisition and the related financing transactions had occurred on January 1, 2015. The following pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transactions been effected on the assumed date, nor is it necessarily an indication of trends in future results for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma information, basic shares outstanding and dilutive equivalents, cost savings from operating efficiencies, potential synergies, and the impact of incremental costs incurred in integrating the businesses.

(In millions, except per share data)	
Total revenues	$ 156,798
Income from continuing operations	5,277
Basic earnings per share from continuing operations	4.70
Diluted earnings per share from continuing operations	4.66

Pro forma income from continuing operations for the year ended December 31, 2015, excludes $135 million related to severance costs, accelerated stock-based compensation and transaction costs incurred in connection with the Omnicare acquisition.

Goodwill and Other Intangibles

12 Months Ended
Dec. 31, 2017

Goodwill and Other Intangibles

Goodwill and Other Intangibles

3Goodwill and Other Intangibles

Goodwill and other indefinitely-lived assets are not amortized, but are subject to annual impairment reviews, or more frequent reviews if events or circumstances indicate an impairment may exist.

When evaluating goodwill for potential impairment, the Company compares the fair value of its reporting units to their respective carrying amounts. The Company estimates the fair value of its reporting units using a combination of a discounted cash flow method and a market multiple method. If the carrying amount of a reporting unit exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess.

During 2017, the Company began pursuing various strategic alternatives for its RxC reporting unit. In connection with this effort, the Company performed an interim goodwill impairment test in the second quarter of 2017. The results of the impairment test determined that the fair value of the RxC reporting unit was lower than the carrying value, resulting in a $135 million goodwill impairment charge within operating expenses during the second quarter of 2017.

During the third quarter of 2017, the Company performed its required annual impairment tests of its reporting units and concluded there was no impairment of goodwill.

On January 2, 2018, the Company sold RxC to McKesson Corporation for $725 million. The transaction is subject to a working capital adjustment.

The TCJA enacted on December 22, 2017 reduces the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018 (see Note 11 “Income Taxes”). As a result, the RxC deferred income tax liabilities were reduced by $47 million and an income tax benefit of $47 million was recorded in the 2017 income statement. The reduction in the deferred income tax liabilities increased the carrying value of the RxC reporting unit by $47 million which triggered an additional goodwill impairment in the RxC reporting unit of $46 million during the fourth quarter of 2017.

The Company has cumulative goodwill impairments of $181 million as of December 31, 2017.

Below is a summary of the changes in the carrying amount of goodwill by segment for the years ended December 31, 2017 and 2016:

In millions	Pharmacy Services	Retail/LTC	Total
Balance, December 31, 2015	$ 21,685	$ 16,421	$38,106
Acquisitions	—	126	126
Foreign currency translation adjustments	—	17	17
Other [1]	(48)	48	—
Balance, December 31, 2016	21,637	16,612	38,249
Acquisitions	182	203	385
Foreign currency translation adjustments	—	(2)	(2)
Impairments	—	(181)	(181)
Balance, December 31, 2017	$ 21,819	$ 16,632	$38,451

(1) “Other” represents immaterial purchase accounting adjustments for acquisitions.

Indefinitely-lived intangible assets are tested for impairment by comparing the estimated fair value of the asset to its carrying value. The Company estimates the fair value of its indefinitely-lived trademark using the relief from royalty method under the income approach. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized and the asset is written down to its estimated fair value. During the third quarter of 2017, the Company performed its annual impairment test of the indefinitely-lived trademark and concluded there was no impairment as of the testing date.

The following table is a summary of the Company’s intangible assets as of December 31:

	2017			2016		
In millions	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark (indefinitely-lived)	$ 6,398	$ —	$ 6,398	$ 6,398	$ —	$ 6,398
Customer contracts and relationships and covenants not to compete	12,341	(5,536)	6,805	11,485	(4,802)	6,683
Favorable leases and other	1,190	(763)	427	1,123	(693)	430
	$ 19,929	$ (6,299)	$ 13,630	$ 19,006	$ (5,495)	$ 13,511

The Company amortizes intangible assets with finite lives over the estimated useful lives of the respective assets, which have a weighted average useful life of 15.4 years. The weighted average useful life of the Company's customer contracts and relationships and covenants not to compete is 15.3 years. The weighted average life of the Company's favorable leases and other intangible assets is 16.2 years. Amortization expense for intangible assets totaled $817 million, $795 million and $611 million in 2017, 2016 and 2015, respectively. The anticipated annual amortization expense for these intangible assets for the next five years is as follows:

In millions	
2018	$817
2019	771
2020	600
2021	539
2022	494

Share Repurchase Programs

12 Months Ended
Dec. 31, 2017

Share Repurchase Programs

Share Repurchase Programs

4Share Repurchase Programs

The following share repurchase programs were authorized by the Company's Board of Directors:

In billions		
Authorization Date	**Authorized**	**Remaining as of December 31, 2017**
November 2, 2016 ("2016 Repurchase Program")	$ 15.0	$ 13.9
December 15, 2014 ("2014 Repurchase Program")	10.0	—
December 17, 2013 ("2013 Repurchase Program")	6.0	—

The share Repurchase Programs, each of which was effective immediately, permit the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase ("ASR") transactions, and/or other derivative transactions. The 2016 Repurchase Program can be modified or terminated by the Board of Directors at any time.

Pursuant to the authorization under the 2014 Repurchase Program, in August 2016, the Company entered into two fixed dollar ASRs with Barclays Bank PLC ("Barclays") for a total of $3.6 billion. Upon payment of the $3.6 billion purchase price in January 2017, the Company received a number of shares of its common stock equal to 80% of the $3.6 billion notional amount of the ASRs or approximately 36.1 million shares, which were placed into treasury stock in January 2017. The ASRs were accounted for as an initial treasury stock transaction for $2.9 billion and a forward contract for $0.7 billion. In April 2017, the Company received 9.9 million shares of common stock, representing the remaining 20% of the $3.6 billion notional amount of the ASRs, thereby concluding the ASRs. The remaining 9.9 million shares of common stock delivered to the Company by Barclays were placed into treasury stock and the forward contract was reclassified from capital surplus to treasury stock in April 2017.

Pursuant to the authorization under the 2014 Repurchase Program, in December 2015, the Company entered into a $725 million fixed dollar ASR with Barclays. Upon payment of the $725 million purchase price in December 2015, the Company received a number of shares of its common stock equal to 80% of the $725 million notional amount of the ASR or approximately 6.2 million shares. The initial 6.2 million shares of common stock delivered to the Company by Barclays were placed into treasury stock in December 2015. The ASR was accounted for as an initial treasury stock transaction of $580 million and a forward contract of $145 million. The forward contract was classified as an equity instrument and was recorded within capital surplus on the consolidated balance sheet. In January 2016, the Company received 1.4 million shares of common stock, representing the remaining 20% of the $725 million notional amount of the ASR, thereby concluding the ASR. The remaining 1.4 million shares of common stock delivered to the Company by Barclays were placed into treasury stock in January 2016 and the forward contract was reclassified from capital surplus to treasury stock.

Pursuant to the authorization under the 2013 Repurchase Programs, in January 2015, the Company entered into a $2.0 billion fixed dollar ASR agreement with J.P. Morgan Chase Bank ("JP Morgan"). Upon payment of the $2.0 billion purchase price in January 2015, the Company received a number of shares of its common stock equal to 80% of the $2.0 billion notional amount of the ASR agreement or approximately 16.8 million shares, which were placed into treasury stock in January 2015. In May 2015, the Company received approximately 3.1 million shares of common stock, representing the remaining 20% of the $2.0 billion notional amount of the ASR, thereby concluding the ASR. The remaining 3.1 million shares of common stock delivered to the Company by JP Morgan were placed into treasury stock in May 2015. The ASR was accounted for as an initial treasury stock transaction of $1.6 billion and a forward contract of $0.4 billion. The forward contract was classified as an equity instrument and was initially recorded within capital surplus on the consolidated balance sheet and was reclassified to treasury stock upon the settlement of the ASR in May 2015.

In the ASR transactions described above, the initial repurchase of the shares and delivery of the remainder of the shares to conclude the ASR, resulted in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share.

During the year ended December 31, 2017, the Company repurchased an aggregate of 55.4 million shares of common stock for approximately $4.4 billion under the 2014 and 2016 Repurchase Programs. As of December 31, 2017, there remained an aggregate of approximately $13.9 billion available for future repurchases under the 2016 Repurchase Program and the 2014 and 2013 Repurchase Programs were complete.

During the year ended December 31, 2016, the Company repurchased an aggregate of 47.5 million shares of common stock for approximately $4.5 billion under the 2014 Repurchase Program. During the year ended December 31, 2015, the Company repurchased an aggregate of 48.0 million shares of common stock for approximately $5.0 billion under the 2013 and 2014 Repurchase Programs.

12 Months Ended
Dec. 31, 2017

5Borrowings and Credit Agreements

The following table is a summary of the Company's borrowings as of December 31:

In millions	2017	2016
Short-term debt		
Commercial paper	$ 1,276	$ 1,874
Long-term debt		
1.9% senior notes due 2018	2,250	2,250
2.25% senior notes due 2018	1,250	1,250
2.25% senior notes due 2019	850	850
2.8% senior notes due 2020	2,750	2,750
2.125% senior notes due 2021	1,750	1,750
4.125% senior notes due 2021	550	550
2.75% senior notes due 2022	1,250	1,250
3.5% senior notes due 2022	1,500	1,500
4.75% senior notes due 2022	399	399
4% senior notes due 2023	1,250	1,250
3.375% senior notes due 2024	650	650
5% senior notes due 2024	299	299
3.875% senior notes due 2025	2,828	2,828
2.875% senior notes due 2026	1,750	1,750
6.25% senior notes due 2027	372	372
3.25% senior exchange debentures due 2035	1	1
4.875% senior notes due 2035	652	652
6.125% senior notes due 2039	447	447
5.75% senior notes due 2041	133	133
5.3% senior notes due 2043	750	750
5.125% senior notes due 2045	3,500	3,500
Capital lease obligations	670	648
Other	43	23
Total debt principal	27,170	27,726
Debt premiums	28	33
Debt discounts and deferred financing costs	(196)	(228)
	27,002	27,531
Less:		
Short-term debt (commercial paper)	(1,276)	(1,874)
Current portion of long-term debt	(3,545)	(42)
Long-term debt	$ 22,181	$ 25,615

The Company had approximately $1.3 billion of commercial paper outstanding at a weighted average interest rate of 2.0% as of December 31, 2017. The Company had approximately $1.9 billion of commercial paper outstanding at a weighted average interest rate of 1.22% as of December 31, 2016. In connection with its commercial paper program, the Company maintains a $1.0 billion 364-day unsecured back-up credit facility, which expires on May 17, 2018, a $1.25 billion, five-year unsecured back-up credit facility, which expires on July 24, 2019, a $1.25 billion, five-year unsecured back-up credit facility, which expires on July 1, 2020, and a $1.0 billion, five-year unsecured back-up credit facility, which expires on May 18, 2022. The credit facilities allow for borrowings at various rates that are dependent, in part, on the Company's public debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.02%, regardless of usage. As of December 31, 2017 and 2016, there were no borrowings outstanding under the back-up credit facilities.

On December 3, 2017, in connection with the proposed acquisition of Aetna, the Company entered into a $49.0 billion unsecured bridge loan facility. The Company paid approximately $221 million in fees upon entering into the agreement. The fees were capitalized in other current assets and will be amortized as interest expense over the period the bridge facility is outstanding. The bridge loan facility was reduced to $44.0 billion on December 15, 2017 upon the Company entering into a $5.0 billion term loan agreement. The Company recorded $56 million of amortization of the bridge loan facility fees during the three months and year ended December 31, 2017, which was recorded in interest expense. On December 15, 2017, in connection with the proposed acquisition of Aetna, the Company entered into a $5.0 billion unsecured term loan agreement. The term loan facility under the term loan agreement consists of a $3.0 billion three-year tranche and a $2.0 billion five-year tranche. The term loan facility allows for borrowings at various rates that are dependent, in part, on the Company's debt ratings and require the Company to pay a weighted average quarterly commitment fee, regardless of usage.

On January 3, 2017, the Company entered into a $2.5 billion revolving credit facility. The credit facility allows for borrowings at various rates that are dependent, in part, on the Company's debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.03%, regardless of usage. The Company terminated the credit facility in May 2017.

On May 16, 2016, the Company issued $1.75 billion aggregate principal amount of 2.125% unsecured senior notes due June 1, 2021 and $1.75 billion aggregate principal amount of 2.875% unsecured senior notes due June 1, 2026 (collectively, the "2016 Notes") for total proceeds of approximately $3.5 billion, net of discounts and underwriting fees. The 2016 Notes pay interest semi-annually and may be redeemed, in whole at any time, or in part from time to time, at the Company's option at a defined redemption price plus accrued and unpaid interest to the redemption date. The net proceeds of the 2016 Notes were used for general corporate purposes and to repay certain corporate debt.

On May 16, 2016, the Company announced tender offers for (1) any and all of its 5.75% Senior Notes due 2017, its 6.60% Senior Notes due 2019 and its 4.75% Senior Notes due 2020 (collectively, the "Any and All Notes") and (2) up to $1.5 billion aggregate principal amount of its 6.25% Senior Notes due 2027, its 6.125% Senior Notes due 2039, its 5.75% Senior Notes due 2041, the 5.00% Senior Notes due 2024 issued by its wholly-owned subsidiary, Omnicare, Inc. ("Omnicare"), the 4.75% Senior Notes due 2022 issued by Omnicare, its 4.875% Senior Notes due 2035 and its 3.875% Senior Notes due 2025 (collectively, the "Maximum Tender Offer Notes" and together with the Any and All Notes, the "Notes"). On May 31, 2016, the Company increased the aggregate principal amount of the tender offers for the Maximum Tender Offer Notes to $2.25 billion. The Company purchased approximately $835 million aggregate principal amount of the Any and All Notes and $2.25 billion aggregate principal amount of the Maximum Tender Offer Notes pursuant to the tender offers, which expired on June 13, 2016. The Company paid a premium of $486 million in excess of the debt principal in connection with the purchase of the Notes, wrote off $50 million of unamortized deferred financing costs and incurred $6 million in fees, for a total loss on the early extinguishment of debt of $542 million which was recorded in income from continuing operations in the consolidated statement of income for the year ended December 31, 2016.

On June 27, 2016, the Company notified the holders of the remaining Any and All Notes that the Company was exercising its option to redeem the outstanding Any and All Notes pursuant to the terms of the Any and All Notes and the Indenture dated as of August 15, 2006, between the Company and The Bank of New York Mellon Trust Company, N.A. Approximately $1.1 billion aggregate principal amount of Any and All Notes was redeemed on July 27, 2016. The Company paid a premium of $97 million in excess of the debt principal and wrote off $4 million of unamortized deferred financing costs, for a total loss on early extinguishment of debt of $101 million during the year ended December 31, 2016.

The Company recorded a total loss on the early extinguishment of debt of $643 million which was recorded in the income from continuing operations in the consolidated statement of income for the year ended December 31, 2016.

On May 20, 2015, in connection with the acquisition of Omnicare, the Company entered into a $13 billion unsecured bridge loan facility. The Company paid approximately $52 million in fees in connection with the facility. The fees were capitalized and amortized as interest expense over the period the bridge facility was outstanding. The bridge loan facility expired on July 20, 2015 upon the Company's issuance of unsecured senior notes with an aggregate principal of $15 billion as discussed below. The bridge loan facility fees became fully amortized in July 2015.

On July 20, 2015, the Company issued an aggregate of $2.25 billion of 1.9% unsecured senior notes due 2018 ("2018 Notes"), an aggregate of $2.75 billion of 2.8% unsecured senior notes due 2020 ("2020 Notes"), an aggregate of $1.5 billion of 3.5% unsecured senior notes due 2022 ("2022 Notes"), an aggregate of $3 billion of 3.875% unsecured senior notes due 2025 ("2025 Notes"), an aggregate of $2 billion of 4.875% unsecured senior notes due 2035 ("2035 Notes"), and an aggregate of $3.5 billion of 5.125% unsecured senior notes due 2045 ("2045 Notes" and, together with the 2018 Notes, 2020 Notes, 2022 Notes, 2025 Notes and 2035 Notes, the "Notes") for total proceeds of approximately $14.8 billion, net of discounts and underwriting fees. The Notes pay interest semi-annually and contain redemption terms which allow or require the Company to redeem the Notes at a defined redemption price plus accrued and unpaid interest at the redemption date. The net proceeds of the Notes were used to fund the Omnicare acquisition and the acquisition of the pharmacies and clinics of Target. The remaining proceeds were used for general corporate purposes.

Upon the closing of the Omnicare acquisition in August 2015, the Company assumed the long-term debt of Omnicare that had a fair value of approximately $3.1 billion, $2.0 billion of which was previously convertible into Omnicare shares that holders were able to redeem subsequent to the acquisition. During the period from August 18, 2015 to December 31, 2015, all but $5 million of the $2.0 billion of previously convertible debt was redeemed and repaid and approximately $0.4 billion in Omnicare term debt assumed was repaid for total repayments of Omnicare debt of approximately $2.4 billion in 2015.

The remaining principal of the Omnicare debt assumed was comprised of senior unsecured notes with an aggregate principal amount of $700 million ($400 million of 4.75% senior notes due 2022 and $300 million of 5% senior notes due 2024). In September 2015, the Company commenced exchange offers for the 4.75% senior notes due 2022 and the 5% senior notes due 2024 to exchange all validly tendered and accepted notes issued by Omnicare for notes to be issued by the Company. This offer expired on October 20, 2015 and the aggregate principal amounts of $388 million of the 4.75% senior notes due 2022 and $296 million of the 5% senior notes due 2024 were validly tendered and exchanged for notes issued by the Company. The Company recorded this exchange transaction as a modification of the original debt instruments. Consequently, no gain or loss on extinguishment was recognized in the Company's consolidated income statement as a result of this exchange transaction and the issuance costs of the new debt were expensed as incurred.

The back-up credit facilities and unsecured senior notes contain customary restrictive financial and

operating covenants. The covenants do not materially affect the Company's financial or operating flexibility. As of December 31, 2017, the Company is in compliance with all debt covenants.

The following is a summary of the Company's required principal debt repayments due during each of the next five years and thereafter, as of December 31, 2017:

In millions	
2018	$ 4,821
2019	873
2020	2,775
2021	2,327
2022	3,178
Thereafter	13,196
Total	$27,170

Store Closures

12 Months Ended
Dec. 31, 2017

6Store Closures

In December 2016, the Company announced an enterprise streamlining initiative designed to reduce costs and enhance operating efficiencies to allow the Company to be more competitive in the current health care environment. In connection with the enterprise streamlining initiative, the Company announced its intention to rationalize the number of retail stores by closing approximately 70 underperforming stores during the year ending December 31, 2017. During the year ended December 31, 2017, the Company closed 71 retail stores and recorded charges of $215 million within operating expenses in the Retail/LTC Segment. The charges are primarily comprised of provisions for the present value of noncancelable lease obligations. The noncancelable lease obligations associated with stores closed during the year ended December 31, 2017 extend through the year 2039.

Leases
Leases

7 Leases

The Company leases most of its retail and mail order locations, 13 of its distribution centers and certain corporate offices under noncancelable operating leases, typically with initial terms of 15 to 25 years and with options that permit renewals for additional periods. The Company also leases certain equipment and other assets under noncancelable operating leases, typically with initial terms of 3 to 10 years. In December 2015, in connection with the acquisition of the pharmacy and clinic businesses of Target, the Company entered into lease agreements with Target for the pharmacy and clinic space within Target stores. Given that the noncancelable contractual term of the pharmacy lease arrangement exceeds the remaining estimated economic life of the buildings being leased, the Company concluded for accounting purposes that the lease term was the remaining economic life of the buildings. Consequently, most of the individual pharmacy leases are capital leases. Approximately $0.3 billion of capital lease obligations were recorded in connection with this transaction.

Minimum rent on operating leases is expensed on a straight-line basis over the term of the lease. In addition to minimum rental payments, certain leases require additional payments based on sales volume, as well as reimbursement for real estate taxes, common area maintenance and insurance, which are expensed when incurred.

The following table is a summary of the Company's net rental expense for operating leases for the years ended December 31:

In millions	2017	2016	2015
Minimum rentals	$ 2,455	$ 2,418	$ 2,317
Contingent rentals	29	35	34
	2,484	2,453	2,351
Less: sublease income	(24)	(24)	(22)
	$ 2,460	$ 2,429	$ 2,329

The following table is a summary of the future minimum lease payments under capital and operating leases as of December 31, 2017:

In millions	Capital Leases	Operating Leases[1]
2018	$ 74	$ 2,493
2019	74	2,361
2020	74	2,201
2021	73	2,072
2022	73	1,934
Thereafter	974	16,090
Total future lease payments [2]	1,342	$ 27,151
Less: imputed interest	(672)	
Present value of capital lease obligations	$ 670	

(1) Future operating lease payments have not been reduced by minimum sublease rentals of $171 million due in the future under noncancelable subleases.

(2) The Company leases pharmacy and clinic space from Target. Amounts related to such capital and operating leases are reflected above. Amounts due in excess of the remaining estimated economic life of the buildings of approximately $1.9 billion are not reflected herein since the estimated economic life of the buildings is shorter than the contractual term of the lease arrangement.

The Company finances a portion of its store development program through sale-leaseback transactions. The properties are generally sold at net book value, which generally approximates fair value, and the resulting leases generally qualify and are accounted for as operating leases. The operating leases that resulted from these transactions are included in the above table. The Company does not have any retained or contingent interests in the stores and does not provide any guarantees, other than a guarantee of lease payments, in connection with the sale-leaseback transactions. Proceeds from sale-leaseback transactions totaled $265 million in 2017, $230 million in 2016 and $411 million in 2015.

8 Medicare Part D

The Company offers Medicare Part D benefits through SilverScript, which has contracted with CMS to be a PDP and, pursuant to the Medicare Prescription Drug, Improvement and Modernization Act of 2003, must be a risk-bearing entity regulated under state insurance laws or similar statutes.

SilverScript is a licensed domestic insurance company under the applicable laws and regulations. Pursuant to these laws and regulations, SilverScript must file quarterly and annual reports with the National Association of Insurance Commissioners (“NAIC”) and certain state regulators, must maintain certain minimum amounts of capital and surplus under a formula established by the NAIC and must, in certain circumstances, request and receive the approval of certain state regulators before making dividend payments or other capital distributions to the Company. The Company does not believe these limitations on dividends and distributions materially impact its financial position.

The Company has recorded estimates of various assets and liabilities arising from its participation in the Medicare Part D program based on information in its claims management and enrollment systems. Significant estimates arising from its participation in this program include: (i) estimates of low-income cost subsidy, reinsurance amounts, and coverage gap discount amounts ultimately payable to or receivable from CMS based on a detailed claims reconciliation that will occur in the following year; (ii) an estimate of amounts receivable from or payable to CMS under a risk-sharing feature of the Medicare Part D program design, referred to as the risk corridor and (iii) estimates for claims that have been reported and are in the process of being paid or contested and for our estimate of claims that have been incurred but have not yet been reported.

9Pension Plans and Other Postretirement Benefits

Defined Contribution Plans

The Company sponsors several voluntary 401(k) savings plans that cover all employees who meet plan eligibility requirements. The Company makes matching contributions consistent with the provisions of the plans.

At the participant's option, account balances, including the Company's matching contribution, can be transferred without restriction among various investment options, including the Company's common stock fund under one of the defined contribution plans. The Company also maintains a nonqualified, unfunded deferred compensation plan for certain key employees. This plan provides participants the opportunity to defer portions of their eligible compensation and receive matching contributions equivalent to what they could have received under the CVS Health 401(k) Plan absent certain restrictions and limitations under the Internal Revenue Code. The Company's contributions under the above defined contribution plans were $314 million, $295 million and $251 million in 2017, 2016 and 2015, respectively.

Defined Benefit Pension Plans

As of December 31, 2016 and 2015, the Company sponsored seven defined benefit pension plans, all of which are closed to new participants. Two of the plans are tax-qualified plans that are funded based on actuarial calculations and applicable federal laws and regulations. The other five plans are unfunded nonqualified supplemental retirement plans. In 2015, the Company terminated its largest tax-qualified plan and in 2017, the Company terminated the other tax-qualified plan.

During the year ended December 31, 2017, the Company settled the pension obligations of its two tax-qualified plans by irrevocably transferring pension liabilities to an insurance company through the purchase of group annuity contracts and through lump sum distributions. These purchases, funded with pension plan assets, resulted in pre-tax settlement losses of $187 million in the year ended December 31, 2017, related to the recognition of accumulated deferred actuarial losses. The settlement losses are included in other expense in the consolidated statement of income.

The following tables outline the change in benefit obligations and plan assets over the comparable periods:

In millions	2017	2016
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 844	$ 844
Interest cost	20	27
Actuarial loss (gain)	(31)	13
Benefit payments	(35)	(37)
Settlements	(667)	(3)
Benefit obligation at end of year	$ 131	$ 844

In millions	2017	2016
Change in plan assets:		
Fair value of plan assets at the beginning of the year	$ 624	$ 613
Actual return on plan assets	32	26
Employer contributions	46	25
Benefit payments	(35)	(37)
Settlements	(667)	(3)
Fair value of plan assets at the end of the year	—	624
Funded status	$ (131)	$ (220)

The components of net periodic benefit costs for the years ended December 31 are shown below:

In millions	2017	2016	2015
Components of net periodic benefit cost:			
Interest cost	$ 20	$ 27	$ 31
Expected return on plan assets	(20)	(32)	(33)
Amortization of net loss	21	32	21
Settlement losses	187	—	—
Net periodic pension cost	$ 208	$ 27	$ 19

Pension Plan Assumptions

The Company uses a series of actuarial assumptions to determine the benefit obligations and the net benefit costs. The discount rate is determined by examining the current yields observed on the measurement date of fixed-interest, high quality investments expected to be available during the period to maturity of the related benefits on a plan by plan basis. In 2016, the discount rate for the qualified plan that had been terminated was determined by examining the current assumed lump sum and annuity purchase rates. The expected long-term rate of return on plan assets is determined by using the plan's target allocation and historical returns for each asset class on a plan by plan basis. Certain of the Company's pension plans use assumptions on expected compensation increases of plan participants. These increases are determined by an actuarial analysis of the plan participants, their expected compensation increases, and the duration of their earnings period until retirement. Each of these assumptions is reviewed as plan characteristics change and on an annual basis with input from senior pension and financial executives and the Company's external actuarial consultants.

The discount rate for determining plan benefit obligations was 3.5% in 2017 and 4.0% in 2016 for all plans, except the terminated qualified plan. The discount rate for the terminated qualified plan was 3.09% in 2016. The expected long-term rate of return for the plans ranged from 4.0% to 5.5% in 2017 and 2016. The rate of compensation increases for certain of the plans with active participants ranged from 4.0% to 6.0% in 2017 and 2016.

Return on Plan Assets

The Company's investment strategy for its two qualified pension plans was liability management driven. The asset allocation targets were to hold fixed income investments based upon this strategy. The following tables show the fair value allocation of plan assets by asset category as of December 31, 2016.

	Fair value of plan assets at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 8	$ —	$ —	$ 8
Fixed income funds	3	580	—	583
Equity mutual funds	33	—	—	33
Total assets at fair value	$ 44	$ 580	$ —	$ 624

As of December 31, 2016, the Company's qualified defined benefit pension plan assets consisted of 5% equity, 94% fixed income and 1% money market securities of which 7% were classified as Level 1 and 93% as Level 2 in the fair value hierarchy. The Company had no investments in Level 3 alternative investments during the year ended December 31, 2016.

As of December 31, 2017, the assets in the Company's qualified defined benefit pension plans had been fully liquidated through the purchase of group annuity contracts and through lump sum distributions.

Cash Flows

The Company contributed $46 million, $25 million and $22 million to the pension plans during 2017, 2016 and 2015, respectively. The Company plans to make approximately $21 million in contributions to the pension plans during 2018. These contributions include contributions made to certain nonqualified benefit plans for which there is no funding requirement. The Company estimates the following future benefit payments which are calculated using the same actuarial assumptions used to measure the benefit obligation as of December 31, 2017:

In millions	
2018	$ 21
2019	14
2020	12
2021	23
2022	8
Thereafter	31

Multiemployer Pension Plans

The Company also contributes to a number of multiemployer pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer pension plans in the following aspects: (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and (iii) if the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

None of the multiemployer pension plans in which the Company participates are individually significant to the Company. Total Company contributions to multiemployer pension plans were $17 million in 2017, $15 million in 2016 and $14 million in 2015.

Other Postretirement Benefits

The Company provides postretirement health care and life insurance benefits to certain retirees who meet eligibility requirements. The Company's funding policy is generally to pay covered expenses as they are

incurred. For retiree medical plan accounting, the Company reviews external data and its own historical trends for health care costs to determine the health care cost trend rates. As of December 31, 2017 and 2016, the Company's other postretirement benefits had an accumulated postretirement benefit obligation of $25 million and $24 million, respectively. Net periodic benefit costs related to these other postretirement benefits were $1 million in both 2017 and 2016, and $2 million in 2015.

Pursuant to various collective bargaining agreements, the Company also contributes to multiemployer health and welfare plans that cover certain union-represented employees. The plans provide postretirement health care and life insurance benefits to certain employees who meet eligibility requirements. Total Company contributions to multiemployer health and welfare plans were $58 million, $52 million and $60 million in 2017, 2016 and 2015, respectively.

Stock Incentive Plans
Stock Incentive Plans

10Stock Incentive Plans

Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the stock award (generally three to five years) using the straight-line method. The following table is a summary of stock-based compensation for each of the respective periods:

In millions	2017	2016	2015
Stock options [1]	$ 65	$ 79	$ 90
Restricted stock awards [2]	169	143	140
Total stock-based compensation	$ 234	$ 222	$ 230

(1) Includes the Employee Stock Purchase Plan (the "ESPP")
(2) Stock-based compensation for the year ended December 31, 2015 includes $38 million associated with accelerated vesting of restricted stock replacement awards issued to Omnicare executives who were terminated subsequent to the acquisition.

The ESPP provides for the purchase of up to 30 million shares of common stock. Under the ESPP, beginning in 2016, eligible employees could purchase common stock at the end of each six month offering period at a purchase price equal to 90% of the lower of the fair market value on the first day or the last day of the offering period. Prior to 2016, the purchase price was equal to 85% of the lower of the fair market value on the first day or the last day of the offering period. During 2017, approximately one million shares of common stock were purchased under the provisions of the ESPP at an average price of $71.66 per share. As of December 31, 2017, approximately 11 million shares of common stock were available for issuance under the ESPP.

The fair value of stock-based compensation associated with the ESPP is estimated on the date of grant (the first day of the six month offering period) using the Black-Scholes option pricing model.

The following table is a summary of the assumptions used to value the ESPP awards for each of the respective periods:

	2017	2016	2015
Dividend yield [1]	1.24 %	0.88 %	0.71 %
Expected volatility [2]	22.70 %	20.64 %	13.92 %
Risk-free interest rate [3]	0.86 %	0.45 %	0.11 %
Expected life *(in years)* [4]	0.5	0.5	0.5
Weighted-average grant date fair value	$13.01	$14.98	$18.72

(1) The dividend yield is calculated based on semi-annual dividends paid and the fair market value of the Company's stock at the grant date.
(2) The expected volatility is based on the historical volatility of the Company's daily stock market prices over the previous six month period.
(3) The risk-free interest rate is based on the Treasury constant maturity interest rate whose term is consistent with the expected term of ESPP options (i.e., six months).
(4) The expected life is based on the semi-annual purchase period.

The terms of the Company's Incentive Compensation Plan ("ICP") provide for grants of annual incentive and long-term performance awards to executive officers and other officers and employees of the Company or any subsidiary of the Company. Payment of such annual incentive and long-term performance awards will be in cash, stock, other awards or other property, at the discretion of the Management Planning and Development Committee of the Company's Board of Directors. The ICP allows for a maximum of 74 million shares to be reserved and available for grants. The ICP is the only compensation plan under which the Company grants stock options, restricted stock and other stock-based awards to its employees, with the exception of the Company's ESPP. As of December 31, 2017, there were approximately 32 million shares available for future grants under the ICP.

The Company's restricted awards are considered nonvested share awards and require no payment from the employee. Compensation cost is recorded based on the market price of the Company's common stock on the grant date and is recognized on a straight-line basis over the requisite service period. As of December 31, 2017, there was $350 million of total unrecognized compensation cost related to the restricted stock units that are expected to vest. These costs are expected to be recognized over a weighted-average period of 2.25 years. The total fair value of restricted shares vested during 2017, 2016 and 2015 was $175 million, $218 million and $164 million, respectively.

The following table is a summary of the restricted stock unit and restricted share award activity for the year ended December 31, 2017.

	Weighted Average Grant Date

Units in thousands	Units	Fair Value
Nonvested at beginning of year	4,876	$ 55.56
Granted	2,873	$ 78.35
Vested	(2,340)	$ 78.92
Forfeited	(395)	$ 89.21
Nonvested at end of year	5,014	$ 86.92

All grants under the ICP are awarded at fair value on the date of grant. The fair value of stock options is estimated using the Black-Scholes option pricing model and stock-based compensation is recognized on a straight-line basis over the requisite service period. Stock options granted generally become exercisable over a four-year period from the grant date. Stock options generally expire seven years after the grant date.

Cash received from stock options exercised, which includes the ESPP, totaled $329 million, $296 million and $362 million during 2017, 2016 and 2015, respectively. Payments for taxes for net share settlement of equity awards totaled $71 million in 2017, $72 million in 2016 and $63 million in 2015, respectively. The total intrinsic value of stock options exercised was $176 million, $244 million and $394 million in 2017, 2016 and 2015, respectively. The total fair value of stock options vested during 2017, 2016 and 2015 was $341 million, $298 million and $334 million, respectively.

The fair value of each stock option is estimated using the Black-Scholes option pricing model based on the following assumptions at the time of grant:

	2017	2016	2015
Dividend yield [1]	2.56 %	1.62 %	1.37 %
Expected volatility [2]	18.39 %	17.22 %	18.07 %
Risk-free interest rate [3]	1.77 %	1.24 %	1.24 %
Expected life *(in years)* [4]	4.1	4.2	4.2
Weighted-average grant date fair value	$ 9.43	$13.00	$14.01

(1) The dividend yield is based on annual dividends paid and the fair market value of the Company's stock at the grant date.

(2) The expected volatility is estimated using the Company's historical volatility over a period equal to the expected life of each option grant after adjustments for infrequent events such as stock splits.

(3) The risk-free interest rate is selected based on yields from U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the options being valued.

(4) The expected life represents the number of years the options are expected to be outstanding from grant date based on historical option holder exercise experience.

As of December 31, 2017, unrecognized compensation expense related to unvested options totaled $57 million, which the Company expects to be recognized over a weighted-average period of 1.76 years. After considering anticipated forfeitures, the Company expects approximately 9 million of the unvested stock options to vest over the requisite service period.

The following table is a summary of the Company's stock option activity for the year ended December 31, 2017:

Shares in thousands	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2016	23,275	$ 68.60		
Granted	3,513	$ 78.05		
Exercised	(4,814)	$ 43.07		
Forfeited	(889)	$ 94.25		
Expired	(555)	$ 60.00		
Outstanding at December 31, 2017	20,530	$ 75.32	3.62	$180,318,054
Exercisable at December 31, 2017	11,365	$ 61.37	2.30	$179,628,690
Vested at December 31, 2017 and expected to vest in the future	20,114	$ 75.00	3.57	$180,299,134

Income Taxes
Income Taxes

11Income Taxes

The income tax provision for continuing operations consisted of the following for the years ended December 31:

In millions	2017	2016	2015
Current:			
Federal	$ 2,594	$ 2,803	$ 3,065
State	464	511	555
	3,058	3,314	3,620
Deferred:			
Federal	(1,435)	5	(180)
State	14	(2)	(54)
	(1,421)	3	(234)
Total	$ 1,637	$ 3,317	$ 3,386

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the "TCJA"). Among numerous changes to existing tax laws, the TCJA permanently reduces the federal corporate income tax rate from 35% to 21% effective on January 1, 2018. The effects on deferred tax balances of changes in tax rates are required to be taken into consideration in the period in which the changes are enacted, regardless of when they are effective. As the result of the reduction of the corporate income tax rate under the TCJA, the Company estimated the revaluation of its net deferred tax liabilities and recorded a provisional income tax benefit of approximately $1.5 billion for year ended December 31, 2017. The Company has not completed all of its processes to determine the TCJA's final impact. The final impact may differ from this provisional amount due to, among other things, changes in interpretations and assumptions the Company has made thus far and the issuance of additional regulatory or other guidance. The accounting is expected to be completed by the time the 2017 federal corporate income tax return is filed in 2018.

The following table is a reconciliation of the statutory income tax rate to the Company's effective income tax rate for continuing operations for the years ended December 31:

	2017	2016	2015
Statutory income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	4.1	4.1	4.0
Provisional effect of the Tax Cuts and Jobs Act	(18.3)	—	—
Other	(1.0)	(0.7)	0.3
Effective income tax rate	19.8 %	38.4 %	39.3 %

The Company has $3.0 billion and $4.2 billion of net deferred income tax liabilities as of December 31, 2017 and 2016, respectively. The following table is a summary of the components of the Company's deferred income tax assets and liabilities as of December 31:

In millions	2017	2016
Deferred income tax assets:		
Lease and rents	$ 291	$ 375
Inventory	31	57
Employee benefits	246	400
Allowance for doubtful accounts	187	301
Retirement benefits	40	65
Net operating loss and capital loss carryforwards	101	125
Deferred income	93	144
Other	18	336
Valuation allowance	(77)	(135)
Total deferred income tax assets	930	1,668
Deferred income tax liabilities:		
Depreciation and amortization	(3,926)	(5,882)
Total deferred income tax liabilities	(3,926)	(5,882)
Net deferred income tax liabilities	$(2,996)	$(4,214)

The Company assesses positive and negative evidence to determine whether it is more likely than not some portion of a deferred tax asset would not be realized. When it would not, a valuation allowance is established for such portion of a deferred tax asset.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

In millions	2017	2016	2015
Beginning balance	$ 307	$ 338	$ 188

Additions based on tax positions related to the current year	62	68	57
Additions based on tax positions related to prior years	32	70	122
Reductions for tax positions of prior years	(28)	(100)	(11)
Expiration of statutes of limitation	(10)	(22)	(13)
Settlements	(19)	(47)	(5)
Ending balance	$ 344	$ 307	$ 338

The Company and most of its subsidiaries are subject to U.S. federal income tax as well as income tax of numerous state and local jurisdictions. The Company is a participant in the Compliance Assurance Process ("CAP"), which is a program made available by the Internal Revenue Service ("IRS") to certain qualifying large taxpayers, under which participants work collaboratively with the IRS to identify and resolve potential tax issues through open, cooperative and transparent interaction prior to the annual filing of their federal income tax return. The IRS is currently examining the Company's 2016 and 2017 consolidated U.S. federal income tax returns.

The Company and its subsidiaries are also currently under income tax examinations by a number of state and local tax authorities. As of December 31, 2017, no examination has resulted in any proposed adjustments that would result in a material change to the Company's results of operations, financial condition or liquidity.

Substantially all material state and local income tax matters have been concluded for fiscal years through 2011. Certain state exams are expected to/likely to be concluded and certain state statutes will lapse in 2018, but the change in the balance of our uncertain tax positions will be immaterial. In addition, it is reasonably possible that the Company's unrecognized tax benefits could change within the next twelve months due to the anticipated conclusion of various examinations with the IRS for various years. An estimate of the range of the possible change cannot be made at this time.

The Company records interest expense related to unrecognized tax benefits and penalties in income tax expense. The Company accrued interest expense of approximately $11 million in 2017, $10 million in 2016 and $5 million in 2015. The Company had approximately $34 million and $30 million accrued for interest and penalties as of December 31, 2017 and 2016, respectively.

There are no material uncertain tax positions as of December 31, 2017 the ultimate deductibility of which is highly certain but for which there is uncertainty about the timing.

As of December 31, 2017, the total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate is approximately $317 million, after considering the federal benefit of state income taxes.

Commitments and Contingencies	12 Months Ended Dec. 31, 2017

Commitments and Contingencies.

Commitments and Contingencies **12Commitments and Contingencies**

Lease Guarantees

Between 1995 and 1997, the Company sold or spun off a number of subsidiaries, including Bob's Stores, Linens 'n Things, and Marshalls. In many cases, when a former subsidiary leased a store, the Company provided a guarantee of the store's lease obligations. When the subsidiaries were disposed of and accounted for as discontinued operations, the Company's guarantees remained in place, although each initial purchaser has agreed to indemnify the Company for any lease obligations the Company was required to satisfy. If any of the purchasers or any of the former subsidiaries were to become insolvent and failed to make the required payments under a store lease, the Company could be required to satisfy these obligations. As of December 31, 2017, the Company guaranteed approximately 85 such store leases (excluding the lease guarantees related to Linens 'n Things, which have been recorded as a liability on the consolidated balance sheet), with the maximum remaining lease term extending through 2029.

Legal Matters

The Company is a party to legal proceedings, investigations and claims in the ordinary course of its business, including the matters described below. The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. None of the Company's accruals for outstanding legal matters are material individually or in the aggregate to the Company's financial position.

Except as otherwise noted, the Company cannot predict with certainty the timing or outcome of the legal matters described below, and is unable to reasonably estimate a possible loss or range of possible loss in excess of amounts already accrued for these matters.

- ***Indiana State District Council of Laborers and HOD Carriers Pension and Welfare Fund v. Omnicare, Inc.*, et al. (U.S. District Court for the Eastern District of Kentucky). In February 2006, two substantially similar putative class action lawsuits were filed and subsequently consolidated. The consolidated complaint was filed against Omnicare, three of its officers and two of its directors and purported to be brought on behalf of all open-market purchasers of Omnicare common stock from August 3, 2005 through July 27, 2006, as well as all purchasers who bought shares of Omnicare common stock in Omnicare's public offering in December 2005. The complaint alleged violations of the Securities Exchange Act of 1934 and Section 11 of the Securities Act of 1933 and sought, among other things, compensatory damages and injunctive relief. After dismissals and appeals to the United States Court of Appeals for the Sixth Circuit, the United States Supreme Court remanded the case to the district court. In October 2016, Omnicare filed an answer to plaintiffs' third amended complaint, and discovery commenced. In August 2017, the plaintiffs moved for class certification, which Omnicare has opposed.**

- ***FTC and Multi-State Investigation.* In March 2010, the Company learned that various State Attorneys General offices and certain other government agencies were conducting a multi-state investigation of certain of the Company's business practices similar to those being investigated at that time by the U.S. Federal Trade Commission ("FTC"). Twenty-eight states, the District of Columbia and the County of Los Angeles are known to be participating in this investigation. The prior FTC investigation, which commenced in August 2009, was officially concluded in May 2012 when the consent order entered into between the FTC and the Company became final. The Company has cooperated with the multi-state investigation.**

- ***United States* ex rel. *Jack Chin v. Walgreen Company*, et al. (U.S. District Court for the Central District of California). In March 2010, the Company received a subpoena from the U.S. Department of Health and Human Services, Office of the Inspector General requesting information about programs under which the Company has offered customers remuneration conditioned upon the transfer of prescriptions for drugs or medications to the Company's pharmacies in the form of gift cards, cash, non-prescription merchandise or discounts or coupons for non-prescription merchandise. In October 2016, the U.S. District Court for the Central District of California unsealed a *qui tam* complaint, filed in April 2009 against CVS**

Pharmacy and other retail pharmacies, alleging that the Company violated the federal False Claims Act, and the False Claims Acts of several states, by offering such programs. The complaint was served on the Company in January 2017. In December 2017, the same court unsealed a second *qui tam* complaint filed by the same relator in September 2017. The complaint is based on the same factual allegations but asserts a legal theory the Court did not permit him to add to the original case. The federal government has declined intervention in both cases. The Company is defending both lawsuits.

- ***United States* ex rel. *Anthony R. Spay v. CVS Caremark Corporation,* et al. (U.S. District Court for the Eastern District of Pennsylvania). In January 2012, the court unsealed a first amended *qui tam* complaint filed in August 2011 by an individual relator, Anthony Spay, who is described in the complaint as having once been employed by a firm providing pharmacy prescription benefit audit and recovery services. The complaint seeks monetary damages and alleges that CVS Caremark's processing of Medicare claims on behalf of one of its clients violated the federal False Claims Act. The United States declined to intervene in the lawsuit. In September 2015, the Court granted CVS Caremark's motion for summary judgment in its entirety, and entered judgment in favor of CVS Caremark and against Spay. Spay appealed. In December 2017, the United States Court of Appeals for the Third Circuit affirmed the court's judgment in favor of CVS Caremark.**

- ***State of Texas* ex rel. *Myron Winkelman and Stephani Martinson,* et al. *v. CVS Health Corporation,* (Travis County Texas District Court). In February 2012, the Attorney General of the State of Texas issued Civil Investigative Demands and has issued a series of subsequent requests for documents and information in connection with its investigation concerning the CVS Health Savings Pass program and other pricing practices with respect to claims for reimbursement from the Texas Medicaid program. In January 2017, the court unsealed a first amended petition. The amended petition alleges the Company violated the Texas Medicaid Fraud Prevention Act by submitting false claims for reimbursement to Texas Medicaid by, among other things, failing to use the price available to members of the CVS Health Savings Pass program as the usual and customary price. The amended petition was unsealed following the Company's filing of *CVS Pharmacy, Inc. v. Charles Smith,* et al. (Travis County District Court), a declaratory judgment action against the State of Texas in December 2016 seeking a declaration that the prices charged to members of the CVS Health Savings Pass program do not constitute usual and customary prices under the Medicaid regulation. The State of Texas is also pursuing temporary injunctive relief.**

- ***Subpoena Concerning PBM Administrative Fees.* In March 2014, the Company received a subpoena from the United States Attorney's Office for the District of Rhode Island, requesting documents and information concerning bona fide service fees and rebates received from pharmaceutical manufacturers in connection with certain drugs utilized under Medicare Part D, as well as the reporting of those fees and rebates to Part D plan sponsors. The Company has been cooperating with the government and providing documents and information in response to the subpoena.**

- ***Corcoran* et al. *v. CVS Health Corporation* (U.S. District Court for the Northern District of California) and *Podgorny* et al. *v. CVS Health Corporation* (U.S. District Court for the Northern District of Illinois). These putative class actions were filed against the Company in July and September 2015. The cases were consolidated in United States District Court in the Northern District of California. Plaintiffs seek damages and injunctive relief on behalf of a class of consumers who purchased certain prescription drugs under the consumer protection statutes and common laws of certain states. Several third-party payors filed similar putative class actions on behalf of payors captioned *Sheet Metal Workers Local No. 20 Welfare and Benefit Fund v. CVS Health Corp.* and *Plumbers Welfare Fund, Local 130 v. CVS Health Corporation* (both pending in the U.S. District Court for the District of Rhode Island) in February and August 2016. In all of these cases the plaintiffs allege the Company overcharged for certain prescription drugs by not submitting the price available to members of the CVS Health Savings Pass program as the pharmacy's usual and customary price. In the consumer case (Corcoran), the Court granted summary judgment to CVS on plaintiffs' claims in their entirety and certified certain subclasses in September 2017. The plaintiffs have filed a notice of appeal to the Ninth Circuit. The Company continues to defend these actions.**

- ***Omnicare DEA Subpoena.* In September 2015, Omnicare was served with an administrative subpoena by the U.S. Drug Enforcement Administration ("DEA"). The subpoena seeks documents related to controlled substance policies, procedures, and practices at eight pharmacy locations from May 2012 to the present. In September 2017, the DEA expanded the investigation to include an additional pharmacy. The Company has been cooperating and providing documents in response to this administrative subpoena.**

- ***Omnicare Cycle Fill Civil Investigative Demand.* In October 2015, Omnicare received a Civil**

Investigative Demand from the United States Attorney's Office for the Southern District of New York requesting information and documents concerning Omnicare's cycle fill process for assisted living facilities. The Company has been cooperating with the government and providing documents and information in response to the Civil Investigative Demand. In July 2017, Omnicare also received a subpoena from the California Department of Insurance requesting documents on similar subject matter.

- ***PBM Pricing Civil Investigative Demand.*** **In October 2015, the Company received from the U.S. Department of Justice (the "DOJ") a Civil Investigative Demand requesting documents and information in connection with a federal False Claims Act investigation concerning allegations that the Company submitted, or caused to be submitted, to the Medicare Part D program prescription drug event data that misrepresented true prices paid by the Company's PBM to pharmacies for drugs dispensed to Part D beneficiaries with prescription benefits administered by the Company's PBM. The Company has been cooperating with the government and providing documents and information in response to the Civil Investigative Demand.**

- ***United States*** **ex rel.** ***Sally Schimelpfenig and John Segura v. Dr. Reddy's Laboratories Limited and Dr. Reddy's Laboratories, Inc.*** **(U.S. District Court for the Eastern District of Pennsylvania). In November 2015, the court unsealed a second amended** ***qui tam*** **complaint filed in September 2015. The DOJ declined to intervene in this action. The relators allege that the Company, Walgreens, Wal-Mart, and Dr. Reddy's Laboratories violated the federal and various state False Claims Acts by dispensing prescriptions in unit dose packaging supplied by Dr. Reddy's that was not compliant with the Consumer Product Safety Improvement Act and the Poison Preventive Packaging Act and thereby allegedly rendering the drugs misbranded under the Food, Drug and Cosmetic Act. In March 2017, the Court granted the Company's motion to dismiss with leave to file an amended complaint. In June 2017, the Company moved to dismiss relators' third amended complaint.**

- ***Barchock*** **et al.** ***v. CVS Health Corporation,*** **et al. (U.S. District Court for the District of Rhode Island). In February 2016, a class action lawsuit was filed against the Company, the Benefit Plans Committee of the Company, and Galliard Capital Management, Inc., by Mary Barchock, Thomas Wasecko, and Stacy Weller, purportedly on behalf of the 401(k) Plan and the Employee Stock Ownership Plan of the Company (the "Plan"), and participants in the Plan. The complaint alleged that the defendants breached fiduciary duties owed to the plaintiffs and the Plan by investing too much of the Plan's Stable Value Fund in short-term money market funds and cash management accounts. The court recently granted the Company's motion to dismiss the plaintiffs' amended complaint. In May 2017, plaintiffs appealed that ruling in the United States Court of Appeals for the First Circuit.**

- ***State of California*** **ex rel.** ***Matthew Omlansky v. CVS Caremark Corporation*** **(Superior Court of the State of California, County of Sacramento). In April 2016, the court unsealed a first amended** ***qui tam*** **complaint filed in July 2013. The government has declined intervention in this case. The relator alleges that the Company submitted false claims for payment to California Medicaid in connection with reimbursement for drugs available through the CVS Health Savings Pass program as well as certain other generic drugs. The case has been stayed pending the relator's appeal of the judgment against him in a similar case against another retailer.**

- ***Retail DEA Matters.*** **The Company has been also undergoing several audits by the DEA Administrator and is in discussions with the DEA and the U.S. Attorney's Offices in several locations concerning allegations that the Company has violated certain requirements of the Controlled Substance Act.**

- ***National Opioid Litigation*****. In December 2017, the United States Judicial Panel on Multidistrict Litigation ordered consolidated numerous cases filed against various defendants by plaintiffs such as counties, cities, hospitals, Indian tribes, and third-party payors, alleging claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation is** ***In re National Prescription Opiate Litigation*** **(MDL No. 2804), pending in the U.S. District Court for the Northern District of Ohio. This multidistrict litigation presumptively includes relevant federal court cases that name the Company, including actions filed by several counties in West Virginia; actions filed by several counties and cities in Michigan; actions filed by hospitals in Florida and Mississippi; and an action filed by the St. Croix Chippewa Indians of Wisconsin. Similar cases that name the Company in some capacity have been filed in state courts, including cases filed by Shelby County, Tennessee,** ***Shelby County (Tennessee) v. Purdue Pharma, L.P., et al.*** **(Shelby County Circuit Court, No. CT-004500-17), and several counties in West Virginia,** ***Brooke County (West Virginia) et al. v. Purdue Pharma, L.P., et al.*** **(Marshall County Circuit Court, Nos. 17-C-248 – 17-C-255). The Company is defending all such matters.**

- ***Cherokee Nation Opioid Litigation*****. In April 2017, the Company was named as a defendant in an**

action filed on behalf of the Cherokee Nation in the District Court of Cherokee Nation (the "Cherokee Action") asserting various causes of action allegedly arising from the widespread abuse of opioids. In June 2017, the Company filed a motion to dismiss the Cherokee Action. The Cherokee Nation has since filed an amended petition in the Cherokee Action. Also in June 2017, the six defendants in the Cherokee Action collectively filed a complaint in the U.S. District Court for the Northern District of Oklahoma, *McKesson*, et al. *v. Hembree*, et al., seeking a declaration and preliminary injunction prohibiting the District Court of Cherokee Nation from exercising jurisdiction over the Cherokee Action. In January 2018, the U.S. District Court granted the preliminary injunction motion and issued an order enjoining the Cherokee Nation Attorney General and the judicial officers of the Cherokee Nation District Court from taking any action with respect to the Cherokee Action pending resolution of the federal court case.

- ***State of Mississippi v. CVS Health Corporation*, et al. (Chancery Court of DeSoto County, Mississippi, Third Judicial District). In July 2016, the Company was served with a complaint filed on behalf of the State of Mississippi alleging that CVS retail pharmacies in Mississippi submitted false claims for reimbursement to Mississippi Medicaid by not submitting the price available to members of the CVS Health Savings Pass program as the pharmacy's usual and customary price. The Company has responded to the complaint, filed a counterclaim, and moved to transfer the case to circuit court. The motion to transfer was granted, which the State has appealed, and the motion to dismiss remains pending.**

- ***Part B Insulin Products Civil Investigative Demand.* In December 2016, the Company received a Civil Investigative Demand from the U.S. Attorney's Office for the Northern District of New York, requesting documents and information in connection with a False Claims Act investigation concerning whether the Company's retail pharmacies improperly submitted certain insulin claims to Medicare Part D rather than Part B. The Company has cooperated with the government and provided documents and information in response to the Civil Investigative Demand.**

- ***Cold Chain Logistics Civil Investigative Demand*. In September 2016, the Company received from the DOJ a Civil Investigative Demand in connection with an investigation as to whether the Company's handling of certain temperature-sensitive pharmaceuticals violates the federal Food, Drug and Cosmetic Act and the False Claims Act. The Company has been cooperating with the government and providing documents and information in response to the Civil Investigative Demand.**

- ***Amburgey*, et al. *v. CaremarkPCS Health, L.L.C.* (U.S. District Court for the Central District of California). In March 2017, the Company was served with a complaint challenging the policies and procedures used by CVS Specialty pharmacies to ship temperature-sensitive medications. The case is similar to a matter already pending against the Company in the Superior Court of California (Los Angeles County), *Bertram v. Immunex Corp.*, et al., which was filed in October 2014. In November 2017, the plaintiffs voluntarily dismissed the *Amburgey* case without prejudice. The Company continues to defend the Bertram matter.**

- ***Barnett*, et al. v. *Novo Nordisk Inc*., et al. and *Boss*, et al. v. *CVS Health Corporation*, et al., and *Christensen*, et al., v. *Novo Nordisk Inc.* et al., (all pending in the U.S. District Court for the District of New Jersey). These putative class actions were filed against the Company and other PBMs and manufacturers of insulin in March and April 2017. Plaintiffs in all cases allege that the PBMs and manufacturers have engaged in a conspiracy whereby the PBMs sell access to their formularies by demanding the highest rebates, which in turn causes increased list prices for insulin. The primary claims are antitrust claims, claims under the Racketeer Influenced and Corrupt Organizations Act ("RICO"), violations of state unfair competition and consumer protection laws and in *Boss*, claims pursuant to the Employee Retirement Income Security Act ("ERISA"). In December 2017, the attorney appointed as interim lead counsel in *Barnet, Boss* and *Christensen* filed a consolidated amended class action complaint in a related action, *In re Insulin Pricing Litigation*, against only the drug manufacturers, and not against the PBMs.**

- ***Insulin Products Investigation.* In April 2017, the Company received a Civil Investigative Demand from the Attorney General of Washington, seeking documents and information regarding pricing and rebates for insulin products in connection with a pending investigation into unfair and deceptive acts or practice regarding insulin pricing. We have been notified by the Office of the Attorney General of Washington that information provided in response to the Civil Investigative Demand will be shared with the Attorneys General of California, Florida, Minnesota, New Mexico and the District of Columbia. In July 2017, the Company received a Civil Investigative Demand from the Attorney General of Minnesota, seeking documents and information regarding pricing and rebates for insulin and epinephrine products in connection with a pending investigation into unfair and deceptive acts or practices regarding insulin and epinephrine pricing.**

- ***Bewley,* et al. v. *CVS Health Corporation*, et al. and *Prescott*, et al. v. *CVS Health Corporation*, et al. (both pending in the U.S. District Court for the Western District of Washington). These putative class actions were filed in May 2017 against the Company and other pharmacy benefit managers and manufacturers of glucagon kits (Bewley) and diabetes test strips (Prescott). Both cases allege that, by contracting for rebates with the manufacturers of these diabetes products, the Company and other PBMs caused list prices for these products to increase, thereby harming certain consumers. The primary claims are made under federal antitrust laws, RICO, state unfair competition and consumer protection laws, and ERISA. These cases have both been transferred to the United States District Court for the District of New Jersey on defendants' motions. The Company is defending these lawsuits.**

- ***Klein*, et al. v. *Prime Therapeutics*, et al. (U.S. District Court for the District of Minnesota). In June 2017, a putative class action complaint was filed against the Company and other pharmacy benefit managers on behalf of ERISA plan members who purchased and paid for EpiPen or EpiPen Jr. Plaintiffs allege that the pharmacy benefit managers are ERISA fiduciaries to plan members and have violated ERISA by allegedly causing higher inflated prices for EpiPen through the process of negotiating increased rebates from EpiPen manufacturer, Mylan. The Company is defending this lawsuit.**

- ***Medicare Part D Civil Investigative Demand*. In May 2017, the United States Attorney's Office for the Southern District of New York issued a Civil Investigative Demand to the Company concerning possible false claims submitted to Medicare in connection with reimbursements for prescription drugs under the Medicare Part D program. The Company has been cooperating with the government and providing documents and information in response to the Civil Investigative Demand.**

- ***Shareholder Matters.* In August and September 2017, four complaints were filed by putative derivative plaintiffs against certain officers and directors of the Company. Three of those actions, *Sherman v. Merlo,* et al., *Feghali v. Merlo,* et al., and *Banchalter v. Merlo,* et al., were filed in the U.S. District Court for the District of Rhode Island. A fourth, *Boron v. Bracken,* et al., was filed in Rhode Island Superior Court. These matters assert a variety of causes of action, including breach of fiduciary duty, waste of corporate assets, unjust enrichment, civil conspiracy and violation of Section 14(a) of the Exchange Act, and are premised on the allegation that the defendants approved business plans that exposed the Company to various litigations and investigations. The three federal matters have been stayed pending resolution of certain of the underlying matters, and the Company has filed a motion to stay the state court action.**

- ***MSP Recovery Claims Series, LLC*, et al. v. *CVS Health Corporation*, et al. (U.S. District Court for the Western District of Texas). In September 2017, a putative class action complaint was filed against the company, Express Scripts, Inc., and the manufacturers of insulin on behalf of assignees of claims of Medicare Advantage Organizations. Plaintiffs assert that the PBMs and manufacturers have engaged in a conspiracy whereby the PBMs sell access to their formularies by demanding the highest rebates, which in turn causes increased list prices for insulin. The plaintiffs assert claims on behalf of two putative classes: (1) all Medicare C payors and (2) all Medicare D payors. The complaint asserts claims under RICO, and for common law fraud and unjust enrichment.**

The Company is also a party to other legal proceedings, government investigations, inquiries and audits, and has received and is cooperating with subpoenas or similar process from various governmental agencies requesting information, all arising in the normal course of its business, none of which is expected to be material to the Company. The Company can give no assurance, however, that its business, financial condition and results of operations will not be materially adversely affected, or that the Company will not be required to materially change its business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations as they may relate to the Company's business, the pharmacy services, specialty pharmacy, retail pharmacy, long-term care pharmacy or retail clinic industries or to the health care industry generally; (iii) pending or future federal or state governmental investigations of the Company's business or the pharmacy services, specialty pharmacy, retail pharmacy, long-term care pharmacy or retail clinic industry or of the health care industry generally; (iv) pending or future government enforcement actions against the Company; (v) adverse developments in any pending *qui tam* lawsuit against the Company, whether sealed or unsealed, or in any future *qui tam* lawsuit that may be filed against the Company; or (vi) adverse developments in pending or future legal proceedings against the Company or affecting the pharmacy services, specialty pharmacy, retail pharmacy, long-term care pharmacy or retail clinic industry or the health care industry generally.

12 Months Ended
Dec. 31, 2017

13Segment Reporting

The Company currently has three reportable segments: Pharmacy Services, Retail/LTC and Corporate. The Retail/LTC Segment includes the operating results of the Company's Retail Pharmacy and LTC/RxCrossroads operating segments as the operations and economics characteristics are similar. The Company's segments maintain separate financial information for which operating results are evaluated on a regular basis by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company evaluates its Pharmacy Services and Retail/LTC segments' performance based on net revenue, gross profit and operating profit before the effect of nonrecurring charges and gains and certain intersegment activities. The Company evaluates the performance of its Corporate Segment based on operating expenses before the effect of nonrecurring charges and gains and certain intersegment activities. The chief operating decision maker does not use total assets by segment to make decisions regarding resources, therefore the total asset disclosure by segment has not been included. See Note 1 "Significant Accounting Policies" for a description of the Pharmacy Services, Retail/LTC and Corporate segments and related significant accounting policies.

In 2017, 2016 and 2015, approximately 12.3%, 11.7% and 10.0%, respectively, of the Company's consolidated net revenues were from Aetna, a Pharmacy Services Segment client. More than 99% of the Company's consolidated net revenues are earned in, and long-lived assets are located in the United States.

The following table is a reconciliation of the Company's business segments to the consolidated financial statements:

In millions	Pharmacy Services Segment[1][2]	Retail/LTC Segment[2]	Corporate Segment	Intersegment Eliminations	Consolidated Totals
2017:					
Net revenues	$ 130,596	$ 79,398	$ —	$ (25,229)	$ 184,765
Gross profit [3]	6,040	23,317	—	(812)	28,545
Operating profit (loss) [4][5]	4,755	6,469	(966)	(741)	9,517
Depreciation and amortization	712	1,651	117	—	2,480
Additions to property and equipment	311	1,398	340	—	2,049
2016:					
Net revenues	119,963	81,100	—	(23,537)	$ 177,526
Gross profit [3]	5,901	23,738	—	(782)	28,857
Operating profit (loss) [4][5][6][7]	4,676	7,302	(891)	(721)	10,366
Depreciation and amortization	714	1,642	119	—	2,475
Additions to property and equipment	295	1,732	252	—	2,279
2015:					
Net revenues	100,363	72,007	—	(19,080)	$ 153,290
Gross profit	5,227	21,992	—	(691)	26,528
Operating profit (loss) [4][5][7]	3,992	7,146	(1,035)	(628)	9,475
Depreciation and amortization	654	1,336	102	—	2,092
Additions to property and equipment	359	1,883	125	—	2,367

(1) Net revenues of the Pharmacy Services Segment include approximately $10.8 billion, $10.5 billion and $8.9 billion of Retail Co-Payments for 2017, 2016 and 2015, respectively. See Note 1 "Significant Accounting Policies" to the consolidated financial statements for additional information about Retail Co-Payments.

(2) Intersegment eliminations relate to intersegment revenue generating activities that occur between the Pharmacy Services Segment and the Retail/LTC Segment. These occur in the following ways: when members of Pharmacy Services Segment clients ("members") fill prescriptions at the Company's retail pharmacies to purchase covered products, when members enrolled in programs such as Maintenance Choice® elect to pick up maintenance prescriptions at one of the Company's retail pharmacies instead of receiving them through the mail, or when members have prescriptions filled at the Company's long-term care pharmacies. When these occur, both the Pharmacy Services and Retail/LTC segments record the revenues, gross profit and operating profit on a standalone basis.

(3) The Retail/LTC Segment gross profit for the years ended December 31, 2017 and 2016 includes $2 million and $46 million, respectively of acquisition-related integration costs. The integration costs in 2017 are related to the acquisition of Omnicare and the integration costs in 2016 are related to the acquisitions of Omnicare and the

pharmacies and clinics of Target.

(4) The Retail/LTC Segment operating profit for the year ended December 31, 2017 includes $215 million of charges associated with store closures and $181 million of goodwill impairment charges related to its RxCrossroads reporting unit. The Retail/LTC Segment operating profit for the year ended December 31, 2016 includes a $34 million asset impairment charge in connection with planned store closures in 2017 related to the Company's enterprise streamlining initiative. The Retail/LTC Segment operating profit for the years ended December 31, 2017, 2016 and 2015, include $34 million, $281 million and $64 million, respectively, of acquisition-related integration costs. The integration costs in 2017 are related to the acquisition of Omnicare and the integration costs in 2016 are related to the acquisitions of Omnicare and the pharmacies and clinics of Target.

(5) The Corporate Segment operating loss for the year ended December 31, 2017 includes a $3 million reduction in integration costs for a change in estimate related to the acquisition of Omnicare. In addition, the Corporate Segment operating loss for the year ended December 31, 2017 includes $34 million in acquisition-related transaction costs related to the proposed Aetna acquisition and $9 million of transaction costs related to the divestiture of RxCrossroads. For the year ended December 31, 2016, the Corporate Segment operating loss includes $10 million of integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target. For the year ended December 31, 2015, the Corporate Segment operating loss includes $156 million of acquisition-related transaction and integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target. The Corporate Segment operating loss for 2015 also includes a $90 million charge related to a legacy lawsuit challenging the 1999 legal settlement by MedPartners of various securities class actions and a related derivative claim.

(6) The Pharmacy Services Segment operating profit for the year ended December 31, 2016 includes the reversal of an accrual of $88 million in connection with a legal settlement.

(7) Amounts revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased consolidated operating profit by $28 and $21 million for the years ended December 31, 2016 and 2015, respectively.

Earnings Per Share

12 Months Ended
Dec. 31, 2017

Earnings Per Share

Earnings Per Share

14Earnings Per Share

The following is a reconciliation of basic and diluted earnings per share from continuing operations for the years ended December 31:

In millions, except per share amounts	2017	2016	2015
Numerator for earnings per share calculation:			
Income from continuing operations	$ 6,631	$ 5,320	$ 5,230
Income allocated to participating securities	(24)	(27)	(26)
Net income attributable to noncontrolling interest	(1)	(2)	(2)
Income from continuing operations attributable to CVS Health	$ 6,606	$ 5,291	$ 5,202
Denominator for earnings per share calculation:			
Weighted average shares, basic	1,020	1,073	1,118
Effect of dilutive securities	4	6	8
Weighted average shares, diluted	1,024	1,079	1,126
Earnings per share from continuing operations:			
Basic	$ 6.48	$ 4.93	$ 4.65
Diluted	$ 6.45	$ 4.91	$ 4.62

Quarterly Financial Information (Unaudited)

Quarterly Financial Information (Unaudited)

Quarterly Financial Information (Unaudited)

12 Months Ended Dec. 31, 2017

15Quarterly Financial Information (Unaudited)

In millions, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2017:					
Net revenues	$ 44,514	$ 45,685	$ 46,181	$ 48,385	$184,765
Gross profit	6,580	6,935	7,126	7,904	28,545
Operating profit	1,793	2,117	2,499	3,108	9,517
Income from continuing operations	962	1,097	1,285	3,287	6,631
Income (loss) from discontinued operations, net of tax	(9)	1	—	—	(8)
Net income attributable to CVS Health	952	1,098	1,285	3,287	6,622
Basic earnings per share:					
Income from continuing operations attributable to CVS Health	$ 0.93	$ 1.07	$ 1.26	$ 3.23	$ 6.48
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ —	$ —	$ (0.01)
Net income attributable to CVS Health	$ 0.92	$ 1.07	$ 1.26	$ 3.23	$ 6.47
Diluted earnings per share:					
Income from continuing operations attributable to CVS Health	$ 0.92	$ 1.07	$ 1.26	$ 3.22	$ 6.45
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ —	$ —	$ (0.01)
Net income attributable to CVS Health	$ 0.92	$ 1.07	$ 1.26	$ 3.22	$ 6.44
Dividends per share	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 2.00
Stock price: (New York Stock Exchange)					
High	$ 83.92	$ 82.79	$ 83.31	$ 80.91	$ 83.92
Low	$ 74.80	$ 75.95	$ 75.35	$ 66.80	$ 66.80

In millions, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2016:					
Net revenues	$ 43,215	$ 43,725	$ 44,615	$ 45,971	$177,526
Gross profit	6,744	7,015	7,492	7,606	28,857
Operating profit	2,185	2,357	2,824	3,000	10,366
Income from continuing operations	1,147	924	1,542	1,707	5,320
Loss from discontinued operations, net of tax	—	—	(1)	—	(1)
Net income attributable to CVS Health	1,146	924	1,540	1,707	5,317
Basic earnings per share:					
Income from continuing operations attributable to CVS Health	$ 1.04	$ 0.86	$ 1.44	$ 1.60	$ 4.93
Income (loss) from discontinued operations attributable to CVS Health	$ —	$ —	$ —	$ —	$ —
Net income attributable to CVS Health	$ 1.04	$ 0.86	$ 1.44	$ 1.60	$ 4.93
Diluted earnings per share:					
Income from continuing operations attributable to CVS Health	$ 1.04	$ 0.86	$ 1.43	$ 1.59	$ 4.91
Income (loss) from discontinued operations attributable to CVS Health	$ —	$ —	$ —	$ —	$ —
Net income attributable to CVS Health	$ 1.04	$ 0.86	$ 1.43	$ 1.59	$ 4.90
Dividends per share	$ 0.425	$ 0.425	$ 0.425	$ 0.425	$ 1.70
Stock price: (New York Stock Exchange)					
High	$ 104.05	$ 106.10	$ 98.06	$ 88.80	$ 106.10
Low	$ 89.65	$ 93.21	$ 88.99	$ 73.53	$ 73.53

Significant Accounting Policies (Policies)	12 Months Ended Dec. 31, 2017
Significant Accounting Policies	
Principles of Consolidation	**Principles of consolidation** - The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries and variable interest entities ("VIEs") for which the Company is the primary beneficiary. All material intercompany balances and transactions have been eliminated. The Company continually evaluates its investments to determine if they represent variable interests in a VIE. If the Company determines that it has a variable interest in a VIE, the Company then evaluates if it is the primary beneficiary of the VIE. The evaluation is a qualitative assessment as to whether the Company has the ability to direct the activities of a VIE that most significantly impact the entity's economic performance. The Company consolidates a VIE if it is considered to be the primary beneficiary. Assets and liabilities of VIEs for which the Company is the primary beneficiary were not significant to the Company's consolidated financial statements. VIE creditors do not have recourse against the general credit of the Company.
Use of Estimates	**Use of estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.
Fair Value Hierarchy	**Fair value hierarchy** - The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following: • Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. • Level 2 - Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument. Level 3 - Inputs to the valuation methodology are unobservable inputs based upon management's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions about risk.
Cash and Cash Equivalents	**Cash and cash equivalents** - Cash and cash equivalents consist of cash and temporary investments with maturities of three months or less when purchased. The Company invests in short-term money market funds, commercial paper and time deposits, as well as other debt securities that are classified as cash equivalents within the accompanying consolidated balance sheets, as these funds are highly liquid and readily convertible to known amounts of cash. These investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.
Restricted Cash	**Restricted cash** - As of December 31, 2017 and 2016, the Company had $190 million and $149 million, respectively, of restricted cash held in a trust in its insurance captive to satisfy collateral requirements associated with the assignment of certain insurance policies. Such amounts are included in other assets in the consolidated balance sheets. Additionally, as of December 31, 2017, the Company had $14 million of restricted cash held in escrow accounts in connection with certain recent acquisitions. Such amounts are included in other current assets in the consolidated balance sheets. All restricted cash is invested in time deposits which are classified within Level 1 of the fair value hierarchy.
Short-term Investments	**Short-term investments** - The Company's short-term investments consist of certificates of deposit with initial maturities of greater than three months when purchased that mature in less than one year from the balance sheet date. These investments, which were classified as available-for-sale within Level 1 of the fair value hierarchy, were carried at fair value, which approximated their historical cost at December 31, 2017 and 2016.
Fair Value of Financial Instruments	**Fair value of financial instruments** - As of December 31, 2017, the Company's financial instruments include cash and cash equivalents, short-term and long-term investments, accounts receivable, accounts payable and short-term debt approximate their fair value due to the nature of these financial instruments. The carrying amount and estimated fair value of total long-term debt was $25.7 billion and $26.8 billion, respectively, as of December 31, 2017. The fair value of the Company's long-term debt was estimated based on quoted rates currently offered in active markets for the Company's debt, which is considered Level 1 of the fair value hierarchy.
Derivative Financial Instruments	**Derivative financial instruments** - The Company is exposed to interest rate risk and management considers it prudent to periodically reduce the Company's exposure to cash flow variability resulting from interest rate fluctuations. In December 2017, the Company entered into several interest rate swap transactions. These agreements were designated as cash flow hedges and were used to hedge the exposure to variability in future cash flows resulting from changes in interest rates related to the anticipated issuance of long-term debt in connection with the proposed acquisition of Aetna Inc. ("Aetna"). The interest rate swaps had notional amounts totaling $4.75 billion. At December 31, 2017, the

fair value of these agreements were a $5 million asset recorded in other current assets and a $23 million liability recorded in accrued expenses. The fair value of these derivative financial instruments was determined using quoted prices in markets that are not active or inputs that are observable for the asset or liability and therefore they are classified as Level 2 in the fair value hierarchy. The Company has deferred gains and losses in accumulated other comprehensive income which are expected to be reclassified to interest expense over the life of the underlying forecasted debt. The hedges are expected to be highly effective; therefore, no ineffectiveness was recognized in earnings. There were no outstanding derivative financial instruments as of December 31, 2016.

Foreign Currency Translation and Transactions

Foreign currency translation and transactions - For local currency functional currency, assets and liabilities are translated at end-of-period rates while revenues and expenses are translated at average rates in effect during the period. Equity is translated at historical rates and the resulting cumulative translation adjustments are included as a component of accumulated other comprehensive income (loss).

For U.S. dollar functional currency locations, foreign currency assets and liabilities are remeasured into U.S. dollars at end-of-period exchange rates, except for nonmonetary balance sheet accounts, which are remeasured at historical exchange rates. Revenue and expense are remeasured at average exchange rates in effect during each period, except for those expenses related to the nonmonetary balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in income.

Gains and losses arising from foreign currency transactions and the effects of remeasurements were not material for all periods presented.

Accounts Receivable

Accounts receivable - Accounts receivable are stated net of an allowance for doubtful accounts. The accounts receivable balance primarily includes amounts due from third party providers (e.g., pharmacy benefit managers, insurance companies, governmental agencies and long-term care facilities), clients, members and private pay customers, as well as vendors and manufacturers. Charges to bad debt are based on both historical write-offs and specifically identified receivables.

The activity in the allowance for doubtful accounts receivable for the years ended December 31 is as follows:

In millions	**2017**	**2016**	**2015**
Beginning balance	$ 286	$ 161	$ 256
Additions charged to bad debt expense	177	221	216
Write-offs charged to allowance	(156)	(96)	(311)
Ending balance	$ 307	$ 286	$ 161

Inventories

Inventories - Inventories are stated at the lower of weighted average cost or market. Physical inventory counts are taken on a regular basis in each retail store and long-term care pharmacy and a continuous cycle count process is the primary procedure used to validate the inventory balances on hand in each distribution center and mail facility to ensure that the amounts reflected in the accompanying consolidated financial statements are properly stated. During the interim period between physical inventory counts, the Company accrues for anticipated physical inventory losses on a location-by-location basis based on historical results and current trends.

Property and Equipment

Property and equipment - Property, equipment and improvements to leased premises are depreciated using the straight-line method over the estimated useful lives of the assets, or when applicable, the term of the lease, whichever is shorter. Estimated useful lives generally range from 10 to 40 years for buildings, building improvements and leasehold improvements and 3 to 10 years for fixtures, equipment and internally developed software. Repair and maintenance costs are charged directly to expense as incurred. Major renewals or replacements that substantially extend the useful life of an asset are capitalized and depreciated. Application development stage costs for significant internally developed software projects are capitalized and depreciated.

The following are the components of property and equipment at December 31:

In millions	**2017**	**2016**
Land	$ 1,707	$ 1,734
Building and improvements	3,343	3,226
Fixtures and equipment	11,963	10,956
Leasehold improvements	4,793	4,494
Software	2,484	2,392
	24,290	22,802
Accumulated depreciation and amortization	(13,998)	(12,627)
Property and equipment, net	$ 10,292	$ 10,175

The gross amount of property and equipment under capital leases was $588 million and $547 million as of December 31, 2017 and 2016, respectively. Accumulated amortization of property and equipment under capital lease was $140 million and $119 million as of December 31, 2017 and 2016, respectively. Amortization of property and equipment under capital lease is included within depreciation expense. Depreciation expense totaled $1.7 billion in both 2017 and 2016, and $1.5 billion in 2015.

Goodwill and Other Indefinitely-lived Assets

Goodwill and other indefinitely-lived assets - Goodwill and other indefinitely-lived assets are not amortized, but are subject to impairment reviews annually, or more frequently if necessary. See Note 3 “Goodwill and Other Intangibles” for additional information on goodwill and other indefinitely-lived assets.

Intangible Assets

Intangible assets - Purchased customer contracts and relationships are amortized on a straight-line basis over their estimated useful lives between 9 and 20 years. Purchased customer lists are amortized on a straight-line basis over their estimated useful lives of up to 10 years. Purchased leases are amortized on a straight-line basis over the remaining life of the lease. See Note 3 “Goodwill and Other Intangibles” for additional information about intangible assets.

Impairment of Long-lived Assets

Impairment of long-lived assets - The Company groups and evaluates fixed and finite-lived intangible assets for impairment at the lowest level at which individual cash flows can be identified, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If indicators of impairment are present, the Company first compares the carrying amount of the asset group to the estimated future cash flows associated with the asset group (undiscounted and without interest charges). If the estimated future cash flows used in this analysis are less than the carrying amount of the asset group, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset group to the asset group’s estimated future cash flows (discounted and with interest charges). If required, an impairment loss is recorded for the portion of the asset group’s carrying value that exceeds the asset group’s estimated future cash flows (discounted and with interest charges).

Redeemable Noncontrolling Interest

Redeemable noncontrolling interest - As a result of the acquisition of Omnicare in 2015, the Company obtained a 73% ownership interest in a limited liability company (“LLC”). Due to the change in control in Omnicare, the noncontrolling member of the LLC had the contractual right to put its membership interest to the Company at fair value. Consequently, the noncontrolling interest in the LLC was recorded as a redeemable noncontrolling interest at fair value. During 2016, the noncontrolling shareholder of the LLC exercised its option to sell its ownership interest and the Company purchased the noncontrolling interest in the LLC for approximately $39 million.

Below is a summary of the changes in redeemable noncontrolling interest for the years ended December 31:

In millions	**2016**	**2015**
Beginning balance	$ 39	$ —
Acquisition of noncontrolling interest	—	39
Net income attributable to noncontrolling interest	1	1
Distributions	(2)	(1)
Purchase of noncontrolling interest	(39)	—
Reclassification to capital surplus in connection with purchase of noncontrolling interest	1	—
Ending balance	$ —	$ 39

Revenue Recognition

Revenue Recognition

Pharmacy Services Segment

The PSS sells prescription drugs directly through its mail service dispensing pharmacies and indirectly through its retail pharmacy network. The PSS recognizes revenue from prescription drugs sold by its mail service dispensing pharmacies and under retail pharmacy network contracts where it is the principal using the gross method at the contract prices negotiated with its clients. Net revenues include: (i) the portion of the price the client pays directly to the PSS, net of any volume-related or other discounts paid back to the client (see “Drug Discounts” below), (ii) the price paid to the PSS by client plan members for mail order prescriptions (“Mail Co-Payments”) and the price paid to retail network pharmacies by client plan members for retail prescriptions (“Retail Co-Payments”), and (iii) administrative fees for retail pharmacy network contracts where the PSS is not the principal as discussed below. Sales taxes are not included in revenue.

Revenue is recognized when: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller’s price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured. The following revenue recognition policies have been established for the PSS:

- Revenues generated from prescription drugs sold by mail service dispensing pharmacies are recognized when the prescription is delivered. At the time of delivery, the PSS has performed substantially all of its obligations under its client contracts and does not experience a significant level of returns or reshipments.

- Revenues generated from prescription drugs sold by third party pharmacies in the PSS’ retail pharmacy network and associated administrative fees are recognized at the PSS’ point-of-sale, which is when the claim is adjudicated by the PSS online claims processing system.

The PSS determines whether it is the principal or agent for its retail pharmacy network transactions on a contract by contract basis. In the majority of its contracts, the PSS has determined it is the principal due to it: (i) being the primary obligor in the arrangement, (ii) having latitude in establishing the price, changing the product or performing part of the service, (iii) having discretion in supplier selection, (iv) having involvement in the determination of product or service specifications, and (v) having credit risk. The PSS’ obligations under its client contracts for which revenues are reported using the gross method are separate

and distinct from its obligations to the third party pharmacies included in its retail pharmacy network contracts. Pursuant to these contracts, the PSS is contractually required to pay the third party pharmacies in its retail pharmacy network for products sold, regardless of whether the PSS is paid by its clients. The PSS' responsibilities under its client contracts typically include validating eligibility and coverage levels, communicating the prescription price and the co-payments due to the third party retail pharmacy, identifying possible adverse drug interactions for the pharmacist to address with the prescriber prior to dispensing, suggesting generic alternatives where clinically appropriate and approving the prescription for dispensing. Although the PSS does not have credit risk with respect to Retail Co-Payments or inventory risk related to retail network claims, management believes that all of the other applicable indicators of gross revenue reporting are present. For contracts under which the PSS acts as an agent, revenue is recognized using the net method.

Drug Discounts - The PSS deducts from its revenues any rebates, inclusive of discounts and fees, earned by its clients. Rebates are paid to clients in accordance with the terms of client contracts, which are normally based on fixed rebates per prescription for specific products dispensed or a percentage of manufacturer discounts received for specific products dispensed. The liability for rebates due to clients is included in "Claims and discounts payable" in the accompanying consolidated balance sheets.

Medicare Part D - The PSS, through its SilverScript subsidiary, participates in the federal government's Medicare Part D program as a Prescription Drug Plan ("PDP"). Net revenues include insurance premiums earned by the PDP, which are determined based on the PDP's annual bid and related contractual arrangements with the Centers for Medicare and Medicaid Services ("CMS"). The insurance premiums include a direct premium paid by CMS and a beneficiary premium, which is the responsibility of the PDP member, but which is subsidized by CMS in the case of low-income members. Premiums collected in advance are initially deferred in accrued expenses and are then recognized in net revenues over the period in which members are entitled to receive benefits.

In addition to these premiums, net revenues include co-payments, coverage gap benefits, deductibles and co-insurance (collectively, the "Member Co-Payments") related to PDP members' actual prescription claims. In certain cases, CMS subsidizes a portion of these Member Co-Payments and pays the PSS an estimated prospective Member Co-Payment subsidy amount each month. The prospective Member Co-Payment subsidy amounts received from CMS are also included in net revenues. SilverScript assumes no risk for these amounts. If the prospective Member Co-Payment subsidies received differ from the amounts based on actual prescription claims, the difference is recorded in either accounts receivable or accrued expenses.

The PSS accounts for CMS obligations and Member Co-Payments (including the amounts subsidized by CMS) using the gross method consistent with its revenue recognition policies for Mail Co-Payments and Retail Co-Payments (discussed previously in this document).

Retail/LTC Segment

Retail Pharmacy - The retail drugstores recognize revenue at the time the customer takes possession of the merchandise. Customer returns are not material. Revenue generated from the performance of services in the RLS' health care clinics is recognized at the time the services are performed. Sales taxes are not included in revenue.

Long-term Care - Revenue is recognized when products are delivered or services are rendered or provided to the customer, prices are fixed and determinable, and collection is reasonably assured. A significant portion of the revenues from sales of pharmaceutical and medical products are reimbursed by the federal Medicare Part D program and, to a lesser extent, state Medicaid programs. Payments for services rendered to patients covered by these programs are generally less than billed charges. The Company monitors its revenues and receivables from these reimbursement sources, as well as other third party insurance payors, and record an estimated contractual allowance for sales and receivable balances at the revenue recognition date, to properly account for anticipated differences between billed and reimbursed amounts. Accordingly, the total net sales and receivables reported in the Company's consolidated financial statements are recorded at the amount expected to be ultimately received from these payors. Since billing functions for a portion of the Company's revenue systems are largely computerized, enabling on-line adjudication at the time of sale to record net revenues, the Company's exposure in connection with estimating contractual allowance adjustments is limited primarily to unbilled and initially rejected Medicare, Medicaid and third party claims (typically approved for reimbursement once additional information is provided to the payor). For the remaining portion of the Company's revenue systems, the contractual allowance is estimated for all billed, unbilled and initially rejected Medicare, Medicaid and third party claims. The Company evaluates several criteria in developing the estimated contractual allowances on a monthly basis, including historical trends based on actual claims paid, current contract and reimbursement terms, and changes in customer base and payor/product mix. Contractual allowance estimates are adjusted to actual amounts as cash is received and claims are settled, and the aggregate impact of these resulting adjustments was not significant to our results of operations for any of the periods presented.

Patient co-payments associated with Medicare Part D, certain state Medicaid programs, Medicare Part B and certain third party payors are typically not collected at the time products are delivered or services are rendered, but are billed to the individuals as part of our normal billing procedures and subject to our normal accounts receivable collections procedures.

Health Care Clinics - For services provided by our health care clinics, revenue recognition occurs for completed services provided to patients, with adjustments taken for third party payor contractual obligations and patient direct bill historical collection rates.

Loyalty Program - The Company's customer loyalty program, ExtraCare®, is comprised of two components, ExtraSavings™ and ExtraBucks® Rewards. ExtraSavings coupons redeemed by customers are

recorded as a reduction of revenue when redeemed. ExtraBucks Rewards are accrued as a charge to cost of revenues when earned, net of estimated breakage. The Company determines breakage based on historical redemption patterns.

See Note 13 “Segment Reporting” for additional information about the revenues of the Company’s business segments.

Cost of Revenues

Cost of revenues

Pharmacy Services Segment - The PSS’ cost of revenues includes: (i) the cost of prescription drugs sold during the reporting period directly through its mail service dispensing pharmacies and indirectly through its retail pharmacy network, (ii) shipping and handling costs, and (iii) the operating costs of its mail service dispensing pharmacies and client service operations and related information technology support costs including depreciation and amortization. The cost of prescription drugs sold component of cost of revenues includes: (i) the cost of the prescription drugs purchased from manufacturers or distributors and shipped to members in clients’ benefit plans from the PSS’ mail service dispensing pharmacies, net of any volume-related or other discounts (see “Vendor allowances and purchase discounts” below) and (ii) the cost of prescription drugs sold (including Retail Co-Payments) through the PSS’ retail pharmacy network under contracts where it is the principal, net of any volume-related or other discounts.

Retail/LTC Segment - The RLS’ cost of revenues includes: the cost of merchandise sold during the reporting period and the related purchasing costs, warehousing and delivery costs (including depreciation and amortization) and actual and estimated inventory losses.

See Note 13 “Segment Reporting” for additional information about the cost of revenues of the Company’s business segments.

Vendor Allowances and Purchase Discounts

Vendor allowances and purchase discounts

The Company accounts for vendor allowances and purchase discounts as follows:

Pharmacy Services Segment - The PSS receives purchase discounts on products purchased. The PSS’ contractual arrangements with vendors, including manufacturers, wholesalers and retail pharmacies, normally provide for the PSS to receive purchase discounts from established list prices in one, or a combination, of the following forms: (i) a direct discount at the time of purchase, (ii) a discount for the prompt payment of invoices, or (iii) when products are purchased indirectly from a manufacturer (e.g., through a wholesaler or retail pharmacy), a discount (or rebate) paid subsequent to dispensing. These rebates are recognized when prescriptions are dispensed and are generally calculated and billed to manufacturers within 30 days of the end of each completed quarter. Historically, the effect of adjustments resulting from the reconciliation of rebates recognized to the amounts billed and collected has not been material to the PSS’ results of operations. The PSS accounts for the effect of any such differences as a change in accounting estimate in the period the reconciliation is completed. The PSS also receives additional discounts under its wholesaler contracts if it exceeds contractually defined annual purchase volumes. In addition, the PSS receives fees from pharmaceutical manufacturers for administrative services. Purchase discounts and administrative service fees are recorded as a reduction of “Cost of revenues”.

Retail/LTC Segment - Vendor allowances received by the RLS reduce the carrying cost of inventory and are recognized in cost of revenues when the related inventory is sold, unless they are specifically identified as a reimbursement of incremental costs for promotional programs and/or other services provided. Amounts that are directly linked to advertising commitments are recognized as a reduction of advertising expense (included in operating expenses) when the related advertising commitment is satisfied. Any such allowances received in excess of the actual cost incurred also reduce the carrying cost of inventory. The total value of any upfront payments received from vendors that are linked to purchase commitments is initially deferred. The deferred amounts are then amortized to reduce cost of revenues over the life of the contract based upon purchase volume. The total value of any upfront payments received from vendors that are not linked to purchase commitments is also initially deferred. The deferred amounts are then amortized to reduce cost of revenues on a straight-line basis over the life of the related contract. The total amortization of these upfront payments was not material to the accompanying consolidated financial statements.

Insurance

Insurance - The Company is self-insured for certain losses related to general liability, workers’ compensation and auto liability. The Company obtains third party insurance coverage to limit exposure from these claims. The Company is also self-insured for certain losses related to health and medical liabilities. The Company’s self-insurance accruals, which include reported claims and claims incurred but not reported, are calculated using standard insurance industry actuarial assumptions and the Company’s historical claims experience.

Facility Opening and Closing Costs

Facility opening and closing costs - New facility opening costs, other than capital expenditures, are charged directly to expense when incurred. When the Company closes a facility, the present value of estimated unrecoverable costs, including the remaining lease obligation less estimated sublease income and the book value of abandoned property and equipment, are charged to expense. The long-term portion of the lease obligations associated with facility closings was $306 million and $181 million in 2017 and 2016, respectively.

Advertising Costs

Advertising costs - Advertising costs are expensed when the related advertising takes place. Advertising costs, net of vendor funding (included in operating expenses), were $230 million, $216 million and $221 million in 2017, 2016 and 2015, respectively.

Interest Expense, Net

Interest expense, net - The following are the components of net interest expense for the years ended December 31:

In millions	2017	2016	2015
Interest expense	$ 1,062	$ 1,078	$ 859
Interest income	(21)	(20)	(21)
Interest expense, net	$ 1,041	$ 1,058	$ 838

Capitalized interest totaled $8 million, $13 million and $12 million in 2017, 2016 and 2015, respectively.

Shares Held in Trust

Shares held in trust - The Company maintains grantor trusts, which held approximately one million shares of its common stock at December 31, 2017 and 2016, respectively. These shares are designated for use under various employee compensation plans. Since the Company holds these shares, they are excluded from the computation of basic and diluted shares outstanding.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income - Accumulated other comprehensive income (loss) consists of changes in the net actuarial gains and losses associated with pension and other postretirement benefit plans, net losses on cash flow hedge derivative instruments associated with forecasted debt issuances, and foreign currency translation adjustments. The amount included in accumulated other comprehensive loss related to the Company's pension and postretirement plans was $34 million pre-tax ($21 million after-tax) as of December 31, 2017 and $284 million pre-tax ($173 million after-tax) as of December 31, 2016. The net impact on cash flow hedges totaled $24 million pre-tax ($15 million after-tax) and $9 million pre-tax ($5 million after-tax) as of December 31, 2017 and 2016, respectively. Cumulative foreign currency translation adjustments at December 31, 2017 and 2016 were $129 million and $127 million, respectively.

Changes in accumulated other comprehensive income (loss) by component are shown below:

	Year Ended December 31, 2017 [1]			
In millions	Foreign Currency	Losses on Cash Flow Hedges	Pension and Other Postretirement Benefits	Total
Balance, December 31, 2016	$ (127)	$ (5)	$ (173)	$ (305)
Other comprehensive loss before reclassifications	(2)	(11)	—	(13)
Amounts reclassified from accumulated other comprehensive income [2]	—	1	152	153
Net other comprehensive income (loss)	(2)	(10)	152	140
Balance, December 31, 2017	$ (129)	$ (15)	$ (21)	$ (165)

	Year Ended December 31, 2016 [1]			
	Foreign Currency	Losses on Cash Flow Hedges	Pension and Other Postretirement Benefits	Total
Balance, December 31, 2015	$ (165)	$ (7)	$ (186)	$ (358)
Other comprehensive income before reclassifications	38	—	—	38
Amounts reclassified from accumulated other comprehensive income [2]	—	2	13	15
Net other comprehensive income	38	2	13	53
Balance, December 31, 2016	$ (127)	$ (5)	$ (173)	$ (305)

(1) All amounts are net of tax.

The amounts reclassified from accumulated other comprehensive income for cash flow hedges are recorded within interest expense, net on the consolidated statement of income. The amounts reclassified from accumulated other comprehensive income for pension and other postretirement benefits are included in other expense on the consolidated statement of income.

Stock-based Compensation

Stock-based compensation - Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable requisite service period of the stock award (generally 3 to 5 years) using the straight-line method.

Variable Interest Entity

Variable interest entity - In 2014, the Company and Cardinal Health, Inc. ("Cardinal") established Red Oak Sourcing, LLC ("Red Oak"), a generic pharmaceutical sourcing entity in which the Company and Cardinal each own 50%. The Red Oak arrangement has an initial term of ten years. Under this arrangement, the Company and Cardinal contributed their sourcing and supply chain expertise to Red Oak and agreed to source and negotiate generic pharmaceutical supply contracts for both companies through Red Oak; however, Red Oak does not own or hold inventory on behalf of either company. No physical assets (e.g., property and equipment) were contributed to Red Oak by either company and minimal funding was provided to capitalize Red Oak.

The Company has determined that it is the primary beneficiary of this variable interest entity because it has the ability to direct the activities of Red Oak. Consequently, the Company consolidates Red Oak in its consolidated financial statements within the Retail/LTC Segment.

Cardinal is required to pay the Company 39 quarterly payments beginning in October 2014. As milestones are met, the quarterly payments increase. The Company received approximately $183 million, $163 million and $122 million from Cardinal during the years ended December 31, 2017, 2016 and 2015, respectively. The payments reduce the Company's carrying value of inventory and are recognized in cost of revenues when the related inventory is sold. Revenues associated with Red Oak expenses reimbursed by Cardinal for the years ended December 31, 2017, 2016 and 2015, as well as amounts due to or due from Cardinal at December 31, 2017 and 2016 were immaterial.

Related Party Transactions

Related party transactions - The Company has an equity method investment in SureScripts, LLC ("SureScripts"), which operates a clinical health information network. The Pharmacy Services and Retail/LTC segments utilize this clinical health information network in providing services to its client plan members and retail customers. The Company expensed fees of approximately $35 million, $39 million and $50 million in the years ended December 31, 2017, 2016 and 2015, respectively, for the use of this network. The Company's investment in and equity in earnings of SureScripts for all periods presented is immaterial.

The Company has an equity method investment in Heartland Healthcare Services ("Heartland"). Heartland operates several long-term care pharmacies in four states. Heartland paid the Company approximately $139 million, $140 million and $25 million for pharmaceutical inventory purchases during the years ended December 31, 2017, 2016 and 2015, respectively. Additionally, the Company performs certain collection functions for Heartland and then passes those customer cash collections to Heartland. The Company's investment in and equity in earnings of Heartland as of and for the years ended December 31, 2016 and 2015 is immaterial.

In 2016, the Company made charitable contributions of $32 million to the CVS Foundation (the "Foundation") to fund future giving. The Foundation is an unconsolidated non-profit entity managed by employees of the Company that focuses on health, education and community involvement programs. The charitable contributions were recorded as operating expenses in the Company's consolidated statement of income for the year ended December 31, 2016.

Income Taxes

Income taxes - The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year or years in which the differences are expected to reverse. The effect of a change in the tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

On December 22, 2017, the President signed into law the "Tax Cuts and Jobs Act" (the "TCJA"). Among numerous changes to existing tax laws, the TCJA permanently reduces the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The effects on deferred tax balances of changes in tax rates are required to be taken into consideration in the period in which the changes are enacted, regardless of when they are effective. As the result of the reduction of the corporate income tax rate under the TCJA, the Company estimated the revaluation of its net deferred tax liabilities and recorded a provisional noncash income tax benefit of approximately $1.5 billion for year ended December 31, 2017. The Company has not completed all of its processes to determine the TCJA's final impact. The final impact may differ from this provisional amount due to, among other things, changes in interpretations and assumptions the Company has made thus far and the issuance of additional regulatory or other guidance. The accounting is expected to be completed by the time the 2017 federal income tax return is filed in 2018.

The Company recognizes net deferred tax assets to the extent that it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

The Company records uncertain tax positions on the basis of a two-step process whereby (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

Interest and/or penalties related to uncertain tax positions are recognized in income tax expense.

Discontinued Operations

Discontinued operations - In connection with certain business dispositions completed between 1991 and 1997, the Company retained guarantees on store lease obligations for a number of former subsidiaries, including Bob's Stores and Linens 'n Things which filed for bankruptcy in 2016 and 2008, respectively. Additionally, the Company's recently acquired Bluegrass Pharmacy is considered held for sale and is included in discontinued operations (see Note 2 "Acquisitions" for additional information). The Company's loss from discontinued operations in 2017 and 2016 primarily includes lease-related costs which the Company believes it will likely be required to satisfy pursuant to its lease guarantees. The Company's income from discontinued operations in 2015 of $9 million, net of tax, was related to the release of certain store lease guarantees due to a settlement with a landlord. See Note 12 "Commitments and Contingencies" of the consolidated financial statements.

Below is a summary of the results of discontinued operations for the years ended December 31:

In millions	**2017**	**2016**	**2015**
Income (loss) from discontinued operations	$(13)	$ (2)	$ 15

Income tax benefit (expense)	5	1	(6)
Income (loss) from discontinued operations, net of tax	$ (8)	$ (1)	$ 9

Earnings Per Common Share

Earnings per common share - Earnings per share is computed using the two-class method. Options to purchase 10.4 million, 6.7 million and 2.7 million shares of common stock were outstanding as of December 31, 2017, 2016 and 2015, respectively, but were not included in the calculation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

New Accounting Pronouncements

New accounting pronouncements recently adopted - In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, *Inventory*, which amends Accounting Standard Codification ("ASC") Topic 330. This ASU simplifies current accounting treatments by requiring entities to measure most inventories at "the lower of cost and net realizable value" rather than using lower of cost or market. This guidance does not apply to inventories measured using the last-in, first-out method or the retail inventory method. The Company adopted this standard effective January 1, 2017. The adoption of this new guidance did not have any impact on the Company's consolidated results of operations, financial position or cash flows.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which amends the accounting for certain aspects of shared-based payments to employees in ASC Topic 718, *Compensation - Stock Compensation*. The new guidance eliminates the accounting for any excess tax benefits and deficiencies through equity, and requires all excess tax benefits and deficiencies related to employee share-based compensation arrangements to be recorded in the income statement. This aspect of the guidance is required to be applied prospectively. The guidance also requires the presentation of excess tax benefits on the statement of cash flows as an operating activity rather than a financing activity, a change which may be applied prospectively or retrospectively. The guidance further provides an accounting policy election to account for forfeitures as they occur rather than utilizing the estimated amount of forfeitures at the time of issuance. The Company adopted this guidance effective January 1, 2017. The primary impact of adopting this guidance was the recognition of excess tax benefits in the income statement instead of recognizing them in equity. This income statement guidance was adopted on a prospective basis. As a result, a discrete tax benefit of $53 million was recognized in the income tax provision in the year ended December 31, 2017.

The Company elected to retrospectively adopt the guidance on the presentation of excess tax benefits in the statement of cash flows. The following is a reconciliation of the effect of the resulting reclassification of the excess tax benefits on the Company's consolidated statements of cash flows for the years ended December 31, 2016 and 2015:

In millions	**As Previously Reported**	**Adjustments**	**As Revised**
Year Ended December 31, 2016:			
Cash paid to other suppliers and employees	$ (15,550)	$ 72	$ (15,478)
Net cash provided by operating activities	10,069	72	10,141
Excess tax benefits from stock-based compensation	72	(72)	—
Net cash used in financing activities	(6,689)	(72)	(6,761)
Reconciliation of net income to net cash provided by operating activities:			
Accrued expenses	59	72	131
Year Ended December 31, 2015:			
Cash paid to other suppliers and employees	(14,162)	127	(14,035)
Net cash provided by operating activities	8,412	127	8,539
Excess tax benefits from stock-based compensation	127	(127)	—
Net cash provided by financing activities	5,006	(127)	4,879
Reconciliation of net income to net cash provided by operating activities:			
Accrued expenses	765	127	892

The Company elected to continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period. None of the other provisions in this guidance had a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which amends ASC Topic 715, *Compensation – Retirement Benefits*. ASU 2017-07 requires entities to disaggregate the current service cost component from the other components of net benefit cost and present it with other current compensation costs for related employees in the income statement and present the other components of net benefit cost elsewhere in the income statement and outside of operating income. Only the service cost component of net benefit cost is eligible for capitalization. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted as of the beginning of any annual periods for which an entity's financial statements have not been issued. Entities are required to retrospectively apply the requirement for a separate presentation in the income statement of service costs and other components of net benefit cost and prospectively adopt the requirement to limit the capitalization of benefit costs to the service component. The Company adopted the income statement presentation aspects of this new guidance on a retrospective basis effective January 1, 2017. Nearly all of the Company's net benefit costs for the

Company's defined benefit pension and postretirement plans do not contain a service cost component as most of these defined benefit plans have been frozen for an extended period of time.

The following is a reconciliation of the effect of the reclassification of the net benefit cost from operating expenses to other expense in the Company's consolidated statements of income for the years ended December 31 2016 and 2015:

In millions	**As Previously Reported**	**Adjustments**	**As Revised**
Year Ended December 31, 2016:			
Operating expenses	$ 18,519	$ (28)	$ 18,491
Operating profit	10,338	28	10,366
Other expense	—	28	28
Year Ended December 31, 2015:			
Operating expenses	17,074	(21)	17,053
Operating profit	9,454	21	9,475
Other expense	—	21	21

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which amends ASC Topic 350, *Intangibles – Goodwill and Other*. This ASU requires the Company to perform its annual, or applicable interim, goodwill impairment test by comparing the fair value of each reporting unit with its carrying amount. An impairment charge must be recognized at the amount by which the carrying amount exceeds the fair value of the reporting unit; however, the charge recognized should not exceed the total amount of goodwill allocated to that reporting unit. Income tax effects resulting from any tax deductible goodwill should be considered when measuring a goodwill impairment charge, if applicable. The guidance in ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company elected to early adopt this standard as of January 1, 2017. At the date of adoption of this new guidance, the guidance did not have any impact on the Company's consolidated results of operations, financial position or cash flows.

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which amends ASC Topic 815, *Derivative and Hedging*. ASU 2017-12 expands an entity's ability to hedge nonfinancial and financial risk components and reduces complexity in fair value hedges of interest rate risk. It eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. ASU 2017-12 also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The guidance is effective for fiscal years beginning after December 15, 2018, and interims periods with those years. Early adoption is permitted. The guidance with respect to cash flow and net investment hedge relationships existing on the date of adoption must be applied on a modified retrospective basis, and the new presentation and disclosure requirements must be applied on a prospective basis. The Company elected to early adopt this standard as of October 1, 2017. As the date of adoption of this new guidance, the guidance did not have any impact on the Company's consolidated results of operations, financial position or cash flows since the Company did not have any outstanding derivative instruments at that time.

New accounting pronouncements not yet adopted - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In March 2016, the FASB issued ASU 2016-08, "*Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net),*" which amends the principal-versus-agent implementation guidance and in April 2016 the FASB issued ASU 2016-10, "*Identifying Performance Obligations and Licensing,*" which amends the guidance in those areas in the new revenue recognition standard. The new revenue standard is effective for annual reporting periods (including interim reporting periods within those periods) beginning January 1, 2018. The Company does not expect that the implementation of the new standard will have a material effect on the Company's consolidated results of operations, cash flows or financial position. The new standard will however require more extensive revenue-related disclosures. The Company has identified one difference in its Retail/LTC Segment related to the accounting for its ExtraBucks Rewards customer loyalty program, which is currently accounted for under a cost deferral method. Under the new standard, this program will be accounted for under a revenue deferral method. On January 1, 2018, the Company adopted the new revenue standard on a modified retrospective basis and recorded an after-tax transition adjustment to reduce retained earnings as of January 1, 2018 by approximately $13 million.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall* (Subtopic 825-10)*: Recognition and Measurement of financial Assets and Financial Liabilities*. This ASU requires equity investments, except those under the equity method of accounting or those that result in the consolidation of an investee, to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. This simplifies the impairment assessment of equity investments previously held at cost. Separate presentation of financial assets and liabilities by measurement category is required. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted for fiscal years or

interim periods that have not yet been issued as of the beginning of the fiscal year of adoption. Entities are required to apply the guidance retrospectively, with the exception of the amendments related to equity investments without readily determinable fair values, which must be applied on a prospective basis. The Company is evaluating the effect of adopting this guidance but does not expect the adoption to have a material impact on the Company's consolidated results of operations.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). Lessees will be required to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, a dual model was retained, requiring leases to be classified as either operating or finance leases. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model (e.g., certain definitions, such as initial direct costs, have been updated) and the new revenue recognition standard. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company believes that the new standard will have a material impact on its consolidated balance sheet. The Company is currently evaluating the effect that implementation of this standard will have on the Company's consolidated results of operations, cash flows, financial position and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 is intended to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows and to eliminate the diversity in practice related to such classifications. The guidance in ASU 2016-15 is required for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company is evaluating the effect of adopting this guidance but does not expect the adoption will have a material impact on the Company's consolidated cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*, which amends ASC Topic 230. This ASU requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer be required to present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. Entities will also have to disclose the nature of their restricted cash and restricted cash equivalent balances. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted. Entities are required to apply the guidance retrospectively. The Company is evaluating the effect of adopting this guidance but does not expect the adoption will have a material impact on the Company's consolidated cash flows.

Significant Accounting Policies (Tables)

12 Months Ended
Dec. 31, 2017

Significant Accounting Policies

Activity in allowance for doubtful trade accounts receivable

The activity in the allowance for doubtful accounts receivable for the years ended December 31 is as follows:

In millions	2017	2016	2015
Beginning balance	$ 286	$ 161	$ 256
Additions charged to bad debt expense	177	221	216
Write-offs charged to allowance	(156)	(96)	(311)
Ending balance	$ 307	$ 286	$ 161

Components of property and equipment

The following are the components of property and equipment at December 31:

In millions	2017	2016
Land	$ 1,707	$ 1,734
Building and improvements	3,343	3,226
Fixtures and equipment	11,963	10,956
Leasehold improvements	4,793	4,494
Software	2,484	2,392
	24,290	22,802
Accumulated depreciation and amortization	(13,998)	(12,627)
Property and equipment, net	$ 10,292	$ 10,175

Reconciliation of the changes in the redeemable noncontrolling interest

Below is a summary of the changes in redeemable noncontrolling interest for the years ended December 31:

In millions	2016	2015
Beginning balance	$ 39	$ —
Acquisition of noncontrolling interest	—	39
Net income attributable to noncontrolling interest	1	1
Distributions	(2)	(1)
Purchase of noncontrolling interest	(39)	—
Reclassification to capital surplus in connection with purchase of noncontrolling interest	1	—
Ending balance	$ —	$ 39

Interest Income and Interest Expense

The following are the components of net interest expense for the years ended December 31:

In millions	2017	2016	2015
Interest expense	$ 1,062	$ 1,078	$ 859
Interest income	(21)	(20)	(21)
Interest expense, net	$ 1,041	$ 1,058	$ 838

Schedule of Accumulated Other Comprehensive Income (Loss) by Component

Changes in accumulated other comprehensive income (loss) by component are shown below:

	Year Ended December 31, 2017 [1]			
In millions	Foreign Currency	Losses on Cash Flow Hedges	Pension and Other Postretirement Benefits	Total
Balance, December 31, 2016	$ (127)	$ (5)	$ (173)	$ (305)
Other comprehensive loss before reclassifications	(2)	(11)	—	(13)
Amounts reclassified from accumulated other comprehensive income [2]	—	1	152	153
Net other comprehensive income (loss)	(2)	(10)	152	140
Balance, December 31, 2017	$ (129)	$ (15)	$ (21)	$ (165)

	Year Ended December 31, 2016 [1]			
	Foreign Currency	Losses on Cash Flow Hedges	Pension and Other Postretirement Benefits	Total

Balance, December 31, 2015	$ (165)	$ (7)	$ (186)	$ (358)
Other comprehensive income before reclassifications	38	—	—	38
Amounts reclassified from accumulated other comprehensive income [2]	—	2	13	15
Net other comprehensive income	38	2	13	53
Balance, December 31, 2016	$ (127)	$ (5)	$ (173)	$ (305)

(1) All amounts are net of tax.

The amounts reclassified from accumulated other comprehensive income for cash flow hedges are recorded within interest expense, net on the consolidated statement of income. The amounts reclassified from accumulated other comprehensive income for pension and other postretirement benefits are included in other expense on the consolidated statement of income.

Discontinued Operations Results

Below is a summary of the results of discontinued operations for the years ended December 31:

In millions	**2017**	**2016**	**2015**
Income (loss) from discontinued operations	$(13)	$ (2)	$ 15
Income tax benefit (expense)	5	1	(6)
Income (loss) from discontinued operations, net of tax	$ (8)	$ (1)	$ 9

Reconciliation of condensed consolidated statement of cash flows

In millions	**As Previously Reported**	**Adjustments**	**As Revised**
Year Ended December 31, 2016:			
Cash paid to other suppliers and employees	$ (15,550)	$ 72	$ (15,478)
Net cash provided by operating activities	10,069	72	10,141
Excess tax benefits from stock-based compensation	72	(72)	—
Net cash used in financing activities	(6,689)	(72)	(6,761)
Reconciliation of net income to net cash provided by operating activities:			
Accrued expenses	59	72	131
Year Ended December 31, 2015:			
Cash paid to other suppliers and employees	(14,162)	127	(14,035)
Net cash provided by operating activities	8,412	127	8,539
Excess tax benefits from stock-based compensation	127	(127)	—
Net cash provided by financing activities	5,006	(127)	4,879
Reconciliation of net income to net cash provided by operating activities:			
Accrued expenses	765	127	892

Reconciliation of condensed consolidated statement of income

In millions	**As Previously Reported**	**Adjustments**	**As Revised**
Year Ended December 31, 2016:			
Operating expenses	$ 18,519	$ (28)	$ 18,491
Operating profit	10,338	28	10,366
Other expense	—	28	28
Year Ended December 31, 2015:			
Operating expenses	17,074	(21)	17,053
Operating profit	9,454	21	9,475
Other expense	—	21	21

Acquisitions (Table)

12 Months Ended
Dec. 31, 2017

Omnicare, Inc.

Business Acquisition

Schedule of Recognized Identified Assets Acquired and Liabilities Assumed

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

In Millions	
Current assets (including cash of $298)	$ 1,657
Property and equipment	313
Goodwill	9,139
Intangible assets	3,962
Other noncurrent assets	63
Current liabilities	(773)
Long-term debt	(3,110)
Deferred income tax liabilities	(1,498)
Other noncurrent liabilities	(69)
Redeemable noncontrolling interest	(39)
Total consideration	$ 9,645

Business Acquisition, Pro Forma Information

(In millions, except per share data)	
Total revenues	$ 156,798
Income from continuing operations	5,277
Basic earnings per share from continuing operations	4.70
Diluted earnings per share from continuing operations	4.66

Target Pharmacy Acquisition

Business Acquisition

Schedule of Recognized Identified Assets Acquired and Liabilities Assumed

The fair values of the assets acquired at the date of acquisition were approximately as follows:

In millions	
Accounts receivable	$ 2
Inventories	467
Property and equipment	9
Intangible assets	490
Goodwill	900
Total cash consideration	$1,868

Goodwill and Other Intangibles (Tables)

12 Months Ended
Dec. 31, 2017

Goodwill and Other Intangibles

Goodwill by Segment

Below is a summary of the changes in the carrying amount of goodwill by segment for the years ended December 31, 2017 and 2016:

In millions	Pharmacy Services	Retail/LTC	Total
Balance, December 31, 2015	$ 21,685	$ 16,421	$38,106
Acquisitions	—	126	126
Foreign currency translation adjustments	—	17	17
Other [1]	(48)	48	—
Balance, December 31, 2016	21,637	16,612	38,249
Acquisitions	182	203	385
Foreign currency translation adjustments	—	(2)	(2)
Impairments	—	(181)	(181)
Balance, December 31, 2017	$ 21,819	$ 16,632	$38,451

(1) "Other" represents immaterial purchase accounting adjustments for acquisitions.

Summary of the Company's intangible assets

The following table is a summary of the Company's intangible assets as of December 31:

	2017			2016		
In millions	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark (indefinitely-lived)	$ 6,398	$ —	$ 6,398	$ 6,398	$ —	$ 6,398
Customer contracts and relationships and covenants not to compete	12,341	(5,536)	6,805	11,485	(4,802)	6,683
Favorable leases and other	1,190	(763)	427	1,123	(693)	430
	$ 19,929	$ (6,299)	$ 13,630	$ 19,006	$ (5,495)	$ 13,511

Anticipated Annual Amortization for Intangible Assets

The anticipated annual amortization expense for these intangible assets for the next five years is as follows:

In millions	
2018	$817
2019	771
2020	600
2021	539
2022	494

Share Repurchase Programs (Tables)

12 Months Ended
Dec. 31, 2017

Share Repurchase Programs

Share Repurchase Programs

The following share repurchase programs were authorized by the Company's Board of Directors:

In billions				Remaining as of December 31, 2017
Authorization Date		**Authorized**		
November 2, 2016 ("2016 Repurchase Program")	$	15.0	$	13.9
December 15, 2014 ("2014 Repurchase Program")		10.0		—
December 17, 2013 ("2013 Repurchase Program")		6.0		—

Borrowing and Credit Agreements (Tables)

12 Months Ended
Dec. 31, 2017

Borrowings and Credit Agreements

Summary of the Company's borrowings

The following table is a summary of the Company's borrowings as of December 31:

In millions	2017	2016
Short-term debt		
Commercial paper	$ 1,276	$ 1,874
Long-term debt		
1.9% senior notes due 2018	2,250	2,250
2.25% senior notes due 2018	1,250	1,250
2.25% senior notes due 2019	850	850
2.8% senior notes due 2020	2,750	2,750
2.125% senior notes due 2021	1,750	1,750
4.125% senior notes due 2021	550	550
2.75% senior notes due 2022	1,250	1,250
3.5% senior notes due 2022	1,500	1,500
4.75% senior notes due 2022	399	399
4% senior notes due 2023	1,250	1,250
3.375% senior notes due 2024	650	650
5% senior notes due 2024	299	299
3.875% senior notes due 2025	2,828	2,828
2.875% senior notes due 2026	1,750	1,750
6.25% senior notes due 2027	372	372
3.25% senior exchange debentures due 2035	1	1
4.875% senior notes due 2035	652	652
6.125% senior notes due 2039	447	447
5.75% senior notes due 2041	133	133
5.3% senior notes due 2043	750	750
5.125% senior notes due 2045	3,500	3,500
Capital lease obligations	670	648
Other	43	23
Total debt principal	27,170	27,726
Debt premiums	28	33
Debt discounts and deferred financing costs	(196)	(228)
	27,002	27,531
Less:		
Short-term debt (commercial paper)	(1,276)	(1,874)
Current portion of long-term debt	(3,545)	(42)
Long-term debt	$22,181	$25,615

Schedule of Maturities of Long-term Debt

The following is a summary of the Company's required principal debt repayments due during each of the next five years and thereafter, as of December 31, 2017:

In millions	
2018	$ 4,821
2019	873
2020	2,775
2021	2,327
2022	3,178
Thereafter	13,196
Total	$27,170

Leases (Tables)

12 Months Ended
Dec. 31, 2017

Leases

Summary of net rental expense for operating leases

The following table is a summary of the Company's net rental expense for operating leases for the years ended December 31:

In millions	2017	2016	2015
Minimum rentals	$2,455	$2,418	$2,317
Contingent rentals	29	35	34
	2,484	2,453	2,351
Less: sublease income	(24)	(24)	(22)
	$2,460	$2,429	$2,329

Summary of future minimum lease payments under capital and operating leases

The following table is a summary of the future minimum lease payments under capital and operating leases as of December 31, 2017:

In millions	Capital Leases	Operating Leases[1]
2018	$ 74	$ 2,493
2019	74	2,361
2020	74	2,201
2021	73	2,072
2022	73	1,934
Thereafter	974	16,090
Total future lease payments [2]	1,342	$ 27,151
Less: imputed interest	(672)	
Present value of capital lease obligations	$ 670	

(1) Future operating lease payments have not been reduced by minimum sublease rentals of $171 million due in the future under noncancelable subleases.

(2) The Company leases pharmacy and clinic space from Target. Amounts related to such capital and operating leases are reflected above. Amounts due in excess of the remaining estimated economic life of the buildings of approximately $1.9 billion are not reflected herein since the estimated economic life of the buildings is shorter than the contractual term of the lease arrangement.

Pension Plans and Other Postretirement Benefits (Tables)

12 Months Ended

Dec. 31, 2017

Pension Plans and Other Postretirement Benefits

Schedule of Changes in Projected Benefit Obligation

The following tables outline the change in benefit obligations and plan assets over the comparable periods:

In millions	2017	2016
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 844	$ 844
Interest cost	20	27
Actuarial loss (gain)	(31)	13
Benefit payments	(35)	(37)
Settlements	(667)	(3)
Benefit obligation at end of year	$ 131	$ 844

Schedule of Changes in Fair Value of Plan Assets

In millions	2017	2016
Change in plan assets:		
Fair value of plan assets at the beginning of the year	$ 624	$ 613
Actual return on plan assets	32	26
Employer contributions	46	25
Benefit payments	(35)	(37)
Settlements	(667)	(3)
Fair value of plan assets at the end of the year	—	624
Funded status	$ (131)	$ (220)

Schedule of Net Benefit Costs

The components of net periodic benefit costs for the years ended December 31 are shown below:

In millions	2017	2016	2015
Components of net periodic benefit cost:			
Interest cost	$ 20	$ 27	$ 31
Expected return on plan assets	(20)	(32)	(33)
Amortization of net loss	21	32	21
Settlement losses	187	—	—
Net periodic pension cost	$ 208	$ 27	$ 19

Schedule of Allocation of Plan Assets

The following tables show the fair value allocation of plan assets by asset category as of December 31, 2016.

	Fair value of plan assets at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 8	$ —	$ —	$ 8
Fixed income funds	3	580	—	583
Equity mutual funds	33	—	—	33
Total assets at fair value	$ 44	$ 580	$ —	$ 624

Schedule of Expected Benefit Payments

The Company estimates the following future benefit payments which are calculated using the same actuarial assumptions used to measure the benefit obligation as of December 31, 2017:

In millions	
2018	$ 21
2019	14
2020	12
2021	23
2022	8
Thereafter	31

Stock Incentive Plans (Tables)

12 Months Ended Dec. 31, 2017

Stock Incentive Plans

Schedule of share-based compensation, activity

The following table is a summary of stock-based compensation for each of the respective periods:

In millions	2017	2016	2015
Stock options [1]	$ 65	$ 79	$ 90
Restricted stock awards [2]	169	143	140
Total stock-based compensation	$ 234	$ 222	$ 230

(1) Includes the Employee Stock Purchase Plan (the "ESPP")
(2) Stock-based compensation for the year ended December 31, 2015 includes $38 million associated with accelerated vesting of restricted stock replacement awards issued to Omnicare executives who were terminated subsequent to the acquisition.

Summary of the assumptions used to value the ESPP awards

The following table is a summary of the assumptions used to value the ESPP awards for each of the respective periods:

	2017	2016	2015
Dividend yield [1]	1.24 %	0.88 %	0.71 %
Expected volatility [2]	22.70 %	20.64 %	13.92 %
Risk-free interest rate [3]	0.86 %	0.45 %	0.11 %
Expected life *(in years)* [4]	0.5	0.5	0.5
Weighted-average grant date fair value	$13.01	$14.98	$18.72

(1) The dividend yield is calculated based on semi-annual dividends paid and the fair market value of the Company's stock at the grant date.
(2) The expected volatility is based on the historical volatility of the Company's daily stock market prices over the previous six month period.
(3) The risk-free interest rate is based on the Treasury constant maturity interest rate whose term is consistent with the expected term of ESPP options (i.e., six months).
(4) The expected life is based on the semi-annual purchase period.

Summary of the restricted stock unit and restricted share award activity

The following table is a summary of the restricted stock unit and restricted share award activity for the year ended December 31, 2017.

Units in thousands	Units	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	4,876	$ 55.56
Granted	2,873	$ 78.35
Vested	(2,340)	$ 78.92
Forfeited	(395)	$ 89.21
Nonvested at end of year	5,014	$ 86.92

Black-Scholes option pricing model, assumptions

The fair value of each stock option is estimated using the Black-Scholes option pricing model based on the following assumptions at the time of grant:

	2017	2016	2015
Dividend yield [1]	2.56 %	1.62 %	1.37 %
Expected volatility [2]	18.39 %	17.22 %	18.07 %
Risk-free interest rate [3]	1.77 %	1.24 %	1.24 %
Expected life *(in years)* [4]	4.1	4.2	4.2
Weighted-average grant date fair value	$ 9.43	$13.00	$14.01

(1) The dividend yield is based on annual dividends paid and the fair market value of the Company's stock at the grant date.
(2) The expected volatility is estimated using the Company's historical volatility over a period equal to the expected life of each option grant after adjustments for infrequent events such as stock splits.
(3) The risk-free interest rate is selected based on yields from U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the options being valued.
(4) The expected life represents the number of years the options are expected to be outstanding from grant date based on historical option holder exercise experience.

Summary of the Company's stock option activity

The following table is a summary of the Company's stock option activity for the year ended December 31, 2017:

	Weighted

Shares in thousands	Shares	Weighted Average Exercise Price	Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2016	23,275	$ 68.60		
Granted	3,513	$ 78.05		
Exercised	(4,814)	$ 43.07		
Forfeited	(889)	$ 94.25		
Expired	(555)	$ 60.00		
Outstanding at December 31, 2017	20,530	$ 75.32	3.62	$180,318,054
Exercisable at December 31, 2017	11,365	$ 61.37	2.30	$179,628,690
Vested at December 31, 2017 and expected to vest in the future	20,114	$ 75.00	3.57	$180,299,134

Income Taxes (Tables)

12 Months Ended
Dec. 31, 2017

Income Taxes

Schedule of income tax provision for continuing operations

The income tax provision for continuing operations consisted of the following for the years ended December 31:

In millions	2017	2016	2015
Current:			
Federal	$ 2,594	$ 2,803	$ 3,065
State	464	511	555
	3,058	3,314	3,620
Deferred:			
Federal	(1,435)	5	(180)
State	14	(2)	(54)
	(1,421)	3	(234)
Total	$ 1,637	$ 3,317	$ 3,386

Reconciliation of the statutory income tax rate to the Company's effective income tax rate for continuing operations

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the "TCJA"). Among numerous changes to existing tax laws, the TCJA permanently reduces the federal corporate income tax rate from 35% to 21% effective on January 1, 2018. The effects on deferred tax balances of changes in tax rates are required to be taken into consideration in the period in which the changes are enacted, regardless of when they are effective. As the result of the reduction of the corporate income tax rate under the TCJA, the Company estimated the revaluation of its net deferred tax liabilities and recorded a provisional income tax benefit of approximately $1.5 billion for year ended December 31, 2017. The Company has not completed all of its processes to determine the TCJA's final impact. The final impact may differ from this provisional amount due to, among other things, changes in interpretations and assumptions the Company has made thus far and the issuance of additional regulatory or other guidance. The accounting is expected to be completed by the time the 2017 federal corporate income tax return is filed in 2018.

The following table is a reconciliation of the statutory income tax rate to the Company's effective income tax rate for continuing operations for the years ended December 31:

	2017	2016	2015
Statutory income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	4.1	4.1	4.0
Provisional effect of the Tax Cuts and Jobs Act	(18.3)	—	—
Other	(1.0)	(0.7)	0.3
Effective income tax rate	19.8 %	38.4 %	39.3 %

Summary of the significant components of the Company's deferred tax assets and liabilities

The following table is a summary of the components of the Company's deferred income tax assets and liabilities as of December 31:

In millions	2017	2016
Deferred income tax assets:		
Lease and rents	$ 291	$ 375
Inventory	31	57
Employee benefits	246	400
Allowance for doubtful accounts	187	301
Retirement benefits	40	65
Net operating loss and capital loss carryforwards	101	125
Deferred income	93	144
Other	18	336
Valuation allowance	(77)	(135)
Total deferred income tax assets	930	1,668
Deferred income tax liabilities:		
Depreciation and amortization	(3,926)	(5,882)
Total deferred income tax liabilities	(3,926)	(5,882)
Net deferred income tax liabilities	$(2,996)	$(4,214)

Reconciliation of the beginning and ending amount of unrecognized tax benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

In millions	2017	2016	2015
Beginning balance	$ 307	$ 338	$ 188
Additions based on tax positions related to the current year	62	68	57
Additions based on tax positions related to prior years	32	70	122
Reductions for tax positions of prior years	(28)	(100)	(11)
Expiration of statutes of limitation	(10)	(22)	(13)

Settlements	(19)	(47)	(5)
Ending balance	$ 344	$ 307	$ 338

Segment Reporting (Tables)

Segment Reporting

Reconciliation of the Company's business segments to the consolidated financial statements

12 Months Ended
Dec. 31, 2017

The following table is a reconciliation of the Company's business segments to the consolidated financial statements:

In millions	Pharmacy Services Segment[1][2]	Retail/LTC Segment[2]	Corporate Segment	Intersegment Eliminations[2]	Consolidated Totals
2017:					
Net revenues	$ 130,596	$ 79,398	$ —	$ (25,229)	$ 184,765
Gross profit [3]	6,040	23,317	—	(812)	28,545
Operating profit (loss) [4][5]	4,755	6,469	(966)	(741)	9,517
Depreciation and amortization	712	1,651	117	—	2,480
Additions to property and equipment	311	1,398	340	—	2,049
2016:					
Net revenues	119,963	81,100	—	(23,537)	$ 177,526
Gross profit [3]	5,901	23,738	—	(782)	28,857
Operating profit (loss) [4][5][6][7]	4,676	7,302	(891)	(721)	10,366
Depreciation and amortization	714	1,642	119	—	2,475
Additions to property and equipment	295	1,732	252	—	2,279
2015:					
Net revenues	100,363	72,007	—	(19,080)	$ 153,290
Gross profit	5,227	21,992	—	(691)	26,528
Operating profit (loss) [4][5][7]	3,992	7,146	(1,035)	(628)	9,475
Depreciation and amortization	654	1,336	102	—	2,092
Additions to property and equipment	359	1,883	125	—	2,367

(1) Net revenues of the Pharmacy Services Segment include approximately $10.8 billion, $10.5 billion and $8.9 billion of Retail Co-Payments for 2017, 2016 and 2015, respectively. See Note 1 "Significant Accounting Policies" to the consolidated financial statements for additional information about Retail Co-Payments.

(2) Intersegment eliminations relate to intersegment revenue generating activities that occur between the Pharmacy Services Segment and the Retail/LTC Segment. These occur in the following ways: when members of Pharmacy Services Segment clients ("members") fill prescriptions at the Company's retail pharmacies to purchase covered products, when members enrolled in programs such as Maintenance Choice® elect to pick up maintenance prescriptions at one of the Company's retail pharmacies instead of receiving them through the mail, or when members have prescriptions filled at the Company's long-term care pharmacies. When these occur, both the Pharmacy Services and Retail/LTC segments record the revenues, gross profit and operating profit on a standalone basis.

(3) The Retail/LTC Segment gross profit for the years ended December 31, 2017 and 2016 includes $2 million and $46 million, respectively of acquisition-related integration costs. The integration costs in 2017 are related to the acquisition of Omnicare and the integration costs in 2016 are related to the acquisitions of Omnicare and the pharmacies and clinics of Target.

(4) The Retail/LTC Segment operating profit for the year ended December 31, 2017 includes $215 million of charges associated with store closures and $181 million of goodwill impairment charges related to its RxCrossroads reporting unit. The Retail/LTC Segment operating profit for the year ended December 31, 2016 includes a $34 million asset impairment charge in connection with planned store closures in 2017 related to the Company's enterprise streamlining initiative. The Retail/LTC Segment operating profit for the years ended December 31, 2017, 2016 and 2015, include $34 million, $281 million and $64 million, respectively, of acquisition-related integration costs. The integration costs in 2017 are related to the acquisition of Omnicare and the integration costs in 2016 are related to the acquisitions of Omnicare and the pharmacies and clinics of Target.

(5) The Corporate Segment operating loss for the year ended December 31, 2017 includes a $3 million reduction in integration costs for a change in estimate related to the acquisition of Omnicare. In addition, the Corporate Segment operating loss for the year ended December 31, 2017 includes $34 million in acquisition-related transaction costs related to the proposed Aetna acquisition and $9 million of transaction costs related to the divestiture of RxCrossroads. For the year ended December 31, 2016, the Corporate Segment operating loss includes $10 million of integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target. For the year ended December 31, 2015, the Corporate Segment operating loss includes $156 million of acquisition-related transaction and integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target. The Corporate Segment operating loss for 2015 also includes a $90 million charge related to a legacy lawsuit challenging the 1999 legal settlement by MedPartners of various securities class actions and a related derivative claim.

(6) The Pharmacy Services Segment operating profit for the year ended December 31, 2016 includes the reversal of an accrual of $88 million in connection with a legal settlement.

Amounts revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased consolidated operating profit by $28 and $21 million for the years ended December 31, 2016 and 2015, respectively

Earnings Per Share (Tables)

12 Months Ended
Dec. 31, 2017

Earnings Per Share

Reconciliation of basic and diluted earnings per common share

The following is a reconciliation of basic and diluted earnings per share from continuing operations for the years ended December 31:

In millions, except per share amounts	2017	2016	2015
Numerator for earnings per share calculation:			
Income from continuing operations	$ 6,631	$ 5,320	$ 5,230
Income allocated to participating securities	(24)	(27)	(26)
Net income attributable to noncontrolling interest	(1)	(2)	(2)
Income from continuing operations attributable to CVS Health	$ 6,606	$ 5,291	$ 5,202
Denominator for earnings per share calculation:			
Weighted average shares, basic	1,020	1,073	1,118
Effect of dilutive securities	4	6	8
Weighted average shares, diluted	1,024	1,079	1,126
Earnings per share from continuing operations:			
Basic	$ 6.48	$ 4.93	$ 4.65
Diluted	$ 6.45	$ 4.91	$ 4.62

Quarterly Financial Information (Unaudited) (Tables)

Quarterly Financial Information (Unaudited)

Quarterly Financial Information (Unaudited)

12 Months Ended

Dec. 31, 2017

In millions, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2017:					
Net revenues	$ 44,514	$ 45,685	$ 46,181	$ 48,385	$184,765
Gross profit	6,580	6,935	7,126	7,904	28,545
Operating profit	1,793	2,117	2,499	3,108	9,517
Income from continuing operations	962	1,097	1,285	3,287	6,631
Income (loss) from discontinued operations, net of tax	(9)	1	—	—	(8)
Net income attributable to CVS Health	952	1,098	1,285	3,287	6,622
Basic earnings per share:					
Income from continuing operations attributable to CVS Health	$ 0.93	$ 1.07	$ 1.26	$ 3.23	$ 6.48
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ —	$ —	$ (0.01)
Net income attributable to CVS Health	$ 0.92	$ 1.07	$ 1.26	$ 3.23	$ 6.47
Diluted earnings per share:					
Income from continuing operations attributable to CVS Health	$ 0.92	$ 1.07	$ 1.26	$ 3.22	$ 6.45
Income (loss) from discontinued operations attributable to CVS Health	$ (0.01)	$ —	$ —	$ —	$ (0.01)
Net income attributable to CVS Health	$ 0.92	$ 1.07	$ 1.26	$ 3.22	$ 6.44
Dividends per share	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 2.00
Stock price: (New York Stock Exchange)					
High	$ 83.92	$ 82.79	$ 83.31	$ 80.91	$ 83.92
Low	$ 74.80	$ 75.95	$ 75.35	$ 66.80	$ 66.80

In millions, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2016:					
Net revenues	$ 43,215	$ 43,725	$ 44,615	$ 45,971	$177,526
Gross profit	6,744	7,015	7,492	7,606	28,857
Operating profit	2,185	2,357	2,824	3,000	10,366
Income from continuing operations	1,147	924	1,542	1,707	5,320
Loss from discontinued operations, net of tax	—	—	(1)	—	(1)
Net income attributable to CVS Health	1,146	924	1,540	1,707	5,317
Basic earnings per share:					
Income from continuing operations attributable to CVS Health	$ 1.04	$ 0.86	$ 1.44	$ 1.60	$ 4.93
Income (loss) from discontinued operations attributable to CVS Health	$ —	$ —	$ —	$ —	$ —
Net income attributable to CVS Health	$ 1.04	$ 0.86	$ 1.44	$ 1.60	$ 4.93
Diluted earnings per share:					
Income from continuing operations attributable to CVS Health	$ 1.04	$ 0.86	$ 1.43	$ 1.59	$ 4.91
Income (loss) from discontinued operations attributable to CVS Health	$ —	$ —	$ —	$ —	$ —
Net income attributable to CVS Health	$ 1.04	$ 0.86	$ 1.43	$ 1.59	$ 4.90
Dividends per share	$ 0.425	$ 0.425	$ 0.425	$ 0.425	$ 1.70
Stock price: (New York Stock Exchange)					
High	$ 104.05	$ 106.10	$ 98.06	$ 88.80	$ 106.10
Low	$ 89.65	$ 93.21	$ 88.99	$ 73.53	$ 73.53

Significant Accounting Policies - Description of Business (Details)	12 Months Ended		
	Dec. 16, 2015 state clinic pharmacy	Dec. 31, 2017 segment state clinic pharmacy store item	Dec. 31, 2015 item
Segment reporting information			
Number of reportable segments | segment		3	
Pharmacy Services Segment			
Segment reporting information			
Number of pharmacies (more than 68,000)		68,000	
Number of chain pharmacies		41,000	
Number of independent pharmacies		27,000	
Number of conditions for integrated disease management | item		18	
Centers of excellence for infusion and enteral services | item		3	
Number of states pharmacies operated | state		42	
Pharmacy Services Segment | Specialty stores			
Segment reporting information			
Number of pharmacies (more than 68,000)		23	
Pharmacy Services Segment | Specialty mail order			
Segment reporting information			
Number of pharmacies (more than 68,000)		18	
Pharmacy Services Segment | Mail service			
Segment reporting information			
Number of pharmacies (more than 68,000)		4	
Pharmacy Services Segment | Infusion and Enteral Branches			
Segment reporting information			
Number of infusion and enteral branches | item		83	
Pharmacy Services Segment | Ambulatory Infusion Suites			
Segment reporting information			
Number of infusion and enteral branches | item		73	
Retail/LTC Segment			
Segment reporting information			
Number of states pharmacies operated | state		49	
Number of large business acquisitions | item			2
Number of drugstores | store		9,803	
Number of on-site pharmacies		37	
Number of LTC spoke pharmacies | store		145	
Number of LTC hub pharmacies | store		30	
Retail/LTC Segment | MinuteClinic			
Segment reporting information			
Number of drugstores | clinic		1,134	
Retail/LTC Segment | Minute Clinic Within C V S Pharmacy Stores			
Segment reporting information			

Number of drugstores | clinic		1,129
Retail/LTC Segment | Pharmacy		
Segment reporting information		
Number of drugstores | store		8,060
Target Pharmacy Acquisition		
Segment reporting information		
Number of states pharmacies operated | state	47	
Number of pharmacies acquired	1,672	
Number of clinics acquired | clinic	79	
Target Pharmacy Acquisition | Retail/LTC Segment		
Segment reporting information		
Number of pharmacies acquired	1,672	1,695
Number of clinics acquired | clinic	79	

Significant Accounting Policies - Fair Value of Financial Instruments (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Significant Accounting Policies		
Restricted cash for insurance captive	$ 190	$ 149
Restricted cash in connection with certain acquisitions	14	
Carrying amount of long-term debt	25,700	
Estimated fair value of long-term debt	$ 26,800	

Significant Accounting Policies - Derivative Financial Instruments (Details) - Cash Flow Hedges - Designated as Hedging - USD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Derivative Financial Instruments		
Notional amount	$ 4,750	$ 0
Ineffective amount	0	
Other Current Assets		
Derivative Financial Instruments		
Derivative asset fair value	5	
Accrued Liabilities		
Derivative Financial Instruments		
Derivative liability fair value	$ 23	

Significant Accounting Policies - Accounts Receivable (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Allowance for Doubtful Accounts Receivable			
Beginning balance	$ 286	$ 161	$ 256
Additions charged to bad debt expense	177	221	216
Write-offs charged to allowance	(156)	(96)	(311)
Ending balance	$ 307	$ 286	$ 161

Significant Accounting Policies - Property and Equipment (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Property, Plant and Equipment			
Property and equipment, gross	$ 24,290	$ 22,802	
Accumulated depreciation and amortization	(13,998)	(12,627)	
Property and equipment, net	10,292	10,175	
Property and equipment under capital leases	588	547	
Capital leases, accumulated depreciation	140	119	
Depreciation expense	1,700	1,700	$ 1,500
Land			
Property, Plant and Equipment			
Property and equipment, gross	1,707	1,734	
Furniture and Fixtures			
Property, Plant and Equipment			
Property and equipment, gross	11,963	10,956	
Leasehold Improvements			
Property, Plant and Equipment			
Property and equipment, gross	4,793	4,494	
Building and Building Improvements			
Property, Plant and Equipment			
Property and equipment, gross	3,343	3,226	
Software			
Property, Plant and Equipment			
Property and equipment, gross	$ 2,484	$ 2,392	
Minimum | Building			
Property, Plant and Equipment			
Estimated useful life (in years)	10 years		
Minimum | Building Improvements			
Property, Plant and Equipment			
Estimated useful life (in years)	10 years		
Minimum | Furniture and Fixtures			
Property, Plant and Equipment			
Estimated useful life (in years)	3 years		
Minimum | Leasehold Improvements			
Property, Plant and Equipment			
Estimated useful life (in years)	10 years		
Minimum | Equipment			
Property, Plant and Equipment			
Estimated useful life (in years)	3 years		
Minimum | Software and Software Development Costs			
Property, Plant and Equipment			
Estimated useful life (in years)	3 years		
Maximum | Building			

Property, Plant and Equipment	
Estimated useful life (in years)	40 years
Maximum | Building Improvements	
Property, Plant and Equipment	
Estimated useful life (in years)	40 years
Maximum | Furniture and Fixtures	
Property, Plant and Equipment	
Estimated useful life (in years)	10 years
Maximum | Leasehold Improvements	
Property, Plant and Equipment	
Estimated useful life (in years)	40 years
Maximum | Equipment	
Property, Plant and Equipment	
Estimated useful life (in years)	10 years
Maximum | Software and Software Development Costs	
Property, Plant and Equipment	
Estimated useful life (in years)	10 years

Significant Accounting Policies - Intangible Assets (Details)	12 Months Ended Dec. 31, 2017
Purchased Customer Contracts and Relationships | Minimum	
Finite-Lived Intangible Assets	
Finite-Lived intangible asset, useful life (in years)	9 years
Purchased Customer Contracts and Relationships | Maximum	
Finite-Lived Intangible Assets	
Finite-Lived intangible asset, useful life (in years)	20 years
Customer Lists	
Finite-Lived Intangible Assets	
Finite-Lived intangible asset, useful life (in years)	10 years

Significant Accounting Policies - Redeemable Noncontrolling Interest and Revenue Recognition (Details) $ in Millions	12 Months Ended				
	Dec. 31, 2017 USD ($) item	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)	Aug. 31, 2015	Aug. 18, 2015
Redeemable Noncontrolling Interest					
Number of components | item	2				
Redeemable Noncontrolling Interest Rollforward					
Beginning balance	$ 4				
Ending balance	$ 4	$ 4			
Omnicare, Inc.					
Redeemable Noncontrolling Interest					
Percentage of voting interests acquired				73.00%	100.00%
Redeemable Noncontrolling Interest Rollforward					
Beginning balance		39			
Acquisition of noncontrolling interest			$ 39		
Net income attributable to noncontrolling interest		1	1		
Distributions		(2)	(1)		
Purchase of noncontrolling interest		(39)			
Reclassification to capital surplus in connection with purchase of noncontrolling interest		$ 1			
Ending balance			$ 39		

Significant Accounting Policies - Facility Opening, Advertising Costs, Interest Expense, and Shares Held in Trust (Details) - USD ($) shares in Millions, $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Significant Accounting Policies			
Billing duration (in days)	30 days		
Long-term portion of lease obligations associated with facility closings	$ 306	$ 181	
Advertising costs, net of vendor funding	230	216	$ 221
Interest expense, net of capitalized interest	1,062	1,078	859
Interest income	(21)	(20)	(21)
Interest expense), net	1,041	1,058	838
Capitalized interest	$ 8	$ 13	$ 12
Shares held in employee trust (in shares)	1	1	

Significant Accounting Policies - Accumulated Other Comprehensive Income (Details) - USD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
AOCI Attributable to Parent Rollforward		
Stockholders' equity attributable to parent, beginning balance	$ 36,830	
Stockholders' equity attributable to parent, ending balance	37,691	$ 36,830
AOCI related to pension and postretirement plans, pre-tax	34	284
AOCI related to pension and postretirement plans, after-tax	21	173
Net impact on cash flow hedges, pre-tax	24	9
Net impact on cash flow hedges, after-tax	15	5
Foreign currency translation adjustment, net of tax	129	127
Foreign Currency		
AOCI Attributable to Parent Rollforward		
Stockholders' equity attributable to parent, beginning balance	(127)	(165)
Other comprehensive income before reclassifications	(2)	38
Net other comprehensive income	(2)	38
Stockholders' equity attributable to parent, ending balance	(129)	(127)
Losses on Cash Flow Hedges		
AOCI Attributable to Parent Rollforward		
Stockholders' equity attributable to parent, beginning balance	(5)	(7)
Other comprehensive income before reclassifications	(11)	
Amounts reclassified from accumulated other comprehensive income	1	2
Net other comprehensive income	(10)	2
Stockholders' equity attributable to parent, ending balance	(15)	(5)
Pension and Other Postretirement Benefits		
AOCI Attributable to Parent Rollforward		
Stockholders' equity attributable to parent, beginning balance	(173)	(186)
Amounts reclassified from accumulated other comprehensive income	152	13
Net other comprehensive income	152	13
Stockholders' equity attributable to parent, ending balance	(21)	(173)
Accumulated Other Comprehensive Income (Loss)		
AOCI Attributable to Parent Rollforward		
Stockholders' equity attributable to parent, beginning balance	(305)	(358)
Other comprehensive income before reclassifications	(13)	38
Amounts reclassified from accumulated other comprehensive income	153	15
Net other comprehensive income	140	53
Stockholders' equity attributable to parent, ending balance	$ (165)	$ (305)

Significant Accounting Policies - Stock-based Compensation (Details)	12 Months Ended
	Dec. 31, 2017
Minimum	
Compensation	
Requisite service period of the stock award (in years)	3 years
Maximum	
Compensation	
Requisite service period of the stock award (in years)	5 years

Significant Accounting Policies - Variable Interest Entity (Details) - Variable Interest Entity, Primary Beneficiary - Terms Of Generic Sourcing Venture $ in Millions	1 Months Ended	12 Months Ended			
	Jul. 31, 2014	Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)	Oct. 31, 2014 payment
Variable Interest Entity					
Ownership percentage by noncontrolling owners		50.00%			
Ownership percentage by parent		50.00%			
Initial contractual term (in years)	10 years				
Number of quarterly payments due (in quarterly payments) | payment					39
Increase in contractual obligation payment received | $		$ 183	$ 163	$ 122	

Significant Accounting Policies - Related Party Transactions (Details) $ in Millions	12 Months Ended		
	Dec. 31, 2017 USD ($) state	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)
Related Party Transaction			
Expenses from transactions with related party	$ 35	$ 39	$ 50
Charitable contribution to the CVS foundation		32	
Equity Method Investee			
Related Party Transaction			
Other revenues from transactions with related party	$ 139	$ 140	$ 25
Heartland Healthcare Services			
Related Party Transaction			
Number of states in which entity operates | state	4		

Significant Accounting Policies - Income Taxes (Details) - USD ($) $ in Millions	12 Months Ended			
	Jan. 01, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Significant Accounting Policies				
Statutory income tax rate	21.00%	35.00%	35.00%	35.00%
Total deferred income tax provision		$ (1,421)	$ 3	$ (234)

Significant Accounting Policies - Discontinued Operations and Earnings per Common Share (Details) - USD ($) shares in Millions, $ in Millions	3 Months Ended			12 Months Ended		
	Jun. 30, 2017	Mar. 31, 2017	Sep. 30, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Significant Accounting Policies						
Income (loss) from discontinued operations				$ (13)	$ (2)	$ 15
Income tax expense				5	1	(6)
Income (loss) from discontinued operations, net of tax	$ 1	$ (9)	$ (1)	$ (8)	$ (1)	$ 9
Antidilutive securities excluded from computation of earnings per share (in shares)				10.4	6.7	2.7

Significant Accounting Policies - New Accounting Pronouncements (Details) $ in Millions	3 Months Ended								12 Months Ended			
	Dec. 31, 2017 USD ($)	Sep. 30, 2017 USD ($)	Jun. 30, 2017 USD ($)	Mar. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)	Sep. 30, 2016 USD ($)	Jun. 30, 2016 USD ($)	Mar. 31, 2016 USD ($)	Dec. 31, 2017 USD ($) item	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)	Jan. 01, 2018 USD ($)
New Accounting Pronouncements or Change in Accounting Principle												
Income tax provision									$ 1,637	$ 3,317	$ 3,386	
Consolidated Statements of Cash Flows												
Cash paid to other suppliers and employees									(15,348)	(15,478)	(14,035)	
Net cash provided by operating activities									8,007	10,141	8,539	
Net cash used in financing activities									(6,751)	(6,761)	4,879	
Reconciliation of net income to net cash provided by operating activities:												
Accrued expenses									(371)	131	892	
Consolidated Statements of Income												
Operating expenses									19,028	18,491	17,053	
Operating profit	$ 3,108	$ 2,499	$ 2,117	$ 1,793	$ 3,000	$ 2,824	$ 2,357	$ 2,185	9,517	10,366	9,475	
Other expense									208	28	21	
ASU 2016-09 | Previously Reported												
New Accounting Pronouncements or Change in Accounting Principle												
Income tax provision									$ (53)			
Consolidated Statements of Cash Flows												
Cash paid to other suppliers and employees										(15,550)	(14,162)	
Net cash provided by operating activities										10,069	8,412	
Excess tax benefits from stock-based compensation										72	127	
Net cash used in financing activities										(6,689)	5,006	
Reconciliation of net income to net cash provided by operating activities:												
Accrued expenses										59	765	
ASU 2016-09 | Adjustment												
Consolidated Statements of Cash Flows												

Cash paid to other suppliers and employees	72	127	
Net cash provided by operating activities	72	127	
Excess tax benefits from stock-based compensation	(72)	(127)	
Net cash used in financing activities	(72)	(127)	
Reconciliation of net income to net cash provided by operating activities:			
Accrued expenses	72	127	
ASU 2017-07 | Previously Reported			
Consolidated Statements of Income			
Operating expenses	18,519	17,074	
Operating profit	10,338	9,454	
ASU 2017-07 | Adjustment			
Consolidated Statements of Income			
Operating expenses	(28)	(21)	
Operating profit	28	21	
Other expense	$ 28	$ 21	
ASU 2014-09			
Consolidated Statements of Income			
Retained earnings adjustment			$ 13
ASU 2014-09 | Retail/LTC Segment			
Consolidated Statements of Income			
Number of differences related to revenue accounting for ExtraBucks Rewards customer loyalty program | item	1		

Acquisitions - Aetna Acquisition (Details) $ / shares in Units, $ in Millions	Dec. 03, 2017 USD ($) $ / shares shares	12 Months Ended Dec. 31, 2017 USD ($) state
Retail/LTC Segment		
Business Acquisition		
Number of states pharmacies operated | state		49
Aetna Acquisition		
Business Acquisition		
Cash consideration for shares acquired (dollars per share) | $ / shares	$ 145.00	
Shares exchanged for each share acquired (in shares) | shares	0.8378	
The assigned value per share of acquiree (dollars per share) | $ / shares	$ 207	
Assigned value of acquiree	$ 69,000	
Weighted average share price analysis	5 days	
Consideration transferred	$ 77,000	
Potential termination fees	$ 2,100	
Acquisition related costs		$ 34
Aetna | Aetna Acquisition		
Business Acquisition		
Share price (dollars per share) | $ / shares	$ 74.21	

Acquisitions - Wellpartner Acquisition (Details) $ in Millions	Nov. 30, 2017 USD ($) pharmacy	Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)
Assets Acquired:				
Goodwill		$ 38,451	$ 38,249	$ 38,106
Wellpartner Acquisition				
Business Acquisition				
Consideration transferred	$ 380			
Number of pharmacies acquired | pharmacy	2			
Assets Acquired:				
Assets	$ 532			
Intangible assets	233			
Goodwill	182			
Liabilities	$ 152			
Oregon | Wellpartner Acquisition				
Business Acquisition				
Number of pharmacies acquired | pharmacy	1			

Acquisitions - Target Pharmacy Acquisition (Details)	Dec. 16, 2015 USD ($) state clinic pharmacy	12 Months Ended Dec. 31, 2015 USD ($)	Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)
Assets Acquired:				
Goodwill		$ 38,106,000,000	$ 38,451,000,000	$ 38,249,000,000
Target Pharmacy Acquisition				
Business Acquisition				
Consideration transferred	$ 1,900,000,000			
Contingent consideration, liability	$ 60,000,000		$ 0	$ 0
Contingent consideration, liability term (in years)	3 years			
Number of pharmacies acquired | pharmacy	1,672			
Number of states pharmacies operated | state	47			
Number of clinics acquired | clinic	79			
Assets Acquired:				
Accounts receivable	$ 2,000,000			
Inventories	467,000,000			
Property and equipment	9,000,000			
Intangible assets	490,000,000			
Goodwill	900,000,000			
Total consideration	$ 1,868,000,000			
Acquisition related costs		$ 26,000,000		
Target Pharmacy Acquisition | Customer Relationships				
Assets Acquired:				
Finite-Lived intangible asset, useful life (in years)	13 years			

Acquisitions - Omnicare Acquisition (Details) - USD ($) $ / shares in Units, $ in Millions	Aug. 18, 2015	3 Months Ended								4 Months Ended	12 Months Ended			
		Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Aug. 31, 2015
Fair Values of Assets Acquired and Liabilities Assumed:														
Goodwill		$ 38,451				$ 38,249				$ 38,106	$ 38,451	$ 38,249	$ 38,106	
Goodwill											385	126		
Net revenues		48,385	$ 46,181	$ 45,685	$ 44,514	45,971	$ 44,615	$ 43,725	$ 43,215		184,765	177,526	153,290	
Net income											6,623	5,319	5,239	
Retail/LTC Segment														
Fair Values of Assets Acquired and Liabilities Assumed:														
Goodwill		16,632				16,612				16,421	16,632	16,612	16,421	
Goodwill											203	126		
Pharmacy Services Segment														
Fair Values of Assets Acquired and Liabilities Assumed:														
Goodwill		$ 21,819				$ 21,637				21,685	21,819	$ 21,637	21,685	
Goodwill											$ 182			
Omnicare, Inc.														
Business Acquisition														
Percentage of voting interests acquired	100.00%													73.00%
Business acquisition, share price (in dollars per share)	$ 98													
Consideration transferred	$ 9,600													
Consideration transferred, liabilities incurred	3,100													
Fair Values of Assets Acquired and Liabilities Assumed:														
Current assets (including cash of $298)	1,657													
Cash	298													
Property and equipment	313													
Goodwill	9,139													
Intangible assets	3,962													
Other noncurrent assets	63													
Current liabilities	(773)													
Long-term debt	(3,110)													
Deferred income tax liabilities	(1,498)													
Other noncurrent liabilities	(69)													
Redeemable noncontrolling interest	(39)													
Total consideration	9,645													
Goodwill, expected tax deductible	$ 400													

Weighted average useful life (in years)	18 years 9 months 18 days		
Acquisition related costs			70
Net revenues		2,600	
Net income		$ 61	
Business Acquisition, Pro Forma Information:			
Total revenues			156,798
Income from continuing operations			$ 5,277
Basic earnings per share from continuing operations (in dollars per share)			$ 4.70
Diluted earnings per share from continuing operations (in dollars per share)			$ 4.66
Restructuring costs			$ 135
Omnicare, Inc. | Retail/LTC Segment			
Fair Values of Assets Acquired and Liabilities Assumed:			
Goodwill	$ 8,700		
Omnicare, Inc. | Pharmacy Services Segment			
Fair Values of Assets Acquired and Liabilities Assumed:			
Goodwill	400		
Omnicare, Inc. | Customer Relationships			
Fair Values of Assets Acquired and Liabilities Assumed:			
Intangible assets	$ 3,900		
Weighted average useful life (in years)	19 years 1 month 6 days		
Omnicare, Inc. | Trade Names			
Fair Values of Assets Acquired and Liabilities Assumed:			
Intangible assets	$ 74		
Weighted average useful life (in years)	2 years 10 months 24 days		

Goodwill and Other Intangibles - Goodwill and Disposal (Details) - USD ($) $ in Millions	3 Months Ended				12 Months Ended			
	Jan. 01, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Jan. 02, 2018
Goodwill								
Goodwill, impairment loss			$ 0		$ 181			
Cumulative goodwill impairments		$ 181			$ 181			
Statutory income tax rate	21.00%				35.00%	35.00%	35.00%	
Income tax provision					$ 1,637	$ 3,317	$ 3,386	
Goodwill [Roll Forward]								
Goodwill, beginning balance	$ 38,451				38,249	38,106		
Acquisitions					385	126		
Foreign currency translation adjustments					(2)	17		
Impairment			$ 0		(181)			
Goodwill, ending balance		38,451			38,451	38,249	38,106	
Pharmacy Services Segment								
Goodwill [Roll Forward]								
Goodwill, beginning balance	21,819				21,637	21,685		
Acquisitions					182			
Other						(48)		
Goodwill, ending balance		21,819			21,819	21,637	21,685	
Retail/LTC Segment								
Goodwill								
Goodwill, impairment loss					181			
Goodwill [Roll Forward]								
Goodwill, beginning balance	$ 16,632				16,612	16,421		
Acquisitions					203	126		
Foreign currency translation adjustments					(2)	17		
Impairment					(181)			
Other						48		
Goodwill, ending balance		16,632			16,632	$ 16,612	$ 16,421	
Rx Crossroads Member								
Goodwill								
Goodwill, impairment loss		46		$ 135				
Deferred tax liability decrease					47			
Income tax provision					$ 47			
Adjustment to goodwill related to Tax Cuts and Jobs Act		47						
Goodwill [Roll Forward]								
Impairment		$ (46)		$ (135)				
Disposal group								
Consideration								$ 725

Goodwill and Other Intangibles - Intangible Assets (Details) - USD ($)	3 Months Ended	12 Months Ended		
	Sep. 30, 2017	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Intangible assets				
Amortization expense related to finite-lived intangible assets		$ 817,000,000	$ 795,000,000	$ 611,000,000
Anticipated annual amortization expenses				
2018		817,000,000		
2019		771,000,000		
2020		600,000,000		
2021		539,000,000		
2022		494,000,000		
Finite-Lived Intangible Assets				
Intangible assets, accumulated amortization		(6,299,000,000)	(5,495,000,000)	
Intangible assets, gross carrying amount		19,929,000,000	19,006,000,000	
Intangible assets, net carrying amount		$ 13,630,000,000	13,511,000,000	
Weighted Average				
Intangible assets				
Finite-Lived intangible asset, useful life (in years)		15 years 4 months 24 days		
Customer contracts and relationships and covenants not to compete				
Finite-Lived Intangible Assets				
Gross Carrying Amount		$ 12,341,000,000	11,485,000,000	
Intangible assets, accumulated amortization		(5,536,000,000)	(4,802,000,000)	
Net Carrying Amount		$ 6,805,000,000	6,683,000,000	
Customer contracts and relationships and covenants not to compete | Weighted Average				
Intangible assets				
Finite-Lived intangible asset, useful life (in years)		15 years 3 months 18 days		
Favorable leases and other				
Finite-Lived Intangible Assets				
Gross Carrying Amount		$ 1,190,000,000	1,123,000,000	
Intangible assets, accumulated amortization		(763,000,000)	(693,000,000)	
Net Carrying Amount		$ 427,000,000	430,000,000	
Favorable leases and other | Weighted Average				
Intangible assets				
Finite-Lived intangible asset, useful life (in years)		16 years 2 months 12 days		
Trademarks (indefinitely-lived)				
Intangible assets				
Impairment of intangible assets, indefinite-lived	$ 0			
Finite-Lived Intangible Assets				

Indefinite-lived intangible assets	$ 6,398,000,000	$ 6,398,000,000

Share Repurchase Programs (Details) shares in Millions, $ in Millions	Aug. 29, 2016 USD ($) agreement	Jan. 28, 2016 shares	Dec. 11, 2015 USD ($)	May 01, 2015 shares	Jan. 02, 2015 USD ($)	1 Months Ended Apr. 30, 2017 shares	12 Months Ended Dec. 31, 2017 USD ($) shares	Dec. 31, 2016 USD ($) shares	Dec. 31, 2015 USD ($) shares	Jan. 31, 2017 shares	Nov. 02, 2016 USD ($)	Dec. 14, 2015 shares	Jan. 05, 2015 shares	Dec. 15, 2014 USD ($)	Dec. 17, 2013 USD ($)
2016 Repurchase Program															
Share repurchases															
Share repurchase program, authorized amount											$ 15,000.0				
Amount available for repurchases							$ 13,900.0								
2014 Repurchase Program															
Share repurchases															
Share repurchase program, authorized amount														$ 10,000.0	
Repurchase of common stock (in shares) | shares								47.5							
Repurchase of common stock								$ 4,500.0							
2014 Repurchase Program | August 29, 2016															
Share repurchases															
Number of agreements | agreement	2														
Amount under ASR agreement	$ 3,600.0														
ASR, shares received as a percent of notional amount										80.00%					
Shares repurchased under ASR agreement (in shares) | shares										36.1					
ASR, shares to be received at end of program as a percent of notional amount						20.00%									
ASR, maximum number of shares (in shares) | shares						9.9									
Transfer of shares to treasury stock value	2,900.0														
2014 Repurchase Program | December 11, 2015															
Share repurchases															
Amount under ASR agreement			$ 725.0												
ASR, shares received as a percent of notional amount												80.00%			
Shares repurchased under ASR agreement (in shares) | shares												6.2			
ASR, shares to be received at end of program as a percent of notional amount		20.00%													
ASR, maximum number of shares (in shares) | shares		1.4													
Transfer of shares to treasury stock value			580.0												
2014 Repurchase Program | Forward contract | August 29, 2016															
Share repurchases															
Derivative, Notional Amount	$ 700.0														
2014 Repurchase Program | Forward contract | December 11, 2015															

Share repurchases							
Derivative, Notional Amount	$ 145.0						
Share Repurchase Program 2016 and 2014							
Share repurchases							
Repurchase of common stock (in shares) | shares			55.4				
Repurchase of common stock			$ 4,400.0				
2013 Repurchase Program							
Share repurchases							
Share repurchase program, authorized amount							$ 6,000.0
2013 Repurchase Program | January 02, 2015							
Share repurchases							
Amount under ASR agreement		$ 2,000.0					
ASR, shares received as a percent of notional amount					80.00%		
Shares repurchased under ASR agreement (in shares) | shares					16.8		
ASR, shares to be received at end of program as a percent of notional amount	20.00%						
ASR, maximum number of shares (in shares) | shares	3.1						
Transfer of shares to treasury stock value		1,600.0					
2013 Repurchase Program | Forward contract | January 02, 2015							
Share repurchases							
Derivative, Notional Amount		$ 400.0					
2014 and 2013 Repurchase Programs							
Share repurchases							
Repurchase of common stock (in shares) | shares				48.0			
Repurchase of common stock				$ 5,000.0			

Borrowing and Credit Agreements - Schedule of Long-term Debt Instruments (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Borrowings and Credit Agreements		
Total debt principal	$ 27,170	$ 27,726
Debt premiums	28	33
Debt discounts and deferred financing costs	(196)	(228)
Long-term debt, net of premiums, discounts and deferred costs	27,002	27,531
Short-term debt (commercial paper)	(1,276)	(1,874)
Current portion of long-term debt	(3,545)	(42)
Long-term debt	22,181	25,615
1.9% senior notes due 2018		
Borrowings and Credit Agreements		
Total debt principal	$ 2,250	2,250
Interest rate, stated percentage	1.90%	
2.25% senior notes due 2018		
Borrowings and Credit Agreements		
Total debt principal	$ 1,250	1,250
Interest rate, stated percentage	2.25%	
2.25% senior notes due 2019		
Borrowings and Credit Agreements		
Total debt principal	$ 850	850
Interest rate, stated percentage	2.25%	
2.8% senior notes due 2020		
Borrowings and Credit Agreements		
Total debt principal	$ 2,750	2,750
Interest rate, stated percentage	2.80%	
2.125% senior notes due 2021		
Borrowings and Credit Agreements		
Total debt principal	$ 1,750	1,750
Interest rate, stated percentage	2.125%	
4.125% senior notes due 2021		
Borrowings and Credit Agreements		
Total debt principal	$ 550	550
Interest rate, stated percentage	4.125%	
2.75% senior notes due 2022		
Borrowings and Credit Agreements		
Total debt principal	$ 1,250	1,250
Interest rate, stated percentage	2.75%	
3.5% senior notes due 2022		
Borrowings and Credit Agreements		
Total debt principal	$ 1,500	1,500
Interest rate, stated percentage	3.50%	

4.75% senior notes due 2022		
Borrowings and Credit Agreements		
Total debt principal	$ 399	399
Interest rate, stated percentage	4.75%	
4% senior notes due 2023		
Borrowings and Credit Agreements		
Total debt principal	$ 1,250	1,250
Interest rate, stated percentage	4.00%	
3.375% senior notes due 2024		
Borrowings and Credit Agreements		
Total debt principal	$ 650	650
Interest rate, stated percentage	3.375%	
5% senior notes due 2024		
Borrowings and Credit Agreements		
Total debt principal	$ 299	299
Interest rate, stated percentage	5.00%	
3.875% senior notes due 2025		
Borrowings and Credit Agreements		
Total debt principal	$ 2,828	2,828
Interest rate, stated percentage	3.875%	
2.875% senior notes due 2026		
Borrowings and Credit Agreements		
Total debt principal	$ 1,750	1,750
Interest rate, stated percentage	2.875%	
6.25% senior notes due 2027		
Borrowings and Credit Agreements		
Total debt principal	$ 372	372
Interest rate, stated percentage	6.25%	
3.25% senior exchange debentures due 2035		
Borrowings and Credit Agreements		
Total debt principal	$ 1	1
Interest rate, stated percentage	3.25%	
4.875% senior notes due 2035		
Borrowings and Credit Agreements		
Total debt principal	$ 652	652
Interest rate, stated percentage	4.875%	
6.125% senior notes due 2039		
Borrowings and Credit Agreements		
Total debt principal	$ 447	447
Interest rate, stated percentage	6.125%	
5.75% senior notes due 2041		
Borrowings and Credit Agreements		
Total debt principal	$ 133	133
Interest rate, stated percentage	5.75%	
5.3% senior notes due 2043		
Borrowings and Credit Agreements		

Total debt principal	$ 750	750
Interest rate, stated percentage	5.30%	
5.125% senior notes due 2045		
Borrowings and Credit Agreements		
Total debt principal	$ 3,500	3,500
Interest rate, stated percentage	5.125%	
Capital lease obligation		
Borrowings and Credit Agreements		
Total debt principal	$ 670	648
Other		
Borrowings and Credit Agreements		
Total debt principal	43	23
Commercial Paper		
Borrowings and Credit Agreements		
Total debt principal	$ 1,276	$ 1,874

Borrowing and Credit Agreements - Additional Information (Details) - USD ($)	Dec. 15, 2017	Dec. 03, 2017	Jan. 03, 2017	Jul. 27, 2016	May 31, 2016	May 16, 2016	Jul. 20, 2015	May 20, 2015	Au
Borrowings and Credit Agreements									
Loss on early extinguishment of debt									
Carrying amount of long-term debt									
Omnicare, Inc.									
Borrowings and Credit Agreements									
Notes assumed									$ 3,1
Convertible debt									
Repayments of debt									
Carrying amount of long-term debt									70
Commercial Paper									
Borrowings and Credit Agreements									
Weighted average interest rate									
Bridge Loan.									
Borrowings and Credit Agreements									
Plan assets								$ 13,000,000,000	
Loan processing fee								$ 52,000,000	
Senior notes 1.900% due in 2018, 2.800% due in 2020, 3.500% due in 2022, 4.875% due in 2035, and 5.125% due in 2045									
Borrowings and Credit Agreements									
Debt instrument, face amount							$ 15,000,000,000		
Term loan in connection with Aetna purchase | Aetna Acquisition									
Borrowings and Credit Agreements									
Debt instrument, face amount	$ 5,000,000,000								
Term Loan In Connection With Aetna Purchase Tranche One [Member] | Aetna Acquisition									
Borrowings and Credit Agreements									
Debt term (in years)	3 years								
Debt instrument, face amount	$ 3,000,000,000								
Term Loan In Connection With Aetna Purchase Tranche Two [Member] | Aetna Acquisition									
Borrowings and Credit Agreements									
Debt term (in years)	5 years								
Debt instrument, face amount	$ 2,000,000,000								

Unsecured Backup Credit Facilities			
Borrowings and Credit Agreements			
Commitment fee percentage			
Long-term line of credit			
Unsecured Backup Credit Facilities | Unsecured Backup Credit Facility Expiring May 17, 2018			
Borrowings and Credit Agreements			
Maximum borrowing capacity			
Line of credit facility term (in years)			
Unsecured Backup Credit Facilities | Unsecured Backup Credit Facility Expiring July 24, 2019			
Borrowings and Credit Agreements			
Maximum borrowing capacity			
Line of credit facility term (in years)			
Unsecured Backup Credit Facilities | Unsecured Backup Credit Facility Expiring July 1, 2020			
Borrowings and Credit Agreements			
Maximum borrowing capacity			
Line of credit facility term (in years)			
Unsecured Backup Credit Facilities | Unsecured Backup Credit Facility Expiring May 18, 2022			
Borrowings and Credit Agreements			
Maximum borrowing capacity			
Line of credit facility term (in years)			
Line of Credit | Revolving Credit Facility			
Borrowings and Credit Agreements			
Maximum borrowing capacity		$ 2,500,000,000	
Commitment fee percentage		0.03%	
Unsecured Debt			
Borrowings and Credit Agreements			
Proceeds from issuance of senior long-term debt			14,800,000,000
Unsecured Debt | Unsecured Bridge Loan | Aetna Acquisition			
Borrowings and Credit Agreements			
Debt issuance fees paid	$ 221,000,000		
Amortization of loan facility fees			

Debt instrument, face amount	$ 44,000,000,000	$ 49,000,000,000			
Unsecured Debt | 2.125% senior notes due 2021					
Borrowings and Credit Agreements					
Debt instrument, face amount			$ 1,750,000,000		
Interest rate, stated percentage			2.125%		
Unsecured Debt | 2.875% senior notes due 2026					
Borrowings and Credit Agreements					
Debt instrument, face amount			$ 1,750,000,000		
Interest rate, stated percentage			2.875%		
Unsecured Debt | 2016 Notes					
Borrowings and Credit Agreements					
Proceeds from issuance of debt			$ 3,500,000,000		
Unsecured Debt | 4.875% senior notes due 2035					
Borrowings and Credit Agreements					
Debt instrument, face amount				$ 2,000,000,000	
Interest rate, stated percentage				4.875%	
Unsecured Debt | 3.875% senior notes due 2025					
Borrowings and Credit Agreements					
Debt instrument, face amount				$ 3,000,000,000	
Interest rate, stated percentage				3.875%	
Unsecured Debt | 1.9% senior notes due 2018					
Borrowings and Credit Agreements					
Debt instrument, face amount				$ 2,250,000,000	
Interest rate, stated percentage				1.90%	
Unsecured Debt | 2.8% senior notes due 2020					
Borrowings and Credit Agreements					
Debt instrument, face amount				$ 2,750,000,000	
Interest rate, stated percentage				2.80%	
Unsecured Debt | 3.5% senior notes due 2022					
Borrowings and Credit Agreements					
Debt instrument, face amount				$ 1,500,000,000	
Interest rate, stated percentage				3.50%	
Unsecured Debt | 5.125% senior notes due 2045					
Borrowings and Credit Agreements					
Debt instrument, face amount				$ 3,500,000,000	
Interest rate, stated percentage				5.125%	

Senior Notes | 5.75% senior notes due 2017		
Borrowings and Credit Agreements		
Interest rate, stated percentage		5.75%
Senior Notes | 6.6% senior notes due 2019		
Borrowings and Credit Agreements		
Interest rate, stated percentage		6.60%
Senior Notes | 4.75% senior notes due 2020		
Borrowings and Credit Agreements		
Interest rate, stated percentage		4.75%
Senior Notes | Maximum Tender Offer Notes		
Borrowings and Credit Agreements		
Authorized face amount to be repurchased	$ 2,250,000,000	$ 1,500,000,000
Repurchased face amount		
Senior Notes | 6.25% senior notes due 2027		
Borrowings and Credit Agreements		
Interest rate, stated percentage		6.25%
Senior Notes | 6.125% senior notes due 2039		
Borrowings and Credit Agreements		
Interest rate, stated percentage		6.125%
Senior Notes | 5.75% senior notes due 2041		
Borrowings and Credit Agreements		
Interest rate, stated percentage		5.75%
Senior Notes | 5% senior notes due 2024		
Borrowings and Credit Agreements		
Debt instrument, face amount		
Interest rate, stated percentage		5.00%
Senior Notes | 5% senior notes due 2024 | Omnicare, Inc.		
Borrowings and Credit Agreements		
Carrying amount of long-term debt		
Senior Notes | 4.750% senior notes due in 2022		
Borrowings and Credit Agreements		
Debt instrument, face amount		
Interest rate, stated percentage		4.75%
Senior Notes | 4.750% senior notes due in 2022 | Omnicare, Inc.		
Borrowings and Credit Agreements		

Carrying amount of long-term debt			40
Senior Notes | 4.875% senior notes due 2035			
Borrowings and Credit Agreements			
Interest rate, stated percentage		4.875%	
Senior Notes | 3.875% senior notes due 2025			
Borrowings and Credit Agreements			
Interest rate, stated percentage		3.875%	
Senior Notes | Any and All Notes			
Borrowings and Credit Agreements			
Repurchased face amount	$ 1,100,000,000		
Redemption premium	97,000,000		
Write off of deferred debt issuance cost	$ 4,000,000		
Loss on early extinguishment of debt			
Senior Notes | The Notes			
Borrowings and Credit Agreements			
Redemption premium		$ 486,000,000	
Write off of deferred debt issuance cost		50,000,000	
Payments of debt extinguishment costs		$ 6,000,000	
Loss on early extinguishment of debt			
Convertible Debt. | Omnicare, Inc.			
Borrowings and Credit Agreements			
Notes assumed			$ 2,0
Loans Payable | Omnicare, Inc.			
Borrowings and Credit Agreements			
Repayments of debt			

Borrowing and Credit Agreements - Debt Maturities (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Borrowings and Credit Agreements		
2018	$ 4,821	
2019	873	
2020	2,775	
2021	2,327	
2022	3,178	
Thereafter	13,196	
Total debt	$ 27,170	$ 27,726

Store Closures (Details) $ in Millions	12 Months Ended Dec. 31, 2017 USD ($) store
Restructuring and Related Cost, Expected Cost	
Number of proposed underperforming store closures	70
Number of underperforming store closures	71
Restructuring charges incurred | $	$ 215

Leases - Additional Information (Details) $ in Billions	12 Months Ended	
	Dec. 31, 2017 Center	Dec. 31, 2015 USD ($)
Leases		
Capital lease obligations | $		$ 0.3
Retail and mail order locations, distribution centers and corporate offices		
Leases		
Number of distribution centers leased | Center	13	
Retail and mail order locations, distribution centers and corporate offices | Minimum		
Leases		
Non-cancelable operating leases, initial term (in years)	15 years	
Retail and mail order locations, distribution centers and corporate offices | Maximum		
Leases		
Non-cancelable operating leases, initial term (in years)	25 years	
Equipment and other assets | Minimum		
Leases		
Non-cancelable operating leases, initial term (in years)	3 years	
Equipment and other assets | Maximum		
Leases		
Non-cancelable operating leases, initial term (in years)	10 years	

Leases - Schedule of Rent Expense (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Leases			
Minimum rentals	$ 2,455	$ 2,418	$ 2,317
Contingent rentals	29	35	34
Gross lease rental expense	2,484	2,453	2,351
Less: sublease income	(24)	(24)	(22)
Net lease rental expense	$ 2,460	$ 2,429	$ 2,329

Leases - Schedule of Future Minimum Lease Payments (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Capital Leases			
2018	$ 74		
2019	74		
2020	74		
2021	73		
2022	73		
Thereafter	974		
Total future lease payments	1,342		
Less: imputed interest	(672)		
Present value of capital lease obligations	670		
Operating Leases			
2018	2,493		
2019	2,361		
2020	2,201		
2021	2,072		
2022	1,934		
Thereafter	16,090		
Total future lease payments	27,151		
Minimum sublease rentals due in future under non-cancelable subleases	171		
Obligation in excess of future minimum payments	1,900		
Proceeds from sale-leaseback transactions	$ 265	$ 230	$ 411

Pension Plans and Other Postretirement Benefits - General (Details) $ in Millions	12 Months Ended		
	Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($) plan	Dec. 31, 2015 USD ($) plan
Pension Plans and Other Postretirement Benefits			
Employer's contributions under defined contribution plans	$ 314	$ 295	$ 251
Number of defined benefit plans | plan		7	7
Settlement loss	187		
Pension Plans			
Pension Plans and Other Postretirement Benefits			
Settlement loss	187		
Tax Qualified Pension Plans, Defined Benefit			
Pension Plans and Other Postretirement Benefits			
Number of defined benefit plans | plan		2	2
Settlement loss	$ 187		
Unfunded Nonqualified Supplemental Retirement Plans			
Pension Plans and Other Postretirement Benefits			
Number of defined benefit plans | plan		5	5

Pension Plans and Other Postretirement Benefits - Change in Benefit Obligation (Details) - Pension Plans - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Defined Benefit Plan, Change in Benefit Obligation [Roll Forward]			
Benefit obligation at beginning of year	$ 844	$ 844	
Interest cost	20	27	$ 31
Actuarial loss (gain)	(31)	13	
Benefit payments	(35)	(37)	
Settlements	(667)	(3)	
Benefit obligation at end of year	$ 131	$ 844	$ 844

Pension Plans and Other Postretirement Benefits - Change in Plan Assets (Details) - Pension Plans - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Defined Benefit Plan, Change in Fair Value of Plan Assets			
Fair value of plan assets at the beginning of the year	$ 624	$ 613	
Actual return on plan assets	32	26	
Employer contributions	46	25	$ 22
Benefit payments	(35)	(37)	
Settlements	(667)	(3)	
Fair value of plan assets at the end of the year		624	$ 613
Funded status	$ (131)	$ (220)	

Pension Plans and Other Postretirement Benefits - Components of Net Periodic Benefit Cost (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Pension Plans and Other Postretirement Benefits			
Settlement loss	$ 187		
Pension Plans			
Pension Plans and Other Postretirement Benefits			
Interest cost	20	$ 27	$ 31
Expected return on plan assets	(20)	(32)	(33)
Amortization of net loss	21	32	21
Settlement loss	187		
Net periodic pension cost	$ 208	$ 27	$ 19

Pension Plans and Other Postretirement Benefits - Discount Rates (Details)	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Pension Plans		
Pension Plans and Other Postretirement Benefits		
Discount rate	3.50%	4.00%
Pension Plans | Minimum		
Pension Plans and Other Postretirement Benefits		
Expected long-term rate of return on plan assets		4.00%
Rate of compensation increase	4.00%	4.00%
Pension Plans | Maximum		
Pension Plans and Other Postretirement Benefits		
Expected long-term rate of return on plan assets		5.50%
Rate of compensation increase	6.00%	6.00%
Tax Qualified Pension Plans, Defined Benefit		
Pension Plans and Other Postretirement Benefits		
Discount rate		3.09%

Pension Plans and Other Postretirement Benefits - Fair Value Allocation of Plan Assets (Details) - USD ($) $ in Millions	Dec. 31, 2016	Dec. 31, 2015
Level 1		
Pension Plans and Other Postretirement Benefits		
Fair value of plan assets	$ 44	
Cash and money market funds | Level 1		
Pension Plans and Other Postretirement Benefits		
Fair value of plan assets	8	
Fixed income funds | Level 1		
Pension Plans and Other Postretirement Benefits		
Fair value of plan assets	3	
Equity mutual funds | Level 1		
Pension Plans and Other Postretirement Benefits		
Fair value of plan assets	33	
Pension Plans		
Pension Plans and Other Postretirement Benefits		
Fair value of plan assets	$ 624	$ 613
Pension Plans | Level 1		
Pension Plans and Other Postretirement Benefits		
Actual plan asset allocations percent	7.00%	
Pension Plans | Level 2		
Pension Plans and Other Postretirement Benefits		
Fair value of plan assets	$ 580	
Actual plan asset allocations percent	93.00%	
Pension Plans | Level 3		
Pension Plans and Other Postretirement Benefits		
Actual plan asset allocations percent	0.00%	
Pension Plans | Cash and money market funds		
Pension Plans and Other Postretirement Benefits		
Fair value of plan assets	$ 8	
Actual plan asset allocations percent	1.00%	
Pension Plans | Fixed income funds		
Pension Plans and Other Postretirement Benefits		
Fair value of plan assets	$ 583	
Actual plan asset allocations percent	94.00%	
Pension Plans | Fixed income funds | Level 2		
Pension Plans and Other Postretirement Benefits		
Fair value of plan assets	$ 580	
Pension Plans | Equity mutual funds		
Pension Plans and Other Postretirement Benefits		
Fair value of plan assets	$ 33	
Actual plan asset allocations percent	5.00%	

Pension Plans and Other Postretirement Benefits - Expected Future Benefit Payments (Details) - Pension Plans - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Pension Plans and Other Postretirement Benefits			
Employer contributions	$ 46	$ 25	$ 22
Estimated future employer contributions in next fiscal year	21		
2018	21		
2019	14		
2020	12		
2021	23		
2022	8		
Thereafter	$ 31		

Pension Plans and Other Postretirement Benefits - Multiemployer Pension Plans and Other Postretirement Benefits (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Multiemployer Plans, Pension			
Pension Plans and Other Postretirement Benefits			
Period contributions	$ 17	$ 15	$ 14
Other Postretirement Benefit Plan			
Pension Plans and Other Postretirement Benefits			
Period contributions	58	52	60
Benefit obligation	25	24	
Net periodic pension cost	$ 1	$ 1	$ 2

Stock Incentive Plans - Schedule of Stock-based Compensation (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Compensation			
Compensation expense related to share-based compensation	$ 234	$ 222	$ 230
Stock Options and ESPP			
Compensation			
Compensation expense related to share-based compensation	65	79	90
Restricted Stock			
Compensation			
Compensation expense related to share-based compensation	$ 169	$ 143	140
Restricted Stock | Executive Officer			
Compensation			
Compensation expense related to share-based compensation			$ 38

Stock Incentive Plans - Additional Information (Details) - USD ($) $ / shares in Units, $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Compensation			
Proceeds from exercise of stock options	$ 329	$ 296	$ 362
Payments for taxes related to net share settlement of equity awards	71	72	63
Total intrinsic value of options exercised	176	244	394
Restricted Stock			
Compensation			
Total fair value of restricted shares vested	175	218	164
Restricted Stock Units (RSUs)			
Compensation			
Unrecognized compensation expense related to unvested options	$ 350		
Unrecognized compensation expense related to unvested options, period of recognition (in years)	2 years 3 months		
Options Granted, Beginning from 2011			
Compensation			
Exercisable period (in years)	4 years		
Expiration period for options granted (in years)	7 years		
Employee Stock Option			
Compensation			
Unrecognized compensation expense related to unvested options	$ 57		
Unrecognized compensation expense related to unvested options, period of recognition (in years)	1 year 9 months 4 days		
Fair value of options vested	$ 341	$ 298	$ 334
Unvested options to vest over the requisite service period (in shares)	9,000,000		
Employee Stock Purchase Plan 2007			
Compensation			
Maximum number of shares that can be purchased (in shares)	30,000,000		
Employee purchase price, percentage of fair market value of ordinary shares	90.00%		85.00%
Shares of common stock purchased for ESPP (in shares)	1,000,000		
Average price of shares of common stock purchased for ESPP (in dollars per share)	$ 71.66		
Shares available for future grants under the ICP (in shares)	11,000,000		
Equity Incentive Plan 2010			
Compensation			
Maximum number of shares that can be purchased (in shares)	74,000,000		
Shares available for future grants under the ICP (in shares)	32,000,000		
Minimum			
Compensation			
Requisite service period of the stock award (in years)	3 years		
Maximum			
Compensation			
Requisite service period of the stock award (in years)	5 years		

Stock Incentive Plans - Schedule of Valuation Assumptions of ESPP (Details) - $ / shares	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Employee Stock Purchase Plan			
Compensation			
Dividend yield	1.24%	0.88%	0.71%
Expected volatility	22.70%	20.64%	13.92%
Risk-free interest rate	0.86%	0.45%	0.11%
Expected life (in years)	6 months	6 months	6 months
Weighted-average grant date fair value (in dollars per share)	$ 13.01	$ 14.98	$ 18.72
Employee Stock Purchase Plan 2007			
Compensation			
Offering period for stock purchase plan (in months)	6 months		

Stock Incentive Plans - Schedule of Restricted Stock and RSU Activity (Details) - Restricted Unit and Restricted Share Award shares in Thousands	12 Months Ended Dec. 31, 2017 $ / shares shares
Units	
Nonvested at beginning of year (in shares) | shares	4,876
Granted (in shares) | shares	2,873
Vested (in shares) | shares	(2,340)
Forfeited (in shares) | shares	(395)
Nonvested at end of year (in shares) | shares	5,014
Weighted Average Grant Date Fair Value	
Nonvested at beginning of year (in dollars per share) | $ / shares	$ 55.56
Granted (in dollars per share) | $ / shares	78.35
Vested (in dollars per share) | $ / shares	78.92
Forfeited (in dollars per share) | $ / shares	89.21
Nonvested at end of year (in dollars per share) | $ / shares	$ 86.92

Stock Incentive Plans - Fair Value of Options Using Black-Scholes (Details) - Employee Stock Option - $ / shares	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Compensation			
Dividend yield	2.56%	1.62%	1.37%
Expected volatility	18.39%	17.22%	18.07%
Risk-free interest rate	1.77%	1.24%	1.24%
Expected life (in years)	4 years 1 month 6 days	4 years 2 months 12 days	4 years 2 months 12 days
Weighted-average grant date fair value (in dollars per share)	$ 9.43	$ 13.00	$ 14.01

Stock Incentive Plans - Schedule of Stock Option Activity (Details) $ / shares in Units, shares in Thousands	12 Months Ended Dec. 31, 2017 USD ($) $ / shares shares
Rollforward	
Outstanding at the beginning of the period (in shares) | shares	23,275
Granted (in shares) | shares	3,513
Exercised (in shares) | shares	(4,814)
Forfeited (in shares) | shares	(889)
Expired (in shares) | shares	(555)
Outstanding at the end of the period (in shares) | shares	20,530
Options exercisable (in shares) | shares	11,365
Options vested and expected to vest end of the period (in shares) | shares	20,114
Rollforward	
Outstanding at the beginning of the period (in dollars per share) | $ / shares	$ 68.60
Granted (in dollars per share) | $ / shares	78.05
Exercised (in dollars per share) | $ / shares	43.07
Forfeited (in dollars per share) | $ / shares	94.25
Expired (in dollars per share) | $ / shares	60.00
Outstanding at the end of the period (in dollars per share) | $ / shares	75.32
Exercisable at end of period (in dollars per share) | $ / shares	61.37
Vested and expected to vest (in dollars per share) | $ / shares	$ 75.00
Rollforward	
Weighted average remaining contractual term, options outstanding (in years)	3 years 7 months 13 days
Weighted average remaining contractual term, options exercisable (in years)	2 years 3 months 18 days
Weighted average remaining contractual term, options vested and expected to vest (in years)	3 years 6 months 26 days
Aggregate intrinsic value, options outstanding | $	$ 180,318,054
Aggregate intrinsic value, options exercisable | $	179,628,690
Aggregate intrinsic value, options vested and expected to vest | $	$ 180,299,134

Income Taxes (Details) - USD ($) $ in Millions	Jan. 01, 2018	12 Months Ended Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Current:				
Federal		$ 2,594	$ 2,803	$ 3,065
State		464	511	555
Total current income tax provision		3,058	3,314	3,620
Deferred:				
Federal		(1,435)	5	(180)
State		14	(2)	(54)
Total deferred income tax provision		(1,421)	3	(234)
Total		$ 1,637	$ 3,317	$ 3,386
Reconciliation of the statutory income tax rate to the Company's effective income tax rate				
Statutory income tax rate	21.00%	35.00%	35.00%	35.00%
State income taxes, net of federal tax benefit		4.10%	4.10%	4.00%
Provisional effect of the Tax Cuts and Jobs Act		(18.30%)		
Other		(1.00%)	(0.70%)	0.30%
Effective income tax rate		19.80%	38.40%	39.30%
Deferred tax assets:				
Lease and rents		$ 291	$ 375	
Inventory		31	57	
Employee benefits		246	400	
Allowance for doubtful accounts		187	301	
Retirement benefits		40	65	
Net operating loss and capital loss carryforwards		101	125	
Deferred income		93	144	
Other		18	336	
Valuation allowance		(77)	(135)	
Total deferred tax assets		930	1,668	
Deferred tax liabilities:				
Depreciation and amortization		(3,926)	(5,882)	
Total deferred tax liabilities		(3,926)	(5,882)	
Net deferred tax liabilities		(2,996)	(4,214)	
Reconciliation of the beginning and ending amount of unrecognized tax benefits				
Beginning balance	$ 344	307	338	$ 188
Additions based on tax positions related to the current year		62	68	57
Additions based on tax positions related to prior years		32	70	122
Reductions for tax positions of prior years		(28)	(100)	(11)
Expiration of statutes of limitation		(10)	(22)	(13)
Settlements		(19)	(47)	(5)
Ending balance		344	307	338
Interest recognized related to unrecognized tax benefits		11	10	$ 5
Accrued interest and penalties related to unrecognized tax benefits		34	$ 30	

Unrecognized tax benefits that would impact effective tax rate	$ 317

Commitments and Contingencies (Details)	1 Months Ended				2 Months Ended	12 Months Ended
	Jun. 30, 2017 defendant	Sep. 30, 2015 pharmacy	Mar. 31, 2010 state	Feb. 28, 2006 lawsuit director item	Sep. 30, 2017 complaint	Dec. 31, 2017 store item
Loss contingencies						
Number of store leases guaranteed | store						85
Number of material accruals for outstanding legal matters						0
Number of pharmacies indicated in subpoena | pharmacy		8				
Number of legal proceedings, government investigations, inquiries and audits expected to be material						0
Omnicare, Inc.						
Loss contingencies						
New claims filed, number | lawsuit				2		
Number of officers named in lawsuit				3		
Number of directors named in lawsuit | director				2		
Multi-state Investigation						
Loss contingencies						
Number of states participating in multi-state investigation | state			28			
Cherokee Nation Opioid Litigation						
Loss contingencies						
Number of defendants | defendant	6					
Shareholder Matters						
Loss contingencies						
Number of complaints | complaint					4	
Number of complaints filed in Rhode Island | complaint					3	

Segment Reporting (Details) $ in Millions	3 Months Ended								4 Months Ended	12 Months Ended		
	Dec. 31, 2017 USD ($)	Sep. 30, 2017 USD ($)	Jun. 30, 2017 USD ($)	Mar. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)	Sep. 30, 2016 USD ($)	Jun. 30, 2016 USD ($)	Mar. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)	Dec. 31, 2017 USD ($) segment	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)
Segment reporting information												
Number of segments | segment										3		
Net revenues	$ 48,385	$ 46,181	$ 45,685	$ 44,514	$ 45,971	$ 44,615	$ 43,725	$ 43,215		$ 184,765	$ 177,526	$ 153,290
Gross profit	7,904	7,126	6,935	6,580	7,606	7,492	7,015	6,744		28,545	28,857	26,528
Operating profit	$ 3,108	2,499	$ 2,117	$ 1,793	$ 3,000	$ 2,824	$ 2,357	$ 2,185		9,517	10,366	9,475
Depreciation and amortization										2,480	2,475	2,092
Additions to property and equipment										2,049	2,279	2,367
Restructuring charges incurred										215		
Goodwill, impairment loss		$ 0								181		
ASU 2017-17												
Segment reporting information												
Operating profit											28	21
Pharmacy Services Segment												
Segment reporting information												
Depreciation and amortization										712	714	654
Additions to property and equipment										311	295	359
Pharmacy Services Segment | Operating profit												
Segment reporting information												
Litigation settlement, amount											88	
Retail/LTC Segment												
Segment reporting information												
Depreciation and amortization										1,651	1,642	1,336
Additions to property and equipment										1,398	1,732	1,883
Goodwill, impairment loss										181		
Retail/LTC Segment | Operating profit												
Segment reporting information												
Acquisition related costs												64
Restructuring charges incurred										215		
Goodwill, impairment loss										181		

Asset impairment charges		34	
Corporate Segment			
Segment reporting information			
Depreciation and amortization	117	119	102
Additions to property and equipment	340	252	125
Corporate Segment | Operating profit			
Segment reporting information			
Payments for legal settlements			90
Operating Segments | Pharmacy Services Segment			
Segment reporting information			
Net revenues	130,596	119,963	100,363
Gross profit	6,040	5,901	5,227
Operating profit	4,755	4,676	3,992
Net revenues, retail co-payments	10,800	10,500	8,900
Operating Segments | Retail/LTC Segment			
Segment reporting information			
Net revenues	79,398	81,100	72,007
Gross profit	23,317	23,738	21,992
Operating profit	6,469	7,302	7,146
Operating Segments | Corporate Segment			
Segment reporting information			
Operating profit	(966)	(891)	(1,035)
Intersegment Eliminations			
Segment reporting information			
Net revenues	(25,229)	(23,537)	(19,080)
Gross profit	(812)	(782)	(691)
Operating profit	(741)	(721)	(628)
Rx Crossroads Member | Corporate Segment | Operating profit			
Segment reporting information			
Transaction cost related to divestitures	9		
Omnicare Inc and Target Pharmacy Acquisition | Retail/LTC Segment | Gross Profit			
Segment reporting information			

Acquisition related costs			46	
Omnicare Inc and Target Pharmacy Acquisition | Retail/LTC Segment | Operating profit				
Segment reporting information				
Acquisition related costs			281	
Omnicare Inc and Target Pharmacy Acquisition | Corporate Segment | Operating profit				
Segment reporting information				
Acquisition related costs				156
Integration related costs			$ 10	
Omnicare, Inc.				
Segment reporting information				
Net revenues	$ 2,600			
Acquisition related costs				$ 70
Omnicare, Inc. | Retail/LTC Segment | Gross Profit				
Segment reporting information				
Acquisition related costs		2		
Omnicare, Inc. | Retail/LTC Segment | Operating profit				
Segment reporting information				
Acquisition related costs		34		
Omnicare, Inc. | Corporate Segment | Operating profit				
Segment reporting information				
Integration related costs		3		
Aetna Acquisition				
Segment reporting information				
Acquisition related costs		34		
Aetna Acquisition | Corporate Segment | Operating profit				
Segment reporting information				
Acquisition related costs		$ 34		
Customer Concentration Risk | Aetna | Sales Revenue, Net				
Segment reporting information				
Concentration risk, percentage		12.30%	11.70%	10.00%
Geographic Concentration Risk |				

United States | Sales Revenue, Net	
Segment reporting information	
Concentration risk, percentage	99.00%
Geographic Concentration Risk | United States | Long-lived Assets	
Segment reporting information	
Concentration risk, percentage	99.00%

Earnings Per Share (Details) - USD ($) $ / shares in Units, shares in Millions, $ in Millions	3 Months Ended								12 Months Ended		
	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Numerator for earnings per share calculation:											
Income from continuing operations	$ 3,287	$ 1,285	$ 1,097	$ 962	$ 1,707	$ 1,542	$ 924	$ 1,147	$ 6,631	$ 5,320	$ 5,230
Income allocated to participating securities									(24)	(27)	(26)
Net income attributable to noncontrolling interest									(1)	(2)	(2)
Income from continuing operations attributable to CVS Health									$ 6,606	$ 5,291	$ 5,202
Denominator for earnings per share calculation:											
Weighted average shares, basic (in shares)									1,020	1,073	1,118
Effect of dilutive securities (in shares)									4	6	8
Weighted average shares, diluted (in shares)									1,024	1,079	1,126
Earnings per share from continuing operations:											
Earnings per share, basic (in dollars per share)	$ 3.23	$ 1.26	$ 1.07	$ 0.93	$ 1.60	$ 1.44	$ 0.86	$ 1.04	$ 6.48	$ 4.93	$ 4.65
Earnings per share, diluted (in dollars per share)	$ 3.22	$ 1.26	$ 1.07	$ 0.92	$ 1.59	$ 1.43	$ 0.86	$ 1.04	$ 6.45	$ 4.91	$ 4.62

Quarterly Financial Information (Unaudited) (Details) - USD ($) $ / shares in Units, $ in Millions	3 Months Ended								12 Months Ended		
	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Quarterly financial information											
Net revenues	$ 48,385	$ 46,181	$ 45,685	$ 44,514	$ 45,971	$ 44,615	$ 43,725	$ 43,215	$ 184,765	$ 177,526	$ 153,290
Gross profit	7,904	7,126	6,935	6,580	7,606	7,492	7,015	6,744	28,545	28,857	26,528
Operating profit	3,108	2,499	2,117	1,793	3,000	2,824	2,357	2,185	9,517	10,366	9,475
Income from continuing operations	3,287	1,285	1,097	962	1,707	1,542	924	1,147	6,631	5,320	5,230
Income (loss) from discontinued operations, net of tax			1	(9)		(1)			(8)	(1)	9
Net income attributable to CVS Health	$ 3,287	$ 1,285	$ 1,098	$ 952	$ 1,707	$ 1,540	$ 924	$ 1,146	$ 6,622	$ 5,317	$ 5,237
Basic earnings per share:											
Income from continuing operations attributable to CVS Health (in dollars per share)	$ 3.23	$ 1.26	$ 1.07	$ 0.93	$ 1.60	$ 1.44	$ 0.86	$ 1.04	$ 6.48	$ 4.93	$ 4.65
Income (loss) from discontinued operations attributable to CVS Health (in dollars per share)				(0.01)					(0.01)		0.01
Net income attributable to CVS Health (in dollars per share)	3.23	1.26	1.07	0.92	1.60	1.44	0.86	1.04	6.47	4.93	4.66
Diluted earnings per share:											
Income from continuing operations attributable to CVS Health (in dollars per share)	3.22	1.26	1.07	0.92	1.59	1.43	0.86	1.04	6.45	4.91	4.62
Income (loss) from discontinued operations attributable to CVS Health (in dollars per share)				(0.01)					(0.01)		0.01
Net income attributable to CVS Health (in dollars per share)	3.22	1.26	1.07	0.92	1.59	1.43	0.86	1.04	6.44	4.90	4.63
Dividends per share (in dollars per share)	0.50	0.50	0.50	0.50	0.425	0.425	0.425	0.425	2.00	1.70	$ 1.40
Maximum											
Diluted earnings per share:											
NYSE Stock Price (in dollars per share)	80.91	83.31	82.79	83.92	88.80	98.06	106.10	104.05	83.92	106.10	
Minimum											
Diluted earnings per share:											
NYSE Stock Price (in dollars per share)	$ 66.80	$ 75.35	$ 75.95	$ 74.80	$ 73.53	$ 88.99	$ 93.21	$ 89.65	$ 66.80	$ 73.53	

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

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

or

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

For the transition period from _____ to_____

Commission file number 1-16095

Aetna Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2229683**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
151 Farmington Avenue, Hartford, CT	**06156**
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	**(860) 273-0123**

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

Title of each class	Name of each exchange on which registered
Common Shares, $.01 par value	**New York Stock Exchange**

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☑ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☑ No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☑Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☑ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Emerging growth company ☐

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

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

The aggregate market value of the outstanding common equity of the registrant held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2017) was $49.2 billion.

There were 326.8 million shares of the registrant's voting common stock with a par value of $.01 per share outstanding at January 31, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement related to Aetna Inc.'s 2018 Annual Meeting of Shareholders, to be filed on or about April 6, 2018 (the “Proxy Statement”), is

incorporated by reference in Parts III and IV to the extent described therein.

Aetna Inc.
Annual Report on Form 10-K
For the Year Ended December 31, 2017

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FORWARD-LOOKING INFORMATION

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

Certain information contained in this Annual Report on Form 10-K is forward-looking within the meaning of the 1995 Act or SEC rules. This information includes, but is not limited to: "Outlook for 2018" and "Regulatory Environment" of Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included in Part II, Item 7, "Quantitative and Qualitative Disclosures About Market Risk" included in Part II, Item 7A, and "Risk Factors" included in Part I, Item 1A. In addition, throughout this Annual Report on Form 10-K and our other reports and communications, we use the following words or variations or negatives of these words and similar expressions, when we intend to identify forward-looking statements:

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

Forward-looking statements rely on a number of estimates, assumptions and projections concerning future events, and are subject to a number of significant uncertainties and other factors that could cause actual results to differ materially from those statements. Many of these uncertainties and other factors are outside our control. Certain of these uncertainties and other factors are described under "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K. You should not put undue reliance on forward-looking statements. Any forward-looking statement speaks only as of the date of this report, and we disclaim any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events, uncertainties or otherwise.

Unless the context otherwise requires, references to the terms "we", "our" or "us" used throughout this Annual Report on Form 10-K refer to Aetna Inc. (a Pennsylvania corporation) ("Aetna") and its subsidiaries (collectively, the "Company").

Part I

Item 1. Business

General

We are one of the nation's leading diversified health care benefits companies, serving an estimated 37.9 million people. We have the information and resources to help our members, in consultation with their health care professionals, make better informed decisions about their health care. We offer a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, group life and disability plans, medical management capabilities, Medicaid health care management services, Medicare Advantage and Medicare Supplement plans, workers' compensation administrative services and health information technology ("HIT") products and services. Our customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers ("providers"), governmental units, government-sponsored plans, labor groups and expatriates. On November 1, 2017, we sold our domestic group life insurance, group disability insurance and absence management businesses to Hartford Life and Accident Insurance Company ("HLAIC").

Significant Transactions

Proposed Acquisition by CVS Health

On December 3, 2017, we entered into a definitive agreement (the "CVS Merger Agreement") under which CVS Health Corporation ("CVS Health") will acquire all of our outstanding shares for a combination of cash and stock. Under terms of the agreement, our shareholders will receive $145 in cash and 0.8378 of a CVS Health common share for each of our common shares. The proposed transaction (the "CVS Health Transaction") is subject to customary closing conditions, including the approval and adoption of the CVS Merger Agreement by our shareholders, the approval of the issuance of CVS Health shares in the transaction by CVS Health stockholders, the expiration of the federal Hart-Scott-Rodino anti-trust waiting period and approvals of certain state departments of insurance and other regulators. On February 1, 2018, Aetna and CVS Health each received a request for additional information (also known as a "second request") from the U.S. Department of Justice (the "DOJ") in connection with the DOJ's review of the transactions contemplated by the CVS Merger Agreement. The CVS Health Transaction is expected to close in the second half of 2018.

Divestiture of Domestic Group Life Insurance, Group Disability Insurance, and Absence Management Businesses

On November 1, 2017, we completed the sale of a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance and absence management businesses (the "Group Insurance sale") to HLAIC for cash consideration of $1.45 billion. The transaction was accomplished through an indemnity reinsurance arrangement under which HLAIC contractually assumed certain of our policyholder liabilities and obligations, although we remain directly obligated to policyholders. Assets related to and supporting the reinsured life and disability insurance policies were transferred to a trust established by HLAIC for our benefit, and we recorded a reinsurance receivable from HLAIC. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain.

Terminated Acquisition of Humana and Terminated Divestiture to Molina

On July 2, 2015, we entered into a definitive agreement (the "Humana Merger Agreement") to acquire Humana Inc. ("Humana"). On July 21, 2016, the U.S. Department of Justice (the "DOJ") and certain state attorneys general filed a civil complaint in the U.S. District Court for the District of Columbia (the "District Court") against us and Humana charging that our acquisition of Humana (the "Humana Transaction") would violate Section 7 of the Clayton Antitrust Act, and seeking a permanent injunction to prevent Aetna from acquiring Humana. On January 23, 2017, the District Court granted the DOJ's request to enjoin the Humana Transaction.

On February 14, 2017, Aetna and Humana entered into a mutual termination agreement (the "Termination Agreement") pursuant to which the parties thereto (collectively, the "Parties") agreed to terminate the Humana Merger Agreement, including all schedules and exhibits thereto, and all ancillary agreements contemplated thereby, entered pursuant thereto or entered in connection therewith (other than certain confidentiality agreements) (collectively with the Humana Merger Agreement, the "Transaction Documents"), effective immediately as of February 14, 2017 (the "Termination Date"). Under the Termination Agreement, Aetna agreed to pay Humana the Regulatory Termination Fee (as defined in the Humana Merger Agreement) of $1.0 billion in cash in full satisfaction of any amounts required to be paid by Aetna under the Humana Merger Agreement. The Parties also agreed to release each other from any and all liability, claims, rights, actions, causes of action, suits, liens, obligations, accounts, debts, demands, agreements, promises, liabilities, controversies, costs, charges, damages, expenses and fees, however arising, in connection with, arising out of or related to the Transaction Documents, the transactions contemplated therein or thereby or certain related matters. We paid Humana the Regulatory Termination Fee on February 16, 2017 and recorded the expense in general and administrative expenses. We funded that payment with the proceeds of the 2016 senior notes (as defined below).

In June 2016, we issued $13.0 billion of senior notes to partially fund the Humana Transaction (collectively, the "2016 senior notes"). In accordance with the terms of the 2016 senior notes, on February 14, 2017, we issued a notice of redemption for $10.2 billion aggregate principal amount of certain of the 2016 senior notes (collectively, the "Special Mandatory Redemption Notes") at a redemption price equal to 101% of the aggregate principal amount of those notes plus accrued and unpaid interest. We redeemed the Special Mandatory Redemption Notes on March 16, 2017, and we funded the redemption with the proceeds of the 2016 senior notes. As a result of the redemption of the Special Mandatory Redemption Notes, we recognized on a pretax basis in our net income during the year ended December 31, 2017 a loss on early extinguishment of long-term debt of $192 million and a realized capital loss for the remaining unamortized effective portion of the related hedge loss of $323 million that was previously recorded in accumulated other comprehensive income.

In order to address the DOJ's perceived competitive concerns regarding Medicare Advantage relating to the Humana Transaction, on August 2, 2016, we entered into a definitive agreement (the "Aetna APA") to sell for cash to Molina Healthcare, Inc. ("Molina") certain of our Medicare Advantage assets. On February 14, 2017, Aetna and Molina entered into a Termination Agreement (the "APA Termination Agreement") pursuant to which Aetna terminated the Aetna APA, including all schedules and exhibits thereto, and all ancillary agreements contemplated thereby or entered pursuant thereto. Under the APA Termination Agreement, Aetna agreed to pay Molina in cash (a) a termination fee of $53 million and (b) approximately 70% of Molina's transaction costs. We paid Molina the termination fee on February 16, 2017 and the applicable transaction costs of $7 million on February 27, 2017 and recorded the expense in general and administrative expenses. The payments were funded with the proceeds of the 2016 senior notes.

Heath Care Reform

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, the "ACA") has made broad-based changes to the U.S. health care system. We anticipate continued efforts in 2018 and beyond to modify, repeal or replace the ACA, and the future of the ACA is uncertain. We expect aspects of the ACA and/or their implementation or enforcement, including the January 2018 suspension of the ACA's industry-wide health insurer fee (the "HIF") for 2019, and uncertainty about the future of the ACA to continue to significantly impact our business operations and operating results, including our pricing and our medical benefit ratios ("MBRs").

The ACA has presented us with business opportunities, but also with significant financial and regulatory challenges. Most of the ACA's key components were phased in during or prior to 2014, and the ACA's temporary Reinsurance and Risk Corridor programs expired at the end of 2016. The effects of existing provisions of the ACA are reflected in our operating results. If the ACA is not amended, repealed or replaced, certain of its components will continue to be phased in until 2022.

It may be particularly challenging for us to include all of our portion of the industry-wide $14.3 billion 2018 HIF in our premium rates beginning with 2017 medical customer renewals that have member months in 2018 because of the temporary suspension of the HIF for 2017 or in our premium rates for other years following a year for which the HIF is suspended.

In October 2017, the federal government announced that the Centers for Medicare & Medicaid Services ("CMS") will curtail payments related to the Cost-Sharing Subsidy program. While the details regarding implementation of this new policy are not yet finalized, and it is the subject of pending litigation, we do not anticipate a material impact to our financial statements as a result of this action.

The federal and state governments also continue to enact and seriously consider many other broad-based legislative and regulatory proposals that have had a material impact on or could materially impact various aspects of the health care and related benefits system. We cannot predict whether pending or future federal or state legislative or regulatory activity or court

proceedings, including Federal budget negotiations and future U.S. Congressional appropriations, will change various aspects of the health care and related benefits system or the ACA or the implementation and/or enforcement of the ACA or the impact those changes will have on our business operations or operating results, but the effects could be materially adverse.

For additional information on federal and state health care reform, including the ACA, refer to "Regulatory Environment" of MD&A included in Part II, Item 7 of this Annual Report on Form 10-K. For a discussion of certain factors that may cause our actual results to differ from currently anticipated results in connection with health care reform, see "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K.

Reportable Segments

Our operations are conducted in three business segments: Health Care, Group Insurance and Large Case Pensions. We derive our revenues primarily from insurance premiums, administrative service fees, net investment income and other revenue. Refer to MD&A included in Part II, Item 7 and Note 18 "Segment Information" included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on our business segments, including revenue and profit information for each of our business segments and revenue and asset information about geographic areas. The following is a description of each of our business segments.

Health Care Segment

Products and Services

We refer to insurance products (where we assume all or a majority of the risk for medical and dental care costs) as "Insured" and administrative services contract products (where the plan sponsor assumes all or a majority of the risk of medical and dental care costs) as "ASC." Health Care products and services consist of the following:

- ***Commercial Medical:*** We offer point-of-service ("POS"), preferred provider organization ("PPO"), health maintenance organization ("HMO") and indemnity benefit ("Indemnity") plans. Our Commercial medical products also include health savings accounts ("HSAs") and Aetna HealthFund®, consumer-directed health plans that combine traditional POS or PPO and/or dental coverage, subject to a deductible, with an accumulating benefit account (which may be funded by the plan sponsor and/or the member in the case of HSAs). Our principal products and services are targeted specifically to large multi-site national, mid-sized and small employers, individual insureds and expatriates. We no longer sell individual Commercial products, and we exited the individual Public Exchanges in 2018.
- ***Government Medical:*** In select geographies, we offer Medicare Advantage plans, Medicare Supplement plans and prescription drug coverage for Medicare beneficiaries; participate in Medicaid and subsidized Children's Health Insurance Programs ("CHIP"); and participate in demonstration projects for members who are eligible for both Medicare and Medicaid ("Duals"). These Government products are further described below:
    - *Medicare:* Through annual contracts with CMS, we offer HMO and PPO products for eligible individuals in certain geographic areas through the Medicare Advantage program. Members typically receive enhanced benefits over Original Medicare fee-for-service coverage, including reduced cost-sharing for preventive care, vision and other services. We offered network-based HMO and/or PPO plans in 1,213 counties in 40 states and Washington, D.C. in 2017. We are expanding to 1,317 counties in 40 states and Washington, D.C. in 2018. We are a national provider of the Medicare Part D Prescription Drug Program ("PDP") in all 50 states and Washington, D.C. to both individuals and employer groups. All Medicare eligible individuals are eligible to participate in this voluntary prescription drug plan. Members typically receive coverage for certain prescription drugs, usually subject to a deductible, co-insurance and/or co-payment. For certain qualifying employer groups, we offer our Medicare PPO products nationally. When combined with our PDP product, these national PPO plans form an integrated national fully-insured Medicare product for employers that provides medical and pharmacy benefits.
    - *Medicare Supplement:* For certain Medicare eligible members, we offer supplemental coverage for certain health care costs not covered by Original Medicare. The products included in our Medicare Supplement portfolio help to cover some of the gaps in Original Medicare, and include coverage for Medicare deductibles and coinsurance amounts. We offered a wide selection of Medicare Supplement products in 49 states and Washington, D.C. in 2017.
    - *Medicaid and CHIP*: We offer health care management services to individuals eligible for Medicaid and CHIP under multi-year contracts with government agencies in various states that are subject to annual appropriations. CHIP are state-subsidized insurance programs that provide benefits for families with uninsured children. We offered these services on an Insured or ASC basis in 16 states in 2017.
    - *Duals:* We provide health coverage to beneficiaries who are dually eligible for both Medicare and Medicaid coverage. These members must meet certain income and resource requirements in order to qualify for this

coverage. We coordinate 100% of the care for these members and may provide them with additional services in order to manage their health care costs. During 2017, we offered services on an Insured basis to members who were dually eligible in four states under demonstration projects.

- ***Dental:*** We offer managed dental plans on an Insured and ASC basis. We are one of the nation's largest providers of dental coverage, based on membership at December 31, 2017.
- ***Behavioral Health:*** Our behavioral health and employee assistance products provide members who experience stress, depression and other types of mental health related illness with integrated behavioral health benefit administration, access to a network of providers and innovative wellness programs. We provide customized behavioral health solutions to members in all 50 states.
- ***Stop Loss:*** We offer medical stop loss insurance coverage for certain employers who elect to self-insure their health benefits. Under this product, we assume risk for costs associated with large individual claims and/or aggregate loss experience within an employer's plan above a pre-set annual threshold.
- ***Provider Network Access ("First Health" and "Cofinity"):*** Through our First Health and Cofinity products, we provide access to health care provider networks to other insurance companies, third-party administrators, health plans and employers. First Health products are marketed nationally, while Cofinity products are marketed in certain states.
- ***Aetna Vision℠ Preferred:*** We offer vision benefits that provide members with access to one of the largest vision networks in the U.S. The Aetna Vision Preferred program can be customized with a wide range of benefit levels and co-payments.
- ***Workers' Compensation Administrative Services:*** Our workers' compensation administrative services products and services consist of fee-based, managed care services, such as provider network access, cost containment services, pharmacy benefit management, durable medical equipment and ancillary services, and care management services to underwriters and administrators of workers' compensation insurance.
- ***Consumer Health and Services:*** We have a portfolio of products and services aimed at creating an holistic and integrated approach to individual health and wellness. These products and services complement our Commercial, Medicare and Medicaid products and enable enhanced service delivery to and experience for our customers:
    - *Pharmacy:* We offer pharmacy benefit management services and specialty and home delivery pharmacy services. Our pharmacy fulfillment services are provided to our Commercial and Medicare members through Aetna Specialty Pharmacy ("ASP") and Aetna Rx Home Delivery®. ASP dispenses specialty medications and offers certain support services associated with specialty medications. Specialty medications include injectable or infused medications that may not be readily available at local pharmacies. Aetna Rx Home Delivery® provides home delivery prescription drug services. We also perform various pharmacy benefit management services for Aetna pharmacy customers consisting of: product development, Commercial formulary management, pharmacy rebate contracting and administration, sales and account management and precertification programs. CaremarkPCS Health, L.L.C. (a wholly-owned subsidiary of CVS Health) performs the administration of selected functions for our retail pharmacy network contracting and claims administration; home delivery and specialty pharmacy order fulfillment and inventory purchasing and management; and certain administrative services. Other suppliers also provide certain pharmacy benefit management services.
    - *Advanced Provider Models ("APM"):* We are focused on growing membership in our medical products through provider collaborations that are designed to lower medical costs for us and our customers and make our products more affordable. These collaboration models include joint ventures and accountable care organizations ("ACOs"). We offer a suite of solutions designed to facilitate delivery system reform and help reduce the cost of care by enabling population health management for providers. Our APM products facilitate providers changing their business model from episodic acute care to patient population management which allows them to convert from volume-based reimbursement to value-based reimbursement. Our APM products deploy Aetna's population health management assets to collaborate with providers in new ways to improve the quality and efficiency of care for all patients, whether they are Aetna members or members of other payors. In 2017, we continued expanding our offering of APM products and services to employers and individuals in more geographic areas to create mutually beneficial relationships with providers through a variety of methods, including alignment of financial incentives based on cost and quality, implementation of innovative HIT and deploying leading care management programs. Our APM relationships include joint ventures with Allina Health, Banner Health Network, Inova Health System, Sutter Health, and Texas Health Resources.

- *ActiveHealth Management:* Through the use of our patented CareEngine® system, our ActiveHealth Management products provide evidence-based medical management and data analytics products and services to a broad range of customers, including health plans, employers and others. ActiveHealth Management also is a key component of our APM solutions.
- *Consumer:* We believe the role of the consumer in health care is changing and that consumers will become the primary decision makers when it comes to choosing their health-related benefits. As a result, we are developing a portfolio of products and tools, including bswift and PayFlex, that are designed for a retail model in the health benefits industry that is consumer-centric, affordable and convenient. Our Consumer business is focusing on developing a simplified, integrated offering to help consumers navigate the health care system and manage their health care costs.
    - *bswift:* bswift provides benefit administration technology and services to employers nationwide, streamlining the benefits process. bswift's technology also provides the shopping, buying and enrolling experience for public health insurance exchanges ("Public Exchanges"), private health insurance exchanges ("Private Exchanges" and together with Public Exchanges "Insurance Exchanges") and individuals.
    - *PayFlex:* PayFlex provides services to employers, their employees, and their former employees in the areas of tax-advantaged account reimbursement administration (flexible spending, health reimbursement, health savings, transit and parking), Consolidated Omnibus Budget Reconciliation Act ("COBRA") administration and special-member billing administration.

Provider Networks

We contract with physicians, hospitals and other health care providers for services they provide to our members. The health care providers who participate in our networks are independent contractors and are neither our employees nor our agents, except for providers who work in our home delivery and specialty pharmacy facilities.

We use a variety of techniques designed to help encourage appropriate utilization of medical services ("utilization") and maintain affordability of quality coverage. In addition to contracts with health care providers for negotiated rates of reimbursement, these techniques include creating risk sharing arrangements that align economic incentives with our providers, the development and implementation of guidelines for the appropriate utilization of medical services and the provision of data to providers to enable them to improve health care quality.

At December 31, 2017, Aetna's underlying nationwide provider network had approximately 1.2 million participating health care providers, including over 683,000 primary care and specialist physicians and approximately 5,700 hospitals.

- ***Advanced Provider Models:*** We collaborate with hospitals and other providers through our APM products. Our arrangements focus on high value narrow network solutions to provide high-quality, low-cost options in local geographies. We are able to help enhance our relationships with hospitals and other providers through a variety of methods, including a re-alignment of financial incentives for providing high quality care, total cost management initiatives and risk sharing arrangements.
- ***Primary Care Physicians:*** We compensate primary care physicians ("PCPs") participating in our networks on both a fee-for-service and capitated basis, with capitation generally limited to HMO products in certain geographic areas and representing approximately 3 percent of health care costs in 2017 and 4 percent in both 2016 and 2015. In a fee-for-service arrangement, physicians are paid for health care services provided to the member based upon a set fee for the services provided. Under a capitation arrangement, physicians receive a monthly fixed fee for each member, regardless of the volume of health care services provided to the member. In some cases, PCPs who are paid on a fee-for-service or capitated basis also receive additional incentive fees if certain performance metrics are attained.
- ***Specialist Physicians:*** Specialist physicians participating in our networks are generally reimbursed at contracted rates per visit or per procedure.
- ***Hospitals:*** We typically enter into contracts with hospitals that provide for per-day and/or per-case rates, often with fixed rates for ambulatory, surgery and emergency room services. We also have hospital contracts that provide for reimbursement based on a percentage of the charges billed by the hospital. Our medical plans generally require notification of elective hospital admissions, and we monitor the length of hospital stays. Physicians who participate in our networks generally admit their patients in network-based products to participating hospitals using referral procedures that direct the hospital to contact our patient management unit in order to confirm the patient's membership status and facilitate the patient management process. This unit also assists members and providers with related

activities, including, if necessary, the subsequent transition to the home environment and home care. Case management assistance for complex cases is provided by a special unit.

- ***Other Providers:*** Laboratory, imaging, urgent care and other freestanding health facility providers are generally paid under fee-for-service arrangements, except for certain laboratory services.

Quality Assessment

CMS uses a 5-star rating system to monitor plans and ensure that they meet CMS's quality standards. CMS uses this rating system to provide Medicare beneficiaries with a tool that they can use to compare the overall quality of care and level of customer service of companies that provide Medicare health care and drug plans. The rating system considers a variety of measures adopted by CMS, including quality of preventative services, chronic illness management and overall customer satisfaction. Refer to “Pricing” below in this Item 1 for further discussion of our star ratings.

We seek Health Plan accreditation for our Aetna HMO plans from the National Committee for Quality Assurance (the “NCQA”), a national organization established to review the quality and medical management systems of health care plans. Health care plans seeking accreditation must pass a rigorous, comprehensive review and must annually report on their performance.

Aetna Life Insurance Company ("ALIC"), a wholly-owned subsidiary of Aetna, has received nationwide NCQA PPO Health Plan accreditation, through December 13, 2019. As of December 31, 2017, all of our Aetna Health Inc. Commercial HMO and ALIC PPO members who were eligible participated in HMOs or PPOs that are accredited by the NCQA.

NCQA and URAC (formally known as American Accreditation HealthCare Commission, Inc.), are national organizations founded to establish standards for the health care industry. Purchasers and consumers look to NCQA’s and URAC's accreditation and certification as an indication that a health care organization has the necessary structures and processes to promote high-quality care and preserve patient rights. In addition, regulators in over 80% of the states recognize NCQA's accreditation and certification standards.

Our provider selection and credentialing/re-credentialing policies and procedures are consistent with NCQA and URAC, as well as state and federal, requirements. In addition, we are certified under the NCQA Credentials Verification Organization (“CVO”) certification program for all certification options through January 5, 2019. Our URAC CVO accreditation is valid through October 1, 2018.

Our quality assessment programs for contracted providers who participate in our networks begin with the initial review of health care practitioners. Practitioners' licenses and education are verified, and their work history is collected by us or in some cases by the practitioner's affiliated group or organization. We generally require participating hospitals to be certified by CMS or accredited by the Joint Commission, the American Osteopathic Association, or Det Norske Veritas Healthcare.

We also offer quality and outcome measurement programs, quality improvement programs, and health care data analysis systems to providers and purchasers of health care services.

Principal Markets and Sales

Our medical membership is dispersed throughout the United States, and we serve a limited number of members in certain countries outside the United States. Refer to Note 18 “Segment Information” included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on our foreign customers. We offer a broad range of traditional, voluntary and consumer-directed health insurance products and related services, many of which are available nationwide. Depending on the product, we market to a range of customers including employer groups, individuals, college students, part-time and hourly workers, health plans, providers, governmental units, government-sponsored plans, labor groups and expatriates.

The following table presents total medical membership by United States and other geographic region and funding arrangement at December 31, 2017, 2016 and 2015:

	2017			2016			2015		
(Thousands)	**Insured**	**ASC**	**Total**	**Insured**	**ASC**	**Total**	**Insured**	**ASC**	**Total**
Northeast	**1,994**	**3,367**	**5,361**	2,121	2,966	5,087	2,166	2,952	5,118
Southeast	**1,828**	**2,942**	**4,770**	2,260	3,076	5,336	2,173	3,183	5,356
Mid-America	**1,919**	**2,746**	**4,665**	2,506	2,673	5,179	2,507	2,913	5,420
West	**1,712**	**4,887**	**6,599**	1,954	4,848	6,802	1,837	5,008	6,845
Other	**580**	**262**	**842**	331	375	706	440	308	748
Total medical membership	**8,033**	**14,204**	**22,237**	9,172	13,938	23,110	9,123	14,364	23,487

Additional information on Health Care's membership is included in the “Healthcare - Membership” section of the MD&A included in Part II, Item 7 of this Annual Report on Form 10-K.

We market both Commercial Insured and ASC products and services primarily to employers that sponsor our products (also called “plan sponsors”) for the benefit of their employees and their employees' dependents. Frequently, larger employers offer employees a choice among coverage options, from which the employee makes his or her selection during a designated annual open enrollment period. Typically, employers pay all of the monthly premiums to us and, through payroll deductions, obtain reimbursement from employees for a percentage of the premiums that is determined by each employer. We also sold Commercial Insured plans directly to individual consumers in a number of states, including through Public Exchanges. We no longer sell individual Commercial products, and we exited the individual Public Exchanges in 2018. Some Health Care products are sold directly to employees of employer groups on a fully employee-funded basis. In some cases, we bill the covered individual directly.

We offer Insured Medicare coverage on an individual basis as well as through employer groups to their retirees. Medicaid and CHIP members are enrolled on an individual basis. We also offer Insured health care coverage to members who are dually-eligible for both Medicare and Medicaid.

Health Care products are sold through our sales personnel; through independent brokers, agents and consultants who assist in the production and servicing of business; and Private Exchanges. For large plan sponsors, independent consultants and brokers are frequently involved in employer health plan selection decisions and sales. In some instances, we may pay commissions, fees and other amounts to brokers, agents, consultants and sales representatives who place business with us. In certain cases, our customer pays the broker for services rendered, and we may facilitate that arrangement by collecting the funds from the customer and transmitting them to the broker. We support our marketing and sales efforts with an advertising program that may include television, radio, billboards, print media and social media, supplemented by market research and direct marketing efforts.

Pricing

For Commercial Insured plans, contracts containing the pricing and other terms of the relationship are generally established in advance of the policy period and typically have a duration of one year. Fees under our ASC plans are generally fixed for a period of one year.

We use prospective rating methodologies in determining the premium rates charged to the majority of employer groups, and we also use retrospective rating methodologies for a limited number of groups. Premium rates for customers with more than approximately 125 employees generally take into consideration the individual plan sponsor's historical and anticipated claim experience where permitted by law. Some states may prohibit the use of one or more of these rating methods for some customers, such as small employer groups, or all customers.

Under prospective rating, a fixed premium rate is determined at the beginning of the policy period. We typically cannot recover unanticipated increases in health care costs in the current policy period; however, we may consider prior experience for a product in the aggregate or for a specific customer, among other factors, in determining premium rates for future policy periods. Where required by state laws, premium rates are filed and approved by state regulators prior to contract inception. Our future operating results could be adversely affected if the premium rates we request are not approved or are adjusted downward or their approval is delayed by state or federal regulators.

Under retrospective rating, we determine a premium rate at the beginning of the policy period. After the policy period has ended, the actual claim and cost experience is reviewed. If the actual claim costs and other expenses are less than expected, we may issue a refund to the plan sponsor based on this favorable experience. If the experience is unfavorable, in certain instances we may recover the resulting deficit through contractual provisions or consider the deficit in setting future premium levels. However, we may not recover the deficit if a plan sponsor elects to terminate coverage. Retrospective rating may be used for Commercial Insured plans that cover more than approximately 300 lives.

We have Medicare Advantage and PDP contracts with CMS to provide HMO, PPO and prescription drug coverage to Medicare beneficiaries in certain geographic areas. Under these annual contracts, CMS pays us a fixed capitation payment and/or a portion of the premium, both of which are based on membership and adjusted for demographic and health risk factors. CMS also considers inflation, changes in utilization patterns and average per capita fee-for-service Medicare costs in the calculation of the fixed capitation payment or premium. Our PDP contracts also provide a risk-sharing arrangement with CMS to limit our exposure to unfavorable expenses or benefit from favorable expenses. Amounts payable to us under the Medicare arrangements are subject to annual revision by CMS, and we elect to participate in each Medicare service area or region on an annual basis. Premiums paid to us for Medicare products are subject to federal government reviews and audits, which can result, and have resulted, in retroactive and prospective premium adjustments and refunds to the government and/or members. In addition to payments received from CMS, some of our Medicare Advantage products and all of our PDP products require a supplemental premium to be paid by the member or sponsoring employer. In some cases these supplemental premiums are adjusted based on the member's income and asset levels. Compared to Commercial products, Medicare contracts generate higher per member per month revenues and health care costs.

The ACA ties a portion of each Medicare Advantage plan’s reimbursement to the plan’s “star ratings.” Since 2015, plans must have a star rating of four or higher (out of five) to qualify for a quality bonus in their basic premium rates. CMS released our 2018 star ratings in October 2017. Our 2018 star ratings will be used to determine which of our Medicare Advantage plans have ratings of four stars or higher and qualify for bonus payments in 2019. Based on our membership at December 31, 2017, 87% of our Medicare Advantage members were in plans with 2018 star ratings of at least 4.0 stars, compared to 92% of our Medicare Advantage members being in plans with 2017 star ratings of at least 4.0 stars based on our membership at December 31, 2016.

Rates for our Medicare Supplement products are regulated at the state level and vary by state and plan.

Under our Insured Medicaid contracts, state government agencies pay us fixed monthly rates per member that vary by state, line of business and demographics; and we arrange, pay for and manage health care services provided to Medicaid beneficiaries. These rates are subject to change by each state, and, in some instances, provide for adjustment for health risk factors. CMS requires these rates to be actuarially sound. We also receive fees from our customers where we provide services under ASC Medicaid contracts. Our ASC Medicaid contracts generally are for periods of more than one year, and certain of them contain performance incentives and limited financial risk sharing with respect to certain medical, financial and operational metrics. Under these arrangements, performance is evaluated annually, with associated financial incentive opportunities, and our financial risk share obligations are typically limited to a percentage of the fees otherwise payable to us. Payments to us under our Medicaid contracts are subject to the annual appropriation process in the applicable state.

Under our Duals contracts, the rate setting process is generally established by CMS in partnership with the state government agency participating in the demonstration project. Both CMS and the state government agency may seek premium and other refunds under certain circumstances, including if we fail to comply with CMS regulations or other contractual requirements.

We offer HMO and consumer-directed medical and dental plans to federal employees under the Federal Employees Health Benefits Program and the Federal Employees Dental and Vision Insurance Program. Premium rates and fees for those plans are subject to federal government review and audit, which can result, and have resulted, in retroactive and prospective premium and fee adjustments and refunds to the government and/or members.

Beginning in 2014, the ACA imposed significant new industry-wide fees, assessments and taxes. In December 2015, the Consolidated Appropriation Act was enacted, which included a one year suspension of the HIF for 2017. In January 2018, the HIF was suspended for 2019. Refer to Note 2 “Summary of Significant Accounting Policies” included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on the ACA fees, assessments and taxes. Our goal is to collect in premiums and fees or solve for all of these estimated fees, assessments and taxes.

Competition

The health care benefits industry is highly competitive, primarily due to a large number of for-profit and not-for-profit competitors, our competitors' marketing and pricing, and a proliferation of competing products, including new products that

are continually being introduced into the marketplace. New entrants into the marketplace, as well as consolidation within the industry, have contributed to and are expected to intensify the competitive environment. In addition, the rapid pace of change as the industry evolves towards a consumer-focused retail marketplace, including Public and Private Exchanges, and the increased use of technology to interact with members, providers and customers, increase the risks we currently face from new entrants and disruptive actions by existing competitors compared to prior periods. References to competitors and other companies throughout this Annual Report on Form 10-K, including the information incorporated herein by reference, are for illustrative or comparison purposes only and do not indicate that these companies are our only competitors or are our closest competitors.

We believe that the significant factors that distinguish competing health plans include the perceived overall quality (including accreditation status), quality of service, comprehensiveness of coverage, cost (including premium rates, provider discounts and member out-of-pocket costs), product design, financial stability and ratings, breadth and quality of provider networks, ability to offer different provider network options, providers available in such networks, and quality of member support and care management programs. We believe that we are competitive on each of these factors. Our ability to increase the number of persons covered by our plans or to increase our revenues is affected by our ability to differentiate ourselves from our competitors on these factors. Competition may also affect the availability of services from health care providers, including primary care physicians, specialists and hospitals.

Our Insured products compete with local and regional health care benefits plans, health care benefits and other plans sponsored by other large commercial health care benefit insurance companies, health system owned health plans, new entrants into the marketplace and numerous for-profit and not-for-profit organizations operating under licenses from the Blue Cross and Blue Shield Association. Our largest competitor in our Medicare products is Original Medicare. Additional competitors include other types of medical and dental provider organizations, various specialty service providers (including pharmacy benefit management services providers), health care consultants, financial services companies, integrated health care delivery organizations (networks of providers who also coordinate administrative services for and assume insurance risk of their members), third party administrators, HIT companies and, for certain plans, programs sponsored by the federal or state governments. Emerging competitors include start up health care benefits plans, technology companies, provider-owned health plans, new joint ventures (including not-for-profit joint ventures among firms from multiple industries), technology firms, financial services firms that are distributing competing products on their proprietary Private Exchanges, and consulting firms that are distributing competing products on their proprietary Private Exchanges, as well as non-traditional distributors such as retail companies. Our ability to increase the number of persons enrolled in our Insured products also is affected by the desire and ability of employers to self-fund their health coverage.

Our ASC plans compete primarily with other large commercial health care benefit companies, numerous for-profit and not-for-profit organizations operating under licenses from the Blue Cross and Blue Shield Association and third-party administrators.

Our international products compete with local, global and U.S. based health plans and commercial health care benefit insurance companies, many of whom have a longer operating history and better brand recognition and greater marketplace presence in one or more geographies.

The provider solutions and HIT marketplaces and provider solutions and HIT products are evolving rapidly. We compete for provider solutions and HIT business with other large health plans and commercial health care benefit insurance companies as well as information technology companies and companies that specialize in provider solutions and HIT. Many of our information technology product competitors have longer operating histories, better brand recognition, greater marketplace presence and more experience in developing innovative products.

In addition to competitive pressures affecting our ability to obtain new customers or retain existing customers, our membership has been and may continue to be adversely affected by adverse and/or uncertain economic conditions and reductions in workforce by existing customers due to adverse and/or uncertain general economic conditions, especially in the U.S. and industries where our membership is concentrated.

Reinsurance

We currently have several reinsurance agreements with non-affiliated insurers that relate to Health Care insurance policies. We entered into these contracts to reduce the risk of catastrophic losses which in turn reduces our capital and surplus requirements. We frequently evaluate reinsurance opportunities and refine our reinsurance and risk management strategies on a regular basis.

Group Insurance Segment

On November 1, 2017, we completed the sale of a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance and absence management businesses to HLAIC for cash consideration of $1.45 billion. The transaction was accomplished through an indemnity reinsurance arrangement under which HLAIC contractually assumed certain of our policyholder liabilities and obligations, although we remain directly obligated to policyholders. Assets related to and supporting the reinsured life and disability insurance policies were transferred to a trust established by HLAIC for our benefit, and we recorded a reinsurance receivable from HLAIC.

Refer to Note 3 “Acquisition, Divestiture, Terminated Acquisition and Terminated Divestiture” included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

Principal Products

Group Insurance products consist primarily of the following:

- ***Life Insurance:*** Our life insurance products principally consist of group term life insurance, the amounts of which may be fixed or linked to individual employee wage levels. We also offer voluntary spouse and dependent term life insurance, and group universal life and accidental death and dismemberment insurance. We offer life insurance products on an Insured basis.
- ***Disability Insurance:*** Our Disability products provide employee income replacement benefits for both short-term and long-term disability (and products which combine both). Similar to Health Care products, we offer disability benefits on both an Insured and employer-funded basis. We also provide absence management services to employers, including short-term and long-term disability administration and leave management.
- ***Long-Term Care Insurance:*** Our Long-Term Care Insurance products provide benefits to cover the cost of care in private home settings, adult day care, assisted living or nursing facilities. We no longer solicit or accept new long-term care customers. Long-term care benefits were offered primarily on an Insured basis. The product was available on both a service reimbursement and disability basis.

Principal Markets and Sales

We offer our Group Insurance products in 49 states as well as Washington, D.C., Guam, Puerto Rico, the U.S. Virgin Islands and Canada. Depending on the product, we market to a range of customers from small employer groups to large, multi-site and/or multi-state employer programs.

We market Group Insurance products and services primarily to employers that sponsor our products for the benefit of their employees and their employees' dependents. Frequently, employers offer employees a choice of benefits, from which the employee makes his or her selection during a designated annual open enrollment period. Typically, employers pay all of the monthly premiums to us and, through payroll deductions, obtain reimbursement from employees for a percentage of the premiums that is determined by each employer. Some Group Insurance products are sold directly to employees of employer groups on a fully employee-funded basis. In some cases, we bill the covered individual directly.

Group Insurance products are sold through our sales personnel, as well as through independent brokers, agents and consultants who assist in the production and servicing of business. For large plan sponsors, independent consultants and brokers are frequently involved in employer plan selection decisions and sales. We pay commissions, fees and other amounts to brokers, agents, consultants and sales representatives who place business with us. We support our marketing and sales efforts with an advertising program that may include direct marketing efforts as well as television, radio, billboards, print media and social media, supplemented by market research.

Pricing

For Insured and employer-funded Group Insurance plans, employer group contracts containing the pricing and other terms of the relationship are generally established in advance of the policy or contract period. We use prospective and retrospective rating methodologies to determine the premium rates charged to employer groups on our Insured products. Contracts are typically offered with rate guarantees that generally range from one to five years.

Under prospective rating, a fixed premium rate is determined at the beginning of the policy period. We typically cannot recover unanticipated increases in mortality or morbidity costs in the current policy period; however, we may consider prior experience for a product in the aggregate or for a specific customer, among other factors, in determining premium rates for future policy periods.

Under retrospective rating, we determine a premium rate at the beginning of the policy period. After the policy period has ended, the actual claim and cost experience is reviewed. If the actual claim costs and other expenses are less than expected, we may issue a refund to the plan sponsor based on this favorable experience. If the experience is unfavorable, we consider the deficit in setting future premium levels, and in certain instances, we may recover the deficit through contractual provisions such as offsets against refund credits that develop for future policy periods. However, we may not recover the deficit if a plan sponsor elects to terminate coverage. Retrospective rating is most often used for Insured plans that cover more than approximately 3,000 lives.

Competition

For the group insurance industry, we believe that the significant factors that distinguish competing companies are cost, quality of service, financial strength of the insurer, comprehensiveness of coverage, and product array and design. We believe we are reasonably competitive on each of these factors; however, some of our competitors have greater scale, financial and other resources, better brand recognition and lower expenses. The group life and group disability marketplaces remain highly competitive.

Reinsurance

We currently have several reinsurance agreements with non-affiliated insurers that relate to both life and long-term disability products, including our domestic group life insurance and group disability insurance businesses sold to HLAIC. Certain of our reinsurance arrangements are established on a case-by-case basis, and a subset of our reinsurance agreements cover closed blocks of business and canceled cases. We also have a reinsurance arrangement to mitigate long-term disability claim severity risk at the individual claim level, and another reinsurance arrangement that provides a limited degree of catastrophic risk protection for certain of our life products.

Large Case Pensions Segment

Principal Products

Large Case Pensions manages a variety of retirement products (including pension and annuity products) primarily for tax-qualified pension plans. We do not actively market Large Case Pensions products, but continue to accept deposits from existing customers and manage the run-off of our existing business. Contracts provide non-guaranteed, experience-rated and guaranteed investment options through general and separate account products. Large Case Pensions products that use separate accounts provide contract holders with a vehicle for investments under which the contract holders primarily assume the investment risk. Large Case Pensions earns a management fee on these separate accounts.

In 1993, we discontinued our fully-guaranteed Large Case Pensions products. Refer to Note 19 “Discontinued Products” included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

Other Matters

Access to Reports and Other Information

Our reports to the U.S. Securities and Exchange Commission (the “SEC”), including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, are available without charge on our website at www.aetna.com as soon as practicable after they are electronically filed with or furnished to the SEC. The information on or linked to our website is neither a part of nor incorporated by reference in this Annual Report on Form 10-K or any of our other SEC filings. Copies of these reports are also available, without charge, from Aetna's Investor Relations Department, 151 Farmington Avenue, Hartford, CT 06156.

You also can download from our website our articles of incorporation, by-laws and corporate governance policies, including our Corporate Governance Guidelines, the charters of the key standing Committees of our Board of Directors and our Code of Conduct. Copies of these documents are also available, without charge, from Aetna’s Corporate Secretary, 151 Farmington Avenue, RW61, Hartford, CT 06156.

Our transfer agent, Computershare Trust Company, N.A., can help with a variety of shareholder-related services, including change of address, lost stock certificates, transfer of stock to another person or other administrative services. Shareholders can write to our transfer agent by mail at P.O. Box 505000, Louisville, KY 40233, or contact them by telephone at 1-800-446-2617.

Regulation

For information regarding significant regulation that affects us, refer to “Regulatory Environment” of MD&A included in Part II, Item 7 of this Annual Report on Form 10-K and for a discussion of certain factors that may cause our actual results to differ from currently anticipated results in connection with regulation that affects us, see “Risk Factors” included in Part I, Item 1A of this Annual Report on Form 10-K.

Patents and Trademarks
We own a number of trademarks and patents that are important to Aetna. Some of the trademarks include Aetna, as well as the corresponding Aetna design logo, Aetna Navigator®, ActiveHealth®, bswift®, CareEngine®, Coventry®, DocFind®, Healthy Merits®, iTriage®, Meritain Health®, NeoCare Solutions®, PayFlex®, Springboard Marketplace®, Wellmatch®, You Don't Join Us, We Join You®, Resources for Living®, Aetna vHealthSM and Building a Healthier World®. Some of our patents include the CareEngine patent that expires in 2021 and the Master Patient Index patent that expires in 2029. We consider these patents and trademarks and our other patents, trademarks and trade names important in the operation of our business. However, our business, including that of each of our individual segments, is not dependent on any individual patent, trademark or trade name.

Employees
We had approximately 47,950 employees at December 31, 2017.

Customer Concentration
The U.S. federal government is a significant customer of both the Health Care segment and the Company as described below:

- Premiums and fees and other revenue paid by the federal government accounted for 36% of the Health Care segment's revenue and 34% of our consolidated total revenue in 2017.

- Contracts with CMS for coverage of Medicare-eligible individuals accounted for 87% of our federal government premiums and fees and other revenue, with the balance coming from federal employee-related benefit programs and ACA programs. No other individual customer, in any of our segments, accounted for 10% or more of our consolidated total revenue in 2017.

- Our Medicaid products accounted for 14% of our Health Care segment's revenue and 13% of our consolidated total revenue in 2017. However, no individual state government agency accounted for more than 10% of our consolidated total revenue or the Health Care segment's revenue in 2017.

Other than our contracts with CMS, our segments are not dependent upon a single customer or a few customers the loss of which would have a significant effect on the earnings of a segment. The loss of business from any one, or a few, independent brokers or agents would not have a material adverse effect on our earnings or the earnings of any of our segments. Refer to Note 18 "Segment Information" included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

Item 1A. Risk Factors

Risk Factors
You should carefully consider each of the following risks and uncertainties and all of the other information set forth in this Annual Report on Form 10-K. These risks and uncertainties and other factors may affect forward-looking statements, including those we make in this Annual Report on Form 10-K or elsewhere, such as in news releases or investor or analyst calls, meetings or presentations. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. Any of these risks or uncertainties could cause our actual results to differ materially from our expectations and the expected results discussed in our forward-looking statements. You should not consider past results to be an indication of future performance.

If any of the following risks or uncertainties develops into actual events or if the circumstances described in the risks or uncertainties occur or continue to occur, these events or circumstances could have a material adverse effect on our business, cash flows, financial position or operating results. In that case, our stock price could decline materially, among other effects on us.

Effectiveness of our enterprise strategy, talent management and alignment of talent to our business needs and risks to our brand and reputation present overarching risks to our enterprise in 2018.

We expect to face significant business challenges and uncertainties in 2018. Effectiveness of our enterprise strategy, talent management and alignment of talent to our business needs and risks to our brand and reputation present overarching risks to our enterprise in 2018. There can be no assurance regarding the effectiveness of our enterprise strategy, our ability to manage and align our talent to our business needs or our ability to avoid harm to our brand and reputation. In addition, there can be no assurance that the CVS Health Transaction, U.S. government fiscal policy, repeal or other changes to the ACA or additional

changes to the U.S. health care system will not require us to revise the ways in which we conduct business, put us at risk of loss of business or materially adversely affect our business, cash flows, financial position or operating results.

While we consider the foregoing to be the overarching risks we face in 2018, they are not the only material risks we face. We face numerous other challenges, as described elsewhere in this Annual Report, including below in this "Risk Factors" discussion, and other unanticipated risks may develop.

Our enterprise strategy may not be an effective response to the changing dynamics in the health and related benefits industry, or we may not be able to implement our strategy and related strategic projects.

Our strategy includes effectively investing our capital and human resources in appropriate strategic projects, current operations and acquisitions to transform our business in response to the changing dynamics in the health and related benefits industry, including the evolution toward a direct-to-consumer marketing and operating model, the declining number of commercially insured people and the potential shift to a defined contribution model for health benefits. Our strategic projects include, among other things: significant investments in human and technology resources to expand our Consumer Health and Services product line, including to develop and expand our consumer business, and compete effectively in a direct-to-consumer marketplace; transforming our business model through consumer engagement, joint ventures, ACOs and collaborative provider networks; optimizing our business platforms; managing certain significant technology projects; further improving relations with health care providers; negotiating contract changes with customers and providers; implementing other business process improvements; and participating in Private Exchanges and select small group Public Exchanges (collectively, "Insurance Exchanges"). Implementing our strategic initiatives will require significant investments of capital and human resources. Among other things, we will need to simultaneously acquire and develop new personnel, products and systems to serve existing and new customers with existing and new products, to expand our Consumer Health and Services product line, and to enhance our existing customer service, information technology, control and compliance processes and systems. The future performance of our businesses will depend in large part on our ability to design and implement our strategic initiatives, some of which will occur over several years. If these initiatives do not achieve their objectives, our operating results could be adversely affected.

Our enterprise strategy may not be an effective response to the changing dynamics in the health and related benefits industry, and we may fail to recognize and position ourselves to capitalize upon market opportunities. We may not have sufficient advance notice and resources to develop and effectively implement an alternative strategy. Competitors who develop a superior strategy, or more effectively implement their strategy, may develop capabilities, competitive advantages and competitive positions that are difficult to match or overcome.

We are dependent on our ability to recruit, retain and develop a very large and diverse workforce. We must transform our culture in order to successfully grow our business.

Our products and services and our operations require a large number of employees. Our success is dependent on our ability to transform our culture, align our talent with our business needs, engage our employees and inspire our employees to be open to change, to innovate and to maintain consumer-focus when delivering services to our customers. Our business would be adversely affected if we fail to adequately plan for succession of our executives and senior management; or if we fail to effectively recruit, integrate, retain and develop key talent and/or align our talent with our business needs, in light of the current rapidly changing environment. While we have succession plans in place and we have employment arrangements with a limited number of key executives, these do not guarantee that the services of these or suitable successor executives will continue to be available to us. In addition, as we expand internationally, we face the challenge of recruiting, integrating, educating, managing, retaining and developing a more culturally diverse workforce.

Our brand and reputation are two of our most important assets; negative public perception of the health and related benefits industry, or of the industry's or our practices, can adversely affect our operating results.

The health and related benefits industry regularly is negatively perceived by the public and subject to negative publicity, including as a result of litigation against us and other industry participants, adverse media coverage, the ongoing public debate over the future of the ACA, proposed transactions in our industry (including the CVS Health Transaction and related litigation), governmental hearings and/or investigations and actual or perceived shortfalls regarding the industry's or our own products and/or business practices (including insurance coverage determinations, withdrawing from participation in Public Exchanges and social media and other media relations activities). This risk may be increased as the federal government continues to consider alternatives to amend, repeal and/or replace the ACA (including Medicaid expansion) and as states seek to maintain, replace or repeal elements of the ACA such as Public Exchanges and Medicaid expansion within increasingly challenging budget constraints. This risk will increase further if we implement significant increases in premium rates to price for additional risk and/or expanded benefits resulting from, and fees, assessments and taxes imposed by, the federal and state governments as

well as any acceleration in medical cost inflation. This risk also may be increased as states and the federal government continue to debate the ACA and implement any amendment, repeal or replacement of the ACA, as we continue to offer products that make greater use of data and products for people who are eligible for Medicare or Medicaid or dually eligible for Medicare and Medicaid and other products that are beyond those in our core Commercial business and as our business model becomes more focused on consumers and direct-to-consumer sales, including as a result of us developing and expanding our Consumer Health and Services product line, competing for sales on select Insurance Exchanges and withdrawing from participation on individual Public Exchanges. Significant reductions or interruptions in funding for government health programs we serve also may lead us to reduce our exposure to these programs, which could adversely affect our brand and reputation.

Negative public perception and/or publicity of the health and related benefits industry in general, or of us or our key vendors, brokers or product distribution networks in particular, can further increase our costs of doing business and adversely affect our operating results and our stock price by:

- Adversely affecting our brand and reputation;
- Adversely affecting our ability to market and sell our products and/or services and/or retain our existing customers and members;
- Requiring us to change our products and/or services; and/or
- Increasing or significantly changing the regulatory and legislative requirements with which we must comply.

Risks Relating to Our Proposed Acquisition by CVS Health

CVS Health's acquisition of Aetna is subject to various closing conditions, including governmental, regulatory and shareholder and stockholder approvals as well as other uncertainties, and there can be no assurances as to whether and when it may be completed.

On December 3, 2017, we entered into an Agreement and Plan of Merger (which we refer to as the "CVS Merger Agreement"), with CVS Health Corporation (or "CVS Health") and Hudson Merger Sub Corp. (or "Merger Sub"), a wholly owned subsidiary of CVS Health. Under the terms and subject to the conditions set forth in the CVS Merger Agreement, Merger Sub will merge with and into Aetna (the "Merger"). In the Merger, each of our outstanding common shares will be converted into the right to receive (i) $145 in cash without interest and (ii) 0.8378 shares of CVS Health common stock, subject to any required withholding taxes. On February 1, 2018, Aetna and CVS Health each received a request for additional information (also known as a "second request") from the U.S. Department of Justice (the "DOJ") in connection with the DOJ's review of the transactions contemplated by the CVS Merger Agreement. The Merger is expected to close in the second half of 2018.

Completion of the Merger is subject to customary closing conditions, a number of which are not within our or CVS Health's control, and it is possible that such conditions may prevent, delay or otherwise materially adversely affect the completion of the Merger. These conditions include, among other things, (i) approval and adoption of the CVS Merger Agreement by the holders of a majority of our outstanding common shares, (ii) approval of the issuance of CVS Health common stock in the Merger by a majority of votes cast by CVS Health stockholders, (iii) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of necessary approvals under state insurance and healthcare laws and regulations and pursuant to certain licenses of certain of our subsidiaries, (iv) the absence of legal restraints and prohibitions on the completion of the Merger, (v) the effectiveness of the registration statement in respect of the CVS Health common stock to be issued in the Merger, (vi) listing of the CVS Health common stock to be issued in the Merger on the New York Stock Exchange, (vii) subject to the relevant standards set forth in the CVS Merger Agreement, the accuracy of the representations and warranties made by each party, (viii) material compliance by each party with its covenants in the CVS Merger Agreement, and (ix) no "Company Material Adverse Effect" with respect to us and no "Parent Material Adverse Effect" with respect to CVS Health, in each case since the execution of and as defined in the CVS Merger Agreement. In addition, CVS Health's obligation to complete the Merger is subject to the condition that the required regulatory approvals do not impose any condition that, individually or in the aggregate, would reasonably be expected to have a "Regulatory Material Adverse Effect" (as such term is defined in the CVS Merger Agreement). We cannot predict with certainty whether and when any of the required closing conditions will be satisfied or if another uncertainty may arise.

Negative public perception and/or publicity of the health and related benefits industry in general, or us or CVS Health or one of our respective key vendors, brokers or product distribution networks in particular, may delay and/or make it more difficult to obtain the required regulatory approvals and clearances necessary to complete the Merger. If the Merger does not receive, or timely receive, the required regulatory approvals and clearances, or if any regulatory agencies impose certain conditions relating to the required regulatory approvals that would reasonably be expected to have a "Regulatory Material Adverse Effect", or if an event occurs that delays or prevents the Merger, such failure or delay to complete the Merger may cause uncertainty or

other negative consequences that may materially and adversely affect our operating results, financial position and/or cash flows and/or our stock price.

The CVS Merger Agreement limits our ability to pursue alternative transactions to the pending Merger.

The CVS Merger Agreement restricts us from initiating, soliciting, knowingly encouraging, knowingly facilitating or entering into discussions or negotiations with any third party regarding alternative acquisition proposals. This restriction limits our ability to affirmatively seek offers from other possible acquirers that may be superior to the pending Merger, although we are permitted, subject to compliance with certain procedures specified in the CVS Merger Agreement, to respond to certain unsolicited proposals from third parties to allow our Board of Directors to comply with its fiduciary duties. If we receive an unsolicited proposal from a third party that our Board of Directors determines is a superior proposal (as defined in the CVS Merger Agreement), our Board of Directors may withdraw or otherwise change its recommendation of the Merger. If our Board of Directors withdraws or otherwise changes its recommendation of the Merger, or if we materially breach our obligation not to solicit alternative acquisition proposals, CVS Health may terminate the CVS Merger Agreement and we would be contractually obligated to pay a termination fee of $2.1 billion to CVS Health. This termination fee may make it less likely that a third party will make an alternative acquisition proposal for us.

The number of shares of CVS Health common stock that our shareholders will receive in the Merger is based on a fixed exchange ratio. Because the market price of CVS Health's common stock has fluctuated and will continue to fluctuate, our shareholders cannot be certain of the value of the portion of the merger consideration to be paid in CVS Health common stock.

Upon completion of the Merger, each of our outstanding common shares will be converted into the right to receive (i) $145 in cash without interest and (ii) 0.8378 shares of CVS Health common stock, subject to any required withholding taxes. The exchange ratio for determining the number of shares of CVS Health common stock that our shareholders will receive in the Merger is fixed and will not be adjusted for changes in the market price of CVS Health's common stock, which will likely fluctuate before and after the completion of the Merger. Fluctuations in the value of CVS Health's common stock could result from changes in the business, operations or prospects of CVS Health and/or us prior to or following the closing of the Merger, regulatory considerations, general market and economic conditions and other factors both within and beyond the control of us or CVS Health. In addition, the Merger is expected to be completed a considerable amount of time after the date of our special meeting of shareholders to consider and vote on the approval and adoption of the CVS Merger Agreement. As such, at the time of our special meeting of shareholders to consider and vote on the approval and adoption of the CVS Merger Agreement, our shareholders will not know or be able to determine the value of the CVS Health share consideration that they will receive in the Merger for each of our common shares.

While the Merger is pending, we are subject to business uncertainties and contractual restrictions that could materially adversely affect our operating results, financial position and/or cash flows or result in a loss of employees, customers, members, providers or suppliers.

The CVS Merger Agreement includes restrictions on the conduct of our business prior to the completion of the Merger or termination of the CVS Merger Agreement, generally requiring us to conduct our business in the ordinary course and subjecting us to a variety of specified limitations absent CVS Health's prior written consent. We may find that these and other contractual restrictions in the CVS Merger Agreement delay or prevent us from responding, or limit our ability to respond, effectively to competitive pressures, industry developments and future business opportunities that may arise during such period, even if our management believes they may be advisable. The pendency of the proposed Merger may also divert management's attention and our resources from ongoing business and operations.

Our employees, customers, members, providers and suppliers may experience uncertainties about the effects of the Merger. In connection with the pending Merger, it is possible that some customers, members, providers, suppliers and other parties with whom we have a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationship with us as a result of the Merger. Similarly, current and prospective employees may experience uncertainty about their future roles with us following completion of the Merger, which may materially adversely affect our ability to attract and retain key employees. If any of these effects were to occur, it could materially and adversely impact our operating results, financial position and/or cash flows and/or our stock price.

If the CVS Merger Agreement is terminated, we may, under certain circumstances, be obligated to pay a termination fee to CVS Health.

If the CVS Merger Agreement is terminated, in certain circumstances, we would be required to pay a termination fee of $2.1 billion to CVS Health. If the CVS Merger Agreement is terminated under such circumstances, the termination fee we may be required to pay under the CVS Merger Agreement may require us to use available cash that would have otherwise been available for general corporate purposes and other matters.

Failure to complete the Merger could negatively impact our stock and/or bond prices, operating results, financial position and/or cash flows.

If the Merger is not completed for any reason, our ongoing businesses may be materially and adversely affected, and we will not have realized any of the potential benefits of having completed the transaction, and we will be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on our stock and bond prices, and from our customers, vendors, regulators and employees;
- matters relating to the pending Merger (including integration planning) may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to us;
- the CVS Merger Agreement includes restrictions on the conduct of our business prior to the completion of the Merger or termination of the CVS Merger Agreement, generally requiring us to conduct our business in the ordinary course and subjecting us to a variety of specified limitations absent CVS Health's prior written consent. We may find that these and other contractual restrictions in the CVS Merger Agreement delay or prevent us from responding, or limit our ability to respond, effectively to competitive pressures, industry developments and future business opportunities that may arise during such period, even if our management believes they may be advisable. The pendency of the proposed Merger may also divert management’s attention and our resources from ongoing business and operations;
- we may be required to pay a $2.1 billion termination fee to CVS Health and would have incurred expenses relating to the Merger;
- we also could be subject to litigation related to our failure to complete the Merger or to perform our obligations under the CVS Merger Agreement; and
- matters relating to the pending acquisition (including integration planning) will require substantial commitments of time and resources by our management, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to us as an independent company.

There can be no assurance that the risks described above will not materialize. If any of those risks materialize, they may materially and adversely affect our businesses, financial position, operating results and stock and/or bond prices.

In addition, we could be subject to litigation related to any failure to complete the proposed acquisition or related to any enforcement proceeding to specifically enforce our performance of our obligations under the CVS Merger Agreement. If the proposed acquisition is not completed, these risks may materialize and may materially and adversely affect our businesses, financial position, operating results and stock and/or bond prices.

If the Merger is not completed, these risks may materially and adversely affect our operating results, financial position and/or cash flows and/or our stock price.

Lawsuits have been filed against Aetna and our board of directors and CVS Health and its board of directors, and other lawsuits may be filed against Aetna, CVS Health and/or their respective boards of directors challenging the CVS Health Transaction. An adverse ruling in any such lawsuit may prevent the CVS Health Transaction from being completed.

As of February 22, 2018, seven complaints had been filed by purported Aetna shareholders challenging the CVS Health Transaction. The first, a putative class action complaint, was filed by Olivier Miramond in the United States District Court for the District of Connecticut and is captioned *Miramond v. Aetna, Inc., et al.* The second complaint, filed in the United States District Court for the District of Connecticut by Shiva Stein individually, is captioned *Stein v. Aetna, Inc., et al*. The third complaint, a putative class action, was filed by Robert Freedman in the United States District Court for the Eastern District of Pennsylvania and is captioned *Freedman v. Aetna, Inc., et al*. The fourth complaint, filed in the United States District Court for the District of Connecticut by Luan Pham individually, is captioned *Pham v. Aetna, Inc., et al.* The fifth complaint, filed in the United States District Court for the Eastern District of Pennsylvania by Vladimir Gusinsky Rev. Trust individually, is captioned *Vladimir Gusinsky Rev. Trust v. Aetna Inc. et al.* The sixth complaint, a putative class action complaint, was filed by Dr. Eli Inzlicht-Sprei in the United States District Court for the District of Connecticut and is captioned *Inzlicht-Sprei v. Aetna, Inc., et al.* The seventh complaint, a putative class action complaint, was filed by Joel Rosenfeld in the United States District Court for the District of Connecticut and is captioned *Rosenfeld v. Aetna, Inc. et al.* The complaints name as defendants Aetna and each member of our board of directors. In addition, the *Vladimir Gusinsky Rev. Trust* complaint names CVS Health and Merger Sub

as defendants. The complaints generally allege, among other things, that the merger consideration in the CVS Health Transaction is unfair, inadequate and undervalues Aetna; that the defendants failed to conduct a fair and reasonable sales process; that the CVS Merger Agreement's deal protection provisions improperly deter other suitors from submitting a superior offer for Aetna; that our board of directors and executive officers are conflicted because they have secured unique benefits for themselves from the CVS Health Transaction not available to Aetna shareholders generally; and that the defendants authorized the filing of a materially incomplete and misleading registration statement. Among other remedies, the complaints seek to enjoin (a) the special meeting of our shareholders with respect to the CVS Health Transaction and (b) the closing of the Merger, as well as costs and attorneys' fees. Defendants believe that the complaints are without merit.

As of February 22, 2018, one complaint has been filed by a purported CVS Health stockholder challenging the CVS Health Transaction. A putative class action complaint was filed by Ken Gawrych in Providence County, Rhode Island Superior Court. The case is captioned *Gawrych v. Merlo et al.* The complaint names as defendants CVS Health and each member of its board of directors. The complaint generally alleges, among other things, that CVS Health's acquisition of Aetna is not in the best interests of CVS Health stockholders because the consideration being paid by CVS Health is excessive, that the members of CVS Health's board of directors were motivated to enter into the transaction by their own self-interest, and that CVS Health's financial advisors were conflicted. The complaint asserts claims for breach of fiduciary duty and failure to disclose certain material information relating to the CVS Health Transaction. Among other remedies, the complaint seeks certification of a stockholder class, declaratory and injunctive relief, and unspecified monetary damages.

Additional lawsuits arising out of or relating to the CVS Merger Agreement, the Merger and/or the CVS Health Transaction may be filed in the future.

One of the conditions to completion of the Merger is the absence of any applicable law (including any order) being in effect that prohibits completion of the Merger. Accordingly, if a plaintiff is successful in obtaining an order prohibiting completion of the Merger, then such order may prevent the Merger from being completed, or from being completed within the expected timeframe.

Additional information on these risks

Additional information concerning these risks, uncertainties and assumptions can be found in the section entitled "Risk Factors" beginning on page 62 of our joint proxy statement/prospectus filed February 9, 2018 with the SEC.

Risks relating to CVS Health.

Following completion of the Merger, Aetna will also be subject to the risks described in Part I, Item 1A of CVS Health's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 14, 2018, incorporated by reference into this Annual Report on Form 10-K.

Changes in Public Policy and Other Legal and Regulatory Risks

We are subject to potential changes in public policy (in respect of the ACA or otherwise) that can adversely affect the markets for our products and services and our business, operations and operating results.

The political environment in which we operate remains uncertain, including as a result of the current U.S. presidential administration and the control of the U.S. Congress by a single political party. It is reasonably possible that our business operations and operating results could be materially adversely affected by public policy changes at the federal or state level, which include amendment, repeal or replacement of the ACA but also extend to many other public policy initiatives. Such changes may present us with new financial and other challenges, which may, for example, cause membership in our health plans to decrease or make doing business in particular states less attractive. If we fail to adequately respond to such changes, including by implementing effective operational and strategic initiatives, or do not do so as effectively as our competitors, our business, operations and operating results may be materially adversely affected.

In addition to efforts to amend, repeal or replace the ACA and related regulations, we expect the federal and state governments to continue to enact and seriously consider many broad-based legislative and regulatory proposals that will or could materially impact various aspects of the health care and related benefits system and our business. At the federal level these proposals include changes in the funding levels and/or design of federally-supported benefit programs, changes in payment methodologies for health plans and/or providers under Medicare and substantial change in the regulations governing our business. At the state level, these proposals include mandating pharmacy benefits; expanded provider network requirements; significant new fees, assessments and taxes on payors, including in response to reduced federal funding or other state budgetary

pressures; mandating lower out of pocket costs for members; and raising Medicaid minimum MLR thresholds above 85%, instituting profit caps on Medicaid contracts and changing the designs of state Medicaid programs. The federal and many state governments also are considering changes in the interpretation, enforcement and/or application of existing programs, laws and regulations, including substantial changes to federal funding of state Medicaid programs. At the state level, all 50 U.S. states and the District of Columbia will hold regular legislative sessions in 2018. In 2017, state legislatures focused on state budgets and taxes (including new assessments on health care premiums), stabilizing the health insurance marketplace, provider network composition and provider directory accuracy requirements, pharmacy benefit and drug coverage requirements, Medicaid reforms, "surprise" billing of members and health care delivery system transformation. We expect state legislatures to focus on these issues again in 2018, as well as the adverse impact of actual or expected changes to the ACA and other federal programs on state citizens, programs and budgets.

We cannot predict the enactment or content of new legislation and regulations or changes to existing laws or regulations or their enforcement, interpretation or application, or the effect they will have on our business operations or operating results, which could be materially adverse. Even if we could predict such matters, it is not possible to eliminate the adverse impact of public policy changes that would fundamentally change the dynamics of our industry. Examples of such change include: the federal or one or more state governments fundamentally restructuring or reducing the funding available for Medicare, Medicaid, dual eligible or dual eligible special needs plan programs, changing the tax treatment of health or related benefits, or repealing or otherwise significantly altering the ACA. The likelihood of adverse changes is increasing due to state and federal budgetary pressures, and our business and operating results could be materially and adversely affected by such changes, even if we correctly predict their occurrence. For more information on these matters, refer to "Regulatory Environment" of MD&A included in Part II, Item 7 of this Annual Report on Form 10-K.

The ACA may be amended, repealed or replaced. If the ACA is not amended, repealed or replaced, certain aspects of the ACA as currently enacted have yet to take full effect, are unclear, or are subject to effective amendment through the implementation process, making their practical effects difficult to predict. Our business and operating results may be materially and adversely affected by the ACA and/or changes to the ACA even if we correctly predict their effects.

If the ACA is not amended, repealed or replaced, certain of its components will continue to be phased in until 2022. Potential repeal of the ACA, ongoing legislative, regulatory and administrative policy changes to the ACA, the results of congressional and state level elections, pending litigation challenging aspects of the law or funding for the law and federal budget negotiations continue to create uncertainty about the ultimate impact of the ACA. Examples of recent administrative policy, legislative and regulatory changes include: the January 2018 suspension of the HIF for 2019 and delay of the "Cadillac" tax on high-cost employer sponsored health coverage until 2022; the December 2017 Tax Cuts and Jobs Act of 2017 (the "TCJA"), which repealed the ACA's individual mandate and related penalties; the January 20, 2017 and October 12, 2017 executive orders relating to the ACA; the federal government's October 2017 curtailment of payments related to the Cost-Sharing Subsidy Program; the November 2016 HHS announcement that risk corridor collections for the 2015 program year would be applied first to amounts owed to plans for the 2014 program year; and the May 2016 final regulations relating to the ACA's non-discrimination requirements.

It may be particularly challenging for us to include all of our portion of the industry-wide $14.3 billion 2018 HIF in our premium rates beginning with 2017 medical customer renewals that have member months in 2018 because of the temporary suspension of the HIF for 2017 or in our premium rates for other years following a year for which the HIF is suspended.

The pending litigation challenging the ACA includes challenges by various states of the federal government's decision to curtail payments related to the Cost-Sharing Subsidy Program. The time frame for conclusion, final outcome and ultimate impact of this litigation are uncertain.

While most of the significant aspects of the ACA became effective during or prior to 2014, as currently enacted, certain components of the ACA will continue to be phased in through 2022. In addition, parts of the ACA continue to evolve through the promulgation of executive orders, regulations and guidance. Additional changes to the ACA and those regulations and guidance at the federal and/or state level are likely, and those changes are likely to be significant. Growing state and federal budgetary pressures make it more likely that any changes, including changes at the state level in response to repeal or replacement of or changes to the ACA and/or changes in the funding levels and/or payment mechanisms of federally supported benefit programs, will be adverse to us.

Accordingly, even in the absence of any amendment or repeal, many of the specific aspects and impacts of the ACA as currently enacted will not be known for several years, and given the inherent difficulty of foreseeing how individuals and businesses will respond to the choices afforded to them by the ACA, we cannot predict the full effect of the ACA or the impact of future changes to the ACA on us. Further, even if we correctly predict how parts of the ACA will develop or change and

affect us, our business and operating results may still be materially and adversely affected. For example, we anticipate that some aspects of the ACA and other existing measures and new measures, if enacted, could materially adversely affect our Health Care and/or Group Insurance operations and/or operating results by, among other things:

- Reducing our ability to obtain adequate premium rates for the risk we assume (including denial of or delays in obtaining regulatory approval for and implementation of those rates);
- Significantly reducing the level or changing the design of Medicare and/or Medicaid program payments;
- Restricting our ability to price for the risk we assume and/or reflect reasonable costs or profits in our pricing, and/or limiting the level of margin we can earn, including by mandating minimum medical loss ratios;
- Reducing our ability to manage health care or other benefit costs (including by mandating benefits, restricting our ability to manage our provider network and/or capping member cost sharing or otherwise limiting members' financial responsibility for health care or other covered services they utilize and thus increasing our medical costs);
- Increasing health care or other benefit costs and operating expenses (including duplicate expenses resulting from changes in regulations during implementation);
- Increasing our exposure to lawsuits and other adverse legal proceedings;
- Adversely affecting our product mix;
- Imposing new or increasing existing taxes and financial assessments; and/or
- Increasing the general and administrative expenses of our Group Insurance business relative to its competitors.

Legislative and regulatory changes could create significant challenges to our Medicare Advantage and PDP revenues and operating results, and proposed changes to these programs could create significant additional challenges. Starting in 2017, federal funding for Medicaid expansion has decreased. Entitlement program reform, if it occurs, could have a material adverse effect on our business, operations or operating results.

From time to time the federal government alters the level of funding for government health care programs, including Medicare. Under the Budget Control Act of 2011 (the "BCA") and the American Taxpayer Relief Act of 2012 (the "ATRA"), significant, automatic across-the-board budget cuts (known as sequestration) to several federal government programs started in March 2013. These include Medicare spending cuts of up to 2% of total program costs per year through 2024. The ATRA also contained additional reductions to Medicare reimbursements to health plans that commenced in April 2013 and eliminated funding for certain ACA programs. These reductions could adversely affect us, our customers and our providers.

Medicare Advantage payment rates to health plans have been cut over the last several years, with additional reductions to be phased in through 2018. CMS issued its final notice detailing final Medicare Advantage benchmark payment rates for 2018 (the "Final Notice") in April 2017. Overall, we project the benchmark rates in the Final Notice will increase funding for our Medicare Advantage business, excluding the impact of coding trend, by less than 1 percent in 2018 compared to 2017. This 2018 rate increase only slightly offsets the challenge we face from the impact of the increasing cost of medical care (including prescription medications), the HIF and CMS local and national coverage decisions that require us to pay for services and supplies that are not factored into our bids and creates continued pressure on the Medicare Advantage program and our Medicare Advantage operating results. We cannot predict future Medicare funding levels, the impact of future federal budget actions or ensure that such changes or actions will not have an adverse effect on our Medicare operating results.

In addition, the "star ratings" from CMS for our Medicare Advantage plans will continue to have a significant effect on our plans' operating results. Since 2015, only Medicare Advantage plans with a star rating of four or higher (out of five) are eligible for a quality bonus in their basic premium rates. CMS continues to change its rating system to make achieving and maintaining a four or higher star rating more difficult. Our star ratings and past performance scores are adversely affected by compliance issues that arise in our Medicare operations, such as our distribution of inaccurate information regarding which pharmacies were part of our Medicare network and related $1 million civil monetary penalty in 2015, notices of non-compliance and warning letters in 2016 and notices of non-compliance in 2017. During 2017, our star ratings resulted in additional revenue of approximately $760 million, inclusive of bonus payments and rebates. If our star ratings fall below 4 for a significant portion of our Medicare Advantage membership or do not match the performance of our competitors or the star rating quality bonuses are reduced or eliminated, our revenues and operating results may be significantly adversely affected.

In April 2016, CMS issued a final rule that overhauls the entire Medicaid managed care delivery system. The final rule represented the first update to Medicaid managed care regulations since 2002. Among other things the final rule required Medicaid managed care products to have a minimum MLR of 85%; established a Medicaid managed care quality rating system; and established provider network adequacy requirements. The minimum MLR requirements became effective in 2017.

Federal funding for expanded Medicaid coverage began to decrease in 2017. This reduction is causing states to re-evaluate funding for their Medicaid expansions. That re-evaluation may adversely affect Medicaid payment rates, our Medicaid membership in those states, our revenues, our Government medical benefit ratio and our operating results.

We anticipate debate concerning entitlement program reform in 2018, particularly over the federal government's funding of the Medicaid program and potential changes to the Medicare program. If entitlement program reform occurs, it could have a material adverse effect on our business, operations or operating results, particularly on our Medicare and/or Medicaid revenues, medical benefit ratios and operating results.

We may not be able to obtain adequate premium rate increases, which would have an adverse effect on our revenues, medical benefit ratios and operating results and could magnify the adverse impact of increases in health care and other benefit costs and of ACA assessments, fees and taxes.

Premium rates generally must be filed with state insurance regulators and are subject to their approval, which creates risk for us in the current political and regulatory environment. The ACA generally requires a review by HHS in conjunction with state regulators of premium rate increases of 10% or more (or another state-specific threshold set by states determined by HHS to have adequate processes). Rate reviews can magnify the adverse impact on our operating margins and operating results of increases in health care and other benefit costs, increased utilization of covered services, and ACA assessments, fees and taxes, by restricting our ability to reflect these increases and/or these assessments, fees and taxes in our pricing. The risk of increases in utilization of medical and/or other covered services and/or in health care and other benefit costs is particularly acute during and following periods when utilization has been below recent historical levels, during periods of changing economic conditions and/or employment levels and in products where there is significant turnover in our membership each year. Further, our ability to reflect ACA assessments, fees and taxes in our Medicare rates is limited. Similarly, our ability to reflect them in our Medicaid and/or CHIP premium rates is limited due, among other things, to the budgetary pressures currently facing many state governments. This could magnify the adverse impact on our operating margins and operating results of increases in utilization of medical and other covered services, health care and other benefit costs and/or medical cost trends that exceed our projections.

Since 2013, HHS has issued determinations to health plans that their rate increases were "unreasonable," and we continue to experience challenges to appropriate premium rate increases in certain states. Regulators or legislatures in a number of states have implemented or are considering limits on premium rate increases, either by enforcing existing legal requirements more stringently or proposing different regulatory standards. Regulators or legislatures in a number of states also have conducted hearings on proposed premium rate increases, which can result, in some instances have resulted, in substantial delays in implementing proposed rate increases even if they ultimately are approved. Our plans can be excluded from participating in small group Public Exchanges if they are deemed to have a history of "unreasonable" rate increases. We requested significant increases in our premium rates in our small group Health Care business for 2018 and expect to continue to request significant increases in those rates for 2019 and beyond in order to adequately price for projected medical cost trends, required expansions of coverage and significant assessments, fees and taxes imposed by the federal and state governments, including the ACA. Our rates also must be adequate to reflect the risk that our products will be selected by people with a higher risk profile or utilization rate than the pool of participants we anticipated when we established the pricing for the applicable products (also known as "adverse selection") in our products, particularly in small group products, which we expect to continue and potentially worsen in 2018 following the expiration of the ACA's risk corridor and reinsurance programs at the end of 2016. These significant rate increases heighten the risks of adverse public and regulatory reaction and adverse selection and the likelihood that our requested premium rate increases will be denied, reduced or delayed, which could lead to operating margin compression.

We anticipate continued regulatory and legislative action to increase regulation of premium rates in our Insured business. We may not be able to obtain rates that are actuarially justified or that are sufficient to make our policies profitable in any product line or geography. If we are unable to obtain adequate rates and/or rate increases, it could materially and adversely affect our operating margins and our ability to earn adequate returns on Insured business in one or more states or cause us to withdraw from certain geographies and/or products.

Minimum MLR rebate requirements limit the level of margin we can earn in our Commercial Insured, Medicare Insured and Medicaid Insured businesses while leaving us exposed to higher than expected medical costs. Challenges to our minimum MLR rebate methodology and/or reports could adversely affect our operating results.

The ACA requires us to pay minimum MLR rebates each year with respect to prior years, and we expect the lower federal income tax rate enacted by the TCJA to increase the minimum MLR rebates we pay for 2018. The ACA's minimum MLR rebate requirements limit the level of margin we can earn in our Commercial Insured and Medicare Insured businesses. CMS minimum MLR rebate regulations limit the level of margin we can earn in our Medicaid Insured business. Minimum MLR rebate requirements leave us exposed to medical costs that are higher than those reflected in our pricing. Refer to "Revenue Recognition" in Note 2 "Summary of Significant Accounting Policies" included in Part II, Item 8 of this Annual Report on

Form10-K for more information. Certain portions of our Medicaid and Federal Employees Health Benefits ("FEHB") program business are subject to minimum MLR rebate requirements in addition to but separate from those imposed by the ACA. The process supporting the management and determination of the amount of MLR rebates payable is complex and requires judgment, and the minimum MLR reporting requirements are detailed. Federal and state auditors are challenging our Commercial business' compliance with the ACA's minimum MLR requirements, and our Medicare and Medicaid contracts also are subject to minimum MLR audits. If a Medicare Advantage or Medicare Part D contract pays minimum MLR rebates for three consecutive years, it will become ineligible to participate in open enrollment. If a Medicare Advantage or Medicare Part D contract pays such rebates for five consecutive years, it will be terminated by CMS. Federal auditors also are challenging our FEHB plans' compliance with the Office of Personnel Management's ("OPM's") FEHB program specific minimum MLR requirements. Additional challenges to our methodology and/or reports relating to minimum MLR and related rebates by federal and state regulators and private litigants are reasonably possible. The outcome of these audits and additional challenges could adversely affect our operating results.

Additionally, we are required to pay minimum MLR rebates in a number of states in which we offer Medicaid coverage. In 2018, there also are pending proposals in a number of states to raise Medicaid minimum MLR thresholds above 85% and/or institute profit caps on state Medicaid contracts. These rebates and proposals are not required by the ACA; they are mandated by our Medicaid contracts or applicable state laws or regulations.

We may be subject to regulatory actions or suffer brand and reputational harm if we do not or cannot adequately implement any amendment, repeal or replacement of the ACA and/or related legislation or regulations, which may have a material adverse effect on our business.

We expect to continue to dedicate significant resources and incur significant expenses to comply with the ACA as currently enacted and implement and comply with any amendment, repeal or replacement of the ACA and/or related legislation or regulations at both the state and federal level, including implementing as well as complying with future legislation and regulations that will provide guidance on and clarification of and changes to significant parts of the legislation. If we fail to effectively implement or comply with the ACA and changes to, or repeal or replacement of, the ACA and/or related legislation or regulations and our related operational and strategic initiatives, or do not do so as effectively as our competitors, our business, operating results, brand and reputation may be materially adversely affected, we may lose customers and we may be subject to penalties, sanctions or other regulatory actions.

If we are unable to include the significant assessments, fees and taxes imposed on us by the ACA or otherwise by federal or state governments in our premiums and fees or otherwise adjust our business model to solve for them, our operating results, financial position and/or cash flows would be materially and adversely affected. The inclusion of these assessments, fees and taxes in our premiums also could adversely affect our ability to grow and/or maintain our medical membership.

The ACA imposes significant assessments, fees and taxes on us and other health insurers, health plans and other industry participants. There is some uncertainty whether we will be able to include all of these assessments, fees and taxes in our premium rates. It may be particularly challenging for us to include all of our portion of the industry-wide $14.3 billion 2018 HIF in our premium rates beginning with 2017 medical customer renewals that have member months in 2018 because of the temporary suspension of the HIF for 2017. The January 2018 suspension of the HIF for 2019 creates similar challenges for 2019 and 2020. Our ability to reflect the ACA assessments, fees and taxes in our Medicare rates is limited. Similarly, our ability to reflect them in our Medicaid and CHIP rates is limited due, among other things, to the budgetary pressures currently facing many state governments.

We cannot predict the nature or extent of any new or increased federal or state assessments, fees or taxes associated with changes in the ACA or state actions in 2018 or thereafter. Those new or increased assessments, fees or taxes may be significant. If we are unable to include assessments, fees and taxes in our premiums and fees or otherwise adjust our business model to solve for them, these assessments, fees and taxes could have a material adverse effect on our operating results, financial position and/or cash flows. The increases in our prices caused by including all of these assessments, fees and taxes in our premiums and fees also could adversely affect our ability to profitably grow and/or maintain our medical membership, for example, if our competitors do not seek to include all or a significant portion of these assessments, fees and taxes in their premiums or fees.

Our business activities are highly regulated. Our Medicare, Medicaid, dual eligible, dual eligible special needs plan, specialty and home delivery pharmacy, small group and certain other products are subject to particularly extensive and complex regulations. If we fail to comply with applicable laws and regulations, we could be subject to significant adverse regulatory actions or suffer brand and reputational harm which may have a material adverse effect on our business. Compliance with existing and future laws, regulations and/or judicial decisions may reduce our profitability and limit our growth.

Our business is subject to extensive regulation and oversight by state, federal and international governmental authorities. The laws and regulations governing our operations and interpretations of those laws and regulations are increasing in number and complexity, change frequently (as evidenced by amendments to, and possible repeal or replacement of, the ACA and the continuing administrative changes in, and pending litigation regarding, the implementation of the ACA as well as other new federal and state laws and regulations), and can be inconsistent or conflicting. In general, these laws and regulations are designed to benefit and protect members and providers rather than us or our investors. In addition, the governmental authorities that administer our business have broad latitude to make, interpret and enforce the laws and regulations that govern us and continue to interpret and enforce those laws and regulations more strictly and more aggressively each year.

Our Medicare, Medicaid, dual eligible, dual eligible special needs plan, specialty and home delivery pharmacy and small group products are more highly regulated than our other Health Care products. The laws and regulations governing participation in Medicare, Medicaid, dual eligible and dual eligible special needs plan programs are complex, are subject to interpretation and can expose us to penalties for non-compliance, including penalties under the federal false claims act (the "False Claims Act") and state false claims acts. In addition, the ACA may have expanded the jurisdiction of, and our exposure to, the False Claims Act to products that are sold on Public Exchanges or otherwise subject to the ACA. The scope of the practices and activities that are prohibited by federal and state false claims acts is the subject of pending litigation. Claims under federal and state false claims acts can be brought by the government or by private individuals on behalf of the government through a *qui tam* or "whistleblower" suit. If we are convicted of fraud or other criminal conduct in the performance of a health program or if there is an adverse decision against us under the False Claims Act, we may be temporarily or permanently suspended from participating in government health care programs, including Medicare, Medicaid, dual eligible and dual eligible special needs plan programs, and we also may be required to pay significant fines and/or other monetary penalties.

If we fail to comply with laws and regulations that apply to government programs, we could be subject to criminal fines, civil penalties, premium refunds, prohibitions on marketing or active or passive enrollment of members, corrective actions, termination of our contracts or other sanctions which could have a material adverse effect on our ability to participate in Medicare, Medicaid, dual eligible, dual eligible special needs plan and other programs, cash flows, financial position and operating results. For example, CMS assessed a civil monetary penalty of $1 million against us in 2015 for distributing inaccurate information regarding which pharmacies were part of our Medicare network. Also, from April 2010 through June 2011, we were subject to intermediate sanctions that CMS imposed on us that required us to suspend the enrollment of and marketing to new members of all Aetna Medicare Advantage and PDP contracts. As a result of these sanctions, our 2011 Medicare membership and operating results were adversely affected because we did not participate in the annual enrollment process for 2011 and were not again eligible to receive automatic assignments of low income subsidy PDP members from CMS until September 2012.

Our products providing PBM and specialty and home delivery pharmacy services are subject to:

- The risks inherent in the dispensing, packaging and distribution of pharmaceuticals and other health care products, including claims related to purported dispensing and other operational errors (any failure by us or one of our PBM services suppliers to adhere to the laws and regulations applicable to the dispensing of pharmaceuticals could subject our PBM and/or pharmacy subsidiaries to civil and criminal penalties).
- Federal and state anti-kickback and other laws that govern our relationship with pharmaceutical manufacturers, customers and consumers.
- Compliance requirements under ERISA, including fiduciary obligations in connection with the development and implementation of items such as drug formularies and preferred drug listings.
- Federal and state legislative proposals and/or regulatory activity that could adversely affect pharmacy benefit industry practices, including the management and breadth of provider networks, the regulation of the development and use of drug formularies (such as the 2014 regulatory activity requiring us and certain other payors to place certain high cost drugs in preferred positions in our drug formularies) and/or maximum allowable cost list pricing, legislation, regulations or regulatory activity increasing the regulation of prescription drug pricing, imposing additional rights to access to drugs for individuals enrolled in health care benefit plans or reducing the cost of such drugs to those individuals, the receipt or required disclosure of rebates from pharmaceutical manufacturers, and restrictions on the use of average wholesale prices.

Our business, profitability and growth also may be adversely affected by (i) judicial and regulatory decisions that change and/or expand the interpretations of existing statutes and regulations, impose medical or bad faith liability, increase our responsibilities under ERISA or the remedies available under ERISA, or reduce the scope of ERISA pre-emption of state law claims or (ii) other legislation and regulations, including new legislation or regulations that apply to Private Exchanges. For more information regarding these matters, refer to "Regulatory Environment" of MD&A included in Part II, Item 7 and "Litigation and Regulatory Proceedings" in Note 17 "Commitments and Contingencies" included in Part II, Item 8 of this Annual Report on Form10-K.

We frequently are subject to regular and special governmental audits, investigations and reviews that could result in changes to our business practices, and also could result in material refunds, fines, penalties, civil liabilities, criminal liabilities and other sanctions.

As one of the largest national health and related benefits providers, we frequently are subject to regular and special governmental market conduct and other audits, investigations and reviews by, and we receive subpoenas and other requests for information from, various federal and state agencies, regulatory authorities, attorneys general, committees, subcommittees and members of the U.S. Congress and other state, federal and international governmental authorities. For example, we have produced documents and information to the Civil Division of the DOJ in cooperation with a current investigation of our patient chart review processes in connection with risk adjustment data submissions under Parts C and D of the Medicare program. Several such audits, investigations and reviews currently are pending, some of which may be resolved in 2018, and the results of which may be adverse to us.

There continues to be a heightened level of review and/or audit by federal, state and international regulators of the health and related benefits industry's business and reporting practices, including premium rate increases, provider network adequacy, provider network directories, pharmacy formulary tiering, pharmacy network structures, utilization management and payment of providers with whom the payor does not have a contract and other health benefit plan and life insurance claim payment practices. In addition, a significant number of states are investigating life insurers' and health insurers' claims payment and related escheat practices. These investigations have resulted in significant charges to earnings by life insurers in connection with related settlement agreements. We have received requests for information from a number of states, and certain of our subsidiaries are being audited, with respect to our life insurance and health insurance claim payment and related escheat practices. Given the judicial, legislative and regulatory uncertainty with respect to life insurance and health insurance claim payment and related escheat practices, it is reasonably possible that we may incur additional liability related to those practices, whether as a result of changes in our business practices, litigation, government actions or otherwise, which could adversely affect our operating results and cash flows. For additional information on these life insurance matters, refer to "Regulatory Environment - Life and Disability Insurance" of MD&A included in Part II, Item 7 of this Annual Report on Form 10-K.

Federal and state governments have made investigating and prosecuting health care and other insurance fraud, waste and abuse a priority. Fraud, waste and abuse prohibitions encompass a wide range of activities, including kickbacks for referral of members, billing for unnecessary medical and/or other covered services, improper marketing and violations of patient privacy rights. The regulations and contractual requirements applicable to us and other market participants are complex and subject to change, making it necessary for us to invest significant resources in complying with our regulatory and contractual requirements. Ongoing vigorous law enforcement and the highly technical regulatory scheme mean that our compliance efforts in this area will continue to require significant resources. In addition, our medical costs and the medical expenses of our self-insured customers may be adversely affected if we do not prevent or detect fraudulent activity by providers and/or members.

Regular and special governmental audits, investigations and reviews could result in changes to our business practices, and also could result in significant or material premium refunds, fines, penalties, civil liabilities, criminal liabilities or other sanctions, including suspension or exclusion from participation in government programs and suspension or loss of licensure. For example, CMS assessed a civil monetary penalty of $1 million against us in 2015. Any of these audits, investigations or reviews could have a material adverse effect on our financial position, operating results or business or result in significant liabilities and negative publicity for our company. Federal and state auditors are challenging our Commercial business' compliance with the ACA's minimum MLR requirements. Our Commercial business has been subject to audits related to the ACA's risk adjustment and reinsurance data since those programs were implemented in 2014. Our Medicare and Medicaid contracts also are subject to minimum MLR audits. If a Medicare Advantage or Medicare Part D contract pays minimum MLR rebates for three consecutive years, it will become ineligible to participate in open enrollment. If a Medicare Advantage or Medicare Part D contract pays such rebates for five consecutive years, it will be terminated by CMS. Federal auditors also are challenging our FEHB plans' compliance with the OPM's FEHB program specific minimum MLR requirements. For more information on certain CMS and other audits, see "*We are subject to retroactive adjustments to and/or withholding of certain premiums and fees, including as a result of CMS RADV audits. We generally rely on health care providers to appropriately code claim submissions and document*

their medical records. If these records do not appropriately support our risk adjusted premiums, we may be required to refund premium payments to CMS and/or pay fines and penalties under the False Claims Act" beginning on page 29.

For more information regarding these matters, refer to "Regulatory Environment" of MD&A included in Part II, Item 7 and "Litigation and Regulatory Proceedings" in Note 17 "Commitments and Contingencies" included in Part II, Item 8 of this Annual Report on Form10-K.

If our compliance systems and processes fail or are deemed inadequate, we may suffer brand and reputational harm and become subject to regulatory actions or litigation which could adversely affect our business, cash flows, operating results or financial position.

Our businesses are subject to extensive and complex regulations, and many of our contracts with customers include detailed requirements. In order to be eligible to offer certain products or bid on certain contracts, we must demonstrate that we have robust systems in place to ensure that we comply with all applicable legal, regulatory and contractual requirements. These systems frequently are reviewed and audited by our customers and regulators. If our systems and processes designed to maintain compliance with applicable legal and contractual requirements, and to prevent and detect instances of, or the potential for, non-compliance fail or are deemed inadequate, we may suffer brand and reputational harm and be subject to regulatory actions, litigation and other proceedings which may result in damages, fines, suspension or loss of licensure, suspension or exclusion from participation in government programs and/or other penalties, any of which could adversely affect our business, cash flows, operating results or financial position.

Our litigation and regulatory risk profile is changing as we offer new products and expand in business areas beyond our historical core business of providing Commercial managed care and health insurance products in the United States. Changes in the ACA at the federal or state level could accelerate that change.

Historically, we focused primarily on providing Commercial managed care and health insurance products in the United States. In comparison, our Medicare and Medicaid products were significantly smaller. In 2017, our Medicare and Medicaid products accounted for 53% of total Health Care premiums. Our business continues to change due to the following:

- *Expansion within the health care marketplace:* We are expanding or seeking to expand our presence in various sectors of the health care marketplace, including Medicare, Medicaid, dual eligibles, dual eligible special needs plans, international, and certain customers who are not subject to ERISA's limits on state law remedies and working to deliver innovative products in those sectors.
- *Entry into new business and new product lines:* We are in the process of developing, operating and expanding our Consumer Health and Services product line. Over the last several years we have entered into new product lines, including Insurance Exchanges, dual eligible and dual eligible special needs plan programs, support services for ACOs, data analytics, recruitment for clinical trials and HIT.
- *ACA Changes:* Changes in the ACA at the federal or state level may create new products or expose us to new or expanded regulatory and/or litigation risk.
- *Acquisitions:* Our 2017 acquisition of Bupa Group's Thailand business expanded our international business.

The increased volume of business in areas beyond our historical core business and new products subject us to litigation and regulatory risks that are different from the risks of providing Commercial managed care and health insurance products and increase significantly our exposure to other risks.

We are routinely subject to litigation and adverse legal proceedings, including class actions. Many of these proceedings seek substantial damages which may not be covered by insurance. These proceedings may be costly to defend, result in changes in our business practices, harm our brand and reputation and adversely affect our business and operating results.

We are routinely involved in numerous claims, lawsuits, regulatory audits, investigations and other legal proceedings arising in the ordinary course of our businesses. Certain of the lawsuits against us are purported to be class actions. The majority of these proceedings relate to the conduct of our health care operations and allege various violations of law. In addition, we operate in jurisdictions outside the United States, where contractual rights, tax positions and applicable regulations may be subject to interpretation or uncertainty to a greater degree than in the United States, and therefore more likely to be subject to dispute by customers, members, governmental authorities and others. We are incurring expenses to resolve these proceedings. The outcome of litigation and other adverse legal proceedings is always uncertain, and outcomes that are not justifiable by the evidence or existing law or regulation can and do occur.

Litigation has been and may be brought against us by private individuals on behalf of the government through a *qui tam* or "whistleblower" suit. When a private individual brings a whistleblower suit, the defendant often will not be made aware of the

suit for many months or even years, until the government commences its own investigation or determines whether it will intervene. Whistleblower suits have resulted in significant settlements between governmental agencies and health care companies. The significant incentives and protections provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act increase the risk of whistleblower suits.

Many of the legal proceedings against us seek substantial damages (including non-economic or punitive damages and treble damages), and certain of these proceedings also seek changes in our business practices. For example, since 2007, we have been in class action litigation with non-participating providers over our payments to them, and during 2009, we settled a matter with the New York Attorney General that caused us to transition to different databases to determine the amount we pay non-participating providers under certain benefit plan designs. While we currently have insurance coverage for some potential liabilities, other potential liabilities may not be covered by insurance, insurers may dispute coverage, or the amount of our insurance may not be enough to cover the damages awarded or costs incurred. In addition, some types of damages, like punitive damages, may not be covered by insurance, and in some jurisdictions the coverage of punitive damages is prohibited. Insurance coverage for all or some forms of liability may become unavailable or prohibitively expensive in the future.

Litigation and other adverse legal proceedings could materially adversely affect our business or operating results because of brand and reputational harm to us caused by such proceedings, the costs of defending such proceedings, the costs of settlement or judgments against us, or the changes in our operations that could result from such proceedings. Refer to “Litigation and Regulatory Proceedings” in Note 17 “Commitments and Contingencies” included in Part II, Item 8 of this Annual Report on Form10-K.

Our use and disclosure of members’, customers’ and other constituents’ sensitive information is subject to complex regulations at multiple levels. We would be adversely affected if we or our business associates or other vendors fail to adequately protect members’, customers’ or other constituents’ sensitive information.

Our information systems are critical to the operation of our business. We collect, process, maintain, retain, evaluate, utilize and distribute large amounts of personal health and financial information and other confidential and sensitive data about our members, customers and other constituents in the ordinary course of our business. Some of our information systems rely upon third party systems to accomplish these tasks. The use and disclosure of such information is regulated at the federal, state and international levels, and these laws, rules and regulations are subject to change and increased enforcement activity, such as the European Union’s (“EU’s”) General Data Protection Regulation which will apply across the EU effective May 2018 and the audit program implemented by HHS under HIPAA. In some cases, such laws, rules and regulations also apply to our vendors and/or may hold us liable for any violations by our vendors. International laws, rules and regulations governing the use and disclosure of such information are generally more stringent than in the United States, and they vary from jurisdiction to jurisdiction. Noncompliance with any privacy or security laws or regulations, or any security breach, cyber-attack or cybersecurity breach, and any incident involving the theft, misappropriation, loss or other unauthorized disclosure of, or access to, sensitive or confidential member information, whether by us, by one of our vendors or by another third party, could require us to expend significant resources to remediate any damage, interrupt our operations and damage our brand and reputation, and could also result in investigations, regulatory enforcement actions, material fines and penalties, loss of customers, litigation or other actions which could have a material adverse effect on our business, brand, reputation, cash flows and operating results.

Our business depends on our members’ and customers’ willingness to entrust us with their health related and other sensitive personal information. Events that negatively affect that trust, including inadequate disclosure to our members or customers of our uses of their information, failing to keep our information technology systems and our members’ and customers’ sensitive information secure from significant attack, theft, damage, loss or unauthorized disclosure or access, whether as a result of our action or inaction or that of our business associates, vendors or other third parties, including our PBM services suppliers, could adversely affect our brand and reputation, membership and revenues and also can and/or has exposed us to mandatory disclosure to the media, litigation (including class action litigation), governmental investigations and enforcement proceedings, material fines, penalties and/or remediation costs, and compensatory, special, punitive and statutory damages, consent orders, adverse actions against our licenses to do business and/or injunctive relief, any of which could adversely affect our business, cash flows, operating results or financial position. For example during 2017, in connection with the settlement of two purported class actions, a settlement administration vendor sent a notice to certain of our members that potentially revealed members’ personal health information due to the size of the window in the envelope. We have settled class action litigation and a state attorney general investigation related to this breach, and we are defending several additional litigation matters and under review by other state attorneys general and departments of insurance and the HHS Office of Civil Rights as a result of this breach. Large scale data breaches at other entities increase the challenge we and our vendors face in maintaining the security of our information technology systems and of our members’ and customers’ sensitive information. There can be no assurance that additional such failures will not occur, or if any do occur, that we will detect them or that they can be sufficiently remediated.

We are subject to retroactive adjustments to and/or withholding of certain premiums and fees, including as a result of CMS RADV audits. We generally rely on health care providers to appropriately code claim submissions and document their medical records. If these records do not appropriately support our risk adjusted premiums, we may be required to refund premium payments to CMS and/or pay fines and penalties under the False Claims Act.

Premiums and/or fees for Medicare members, certain federal government employee groups and Medicaid beneficiaries are subject to retroactive adjustments and/or withholding by the federal and applicable state governments. Our business that is subject to the ACA, including amounts payable to us or payable by us under the ACA's premium stabilization programs and our risk adjustment and reinsurance data, also is subject to audit by governmental authorities. CMS regularly audits our performance to determine our compliance with CMS's regulations and our contracts with CMS and to assess the quality of the services we provide to our Medicare members.

CMS uses various payment mechanisms to allocate and adjust premium payments to our and other companies' Medicare plans by considering the applicable health status of Medicare members as supported by information prepared, maintained and provided by health care providers. We collect claim and encounter data from providers and generally rely on providers to appropriately code their submissions to us and document their medical records, including the diagnosis data submitted to us with claims. CMS pays increased premiums to Medicare Advantage plans and PDPs for members who have certain medical conditions identified with specific diagnosis codes.

CMS is transitioning the process of calculating Medicare members' risk scores from using diagnoses data from the Risk Adjustment Processing System, or RAPS, to using diagnoses data from the Encounter Data System, or EDS. The RAPS process requires Medicare Advantage plans to apply a filter logic based on CMS guidelines and only submit claims that satisfy those guidelines. For submissions through EDS, CMS requires Medicare Advantage plans to submit all encounter data, and CMS applies the risk adjustment filtering logic to determine the risk scores. For 2018, 15% of the risk score will be calculated from claims data submitted through EDS. The transition from RAPS to EDS could result in different risk scores from each dataset as a result of plan processing issues, CMS processing issues or filtering logic differences between RAPS and EDS and could have a material adverse effect on our results of operations, financial position or cash flows.

Federal regulators review and audit the providers' medical records to determine whether those records support the related diagnosis codes that determine the members' health status and the resulting risk-adjusted premium payments to us. In that regard, CMS has instituted risk adjustment data validation ("RADV") audits of a subset of Medicare Advantage plans for various contract years, including certain of the Company's plans for certain contract years, to validate coding practices and supporting medical record documentation maintained by health care providers and the resulting risk adjusted premium payments to the plans. CMS may require us to refund premium payments if our risk adjusted premiums are not properly supported by medical record data. The OIG also is auditing risk adjustment data of us and other companies, and we expect CMS and the OIG to continue auditing risk adjustment data. We also have produced documents and information to the Civil Division of the DOJ in cooperation with a current investigation of our patient chart review processes in connection with risk adjustment data submissions under Parts C and D of the Medicare program.

CMS revised its audit methodology for RADV audits to determine refunds payable by Medicare Advantage plans for contract year 2011 and forward. Under the revised methodology, among other things, CMS will project the error rate identified in the audit sample of approximately 200 members to all risk adjusted premium payments made under the contract being audited. Historically, CMS did not project sample error rates to the entire contract. As a result, the revised methodology may increase our exposure to premium refunds to CMS based on incomplete medical records maintained by providers.

Since 2013, CMS has selected certain of our Medicare Advantage contracts for various contract years for RADV audit. In December 2015, CMS released a RFI for a significant expansion of the RADV audit program. As described in the RFI, CMS would use third party auditors to attain its ultimate goal of subjecting all Medicare Advantage contracts to either a comprehensive or a targeted RADV audit for each contract year. We are currently unable to predict which of our Medicare Advantage contracts will be selected for future audit, the amounts of any retroactive refunds of, or prospective adjustments to, Medicare Advantage premium payments made to us, the effect of any such refunds or adjustments on the actuarial soundness of our Medicare Advantage bids, or whether any RADV audit findings would require us to change to our method of estimating future premium revenue in future bid submissions to CMS or compromise premium assumptions made in our bids for prior contract years or the current contract year. For additional information, refer to "Regulatory Environment - Medicare" of MD&A included in Part II, Item 7 of this Annual Report on Form 10-K.

If we fail to report and correct errors discovered through our own auditing procedures or during a CMS audit or otherwise fail to comply with the applicable laws and regulations, we could be subject to fines, civil penalties or other sanctions, including

fines and penalties under the False Claims Act, which could have a material adverse effect on our ability to participate in Medicare Advantage, Part D or other government programs, and on our financial position, cash flows and operating results.

CMS has issued a final rule implementing ACA requirements that Medicare Advantage and PDP plans report and refund to CMS overpayments that those plans receive from CMS. However, CMS's statements in formalized guidance regarding "overpayments" to Medicare Advantage plans appear to be inconsistent with CMS's prior RADV audit guidance. These statements appear to equate each Medicare Advantage risk adjustment data error with an "overpayment" without reconciliation to the principles underlying the fee for service adjustment comparison contemplated by CMS's RADV audit methodology. The precise interpretation, impact and legality of the final rule are not clear and are subject to pending litigation. If Medicare Advantage plans were not paid based on payment model principles that align with the requirements of the Social Security Act or such payments were not implemented correctly, it could have a material adverse effect on our operating results, financial position or cash flows.

Certain of our Medicaid contracts require the submission of complete and correct encounter data. The accurate and timely reporting of encounter data is increasingly important to the success of our Medicaid programs because more states are using encounter data to determine compliance with performance standards and, in part, to set premium rates. We have expended and may continue to expend additional effort and incur significant additional costs to collect accurate, or to correct inaccurate or incomplete, encounter data and have been and could be exposed to premium withholding, operating sanctions and financial fines and penalties for noncompliance. We have experienced challenges in obtaining complete and accurate encounter data due to difficulties with providers and third-party vendors submitting claims in a timely fashion in the proper format, and with state agencies in coordinating such submissions. As states increase their reliance on encounter data, these difficulties could affect the Medicaid premium rates we receive and how Medicaid membership is assigned to us, which could have a material adverse effect on our Medicaid operating results, cash flows and/or our ability to bid for, and continue to participate in, certain Medicaid programs.

Any premium or fee refunds, adjustments or withholding or civil or criminal fines or penalties, or other sanctions, including restrictions on or changes in the way we do business, loss of licensure or exclusion from participation in government programs, resulting from regulatory audits or investigations, whether as a result of RADV, Public Exchange related, recovery audit program or other audits or investigations by CMS, the OIG, HHS, the DOJ or otherwise, including audits of our minimum medical loss ratio rebates, methodology and/or reports, could be material and could adversely affect our operating results, financial position and cash flows. For more information refer to "Regulatory Environment" of MD&A included in Part II, Item 7 of this Annual Report on Form10-K and "Litigation and Regulatory Proceedings" in Note 17 "Commitments and Contingencies" included in Part II, Item 8 of this Annual Report on Form10-K.

If our service providers fail to meet their contractual obligations to us or to comply with applicable laws or regulations, we may be exposed to brand and reputational harm, litigation or regulatory action. This risk is particularly high in our Medicare, Medicaid, dual eligible and dual eligible special needs plan programs.

We contract with various third parties to perform certain functions and services and provide us with certain information technology systems. Our arrangements with these third parties may expose us to public scrutiny, adversely affect our brand and reputation, expose us to litigation or regulatory action, and otherwise make our operations vulnerable if we fail to adequately oversee, monitor and regulate their performance or if they fail to meet their contractual obligations to us or to comply with applicable laws or regulations. For example, certain of our vendors have been responsible for releases of sensitive information of our members and employees, which has caused us to incur additional expenses and given rise to litigation against us.

These risks are particularly high in our Medicare, Medicaid, dual eligible and dual eligible special needs plan programs, where third parties perform pharmacy benefit management, medical management and other member related services for us. Any failure of our or these third parties' prevention, detection or control systems related to regulatory compliance, compliance with our internal policies, data security and/or cybersecurity or any incident involving the theft, misappropriation, loss or other unauthorized disclosure of, or access to, members', customers' or other constituents' sensitive information could require us to expend significant resources to remediate any damage, interrupt our operations and adversely affect our brand and reputation and also expose us to whistleblower, class action and other litigation, other proceedings, prohibitions on marketing or active or passive enrollment of members, corrective actions, fines, sanctions and/or penalties, any of which could adversely affect our business, cash flows, operating results or financial position. For more information on these matters, see "*Our business activities are highly regulated. Our Medicare, Medicaid, dual eligible, dual eligible special needs plan, specialty and home delivery pharmacy, small group and certain other products are subject to particularly extensive and complex regulations. If we fail to comply with applicable laws and regulations, we could be subject to significant adverse regulatory actions or suffer brand and reputational harm which may have a material adverse effect on our business. Compliance with existing and future laws, regulations and/or judicial decisions may reduce our profitability and limit our growth*" beginning on page 25.

Programs funded in whole or in part by the U.S. federal government account for over half of our revenue. A delay by Congress in raising the federal government's debt ceiling could lead to a delay, reduction, suspension or cancellation of federal government spending and a significant increase in interest rates that could, in turn, have a material adverse effect on our businesses, operating results and cash flows.

The federal government's "debt ceiling", or the amount of debt the federal government is permitted to borrow to meet its legal obligations (including, among other things, interest on the national debt, Medicare and Medicaid premiums, Social Security benefits and contributions to the Federal Employees Health Benefits Program), is limited by statute and can only be raised by an act of Congress.

If Congress does not raise the debt ceiling before the federal government's current obligations approach or exceed its cash on hand and incoming receipts, federal government spending may be subject to delay, reduction, suspension or cancellation, including a federal government shutdown, which may be prolonged. Over half of our revenues are derived from health care coverage programs that are funded in whole or in part by the federal government, including the Medicare, Medicaid, dual eligible and dual eligible specials needs plan programs, CHIP and the Federal Employees Health Benefits Program. If federal spending is delayed, suspended or curtailed, we would continue to receive claims from providers providing services to beneficiaries of these programs, and we could be liable for, and be required to fund, such claims. A failure to timely raise the debt ceiling could have a material adverse effect on our businesses, operating results, cash flows, brand and reputation and, in the case of a prolonged failure to raise the debt ceiling, our financial position.

If the United States defaults on its obligations due to a failure to timely raise the debt ceiling or otherwise, or its credit rating is downgraded by any of the credit rating agencies, interest rates could rise, financial markets could become volatile and/or the availability of credit (and short-term credit in particular) could be adversely affected, thereby increasing our borrowing costs, negatively impacting the value of our investment portfolio, and/or adversely affecting our ability to access the capital markets, which could have a material adverse effect on our operating results, financial position and cash flows and could adversely affect our liquidity.

Risks Related to Our Business

We may not be able to accurately forecast health care and other benefit costs, which could adversely affect our operating results. We may not able to obtain appropriate pricing on new or renewal business.

Premiums for our insured Health Care Products, which comprised 86% of our total consolidated revenues for 2017, are priced in advance based on our forecasts of health care and other benefit costs during a fixed premium period, which is generally one year. These forecasts are typically developed several months before the fixed premium period begins, are influenced by historical data (and recent historical data in particular), are dependent on our ability to anticipate and detect medical cost trends and changes in our members' behavior and healthcare utilization patterns and require a significant degree of judgment. For example, our revenue on Medicare policies is based on bids submitted in June of the year before the contract year. Cost increases in excess of our projections cannot be recovered in the fixed premium period through higher premiums. As a result, our profits are particularly sensitive to the accuracy of our forecasts and our ability to anticipate and detect medical cost trends. Even relatively small differences between predicted and actual health care and other benefit costs as a percentage of premium revenues can result in significant adverse changes in our operating results.

Our health care and other benefit costs can be affected by external events that we cannot forecast or anticipate and over which we have little or no control, such as emerging changes in the economy and/or public policy, additional government mandated benefits or other regulatory changes, changes in our members' behavior and healthcare utilization patterns, changes in health care practices, new technologies, increases in the cost of prescription drugs, influenza related health care costs (which may be substantial and are currently projected to be higher in 2017-2018 than the elevated levels experienced in 2009-2010), direct-to-consumer marketing by pharmaceutical companies, clusters of high cost cases, epidemics, pandemics, terrorist attacks or other man-made disasters, natural disasters or other events that materially increase utilization of medical and/or other covered services, as well as changes in provider billing practices. Our health care and other benefit costs also can be affected by changes in our business mix, product designs, contracts with providers, medical management, underwriting, rating and/or claims processing methods and processes, and our medical management initiatives may not deliver the reduction in utilization and/or medical cost trend that we project.

It is particularly difficult to accurately anticipate, detect, forecast, manage and reserve for medical cost trends and utilization of medical and/or other covered services during and following periods when such utilization and/or trends are below recent historical levels, during periods of changing economic conditions and employment levels and for products with substantial

membership turnover. For example, at December 31, 2017, we held a premium deficiency reserve of $16 million for the 2018 coverage year related to our Medicaid products. Similarly, during calendar year 2014, medical costs in our smaller middle market and individual businesses were higher than we projected, and during the calendar years 2010-2013, medical costs and members' utilization of medical and/or other covered services were lower than we projected and members' utilization was below recent historical levels. We expect utilization to increase in 2018 when compared to 2017.

We have implemented price increases for 2018. If health care and other benefit costs are higher than the levels reflected in our pricing or if we are not able to obtain appropriate pricing on new or renewal business, our prices will not reflect the risk we assume, and our operating results will be adversely affected. If health care and other benefit costs are lower than we predict, our prices may be higher than those of our competitors, which may cause us to lose membership. For more information, see "Critical Accounting Estimates - Health Care Costs Payable" of MD&A included in Part II, Item 7 of this Annual Report on Form10-K.

Competitive and economic pressures may limit our ability to increase pricing to reflect higher costs or may force us to accept lower margins. If customers elect to self-insure, reduce benefits or adversely renegotiate or amend their agreements with us, our revenues and operating results will be negatively affected.

Our customer contracts are generally for a period of one year, and our customers have considerable flexibility in moving between us and our competitors. One of the key factors on which we compete for customers, especially in uncertain economic environments, is overall cost. We are therefore under pressure to contain premium price increases despite being faced with increasing health care and other benefit costs and increasing operating costs. If we are unable to increase our prices to reflect increasing costs, our profitability will be adversely affected. If we are unable to limit our price increases, we may lose members to competitors with more favorable pricing, adversely affecting our revenues and operating results.

In response to rising prices, our customers may elect to self-insure or to reduce benefits in order to limit increases in their benefit costs. Alternatively, our customers may purchase different types of products from us that are less profitable. Such elections may result in reduced membership in our more profitable Insured products and/or lower premiums for our Insured products, which may adversely affect our revenues and operating results, although such elections also may reduce our health care and other benefit costs.

In addition, our Medicare, Medicaid and CHIP products are subject to termination without cause, periodic re-bid, rate adjustment and program redesign, as customers seek to contain their benefit costs, particularly in an uncertain economy. These actions may adversely affect our membership, revenues and operating results.

If we fail to compete effectively in the geographies and product areas in which we operate, including maintaining or increasing membership in our Health Care business, our operating results, financial position and cash flows could be materially and adversely affected.

The health care benefits industry is highly competitive, primarily due to a large number of for-profit and not-for-profit competitors, our competitors' marketing and pricing, and a proliferation of competing products, including new products that are continually being introduced into the marketplace. Our businesses face significant competition in all of the geographies and product areas in which we operate. For example, our largest competitor in our Medicare products is Original Medicare. New entrants into the marketplace, as well as consolidation within the industry, have contributed to and are expected to intensify the competitive environment. In addition, the rapid pace of change as the industry evolves towards a consumer-focused retail marketplace, including Insurance Exchanges, and the increased use of technology to interact with members, providers and customers, increase the risks we currently face from new entrants and disruptive actions by existing competitors compared to prior periods.

In our Health Care business, we compete on the basis of many factors, including perceived overall quality, quality of service, comprehensiveness of coverage, cost (including premium, provider discounts and member out-of-pocket costs), product design, financial stability and ratings, breadth and quality of provider networks, providers available in such networks, and quality of member support and care management programs. Our competitors in our Health Care business include, among others, UnitedHealth Group Incorporated, Anthem, Inc., Humana Inc., Cigna Corporation, WellCare Health Plans, Inc., Centene Corporation, Molina Healthcare, Inc., Kaiser Permanente, health system owned health plans and new entrants into the marketplace, and numerous for-profit and not-for-profit organizations operating under licenses from the Blue Cross and Blue Shield Association. Our largest competitor in our Medicare products is Original Medicare. Additional competitors in our businesses include other types of medical and dental provider organizations, various specialty service providers (including pharmacy benefit management services providers), health care consultants, financial services companies, integrated health care delivery organizations (networks of providers who also coordinate administrative services for and assume insurance risk of

their members), third-party administrators, HIT companies and, for certain plans, programs sponsored by the federal or state governments. Emerging competitors include start up health care benefit plans, provider-owned health plans, new joint ventures (including not-for-profit joint ventures among firms from multiple industries), technology firms, financial services firms that are distributing competing products on their proprietary Private Exchanges, consulting firms that are distributing competing products on their proprietary Private Exchanges, as well as non-traditional distributors such as retail companies. In particular geographies, competitors may have greater capabilities, resources or membership; a more established reputation; superior supplier or health care professional arrangements; better business relationships; or other factors that give such competitors a competitive advantage. We compete for sales on Insurance Exchanges and are developing and expanding our Consumer Health and Services product line, where we face additional risks from existing and new competitors (including our vendors) who have lower cost structures, greater experience marketing to consumers and/or who target the higher margin portions of our business. Among our international and HIT competitors, many have longer operating histories, better brand recognition and greater market presence in many of the areas in which we are seeking to expand and more experience at rapidly innovating products. If we do not compete effectively in the geographies and product areas in which we operate, our business, operating results, financial position and cash flows could be materially and adversely affected.

A number of factors, many of which are beyond our control, contribute to rising health care and other benefit costs. If we are unable to satisfactorily manage our health care and other benefit costs, our operating results and competitiveness will be adversely affected.

A number of factors contribute to rising health care and other benefit costs, including previously uninsured members entering the health care system, changes in members' behavior and healthcare utilization patterns, turnover in our membership, additional government mandated benefits or other regulatory changes, changes in the health status of our members, the aging of the population and other changing demographic characteristics, advances in medical technology, increases in the number and cost of prescription drugs (including specialty pharmacy drugs), direct-to-consumer marketing by pharmaceutical companies, the increasing influence of social media on our members' utilization and other behavior, changes in health care practices and inflation. In addition, government-imposed limitations on Medicare and Medicaid reimbursements to health plans and providers have caused the private sector to bear a greater share of increasing health care and other benefits costs over time, and future amendments or repeal or replacement of the ACA that increase the uninsured population may exacerbate this problem. Other factors that affect our health care and other benefit costs include changes as a result of the ACA, changes to the ACA and other changes in the regulatory environment, the evolution toward a consumer driven business model, changes in health care practices, general economic conditions (such as inflation and employment levels), new technologies, influenza related health care costs (which may be substantial and are currently projected to be higher in 2017-2018 than the elevated levels experienced in 2009-2010), clusters of high-cost cases, epidemics or pandemics, health care provider and member fraud, and numerous other factors that are or may be beyond our control.

Our operating results and competitiveness depend in large part on our ability to appropriately manage future health care and other benefit costs through underwriting criteria, product design, provider network configuration, negotiation of favorable provider contracts and medical management programs. Our medical cost management programs may not be successful and may have a smaller impact on health care and benefit costs than we expect. The factors described above may adversely affect our ability to predict and manage health care and other benefit costs, which can adversely affect our competitiveness and operating results.

The U.S. federal government and our other government customers may reduce funding for health care or other programs, cancel or decline to renew contracts with us, or may make changes that adversely affect the number of persons eligible for certain programs, the services provided to enrollees in such programs, our premiums and our administrative and health care and other benefit costs.

Programs funded in whole or in part by the federal government account for over half our revenue, and we expect that percentage to increase. As our government funded business grows, our exposure to changes in federal and state government policy with respect to and/or regulation of the various government funded programs in which we participate also increases.

Our revenues from government-funded health and other programs, including our Medicare, Medicaid, dual eligible and dual eligible special needs plan businesses and our government customers in our Commercial business, are dependent on annual funding by the federal government and/or applicable state or local governments. Federal, state and local governments have the right to cancel or not to renew their contracts with us on short notice without cause or if funds are not available. Funding for these programs is dependent on many factors outside our control, including general economic conditions, continuing government efforts to contain health care costs and budgetary constraints at the federal or applicable state or local level and general political issues and priorities.

For example, CMS is transitioning the process of calculating Medicare members' risk scores from using diagnoses data from the Risk Adjustment Processing System, or RAPS, to using diagnoses data from the Encounter Data System, or EDS. The RAPS process requires Medicare Advantage plans to apply a filter logic based on CMS guidelines and only submit claims that satisfy those guidelines. For submissions through EDS, CMS requires Medicare Advantage plans to submit all encounter data, and CMS applies the risk adjustment filtering logic to determine the risk scores. For 2018, 15% of the risk score will be calculated from claims data submitted through EDS. The transition from RAPS to EDS could result in different risk scores from each dataset as a result of plan processing issues, CMS processing issues or filtering logic differences between RAPS and EDS and could have a material adverse effect on our results of operations, financial position or cash flows.

In addition, while the ACA provided substantial federal funding for the expansion of the number of people who qualify to enroll in Medicaid beginning in 2014, but that funding began to decrease in 2017, and the future of that funding is uncertain. As a result, in 2018, states are preparing for the adverse impact on their budgets and programs of expected changes to the ACA and other federal programs by seeking to reduce their Medicaid expenditures by raising minimum MLR thresholds, instituting profit caps and/or changing the design of their Medicaid programs. These changes could have a material adverse effect on the revenues, medical benefit ratio and operating results of our Medicaid contracts and/or our ability to grow our Medicaid membership, revenues and operating results.

Our government customers also determine the eligibility criteria, premium levels and other aspects of Medicare, Medicaid, dual eligible and dual eligible special needs plan programs that affect the number of persons enrolled in these programs, the services provided to enrollees under the programs, and our administrative and health care and other benefit costs under these programs. In the past, determinations of this type have at times adversely affected our operating results from and willingness to participate in such programs, and they may do so again in the future. If a government customer reduces premium levels or increases premiums by less than the increase in our costs (such as by not allowing us to recover ACA and other applicable fees, taxes and assessments), and we cannot offset the impact of these actions with supplemental premiums and/or changes in benefit plans, then our business and operating results could be adversely affected. In addition, if states allow certain programs to expire, reduce the number of firms with which they contract for Medicaid managed care services or choose to opt out of Medicaid expansion, we could experience reduced Medicaid enrollment or reduced Medicaid enrollment growth, which would adversely affect our business, revenues and operating results.

In addition, the terms of our disability products often provide that the benefits due to beneficiaries are reduced by the amount of certain federal benefits they receive, most notably Social Security Disability Insurance ("SSDI") payments. If such payments are suspended or reduced for any reason, including due to funding shortfalls for the SSDI program, our disability payment obligations and related reinsurance receivable from HLAIC would be increased accordingly, and such increase could be material.

Unanticipated increases in our ACA compliant small group Commercial product health care benefit costs adversely affected our 2016 operating results and could adversely affect our operating results in 2018 and future years. There can be no assurance that our pricing or other actions will maintain or improve the profitability of our ACA compliant small group Commercial products in 2018. There can be no assurance that the future health care benefit costs of our ACA compliant small group Commercial products will not exceed our projections.

Unanticipated increases in our ACA compliant small group Commercial product health care benefit costs adversely affected our 2016 operating results and could adversely affect our operating results in 2018 and future years.

We have set 2018 premium rates for our ACA compliant small group Commercial products based on our projections, including as to the health status and quantity of small group Commercial product membership and utilization of medical and/or other covered services by small group Commercial product members. There can be no assurance that our pricing or other actions will improve the profitability of our ACA compliant small group Commercial products in 2018 or any future year.

The premium rates for our ACA compliant small group Commercial products are set in advance and fixed for one-year periods. As a result, health care benefit costs in excess of the projections reflected in our pricing for those products cannot be recovered in the fixed premium period through higher premiums. The profitability of ACA compliant small group Commercial products is particularly sensitive to the accuracy of our forecasts of health care benefit costs. Those forecasts were made several months before the fixed premium period began, require a significant degree of judgment and are dependent on our ability to detect medical cost trends as well as the accuracy of our projections used in setting our ACA compliant small group Commercial product premium rates.

There can be no assurance regarding the accuracy of the health care benefit cost, membership or other projections reflected in our ACA compliant small group Commercial product pricing. The risks related to the accuracy of projections reflected in our

pricing are magnified by adverse selection among individuals who require or utilize more expensive medical and/or other covered services, other plans' withdrawals from participation in the Insurance Exchanges we serve and legislation, regulations, enforcement activity and/or judicial decisions that cause Insurance Exchanges or Insurance Exchange products to operate in a manner different than what we projected in setting our Insurance Exchange product premium rates, such as ongoing initiatives in several states to require insurers to allow members to pay insurers less for certain high cost drugs than the amounts assumed in pricing of their Public Exchange products. On-going uncertainty regarding the funding of ACA-related programs and subsidies can be expected to create additional instability in the marketplace. For additional information on certain of the medical cost trend, pricing and economic conditions risks associated with our Insurance Exchange and other Health Care products, see "*We may not be able to accurately forecast health care and other benefit costs, which could adversely affect our operating results. We may not able to obtain appropriate pricing on new or renewal business*" beginning on page 31; and "*We may not be able to obtain adequate premium rate increases, which would have an adverse effect on our revenues, medical benefit ratios and operating results and could magnify the adverse impact of increases in health care and other benefit costs and of ACA assessments, fees and taxes*" on page 23.

The reserves we hold for expected claims are based on estimates that involve an extensive degree of judgment and are inherently variable. Any reserve, including a premium deficiency reserve, may be insufficient. If actual claims exceed our estimates, our operating results could be materially adversely affected, and our ability to take timely corrective actions to limit future costs may be limited.

A large portion of health care claims are not submitted to us until after the end of the quarter in which services are rendered by providers to our members. Our reported health care costs payable for any particular period reflect our estimates of the ultimate cost of such claims as well as claims that have been reported to us but not yet paid. We also must estimate the amount of rebates payable under the ACA's, CMS's and OPM's minimum MLR rules and the amounts payable by us to, and receivable by us from, the U.S. federal government under the ACA's remaining premium stabilization program.

Our estimates of health care costs payable are based on a number of factors, including those derived from historical claim experience, but this estimation process also makes use of extensive judgment. Considerable variability is inherent in such estimates, and the accuracy of the estimates is highly sensitive to changes in medical claims submission and processing patterns and/or procedures, turnover and other changes in membership, changes in product mix, changes in the utilization of medical and/or other covered services, changes in medical cost trends, changes in our medical management practices and the introduction of new benefits and products. We estimate health care costs payable periodically, and any resulting adjustments, including premium deficiency reserves, are reflected in current-period operating results within health care costs. For example, at December 31, 2017, we held a premium deficiency reserve of $16 million for the 2018 coverage year related to our Medicaid products. A worsening (or improvement) of health care cost trend rates or changes in claim payment patterns from those that we assumed in estimating health care costs payable at December 31, 2017 would cause these estimates to change in the near term, and such a change could be material.

Furthermore, if we are not able to accurately and promptly anticipate and detect medical cost trends or accurately estimate the cost of incurred but not yet reported claims or reported claims that have not been paid, our ability to take timely corrective actions to limit future costs and reflect our current benefit cost experience in our pricing process may be limited, which would further exacerbate the extent of any negative impact on our operating results. These risks are particularly acute during and following periods when utilization of medical and/or other covered services and/or medical cost trends are below recent historical levels and in products where there is significant turnover in our membership each year, and such risks are further magnified by the ACA and other legislation and regulations that limit our ability to price for our projected and/or experienced increases in utilization and/or medical cost trends.

Refer to "Critical Accounting Estimates - Health Care Costs Payable" of MD&A included in Part II, Item 7 of this Annual Report on Form10-K for more information.

Our medical membership remains concentrated in certain geographic areas and industries, exposing us to unfavorable changes in local benefit costs, reimbursement rates, competition and economic conditions.

Our medical membership remains concentrated in certain geographic areas in the United States and in certain industries. Unfavorable changes in health care or other benefit costs or reimbursement rates or increased competition in those geographic areas where our membership is concentrated could therefore have a disproportionately adverse effect on our operating results. Our membership has been and may continue to be affected by workforce reductions by our customers due to adverse and/or uncertain general economic conditions, especially in the U.S. geographies and industries where our membership is concentrated. As a result, we may not be able to profitably grow and diversify our membership geographically, by product type

or by customer industry, and our revenue and operating results may be disproportionately affected by adverse changes affecting our customers.

A change in our health care product mix may impact our profit margins.

Our health care products that involve greater potential risk generally tend to be more profitable than administrative services contract products. Small employer groups are more likely to purchase our higher-risk health care products because such purchasers are generally unable or unwilling to bear greater liability for health care expenditures. Typically, government-sponsored programs also involve our higher-risk health care products and have lower profit margins than our Insured Commercial products, and our membership is projected to continue to shift towards higher revenue, higher MBR Government products in 2018. A shift of enrollees from more profitable products to less profitable products could have a material adverse effect on our operating results.

We face challenges in growing our Medicare Advantage membership.

We are seeking to substantially grow our Medicare Advantage membership, revenue and operating results in 2018 and over the next several years, including by significantly expanding our Medicare service area. The organic expansion of our Medicare service area is subject to the ability of CMS to process our requests for service area expansions and our ability to build cost competitive provider networks in the expanded service areas that meet applicable network adequacy requirements. CMS' decisions on our requests for service area expansions also may be affected adversely by compliance issues that arise in our Medicare operations. If we are not successful in expanding our Medicare service area, we may not be able to achieve our Medicare Advantage growth goals.

We face challenges in growing our Medicaid membership, and expanding our Medicaid membership exposes us to additional risks.

We are seeking to substantially grow our Medicaid, dual eligible and dual eligible special needs plan membership over the next several years. In many instances, to acquire and retain our government customers' business, we must bid against our competitors in a highly competitive environment. Winning bids often are challenged successfully by unsuccessful bidders. For example, as of January 2018, certain of our winning Medicaid bids are being protested, and during 2017 we were not successful in retaining certain Medicaid contracts. As a result, we are seeking to improve our process for responding to Medicaid requests for proposal. Our ability to maintain and grow membership, revenues and operating results in our Medicaid products is dependent on our remaining competitive on price, performance and preparing successful bids. In cases where our bid is successful, we incur defense costs and may incur unreimbursed implementation and other costs to meet contractual deadlines even if we ultimately lose the challenge.

If we are successful in expanding our Medicaid membership, we may increase our exposure to states that face budgetary pressures, hospitals and other providers that face revenue challenges associated with uncompensated care, and pressures on our operating margins driven by the projected rapid growth in the size of and cost of care for the Medicaid eligible population.

Extreme events, or the threat of extreme events, could materially increase our health care (including behavioral health), life insurance and disability costs and impact our business continuity. We cannot predict whether or when any such events will occur.

Nuclear, biological or other attacks, whether as a result of war or terrorism, other man-made disasters, natural disasters, epidemics, pandemics and other extreme events can affect the U.S. economy in general, our industry and us specifically. In particular, such extreme events or the threat of such extreme events could result in significant health care (including behavioral health), life insurance and disability costs, which would also be affected by the government's actions and the responsiveness of public health agencies and other insurers. In addition, our life insurance members and our employees and those of our vendors are concentrated in certain large, metropolitan areas which may be particularly exposed to these events. Such events could adversely affect our business, cash flows, and operating results, and, in the event of extreme circumstances, our financial position or viability, particularly if our responses to such events are less adequate than those of our competitors.

Our business could also be adversely affected if we do not maintain adequate procedures for crisis management, disaster recovery and business continuity during and after such events. Other than obtaining insurance coverage for our facilities and limited reinsurance of our Health Care liabilities, there are few, if any, commercial options through which to transfer the exposure from terrorism or other extreme events away from us.

Risks Related to Our Operations

Unless we are able to develop alternative sources of revenue and earnings and achieve transformational change in our business model, our ability to profitably grow our business could be adversely affected.

We operate in a highly competitive environment and in an industry that is subject to significant ongoing changes from marketplace pressures brought about by public policy forces, the ACA, changes to or repeal or replacement of the ACA, Insurance Exchanges, customer demands, demographic shifts, new and expanding health care capabilities, business consolidations, strategic alliances, new market entrants, legislative and regulatory changes and marketing practices. As a result of these and other factors, our ability to grow profitably through the sale of traditional Insured health care and related benefits products in the United States may be limited. In order to profitably grow our business in the future, we plan to diversify the sources of our revenue and earnings, including by significantly expanding the number of geographies in which we offer our Medicare products, and transform our business model, including through developing and expanding our Consumer Health and Services product line, making investments in consumer engagement capabilities and our Consumer Health and Services' technology and other services for health systems and provider organizations (including joint ventures, ACOs and collaborative provider networks), optimizing our business platforms and expanding internationally. If we do not achieve our diversification and transformation goals, our business, cash flows and operating results could be adversely affected.

Achieving our transformation goals will require us to devote significant senior management and other resources to acquisitions or other transactions and to develop internally or acquire new products, solutions and technology before any significant revenues or earnings are generated from such initiatives. If we are not able to acquire and/or develop and launch new products and solutions, our ability to profitably grow our business could be adversely affected.

We and our vendors have experienced cyber attacks. We can provide no assurance that we or our vendors will be able to detect, prevent or contain the effects of such attacks or other information security (including cybersecurity) risks or threats in the future.

We and our vendors have experienced a variety of cyber attacks, and we and our vendors expect to continue to experience cyber attacks going forward. Among other things, we have experienced automated attempts to gain access to our public facing networks, brute force, SYN flood and distributed denial of service attacks, attempted malware infections, vulnerability scanning, ransomware attacks, spear-phishing campaigns, mass reconnaissance attempts, injection attempts, phishing, PHP injection and cross-site scripting. We also have seen an increase in attacks designed to obtain access to consumers' accounts using illegally obtained demographic information. Although the impact of such attacks has not been material to our operations or operating results through December 31, 2017, we can provide no assurance that we or our vendors will be able to detect, prevent or contain the effects of such attacks or other information security (including cybersecurity) risks or threats in the future. As we expand our Consumer Health and Services product line (including through growth of our joint venture and accountable care relationships with providers), increase the amount and types of data we acquire, generate and use, increase the amount of information we make available to members, consumers and providers on mobile devices, expand our use of vendors, expand internationally and expand our use of social media, our exposure to these data security and related cybersecurity risks, including the risk of undetected attacks, damage, loss or unauthorized disclosure or access to and/or disruption of our systems and the customer, member, provider, employee, ACO, joint venture, vendor and other third party information they contain, increases, and the cost of attempting to protect against these risks also increases.

The costs of attempting to protect against the foregoing risks and the costs of responding to a cyber-incident are significant. Large scale data breaches at other entities increase the challenge we and our vendors face in maintaining the security of our information technology systems and of our members' and customers' sensitive information. Following a cyber-incident, our and/or our vendors' remediation efforts may not be successful, and a cyber-incident could result in interruptions, delays or cessation of service, and loss of existing or potential customers. In addition, breaches of our and/or our vendors' security measures and the unauthorized dissemination of sensitive personal information or proprietary information or confidential information about us, our customers or other third-parties, could expose our customers' private information and our customers to the risk of financial or medical identity theft, or expose us or other third parties to a risk of loss or misuse of this information, and result in investigations, regulatory enforcement actions, material fines and penalties, loss of customers, litigation or other actions which could have a material adverse effect on our business, brand, reputation, cash flows and operating results.

We may not be able to effectively manage our general and administrative expenses to competitive levels, which may reduce our membership or profitability, or we may need to implement expense reduction measures that adversely affect our future growth potential.

Our operating results depend in part on our ability to manage our general and administrative expenses to competitive levels while delivering improved customer, member and provider service, expanding our marketplace presence and accomplishing our strategic initiatives, including developing, operating and expanding our Consumer Health and Services product line. Controlling general and administrative expenses is particularly important in our Health Care businesses that are subject to regulatory changes that may restrict our underwriting margins (calculated as premiums less health care costs), such as minimum MLR requirements. We have significant fixed costs, and our ability to reduce variable costs in the short term is limited. We attempt to manage general and administrative expenses by, among other things, making our processes more efficient, reducing the number of products we offer and controlling costs for salaries and related benefits, information technology and other general and administrative costs. However, we may not be successful in achieving the intended benefits of the cost-cutting and process improvement initiatives we undertake. In addition, our cost-cutting measures may adversely affect our ability to implement changes to the ACA and other regulatory requirements, attract and retain key employees, maintain robust management practices and controls (including internal controls over financial reporting), implement improvements in technology and achieve our strategic goals, including profitable membership growth. Given the foregoing, we can provide no assurance that we will be able to manage our general and administrative expenses to competitive levels, which may reduce our membership, profitability and operating results and adversely affect our business and future growth potential.

Our business success and operating results depend in part on effective information technology systems and on continuing to develop and implement improvements in technology.

We have many different information and other technology systems supporting our businesses (including as a result of our acquisitions). Our businesses depend in large part on these systems to adequately price our products and services; accurately establish reserves, process claims and report operating results; and interact with providers, employer plan sponsors, members and vendors, including our PBM services suppliers, in an efficient and uninterrupted fashion. In addition, recent trends toward greater consumer engagement in health care require new and enhanced technologies, including more sophisticated applications for mobile devices. Certain of our technology systems (including software) are older, legacy systems that are less flexible, less efficient and require a significant ongoing commitment of capital and human resources to maintain, protect and enhance them and to integrate them with our other systems. We must re-engineer and reduce the number of these systems to meet changing consumer and vendor preferences and needs, improve our productivity and reduce our operating expenses. We also need to develop or acquire new technology systems, contract with new vendors or modify certain of our existing systems to support the Consumer Health and Services products we are developing, operating and expanding and/or to meet current and developing industry and regulatory standards, including with regard to minimum MLR rebates, Insurance Exchanges, and various aspects of the ACA, and to keep pace with continuing changes in information processing technology and emerging cybersecurity risks and threats. If we fail to achieve these objectives, our ability to profitably grow our business and/or our operating results may be adversely affected.

Our business strategy involves providing customers with differentiated, easy to use, secure products and solutions that use information to meet customer needs. The types of technology and levels of service that are acceptable to customers and members today will not necessarily be acceptable in the future, requiring us to anticipate and meet marketplace demands for technology. Our success therefore is dependent in large part on our ability, within the context of a limited budget of human resources and capital and our existing and future business relationships, to timely secure, integrate, develop, redesign and enhance our (or contract with vendors to provide) technology systems that support our business strategy initiatives and processes in a compliant, secure, and cost and resource efficient manner. Integration of our acquisitions increases these challenges, and we may not be successful in integrating various systems in a timely or cost-effective manner.

Information technology projects are long-term in nature and may take longer to complete and cost more than we expect and may not deliver the benefits we project once they are complete. If we do not effectively and efficiently secure, manage, integrate and enhance our technology portfolio (including vendor sourced systems), we could, among other things, have problems determining health care cost and other benefit cost estimates and/or establishing appropriate pricing, meeting the needs of providers, employer plan sponsors and members, developing and expanding our Consumer Health and Services product line or keeping pace with industry and regulatory standards, and our operating results may be adversely affected.

In order to remain competitive, we must further integrate our businesses, processes and systems. Pursuing multiple initiatives simultaneously could make this integration significantly more challenging.

Many of our businesses, processes and systems, both those we have acquired or will acquire, and those we have developed or are developing, are not integrated, are complex or require disproportionate resources in order to work together effectively. Businesses, processes and systems that are excessively complex or are not effectively integrated may adversely affect our ability to compete by, among other things, increasing our costs relative to competitors, reducing our flexibility and limiting our ability to react quickly to marketplace opportunities or changing circumstances. Accordingly, we must effectively and

efficiently simplify and integrate these businesses, processes and systems to meet changing consumer and vendor needs and improve our productivity. This task is significantly more difficult when we pursue multiple transactions or other initiatives, such as significant acquisitions, strategic alliances, joint ventures and multi-year strategic projects (including developing, operating and expanding our Consumer Health and Services product line and implementing new provider support programs), simultaneously. Our existing business partnership relationships and a limited budget of human resources and capital present further challenges.

If we are unable to successfully simplify and integrate our businesses, processes and systems, including those from acquisitions, to realize anticipated economic and other benefits in a timely manner, it could result in substantial costs or delays and adversely affect our business, operations and operating results.

Sales of our products and services are dependent on our ability to attract and motivate internal sales personnel and independent third-party brokers, consultants and agents. New distribution channels create new disintermediation risk. We may be subject to penalties or other regulatory actions as a result of the marketing practices of brokers and agents selling our products.

Our products are sold primarily through our sales personnel, who frequently work with independent brokers, consultants and agents who assist in the production and servicing of business. The independent brokers, consultants and agents generally are not dedicated to us exclusively and may frequently recommend and/or market health care benefits products of our competitors. Accordingly, we must compete intensely for their services and allegiance. Our sales could be adversely affected if we are unable to attract, retain or motivate sales personnel and third-party brokers, consultants and agents, or if we do not adequately provide support, training and education to this sales network regarding our complex product portfolio, or if our sales strategy is not appropriately aligned across distribution channels. This risk is heightened as we develop, operate and expand our Consumer Health and Services product line and our business model evolves to include a greater focus on consumers and direct-to-consumer sales, such as competing for sales on Insurance Exchanges.

New distribution channels for our products and services continue to emerge, including Private Exchanges operated by health care consultants and technology companies. These channels may make it more difficult for us to directly engage consumers and other customers in the selection and management of their health care benefits, in health care utilization and in the effective navigation of the health care system. We also may be challenged by new technologies and marketplace entrants that could interfere with our existing relationships with health plan members in these areas.

In addition, there have been a number of investigations regarding the marketing practices of brokers and agents selling health care and other insurance products and the payments they receive. These investigations have resulted in enforcement actions against companies in our industry and brokers and agents marketing and selling those companies' products. For example, CMS and state departments of insurance have increased their scrutiny of the marketing practices of brokers and agents who market Medicare products. These investigations and enforcement actions could result in penalties and the imposition of corrective action plans and/or changes to industry practices, which could adversely affect our ability to market our products.

We face a wide range of risks, and our success depends on our ability to identify, prioritize and appropriately manage our enterprise risk exposures.

As a large company operating in a complex industry and in many countries, we encounter a variety of risks. The risks we face include, among other matters, the range of industry, competitive, regulatory, financial, operational or external risks identified in this "Risk Factors" discussion. We continue to devote resources to further develop and integrate our enterprise-wide risk management processes. Failure to identify, prioritize and appropriately manage or mitigate these risks, including risk concentrations across different business lines, products (e.g., Insured vs. ASC), industries, customers and geographies, can adversely affect our operating results, our ability to retain or grow business, or, in the event of extreme circumstances, our financial position or business operations.

We also face other risks that could adversely affect our business, operating results, financial position, and/or cash flows, which include:

- Health care benefits fraud by providers, members and/or brokers that is not prevented or detected and impacts our medical cost trends or the medical expenses of our self-insured customers. In addition, in an adverse and/or uncertain economic environment, whether in the United States or abroad, our businesses may see increased fraudulent claims volume, which may lead to additional costs because of an increase in disputed claims and litigation;
- Assessments under guaranty fund laws for obligations of insolvent insurance companies (such as the assessment for Penn Treaty Network America Insurance Company and one of its subsidiaries described in Note 17 "Commitments and Contingencies - Guaranty Fund Assessments, Market Stabilization and Other Non-Voluntary Risk Sharing Pools"

included in Part II, Item 8 of this Annual Report on Form 10-K), HMOs, ACA co-ops and other payors to policyholders and claimants;

- Failure of our corporate governance policies or procedures, for example significant financial decisions being made at an inappropriate level in our organization;
- Inappropriate application of accounting principles or a significant failure of internal control over financial reporting, which could lead to a restatement of our operating results and/or a deterioration in the soundness and accuracy of our reported operating results;
- Financial loss from inadequate insurance coverage due to self-insurance levels or unavailability of insurance and reinsurance coverage for credit or other reasons;
- Failure to protect our proprietary information, including as a result of cyber-attacks on us, one or more providers and/or one or more of our vendors; and
- Failure to adequately manage our run-off businesses and/or our regulatory and financial exposure to businesses we have sold, including our domestic group life insurance, group disability insurance and absence management businesses.

Risks Related to Customer Perceptions of our Products and Services

In order to be competitive in the increasingly consumer-oriented marketplace for our products and services, we will need to develop and deploy our Consumer Health and Services products and make investments in consumer engagement, reduce our cost structure and face new competitors. If we are unsuccessful, our future growth and profitability may be adversely affected.

Historically, employers have been our most significant customers. However, decisions to buy our products and services are increasingly made or influenced by consumers, either through direct purchasing (for example, Medicare Advantage plans) or through Insurance Exchanges that allow individual choice. In response to this demand, we are expanding our consumer focus, including the development and expansion of our Consumer Health and Services product line. To compete effectively in the consumer-driven marketplace, we will be required to develop or acquire new capabilities, attract new talent and develop new service and distribution relationships that respond to consumer needs and preferences.

We also will have to respond to pricing and other actions taken by existing competitors as well as potentially disruptive new entrants. Regulatory and participation requirements for exchange-based plans tend to emphasize price and make competitive differentiation based on other attributes more difficult. Accordingly, we face competitive pricing pressures from existing and new competitors (including our vendors and others who may have lower cost structures than we do), and these pressures may reduce our operating margins or limit sales of our products and services. Our competitors may bring their Insurance Exchange and other consumer products to market more quickly, have greater experience marketing to consumers and/or may be targeting the higher margin portions of our business. These risks may be enhanced if employers shift to defined contribution health care benefits plans and make greater utilization of Private Exchanges or encourage their employees to purchase health insurance on the Public Exchanges. We can provide no assurance that we will be able to develop or operate successful or profitable consumer products or compete successfully or profitably on Public Exchanges or Private Exchanges or that we will be able to benefit from any opportunities presented by Public Exchanges or Private Exchanges. If we do not develop and expand competitive and profitable consumer products, are not competitive on Insurance Exchanges or are unsuccessful in reducing our cost structure, our future growth and profitability may be adversely affected.

We may not be able to compete effectively in the HIT business and earn a profit. Our HIT business increases our risk of patent infringement and other intellectual property litigation and may become subject to significant regulation in the future.

With our current focus on consumer engagement, joint ventures, ACOs, collaborative provider networks and optimizing our business platforms and our 2014 acquisition of bswift, we have increased our commitment to HIT products and solutions, a business that is rapidly changing and highly competitive. There is no assurance that we will be able to successfully adapt to changes to the HIT marketplace, or compete effectively and earn a profit in our HIT business. Our technology products and solutions may not operate as intended. Moreover, we may not have identified and mitigated, or be able to identify and mitigate, the significant risks of pursuing the HIT business, including the risk that we will be unable to protect our proprietary rights and the risks of patent infringement and other intellectual property litigation against us. Certain of our HIT products and/or solutions have been subject to patent litigation, which is often associated with significant litigations costs, damages and/or injunctions.

In addition, although the HIT industry is not currently subject to significant regulation, we face an uncertain and rapidly evolving federal, state and international legislative and regulatory framework, and certain of our HIT products and/or solutions could become subject to regulation. New legislation and/or regulations may make it difficult to achieve and maintain

compliance and could adversely affect both our ability to compete in the HIT business and the operating results of our HIT business.

If we fail to develop new products, differentiate our products from those of our competitors or demonstrate the value of our products to our customers and members, our ability to retain or grow profitable membership may be adversely affected.

We operate in a rapidly evolving industry. Our customers generally, and our larger customers in particular, are well-informed and organized and, along with our individual customers, can easily move between us and our competitors. These factors require us to differentiate our products and solutions, anticipate changes in customer and consumer preferences, anticipate and effectively compete with the products and solutions of new and existing competitors and innovate and deliver new and existing products and solutions that demonstrate value to our customers and members, particularly in response to marketplace changes from public policy. Differentiating our Insurance Exchange products is particularly challenging due to the standardization (for example, network adequacy and standardization of benefits requirements) of these products. Any failure to do so may adversely affect our ability to retain or grow profitable membership, which can adversely affect our operating results.

If we or our vendors fail to provide our customers with quality service that meets their expectations, our ability to retain and grow our membership will be adversely affected.

Our ability to attract and retain membership is dependent upon providing cost effective, quality customer service operations (such as call center operations, claim processing, outsourced PBM functions, home delivery pharmacy prescription delivery, specialty pharmacy prescription delivery, customer case installation and on-line access and tools) that meet or exceed our customers' and members' expectations. As we seek to reduce general and administrative expenses, we must balance the potential impact of cost-saving measures on our customer and other service and performance. If we misjudge the effects of such measures, customer and other service may be adversely affected. We depend on third parties for certain of our customer service, PBM and prescription delivery operations. For example, CaremarkPCS Health, L.L.C. (and its predecessors, collectively, "Caremark", a wholly-owned subsidiary of CVS Health) and Express Scripts provide us with certain PBM services. If we or our vendors fail to provide service that meets our customers' and members' expectations, we may have difficulty retaining or growing profitable membership, which can adversely affect our operating results. For example, noncompliance with any privacy or security laws or regulations or any security breach involving one of our third party vendors could have a material adverse effect on our businesses, operating results, brand and reputation.

Our competitive position and ability to differentiate our products will be adversely affected if we cannot demonstrate that our products and processes result in our members receiving quality affordable care.

One of the key factors on which we compete for customers is the degree to which our products and processes (including our disease management and patient safety programs and our provider credentialing and other quality of care and information management initiatives) result in our members receiving quality affordable care from providers, our vendors (including our PBM services suppliers) and us. If our products and process do not result in our members receiving quality affordable care, or if we are unable to demonstrate that our members receive quality affordable care, then our competitive position and ability to differentiate our product and/or solution offerings from those of our competitors would be adversely affected, which in turn could adversely affect our operating results.

Risks Related to Our Relationships with Providers, Suppliers and Vendors

If we are unable to enter into joint ventures and other collaborative risk-sharing agreements with health care providers on satisfactory terms, it may have an adverse effect on our ability to enhance our provider networks, contain our medical costs, grow our business and/or develop alternative sources of revenue and earnings.

We are seeking to enhance our health care provider networks by entering into joint ventures and other collaborative risk-sharing arrangements with health care providers. Providers' willingness to enter these arrangements with us depends upon, among other things, our ability to provide them with up to date quality of care data to support these value-based contracts. These arrangements are designed to give providers incentives to engage in population health management and optimize delivery of health care to our members. These arrangements also may allow us to expand into new geographies, target new customer groups, increase membership and reduce medical costs and, if we provide technology or other services to the relevant health system or provider organization, may contribute to our revenue and earnings from alternative sources. If such arrangements do not result in the lower medical costs that we project or if we fail to attract health care providers to such arrangements, or are less successful at implementing such arrangements than our competitors, our medical costs may not be competitive and may be higher than we project, our attractiveness to customers may be reduced, we may lose or be unable to grow membership, and our ability to profitably grow our business and/or our operating results may be adversely affected.

While we believe joint ventures, ACOs and other non-traditional health care provider organizational structures present opportunities for us, the implementation of our joint ventures and other non-traditional structure strategies may not achieve the intended results, which could adversely affect our operating results and cash flows. Among other things, joint ventures require us to maintain collaborative relationships with our counterparties, continue to gain access to provider rates that make the joint ventures economically sustainable and devote significant management time to the operation and management of the joint venture. We may not be able to achieve these objectives in one or more of our joint ventures, which could adversely affect our operating results and cash flows.

Continuing consolidation and integration among providers and other suppliers may increase our medical and other covered benefits costs, make it difficult for us to compete in certain geographies and create new competitors.

Hospitals and other provider and health systems continue to consolidate across the industry. While this consolidation could increase efficiency and has the potential to improve the delivery of health care services, it also reduces competition and the number of potential contracting parties in certain geographies. These health systems also are increasingly forming and considering forming health plans to directly offer health insurance in competition with us, a process that has been accelerated by the ACA. In addition, ACOs (including commercial and Medicaid-only ACOs developed as a result of state Medicaid laws), practice management companies, consolidation among and by integrated health systems and other changes in the organizational structures that physicians, hospitals and other health care providers adopt continues to change the way these providers interact with us and the competitive landscape in which we operate. These changes may increase our medical and other covered benefits costs, may affect the way we price our products and services and estimate our medical and other covered benefits costs and may require us to change our operations, including by withdrawing from certain geographies where we do not have a significant presence across our businesses or are unable to collaborate or contract with providers on acceptable terms. Each of these changes may adversely affect our business and operating results.

Our operating results may be adversely affected if we are unable to contract with providers on competitive terms and develop and maintain attractive networks with high quality providers.

Our operating results are dependent in part upon our ability simultaneously to contract competitively with and develop and maintain favorable relationships with hospitals, physicians, pharmaceutical benefit management service providers, pharmaceutical manufacturers and other health care benefits providers. Our relationships with providers may be affected by the CVS Health Transaction and are affected by the rates we pay them for services rendered to our members (including financial incentives to deliver quality services in a cost-effective manner), by our business practices and processes, by our acquisitions and divestitures and proposed acquisitions and divestitures, and by our provider payment and other provider relations practices (including whether we include providers in the various provider network options we make available to our customers). Our relationships with providers also are affected by factors that impact those providers, but are not directly related to us, such as consolidations and strategic relationships among providers and/or among our competitors, changes in Medicare and/or Medicaid reimbursement levels to health care providers (including reductions due to the ATRA, sequestration and/or any amendment, repeal or replacement of the ACA), and increasing revenue and other financial pressures on providers, including increases in uncompensated care resulting from the any amendment, repeal or replacement of the ACA, ongoing reductions by CMS and state governments (including reductions due to recommendations of the Independent Payment Advisory Board, the ATRA, sequestration and/or any repeal or amendment of the ACA) in amounts payable to providers, particularly hospitals, for services provided to Medicare and Medicaid enrollees.

The breadth and quality of our networks of available providers and our ability to offer different provider network options are important factors when customers consider our products and services. Our customers, particularly our self-insured customers, also consider our hospital and other medical provider discounts when evaluating our products and services. For certain of our businesses, we must maintain provider networks that satisfy applicable access to care and/or network adequacy requirements. Regulators also consider the breadth and nature of our provider networks when assessing whether such networks meet network adequacy requirements which, in some cases, are becoming more stringent. For example, a 2016 CMS regulation established network adequacy requirements that apply to all Medicaid managed care plans. Our contracts with providers generally may be terminated by either party without cause on short notice.

The failure to maintain or to secure new cost-effective health care provider contracts, may result in a loss of or inability to grow membership, higher health care or other benefits costs (which we may not be able to reflect in our pricing due to rate reviews or other factors), health care provider network disruptions, less desirable products for our customers and/or difficulty in meeting regulatory or accreditation requirements, any of which could adversely affect our operating results.

We may experience increased medical and other benefit costs, litigation risk and customer and member dissatisfaction when providers that do not have contracts with us render services to our members.

Some providers that render services to our members do not have contracts with us. In those cases, we do not have a pre-established understanding with these providers as to the amount of compensation that is due to them for services rendered to our members. In some states, the amount of compensation due to these non-participating providers is defined by law or regulation, but in most instances it is either not defined or it is established by a standard that is not clearly translatable into dollar terms. In such instances providers may believe that they are underpaid for their services and may either litigate or arbitrate their dispute with us or try to recover the difference between what we have paid them and the amount they charged us from our members, which may result in customer and member dissatisfaction. For example, since 2007, we have been in class action litigation with non-participating providers over our payments to them, and during 2009, we settled a matter with the New York Attorney General that caused us to transition to different databases to determine the amount we pay non-participating providers under certain benefit plan designs. Such disputes may cause us to pay higher medical or other benefit costs than we projected.

Certain of these matters are described in more detail in "Litigation and Regulatory Proceedings" in Note 17 "Commitments and Contingencies" included in Part II, Item 8 of this Annual Report on Form 10-K.

We could become overly dependent on key service providers, which could expose us to operational risks and cause us to lose core competencies. If their services become unavailable, we may experience service disruptions, reduced service quality and increased costs and may be unable to meet our obligations to our customers.

We contract with various third parties to perform certain functions and services and provide us with certain information technology systems. These third parties include our PBM services suppliers, information technology system providers, independent practice associations, accountable care organizations and call center and claim and billing service providers. Certain of these third parties provide us with significant portions of our requirements, and we could become overly dependent on key vendors, which could cause us to lose core competencies. Certain third parties to whom we delegated selected functions, such as independent practice associations and specialty services providers, have experienced financial difficulties, including bankruptcy. Furthermore, certain legislative authorities have in recent years discussed or proposed legislation that would restrict outsourcing. A termination of our agreements with, or disruption in the performance of, one or more of these service providers could result in service disruption or unavailability, reduced service quality and effectiveness, increased or duplicative costs, an inability to meet our obligations to our customers or require us to seek alternative service providers on less favorable contract terms, any of which can adversely affect our business, brand, reputation and/or operating results. Furthermore, where our arrangements with these service providers are not acceptable to our customers, we must make alternate arrangements, which may be more costly and difficult to implement.

In particular, we have entered into agreements with our PBM services suppliers to provide us and certain of our customers and members with certain PBM services. If our PBM agreement with Caremark or our agreements with our other PBM services suppliers were to terminate for any reason or one of our PBM services supplier's ability to perform their respective obligations under their agreements with us were impaired, we may not be able to find an alternative supplier in a timely manner or on acceptable financial terms. As a result, our costs may increase, we would not realize the anticipated benefits of our PBM agreement with Caremark or our other agreements for PBM services (including projected operating efficiencies), and we may not be able to meet the full demands of our customers, any of which could have a material adverse effect on our business, brand, reputation and/or operating results.

Risks Related to Our Acquisitions, Joint Ventures and International Operations

We expect to continue to pursue acquisitions and other inorganic growth opportunities, which may be unsuccessful, cause us to assume unanticipated liabilities, disrupt our existing business, be dilutive or lead us to assume significant debt, among other things.

We expect to continue to pursue acquisitions, joint ventures, strategic alliances and other inorganic growth opportunities as part of our growth strategy. In addition to integration risks, some other risks we face with respect to acquisitions and other inorganic growth strategies include:

- We frequently compete with other firms, some of which may have greater financial and other resources and a greater tolerance for risk, to acquire attractive companies;
- The acquired and/or joint venture businesses may not perform as projected;
- The goodwill or other intangible assets established as a result of our acquisitions may be incorrectly valued or may become non-recoverable;

- We may not obtain the projected synergies as we integrate the acquired businesses;
- We may assume unanticipated liabilities, including those that were not disclosed to us or which we underestimated;
- We may experience difficulties in integrating acquired businesses into our existing operations (including our internal control environment and compliance policies), be unable to integrate acquired businesses successfully or as quickly as expected, and be unable to realize anticipated economic, operational and/or other benefits in a timely manner or at all, which could result in substantial costs and delays or other operational, technical or financial problems;
- The acquired businesses, or the pursuit of other inorganic growth strategies, could disrupt or compete with our existing businesses, distract management, result in the loss of key employees, divert resources, result in tax costs or inefficiencies and make it difficult to maintain our current business standards, controls, information technology systems, policies, procedures and performance;
- We may finance future acquisitions and other inorganic growth strategies by issuing common stock for some or all of the purchase price, which would dilute the ownership interests of our shareholders;
- We may incur significant debt in connection with acquisitions (whether to finance acquisitions or by assuming debt from the businesses we acquire);
- We may not have the expertise to manage and profitably grow the businesses we acquire, and we may need to rely on the retention of key personnel and other suppliers of companies we acquire, which may be difficult or impossible to accomplish;
- We may enter into merger or purchase agreements but, due to reasons within or outside our control, fail to complete the related transactions, which could result in termination fees or other penalties that could be material, material disruptions to our business and operations and negatively affect our brand and reputation;
- In order to complete a proposed acquisition, we may be required to divest certain portions of our business;
- We may be involved in litigation related to mergers or acquisitions, including for matters which occurred prior to the applicable closing, which may be costly to defend and may result in adverse rulings against us that could be material; and
- The integration into our businesses of the businesses and entities we acquire may affect the way in which existing laws and regulations apply to us, including subjecting us to laws and regulations that did not previously apply to us.

We expect joint ventures to be a critical part of our business model transformation and inorganic growth strategies. Joint ventures present risks that are different from acquisitions, including selection of appropriate joint venture parties, initial and ongoing governance of the joint venture, joint venture compliance activities (including compliance with applicable CMS requirements), growing the joint venture's business in a manner acceptable to all the parties, maintaining positive relationships among the joint venture parties and the customer, and member and business disruption that may occur upon joint venture termination.

As we expand our international operations, we will increasingly face political, legal and compliance, operational, regulatory, economic and other risks that we do not face or are more significant than in our domestic operations. Our exposure to these risks is expected to increase.

As we expand our international operations we will increasingly face political, legal and compliance, operational, regulatory, economic and other risks that we do not face or that are more significant than in our domestic operations. These risks vary widely by country and include varying regional and geopolitical business conditions and demands, government intervention and censorship, discriminatory regulation, nationalization or expropriation of assets and pricing constraints. Our international products need to meet country-specific customer and member preferences as well as country-specific legal requirements, including those related to licensing, privacy, data storage, location, protection and security.

Our international operations increase our exposure to, and require us to devote significant management resources to implement controls and systems to comply with, the privacy and data protection laws of non-U.S. jurisdictions and the anti-bribery, anti-corruption and anti-money laundering laws of the United States (including the FCPA) and the United Kingdom (including the Bribery Act 2010) and similar laws in other jurisdictions. Implementing our compliance policies, internal controls and other systems upon our expansion into new countries and geographies may require the investment of considerable management time and management, financial and other resources over a number of years before any significant revenues or profits are generated. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or employees, restrictions or outright prohibitions on the conduct of our business, and significant brand and reputational harm. We must regularly reassess the size, capability and location of our global infrastructure and make appropriate changes, and must have effective change management processes and internal controls in place to address changes in our business and operations. Our success depends, in part, on our ability to anticipate these risks and manage these difficulties, and the failure to do so could have a material adverse effect on our business, operating results, financial position, brand, reputation and/or long-term growth.

Our international operations require us to overcome logistical and other challenges based on differing languages, cultures, legal and regulatory schemes and time zones. Our international operations encounter labor laws, customs and employee relationships that can be difficult, less flexible than in our domestic operations and expensive to modify or terminate. In some countries we are required to, or choose to, operate with local business partners, which requires us to manage our partner relationships and may reduce our operational flexibility and ability to quickly respond to business challenges.

In some countries we may be exposed to currency exchange controls or other restrictions that prevent us from transferring funds internationally or converting local currencies into U.S. dollars or other currencies. Fluctuations in foreign currency exchange rates may have an impact on our revenues, operating results and cash flows from our international operations. Some of our operations are, and are increasingly likely to be, in emerging markets where these risks are heightened. Any measures we may implement to reduce the effect of volatile currencies and other risks on our international operations may not be effective.

Our exposure to all of the above risks is expected to increase as we seek to grow our foreign operations over the next several years.

Financial Risks

We would be adversely affected if we do not effectively deploy our capital. Downgrades or potential downgrades in our credit ratings, should they occur, could adversely affect our brand and reputation, business, cash flows, financial position and operating results.

Our operations generate significant capital, and we have the ability to raise additional capital. The manner in which we deploy our capital, including investments in our businesses, our operations (such as information technology and other strategic and capital projects), dividends, acquisitions, share and/or debt repurchases, reinsurance or other capital uses, impacts our financial strength, claims paying ability and credit ratings issued by recognized rating organizations. Credit ratings issued by nationally-recognized organizations are broadly distributed and generally used throughout our industry. Our ratings reflect each rating organization's opinion of our financial strength, operating performance and ability to meet our debt obligations or obligations to our insureds. We believe our credit ratings and the financial strength and claims paying ability of our principal insurance and HMO subsidiaries are important factors in marketing our products to certain of our customers. In addition, our credit ratings impact the cost and availability of future borrowings, and accordingly our cost of capital.

Each of the ratings organizations reviews our ratings periodically, and there can be no assurance that our current ratings will be maintained in the future. Among other things, our ratings may be affected by the assumption and/or issuance of debt in connection with an acquisition. For example, following the announcement of the CVS Health Transaction in December 2017, each of Standard & Poor's, A.M. Best and Fitch placed certain of our debt, financial strength and other credit ratings under review with negative implications. Downgrades or potential downgrades in our ratings, should they occur, could adversely affect our brand and reputation, access to credit markets, business, cash flows, financial position and operating results.

Adverse conditions in the U.S. and global capital markets can significantly and adversely affect the value of our investments in debt and equity securities, mortgage loans, alternative investments and other investments, our operating results and/or our financial position.

The global capital markets, including credit markets, continue to experience volatility and uncertainty. As an insurer, we have a substantial investment portfolio that supports our policy liabilities and surplus and is comprised largely of debt securities of issuers located in the United States. As a result, the income we earn from our investment portfolio is largely driven by the level of interest rates in the United States, and to a lesser extent the international financial markets; and volatility, uncertainty and/or disruptions in the global capital markets, particularly the United States credit markets, and governments' monetary policy, particularly United States monetary policy, can significantly and adversely affect the value of our investment portfolio, our operating results and/or our financial position by:

- Significantly reducing the value and/or liquidity of the debt securities we hold in our investment portfolio and creating realized capital losses that reduce our operating results and/or unrealized capital losses that reduce our shareholders' equity;
- Keeping interest rates low on high-quality short-term or medium-term debt securities (such as we have experienced during recent years) and thereby materially reducing our net investment income and operating results as the proceeds from securities in our investment portfolio that mature or are otherwise disposed of continue to be reinvested in lower yielding securities;
- Reducing the fair values of our investments if interest rates rise;
- Causing non-performance or defaults on their obligations to us by third parties, including customers, issuers of securities in our investment portfolio, mortgage borrowers and/or reinsurance and/or derivatives counterparties;

- Making it more difficult to value certain of our investment securities, for example if trading becomes less frequent, which could lead to significant period-to-period changes in our estimates of the fair values of those securities and cause period-to-period volatility in our net income and shareholders' equity;
- Reducing our ability to issue short-term debt securities at attractive interest rates, thereby increasing our interest expense and decreasing our operating results; and
- Reducing our ability to issue other securities.

Although we seek, within guidelines we deem appropriate, to match the duration of our assets and liabilities and to manage our credit and counterparty exposures, a failure to adequately do so could adversely affect our net income and our financial position and, in extreme circumstances, our cash flows.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal office is a building complex that is approximately 1.7 million square feet in size and is located at 151 Farmington Avenue, Hartford, Connecticut. Our principal office is used by all of our business segments. We also own or lease other space in the greater Hartford area, Bethesda, Maryland, Blue Bell, Pennsylvania, and various field locations in the U.S. and several foreign countries. Such properties are primarily used by our Health Care segment. We believe our properties are adequate and suitable for our business as presently conducted.

Item 3. Legal Proceedings

The Information contained under "Litigation and Regulatory Proceedings" in Note 17 "Commitments and Contingencies" included in Part II, Item 8 of this Annual Report on Form10-K is incorporated by reference herein.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common shares ("common stock") are listed on the New York Stock Exchange, where they trade under the symbol AET. The following table presents high and low sales prices for our common stock for the periods indicated.

	High	Low
2017		
First quarter	**$ 134.76**	**$ 116.04**
Second quarter	**155.15**	**127.08**
Third quarter	**164.52**	**150.43**
Fourth Quarter	**192.37**	**149.69**
2016		
First quarter	$ 115.52	$ 92.42
Second quarter	123.57	106.30
Third quarter	121.70	111.88
Fourth Quarter	136.50	104.59

Holders of our Common Stock

At January 31, 2018, there were approximately 6,100 record holders of our common stock.

Dividends

The quarterly cash dividend declared by Aetna's Board of Directors (our "Board") was $.50 per share in 2017 and $.25 per share in 2016 and 2015. On February 23, 2018, our Board declared a cash dividend of $.50 per common share that will be paid on April 27, 2018, to shareholders of record at the close of business on April 12, 2018. Under the terms of the CVS Merger Agreement, prior to the completion of the merger contemplated by the CVS Merger Agreement (the "Merger"), Aetna is not permitted to declare, set aside or pay any dividend or make any other distribution other than a regular quarterly cash dividend in the ordinary course of business, which cannot exceed $.50 per share.

Declaration and payment of future dividends is at the discretion of our Board and may be adjusted as business needs or marketplace conditions change. In addition, under the terms of the CVS Merger Agreement, we have agreed with CVS Health to coordinate the declaration and payment of dividends so that our shareholders do not fail to receive a quarterly dividend around the time of the closing of the Merger. Information regarding restrictions on our present and future ability to pay dividends is included in "Liquidity and Capital Resources" of MD&A included in Part II, Item 7 and Note 13 "Shareholders' Equity" included in Part II, Item 8 of this Annual Report on Form 10-K.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this Item concerning securities authorized for issuance under our equity compensation plans is incorporated herein by reference to "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" included in Part III, Item 12 of this Annual Report on Form 10-K.

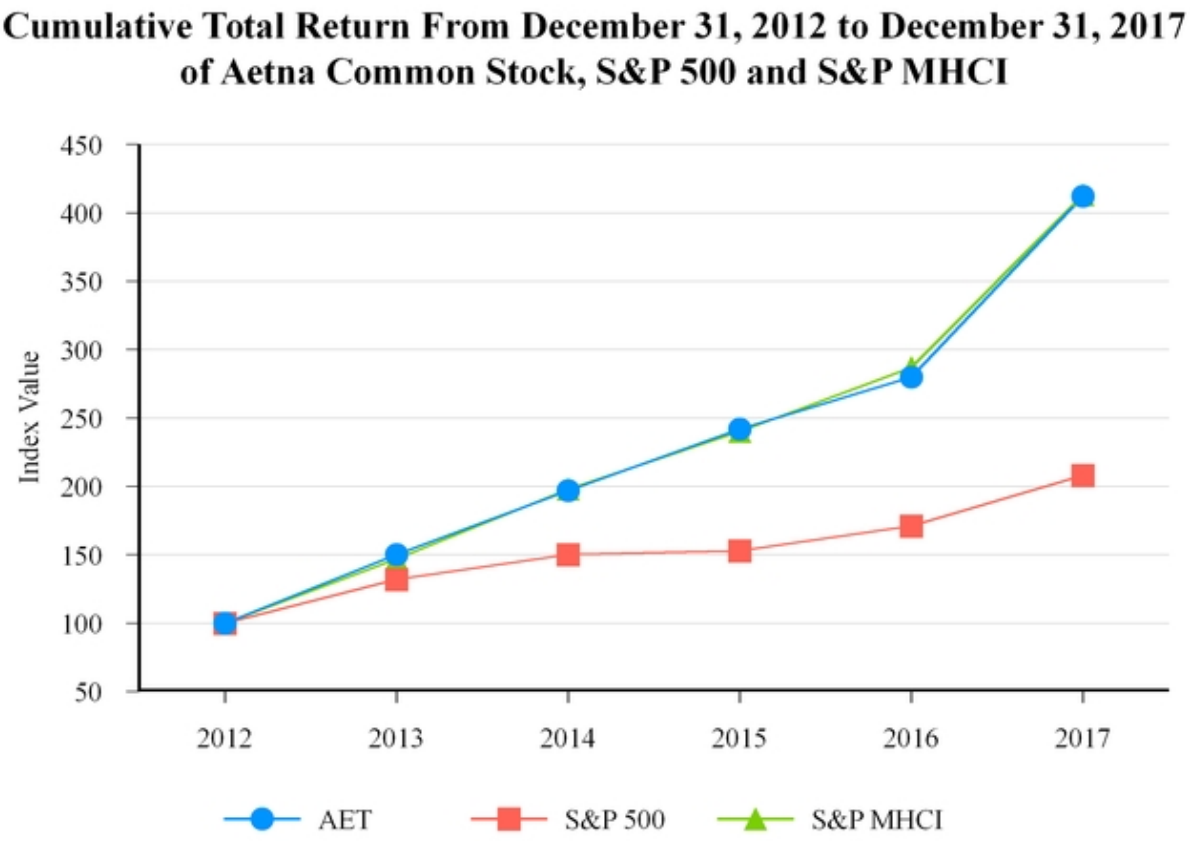
Issuer Purchases of Equity Securities

During the three months ended December 31, 2017, we did not repurchase any shares of common stock. At December 31, 2017, we had remaining authorization to repurchase an aggregate of up to approximately $1.2 billion of common stock under our February 17, 2017 program, however, as a result of the CVS Merger Agreement, our ability to repurchase shares of our common stock prior to the completion of the Merger is limited.

Refer to Note 13 "Shareholders' Equity" included in Part II, Item 8 of this Annual Report on Form 10-K for information regarding our share repurchases including Board authorizations, shares repurchased during 2017 and our remaining share repurchase authorization as of December 31, 2017.

Corporate Performance Graph

The following graph compares the cumulative total shareholder return on our common stock (assuming reinvestment of dividends) with the cumulative total return on the published Standard & Poor's 500 Stock Index ("S&P 500") and the cumulative total return on the published Standard & Poor's Supercomposite Managed Health Care Index ("S&P MHCI") from December 31, 2012 through December 31, 2017. The graph assumes a $100 investment in shares of our common stock on December 31, 2012.



	December 31,					
	2012	2013	2014	2015	2016	2017
AET	$ 100	$ 150	$ 197	$ 242	$ 280	$ 412
S&P 500	100	132	150	153	171	208
S&P MHCI [1]	100	147	198	240	287	413

[1] At December 31, 2017, the companies included in the S&P MHCI were: Aetna Inc., Anthem, Inc., Centene Corporation, Cigna Corporation, HealthEquity, Inc., Humana Inc., Magellan Health, Inc., Molina Healthcare, Inc., UnitedHealth Group Incorporated and WellCare Health Plans, Inc.

Shareholder returns over the period shown on the corporate performance graph should not be considered indicative of future shareholder returns.

Item 6. Selected Financial Data

The table below provides selected consolidated financial data of Aetna. The information has been derived from our consolidated financial statements for each of the years in the five year period ended December 31, 2017. You should read this selected consolidated financial data in conjunction with MD&A included in Part II, Item 7 of this Annual Report on Form 10-K and the audited consolidated financial statements and notes as of and for the year ended December 31, 2017 included in Part II, Item 8 of this Annual Report on Form 10-K.

	As of and for the Years Ended December 31,				
(Millions, except per common share data)	**2017**	**2016**	**2015**	**2014**	**2013** [1]
Income Statement Data					
Total revenue	**$ 60,535**	$ 63,155	$ 60,337	$ 58,003	$ 47,295
Net income attributable to Aetna	**1,904**	2,271	2,390	2,041	1,914
Net realized capital (losses) gains, net of tax	**(155)**	56	(42)	52	(7)
Per Common Share Data					
Cumulative annual dividends declared	**$ 2.00**	$ 1.00	$ 1.00	$ .925	$ .825
Net income attributable to Aetna:					
Basic	**5.71**	6.46	6.84	5.74	5.38
Diluted	**5.68**	6.41	6.78	5.68	5.33
Balance Sheet Data					
Total assets [2]	**$ 55,151**	$ 69,146	$ 53,509	$ 53,354	$ 49,723
Short-term debt	**—**	—	—	500	—
Long-term debt [2]	**9,159**	20,661	7,785	8,033	8,210
Total Aetna shareholders' equity	**15,580**	17,881	16,114	14,483	14,026

[1] We acquired Coventry Health Care, Inc. ("Coventry") in May 2013, which impacts the comparability of operating results for the year ended December 31, 2013 to the other periods presented.

[2] Amounts as of December 31, 2013 to 2015 have been retroactively restated to reflect the reclassification of debt issuance costs from other current and long-term assets to a reduction of long-term debt as a result of the adoption of new accounting guidance during the year ended December 31, 2016.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

OVERVIEW

We are one of the nation's leading diversified health care benefits companies, serving an estimated 37.9 million people. We have the information and resources to help our members, in consultation with their health care professionals, make better informed decisions about their health care. We offer a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, group life and disability plans, medical management capabilities, Medicaid health care management services, Medicare Advantage and Medicare Supplement plans, workers' compensation administrative services and health information technology ("HIT") products and services. Our customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers ("providers"), governmental units, government-sponsored plans, labor groups and expatriates. Our operations are conducted in three business segments: Health Care, Group Insurance and Large Case Pensions.

On December 3, 2017, we entered into a definitive agreement to be acquired by CVS Health Corporation ("CVS Health"). See "Significant Transactions - Proposed Acquisition by CVS Health" below. On November 1, 2017, we sold our domestic group life insurance, group disability insurance and absence management businesses to Hartford Life and Accident Insurance Company ("HLAIC"). See "Significant Transactions - Divestiture of Domestic Group Life Insurance, Group Disability Insurance, and Absence Management Businesses" below.

Effective for the first quarter of 2018, we will realign our business segments to correspond with changes to our management structure and internal management reporting which reflect our evolving business strategy of helping our members live healthier lives. Refer to "Segment Results and Use of Non-GAAP Measures in this Document" for further discussion.

The following MD&A provides a review of our financial condition at December 31, 2017 and December 31, 2016 and operating results for the years ended December 31, 2017, 2016 and 2015. This Overview should be read in conjunction with the entire MD&A, which contains detailed information that is important to understanding our operating results and financial condition, the consolidated financial statements and other data presented in this Annual Report on Form 10-K. This Overview is qualified in its entirety by the full MD&A.

Summarized Results

				Change			
				2017 vs. 2016		2016 vs. 2015	
(Millions, except total medical membership)	**2017**	**2016**	**2015**	**$**	%	**$**	**%**
Total revenue	**$ 60,535**	$ 63,155	$ 60,337	$ (2,620)	(4)%	$ 2,818	5 %
Net income attributable to Aetna	**1,904**	2,271	2,390	(367)	(16)%	(119)	(5)%
Adjusted earnings [(1)]	**3,309**	2,917	2,717	392	13 %	200	7 %

A reconciliation of net income attributable to Aetna to adjusted earnings [1] for the years ended 2017, 2016, and 2015 follows:

(Millions)	2017	2016	2015
Net income attributable to Aetna (GAAP measure)	**$ 1,904**	$ 2,271	$ 2,390
Gain related to sale of certain domestic group insurance businesses	**(88)**	—	—
Loss on early extinguishment of long-term debt	**246**	—	—
Penn Treaty-related guaranty fund assessments	**231**	—	—
Transaction and integration-related costs	**1,240**	517	258
Restructuring costs	**60**	404	15
Reduction of reserve for anticipated future losses on discontinued products	**(109)**	(128)	—
Litigation related proceeds	**—**	—	(110)
Amortization of other acquired intangible assets	**272**	247	255
Net realized capital losses (gains)	**239**	(86)	65
Income tax benefit [2]	**(686)**	(308)	(156)
Adjusted earnings [1]	**$ 3,309**	$ 2,917	$ 2,717

[1] Adjusted earnings excludes from net income attributable to Aetna net realized capital gains and losses, amortization of other acquired intangible assets and the other items described in the reconciliation in Note 18 " Segment Information" included in Part II, Item 8 of this Annual Report on Form 10-K. In addition, adjusted earnings excludes from net income attributable to Aetna the corresponding tax benefit or expense related to the items excluded from adjusted earnings discussed above. The tax benefit or expense was calculated utilizing the appropriate tax rate for each individual item excluded from adjusted earnings.

[2] In addition to the tax benefit or expense associated with each line item excluded from adjusted earnings, the year ended December 31, 2017 includes an incremental tax expense of $99 million which reflects the estimated impact of the enactment of the Tax Cuts and Jobs Act of 2017 (the "TCJA") on December 22, 2017. Among other things, the TCJA reduced the federal corporate income tax rate to 21 percent effective January 1, 2018. Accordingly, we remeasured our deferred tax assets and liabilities as of the enactment date to reflect the lower tax rate and recognized the resulting change in our income tax expense from continuing operations.

Effective March 31, 2017, to more clearly differentiate between the GAAP and non-GAAP financial measures used in our reports filed with or furnished to the Securities and Exchange Commission and our other disclosures, we changed the naming convention for our non-GAAP financial measures from "operating" measures to "adjusted" measures. The underlying calculations of our consolidated non-GAAP financial measures did not change. Our discussion of consolidated operating results is based on adjusted earnings, which is a non-GAAP measure of net income attributable to Aetna (the term "GAAP" refers to U.S. generally accepted accounting principles). Effective March 31, 2017, we began recording income taxes in our Corporate Financing segment and are no longer allocating income taxes to our business segments. Accordingly, our discussion of operating results for our reportable business segments is based on pre-tax adjusted earnings which is a non-GAAP measure of income before income taxes attributable to Aetna. Also effective March 31, 2017, transaction and integration-related costs and restructuring costs were reclassified to our Corporate Financing segment. Prior periods have been restated to reflect this presentation. Non-GAAP financial measures we disclose, such as adjusted earnings and pre-tax adjusted earnings, should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP. Refer to "Segment Results and Use of Non-GAAP Measures in this Document" for a discussion of non-GAAP measures.

Commentary - Overview

Our results for the year ended December 31, 2017 include several items that impact comparability with results in prior periods, including:

- Costs associated with the termination of the Humana Merger Agreement (as defined below) during the first quarter of 2017. In addition, we incurred transaction and integration-related costs related to the Humana Transaction (as defined below) during the years ended December 31, 2015 and 2016 that did not recur during the year ended December 31, 2017 due to the termination of the Humana Merger Agreement in the first quarter of 2017.
- Reduced participation on the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, the "ACA") individual public health insurance exchanges in 2017.
- The temporary suspension of the ACA's health insurer fee (the "HIF") for 2017. Pricing actions designed to recover the HIF and other ACA-mandated fees represented approximately three percent of our Health Care premiums in 2016 and 2015.
- The Group Insurance sale (as defined below) on November 1, 2017.

Commentary - 2017 compared to 2016

- *Net income attributable to Aetna* decreased $367 million in 2017 compared to 2016 primarily due to costs associated with the termination of the Humana Merger Agreement during first-quarter 2017, partially offset by the increase in adjusted earnings described below.
- *Adjusted earnings* increased $392 million in 2017 compared to 2016, primarily due to strong performance in our Health Care segment.
- *Total revenue* decreased approximately $2.6 billion during 2017 compared to 2016, primarily due to lower premiums in our Health Care segment, including lower membership in our ACA compliant individual and small group products and the temporary suspension of the HIF for 2017. The Group Insurance sale on November 1, 2017 also contributed to the decrease in total revenue.
- *Our effective tax rate* was 36.3 percent in 2017 compared to 43.5 percent in 2016. Results for the year ended December 31, 2017 include an incremental tax expense of $99 million related to the estimated reduction in net deferred tax assets as a result of the enactment of the TCJA in December 2017. The decrease in our effective tax rate for 2017 was primarily due to the temporary suspension of the non-deductible HIF for 2017 and increased tax benefits for share-based compensation, largely offset by the unfavorable impact of the TCJA described above. Excluding the impact of the TCJA, our effective tax rate was 33.0 percent in 2017.

Commentary - 2016 compared to 2015

- *Net income attributable to Aetna* decreased $119 million in 2016 compared to 2015 primarily due to an increase in restructuring costs which include a $215 million ($330 million pre-tax) expense recorded during 2016 related to our previously announced voluntary early retirement program, higher transaction and integration-related costs and the favorable impact of litigation-related proceeds recorded during 2015. The decrease was partially offset by the increase in adjusted earnings described below, net realized capital gains during 2016 compared with net realized capital losses during 2015 and the favorable impact of the 2016 reduction of our reserve for anticipated future losses on discontinued products.
- *Adjusted earnings* increased $200 million in 2016 compared to 2015 primarily as a result of higher fees and other revenue in our Health Care segment.
- *Total revenue* increased $2.8 billion in 2016 compared to 2015 primarily due to higher premiums in our Health Care segment.
- *Our effective tax rate* was 43.5 percent in both 2016 and 2015.

Outlook for 2018

In 2018, we project the following challenges will impact our total revenue:

- The sale of our domestic group life insurance, group disability insurance and absence management businesses;
- Our previously disclosed Medicaid contract exits;
- Our exit from individual Commercial products;
- Our continued repositioning of our ACA-compliant small group Commercial products; and
- The suspension of the HIF for 2019 due to reduced premiums for 2018 medical customer renewals that have member months in 2019.

In addition to the total revenue challenges described above which we project will pressure our ability to grow net income and adjusted earnings in 2018, we project earnings growth also will be pressured by the timing of revenue and expense recognition related to the reintroduction of the industry wide, nondeductible HIF for 2018. We also expect that reintroduction to produce incremental experience rating pressure in our large group insured products.

We also see the following opportunities in 2018:

- The projected increase to our net income and adjusted earnings resulting from the reduced corporate income tax rate which became effective January 1, 2018 due to the TCJA;
- Our projected above-industry growth in individual Medicare Advantage products and strong growth in group Medicare Advantage products;
- The reduction of losses from exiting individual Commercial products in 2018; and
- Our ability to achieve expense efficiencies as we continue to simplify our processes and drive for best-in-class business performance.

Refer to “Risk Factors” included in Part I, Item 1A of this Annual Report on Form 10-K for information regarding other important risk factors that may cause our actual results to differ from those currently projected and/or otherwise materially affect us.

Significant Transactions

Proposed Acquisition by CVS Health

On December 3, 2017, we entered into a definitive agreement (the “CVS Merger Agreement”) under which CVS Health will acquire all of our outstanding shares for a combination of cash and stock. Under terms of the agreement, our shareholders will receive $145 in cash and 0.8378 of a CVS Health common share for each of our common shares. The proposed transaction (the “CVS Health Transaction”) is subject to customary closing conditions, including the approval and adoption of the CVS Merger Agreement by our shareholders, the approval of the issuance of CVS Health shares in the transaction by CVS Health stockholders, expiration of the federal Hart-Scott-Rodino anti-trust waiting period and approvals of certain state departments of insurance and other regulators. On February 1, 2018, Aetna and CVS Health each received a request for additional information (also known as a “second request”) from the U.S. Department of Justice (the “DOJ”) in connection with the DOJ’s review of the transactions contemplated by the CVS Merger Agreement. The CVS Health Transaction is expected to close in the second half of 2018.

Divestiture of Domestic Group Life Insurance, Group Disability Insurance, and Absence Management Businesses

On November 1, 2017, we completed the sale of a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance and absence management businesses (the “Group Insurance sale”) to HLAIC for cash consideration of $1.45 billion. The transaction was accomplished through an indemnity reinsurance arrangement under which HLAIC contractually assumed certain of our policyholder liabilities and obligations, although we remain directly obligated to policyholders. Assets related to and supporting the reinsured life and disability insurance policies were transferred to a trust established by HLAIC for our benefit, and we recorded a reinsurance receivable from HLAIC. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain.

Terminated Acquisition of Humana and Terminated Divestiture to Molina

On July 2, 2015, we entered into a definitive agreement (the “Humana Merger Agreement”) to acquire Humana Inc. (“Humana”). On July 21, 2016, the DOJ and certain state attorneys general filed a civil complaint in the U.S. District Court for the District of Columbia (the “District Court”) against us and Humana charging that our acquisition of Humana (the “Humana Transaction”) would violate Section 7 of the Clayton Antitrust Act, and seeking a permanent injunction to prevent Aetna from acquiring Humana. On January 23, 2017, the District Court granted the DOJ’s request to enjoin the Humana Transaction.

On February 14, 2017, Aetna and Humana entered into a mutual termination agreement (the “Termination Agreement”) pursuant to which the parties thereto (collectively, the “Parties”) agreed to terminate the Humana Merger Agreement, including all schedules and exhibits thereto, and all ancillary agreements contemplated thereby, entered pursuant thereto or entered in connection therewith (other than certain confidentiality agreements) (collectively with the Humana Merger Agreement, the “Transaction Documents”), effective immediately as of February 14, 2017 (the “Termination Date”). Under the Termination Agreement, Aetna agreed to pay Humana the Regulatory Termination Fee (as defined in the Humana Merger Agreement) of $1.0 billion in cash in full satisfaction of any amounts required to be paid by Aetna under the Humana Merger Agreement. The Parties also agreed to release each other from any and all liability, claims, rights, actions, causes of action, suits, liens, obligations, accounts, debts, demands, agreements, promises, liabilities, controversies, costs, charges, damages, expenses and fees, however arising, in connection with, arising out of or related to the Transaction Documents, the transactions contemplated therein or thereby or certain related matters. We paid Humana the Regulatory Termination Fee on February 16, 2017 and funded that payment with the proceeds of the 2016 senior notes (as defined below).

In June 2016, we issued $13.0 billion of senior notes to partially fund the Humana Transaction (collectively, the "2016 senior notes"). In accordance with the terms of the 2016 senior notes, on February 14, 2017, we issued a notice of redemption for $10.2 billion aggregate principal amount of certain of the 2016 senior notes (collectively, the "Special Mandatory Redemption Notes") at a redemption price equal to 101% of the aggregate principal amount of those notes plus accrued and unpaid interest. We redeemed the Special Mandatory Redemption Notes on March 16, 2017, and we funded the redemption with the proceeds of the 2016 senior notes. As a result of the redemption of the Special Mandatory Redemption Notes, we recognized on a pretax basis in our net income during the year ended December 31, 2017 a loss on early extinguishment of long-term debt of $192 million and a realized capital loss for the remaining unamortized effective portion of the related hedge loss of $323 million that was previously recorded in accumulated other comprehensive income.

In order to address the DOJ's perceived competitive concerns regarding Medicare Advantage relating to the Humana Transaction, on August 2, 2016, we entered into a definitive agreement (the "Aetna APA") to sell for cash to Molina Healthcare, Inc. ("Molina") certain of our Medicare Advantage assets. On February 14, 2017, Aetna and Molina entered into a Termination Agreement (the "APA Termination Agreement") pursuant to which Aetna terminated the Aetna APA, including all schedules and exhibits thereto, and all ancillary agreements contemplated thereby or entered pursuant thereto. Under the APA Termination Agreement, Aetna agreed to pay Molina in cash (a) a termination fee of $53 million and (b) approximately 70% of Molina's transaction costs. We paid Molina the termination fee on February 16, 2017 and the applicable transaction costs of $7 million on February 27, 2017 and recorded the expense in general and administrative expenses. The payments were funded with the proceeds of the 2016 senior notes.

Refer to Notes 3 "Acquisition, Divestiture, Terminated Acquisition and Terminated Divestiture" and 9 "Debt" included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on the Humana Transaction.

Health Care Reform

The ACA has made broad-based changes to the U.S. health care system. We anticipate continued efforts in 2018 and beyond to modify, repeal or replace the ACA, and the future of the ACA is uncertain. We expect aspects of the ACA and/or their implementation or enforcement, including the January 2018 suspension of the HIF for 2019, and uncertainty about the future of the ACA to continue to significantly impact our business operations and operating results, including our pricing and our medical benefit ratios ("MBRs").

During the years ended December 31, 2017, 2016 and 2015, we paid the following fees and contributions required by the ACA:

(Millions)	2017	2016	2015
Current year HIF	$ —	$ 837	$ 856
Estimated current year ACA reinsurance contribution	—	114	185
Remaining portion of prior year ACA reinsurance contribution	28	62	60

In December 2015, the Consolidated Appropriation Act was enacted, which included a one year suspension of the HIF for 2017. As 2016 was the last program year for the ACA's reinsurance program, we did not pay any reinsurance contribution fees in 2017. In January 2018, the HIF was suspended for 2019.

In October 2017, the federal government announced that the Centers for Medicare & Medicaid Services ("CMS") will curtail payments related to the Cost-Sharing Subsidy program. While the details regarding implementation of this new policy are not yet finalized, and it is the subject of pending litigation, we do not anticipate a material impact to our financial statements as a result of this action.

The federal and state governments also continue to enact and seriously consider many other broad-based legislative and regulatory proposals that have had a material impact on or could materially impact various aspects of the health care and related benefits system. We cannot predict whether pending or future federal or state legislative or regulatory activity or court proceedings, including Federal budget negotiations and future U.S. Congressional appropriations, will change various aspects of the health care and related benefits system or the ACA or the implementation and/or enforcement of the ACA or the impact those changes will have on our business operations or operating results, but the effects could be materially adverse.

For additional information on federal and state health care reform, including the ACA, refer to "Regulatory Environment" below in this MD&A and Notes 2 "Summary of Significant Accounting Policies" and 8 "The ACA's Reinsurance, Risk Adjustment and Risk Corridor Programs (the "3Rs")" included in Part II, Item 8 of this Annual Report on Form 10-K. For a discussion of certain factors that may cause our actual results to differ from currently anticipated results in connection with health care reform, refer to "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K.

Medicare Update
On April 3, 2017, CMS issued its final notice detailing final 2018 Medicare Advantage benchmark payment rates (the "Final Notice"). Overall, we project the benchmark rates in the Final Notice will increase funding for our Medicare Advantage business, excluding the impact of coding trend, by less than one percent in 2018 compared to 2017.

The ACA ties a portion of each Medicare Advantage plan's reimbursement to the plan's "star ratings." Beginning in 2015, plans must have a star rating of four or higher (out of five) to qualify for a quality bonus in their basic premium rates. CMS released our 2018 star ratings in October 2017. Our 2018 star ratings will be used to determine which of our Medicare Advantage plans have ratings of four stars or higher and qualify for bonus payments in 2019. Based on our membership at December 31, 2017, 87% of our Medicare Advantage members were in plans with 2018 star ratings of at least 4.0 stars, compared to 92% of our Medicare Advantage members being in plans with 2017 star ratings of at least 4.0 stars based on our membership at December 31, 2016.

During 2017, our star ratings resulted in additional revenue of approximately $760 million, inclusive of bonus payments and rebates.

Management Update
On January 25, 2018, Aetna announced that Gary W. Loveman, Ph.D., Aetna's Executive Vice President, Consumer Health and Services, would be leaving the Company. Mr. Loveman's last day of employment with the Company was February 20, 2018.

Effective November 1, 2017, Heather Dixon was appointed Vice President, Controller and Chief Accounting Officer of Aetna. Ms. Dixon succeeded Sharon A. Virag when Ms. Virag left the Company effective November 1, 2017.

Segment Results and Use of Non-GAAP Measures in this Document
The following discussion of operating results is presented based on our reportable segments in accordance with the accounting guidance for segment reporting and is consistent with our segment disclosure included in Note 18 "Segment Information" included in Part II, Item 8 of this Annual Report on Form 10-K. Our operations are conducted in three business segments: Health Care, Group Insurance and Large Case Pensions. Our Corporate Financing segment is not a business segment; it is added to our business segments to reconcile our segment reporting to our consolidated results. The Corporate Financing segment includes transaction and integration-related costs, restructuring costs, income taxes, interest expense on our outstanding debt and the financing components of our pension and other postretirement employee benefit plans ("OPEB") expense (the service cost and prior service cost components of this expense are allocated to our business segments).

Effective for the first quarter of 2018, we will realign our business segments to correspond with changes to our management structure and internal management reporting which reflect our evolving business strategy of helping our members live healthier lives. As a result of this realignment, our operations will now be conducted in the Health Care reportable segment. Health Care offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services to large and small employers, public sector employers, and Medicaid and Medicare beneficiaries. Our Health Care products are offered on both an Insured basis and an employer-funded basis. Health Care also includes emerging business products and services that complement and enhance our medical products.

Effective for the first quarter of 2018, we will present the remainder of our financial results in the Corporate/Other category, which will consist of:

- Products for which we no longer solicit or accept new customers such as our large case pensions and long-term care products;
- Contracts we have divested through reinsurance or other contracts, such as our domestic group life insurance, group disability insurance and absence management businesses; and
- Corporate expenses not supporting business operations, including transaction and integration-related costs, income taxes, interest expense on our outstanding debt and the financing components of our pension and OPEB expense.

Pre-tax adjusted earnings and adjusted earnings discussed in this Annual Report on Form 10-K exclude from income before income taxes attributable to Aetna and net income attributable to Aetna reported in accordance with GAAP net realized capital gains or losses, amortization of other acquired intangible assets and other items, if any, that neither relate to the ordinary course of our business nor reflect our underlying business performance. Although the excluded items may recur, we believe excluding them from income before income taxes attributable to Aetna and net income attributable to Aetna to arrive at pre-tax adjusted earnings and adjusted earnings provides a more useful comparison of our underlying business performance from period to period. Net realized capital gains and losses arise from various types of transactions, primarily in the course of managing a

portfolio of assets that support the payment of liabilities. Amortization of other acquired intangible assets relates to our acquisition activities. These transactions and amortization do not directly relate to the underwriting or servicing of products for our customers and are not directly related to the core performance of our business operations. Pre-tax adjusted earnings is the measure reported to our chief executive officer for purposes of assessing business segment financial performance and making operating decisions, such as the allocation of resources among our business segments. In each business segment discussion in this MD&A, we provide a table that reconciles income before income taxes attributable to Aetna to pre-tax adjusted earnings. Each table details the net realized capital gains or losses, amortization of other acquired intangible assets and any other items excluded from income before income taxes attributable to Aetna, and the footnotes to each table describe the nature of each other item and the reason we believe it is appropriate to exclude that item from income before income taxes attributable to Aetna. Non-GAAP financial measures we disclose, such as pre-tax adjusted earnings and adjusted earnings, should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

HEALTH CARE

Health Care consists of medical, pharmacy benefit management services, dental, behavioral health and vision plans offered on both an Insured basis (where we assume all or a majority of the risk for medical and dental care costs) and an employer-funded basis (where the plan sponsor under an administrative services contract ("ASC") assumes all or a majority of this risk) and emerging businesses products and services that complement and enhance our medical products. We also offer Medicare and Medicaid products and services and other medical products, such as medical management and data analytics services, medical stop loss insurance, workers' compensation administrative services and products that provide access to our provider networks in select geographies. We separately track premiums and health care costs for Government businesses (which represent our combined Medicare and Medicaid products). All other medical, dental and other Health Care products are referred to as Commercial. We no longer sell individual Commercial products, and we exited the individual Public Exchanges in 2018.

Operating Summary

				Change			
				2017 vs. 2016		2016 vs. 2015	
(Millions)	**2017**	**2016**	**2015**	**$**	%	**$**	**%**
Premiums:							
Commercial	**$ 24,548**	$ 27,916	$ 28,709	$ (3,368)	(12)%	$ (793)	(3)%
Government	**27,474**	26,200	22,909	1,274	5 %	3,291	14 %
Total premiums	**52,022**	54,116	51,618	(2,094)	(4)%	2,498	5 %
Fees and other revenue	**5,749**	5,744	5,585	5	— %	159	3 %
Net investment income	**476**	435	408	41	9 %	27	7 %
Net realized capital gains (losses)	**55**	52	(50)	3	6 %	102	204 %
Total revenue	**58,302**	60,347	57,561	(2,045)	(3)%	2,786	5 %
Health care costs:							
Commercial	**19,952**	22,896	23,057	(2,944)	(13)%	(161)	(1)%
Government	**22,801**	21,359	18,655	1,442	7 %	2,704	14 %
Total health care costs	**42,753**	44,255	41,712	(1,502)	(3)%	2,543	6 %
Operating expenses:							
Selling expenses	**1,479**	1,545	1,490	(66)	(4)%	55	4 %
General and administrative expenses	**9,050**	9,442	9,543	(392)	(4)%	(101)	(1)%
Total operating expenses	**10,529**	10,987	11,033	(458)	(4)%	(46)	— %
Amortization of other acquired intangible assets	**272**	247	255	25	10 %	(8)	(3)%
Total benefits and expenses	**53,554**	55,489	53,000	(1,935)	(3)%	2,489	5 %
Income before income taxes including non-controlling interests	**4,748**	4,858	4,561	(110)	(2)%	297	7 %
Less: (Loss) income before income taxes attributable to non-controlling interests	**(11)**	(20)	5	9	45 %	(25)	(500)%
Income before income taxes attributable to Aetna for Health Care	**$ 4,759**	$ 4,878	$ 4,556	$ (119)	(2)%	$ 322	7 %

We calculate our MBRs by dividing health care costs by health care premiums. Our Commercial, Government and Total Health Care MBRs for the last three years were:

				Change (basis points)	
	2017	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Commercial	**81.3%**	82.0%	80.3%	(70)	170
Government	**83.0%**	81.5%	81.4%	150	10
Total Health Care	**82.2%**	81.8%	80.8%	40	100

The table presented below reconciles income before income taxes to pre-tax adjusted earnings [(1)] for our Health Care segment:

(Millions)	**2017**	**2016**	**2015**
Income before income taxes for Health Care (GAAP measure)	4,748	4,858	4,561
Less: (Loss) income before income taxes attributable to non-controlling interests (GAAP measure)	(11)	(20)	5
Income before income taxes attributable to Aetna for Health Care (GAAP measure)	4,759	4,878	4,556
Penn Treaty-related guaranty fund assessments	231	—	—
Litigation-related proceeds	—	—	(110)
Amortization of other acquired intangible assets	272	247	255
Net realized capital (gains) losses	(55)	(52)	50
Pre-tax adjusted earnings for Health Care	5,207	5,073	4,751

[(1)] Pre-tax adjusted earnings excludes net realized capital gains and losses, amortization of other acquired intangible assets and the other items described in the reconciliation in Note 18 “Segment Information” included in Part II, Item 8 of this Annual Report on Form 10-K.

Commentary - 2017 compared to 2016

- *Income before income taxes attributable to Aetna for Health Care* decreased $119 million in 2017 compared to 2016, primarily due to a $231 million pre-tax expense related to estimated future guaranty fund assessments as a result of Penn Treaty Network America Insurance Company and one of its subsidiaries (collectively, “Penn Treaty”) being placed in liquidation in 2017, partially offset by the increase in pre-tax adjusted earnings described below.
- *Pre-tax adjusted earnings for Health Care* increased by $134 million in 2017 compared to 2016, primarily due to continued strong performance across our core Health Care businesses and reduced losses in our individual Commercial products, partially offset by the negative impact of the temporary suspension of the HIF for 2017 and higher targeted investment spending on our growth initiatives.
- *Commercial premiums* decreased $3.4 billion in 2017 compared to 2016, primarily as a result of lower membership in our ACA compliant individual and small group products and the temporary suspension of the HIF for 2017, partially offset by higher premium yields.
- *Our Commercial MBR* decreased 70 basis points over the prior year. The decrease in our Commercial MBR is primarily due to reduced losses in our Individual Commercial products, partially offset by the unfavorable impact of the temporary suspension of the HIF for 2017.
- *Government premiums* increased $1.3 billion in 2017 compared to 2016 primarily due to membership growth in our Medicare products and higher premium yields, partially offset by the temporary suspension of the HIF for 2017 and membership declines in our Medicaid products.
- *Our Government MBR* increased 150 basis points year over year. The increase in our Government MBR is primarily due to the unfavorable impact of the temporary suspension of the HIF for 2017, partially offset by improved performance in our Medicaid products.
- *General and administrative expenses* decreased by $392 million during 2017 compared to 2016 primarily due to the temporary suspension of the HIF for 2017 and the continued execution of our expense management initiatives, largely offset by targeted investment spending on our growth initiatives and the expense recorded for estimated future guaranty fund assessments related to Penn Treaty.

Commentary - 2016 compared to 2015

- *Income before income taxes attributable to Aetna for Health Care* increased by $322 million in 2016 compared to 2015, primarily as a result of an increase in pre-tax adjusted earnings described below and net realized capital gains during 2016 compared with net realized capital losses during 2015, partially offset by the favorable impact of litigation-related proceeds recorded during 2015.
- *Pre-tax adjusted earnings* increased by $322 million in 2016 compared to 2015, primarily as a result of higher underwriting margins in our Government business, higher fees and other revenue primarily due to higher average fee yields and lower general and administrative expenses. The increase was partially offset by lower underwriting margins in Aetna's Commercial business.
- *Commercial premiums* were $793 million lower in 2016 than 2015, primarily as a result of membership losses in our Commercial Insured products, partially offset by higher premium yields.
- *Our Commercial MBR* increased 170 basis points over the prior year. The increase was primarily due to higher medical costs in our Individual Commercial products and performance in our Middle Market Commercial products.
- *Government premiums* were approximately $3.3 billion higher in 2016 compared to 2015 primarily due to membership growth in our Government business.
- Our *Government MBR* remained consistent in 2016 compared to 2015 reflecting higher MBRs in our Medicaid products and lower favorable development of prior-year health care cost estimates in 2016, offset by improved performance in our Medicare products.
- *Health Care fees and other revenue* for 2016 increased $159 million compared to 2015 primarily due to higher average fee yields in 2016, partially offset by the favorable impact of $110 million pretax of net litigation-related proceeds recorded in 2015.

Membership

Health Care's membership at December 31, 2017 and 2016 was:

	2017			2016			Change 2017 vs. 2016		
(Thousands)	**Insured**	**ASC**	**Total**	**Insured**	**ASC**	**Total**	**Insured**	**ASC**	**Total**
Medical:									
Commercial	**4,504**	**13,596**	**18,100**	5,457	13,132	18,589	(953)	464	(489)
Medicare Advantage	**1,473**	**—**	**1,473**	1,362	—	1,362	111	—	111
Medicare Supplement	**740**	**—**	**740**	685	—	685	55	—	55
Medicaid [1]	**1,316**	**608**	**1,924**	1,668	806	2,474	(352)	(198)	(550)
Total Medical Membership	**8,033**	**14,204**	**22,237**	9,172	13,938	23,110	(1,139)	266	(873)
Dental:									
Total Dental Membership	**5,421**	**8,006**	**13,427**	6,086	8,386	14,472	(665)	(380)	(1,045)
Pharmacy:									
Commercial			**8,034**			9,400			(1,366)
Medicare PDP (stand-alone)			**2,077**			2,067			10
Medicare Advantage PDP			**1,129**			953			176
Medicaid [1]			**2,525**			2,783			(258)
Total Pharmacy Benefit Management Services			**13,765**			15,203			(1,438)

[1] Medicaid membership includes members who are dually-eligible for both Medicare and Medicaid.

Commentary - 2017 compared to 2016

- *Total medical membership* at December 31, 2017 decreased 873 thousand members compared to December 31, 2016, primarily reflecting declines in our Insured ACA compliant individual and small group products and our Insured and ASC Medicaid products. The decrease was partially offset by increases in our Commercial ASC, International Commercial Insured and Medicare Insured products.

- *Total dental membership* at December 31, 2017 decreased 1.0 million members compared to December 31, 2016 due to declines in our Insured and ASC dental products.
- *Total pharmacy benefit management services membership* decreased 1.4 million at December 31, 2017 compared to December 31, 2016 primarily reflecting declines in our Commercial business, primarily attributable to our ACA compliant individual and small group products, and declines in our Medicaid products.

GROUP INSURANCE

Group Insurance primarily includes group life insurance and group disability products. Group life insurance products are offered on an Insured basis. Group disability products are offered to employers on both an Insured and an ASC basis. Group Insurance also includes long-term care products that were offered primarily on an Insured basis. We no longer solicit or accept new long-term care customers. On November 1, 2017, we sold a substantial portion of our Group Insurance business segment consisting of our domestic group life insurance, group disability insurance, and absence management business to HLAIC.

Operating Summary

				Change			
				2017 vs. 2016		2016 vs. 2015	
(Millions)	**2017**	**2016**	**2015**	**$**	**%**	**$**	**%**
Premiums:							
Life	**$ 977**	$ 1,142	$ 1,216	$ (165)	(14)%	$ (74)	(6)%
Disability	**799**	957	879	(158)	(17)%	78	9 %
Long-term care	**43**	44	44	(1)	(2)%	—	— %
Total premiums	**1,819**	2,143	2,139	(324)	(15)%	4	— %
Fees and other revenue	**173**	108	101	65	60 %	7	7 %
Net investment income	**210**	226	238	(16)	(7)%	(12)	(5)%
Net realized capital gains	**35**	24	—	11	46 %	24	100 %
Total revenue	**2,237**	2,501	2,478	(264)	(11)%	23	1 %
Current and future benefits	**1,588**	1,850	1,837	(262)	(14)%	13	1 %
Operating expenses:							
Selling expenses	**119**	133	121	(14)	(11)%	12	10 %
General and administrative expenses	**282**	353	346	(71)	(20)%	7	2 %
Total operating expenses	**401**	486	467	(85)	(17)%	19	4 %
Total benefits and expenses	**1,989**	2,336	2,304	(347)	(15)%	32	1 %
Income before income taxes attributable to Aetna for Group Insurance	**$ 248**	$ 165	$ 174	$ 83	50 %	$ (9)	(5)%

We calculate our group benefit ratio by dividing current and future benefits by total premiums. Our group benefit ratios for the last three years were:

				Change (basis points)	
				2017 vs. 2016	2016 vs. 2015
	2017	**2016**	**2015**		
Group benefit ratio	**87.3%**	86.3%	85.9%	100	40

The table presented below reconciles income before income taxes to pre-tax adjusted earnings [(1)] for our Group Insurance segment:

(Millions)	**2017**	**2016**	**2015**
Income before income taxes attributable to Aetna for Group Insurance (GAAP measure)	**$ 248**	$ 165	$ 174
Gain related to divestiture of domestic group insurance business	**(88)**	—	—
Net realized capital gains	**(35)**	(24)	—
Pre-tax adjusted earnings for Group Insurance	**$ 125**	$ 141	$ 174

(1) Pre-tax adjusted earnings excludes net realized capital gains and losses and the other items described in the reconciliation in Note 18 “Segment Information” included in Part II, Item 8 of this Annual Report on Form 10-K.

Commentary - 2017 compared to 2016

- *Income before income taxes attributable to Aetna for Group Insurance* for 2017 increased by $83 million compared to 2016, primarily due to the recognition of a portion of the gain related to the Group Insurance sale in 2017.
- P*re-tax adjusted earnings for Group Insurance* for 2017 declined by $16 million compared to 2016, primarily as a result of the Group Insurance sale during 2017.
- *Total revenue* for 2017 decreased $264 million compared to 2016 primarily due to lower premiums as a result of the Group Insurance sale during 2017, partially offset by the recognition of a portion of the gain related to the Group Insurance sale in 2017.
- *Our group benefit ratio* increased by 100 basis points in 2017 over the prior year, primarily due to lower underwriting margins in our life products.

Commentary - 2016 compared to 2015

- *Income before income taxes attributable to Aetna for Group Insurance* for 2016 declined by $9 million compared to 2015 primarily due to the decrease in pre-tax adjusted earnings described below, partially offset by higher net realized capital gains in 2016 compared to 2015.
- *Pre-tax adjusted earnings* for 2016 declined by $33 million compared to 2015, primarily due to lower underwriting margins (calculated as premiums less current and future benefits) in our disability products and higher operating expenses, partially offset by improved underwriting margins in our long-term care products.
- *Total revenue* for 2016 increased $23 million compared to 2015 primarily due to higher premiums in our disability products and higher net realized capital gains in 2016 compared to 2015, partially offset by lower premiums in our life products and lower net investment income in 2016 compared to 2015.
- *Our group benefit ratio* increased by 40 basis points in 2016 over the prior year, primarily due to lower underwriting margins in our disability products, partially offset by improved underwriting margins in our long-term care products.

LARGE CASE PENSIONS

Large Case Pensions manages a variety of retirement products (including pension and annuity products) primarily for tax-qualified pension plans. These products provide a variety of funding and benefit payment distribution options and other services. The Large Case Pensions segment also includes certain discontinued products.

Operating Summary

				Change			
				2017 vs. 2016		2016 vs. 2015	
(Millions)	**2017**	**2016**	**2015**	**$**	**%**	**$**	**%**
Premiums	**$ 53**	$ 39	$ 32	$ 14	36 %	$ 7	22 %
Other revenue	**8**	9	10	(1)	(11)%	(1)	(10)%
Net investment income	**253**	226	271	27	12 %	(45)	(17)%
Net realized capital gains (losses)	**7**	10	(15)	(3)	(30)%	25	167 %
Total revenue	**321**	284	298	37	13 %	(14)	(5)%
Current and future benefits	**287**	251	284	36	14 %	(33)	(12)%
General and administrative expenses	**11**	13	13	(2)	(15)%	—	— %
Reduction of reserve for anticipated future losses on discontinued products	**(109)**	(128)	—	19	15 %	(128)	(100)%
Total benefits and expenses	**189**	136	297	53	39 %	(161)	(54)%
Income before income taxes including non-controlling interests	**$ 132**	$ 148	$ 1	(16)	(11)%	147	14,700 %
Less: Income before income taxes attributable to non-controlling interests	**$ 1**	$ —	$ 2	1	100 %	(2)	(100)%
Income (loss) before income taxes attributable to Aetna for Large Case Pensions	**$ 131**	$ 148	$ (1)	$ (17)	(11)%	$ 149	14,900 %

The table presented below reconciles income before income taxes to pre-tax adjusted earnings [1] for our Large Case Pensions segment:

(Millions)	2017	2016	2015
Income before income taxes for Large Case Pensions (GAAP measure)	**$ 132**	$ 148	$ 1
Less: Income before incomes taxes attributable to non-controlling interests (GAAP measure)	**1**	—	2
Income (loss) before income taxes attributable to Aetna for Large Case Pensions (GAAP measure)	**131**	148	(1)
Net realized capital (gains) losses	**(7)**	(10)	15
Reduction of reserve for anticipated future losses on discontinued products	**(109)**	(128)	—
Pre-tax adjusted earnings for Large Case Pensions	**$ 15**	$ 10	$ 14

[1] Pre-tax adjusted earnings excludes net realized capital gains and losses and the other items described in the reconciliation in Note 18 "Segment Information" included in Part II, Item 8 of this Annual Report on Form 10-K.

Commentary - 2017 compared to 2016

- *Income before income taxes attributable to Aetna for Large Case Pensions* for 2017 decreased by $17 million compared to 2016. The decrease was primarily due to a smaller reduction of our reserve for anticipated future losses on discontinued products in 2017 compared to 2016.
- *Pre-tax adjusted earnings for Large Case Pensions* increased by $5 million for 2017 compared to 2016, primarily due to improved results in our non-experience-rated products, including favorable mortality experience and higher net investment income.
- *Total revenue* increased by $37 million in 2017 compared to 2016, primarily as a result of higher net investment income and higher premiums in 2017.

Commentary - 2016 compared to 2015

- *Income before income taxes attributable to Aetna for Large Case Pensions* for 2016 increased by $149 million compared to 2015. The increase was primarily due to the 2016 reduction of our reserve for anticipated future losses on discontinued products, which was primarily due to favorable retirement experience as well as favorable investment performance compared to assumptions we previously made in estimating the reserve.
- *Pre-tax adjusted earnings for Large Case Pensions* decreased by $4 million for 2016 compared to 2015, primarily due to lower net investment income and lower fees in 2016 compared to 2015.
- *Total revenue* decreased by $14 million in 2016 compared to 2015, primarily as a result of lower net investment income, partially offset by net realized capital gains during 2016 compared with net realized capital losses during 2015.

Discontinued Products

Prior to 1993, we sold single-premium annuities ("SPAs") and guaranteed investment contracts ("GICs"), primarily to employer sponsored pension plans. In 1993, we discontinued selling these products to Large Case Pensions customers, and now we refer to these products as discontinued products. In November 2016, the last outstanding GIC matured. We discontinued selling these products because they were generating losses for us, and we projected that they would continue to generate losses over their life (which is currently greater than 30 years for SPAs); so we established a reserve for anticipated future losses at the time of discontinuance.

The operating summary for Large Case Pensions above includes revenues and expenses related to our discontinued products, with the exception of net realized capital gains and losses which are recorded as part of current and future benefits. Since we established a reserve for anticipated future losses on discontinued products, as long as our expected future losses remain consistent with prior projections, the results of our discontinued products are applied against the reserve and do not impact net income attributable to Aetna. If actual or expected future losses are greater than we currently estimate, we may increase the reserve, which could adversely impact net income attributable to Aetna. If actual or expected future losses are less than we currently estimate, we may decrease the reserve, which could favorably impact net income attributable to Aetna. In those cases, we disclose such adjustment separately in the operating summary. Management reviews the adequacy of the discontinued products reserve quarterly. As a result of this review, we released $71 million ($109 million pretax) and $84 million ($128 million pretax) of the reserve in the years ended December 31, 2017 and 2016, respectively. No releases were made to the reserve in 2015. The reserve release during the year ended December 31, 2017 was primarily due to favorable mortality experience compared to assumptions we previously made in estimating the reserve. The reserve release in the years

ended December 31, 2017 and 2016 also was due to favorable retirement experience as well as favorable investment performance compared to assumptions we previously made in estimating the reserve. The current reserve reflects management's best estimate of anticipated future losses and is included in future policy benefits on our Consolidated Balance Sheets.

Refer to Note 19 "Discontinued Products" included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on the activity in the reserve for anticipated future losses on discontinued products during 2017, 2016 and 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

We meet our operating cash requirements by maintaining liquidity in our investment portfolio, using overall cash flows from premiums, fees and other revenue, deposits and income received on investments, issuing commercial paper, entering into repurchase agreements and obtaining cash advances from the Federal Home Loan Bank of Boston (the "FHLBB") from time to time. We monitor the duration of our investment portfolio of highly marketable debt securities and mortgage loans, and execute purchases and sales of these investments with the objective of having adequate funds available to satisfy our maturing liabilities. Overall cash flows are used primarily for claim and benefit payments, operating expenses, share and debt repurchases, repayment of debt, acquisitions, contract withdrawals and shareholder dividends. We have committed short-term borrowing capacity of $2.0 billion through a revolving credit facility agreement that expires in March 2021.

Presented below is a condensed statement of cash flows for each of the last three years. We present net cash flows used for operating activities and net cash flows provided by investing activities separately for our Large Case Pensions segment because changes in the insurance reserves for the Large Case Pensions segment (which are reported as cash used for operating activities) are funded from the sale of investments (which are reported as cash provided by investing activities). Refer to the Consolidated Statements of Cash Flows included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

				Change			
				2017 vs. 2016		2016 vs. 2015	
(Millions)	**2017**	**2016**	**2015**	**$**	%	**$**	**%**
Cash flows from operating activities							
Health Care and Group Insurance	**$ (178)**	$ 3,988	$ 4,388	$ (4,166)	(104)%	$ (400)	(9)%
Large Case Pensions	**(286)**	(269)	(522)	(17)	(6)%	253	48 %
Net cash (used for) provided by operating activities	**(464)**	3,719	3,866	(4,183)	(112)%	(147)	(4)%
Cash flows from investing activities							
Health Care and Group Insurance	**2,436**	(628)	(1,663)	3,064	488 %	1,035	62 %
Large Case Pensions	**294**	247	636	47	19 %	(389)	(61)%
Net cash provided by (used for) investing activities	**2,730**	(381)	(1,027)	3,111	817 %	646	63 %
Net cash (used for) provided by financing activities	**(16,186)**	12,134	(1,735)	(28,320)	(233)%	13,869	799 %
Net (decrease) increase in cash and cash equivalents	**$ (13,920)**	$ 15,472	$ 1,104	$ (29,392)	(190)%	$ 14,368	1,301 %

Commentary - 2017 compared to 2016

- *Cash flows used for operating activities for Health Care and Group Insurance* were $178 million during 2017 compared to cash flow provided by operating activities of $4.0 billion 2016. The decrease was primarily due to cash payments associated with the termination of the Humana Merger Agreement, the timing of cash collections in our Medicare products and a tax payment associated with the Group Insurance sale.
- *Cash flows provided by investing activities* increased $3.1 billion in 2017 compared to 2016 primarily due to net sales and maturities of investments and proceeds received from the Group Insurance sale during 2017 compared with net purchases of investments during 2016.

- *Cash flows used for financing activities* were $16.2 billion for 2017 compared with cash flows provided by financing activities of $12.1 billion for 2016. The activity for 2017 reflects the repayment of long-term debt (including the $10.2 billion principal amount Special Mandatory Redemption Notes), share repurchases, the issuance of long-term debt and dividends paid to shareholders. The activity for 2016 reflects the issuance of long-term debt, net payment on interest rate derivatives and dividends paid to shareholders.

Commentary - 2016 compared to 2015

- *Cash flows provided by operating activities for Health Care and Group Insurance* decreased $400 million during 2016 compared to 2015 primarily due to a smaller increase in our health care costs payable liability in 2016 compared with 2015 and decreased operating performance primarily due to higher transaction and integration-related costs, partially offset by the timing of collections of premium receivables.
- *Cash flows used for investing activities* decreased $646 million in 2016 compared to 2015 primarily due to lower net purchases of investments in 2016.
- *Cash flows used for financing activities* increased approximately $13.9 billion in 2016 compared to 2015 primarily due to the issuance of the 2016 senior notes. The increase is also driven by the repayment of debt, settlement of repurchase agreements and repurchases of common shares that occurred in 2015 and did not recur in 2016, partially offset by higher net repayment on interest rate derivatives in 2016.

Refer to Notes 9 “Debt” and 13 “Shareholders’ Equity” included in Part II, Item 8 of this Annual Report on Form 10-K for additional information about debt issuances, debt repayments, share repurchases and dividend payments.

Termination of Humana Merger Agreement and Aetna APA
As a result of the termination of the Humana Merger Agreement, we paid Humana the applicable $1.0 billion Regulatory Termination Fee on February 16, 2017. As a result of the APA Termination Agreement, we paid Molina the applicable termination fee of $53 million on February 16, 2017 and paid Molina the applicable transaction costs of $7 million on February 27, 2017. We funded these payments with the proceeds of the 2016 senior notes.

2016 Senior Notes
In June 2016, we issued $13 billion of 2016 senior notes. In accordance with the terms of the 2016 senior notes, on February 14, 2017, following the termination of the Humana Merger Agreement, we issued a notice of redemption for the entire $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes at a redemption price equal to 101% of the aggregate principal amount of those notes plus accrued and unpaid interest. We redeemed the Special Mandatory Redemption Notes on March 16, 2017, and we funded the redemption with the proceeds of the 2016 senior notes. As a result of the redemption of the Special Mandatory Redemption Notes, we recognized on a pretax basis in our net income during 2017 a loss on early extinguishment of long-term debt of $192 million and a realized capital loss for the remaining unamortized effective portion of the related hedge loss of $323 million that was previously recorded in accumulated other comprehensive income. Refer to Note 3 “Acquisition, Divestiture, Terminated Acquisition and Terminated Divestiture” and 9 “Debt” included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on these transactions.

2017 Senior Notes
In August 2017, we issued $1.0 billion of 3.875% senior notes due 2047. We used the net proceeds of this offering to repay a portion of our 1.5% senior notes due in November 2017, repay a portion of our floating rate senior notes due in December 2017 and for general corporate purposes.

Other Liquidity Information
From time to time, we use short-term commercial paper borrowings, repurchase agreements and cash advances from the FHLBB to address timing differences between cash receipts and disbursements. At December 31, 2017 and 2016, we did not have any commercial paper outstanding or outstanding advances from the FHLBB. The maximum amount of commercial paper borrowings outstanding during the year ended December 31, 2017 was approximately $850 million.

Our consolidated debt to capitalization ratio (calculated by dividing total long-term debt and short-term debt (“Total Debt”) by the sum of Total Debt and total Aetna shareholders’ equity) was 37.0 percent and 53.6 percent at December 31, 2017 and 2016, respectively. Our consolidated debt to capitalization ratio at December 31, 2017 reflects financing activity during 2017 including the repayment of approximately $12.6 billion aggregate principal amount of our senior notes and the issuance of $1.0 billion aggregate principal amount of our senior notes. We continually monitor existing and alternative financing sources to support our capital and liquidity needs, including, but not limited to, debt issuance, preferred or common stock issuance, reinsurance and pledging or selling of assets.

Interest expense was $442 million, $604 million and $369 million for 2017, 2016 and 2015, respectively. The decrease in interest expense during 2017 compared to 2016 is primarily due to a lower long-term debt balance during 2017 compared to 2016. The increase in interest expense during 2016 compared to 2015 reflects financing activity associated with the Humana Transaction.

Refer to Notes 9 “Debt” and 13 “Shareholders’ Equity” for information on our FHLBB membership and our stock-based compensation awards granted during 2017, respectively.

The State of Illinois experienced budget difficulties which contributed to the state being delinquent in paying certain of our premiums and fees. As a result of the actions taken by the state to pay us, our premium receivable balance at December 31, 2017 from the State of Illinois was approximately $350 million. Given our significant cash collections during the fourth quarter of 2017 of approximately $960 million, the State of Illinois budget and bond issuance, a federal judge’s ruling that prioritized Medicaid payments and the federal government’s match of a percentage of payments made by the state to managed care organizations under the state’s Medicaid program, we continue to believe the amounts due to us are collectible.

Contractual Obligations

The following table summarizes certain estimated future obligations by period under our various contractual obligations at December 31, 2017. The table below does not include future payments of claims to health care providers or pharmacies because certain terms of these payments are not determinable at December 31, 2017 (for example, the timing and volume of future services provided under fee-for-service arrangements and future membership levels for capitated arrangements). We believe that funds from future operating cash flows, together with cash, investments and other funds available under our revolving credit facility; from the FHLBB; and from public or private financing sources, will be sufficient to meet our existing commitments as well as our liquidity needs associated with future operations, including our strategic growth initiatives.

(Millions)	2018	2019-2020	2021-2022	Thereafter	Total
Long-term debt obligations, including interest	$ 1,350	$ 1,043	$ 2,681	$ 9,233	$ 14,307
Operating lease obligations	142	194	116	243	695
Purchase obligations	239	442	250	24	955
Other liabilities reflected on our balance sheet: [1]					
Future policy benefits [2]	604	1,199	930	3,634	6,367
Unpaid claims [2]	850	633	415	874	2,772
Policyholders’ funds [2] [3]	807	87	91	425	1,410
Other liabilities [4]	4,523	346	81	194	5,144
Total	$ 8,515	$ 3,944	$ 4,564	$ 14,627	$ 31,650

[1] Payments of other long-term liabilities exclude Separate Accounts liabilities of approximately $4.3 billion because these liabilities are supported by assets that are legally segregated and are not subject to claims that arise out of our business.

[2] Total payments of future policy benefits, unpaid claims and policyholders’ funds include $887 million, $2.7 billion and $355 million, respectively, of reserves for contracts subject to reinsurance. We expect the assuming reinsurance carrier to fund these obligations and have reflected these amounts as reinsurance recoverable assets on our Consolidated Balance Sheets.

[3] Customer funds associated with group life and health contracts of approximately $2.2 billion have been excluded from the table above because such funds may be used primarily at the customer’s discretion to offset future premiums and/or for refunds, and the timing of the related cash flows cannot be determined. Additionally, net unrealized capital gains on debt and equity securities supporting experience-rated products of $51 million, before tax, have been excluded from the table above.

[4] Other liabilities in the table above include general expense accruals and other related payables and exclude the following:

- Employee-related benefit obligations of $572 million, including our pension and other postretirement and post-employment benefit obligations and certain deferred compensation arrangements. These liabilities do not necessarily represent future cash payments we will be required to make, or such payment patterns cannot be determined. However, other long-term liabilities include expected benefit payments of $329 million over the next ten years for our non-qualified supplemental pension plan and our postretirement benefit plans, which we primarily fund when paid by the plans.
- Deferred gains of $1.1 billion which will be recognized in our earnings in the future in accordance with GAAP.
- Net unrealized capital gains of $143 million, before tax, supporting discontinued products.
- Other payables of $49 million.

Restrictions on Certain Payments

In addition to general state law restrictions on payments of dividends and other distributions to shareholders applicable to all corporations, health maintenance organizations ("HMOs") and insurance companies are subject to further regulations that, among other things, may require those companies to maintain certain levels of equity (referred to as surplus) and restrict the amount of dividends and other distributions that may be paid to their equity holders. These regulations are not directly applicable to Aetna as a holding company, since Aetna is not an HMO or an insurance company. The additional regulations applicable to our HMO and insurance company subsidiaries are not expected to affect our ability to service our debt, meet our other financing obligations or pay dividends, or the ability of any of our subsidiaries to service other financing obligations. Under applicable regulatory requirements, at December 31, 2017, the amount of dividends that may be paid by our insurance and HMO subsidiaries without prior approval by regulatory authorities was approximately $1.6 billion in the aggregate.

We maintain capital levels in our operating subsidiaries at or above targeted and/or required capital levels and dividend amounts in excess of these levels to meet our liquidity requirements, including the payment of interest on debt and shareholder dividends. In addition, at our discretion, we use these funds for other purposes such as funding share and debt repurchase programs, investments in new businesses and other purposes we consider advisable.

Under the terms of the CVS Merger Agreement, prior to the completion of the merger contemplated by the CVS Merger Agreement, our ability to repurchase shares of our common stock is limited, and we are not permitted to declare, set aside or pay any dividend or make any other distribution other than a regular quarterly cash dividend in the ordinary course of business, which cannot exceed $.50 per share.

At December 31, 2017 and 2016, we held investments of $616 million and $657 million, respectively, that are not accounted for as Separate Accounts assets but are legally segregated and are not subject to claims that arise out of our business. Refer to Note 4 "Investments" included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on investments related to the 2012 conversion of an existing group annuity contract from a participating to a non-participating contract.

Off-Balance Sheet Arrangements

We do not have any guarantees or other off-balance sheet arrangements that we believe, based on historical experience and current business plans, are reasonably likely to have a material impact on our current or future operating results, financial position or cash flows (other than the guarantees described in Note 17 "Commitments and Contingencies" included in Part II, Item 8 of this Annual Report on Form 10-K) at December 31, 2017. In addition, refer to Note 4 "Investments" included in Part II, Item 8 of this Annual Report on Form 10-K for additional detail of our variable interest entities at December 31, 2017.

Solvency Regulation

The National Association of Insurance Commissioners (the "NAIC") utilizes risk-based capital ("RBC") standards for insurance companies that are designed to identify weakly-capitalized companies by comparing each company's adjusted surplus to its required surplus (the "RBC Ratio"). The RBC Ratio is designed to reflect the risk profile of insurance companies. Within certain ratio ranges, regulators have increasing authority to take action as the RBC Ratio decreases. There are four levels of regulatory action, ranging from requiring an insurer to submit a comprehensive financial plan for increasing its RBC to the state insurance commissioner to requiring the state insurance commissioner to place the insurer under regulatory control. At December 31, 2017, the RBC Ratio of each of our primary insurance subsidiaries was above the level that would require regulatory action. The RBC framework described above for insurers has been extended by the NAIC to health organizations, including HMOs. Although not all states had adopted these rules at December 31, 2017, at that date, each of our active HMOs had a surplus that exceeded either the applicable state net worth requirements or, where adopted, the levels that would require regulatory action under the NAIC's RBC rules. External rating agencies use their own capital models and/or RBC standards when they determine a company's rating.

CRITICAL ACCOUNTING ESTIMATES

We prepare our consolidated financial statements in accordance with GAAP. The application of GAAP requires management to make estimates and assumptions that affect our consolidated financial statements and related notes. The accounting estimates described below are those we consider critical in preparing our consolidated financial statements. We use information available to us at the time the estimates are made; however, as described below, these estimates could change materially if different information or assumptions were used. Also, these estimates may not ultimately reflect the actual amounts that occur.

Health Care Costs Payable

At both December 31, 2017 and 2016, 86% of health care costs payable are estimates of the ultimate cost of (i) services rendered to our members but not yet reported to us and (ii) claims which have been reported to us but not yet paid (collectively, "IBNR"). Health care costs payable also include an estimate of the cost of services that will continue to be rendered after the financial statement date if we are obligated to pay for such services in accordance with contractual or regulatory requirements. The remainder of health care costs payable is primarily comprised of pharmacy and capitation payables, other amounts due to providers pursuant to risk sharing agreements and accruals for state assessments. We develop our estimate of IBNR using actuarial principles and assumptions that consider numerous factors. Refer to Note 2 "Summary of Significant Accounting Policies - Health Care Costs Payable" included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on our reserving methodology.

During 2017 and 2016 we observed an increase in our completion factors relative to those assumed at the prior year end. After considering the claims paid in 2017 and 2016 with dates of service prior to the fourth quarter of the previous year, we observed the assumed incurred claim weighted average completion factors were each 28 basis points higher than previously estimated, resulting in a reduction of $244 million and $230 million in 2017 and 2016, respectively, in health care costs payable that related to the prior year. We have considered the pattern of changes in our completion factors when determining the completion factors used in our estimates of IBNR at December 31, 2017. However, based on our historical claim experience, it is reasonably possible that our estimated weighted average completion factors may vary by plus or minus 20 basis points from our assumed rates, which could impact health care costs payable by approximately plus or minus $241 million pretax.

Also during 2017 and 2016, we observed that our health care costs for claims with claim incurred dates of three months or less before the financial statement date were lower than previously estimated. Specifically, after considering the claims paid in 2017 and 2016 with claim incurred dates for the fourth quarter of the previous year, we observed health care costs that were 6.6% and 6.5% lower, respectively, for each fourth quarter than previously estimated, resulting in a reduction of $570 million in 2017 and $534 million in 2016 in health care costs payable that related to the prior year.

We consider historical health care cost trend rates together with our knowledge of recent events that may impact current trends when developing our estimates of current health care cost trend rates. When establishing our reserves at December 31, 2017, we increased our assumed health care cost trend rates for the most recent three months by 7.4% from health care cost trend rates recently observed. However, based on our historical claim experience, it is reasonably possible that our estimated health care cost trend rates may vary by plus or minus 3.5% from our assumed rates, which could impact health care costs payable by plus or minus $301 million pretax.

Health care costs payable as of December 31, 2017 and 2016 consisted of the following products:

(Millions)		2017		2016
Commercial	**$**	**2,632**	**$**	**3,273**
Government		**3,183**		**3,285**
Total health care costs payable	**$**	**5,815**	**$**	**6,558**

Other Insurance Liabilities

We establish insurance liabilities other than health care costs payable for benefit claims primarily related to our Group Insurance segment. We refer to these liabilities as other insurance liabilities. These liabilities primarily relate to our life, disability and long-term care products. Substantially all of our life and disability insurance liabilities have been fully ceded to unrelated third parties through indemnity reinsurance agreements, however we remain directly obligated to the policyholders.

Life and Disability

The liabilities for our life and disability products reflect estimates of the ultimate cost of benefit claims that have been reported to us but not yet paid, benefit claims that have been incurred but not yet reported to us, and future policy benefits earned under insurance contracts. We develop our estimate of these reserves and the related benefit expenses using actuarial principles and assumptions that consider, among other things, discount, resolution and mortality rates. Completion factors are also evaluated when estimating our reserves for claims incurred but not yet reported for life products. We also consider the benefit payments from the U.S. Social Security Administration for which our disability members may be eligible and which may offset our liability for disability claims (this is known as the Social Security offset). Each period, we estimate these factors, to the extent relevant, based primarily on historical data, and use these estimates to determine the assumptions underlying our reserve calculations. Given the extensive degree of judgment and uncertainty used in developing these estimates, it is possible that our estimates could develop either favorably or unfavorably.

The discount rate is the interest rate at which future benefit cash flows are discounted to determine the present value of those cash flows. The discount rate we select is a critical estimate, because higher discount rates result in lower reserves. We determine the discount rate based on the current and estimated future yield of the asset portfolio supporting our life and disability reserves. If the discount rate we select in estimating our reserves is lower (higher) than our actual future portfolio rate of return, our reserves may be higher (lower) than necessary. Following the Group Insurance sale, the discount rates selected for life insurance waiver of premiums and long-term disability reserves at December 31, 2017 were 250 basis points lower than the rates we selected at December 31, 2016, primarily due to the decrease in the projected yield of the asset portfolio supporting our reserves. The discount rates we selected for life insurance waiver of premiums and long-term disability reserves at December 31, 2016 were 40 basis points lower than the rates we selected at December 31, 2015, primarily due to the decrease in projected future portfolio rates of return. Based on our historical experience, it is reasonably possible that the assumed discount rates for our life and disability reserves may vary by plus or minus 50 basis points from year to year. A 50 basis point decrease in the discount rates selected for both our life insurance waiver of premium and disability reserves would have increased our life and disability liabilities by $54 million pretax for 2017.

For disability claims and a portion of our life claims, we must estimate the timing of benefit payments, which takes into consideration the maximum benefit period and the probabilities of recovery (i.e., recovery rate) or death (i.e., mortality rate) of the member. Benefit payments may also be affected by a change in employment status of a disabled member, for example, if the member returns to work on a part-time basis. Estimating the recovery and mortality rates of our members is complex. Our actuaries evaluate our current and historical claim patterns, the timing and amount of any Social Security offset (for disability only), as well as other factors including the relative ages of covered members and the duration of each member's disability when developing these assumptions. For disability reserves, if our actual recovery and mortality rates are lower (higher) than our estimates, our reserves will be lower (higher) than required to cover future disability benefit payments. For certain life insurance premium waiver reserves, if the actual recovery rates are lower (higher) than our estimates or the actual mortality rates are higher (lower) than our estimates, our reserves will be lower (higher) than required to cover future life benefit payments. We use standard industry tables and our historical claim experience to develop our estimated recovery and mortality rates. Claim reserves for our disability and life products are sensitive to these assumptions. Our historical experience has been that our recovery or mortality rates for our life and disability reserves vary by less than ten percent during the course of a year. A ten percent less (more) favorable assumption for our recovery or mortality rates would have increased (decreased) current and future life and disability benefit costs by $89 million pretax for 2017. When establishing our reserves at December 31, 2017, we set our estimates of recovery and mortality rates based on recent experience. Refer to Note 2 "Summary of Significant Accounting Policies" included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on our reserving methodology.

Long-term Care

We established reserves for future policy benefits for the long-term care products we issued based on the present value of estimated future benefit payments less the present value of estimated future net premiums. In establishing this reserve, we evaluated assumptions about mortality, morbidity, lapse rates and the rate at which new claims would be submitted to us. We estimated the future policy benefits reserve for long-term care products using these assumptions and actuarial principles. For long-term care insurance contracts, we use our original assumptions throughout the life of the policy and do not subsequently modify them unless we deem the reserves to be inadequate. A portion of our reserves for long-term care products also reflect our estimates relating to future payments to members currently receiving benefits. These reserves are estimated primarily using recovery and mortality rates, as described above.

Premium Deficiency Reserves on our Health Care and Group Insurance products

We recognize a premium deficiency loss when it is probable that expected future claims, including maintenance costs (for example, direct costs such as claim processing costs), will exceed existing reserves plus anticipated future premiums and reinsurance recoveries. Anticipated investment income is considered in the calculation of premium deficiency losses for short-duration contracts. Any such reserves established would normally cover expected losses until the next policy renewal dates for the related policies. We established a premium deficiency reserve of $16 million related to our Medicaid products at December 31, 2017 for the 2018 coverage year. We did not have any material premium deficiency reserves for our Health Care or Group Insurance business at December 31, 2016.

Large Case Pensions Discontinued Products Reserve

We discontinued certain Large Case Pensions products in 1993 and established a reserve to cover losses expected during the run-off period. Since 1993, we have made several adjustments resulting in a reduction to this reserve that have increased net income attributable to Aetna. These adjustments occurred primarily because our investment experience as well as our mortality and retirement experience have been better than the experience we projected at the time we discontinued the products. We released $71 million ($109 million pretax) and $84 million ($128 million pretax) of the reserve in the years ended December 31, 2017 and 2016, respectively. No releases were made to the reserve in 2015. The reserve release during the year ended December 31, 2017 was primarily due to favorable mortality experience compared to assumptions we previously made in estimating the reserve. The reserve release in the years ended December 31, 2017 and 2016 also was due to favorable retirement experience as well as favorable investment performance compared to assumptions we previously made in estimating the reserve. There can be no assurance that adjustments to the discontinued products reserve will occur in the future. Future adjustments could positively or negatively impact net income attributable to Aetna.

Recoverability of Goodwill and Other Acquired Intangible Assets

We have made acquisitions that included a significant amount of goodwill and other intangible assets. When we complete an acquisition, we apply the acquisition method of accounting, which among other things, requires the recognition of goodwill (which represents the excess cost of the acquisition over the fair value of net assets acquired and identified intangible assets). Goodwill is subject to an annual (or under certain circumstances more frequent) impairment test based on its estimated fair value. Other intangible assets that meet certain criteria are amortized over their useful lives, except for the valuation of business acquired which amortizes in proportion to estimated premiums over the expected life of the acquired contracts, and are also subject to a periodic impairment test. Historically, for these impairment evaluations, we have used an implied fair value approach, which used a discounted cash flow analysis and other valuation methodologies. Effective January 1, 2017, we adopted, on a prospective basis, new accounting guidance which simplifies the accounting for goodwill impairment. The new guidance eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. A goodwill impairment charge would be recognized if the carrying amount of a reporting unit exceeds the estimated fair value of the reporting unit. The adoption of this new guidance did not have a material impact on our financial position or operating results. Our impairment evaluations use many assumptions and estimates to determine estimated fair value of the reporting unit, including certain assumptions and estimates related to future earnings. If we do not achieve our earnings objectives, the assumptions and estimates underlying these impairment evaluations could be adversely affected, which could result in an asset impairment charge that would negatively impact our operating results. There were no material impairment losses recognized in any of the three years ended December 31, 2017, 2016 or 2015. In conjunction with the Group Insurance sale, which included a substantial portion of our Group Insurance business, the goodwill allocated to our Group Insurance segment of $113 million was included in the calculation of the total gain on sale, with a corresponding reduction of the goodwill balance.

Measurement of Defined Benefit Pension and Other Postretirement Employee Benefit Plans

We sponsor defined benefit pension plans (“pension plans”) and OPEB plans for our employees and retirees. Effective December 31, 2010, our employees no longer earn future pension service credits in the Aetna Pension Plan, although the Aetna Pension Plan will continue to operate and account balances will continue to earn annual interest credits. Employees covered by our non-qualified supplemental pension plan stopped accruing benefits effective January 1, 2007, although interest credits continue to be credited on these cash balance accounts.

Major assumptions used in the accounting for our pension plans include the expected return on plan assets, if applicable, mortality rates and the discount rate. We select our assumptions based on our information and market indicators, and we evaluate our assumptions at each annual measurement date (December 31, for each year presented). A change in any of our assumptions would have an effect on our pension and OPEB plan costs. A discussion of our assumptions used to determine the expected return on plan assets and mortality rates can be found in Note 10 “Pension and Other Postretirement Plans” included in Part II, Item 8 of this Annual Report on Form 10-K.

The discount rates we used in accounting for our pension and OPEB plans were calculated using a yield curve as of our annual measurement date. Each yield curve consisted of a series of individual discount rates, with each discount rate corresponding to a single point in time, based on high-quality bonds (that is, bonds with an average rating of AA based on ratings from Standard & Poor’s, Fitch, and the equivalent ratings from Moody’s). We project the benefits expected to be paid from each plan at each point in the future based on each participant’s current service (but reflecting expected future pay increases). These projected benefit payments are then discounted to the measurement date using the corresponding rate from the yield curve. A lower discount rate increases the present value of benefit obligations. In 2017, we decreased our weighted average discount rate to 3.68% for our pension plans from the 4.22% used at the measurement date in 2016. In 2017, we decreased our weighted average discount rate on OPEB plans to 3.63% from the 4.12% used at the measurement date in 2016. A one-percentage point decrease in the assumed discount rate would decrease our annual pension costs by $10 million after-tax and would have a negligible effect on our annual OPEB costs.

Effective as of the beginning of 2017, we refined the approach used to estimate the interest cost component of net periodic benefit cost for pension and OPEB plans that utilize a yield curve approach. Historically, we estimated the interest cost using a single weighted average discount rate derived from the yield curve used to measure the projected benefit obligation. We have now elected to measure interest cost by applying the specific spot rates along that yield curve to the relevant projected cash flows for each component. We believe the new approach provides a more precise estimate of such interest cost. We have accounted for this refinement as a change in accounting estimate and, accordingly, have accounted for it on a prospective basis beginning in 2017. The reduction in net periodic benefit cost associated with this refinement for the year ended December 31, 2017 was $26 million ($41 million pre-tax). For our pension benefits, the 2017 weighted-average discount rate for interest costs under the refined approach adopted as of the beginning of 2017 was 3.51%. Under the prior methodology, the 2017 weighted-average discount rate would have been 4.22%.

At December 31, 2017, our pension and OPEB plans had aggregate pretax accumulated actuarial losses of approximately $2.4 billion. Accumulated actuarial losses are primarily due to an increase in the present value of future plan obligations driven by lower interest rates and improving mortality trends as well as investment results below the returns assumed in 2008. The accumulated actuarial loss is amortized over the weighted-average expected life of pension plan participants (estimated to be up to 27 years at December 31, 2017 for the pension plans) and the expected life of OPEB plan participants (estimated to be up to 17 years at December 31, 2017) to the extent the loss is outside of a corridor established in accordance with GAAP. The corridor is established based on the greater of 10% of the plan assets or 10% of the projected benefit obligation. At December 31, 2017, approximately $1.7 billion of the actuarial loss was outside of the corridor, which will result in amortization of $43 million after-tax in our 2017 pension and OPEB expense.

The expected return on plan assets and discount rate assumptions discussed above impacted the reported net periodic benefit costs and benefit obligations of our pension and OPEB plans, but did not impact the required contributions to these plans, if any. Refer to Note 10 “Pension and Other Postretirement Plans” included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on our defined benefit pension and other postretirement employee benefit plans, including our current funding strategy.

Other-Than-Temporary Impairment of Debt Securities

We regularly review our debt securities to determine whether a decline in fair value below the cost basis or carrying value is other-than-temporary. If a decline in fair value is considered other-than-temporary, the cost basis or carrying value of the debt security is written down. The write-down is then bifurcated into its credit and non-credit related components. The amount of the credit-related component is included in our operating results, and the amount of the non-credit related component is included in other comprehensive income, unless we intend to sell the security or it is more likely than not that we will be required to sell the debt security prior to its anticipated recovery of its amortized cost basis. We analyze all facts and circumstances we believe are relevant for each investment when performing this analysis, in accordance with applicable accounting guidance promulgated by the Financial Accounting Standards Board and the U.S. Securities and Exchange Commission (the “SEC”).

Among the factors we consider in evaluating whether a decline is other-than-temporary are whether the decline in fair value results from a change in the quality of the debt security itself, whether the decline results from a downward movement in the market as a whole, and the prospects for realizing the carrying value of the debt security based on the investment’s current and short-term prospects for recovery. For unrealized losses determined to be the result of market conditions (for example, increasing interest rates and volatility due to conditions in the overall market) or industry-related events, we determine whether we intend to sell the debt security or if it is more likely than not that we will be required to sell the debt security before recovery of its amortized cost basis. If either case is true, we recognize an other-than-temporary impairment (“OTTI”), and the cost basis/carrying amount of the debt security is written down to fair value.

Debt securities in an unrealized loss position for which we believe we will not recover the amortized cost due to the quality of the debt security or the creditworthiness of the issuer are categorized as credit-related OTTI.

The risks inherent in assessing the impairment of a debt security include the risk that market factors may differ from our projections and the risk that facts and circumstances factored into our assessment may change with the passage of time. Unexpected changes to market factors and circumstances that were not present in past reporting periods are among the factors that may result in a current period decision to sell debt securities that were not impaired in prior reporting periods.

Revenue Recognition and Allowance for Estimated Terminations and Uncollectible Accounts

Our revenue is principally derived from premiums and fees billed to customers in the Health Care and Group Insurance segments. In Health Care, revenue is recognized based on customer billings, which reflect contracted rates per employee and

the number of covered employees recorded in our records at the time the billings are prepared. Billings are generally sent monthly for coverage during the following month. In Group Insurance, premium for group life and disability products is recognized as revenue, net of allowances for uncollectible accounts, over the term of coverage. Amounts received before the period of coverage begins are recorded as unearned premiums. On November 1, 2017, we completed the sale of a substantial portion of our Group Insurance segment.

Health Care billings may be subsequently adjusted to reflect enrollment changes due to terminations or other factors. These adjustments are known as retroactivity adjustments. In each period, we estimate the amount of future retroactivity and adjust the recorded revenue accordingly. In each period, we also estimate the amount of uncollectible receivables and establish an allowance for uncollectible amounts. We base such estimates on historical trends, premiums billed, the amount of contract renewal activity during the period and other relevant information. As information regarding actual retroactivity and uncollectible amounts becomes known, we refine our estimates and record any required adjustments to revenues in the period they arise. A significant difference in the actual level of retroactivity or uncollectible amounts compared to our estimated levels would have a significant effect on our operating results.

Additionally, premium revenue subject to the ACA's minimum MLR rebate requirements is recorded net of the estimated minimum MLR rebates for the current calendar year. We estimate the minimum MLR rebates by projecting MLRs for certain markets, as defined by the ACA, for each state in which each of our insurance entities operate. The claims and premiums used in estimating such rebates are modified for certain adjustments allowed by the ACA and include a statistical credibility adjustment for those states with a number of members that is not statistically credible.

Furthermore, premium revenue subject to the ACA's permanent risk adjustment program transfers funds from qualified individual and small group insurance plans with below average risk scores to plans with above average risk scores. Based on the risk of our qualified plan members relative to the average risk of members of other qualified plans in comparable markets, we estimate our ultimate risk adjustment receivable or payable for the current calendar year and reflect the pro-rata year-to-date impact as an adjustment to our premium revenue. In this analysis, we consider the estimate of the average risk of members of other qualified plans in comparable markets the most critical assumption. We estimate this assumption using management's best estimates, which are based on various data sources, including but not limited to market risk data compiled by third party sources as well as pricing and other regulatory inputs. Refer to Note 2 "Summary of Significant Accounting Policies" included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on each of the ACA's risk adjustment, risk corridor and reinsurance programs.

NEW ACCOUNTING STANDARDS

Refer to Note 2 "Summary of Significant Accounting Policies" included in Part II, Item 8 of this Annual Report on Form 10-K for a discussion of recently issued accounting standards.

REGULATORY ENVIRONMENT

General

Our operations are subject to comprehensive United States federal, state and local and comparable multiple levels of international regulation in the jurisdictions in which we do business. The laws and rules governing our business and interpretations of those laws and rules continue to expand and become more restrictive each year and are subject to frequent change. The current U.S. presidential administration and the control of the U.S. Congress by a single political party increase the likelihood of significant changes in those laws and rules, including the ACA. There also continues to be a heightened level of review and/or audit by federal, state and international regulators of the health and related benefits industry's business and reporting practices.

We must obtain and maintain regulatory approvals to price, market and administer many of our products. Supervisory agencies, including CMS, the Center for Consumer Information and Insurance Oversight ("CCIIO") and the Department of Labor ("DOL"), as well as state health, insurance, managed care and Medicaid agencies and state boards of pharmacy have broad authority to take one or more of the following actions:

- Grant, suspend and revoke our licenses to transact business;
- Suspend or exclude us from participation in government programs;
- Suspend or limit our authority to market products;
- Regulate many aspects of the products and services we offer, including the pricing and underwriting of many of our products and services;
- Audit us and our performance of our contracts, which can, among other things, affect our Medicare Advantage plans' and Medicare Part D Prescription Drug plans' ("PDPs'") star ratings;
- Assess damages, fines and/or penalties;

- Terminate our contract with the government agency and/or withhold payments from the government agency to us;
- Impose retroactive adjustments to premiums and require us to pay refunds to the government, customers and/or members;
- Restrict our ability to conduct acquisitions or dispositions;
- Require us to maintain minimum capital levels in our companies and monitor our solvency and reserve adequacy;
- Regulate our investment activities on the basis of quality, diversification and other quantitative criteria; and/or
- Exclude our plans from participating in Public Exchanges if they are deemed to have a history of "unreasonable" premium rate increases or fail to meet other criteria set by the U.S. Department of Health and Human Services ("HHS") or the applicable state.

Our operations, current and past business practices, current and past contracts, and accounts and other books and records are subject to routine, regular and special investigations, audits, examinations and reviews by, and from time to time we receive subpoenas and other requests for information from, federal, state and international supervisory and enforcement agencies, attorneys general and other state, federal and international governmental authorities and legislators. See "Audits and Investigations" below in this MD&A - Regulatory Environment for additional information on these matters.

The ACA made broad-based changes to the U.S. health care system. On January 20, 2017, the President signed an executive order that gives the regulatory agencies that enforce the ACA the authority to interpret regulations issued under the ACA in a way that limits fiscal burdens on states and financial or regulatory burdens on individuals, providers, health insurers and others. The practical implications of that order are unclear, and the future of the ACA is uncertain. While we anticipate continued efforts in 2018 and beyond to modify, repeal or replace the ACA, we expect aspects of the ACA to continue to significantly impact our business operations and operating results, including our pricing, our MBRs and the geographies in which our products are available. The ACA has presented us with business opportunities, but also with financial and regulatory challenges. Most of the ACA's key components were phased in during or prior to 2014, including Public Exchanges, required minimum MLRs in Commercial and Medicare products, the individual coverage mandate, guaranteed issue, rating limits in individual and small group products, significant new industry-wide fees, assessments and taxes, enhanced premium rate review and disclosure processes, reduced Medicare Advantage payment rates to insurers, and linking Medicare Advantage payments to a plan's CMS quality performance ratings or "star ratings." The effects of these changes are reflected in our operating results. If the ACA is not amended, repealed or replaced, certain of its components will continue to be phased in until 2022.

We expect to continue to dedicate significant resources and incur significant expenses during 2018 to comply with the ACA as currently enacted and implement and comply with changes to the ACA as well as state level health care reform. While most of the significant aspects of the ACA became effective during or prior to 2014, parts of the ACA continue to evolve through the promulgation of executive orders, regulations and guidance. Additional changes to the ACA and those regulations and guidance at the federal and/or state level are likely, and those changes are likely to be significant. Growing state and federal budgetary pressures make it more likely that any changes, including changes at the state level in response changes to, or repeal or replacement of, the ACA and/or changes in the funding levels and/or payment mechanisms of federally supported benefit programs, will be adverse to us. Given the inherent difficulty of foreseeing the nature and scope of future changes to the ACA and how states, businesses and individuals will respond to those changes, we cannot predict the impact on us of future changes to the ACA. It is reasonably possible that repeal or replacement of or other changes to the ACA and/or states' responses to such changes, in the aggregate, could have a significant adverse effect on our business operations and operating results.

Potential repeal of the ACA, ongoing legislative, regulatory and administrative policy changes to the ACA, the results of congressional and state level elections, pending litigation challenging aspects of the law or funding for the law and federal budget negotiations continue to create uncertainty about the ultimate impact of the ACA. Examples of recent administrative policy, legislative and regulatory changes include: the January 2018 suspension of the HIF for 2019 and delay of the "Cadillac" tax on high-cost employer sponsored health coverage until 2022; the December 2017 TCJA, which repealed the ACA's individual mandate and related penalties; the January 20, 2017 and October 12, 2017 executive orders relating to the ACA; the federal government's October 2017 curtailment of payments related to the Cost-Sharing Subsidy Program; the November 2016 HHS announcement that risk corridor collections for the 2015 program year would be applied first to amounts owed to plans for the 2014 program year; and the May 2016 final regulations relating to the ACA's non-discrimination requirements. The pending litigation challenging the ACA includes challenges by various states of the federal government's decision to curtail payments related to the Cost-Sharing Subsidy Program. The time frame for conclusion and final outcome and ultimate impact of this litigation are uncertain.

As described above, the availability of funding for the ACA's temporary risk corridor program is an example of this uncertainty. We continue to believe that receipt of any risk corridor payment from HHS for the 2016 or 2015 program year and receipt of such payments in excess of the announced prorated amount for the 2014 program year are uncertain. At December 31, 2017, we had an immaterial receivable for the remaining 2014 program year prorated amount that had not been collected from HHS and

no receivable for either of the 2015 or 2016 program years. 2016 was the last program year for the ACA's risk corridor program. On-going uncertainty regarding the funding of ACA-related programs and subsidies can be expected to create additional instability in the marketplace.

In addition to efforts to amend, repeal or replace the ACA and the related regulations, the federal and state governments also continue to enact and seriously consider many other broad-based legislative and regulatory proposals that have had a material impact on or could materially impact various aspects of the health care and related benefits system and our business. We cannot predict whether pending or future federal or state legislation or court proceedings, including future U.S. Congressional appropriations, will change various aspects of the health care and related benefits system or the ACA or the impact those changes will have on our business operations or operating results, but the effects could be materially adverse.

The expansion of health care coverage contemplated by the ACA is being funded in part by reductions to the reimbursements we and other health plans are paid by the federal government for our Medicare members, among other sources. While not all-inclusive, the following are some of the key provisions of the ACA (assuming it continues to be implemented in its current form) that become effective on or after January 1, 2018. We continue to evaluate these provisions and the related regulations and regulatory guidance to determine the impact that they will have on our business operations and operating results:

- Closure of the gap in coverage for Medicare Part D prescription drug coverage (the so-called "donut hole") which began to close in 2010 and will incrementally close until the coverage gap is eliminated in 2019.
- The imposition on us and other health insurers, health plans and other market participants of significant fees, assessments and taxes, including the industry-wide reinsurance assessment of $5 billion in 2016 and an annual non-tax deductible industry-wide $14.3 billion HIF for 2018, which was zero in 2017. On January 22, 2018, the HIF was suspended for 2019. As currently enacted, the HIF will increase in 2020 and annually thereafter. As a result of the 2018 reinstatement of the HIF, we expect our share of the applicable 2018 ACA fees, assessments and taxes to be approximately $930 million.
- A non-tax deductible 40% excise tax on employer-sponsored health care benefits above a certain threshold beginning in 2022.
- Reduced funding for Medicaid expansion, which began in 2017.

The ACA also specifies minimum MLRs for our Commercial and Medicare Insured products, specifies features required to be included in Commercial benefit designs, limits Commercial individual and small group rating and pricing practices, encourages additional competition (including potential incentives for new market entrants) and significantly increases federal and state oversight of health plans, including regulations and processes that could delay or limit our ability to appropriately increase our health plan premium rates. This in turn could adversely affect our ability to continue to participate in certain product lines and/or geographies we serve today.

In addition, the ACA ties a portion of each Medicare Advantage plan's reimbursement to the achievement of favorable CMS quality performance measures ("star ratings"). Since 2015, only Medicare Advantage plans with an overall star rating of four or more stars (out of five stars) are eligible for a quality bonus in their basic premium rates. As a result, our Medicare Advantage plans' operating results in 2018 and going forward will be significantly affected by their star ratings. For additional information on CMS's stars program and our related performance, see "Medicare" below in this MD&A - Regulatory Environment.

In 2017, state legislatures focused on state budgets and taxes (including new assessments on health care premiums), stabilizing the health insurance marketplace, provider network composition and provider directory accuracy requirements, pharmacy benefit and drug coverage requirements, Medicaid reforms, "surprise" billing of members and health care delivery system transformation. At the state level, all 50 U.S. states and the District of Columbia will hold regular legislative sessions in 2018. We expect additional state level legislation and regulatory activity that impacts our businesses to be enacted in 2018, including potentially significant changes in small group and Medicaid products and/or programs in response to or in anticipation of reduced federal funding and other state budgetary pressures and/or the adverse impact of actual and/or expected changes to the ACA and other federal programs on state citizens, programs, and budgets. In addition, independent of federal efforts, we expect many states to continue to consider legislation or regulations that affect privately-financed health insurance arrangements and/or public programs, including changes to Medicaid program eligibility rules and/or benefits, imposing requirements on the composition of our provider networks and the accuracy of our provider directories, mandating specific benefit coverages, and enhancing consumer transparency on provider network composition as well as cost and quality of care. For example, regulators or legislatures in a number of states have implemented or are considering limits on premium rate increases, either by enforcing existing legal requirements more stringently or proposing different regulatory standards or procedures for reviewing proposed premium rate changes, as well as imposing taxes on insurers and other health plans to finance Public Exchanges, Medicaid and other state programs. If any elements of the ACA are repealed at the federal level, we expect that some states would seek to enact similar requirements, such as prohibiting pre-existing condition exclusions, prohibiting rescission of insurance coverage,

requiring coverage for dependents up to age 26, requiring guaranteed renewability of insurance coverage and prohibiting lifetime limits on insurance coverage.

We cannot predict what provisions legislation or regulation will contain in any state or what effect legislation or regulation will have on our business operations or operating results, but the effect could be materially adverse.

Health Care Regulation

General

Federal, state, local and foreign governments have adopted comprehensive laws and regulations that govern our business activities in various ways. Differing approaches to state insurance regulation and varying enforcement philosophies may materially and adversely affect our ability to standardize our products and services across state lines. These laws and regulations, including the ACA, restrict how we conduct our business and result in additional burdens and costs to us.

In addition to the expanded regulation created by the ACA discussed above, significant areas of governmental regulation include premium rates and rating methodologies, underwriting rules and procedures, required benefits, sales and marketing activities, health care provider rates of payment, restrictions on health plans' ability to limit providers' participation in their networks and/or remove providers from their networks, pharmacy and pharmacy benefit management operations and financial position (including reserves and minimum capital or risk based capital requirements). These laws and regulations are different in each jurisdiction and vary from product to product.

Each health insurer and HMO must file periodic financial and operating reports with the states in which it does business. In addition, health insurers and HMOs are subject to state examination and periodic license renewal. Applicable laws also restrict the ability of our regulated subsidiaries to pay dividends, and certain dividends require prior regulatory approval. In addition, some of our business and related activities may be subject to preferred provider organization ("PPO"), managed care organization, utilization review or third-party administrator-related licensure requirements and regulations. These licensure requirements and regulations differ from state to state, but may contain health care provider network, contracting, product and rate, financial and reporting requirements. There also are laws and regulations that set specific standards for our delivery of services, payment of claims, fraud prevention, protection of consumer health information, payment for covered benefits and services and escheatment of funds to states. Our pharmacy benefit management ("PBM") services suppliers, including CaremarkPCS Health, L.L.C. (and its predecessors, collectively "Caremark", a wholly-owned subsidiary of CVS Health), also are subject to extensive federal and state regulation, including many of the items described above.

Pricing and Underwriting Restrictions

Pricing and underwriting regulation by states limits our underwriting and rating practices and those of other health insurers, particularly for small employer groups. Since 2014, as a result of the ACA, health insurers cannot vary small group premium rates based on individual members' characteristics except for geography and limited variation for age and tobacco use. Since 2016, as a result of the ACA, states have the ability to expand the small group rating category to cover groups of up to 100 employees. Pricing and underwriting laws and regulations vary by state. In general, they apply to certain customer segments and limit our ability to set prices for new or renewing groups, or both, based on specific characteristics of the group or the group's prior claim experience. In some states, these laws and regulations restrict our ability to price for the risk we assume and/or reflect reasonable costs in our pricing.

The ACA expanded the premium rate review process by, among other things, requiring our rates to be reviewed for "reasonableness" at either the state or the federal level. HHS established a federal premium rate review process that generally applies to proposed premium rate increases equal to or exceeding 10% (or a state specified threshold). HHS's rate review process imposes additional public disclosure requirements as well as additional review on filings requesting premium rate increases equal to or exceeding this "reasonableness" threshold. These combined state and federal review requirements may prevent, further delay or otherwise affect our ability to price for the risk we assume, which could adversely affect our medical benefit ratios and operating results, particularly during periods of increased utilization of medical services and/or medical cost trend or when such utilization and/or trend exceeds our projections.

The ACA also specifies minimum MLRs of 85% for large group commercial products, 80% for individual and small group commercial products and 85% for Medicare Advantage and Medicare Part D plans. Since 2017, Medicaid managed care products, including those we offer, also are subject to a minimum MLR of 85% under a final rule issued by CMS in 2016. Because the ACA and the Medicaid minimum MLRs are structured as "floors" for many of their requirements, states have the latitude to enact more stringent rules governing its various restrictions. For Medicaid managed care and commercial products, states may adopt higher minimum MLR requirements, use more stringent definitions of "medical loss ratio," incorporate minimum MLR requirements into prospective premium rate filings for commercial products, require prior approval of premium

rates for commercial products, or impose other requirements related to minimum MLR. For example, Texas has expanded from 50 to 100 the maximum size of "small groups" that are subject to its minimum MLR requirements, and New York, New Jersey and California all have established state-specific minimum MLR requirements. Minimum MLR requirements and similar actions further limit the level of margin we can earn in our Insured business while leaving us exposed to medical costs that are higher than those reflected in our pricing. We also may be subject to significant fines, penalties, premium refunds and litigation if we fail to comply with minimum MLR laws and regulations. In addition, if a Medicare Advantage or Medicare Part D contract pays minimum MLR rebates for three consecutive years, it will become ineligible to participate in open enrollment. If a Medicare Advantage or Medicare Part D contract pays such rebates for five consecutive years, it will be terminated by CMS.

In addition, we requested significant increases in our premium rates in our small group Health Care business for 2018 and expect to continue to request significant increases in those rates for 2019 and beyond in order to adequately price for projected medical cost trends, required expansions of coverage and significant assessments, fees and taxes imposed by the federal and state governments, including the ACA. Our rates also must be adequate to reflect adverse selection in our products, particularly in small group products, which we expect to continue and potentially worsen in 2018 with the expiration of the ACA's risk corridor and reinsurance programs at the end of 2016. These significant rate increases heighten the risks of adverse public and regulatory action and adverse selection and the likelihood that our requested premium rate increases will be denied, reduced or delayed, which could lead to operating margin compression.

Many of these laws and regulations also limit the differentials in premium rates insurers and other carriers may charge between new and renewal business, and/or between groups based on differing characteristics. They may also require that carriers disclose to customers the basis on which the carrier establishes new business and renewal premium rates and limit the ability of a carrier to terminate customers' coverage. In addition, HHS' rules on rates impose additional public disclosure requirements on any rate filings that exceed the "reasonableness" threshold and require additional review of those rates.

In addition, a number of states provide for a voluntary reinsurance mechanism to spread small group risk among participating insurers and other carriers. In a small number of states, participation in this pooling mechanism is mandatory for all small group carriers. In general, we have elected not to participate in voluntary pools. However, even in the voluntary pool states, we may be subject to certain supplemental assessments related to the state's small group experience. Core elements of the ACA were designed to reduce or eliminate reliance on these state pooling mechanisms. If those elements of the ACA are modified, repealed or replaced, states may reinstate or expand their pooling requirements, including mandatory participation.

HIPAA Administrative Simplification, GLBA and Other Privacy, Security and Confidentiality Requirements

Federal, state and international privacy and security requirements change periodically because of legislation, regulations and judicial or administrative interpretation. The regulations under the administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as further modified by the American Recovery and Reinvestment Act of 2009 ("ARRA") and the ACA, also impose a number of additional obligations on issuers of health insurance coverage and health benefit plan sponsors.

HIPAA's administrative simplification requirements apply to self-funded group health plans, health insurers and HMOs, health care clearinghouses and health care providers who transmit health information electronically ("Covered Entities"). Regulations adopted to implement administrative simplification also require that "business associates" (e.g., entities that provide services to health plans, such as electronic claims clearinghouses, print and fulfillment vendors, consultants, and us for the administrative services we provide to our ASC customers) acting for or on behalf of these Covered Entities be contractually obligated to meet HIPAA standards. The administrative simplification regulations establish significant criminal penalties and civil sanctions for noncompliance.

The HIPAA privacy regulations adopted by HHS establish limits on the use and disclosure of medical records and other individually identifiable health information (protected health information or "PHI") by Covered Entities. Further, ARRA requires us and other Covered Entities to report any breaches of PHI to impacted individuals and to HHS and to notify the media in any states where 500 or more people are impacted by the unauthorized release or use of or access to PHI. Business associates must also comply with certain HIPAA provisions. In addition, ARRA establishes greater civil and criminal penalties for Covered Entities and business associates who fail to comply with HIPAA's provisions and gives new enforcement rights to state attorneys general.

The HIPAA privacy regulations do not preempt more stringent state laws and regulations that may apply to us and other Covered Entities, including laws that place stricter controls on the release of information relating to specific diseases or conditions and requirements to notify members of unauthorized release or use of or access to PHI. Complying with additional state requirements requires us to make additional investments beyond those we have made to comply with the HIPAA

regulations. HHS also has adopted security regulations designed to protect member health information from unauthorized use or disclosure. HHS has begun to audit health plans, providers and other parties to enforce HIPAA compliance, including with respect to data security.

The HIPAA privacy regulations provide patients with rights to understand and control how their health information is used. States also have adopted regulations to implement provisions of the Financial Modernization Act of 1999 (also known as Gramm-Leach-Bliley Act ("GLBA")) which generally require insurers to provide customers with notice regarding how their non-public personal health and financial information is used and the opportunity to "opt out" of certain disclosures before the insurer shares such information with a non-affiliated third party. The GLBA regulations apply to health, life and disability insurance. Like HIPAA, GLBA sets a "floor" standard, allowing states to adopt more stringent requirements governing privacy protection.

The Cybersecurity Information Sharing Act of 2015 ("CISA") encourages organizations to share cyber threat indicators with the federal government and, among other things, directs HHS to develop a set of voluntary cybersecurity best practices for organizations in the health care industry. In addition, states have begun to enact more comprehensive privacy laws and regulations addressing consumer rights to data protection or transparency. States also are starting to issue regulations and proposed regulations specifically related to cybersecurity, such as the regulations issued by the New York Department of Financial Services. Complying with conflicting cybersecurity regulations, which may differ from state to state, requires significant resources. In addition, differing approaches to state privacy and/or cyber-security regulation and varying enforcement philosophies may materially and adversely affect our ability to standardize our products and services across state lines. Widely-reported large scale U.S. commercial data breaches increase the likelihood that additional data security legislation will be considered by additional states. These legislative and regulatory developments will impact the design and operation of our businesses, including our Consumer Health and Services businesses, our privacy and security strategy and our web-based and mobile assets.

Other Legislative Initiatives and Regulatory Initiatives

In addition to the ACA, HIPAA and ARRA measures discussed above, the U.S. federal and state governments, as well as governments in other countries where we do business, continue to enact and seriously consider many other broad-based legislative and regulatory proposals that have had a material impact on or could materially impact various aspects of the health care and related benefits system. For example:

- Under the Budget Control Act of 2011 (the "BCA") and the American Taxpayer Relief Act of 2012 (the "ATRA") significant, automatic across-the-board budget cuts (known as sequestration) began in March 2013, including Medicare spending cuts of not more than 2% of total program costs per year through 2024. CMS issued its final notice detailing final Medicare Advantage benchmark payment rates for 2018 (the "Final Notice") in April 2017. Overall, we project the benchmark payment rates in the Final Notice will increase funding for our Medicare Advantage business, excluding the impact of coding trend, by less than 1 percent in 2018 compared to 2017. This 2018 rate increase only slightly offsets the challenge we face from the impact of the increasing cost of medical care (including prescription medications), the HIF and CMS local and national coverage decisions that require us to pay for services and supplies that are not factored into our bids. Significant uncertainty remains as to whether and how the U.S. Congress will proceed with actions that create additional federal revenue and/or with entitlement reform. We cannot predict future Medicare or Medicaid funding levels or the impact that future federal budget actions or entitlement program reform, if it occurs, will have on our business, operations or operating results, but the effects could be materially adverse, particularly on our Medicare and/or Medicaid revenues, medical benefit ratios and operating results.
- The European Union's ("EU's") General Data Protection Regulation will apply across the EU effective May 2018.

Other significant legislative and/or regulatory measures which are or recently have been under consideration include the following:

- Restricting our ability to limit providers' participation in our networks and/or remove providers from our networks by imposing network adequacy requirements or otherwise (including in our Medicare, Public Exchange and other Commercial products).
- Imposing assessments on (or to be collected by) health plans or health carriers, which may or may not be passed onto their customers. These assessments may include assessments for insolvency, the uninsured, uncompensated care, Medicaid funding or defraying health care provider medical malpractice insurance costs.
- Reducing federal and/or state government funding of government-sponsored health programs in which we participate, including Medicare and Medicaid programs.
- Restricting or mandating health plan claim processing, review, payment and/or related procedures.
- Mandating coverage for additional conditions and/or specified procedures, drugs or devices (for example, high cost pharmaceuticals, experimental pharmaceuticals and oral chemotherapy regimens).

- Imposing requirements and restrictions on the administration of pharmacy benefits, including restricting or eliminating the use of formularies for prescription drugs; restricting our ability to require members to obtain drugs through a home delivery or specialty pharmacy; restricting our ability to place certain specialty or other drugs in the higher cost tiers of our pharmacy formularies; restricting our ability to make changes to drug formularies and/or our clinical programs; limiting or eliminating rebates on pharmaceuticals; restricting our ability to configure our pharmacy networks; and restricting or eliminating the use of certain drug pricing methodologies.
- Regulating electronic connectivity.
- Mandating or regulating the disclosure of health care provider fee schedules and other data about our payments to providers.
- Mandating or regulating disclosure of health care provider outcome and/or efficiency information.
- Prescribing or limiting members' financial responsibility for health care or other covered services they utilize.
- Assessing the medical device status of HIT products and/or solutions, mobile consumer wellness tools and clinical decision support tools, which may require compliance with U.S. Food and Drug Administration ("FDA") requirements in relation to some of these products, solutions and/or tools.
- Imposing payment levels for services rendered to our members by health care providers who do not have contracts with us.
- Restricting the ability of employers and/or health plans to establish or impose member financial responsibility.
- Amending or supplementing the Employee Retirement Income Security Act of 1974 ("ERISA") to impose greater requirements on the administration of employer-funded benefit plans or limit the scope of current ERISA pre-emption, which would among other things expose us and other health plans to expanded liability for punitive and other extra-contractual damages and additional state regulation.

Some of the changes, if enacted, could provide us with business opportunities. However, it is uncertain whether we can counter the potential adverse effects of such potential legislation or regulation, including whether we can recoup, through higher premium rates, expanded membership or other measures, the increased costs of mandated coverage or benefits, assessments, fees, taxes or other increased costs, including the cost of modifying our systems to implement any enacted legislation or regulations.

Our business also may be affected by other legislation and regulations. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Financial Reform Act") creates incentives for whistleblowers to speak directly to the government rather than utilizing internal compliance programs and reduces the burden of proof under the Foreign Corrupt Practices Act of 1977 (the "FCPA").

Health savings accounts, health reimbursement arrangements and flexible spending accounts and certain of the tax, fee and subsidy provisions of the ACA also are regulated by the U.S. Department of the Treasury and the Internal Revenue Service (the "IRS").

We also may be adversely impacted by court and regulatory decisions that expand or revise the interpretations of existing statutes and regulations or impose medical malpractice or bad faith liability. Federal and state courts continue to consider cases, and federal and state regulators continue to issue regulations and interpretations, bad faith liability for denial of medical claims, the scope of ERISA's fiduciary duty requirements, the scope of the False Claims Act and the pre-emptive effect of ERISA on state laws.

Medicare

Our Medicare Advantage products compete directly with Original Medicare and Medicare Advantage products offered by other Medicare Advantage organizations and Medicare Supplement products offered by other insurers. Our Medicare PDP and Medicare Supplement products are complementary products that Medicare beneficiaries who are enrolled in Original Medicare purchase to enhance their Original Medicare coverage.

We continue to expand the number of counties in which we offer Medicare products and the Medicare products we offer. We expect to further expand our Medicare service area and products in 2018 and are seeking to substantially grow our Medicare membership, revenue and operating results over the next several years, including through growth in our Medicare Supplement products, which products are regulated at the state level. The organic expansion of our Medicare service area and Medicare products we offer and the Medicare-related provisions of the ACA significantly increase our exposure to funding and regulation of, and changes in government policy with respect to and/or funding or regulation of, the various Medicare programs in which we participate, including changes in the amounts payable to us under those programs and/or new reforms or surcharges on existing programs. For example, sequestration began in 2013 and resulted in an automatic reduction in Medicare reimbursements to health plans of not more than 2% of total program costs per year through 2024. In addition, the ACA as currently enacted contains further significant reductions in the reimbursements we receive for our Medicare Advantage

members which were fully phased-in for 2017. Since the 2014 contract year, the ACA also has required minimum MLRs for Medicare Advantage and Medicare Part D plans of 85%. If a Medicare Advantage or Medicare Part D contract pays minimum MLR rebates for three consecutive years, it will become ineligible to participate in open enrollment. If a Medicare Advantage contract pays rebates for five consecutive years, it will be terminated by CMS.

Overall, we project the benchmark payment rates for 2018 in the Final Notice will increase funding for our Medicare Advantage business, excluding the impact of coding trend, by less than 1 percent in 2018 compared to 2017. This 2018 rate increase only slightly offsets the challenge we face from the impact of the increasing cost of medical care (including prescription medications), the HIF and CMS local and national coverage decisions that require us to pay for services and supplies that are not factored into our bids.

Our Medicare Advantage and PDP products are heavily regulated by CMS. The regulations and contractual requirements applicable to us and other private participants in Medicare programs are complex, expensive to comply with and subject to change. For example, in the second quarter of 2014, CMS issued a final rule implementing the ACA requirements that Medicare Advantage and PDP plans report and refund to CMS overpayments that those plans receive from CMS. The precise interpretation, impact and legality of this rule are not clear and are subject to pending litigation. We have invested significant resources to comply with Medicare standards, and our Medicare compliance efforts will continue to require significant resources. CMS may seek premium and other refunds, prohibit us from continuing to market and/or enroll members in or refuse to passively enroll members in one or more of our Medicare or Medicare-Medicaid demonstration (historically known as “dual eligible”) plans, exclude us from participating in one or more Medicare, dual eligible or dual eligible special needs plan programs and/or institute other sanctions and/or civil monetary penalties against us if we fail to comply with CMS regulations or our Medicare contractual requirements.

CMS regularly audits our performance to determine our compliance with CMS’s regulations and our contracts with CMS and to assess the quality of services we provide to Medicare Advantage and PDP beneficiaries. For example, CMS currently conducts risk adjustment data validation (“RADV”) audits of a subset of Medicare Advantage contracts for each contract year. The OIG also is auditing risk adjustment data of us and other companies, and we expect CMS and the OIG to continue auditing risk adjustment data. We also have produced documents and information to the Civil Division of the DOJ in cooperation with a current investigation of our patient chart review processes in connection with risk adjustment data submissions under Parts C and D of the Medicare program. In December 2015, CMS released a request for information (“RFI”) for a significant expansion of the RADV audit program. As described in the RFI, CMS would use third party auditors to attain its ultimate goal of subjecting all Medicare Advantage contracts to either a comprehensive or a targeted RADV audit for each contract year. Refer to “CMS Actions” in Note 17 “Commitments and Contingencies” included in Part II, Item 8 of this Annual Report on Form 10-K for information on certain pending CMS audits.

A portion of each Medicare Advantage plan’s reimbursement is tied to the plan’s “star ratings.” The star rating system considers a variety of measures adopted by CMS, including quality of preventative services, chronic illness management, compliance and overall customer satisfaction. Our star ratings and past performance scores are adversely affected by compliance issues that arise in our Medicare operations, such as our distribution of inaccurate information regarding which pharmacies were part of our Medicare network and related $1 million civil monetary penalty in 2015, notices of non-compliance and warning letters in 2016 and notices of non-compliance in 2017.

Beginning in 2015, Medicare Advantage plans must have an overall star rating of four stars or higher (out of five stars) to qualify for a quality bonus in their basic premium rates. CMS released our 2018 star ratings in October 2017. Our 2018 star ratings will be used to determine which of our Medicare Advantage plans have ratings of four stars or higher and qualify for bonus payments in 2019. Based on our membership at December 31, 2017, 87% of our Medicare Advantage members were in plans with 2018 star ratings of at least 4.0 stars, compared to 92% of our Medicare Advantage members being in plans with star ratings of at least 4.0 stars based on our membership at December 31. 2016. CMS will release updated stars ratings in October 2018 that will be used to determine which of our Medicare Advantage plans have ratings of four stars or higher and qualify for bonus payments in 2020. In 2018 and going forward, our Medicare Advantage plans’ operating results will continue to be significantly affected by their star ratings. CMS continues to revise the star ratings system to make it harder to achieve four stars or more. Despite our success in maintaining high star ratings and other quality measures for 2018 and the continuation of our improvement efforts, there can be no assurances that we will be successful in maintaining or improving our star ratings in future years. Accordingly, our plans may not be eligible for full level quality bonuses, which could adversely affect the benefits such plans can offer, reduce membership and/or reduce profit margins.

We cannot predict future Medicare funding levels or the impact that future federal budget actions or entitlement program reform, if it occurs, will have on our business, operations or operating results, but the effects could be materially adverse, particularly on our Medicare and/or Medicaid revenues, medical benefit ratios and operating results. For example, the Federal

government may seek to impose restrictions on the configuration of pharmacy or other provider networks for Medicare Advantage and/or PDP plans, or otherwise restrict the ability of these plans to alter benefits, negotiate prices or establish other terms to improve affordability or maintain viability of products. We currently believe that the payments we receive and will receive in the near term are adequate to justify our continued participation in the Medicare Advantage and PDP programs, although there are economic and political pressures to continue to reduce spending on the program, and this outlook could change.

Going forward, we expect CMS, the OIG, the DOJ, other federal agencies and the U.S. Congress to continue to scrutinize closely each component of the Medicare program (including Medicare Advantage, PDP, demonstration projects such as Medicare-Medicaid plans and provider network access and adequacy), modify the terms and requirements of the program and possibly seek to recast or limit private insurers' role. It is not possible to predict the outcome of this Congressional or regulatory activity, any of which could adversely affect us.

Medicaid

We are seeking to substantially grow our Medicaid, dual eligible and dual eligible special needs plan businesses over the next several years. As a result, we also are increasing our exposure to changes in government policy with respect to and/or regulation of the various Medicaid, dual eligible and dual eligible special needs plan programs in which we participate, including changes in the amounts payable to us under those programs.

In April 2016, CMS issued a final rule that overhauls the entire Medicaid managed care delivery system. The final rule represents the first update to Medicaid managed care regulations since 2002. Among other things the final rule requires Medicaid products to have a minimum MLR of 85%; establishes a Medicaid managed care quality rating system; and establishes provider network adequacy requirements. The minimum MLR requirements were effective beginning in 2017.

The impact of Medicaid expansion under the ACA is uncertain. The future of the ACA is uncertain, and states may opt out of the elements of the ACA requiring expansion of Medicaid coverage without losing their current federal Medicaid funding. To date, a number of states and the District of Columbia have expanded Medicaid coverage to the higher eligibility levels contemplated by the ACA. In addition, the election of new governors and/or state legislatures may impact states' previous decisions regarding Medicaid expansion. In 2017, federal funding for expanded Medicaid coverage began to decrease, and proposals for substantial changes to federal funding of state Medicaid programs are likely to be considered in 2018 and beyond, including the possibility of converting federal Medicaid support to block grants and per capita caps on federal funding. Uncertainty regarding federal funding is causing and will continue to cause states to re-evaluate their Medicaid expansions and consider new assessments, fees and/or taxes on health plans. That re-evaluation may adversely affect Medicaid payment rates, our revenues and our Medicaid membership in those states.

The economic aspects of the Medicaid, dual eligible and dual eligible special needs plan business vary from state to state and are subject to frequent change. Medicaid premiums are paid by each state and differ from state to state. The federal government and certain states also are considering proposals and legislation for Medicaid and dual eligible program reforms or redesigns, including further program, population and/or geographic expansions of risk-based managed care, increasing beneficiary cost-sharing or payment levels, and changes to benefits, reimbursement, eligibility criteria, provider network adequacy requirements (including requiring the inclusion of specified high cost providers in our networks) and program structure. In some states, current Medicaid and dual eligible funding and premium revenue may not be adequate for us to continue program participation due to state and federal budgetary constraints and continuing efforts to reduce health care costs. In addition, our Medicaid and dual eligible contracts with states (or sponsors of Medicaid managed care plans) are subject to cancellation by the state (or the sponsors of the managed care plans) after a short notice period without cause (for example, when a state discontinues a managed care program) or in the event of insufficient state funding.

Our Medicaid, dual eligible and dual eligible special needs plan products also are heavily regulated by CMS and state Medicaid agencies, which have the right to audit our performance to determine compliance with CMS contracts and regulations. Our Medicaid products, dual eligible products and Children's Health Insurance Program ("CHIP") contracts also are subject to complex federal and state regulations and oversight by state Medicaid agencies regarding the services we provide to Medicaid enrollees, payment for those services, network requirements (including mandatory inclusion of specified high-cost providers), and other aspects of these programs, and by external review organizations which audit Medicaid plans on behalf of the state Medicaid agencies. The laws, regulations and contractual requirements applicable to us and other participants in Medicaid and dual eligible programs, including requirements that we submit encounter data to the applicable state agency, are extensive, complex and subject to change. We have invested significant resources to comply with these standards, and our Medicaid and dual eligible program compliance efforts will continue to require significant resources. CMS and/or state Medicaid agencies may fine us, withhold payments to us, seek premium and other refunds, terminate our existing contracts, elect not to award us new contracts or not to renew our existing contracts, prohibit us from continuing to market and/or enroll members in or refuse

to automatically assign members to one or more of our Medicaid or dual eligible products, exclude us from participating in one or more Medicaid or dual eligible programs and/or institute other sanctions and/or civil monetary penalties against us if we fail to comply with CMS or state regulations or contractual requirements.

We cannot predict whether pending or future federal or state legislation or court proceedings will change various aspects of the Medicaid program, nor can we predict the impact those changes will have on our business operations or operating results, but the effects could be materially adverse.

Federal Employees Health Benefits Program ("FEHB")

Our subsidiaries contract with the Office of Personnel Management (the "OPM") to provide managed health care services under the FEHB program in their service areas. These contracts with the OPM and applicable government regulations establish premium rating arrangements for this program. OPM regulations require that community-rated FEHB plans meet a FEHB program-specific MLR by plan code and market. Managing to these rules is complicated by the simultaneous application of the minimum MLR standards and associated premium rebate requirements of the ACA. We also manage certain FEHB plans on a "cost-plus" basis. The OPM conducts periodic audits of its contractors to, among other things, verify that plans meet their applicable FEHB program-specific MLR and the premiums established under the OPM's insured contracts and costs allocated pursuant to the OPM's cost-based contracts are in compliance with the requirements of the applicable FEHB program. The OPM may seek premium refunds or institute other sanctions against us if we fail to comply with the FEHB program requirements.

The Employee Retirement Income Security Act of 1974

The provision of services to certain employee benefit plans, including certain Health Care, Group Insurance and Large Case Pensions benefit plans, is subject to ERISA, a complex set of laws and regulations subject to interpretation and enforcement by the IRS and the U.S. Department of Labor (the "DOL"). ERISA regulates certain aspects of the relationships between us and employers who maintain employee benefit plans subject to ERISA. Some of our administrative services and other activities also are subject to regulation and/or review by the DOL under ERISA. ERISA generally preempts all state and local laws that relate to employee benefit plans, but the extent of the pre-emption continues to be reviewed by courts.

Some of our Health Care, Group Insurance and Large Case Pensions products and services and related fees we charge also are subject to potential issues raised by certain judicial interpretations relating to ERISA. Under those interpretations, together with DOL regulations, we may have ERISA fiduciary duties with respect to certain general account assets held under contracts that are not guaranteed benefit policies. As a result, certain transactions related to those assets are subject to conflict of interest and other restrictions, and we must provide certain disclosures to policyholders annually. We must comply with these restrictions or face substantial penalties.

HMO, Insurance Holding Company and Other State Laws

A number of states, including Pennsylvania and Connecticut, regulate affiliated groups of insurers and HMOs such as the Company under holding company statutes. These laws may, among other things, require us and our subsidiaries to maintain certain levels of equity and require prior regulatory approval of material intercompany transfers of assets as well as transactions between the regulated companies and their affiliates, including their parent holding companies. We expect the states in which our insurance and HMO subsidiaries are licensed to continue to expand their regulation of the corporate governance and internal control activities of our insurance companies and HMOs.

The states of domicile of our regulated subsidiaries have statutory risk-based capital, or "RBC", requirements for health and other insurance companies and HMOs based on the RBC Model Act. These RBC requirements are intended to assess the capital adequacy of life and health insurers and HMOs, taking into account the risk characteristics of a company's investments and products. The RBC Model Act sets forth the formula for calculating RBC requirements, which are designed to take into account asset risks, insurance risks, interest rate risks and other relevant risks with respect to an individual company's business. In general, under these laws, an insurance company or HMO must submit a report of its RBC level to the insurance department or insurance commissioner of its state of domicile for each calendar year. At December 31, 2017, the RBC level of each of our insurance and HMO subsidiaries was above the level that would require regulatory action.

In addition, changes to regulations or the interpretation of those regulations due to regulators' increasing concerns regarding insurance company and/or HMO solvency due, among other things, to recent and expected payor insolvencies, could negatively impact our business in various ways, including through increases in solvency fund assessments, requirements that the Company hold greater levels of capital and/or delays in approving dividends from regulated subsidiaries.

For information regarding restrictions on certain payments of dividends or other distributions by our HMO and insurance company subsidiaries, refer to Note 13 "Shareholders' Equity" included in Part II, Item 8 of this Annual Report on Form 10-K.

The holding company laws for the states of domicile of Aetna and certain of its subsidiaries also restrict the ability of any person to obtain control of an insurance company or HMO without prior regulatory approval. Under those statutes, without such approval (or an exemption), no person may acquire any voting security of an insurance holding company (such as our parent company, Aetna Inc.) that controls an insurance company or HMO, or merge with such a holding company, if as a result of such transaction such person would control the insurance holding company. Control is generally defined as the direct or indirect power to direct or cause the direction of the management and policies of a person and is presumed to exist if a person directly or indirectly owns or controls 10% or more of the voting securities of another person.

Our workers' compensation business includes the comparison of medical claims data against the applicable state's fee schedule pricing, including applicable regulations and clinical guidelines. State fee schedules, which typically represent the maximum reimbursement for medical services provided to the injured worker, differ by state and change as state laws and regulations are passed and/or amended. Our workers' compensation business also includes PBM and care management services, both of which are regulated at the state level. Our workers' compensation customers include insurance carriers and TPA's who also are regulated at the state level. The laws and regulations applicable to us and other participants in the workers' compensation business are extensive, complex and subject to change. We have invested significant resources to comply with these standards, and our workers' compensation compliance efforts will continue to require significant resources. We may be subject to significant fines, penalties and litigation if we fail to comply with those laws and regulations.

Audits and Investigations

We and our vendors and other downstream entities typically have been, are currently and may in the future be involved in various governmental investigations, audits, examinations, reviews, subpoenas and other requests for information, the intensity and scope of which continue to increase. These include routine, regular and special investigations, audits, examinations and reviews by, as well as subpoenas and other requests for information from, CMS, HHS (including the Office of Civil Rights), various state insurance and health care regulatory authorities, state attorneys general, treasurers and offices of inspector general, the CCIIO, the Office of the Inspector General (the "OIG"), the OPM, the DOL, the Treasury, the FDA, committees, subcommittees and members of the U.S. Congress, the DOJ, the U.S. Federal Trade Commission (the "FTC"), the Office of Foreign Assets Control ("OFAC") of the Treasury, U.S. attorneys and other state, federal and international governmental authorities.

For example, certain of our Medicare Advantage plans are currently under audit for, among other things, compliance with coding and other requirements under the Medicare risk adjustment model; we have produced documents and information to the Civil Division of the DOJ in cooperation with a current investigation of our patient chart review processes in connection with risk adjustment data submissions under Parts C and D of the Medicare program; federal and state auditors are challenging our Commercial business compliance with the ACA's minimum MLR requirements; federal auditors are challenging our FEHB plans' compliance with the OPM's FEHB program specific minimum MLR requirements; and our Commercial business is subject to audits related to the ACA's risk adjustment and reinsurance data since those programs were implemented in 2014. HHS also has begun to audit health plans, providers and other parties to enforce HIPAA compliance, including with respect to data security. Such government actions may, among other things, prevent or delay us from implementing planned premium rate increases and have resulted and may result in restrictions on our business, changes to or clarifications of our business practices, retroactive adjustments to premiums, refunds to members or the government, withholding of premium payments to us by government agencies, payments under insurance policies prior to those payments being due under the terms of the policy, assessments of damages, civil or criminal fines or penalties (including under the federal false claims act (the "False Claims Act")), or other sanctions, including the possible suspension or loss of licensure and/or suspension or exclusion from participation in government programs.

A significant number of states are investigating life insurers' and health insurers' claims payment and related escheat practices. For additional information on these life insurance matters, refer to "Life and Disability Insurance" below in this MD&A - Regulatory Environment.

Refer to "Litigation and Regulatory Proceedings" in Note 17 "Commitments and Contingencies" included in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding pending audits and investigations.

Federal and State Reporting

We are subject to extensive financial and business reporting requirements, including penalties for inaccuracies and/or omissions, at both the state and federal level. Our ability to comply with certain of these requirements depends on receipt of information from third parties that may not be readily available or reliably provided in all instances. We are and will continue to be required to modify our information systems, dedicate significant resources and incur significant expenses to comply with these requirements. However, we cannot eliminate the risks of unavailability of or errors in our reports.

Fraud, Waste and Abuse Laws

Federal and state governments have made investigating and prosecuting health care fraud, waste and abuse a priority. Fraud, waste and abuse prohibitions encompass a wide range of activities, including kickbacks or other inducements for referral of members or for the coverage of products (such as prescription drugs) by a plan, billing for unnecessary medical services by a health care provider, improper marketing, and violations of patient privacy rights. Companies involved in public health care programs such as Medicare and/or Medicaid are required to maintain compliance programs to detect and deter fraud, waste and abuse, and are often the subject of fraud, waste and abuse investigations and audits. The regulations and contractual requirements applicable to us and other participants in these public-sector programs are complex and subject to change. Although our compliance program is designed to meet all statutory and regulatory requirements, our policies and procedures are frequently under review and subject to updates, and our training and education programs continue to evolve. We have invested significant resources to comply with Medicare and Medicaid program standards. Ongoing vigorous law enforcement and the highly technical regulatory scheme mean that our compliance efforts in this area will continue to require significant resources.

Federal and State Laws and Regulations Governing Submission of Information and Claims to Agencies

We are subject to federal and state laws and regulations that apply to the submission of information and claims to various government agencies. For example, the False Claims Act provides, in part, that the federal government may bring a lawsuit against any person or entity who the government believes has knowingly presented, or caused to be presented, a false or fraudulent request for payment from the federal government, or who has made a false statement or used a false record to get a claim approved. There also is False Claims Act liability for knowingly or improperly avoiding repayment of an overpayment received from the government and/or failing to promptly report and return any such overpayment. The federal government, whistleblowers and some courts have taken the position that claims presented in violation of other statutes, such as the federal anti-kickback statute, may be considered a violation of the False Claims Act. In addition, the ACA may have expanded the jurisdiction of, and our exposure to, the False Claims Act to products that are sold on Public Exchanges or otherwise subject to the ACA. Violations of the False Claims Act are punishable by treble damages and penalties of up to a specified dollar amount per false claim. In addition, a special provision under the False Claims Act allows a private person (for example, a “whistleblower” such as a disgruntled current or former competitor, member or employee) to bring an action under the False Claims Act on behalf of the government alleging that a company has defrauded the federal government and permits the private person to share in any settlement of, or judgment entered in, the lawsuit.

A number of states, including states in which we operate, have adopted their own false claims acts and whistleblower provisions that are similar to the False Claims Act. Companies in the health and related benefits industry, including ours, frequently are subject to actions under the False Claims Act or similar state laws.

Product Design and Administration and Sales Practices

State and/or federal regulatory scrutiny of health care benefit and life insurance product design and administration and marketing and advertising practices, including the filing of insurance policy forms, the adequacy of provider networks, the accuracy of provider directories, and the adequacy of disclosure regarding products and their administration, is increasing as are the penalties being imposed for inappropriate practices. Medicare, Medicaid and dual eligible products and products offering more limited benefits in particular continue to attract increased regulatory scrutiny.

Guaranty Fund Assessments/Solvency Protection

Under guaranty fund laws existing in all states, insurers doing business in those states can be assessed (in most states up to prescribed limits) for certain obligations of insolvent insurance companies to policyholders and claimants. The life and health insurance guaranty associations in which we participate that operate under these laws respond to insolvencies of long-term care insurers as well as health insurers. Our assessments generally are based on a formula relating to our health care premiums in the state compared to the premiums of other insurers. Certain states allow assessments to be recovered over time as offsets to premium taxes. Some states have similar laws relating to HMOs and/or other payors such as not-for-profit consumer governed health plans established under the ACA. Refer to “Guaranty Fund Assessments, Market Stabilization and Other Non-Voluntary Risk Sharing Pools” in Note 17 “Commitments and Contingencies” included in Part II, Item 8 of this Annual Report on Form 10-K for more information on the liquidation of Penn Treaty and certain assessments to which our HMOs are subject. Penn Treaty was placed in liquidation in March, 2017, as a result of which we recorded an estimated liability and expense of $231 million pretax in the first quarter of 2017. While historically we have ultimately recovered more than half of guaranty fund assessments through statutorily permitted premium tax offsets, significant increases in assessments could lead to legislative and/or regulatory actions that may limit future offsets.

Regulation of Pharmacy Operations

Caremark has provided certain PBM services to us and certain of our customers and members since January 1, 2011. As amended, our PBM agreement with Caremark has a term ending in December 2022, although we have certain termination rights beginning in January 2020. Express Scripts also provides certain PBM services to a portion of our Commercial and Medicaid customers and members under an agreement with a term ending in 2018 with an option to extend thereafter. Express Scripts also provided PBM services to a portion of our Medicare members in 2015.

Notwithstanding our contracting with our PBM services suppliers, we remain responsible to regulators and members for the delivery of PBM services. In addition, we continue to operate two home delivery pharmacy facilities and one specialty pharmacy facility (our "Pharmacies") and utilize certain pharmacies of our PBM services suppliers. Our Pharmacies dispense pharmaceuticals throughout the U.S. and are participating providers in Medicare, Medicare Part D and various Medicaid programs. The pharmacy practice is generally regulated at the state level by state boards of pharmacy. Our Pharmacies are required to be licensed in the state where they are located, as well as the states that require registration or licensure of home delivery pharmacies with the state's board of pharmacy or similar regulatory body. Our Pharmacies also must register with the U.S. Drug Enforcement Administration and individual state controlled substance authorities in order to dispense controlled substances and must comply with applicable Medicare, Medicaid and other provider rules and regulations, including the False Claims Act, state false claims acts and federal and state anti-kickback laws. Our PBM services suppliers' owned and contracted pharmacies are subject to these same licensing requirements and other laws and regulations. The loss or suspension of any such licenses or registrations could have a material adverse effect on our ability to meet our contractual obligations to our customers, which could, in turn, have a material adverse effect on our pharmacy business and/or operating results.

Regulation of Pharmacy Benefit Management Operations

Our PBM services are regulated directly and indirectly at the federal and state levels, including being subject to the False Claims Act and state false claims acts and federal and state anti-kickback laws. These laws and regulations govern, and proposed legislation and regulations may govern, critical PBM practices, including disclosure, receipt and retention of rebates and other payments received from pharmaceutical manufacturers; use of, administration of, and/or changes to drug formularies, maximum allowable cost list pricing, average wholesale prices and/or clinical programs; disclosure of data to third parties; drug utilization management practices; the level of duty a PBM owes its customers; configuration of pharmacy networks; the operations of our Pharmacies (including audits of our Pharmacies); disclosure of negotiated provider reimbursement rates; disclosure of fees associated with administrative service agreements and patient care programs that are attributable to members' drug utilization; and registration or licensing of PBMs. Failure by us or one of our PBM services suppliers to comply with these laws or regulations could result in material fines and/or sanctions and could have a material adverse effect on our operating results.

Life and Disability Insurance

Our life and disability insurance operations are subject to extensive regulation. Changes in these regulations, such as expanding the definition of disability or mandating changes to claim payment, determination and/or settlement practices, could have a material adverse impact on our life insurance and/or disability insurance operations and/or operating results. Legislation has been enacted or introduced in a number of states requiring life insurers to take additional steps to identify unreported deceased policy holders, and make other changes to their claim payment and related escheat practices, including consultation of certain databases. A significant number of states are investigating life insurers' claims payment and related escheat practices, and these investigations have resulted in significant charges to earnings by other life insurers in connection with related settlement agreements. We have received requests for information from a number of states, and certain of our subsidiaries are being audited, with respect to our life insurance claim payment and related escheat practices. Given the judicial, legislative and regulatory uncertainty with respect to life insurance claim payment and related escheat practices, it is reasonably possible that we may incur additional liability related to those practices, whether as a result of changes in our business practices, litigation, government actions or otherwise, which could adversely affect our operating results and cash flows.

Consumer Protection Laws

Our Consumer Health and Services businesses and certain of our other businesses participate in direct-to-consumer activities, and we increasingly offer mobile and web-based solutions to our members and to other consumers. We are therefore subject to federal and state regulations applicable to electronic communications and to other general consumer protection laws and regulations. In particular, the FTC is aggressively exercising its enforcement authority in the areas of consumer privacy and data security with a focus on web-based, mobile products and "big data." As a result of the widely-reported large scale U.S. commercial data breaches during 2017 and prior years, the FTC and state regulators have increased their enforcement activity in these regimes. These enforcement developments will impact the design, management and operation of our businesses, including our Consumer Health and Services businesses, our privacy and security strategy and our web-based and mobile assets.

International Regulation

We expect to continue to expand our Health Care operations in foreign countries through both organic growth and acquisitions. We currently have insurance licenses in several foreign jurisdictions and do business directly or through local affiliations in numerous countries around the world. The impact on our international operations and results of the United Kingdom's pending exit from the EU is uncertain.

Our international operations are subject to different, and sometimes more stringent, legal and regulatory requirements, which vary widely by jurisdiction, including anti-corruption laws; economic sanctions laws; various privacy, insurance, tax, tariff and trade laws and regulations; corporate governance, privacy, data protection (including the EU's General Data Protection Regulation which will apply across the EU effective May 2018), data mining, data transfer, labor and employment, intellectual property, consumer protection and investment laws and regulations; discriminatory licensing procedures; compulsory cessions of reinsurance; required localization of records and funds; higher premium and income taxes; limitations on dividends and repatriation of capital; and requirements for local participation in an insurer's ownership. In addition, the expansion of our operations into foreign countries increases our exposure to the anti-bribery, anti-corruption and anti-money laundering provisions of U.S. law, including the FCPA, and corresponding foreign laws, including the U.K. Bribery Act 2010 (the "UK Bribery Act").

The FCPA prohibits offering, promising or authorizing others to give anything of value to a foreign government official to obtain or retain business or otherwise secure a business advantage. We also are subject to applicable anti-corruption laws of the jurisdictions in which we operate. In many countries outside the U.S., health care professionals are employed by the government. Therefore, our dealings with them are subject to regulation under the FCPA. Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions as well as other penalties, and the SEC and the DOJ have increased their enforcement activities with respect to the FCPA. The UK Bribery Act is an anti-corruption law that is broader in scope than the FCPA and applies to all companies with a nexus to the United Kingdom. Disclosures of FCPA violations may be shared with the UK authorities, thus potentially exposing companies to liability and potential penalties in multiple jurisdictions. We have internal control policies and procedures and conduct training and compliance programs for our employees to deter prohibited practices. However, if our employees or agents fail to comply with applicable laws governing our international operations, we may face investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions. See *"As we expand our international operations, we will increasingly face political, legal and compliance, operational, regulatory, economic and other risks that we do not face or are more significant than in our domestic operations. Our exposure to these risks is expected to increase"* in "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K for a discussion of the risks related to operating globally.

Anti-Money Laundering Regulations

Certain of our lines of business are subject to Treasury anti-money laundering regulations. Those lines of business have implemented anti-money laundering policies designed to insure their compliance with the regulations. We also may be subject to anti-money laundering laws in non-U.S. jurisdictions where we operate.

Office of Foreign Assets Control

We also are subject to regulation by OFAC. OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. In addition, we may be subject to similar regulations in the non-U.S. jurisdictions in which we operate.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our earnings and financial position are exposed to interest rate risk, credit quality risk and market valuation risk.

Evaluation of Interest Rate and Credit Quality Risk

We manage interest rate risk by seeking to maintain a tight match between the durations of our assets and liabilities when appropriate. We manage credit risk by seeking to maintain high average credit quality ratings and diversified sector exposure within our debt securities portfolio. In connection with our investment and risk management objectives, we also use derivative financial instruments whose market value is at least partially determined by, among other things, levels of or changes in interest rates (short-term or long-term), duration, prepayment rates, equity markets or credit ratings/spreads. Our use of these derivatives is generally limited to hedging risk and has principally consisted of using interest rate swaps, treasury rate locks, forward contracts, futures contracts, warrants, put options and credit default swaps. These instruments, viewed separately, subject us to varying degrees of interest rate, equity price and credit risk. However, when used for hedging, we expect these instruments to reduce overall risk.

Investments

Our investment portfolio supported the following products at December 31, 2017 and 2016:

(Millions)		**2017**		**2016**
Experience-rated products	**$**	**1,112**	$	1,154
Discontinued products		**2,754**		2,929
Remaining products		**16,207**		20,796
Total investments	**$**	**20,073**	$	24,879

Investment risks associated with our experience-rated and discontinued products generally do not impact our operating results. The risks associated with investments supporting experience-rated pension and annuity products in our Large Case Pensions business are assumed by the contract holders and not by us (subject to, among other things, certain minimum guarantees). Assets supporting experience-rated products may be subject to contract holder or participant withdrawals. The distributions on our experience-rated products consisted of scheduled contract maturities and benefit payments and contract holder withdrawals of $98 million, $90 million and $285 million, respectively, in the years ended December 31, 2017, 2016 and 2015. Participant-directed withdrawals were not material in the years ended December 31, 2017, 2016 or 2015. Refer to Note 19 “Discontinued Products” included in Part II, Item 8 of this Annual Report on Form 10-K for additional information related to our discontinued products.

Debt and Equity Securities

The debt securities in our investment portfolio had an average credit quality rating of A at both December 31, 2017 and 2016, with approximately $3.6 billion and $5.2 billion rated AAA at December 31, 2017 and 2016, respectively. The debt securities that were rated below investment grade (that is, having a credit quality rating below BBB-/Baa3) were $1.4 billion and $1.6 billion at December 31, 2017 and 2016, respectively (of which 14% and 12% at December 31, 2017 and 2016, respectively, supported our experience-rated and discontinued products).

At December 31, 2017 and 2016, we held $551 million and $812 million, respectively, of municipal debt securities that were guaranteed by third parties, representing 3% of our total investments at both December 31, 2017 and 2016. These securities had an average credit quality rating of AA at both December 31, 2017 and 2016 with the guarantee. These securities had an average credit quality rating of A+ and A at December 31, 2017 and 2016, respectively, without the guarantee. We do not have any significant concentration of investments with third party guarantors (either direct or indirect).

We generally classify our debt and equity securities as available for sale, and carry them at fair value on our Consolidated Balance Sheets. At both December 31, 2017 and 2016, 1% of our debt and equity securities were valued using inputs that reflect our own assumptions (categorized as Level 3 inputs in accordance with GAAP). Refer to Note 5 “Fair Value” included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on the methodologies and key assumptions we use to determine the fair value of investments.

For additional information related to our investments, see Note 4 “Investments” included in Part II, Item 8 of this Annual Report on Form 10-K.

We regularly review our debt securities to determine whether a decline in fair value below the cost basis or carrying value is other-than-temporary. If a decline in fair value is considered other-than-temporary, the cost basis or carrying value of the debt security is written down. The write down is then bifurcated into its credit and non-credit related components. The amount of the credit-related component is included in our operating results, and the amount of the non-credit related component is included in other comprehensive income, unless we intend to sell the debt security or it is more likely than not that we will be required to

sell the debt security prior to its anticipated recovery of its amortized cost basis. Accounting for other-than-temporary impairment ("OTTI") of our debt securities is considered a critical accounting estimate. Refer to "Critical Accounting Estimates - Other-Than-Temporary Impairment of Debt Securities" of MD&A included in Part II, Item 7 of this Annual Report on Form 10-K for additional information.

Evaluation of Market Risks

We regularly evaluate our risk from market-sensitive instruments by examining, among other things, levels of or changes in interest rates (short-term or long-term), duration, prepayment rates, equity markets and/or credit ratings/spreads. We also regularly evaluate the appropriateness of investments relative to our management-approved investment guidelines (and operate within those guidelines) and the business objectives of our portfolios.

On a quarterly basis, we review the impact of hypothetical net losses in our investment portfolio on our consolidated near-term financial position, operating results and cash flows assuming the occurrence of certain reasonably possible changes in near-term market rates and prices. Interest rate changes (whether resulting from changes in treasury yields or credit spreads or other factors) represent the most material risk exposure category for us. We have estimated the impact on the fair value of our market sensitive instruments based on the net present value of cash flows using a representative set of likely future interest rate scenarios. The assumptions used were as follows: an immediate increase of 100 basis points in interest rates (which we believe represents a moderately adverse scenario and is approximately equal to the historical annual volatility of interest rate movements for our intermediate-term available-for-sale debt securities) and an immediate decrease of 15% in prices for domestic equity securities.

Assuming an immediate 100 basis point increase in interest rates and immediate decrease of 15% in the prices for domestic equity securities, the theoretical decline in the fair values of our market sensitive instruments at December 31, 2017 is as follows:

- The fair value of our long-term debt would decline by $519 million ($799 million pretax). Changes in the fair value of our long-term debt do not impact our financial position or operating results.
- The theoretical reduction in the fair value of our investment securities partially offset by the theoretical reduction in the fair value of our interest rate sensitive liabilities would result in a net decline in fair value of $395 million ($608 million pretax) related to our continuing non-experience-rated products. Reductions in the fair value of our investment securities would be reflected as an unrealized loss in equity, as we classify these securities as available for sale. We do not record our liabilities at fair value.

Based on our overall exposure to interest rate risk and equity price risk, we believe that these changes in market rates and prices would not materially affect our consolidated near-term financial position, operating results or cash flows as of December 31, 2017.

Evaluation of Operational Risks

We also face certain operational risks, including risks related to information security, including cybersecurity. We and our vendors have experienced a variety of cyber attacks, and we and our vendors expect to continue to experience cyber attacks going forward. Among other things, we have experienced automated attempts to gain access to our public facing networks, brute force, SYN flood and distributed denial of service attacks, attempted malware infections, vulnerability scanning, ransomware attacks, spear-phishing campaigns, mass reconnaissance attempts, injection attempts, phishing, PHP injection and cross-site scripting. We also have seen an increase in attacks designed to obtain access to consumers' accounts using illegally obtained demographic information. We are dedicating and will continue to dedicate significant resources and incur significant expenses to maintain and update on an ongoing basis our systems and processes that are designed to mitigate the information security risks we face and protect the security of our computer systems, software, networks and other technology assets against attempts by unauthorized parties to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage. The impact of the cyber attacks we have experienced through December 31, 2017 has not been material to our operations or operating results. Our Board and Audit Committee are regularly informed regarding our information security policies, practices and status.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

Consolidated Balance Sheets

(Millions)	At December 31, 2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	**$ 4,076**	$ 17,996
Investments	**2,280**	3,046
Premiums receivable, net	**2,240**	2,356
Other receivables, net	**2,831**	2,224
Reinsurance recoverables	**1,050**	292
Accrued investment income	**193**	232
Income taxes receivable	**365**	44
Other current assets	**2,488**	2,259
Total current assets	**15,523**	28,449
Long-term investments	**17,793**	21,833
Reinsurance recoverables	**3,323**	727
Goodwill	**10,571**	10,637
Other acquired intangible assets, net	**1,180**	1,442
Property and equipment, net	**586**	587
Deferred income taxes	**195**	—
Other long-term assets	**1,684**	1,480
Separate Accounts assets	**4,296**	3,991
Total assets	**$ 55,151**	$ 69,146
Liabilities and shareholders' equity:		
Current liabilities:		
Health care costs payable	**$ 5,815**	$ 6,558
Future policy benefits	**604**	645
Unpaid claims	**850**	801
Unearned premiums	**654**	556
Policyholders' funds	**2,918**	2,772
Current portion of long-term debt	**999**	1,634
Accrued expenses and other current liabilities	**4,997**	5,728
Total current liabilities	**16,837**	18,694
Future policy benefits	**5,763**	5,929
Unpaid claims	**1,922**	1,703
Policyholders' funds	**739**	812
Long-term debt, less current portion	**8,160**	19,027
Deferred income taxes	**—**	4
Other long-term liabilities	**1,597**	1,043
Separate Accounts liabilities	**4,296**	3,991
Total liabilities	**39,314**	51,203
Commitments and contingencies (Note 17)		
Shareholders' equity:		
Common stock ($.01 par value; 2.5 billion shares authorized and 326.8 million shares issued and outstanding in 2017; 2.5 billion shares authorized and 351.7 million shares issued and outstanding in 2016) and additional paid-in capital	**4,706**	4,716
Retained earnings	**12,118**	14,717
Accumulated other comprehensive loss	**(1,244)**	(1,552)
Total Aetna shareholders' equity	**15,580**	17,881
Non-controlling interests	**257**	62
Total equity	**15,837**	17,943
Total liabilities and equity	**$ 55,151**	$ 69,146

Refer to accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

(Millions, except per common share data)	For the Years Ended December 31, 2017	2016	2015
Revenue:			
Health care premiums	**$ 52,022**	$ 54,116	$ 51,618
Other premiums	**1,872**	2,182	2,171
Fees and other revenue [1]	**5,930**	5,861	5,696
Net investment income	**950**	910	917
Net realized capital (losses) gains	**(239)**	86	(65)
Total revenue	**60,535**	63,155	60,337
Benefits and expenses:			
Health care costs [2]	**42,753**	44,255	41,712
Current and future benefits	**1,875**	2,101	2,121
Operating expenses:			
Selling expenses	**1,598**	1,678	1,611
General and administrative expenses	**10,466**	10,407	10,033
Total operating expenses	**12,064**	12,085	11,644
Interest expense	**442**	604	369
Amortization of other acquired intangible assets	**272**	247	255
Loss on early extinguishment of long-term debt	**246**	—	—
Reduction of reserve for anticipated future losses on discontinued products	**(109)**	(128)	—
Total benefits and expenses	**57,543**	59,164	56,101
Income before income taxes	**2,992**	3,991	4,236
Income tax expense	**1,087**	1,735	1,841
Net income including non-controlling interests	**1,905**	2,256	2,395
Less: Net income (loss) attributable to non-controlling interests	**1**	(15)	5
Net income attributable to Aetna	**$ 1,904**	$ 2,271	$ 2,390
Earnings per common share:			
Basic	**$ 5.71**	$ 6.46	$ 6.84
Diluted	**$ 5.68**	$ 6.41	$ 6.78

[1] Fees and other revenue include administrative services contract member co-payments and plan sponsor reimbursements related to our home delivery and specialty pharmacy operations of $130 million, $128 million and $112 million for 2017, 2016 and 2015, respectively (net of pharmaceutical and processing costs of $1.4 billion for 2017 and 1.3 billion for each of 2016 and 2015).

[2] Health care costs have been reduced by Insured member co-payments related to our home delivery and specialty pharmacy operations of $115 million, $115 million and $117 million for 2017, 2016 and 2015, respectively.

Refer to accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(Millions)	For the Years Ended December 31, 2017	2016	2015
Net income including non-controlling interests	**$ 1,905**	$ 2,256	$ 2,395
Other comprehensive income (loss), net of tax:			
Previously impaired debt securities	**(11)**	(3)	(16)
All other securities	**29**	(15)	(256)
Derivatives and foreign currency	**231**	(161)	(13)
Pension and OPEB plans	**59**	(43)	66
Other comprehensive income (loss)	**308**	(222)	(219)
Comprehensive income including non-controlling interests	**2,213**	2,034	2,176
Less: Comprehensive income (loss) attributable to non-controlling interests	**1**	(15)	5
Comprehensive income attributable to Aetna	**$ 2,212**	$ 2,049	$ 2,171

Refer to accompanying Notes to Consolidated Financial Statements, including Note 14 for further information about other comprehensive income (loss).

Consolidated Statements of Shareholders' Equity

(Millions)	Number of Common Shares Outstanding	Attributable to Aetna: Common Stock and Additional Paid-in Capital	Attributable to Aetna: Retained Earnings	Attributable to Aetna: Accumulated Other Comprehensive Loss	Attributable to Aetna: Total Aetna Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance at December 31, 2014	349.8	$ 4,542	$ 11,052	$ (1,111)	$ 14,483	$ 69	$ 14,552
Net income	—	—	2,390	—	2,390	5	2,395
Other decreases in non-controlling interest	—	—	—	—	—	(9)	(9)
Other comprehensive loss (Note 14)	—	—	—	(219)	(219)	—	(219)
Common shares issued for benefit plans, including tax benefits, net of employee tax withholdings	2.7	105	—	—	105	—	105
Repurchases of common shares	(3.0)	—	(296)	—	(296)	—	(296)
Dividends declared	—	—	(349)	—	(349)	—	(349)
Balance at December 31, 2015	349.5	4,647	12,797	(1,330)	16,114	65	16,179
Net income (loss)	—	—	2,271	—	2,271	(15)	2,256
Other increases in non-controlling interest	—	—	—	—	—	12	12
Other comprehensive loss (Note 14)	—	—	—	(222)	(222)	—	(222)
Common shares issued for benefit plans, including tax benefits, net of employee tax withholdings	2.2	69	—	—	69	—	69
Dividends declared	—	—	(351)	—	(351)	—	(351)
Balance at December 31, 2016	**351.7**	**4,716**	**14,717**	**(1,552)**	**17,881**	**62**	**17,943**
Net income	**—**	**—**	**1,904**	**—**	**1,904**	**1**	**1,905**
Other increases in non-controlling interest	**—**	**—**	**—**	**—**	**—**	**194**	**194**
Other comprehensive income (Note 14)	**—**	**—**	**—**	**308**	**308**	**—**	**308**
Common shares issued for benefit plans, net of employee tax withholdings	**2.1**	**(10)**	**—**	**—**	**(10)**	**—**	**(10)**
Repurchases of common shares	**(27.0)**	**—**	**(3,845)**	**—**	**(3,845)**	**—**	**(3,845)**
Dividends declared	**—**	**—**	**(658)**	**—**	**(658)**	**—**	**(658)**
Balance at December 31, 2017	**326.8**	**$ 4,706**	**$ 12,118**	**$ (1,244)**	**$ 15,580**	**$ 257**	**$ 15,837**

Refer to accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Millions)	For the Years Ended December 31, 2017	2016	2015
Cash flows from operating activities:			
Net income including non-controlling interests	**$ 1,905**	$ 2,256	$ 2,395
Adjustments to reconcile net income to net cash (used for) provided by operating activities:			
Net realized capital losses (gains)	**239**	(86)	65
Depreciation and amortization	**705**	681	671
Debt fair value amortization	**(17)**	(30)	(30)
Equity in earnings of affiliates, net	**(105)**	(6)	(31)
Stock-based compensation expense	**187**	191	181
Reduction of reserve for anticipated future losses on discontinued products	**(109)**	(128)	—
Amortization of net investment premium	**69**	79	84
Loss on early extinguishment of long-term debt	**246**	—	—
Gain on sale of businesses	**(88)**	—	—
Changes in assets and liabilities:			
Premiums due and other receivables	**(809)**	(153)	(616)
Income taxes	**(672)**	155	31
Other assets and other liabilities	**(1,445)**	669	646
Health care and insurance liabilities	**(624)**	91	470
Distributions from partnership investments	**54**	—	—
Net cash (used for) provided by operating activities	**(464)**	3,719	3,866
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	**12,144**	14,741	12,299
Cost of investments	**(10,370)**	(14,852)	(12,943)
Additions to property, equipment and software	**(410)**	(270)	(363)
Proceeds from sale of businesses, net of cash transferred	**1,390**	—	—
Cash used for acquisitions, net of cash acquired	**(24)**	—	(20)
Net cash provided by (used for) investing activities	**2,730**	(381)	(1,027)
Cash flows from financing activities:			
Issuance of long-term debt	**988**	12,886	—
Repayment of long-term debt	**(12,734)**	—	(229)
Repayment of short-term debt	**—**	—	(500)
Deposits and interest credited to investment contracts net of (withdrawals)	**1**	1	(35)
Common shares issued under benefit plans, net	**(180)**	(139)	(143)
Stock-based compensation tax benefits	**—**	—	53
Settlements from repurchase agreements	**—**	—	(202)
Common shares repurchased	**(3,845)**	—	(296)
Dividends paid to shareholders	**(583)**	(351)	(349)
Net payment on interest rate derivatives	**—**	(274)	(25)
Contributions (distributions), non-controlling interests	**167**	11	(9)
Net cash (used for) provided by financing activities	**(16,186)**	12,134	(1,735)
Net (decrease) increase in cash and cash equivalents	**(13,920)**	15,472	1,104
Cash and cash equivalents, beginning of period	**17,996**	2,524	1,420
Cash and cash equivalents, end of period	**$ 4,076**	$ 17,996	$ 2,524
Supplemental cash flow information:			
Interest paid	**$ 453**	$ 541	$ 338
Income taxes paid	**1,759**	1,580	1,755

Refer to accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Organization

We conduct our operations in three business segments:

- **Health Care** consists of medical, pharmacy benefit management services, dental, behavioral health and vision plans offered on both an Insured basis (where we assume all or a majority of the risk for medical and dental care costs) and an employer-funded basis (where the plan sponsor under an administrative services contract ("ASC") assumes all or a majority of this risk) and emerging business products and services that complement and enhance our medical products. We also offer Medicare and Medicaid products and services and other medical products, such as medical management and data analytics services, medical stop loss insurance, workers' compensation administrative services and products that provide access to our provider networks in select geographies. We no longer sell individual Commercial products, and we exited the individual Public Exchanges in 2018.

- **Group Insurance** primarily includes group life insurance and group disability products. Group life insurance products are offered on an Insured basis. Group disability products are offered to employers on both an Insured and an ASC basis. Group Insurance also includes long-term care products that were offered primarily on an Insured basis. We no longer solicit or accept new long-term care customers. During the fourth quarter of 2017, we sold a substantial portion of our Group Insurance business to Hartford Life and Accident Insurance Company ("HLAIC") (refer to Note 3 for additional information).

- **Large Case Pensions** manages a variety of retirement products (including pension and annuity products) primarily for tax-qualified pension plans. These products provide a variety of funding and benefit payment distribution options and other services. Large Case Pensions also includes certain discontinued products (refer to Note 19 for additional information).

Our three business segments are distinct businesses that offer different products and services. Our Chief Executive Officer evaluates financial performance and makes resource allocation decisions at these segment levels. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2. We evaluate the performance of these business segments based on pre-tax adjusted earnings (income before income taxes attributable to Aetna, excluding net realized capital gains or losses, amortization of other acquired intangible assets and other items, if any, that neither relate to the ordinary course of our business nor reflect our underlying business performance).

Effective for the first quarter of 2018, we will realign our business segments to correspond with changes to our management structure and internal management reporting which reflect our evolving business strategy of helping our members live healthier lives. As a result of this realignment, our operations will now be conducted in the Health Care reportable segment. Health Care offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services to large and small employers, public sector employers, and Medicaid and Medicare beneficiaries. Our Health Care products are offered on both an Insured basis and an employer-funded basis. Health Care also includes emerging business products and services that complement and enhance our medical products.

Effective for the first quarter of 2018, we will present the remainder of our financial results in the Corporate/Other category, which will consist of:

- Products for which we no longer solicit or accept new customers such as our large case pensions and long-term care products;
- Contracts we have divested through reinsurance or other contracts, such as our domestic group life insurance, group disability insurance and absence management businesses; and
- Corporate expenses not supporting business operations, including transaction and integration-related costs, income taxes, interest expense on our outstanding debt and the financing components of our pension and other postretirement employee benefit plans ("OPEB") expense.

Refer to Note 18 for segment financial information.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts of Aetna and the subsidiaries that we control. All significant

intercompany balances have been eliminated in consolidation. The Company has evaluated subsequent events from the financial statement date through the date the financial statements were issued and determined there were no subsequent events to disclose other than as disclosed in Notes 1, 13, 16 and 18.

Reclassifications

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

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in these consolidated financial statements and notes. We consider the following accounting estimates critical in the preparation of the accompanying consolidated financial statements: health care costs payable, other insurance liabilities, recoverability of goodwill and other acquired intangible assets, measurement of defined benefit pension and other postretirement employee benefit plans, other-than-temporary impairment of debt securities, revenue recognition, allowance for estimated terminations and uncollectible accounts and accounting for certain provisions of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, the "ACA"). We use information available to us at the time estimates are made; however, these estimates could change materially if different information or assumptions were used. Additionally, these estimates may not ultimately reflect the actual amounts of the final transactions that occur.

Cash and Cash Equivalents

Cash and cash equivalents include cash on-hand and debt securities with an original maturity of three months or less when purchased. The carrying value of cash equivalents approximates fair value due to the short-term nature of these investments. Cash and cash equivalents at December 31, 2016 included approximately $13 billion of highly-rated money market fund investments related to the net proceeds received from the 2016 senior notes we issued in June 2016 to partially fund our then pending acquisition of Humana Inc. (the "Humana Transaction"). These money market funds had average maturities of 60 days or less and were redeemable daily at par value plus accrued dividends with specified yield rates.

Investments

Debt and Equity Securities

Debt and equity securities consist primarily of U.S. Treasury and agency securities, mortgage-backed securities, corporate and foreign bonds and other debt and equity securities. Debt securities are classified as either current or long-term investments based on their contractual maturities unless we intend to sell an investment within the next twelve months, in which case it is classified as current on our Consolidated Balance Sheets. We have classified our debt and equity securities as available for sale and carry them at fair value. Refer to Note 5 for additional information on how we estimate the fair value of these investments.

The cost for mortgage-backed and other asset-backed securities is adjusted for unamortized premiums and discounts, which are amortized using the interest method over the estimated remaining term of the securities, adjusted for anticipated prepayments.

We regularly review our debt and equity securities to determine whether a decline in fair value below the carrying value is other-than-temporary. When a debt or equity security is in an unrealized capital loss position, we monitor the duration and severity of the loss to determine if sufficient market recovery can occur within a reasonable period of time. If a decline in the fair value of a debt security is considered other-than-temporary, the cost basis or carrying value of the debt security is written down. The write-down is then bifurcated into its credit and non-credit related components. The amount of the credit-related component is included in our operating results, and the amount of the non-credit related component is included in other comprehensive income, unless we intend to sell the debt security or it is more likely than not that we will be required to sell the debt security prior to its anticipated recovery of its amortized cost basis. We do not accrue interest on debt securities when management believes the collection of interest is unlikely. If we intend to sell an equity security, we will recognize the unrealized capital gain or loss in our operating results.

Mortgage Loans

We value our mortgage loan investments on our balance sheet at the unpaid principal balance, net of impairment reserves. A mortgage loan may be impaired when it is a problem loan (i.e., more than 60 days delinquent, in bankruptcy or in process of foreclosure), a potential problem loan (i.e., high probability of default) or a restructured loan. For impaired loans, a specific impairment reserve is established for the difference between the recorded investment in the loan and the estimated fair value of the collateral. We apply our loan impairment policy individually to all loans in our portfolio.

The impairment evaluation described above also considers characteristics and risk factors attributable to the aggregate portfolio. We establish an additional allowance for loan losses if it is probable that there will be a credit loss on a group of similar mortgage loans. We consider the following characteristics and risk factors when evaluating if a credit loss is probable

on a group of similar mortgage loans: loan-to-value ratios, property type (e.g., office, retail, apartment, industrial), geographic location, vacancy rates and property condition. As a result of that evaluation, we determined that a credit loss was not probable and did not record any additional allowance for groups of similar mortgage loans in 2017, 2016 or 2015.

We record full or partial impairments of loans at the time an event occurs affecting the legal status of the loan, typically at the time of foreclosure or upon a loan modification giving rise to forgiveness of debt. Interest income on a potential problem loan or restructured loan is accrued to the extent we deem it collectible and the loan continues to perform under its original or restructured terms. Interest income on problem loans is recognized on a cash basis. Cash payments on loans in the process of foreclosure are treated as a return of principal. Mortgage loans with a maturity date or a committed prepayment date within twelve months are classified as current on our Consolidated Balance Sheets.

Other Investments
Other investments consist primarily of the following:

- Private equity and hedge fund limited partnerships, which are carried at fair value on our Consolidated Balance Sheets. The fair values of private equity limited partnerships are estimated based on the fair value of the underlying investment funds provided by the general partner or manager of the investments, the financial statements of which generally are audited. We typically do not have a controlling ownership in our private equity limited partnership investments, and therefore we apply the equity method of accounting for these investments. Hedge fund limited partnerships are carried at fair value which is estimated using the net asset value (“NAV”) per unit as reported by the administrator of the underlying investment fund as a practical expedient to fair value. We review our investments for impairment at least quarterly and monitor their performance throughout the year through discussions with the administrators, managers and/or general partners. If we become aware of an impairment of a limited partnership's investments through our review or prior to receiving the limited partnership's financial statements at the financial statement date, we will recognize an impairment by recording a reduction in the carrying value of the limited partnership with a corresponding charge to net investment income.
- Investment real estate, which is carried on our Consolidated Balance Sheets at depreciated cost, including capital additions, net of write-downs for other-than-temporary declines in fair value. Depreciation is calculated using the straight-line method based on the estimated useful life of each asset. If any of our real estate investments is considered held-for-sale, we carry it at the lower of its carrying value or fair value less estimated selling costs. We generally estimate fair value using a discounted future cash flow analysis in conjunction with comparable sales information. At the time of the sale, we record the difference between the sales price and the carrying value as a realized capital gain or loss.
- Privately-placed equity securities, which are carried at cost on our Consolidated Balance Sheets. We do not estimate the fair value of these securities if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. Additionally, as a member of the Federal Home Loan Bank of Boston (“FHLBB”), we are required to purchase and hold shares of the FHLBB. These shares are restricted and also carried at cost.
- Bank loans, which are carried on our Consolidated Balance Sheets at amortized cost, net of any allowance for impairments. If any of our bank loans are considered held-for-sale, we carry those loans at the lower of cost or fair value.
- Derivatives, which we make limited use of in order to manage interest rate, foreign exchange and price risk and credit exposure. The derivatives we use consist primarily of interest rate swaps, treasury rate locks, forward contracts, futures contracts, warrants, put options, and credit default swaps. Derivative assets are recorded in investments and derivative liabilities are recorded in accrued expenses and other current liabilities on our Consolidated Balance Sheets and reflected at fair value. When we enter into a derivative contract, if certain criteria are met, we may designate it as one of the following: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment; a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability; or a foreign currency fair value or cash flow hedge.

Net Investment Income
Net investment income on investments supporting Health Care and Group Insurance liabilities and Large Case Pensions products (other than experience-rated and discontinued products) is reflected in our operating results.

Experience-rated products are products in the Large Case Pensions business where the contract holder, not us, assumes investment and other risks, subject to, among other things, minimum guarantees provided by us. The effect of investment

performance on experience-rated products is allocated to contract holders' accounts daily, based on the underlying investment experience and, therefore, does not impact our operating results (as long as our minimum guarantees are not triggered).

When we discontinued the sale of our fully-guaranteed Large Case Pensions products, we established a reserve for anticipated future losses from these discontinued products and segregated the related investments. Investment performance on this separate portfolio is ultimately credited/charged to the reserve and, generally, does not impact our operating results.

Net investment income supporting Large Case Pensions' experience-rated and discontinued products is included in net investment income in our Consolidated Statements of Income and is credited to contract holders' accounts or the reserve for anticipated future losses through a charge to current and future benefits.

Realized/Unrealized Capital Gains and Losses
Realized capital gains and losses on investments supporting Health Care and Group Insurance liabilities and Large Case Pensions products (other than experience-rated and discontinued products) are reflected in our operating results. Realized capital gains and losses are determined on a specific identification basis. We reflect purchases and sales of debt and equity securities and alternative investments on the trade date. We reflect purchases and sales of mortgage loans and investment real estate on the closing date.

Realized capital gains and losses on investments supporting Large Case Pensions' experience-rated and discontinued products are not included in realized capital gains and losses in our Consolidated Statements of Income and instead are credited directly to contract holders' accounts, in the case of experience-rated products, or allocated to the reserve for anticipated future losses, in the case of discontinued products. The contract holders' accounts are reflected in policyholders' funds, and the reserve for anticipated future losses is reflected in future policy benefits on our Consolidated Balance Sheets.

Unrealized capital gains and losses on investments supporting Health Care and Group Insurance liabilities and Large Case Pensions products (other than experience-rated and discontinued products) are reflected in shareholders' equity, net of tax, as a component of accumulated other comprehensive loss.

Unrealized capital gains and losses on investments supporting Large Case Pensions' experience-rated products are credited directly to contract holders' accounts, which are reflected in policyholders' funds on our Consolidated Balance Sheets. Unrealized capital gains and losses on discontinued products are reflected in other long-term liabilities on our Consolidated Balance Sheets.

Refer to Note 19 for additional information on our discontinued products.

Premium Receivables
Premium receivables include the uncollected amounts from fully-insured groups, individuals and government programs and are reported net of an allowance for estimated terminations and uncollectible accounts of $381 million and $139 million at December 31, 2017 and 2016, respectively. We estimate the allowance for estimated terminations and uncollectible accounts using management's best estimate of collectability, taking into consideration the age of the outstanding amount, historical collection patterns and other economic factors. For details on our Medicare Part D Prescription Drug Program Plans ("Medicare Part D") receivables at December 31, 2017 and 2016, refer to the "*Accounting for Medicare Part D*" section below.

Our premium receivable balance at December 31, 2017 from the State of Illinois was approximately $350 million. The State of Illinois experienced budget difficulties which contributed to the state being delinquent in paying certain of our premiums and fees. Given our significant cash collections during the fourth quarter of 2017 of approximately $960 million, the State of Illinois budget and bond issuance, a federal judge's ruling that prioritized Medicaid payments and the federal government's match of a percentage of payments made by the state to managed care organizations under the state's Medicaid program, we continue to believe the amounts due to us are collectible.

Other Receivables
Other receivables include uncollected amounts from self-funded groups, pharmacy rebates, other government receivables, proceeds due from brokers on investment trades, provider advances and other miscellaneous amounts due to us. These receivables are reported net of an allowance for uncollectible accounts of $74 million and $37 million at December 31, 2017 and 2016, respectively. We estimate the allowance for uncollectible accounts using management's best estimate of collectability, taking into consideration the age of the outstanding amount, historical collection patterns and other economic factors. Pharmacy rebate receivables were $1.0 billion and $916 million at December 31, 2017 and 2016, respectively. For

details on our Medicare Part D receivables at December 31, 2017 and 2016, refer to the "*Accounting for Medicare Part D"* section below.

Reinsurance Recoverables

We utilize reinsurance agreements primarily to reduce our required capital and to facilitate the acquisition or disposition of certain insurance contracts (including the Group Insurance sale (as defined in Note 3)). Ceded reinsurance agreements permit us to recover a portion of our losses from reinsurers, although they do not discharge our primary liability as the direct insurer of the risks reinsured. Failure of reinsurers to indemnify us could result in losses; however, we do not expect charges for unrecoverable reinsurance to have a material effect on our operating results or financial position. We evaluate the financial condition of our reinsurers and monitor concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of our reinsurers. At December 31, 2017, our reinsurance recoverables consisted primarily of amounts due from third parties that are rated consistent with companies that are considered to have the ability to meet their obligations.

Health Care Contract Acquisition Costs

Health care benefits products included in our Health Care segment are cancelable by either the customer or the member monthly upon written notice. Acquisition costs related to our prepaid health care and health indemnity contracts are generally expensed as incurred. At December 31, 2017 and 2016, the balance of our deferred acquisition costs was $521 million and $412 million, respectively, comprised primarily of commissions paid on our Medicare Supplement products. Deferred acquisition costs are recorded as other current assets or other long-term assets on our Consolidated Balance Sheets and are amortized over the estimated life of the contracts. The amortization of deferred acquisition costs is recorded in general and administrative expenses in our Consolidated Statements of Income.

Goodwill and Other Acquired Intangible Assets

When we complete an acquisition, we apply the acquisition method of accounting, which requires the recognition of goodwill (which represents the excess cost of the acquisition over the fair value of net assets acquired and identified intangible assets). We evaluate goodwill for impairment (at the reporting unit level) annually, or more frequently if circumstances indicate a possible impairment, by comparing an estimate of the fair value of the applicable reporting unit to its carrying value, including goodwill. If the carrying value exceeds fair value, we have historically compared the implied fair value of the applicable goodwill to its carrying amount to measure the amount of goodwill impairment, if any. Effective January 1, 2017, we adopted, on a prospective basis, new accounting guidance which simplifies the accounting for goodwill impairment. The new guidance eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. A goodwill impairment charge would be recognized if the carrying amount of a reporting unit exceeds the estimated fair value of the reporting unit. The fair value of each reporting unit substantially exceeded its carrying value in each of the three years ended December 31, 2017, 2016, or 2015, and no goodwill impairment loss was recognized in any of those years. In conjunction with the Group Insurance sale, which included a substantial portion of our Group Insurance business, the goodwill allocated to our Group Insurance segment of $113 million was included in the calculation of the total gain on the sale, with a corresponding reduction of the goodwill balance.

Our annual impairment tests were based on an evaluation of future discounted cash flows. These evaluations utilized the best information available to us at the time, including supportable assumptions and projections we believe are reasonable. Collectively, these evaluations were our best estimates of projected future cash flows. Our discounted cash flow evaluations used discount rates that correspond to a weighted-average cost of capital consistent with a market-participant view. The discount rates are consistent with those used for investment decisions and take into account the operating plans and strategies of our reporting units. Certain other key assumptions utilized, including changes in membership, revenue, health care costs, operating expenses, impacts of health care reform fees, assessments and taxes, and effective tax rates, are based on estimates consistent with those utilized in our annual planning process that we believe are reasonable. If we do not achieve our earnings objectives, the assumptions and estimates underlying these goodwill impairment evaluations could be adversely affected, and we may impair a portion of our goodwill, which would adversely affect our operating results in the period of impairment.

We report other acquired intangible assets at historical cost, net of accumulated amortization. Other acquired intangible assets primarily relate to provider networks, customer lists, value of business acquired ("VOBA"), technology and trademarks and are amortized over the useful-life based upon the pattern of future cash flows attributable to the asset. Other than VOBA and indefinite lived trademarks, other acquired intangible assets generally are amortized using the straight-line method. VOBA is amortized over the expected life of the acquired contracts in proportion to estimated premiums. Other intangible assets with indefinite lives are not amortized but are tested for impairment at least annually.

We regularly evaluate whether events or changes in circumstances indicate that the carrying value of other acquired intangible assets may not be recoverable. If we determine that the carrying value of an asset may not be recoverable, we group the asset

with other assets and liabilities at the lowest level for which independent identifiable cash flows are available and estimate the future undiscounted cash flows expected to result from future use of the asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying value of the asset group, we recognize an impairment loss for the amount by which the carrying value of the asset group exceeds its fair value. There were no material impairment losses on other acquired intangible assets recognized in any of the three years ended December 31, 2017, 2016 or 2015.

Property and Equipment

We report property and equipment at historical cost, net of accumulated depreciation. At December 31, 2017 and 2016, the historical cost of property and equipment was approximately $1.5 billion and $1.4 billion, respectively, and the related accumulated depreciation was $893 million and $851 million, respectively. We calculate depreciation primarily using the straight-line method over the estimated useful lives of the respective assets, which range from 10 to 40 years for buildings and 3 to 10 years for equipment. Depreciation expense was $118 million, $125 million and $131 million for the years ended December 31, 2017, 2016 and 2015, respectively. If we determine the carrying value of our property and equipment is not recoverable, an impairment charge is recorded. There were no material impairment losses on property and equipment recognized in any of the three years ended December 31, 2017, 2016 or 2015.

Separate Accounts

Separate Accounts assets and liabilities in the Large Case Pensions segment represent funds maintained to meet specific objectives of contract holders who bear the investment risk. These assets and liabilities are carried at fair value. Net investment income and net realized capital gains and losses accrue directly to such contract holders. The assets of each account are legally segregated and are not subject to claims arising from our other businesses. Deposits, withdrawals, net investment income and net realized and net unrealized capital gains and losses on Separate Accounts assets are not reflected in our Consolidated Statements of Income or Cash Flows. Management fees charged to contract holders are included in fees and other revenue and recognized over the period earned.

Health Care Costs Payable

Health care costs payable consist principally of unpaid fee-for-service medical, dental and pharmacy claims, capitation costs, other amounts due to health care providers pursuant to risk-sharing arrangements related to the Health Care segment's Insured Commercial, Medicare and Medicaid products and accruals for state assessments. Unpaid health care claims include our estimate of payments we will make for (i) services rendered to our members but not yet reported to us and (ii) claims which have been reported to us but not yet paid, each as of the financial statement date (collectively, "IBNR") in our Health Care segment. Health care costs payable also include an estimate of the cost of services that will continue to be rendered after the financial statement date if we are obligated to pay for such services in accordance with contractual or regulatory requirements. Such estimates are developed using actuarial principles and assumptions which consider, among other things, historical and projected claim submission and processing patterns, assumed and historical medical cost trends, historical utilization of medical services, claim inventory levels, changes in membership and product mix, seasonality and other relevant factors. We reflect changes in these estimates in health care costs in our operating results in the period they are determined. Capitation costs represent contractual monthly fees paid to participating physicians and other medical providers for providing medical care, regardless of the volume of medical services provided to the member. Approximately 3% of our health care costs related to capitated arrangements in 2017 and approximately 4% of our health care costs related to capitated arrangements in both 2016 and 2015. Amounts due under risk-sharing arrangements are based on the terms of the underlying contracts with the providers and consider claims experience under the contracts through the financial statement date.

We develop our estimate of IBNR using actuarial principles and assumptions that consider numerous factors. Of those factors, we consider the analysis of historical and projected claim payment patterns (including claims submission and processing patterns) and the assumed health care cost trend rate (the year-over-year change in per member per month health care costs) to be the most critical assumptions. In developing our estimate of IBNR, we consistently apply these actuarial principles and assumptions each period, with consideration to the variability of related factors. There have been no significant changes to the methodologies or assumptions used to develop our estimate of IBNR in 2017.

We analyze historical claim payment patterns by comparing claim incurred dates (i.e., the date services were provided) to claim payment dates to estimate "completion factors." We use completion factors predominantly to estimate the ultimate cost of claims incurred more than three months before the financial statement date. We estimate completion factors by aggregating claim data based on the month of service and month of claim payment and estimating the percentage of claims incurred for a given month that are complete by each month thereafter. For any given month, substantially all claims are paid within six months of the date of service, but it can take up to 48 months or longer after the date of service before all of the claims are completely resolved and paid. These historically-derived completion factors are then applied to claims paid through the financial statement date to estimate the ultimate claim cost for a given month's incurred claim activity. The difference between the estimated ultimate claim cost and the claims paid through the financial statement date represents our estimate of claims

remaining to be paid as of the financial statement date and is included in our health care costs payable. We use completion factors predominantly to estimate the ultimate cost of claims with claim incurred dates greater than three months prior to the financial statement date. The completion factors we use reflect judgments and possible adjustments based on data such as claim inventory levels, claim submission and processing patterns and, to a lesser extent, other factors such as changes in health care cost trend rates, changes in membership and changes in product mix. If claims are submitted or processed on a faster (slower) pace than prior periods, the actual claims may be more (less) complete than originally estimated using our completion factors, which may result in reserves that are higher (lower) than the ultimate cost of claims.

Because claims incurred within three months before the financial statement date are less mature, we use a combination of historically-derived completion factors and the assumed health care cost trend rate to estimate the ultimate cost of claims incurred for these months. We apply our actuarial judgment and place a greater emphasis on the assumed health care cost trend rate for the most recent claim incurred dates as these months may be influenced by seasonal patterns and changes in membership and product mix.

Our health care cost trend rate is affected by changes in per member utilization of medical services as well as changes in the unit cost of such services. Many factors influence the health care cost trend rate, including our ability to manage health care costs through product design, negotiation of favorable provider contracts and medical management programs, as well as the mix of our business. The health status of our members, aging of the population and other demographic characteristics, advances in medical technology and other factors continue to contribute to rising per member utilization and unit costs. Changes in health care practices, inflation, new technologies, increases in the cost of prescription drugs (including specialty pharmacy drugs), direct-to-consumer marketing by pharmaceutical companies, clusters of high-cost cases, claim intensity, changes in the regulatory environment, health care provider or member fraud and numerous other factors also contribute to the cost of health care and our health care cost trend rate.

For each reporting period, we use an extensive degree of judgment in the process of estimating our health care costs payable. As a result, considerable variability and uncertainty is inherent in such estimates, particularly with respect to claims with claim incurred dates of three months or less before the financial statement date; and the adequacy of such estimates is highly sensitive to changes in assumed completion factors and the assumed health care cost trend rates. For each reporting period we recognize the actuarial best estimate of health care costs payable considering the potential volatility in assumed completion factors and health care cost trend rates, as well as other factors. We believe our estimate of health care costs payable is reasonable and adequate to cover our obligations at December 31, 2017; however, actual claim payments may differ from our estimates. A worsening (or improvement) of our health care cost trend rates or changes in completion factors from those that we assumed in estimating health care costs payable at December 31, 2017 would cause these estimates to change in the near term, and such a change could be material.

Each quarter, we re-examine previously established health care costs payable estimates based on actual claim payments for prior periods and other changes in facts and circumstances. Given the extensive degree of judgment in this estimate, it is possible that our estimates of health care costs payable could develop either favorably (that is, our actual health care costs for the period were less than we estimated) or unfavorably. The changes in our estimate of health care costs payable may relate to a prior quarter, prior year or earlier periods. For our roll forward of our health care costs payable, refer to Note 7. Our reserving practice is to consistently recognize the actuarial best estimate of our ultimate liability for health care costs payable.

Unpaid claims

Unpaid claims consist primarily of reserves associated with certain short-duration group disability and term life insurance contracts in the Group Insurance segment, including an estimate for IBNR in our Group Insurance segment as of the financial statement date. Reserves associated with certain short-duration group disability and term life insurance contracts are based upon our estimate of the present value of future benefits, which is based on assumed investment yields and assumptions regarding mortality, morbidity and recoveries from the U.S. Social Security Administration. We develop our estimate of IBNR using actuarial principles and assumptions which consider, among other things, contractual requirements, claim incidence rates, claim recovery rates, seasonality and other relevant factors. We discount certain claim liabilities related to group long-term disability and life insurance waiver of premium contracts. The discount rates generally reflect our expected investment returns for the investments supporting all incurral years of these liabilities. The discount rates for retrospectively-rated contracts are set at contractually specified levels. Our estimates of unpaid claims are subject to change due to changes in the underlying experience of the insurance contracts, changes in investment yields or other factors, and these changes are recorded in current and future benefits in our Consolidated Statements of Income in the period they are determined. Substantially all of our life and disability insurance liabilities have been fully ceded to unrelated third parties through indemnity reinsurance agreements, however we remain directly obligated to the policyholders.

We estimate our reserve for claims IBNR for life products largely based on completion factors. The completion factors we use are based on our historical experience and reflect judgments and possible adjustments based on data such as claim inventory levels, claim payment patterns, changes in business volume and other factors. If claims are submitted or processed on a faster (slower) pace than historical periods, the actual claims may be more (less) complete than originally estimated using our completion factors, which may result in reserves that are higher (lower) than required to cover future life benefit payments. At December 31, 2017, we held $239 million in reserves for life claims incurred but not yet reported to us.

There have been no significant changes to the methodologies or assumptions used to develop our estimate of IBNR in 2017.

Future policy benefits

Future policy benefits consist primarily of reserves for limited payment pension and annuity contracts in the Large Case Pensions segment and long-duration group life and long-term care insurance contracts in the Group Insurance segment. Reserves for limited payment contracts are computed using actuarial principles that consider, among other things, assumptions reflecting anticipated mortality, retirement, expense and interest rate experience. Such assumptions generally vary by plan, year of issue and policy duration. Assumed interest rates on such contracts ranged from .8% to 11.3% in both 2017 and 2016. We periodically review mortality assumptions against both industry standards and our experience. Reserves for long-duration group life and long-term care contracts represent our estimate of the present value of future benefits to be paid to or on behalf of policyholders less the present value of future net premiums. Assumed interest rates on such contracts ranged from 2.5% to 6.0% in 2017. Assumed interest rates on such contracts ranged from 2.5% to 8.8% in 2016. Our estimate of the present value of future benefits under such contracts is based upon mortality, morbidity and interest rate assumptions.

Policyholders' funds

Policyholders' funds consist primarily of reserves for pension and annuity investment contracts in the Large Case Pensions segment and customer funds associated with group life and health contracts in the Health Care and Group Insurance segments. Reserves for such contracts are equal to cumulative deposits less withdrawals and charges plus credited interest thereon, net of experience-rated adjustments. In 2017, interest rates for pension and annuity investment contracts ranged from 3.5% to 15.4%, and interest rates for group life and health contracts ranged from 0% to 2.3%. In 2016, interest rates for pension and annuity investment contracts ranged from 3.5% to 15.9%, and interest rates for group life and health contracts ranged from 0% to 2.4%. Reserves for contracts subject to experience rating reflect our rights as well as the rights of policyholders and plan participants.

We also hold funds for health savings accounts ("HSAs") on behalf of members associated with high deductible health plans. These amounts are held to pay for qualified health care expenses incurred by these members. The HSA balances were approximately $1.9 billion and $1.7 billion at December 31, 2017 and 2016, respectively, and are reflected in other current assets with a corresponding liability in policyholder funds.

We review health care and other insurance liabilities periodically. We reflect any necessary adjustments during the current period in operating results. While the ultimate amount of claims and related expenses are dependent on future developments, it is management's opinion that the liabilities that have been established are adequate to cover such costs. The health care and other insurance liabilities that are expected to be paid within twelve months are classified as current on our Consolidated Balance Sheets.

Premium Deficiency Reserves

We evaluate our insurance contracts to determine if it is probable that a loss will be incurred. We recognize a premium deficiency loss when it is probable that expected future claims, including maintenance costs (for example, direct costs such as claim processing costs), will exceed existing reserves plus anticipated future premiums and reinsurance recoveries. Anticipated investment income is considered in the calculation of premium deficiency losses for short-duration contracts. For purposes of determining premium deficiency losses, contracts are grouped consistent with our method of acquiring, servicing and measuring the profitability of such contracts. We established a premium deficiency reserve of $16 million at December 31, 2017 for the 2018 coverage year related to our Medicaid products. We did not have any material premium deficiency reserves for our Health Care or Group Insurance business at December 31, 2016.

Revenue Recognition

Premium Revenue

Health care premiums are recognized as income in the month in which the enrollee is entitled to receive health care services. Health care premiums are reported net of an allowance for estimated terminations and uncollectible amounts. Additionally, premium revenue subject to the ACA's minimum Medical Loss Ratio ("MLR") rebate requirements is recorded net of the estimated minimum MLR rebates for the current calendar year. Other premium revenue for group life, long-term care and disability products is recognized as income, net of allowances for termination and uncollectible accounts, over the term of the

coverage. Other premium revenue for Large Case Pensions' limited payment pension and annuity contracts is recognized as revenue in the period received. Premiums related to unexpired contractual coverage periods are reported as unearned premiums in our Consolidated Balance Sheets and recognized as revenue when earned.

Some of our contracts allow for premiums to be adjusted to reflect actual experience or the relative health status of members. Such adjustments are reasonably estimable at the outset of the contract, and adjustments to those estimates are made based on actual experience of the customer emerging under the contract and the terms of the underlying contract.

Administrative Service Contract ("ASC") Fees
Fees and other revenue consists primarily of ASC fees which are received in exchange for performing certain claim processing and member services for health and disability members and are recognized as revenue over the period the service is provided. Fees and other revenue also includes fees related to our pharmacy benefit management and workers' compensation administrative services products and services. Some of our contracts include guarantees with respect to certain functions, such as customer service response time, claim processing accuracy and claim processing turnaround time, as well as certain guarantees that a plan sponsor's benefit claim experience will fall within a certain range. With any of these guarantees, we are financially at risk if the conditions of the arrangements are not met, although the maximum amount at risk is typically limited to a percentage of the fees otherwise payable to us by the customer involved. Each period we estimate our obligations under the terms of these guarantees and record it as an offset to our ASC fees.

In addition, fees and other revenue also include charges assessed against contract holders' funds for contract fees, participant fees and asset charges related to pension and annuity products in the Large Case Pensions segment. Other amounts received on pension and annuity investment-type contracts are reflected as deposits and are not recorded as revenue. Some of our Large Case Pensions contract holders have the contractual right to purchase annuities with life contingencies using the funds they maintain on deposit with us. Since these products are considered an insurance contract, when the contract holder makes this election, we treat the accumulated investment balance as a single premium and reflect it as both premiums and current and future benefits in our Consolidated Statements of Income.

Accounting for Medicare Part D
We offer Medicare Part D prescription drug insurance coverage under contracts with the Centers for Medicare & Medicaid Services ("CMS"). Under these annual contracts, we receive monthly payments from CMS and members which include:

- *Premiums:* CMS pays us a fixed monthly per member premium over the term of our annual contract. In addition, certain members pay us a fixed monthly premium over the term of our annual contract. For qualifying low-income Medicare beneficiaries, CMS pays us all or a portion of the member's monthly premiums. The payments we receive monthly from CMS and members, which are determined from our annual bid, represent amounts we are paid for providing Medicare Part D prescription drug insurance coverage. We recognize premium revenue for providing this insurance coverage ratably over the term of our annual contract.
- *Risk-Sharing Arrangement:* Our risk-sharing arrangement with CMS provides a risk corridor whereby the amount we received in premiums from members and CMS, based on our annual bid, is compared to our actual drug costs incurred during the contract year. Based on the risk corridor provision and Medicare Part D actual experience, we record an estimated risk-sharing receivable or payable as an adjustment to premium revenue. A final reconciliation and settlement of this risk sharing arrangement is made with CMS based on actual experience after the end of each contract year.
- *Catastrophic Reinsurance and Low-Income Cost Sharing Subsidies*: CMS pays us a cost reimbursement estimate monthly to fund the CMS obligation to pay its portion of prescription drug costs which exceed the member's out-of-pocket threshold. A final reconciliation and settlement is made with CMS based on actual experience after the end of each contract year. In addition, for qualifying low-income Medicare beneficiaries, CMS pays to us monthly, on the member's behalf, all or a portion of a member's cost sharing amounts (deductibles, coinsurance, etc.). We administer and pay the subsidized portion of the claims on behalf of CMS, and a final reconciliation and settlement of this cost sharing subsidy is made with CMS based on actual experience after the end of each contract year. These subsidies represent cost reimbursements under the Medicare Part D plans for which we are not at risk. Accordingly, the amounts received for these subsidies are not reflected as premium revenues, but rather are accounted for as receivables and liabilities.
- *Coverage Gap Drug Discount:* The ACA mandated a consumer discount on brand name prescription drugs for Medicare Part D participants in the coverage gap (the so-called "donut hole"). This discount is funded by CMS and pharmaceutical manufacturers while we administer the application of these funds. Accordingly, amounts received are not reflected as premium revenues, but rather are accounted for as deposits. We record a liability when amounts are received from CMS and a receivable when we bill the pharmaceutical manufacturers.

We expense the cost of Medicare Part D covered prescription drugs as incurred in medical costs in our Consolidated Statements of Income.

The Consolidated Balance Sheets include the following amounts associated with Medicare Part D at December 31, 2017 and 2016. CMS subsidies and discounts in the table below include the catastrophic reinsurance and low-income cost sharing subsidies funded by CMS for which we assume no risk as well as brand name prescription drug discounts for Medicare Part D participants in the coverage gap funded by CMS and pharmaceutical manufacturers.

	December 31, 2017		December 31, 2016	
(Millions)	Risk Share	CMS Subsidies/Discounts	Risk Share	CMS Subsidies/Discounts
Premium receivables, net	$ 148	$ —	$ 209	$ —
Other receivables, net	—	791	—	206
Other long-term assets	6	74	14	175
Total assets	154	865	223	381
Accrued expenses and other current liabilities	(1)	(20)	—	(656)
Other long-term liabilities	(8)	(39)	(22)	(33)
Total liabilities	(9)	(59)	(22)	(689)
Total net assets (liabilities)	$ 145	$ 806	$ 201	$ (308)

Health Care Reform

Health Insurer Fee

Since January 1, 2014, the ACA imposes an annual premium-based health insurer fee ("HIF") for each calendar year payable in September which is not deductible for tax purposes. We are required to estimate a liability for the HIF at the beginning of the calendar year in which the fee is payable with a corresponding deferred asset that is amortized ratably to general and administrative expense over the calendar year. We record the liability for the health insurer fee in accrued expenses and other current liabilities and record the deferred asset in other current assets in our consolidated financial statements. In December 2015, the Consolidated Appropriation Act was enacted, which included a one year suspension of the HIF for 2017. Accordingly, there was no expense related to the HIF in 2017. In 2016 and 2015, general and administrative expense includes $837 million and $857 million, respectively, related to our share of the HIF. In January 2018 the HIF was suspended for 2019.

Public Exchanges

Through December 31, 2017, we participated in certain public health insurance exchanges ("Public Exchanges") established pursuant to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, the "ACA"). Under regulations established by the U.S. Department of Health and Human Services ("HHS"), HHS pays us a portion of the premium ("Premium Subsidy") and through September 30, 2017, paid a portion of the health care costs ("Cost Sharing Subsidy") for low-income individual Public Exchange members. In addition, HHS administers the 3Rs risk management programs. The ACA's temporary reinsurance and risk corridor programs expired at the end of 2016.

We recognize monthly premiums received from Public Exchange members and the Premium Subsidy as premium revenue ratably over the contract period. The Cost Sharing Subsidy offsets health care costs based on our estimate of the portion of claim costs incurred by our low income individual Public Exchange members that qualify for reimbursement by HHS. We record a liability or a receivable depending on whether qualifying health care costs incurred are less than or greater than the Cost Sharing Subsidy received to date.

Reinsurance

The ACA established a temporary reinsurance program that expired at the end of 2016. Under this program, all issuers of major medical commercial insurance products and self-insured plan sponsors were required to contribute funding in amounts set by HHS. Funds collected were utilized to reimburse issuers' high claims costs incurred for qualified individual members. The expense related to this required funding was reflected in general and administrative expenses for all of our insurance products with the exception of products associated with qualified individual members; this expense for qualified individual members was reflected as a reduction of premium revenue.

There was no expense recorded in 2017 related to our estimated contribution for the funding of the ACA's reinsurance program as the program expired at the end of 2016. In 2016 and 2015, our contribution to the funding of the ACA's reinsurance program

was $118 million and $210 million, respectively, which was recorded in general and administrative expenses. When annual claim costs incurred by our qualified individual members exceeded a specified attachment point, we were entitled to certain reimbursements from this program. We recorded a receivable and offset health care costs to reflect our estimate of these recoveries.

Risk Adjustment
The ACA established a permanent risk adjustment program to transfer funds from qualified individual and small group insurance plans with below average risk scores to plans with above average risk scores. Based on the risk of our qualified plan members relative to the average risk of members of other qualified plans in comparable markets, we estimate our ultimate risk adjustment receivable or payable for the current calendar year and reflect the pro-rata year-to-date impact as an adjustment to our premium revenue.

Risk Corridor
The ACA established a temporary risk sharing program that expired at the end of 2016 for qualified individual and small group insurance plans. Under this program we made (or received) a payment to (or from) HHS based on the ratio of allowable costs to target costs (as defined by the ACA). We recorded a risk corridor receivable or payable as an adjustment to premium revenue on a pro-rata year-to-date basis based on our estimate of the ultimate risk sharing amount for the current calendar year. At December 31, 2017 and 2016, we did not record any ACA risk corridor receivables related to the 2016 or 2015 program years or any amount in excess of HHS's announced pro-rated funding amount for the 2014 program year because payments from HHS are uncertain.

We expect to perform an annual final reconciliation and settlement with HHS of the 3Rs in each subsequent year. The final reconciliation and settlement with HHS of the 2014 and 2015 Cost Sharing Subsidies occurred in 2016 and 2017, respectively. The final reconciliation and settlement of the 2016 Cost Sharing Subsidy is scheduled to occur in 2018.

Refer to Note 8 for additional information related to the 3Rs.

Selling Expenses
Selling expenses include broker commissions, the variable component of our internal sales force compensation and premium taxes.

Stock-Based Compensation
We record compensation expense for stock-based awards over their vesting periods primarily based on the estimated fair value at the grant date. For stock appreciation rights ("SARs"), the fair value is estimated using the Black-Scholes option-pricing model. For restricted stock units ("RSUs") and performance stock units ("PSUs"), the fair value is equal to the market price of the Company's common stock on the date of grant. For market stock units ("MSUs") and performance stock appreciation rights ("PSARs"), the fair value is estimated using Monte Carlo simulations. Stock-based compensation expense is recorded in general and administrative expenses in our Consolidated Statements of Income. Refer to Note 12 for additional information related to our stock-based employee incentive plans.

Income Taxes
We are taxed at the statutory corporate income tax rates after adjusting income reported for financial statement purposes for certain items. We recognize deferred income tax assets and liabilities for the differences between the financial and income tax reporting basis of assets and liabilities based on enacted tax rates and laws. Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. Deferred income tax expense or benefit primarily reflects the net change in deferred income tax assets and liabilities during the year.

Our current income tax provision reflects the tax results of revenues and expenses currently taxable or deductible. Penalties and interest on our tax positions are classified as a component of our income tax provision.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was enacted. Among other things, the TCJA reduced the federal corporate income tax rate to 21 percent effective January 1, 2018. Accordingly, we remeasured our deferred tax assets and liabilities as of the enactment date to reflect the lower tax rate and recognized an incremental tax expense of $99 million related to the reduction in our net deferred tax assets during the year ended December 31, 2017. The accounting for certain income tax effects of the TCJA was considered provisional at December 31, 2017, including the assessment of the mandatory repatriation of foreign earnings, the minimum tax on global intangible low-taxed income and the assertion of permanent reinvestment of foreign earnings. Accordingly, the items were recorded at a reasonable estimate at December 31, 2017. Measurement period adjustments will be recorded, as necessary, as adjustments to income tax expense from continuing operations.

Measurement of Defined Benefit Pension and Other Postretirement Employee Benefit ("OPEB") Plans

We sponsor defined benefit pension plans ("pension plans") and OPEB plans for our employees and retirees. We recognize the funded status of our pension plans and OPEB plans on our Consolidated Balance Sheets based on our year-end measurements of plan assets and benefit obligations. Prepaid pension and OPEB benefits represent prepaid costs related to our pension plans and are reported with other current and long-term assets. Liabilities associated with pension plans and OPEB plans are reported within current and other long-term liabilities based on the amount by which the actuarial present value of benefits payable in the next twelve months included in the benefit obligation exceeds the fair value of plan assets.

Earnings Per Share

We calculate basic earnings per share based on the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated based on the weighted average number of common shares outstanding plus the dilutive effect of outstanding SARs, MSUs, PSUs, RSUs and PSARs using the treasury stock method. Refer to Notes 12 and 15 for additional information.

New Accounting Standards

Accounting for Financial Instruments - Hedge Accounting

During the third quarter of 2017, we elected to early adopt new accounting guidance which simplifies the application of hedge accounting. The new guidance expands our ability to hedge non-financial and financial risk components, eliminates the requirement to separately measure and report hedge ineffectiveness, requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item and simplifies certain documentation and assessment requirements. The adoption of this new guidance did not have a material impact on our financial position or operating results.

Simplifying the Test for Goodwill Impairment

Effective January 1, 2017, we adopted, on a prospective basis, new accounting guidance which simplifies the accounting for goodwill impairment. The new guidance eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. A goodwill impairment charge would be recognized if the carrying amount of a reporting unit exceeds the estimated fair value of the reporting unit. The adoption of this new guidance did not have a material impact on our financial position or operating results.

Classification of Certain Cash Receipts and Cash Payments in the Consolidated Statements of Cash Flows

Effective January 1, 2017, we adopted, on a retrospective basis, new accounting guidance which clarifies the classification of certain cash receipts and cash payments in our Consolidated Statements of Cash Flows. As a result, we classified $54 million of cash distributions received from our partnership investments as cash inflows from operating activities for the year ended December 31, 2017, that previously would have been classified as cash inflows from investing activities. There were no material reclassifications in our Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015 as a result of the adoption of this new guidance.

Future Application of Accounting Standards

Revenue from Contracts with Customers

Effective January 1, 2018, we adopted new accounting guidance related to revenue recognition from contracts with customers. While industry-specific guidance related to contracts with customers within the scope of *Accounting Standards Codification ("ASC") 944 Financial Services - Insurance* remains unchanged, most other industry-specific revenue recognition requirements have been removed. The new guidance requires that an entity recognize revenue for the transfer of goods or services to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. We adopted the new guidance using the modified retrospective approach. The new guidance only impacted contracts with customers outside of the scope of ASC Topic 944. We expect an increase to revenue and expenses within an expected range of approximately $1.5 billion to $2.0 billion for 2018 related to modifications to principal versus agent guidance for our home delivery and specialty pharmacy operations. We do not anticipate any material changes in the timing of our recognition of revenue or net income.

Recognition and Measurement of Financial Assets and Financial Liabilities

Effective January 1, 2018, we adopted new accounting guidance related to the recognition and measurement of financial assets and financial liabilities. Under the new guidance, all equity investments in unconsolidated entities will be measured at fair value with changes in fair value recognized in net income. We may elect to report equity investments without a readily determinable fair value at cost less impairment, plus or minus subsequent adjustments for observable price changes. The new

guidance also revises certain disclosures regarding financial assets and liabilities. The adoption of this new guidance did not have a material impact on our financial position or operating results.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost
Effective January 1, 2018, we adopted, on a retrospective basis, new accounting guidance related to the presentation of net periodic pension costs and net periodic postretirement benefit costs. Under the new guidance, the service cost component is required to be reported in the same income statement line item as other employee compensation costs for services rendered during the period. The other components of net periodic benefit cost are required to be presented in the income statement separately from the service cost component and outside of a subtotal of income from operations. The net periodic benefit costs for the Company's pension and other postretirement employee benefit plans do not contain a service cost component as these defined benefit plans have been frozen for an extended period of time. The adoption of this new guidance did not have a material impact on our financial position or operating results.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income
New accounting guidance was issued related to the reclassification of certain tax effects from accumulated other comprehensive income to retained earnings. The new guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA. The new guidance is effective January 1, 2019, with early adoption permitted. We are still evaluating whether we will adopt the new guidance as well as the impact of the adoption of this new guidance on our financial position and operating results.

Leases
Effective January 1, 2019, we will adopt new accounting guidance related to the recognition, measurement and disclosure requirements for leases. Under the new guidance, lessees will be required to recognize a right-of-use asset and corresponding lease liability on their Consolidated Balance Sheets for all leases other than those that meet the definition of a short-term lease. The new guidance also revises certain disclosure requirements regarding leases. While we are still evaluating the impact of adoption of this new guidance, we anticipate that we will be required to record an asset and corresponding liability related to our operating leases (as described in Note 17) on our Consolidated Balance Sheets. The adoption of this new guidance is not expected to have a material impact on our operating results.

Accounting for Interest Associated with the Purchase of Callable Debt Securities
Effective January 1, 2019, we will adopt new accounting guidance related to the amortization of purchased callable debt securities held at a premium. Under the new guidance, premiums on callable debt securities are amortized to the earliest call date rather than to the contractual maturity date. Callable debt securities held at a discount will continue to be amortized to the contractual maturity date. We are still evaluating the impact of the adoption of this new guidance on our financial position and operating results.

Measurement of Credit Losses on Financial Instruments
Effective January 1, 2020, we will adopt new accounting guidance related to the measurement of credit losses on financial assets and certain other instruments. The new guidance requires the use of a new forward-looking expected loss impairment model for trade and other receivables, held-to-maturity debt securities, loans and other instruments. The new guidance also requires impairments and recoveries for available-for-sale debt securities to be recorded through an allowance account and revises certain disclosure requirements. We are still evaluating the impact of the adoption of this new guidance on our financial position and operating results.

3. Acquisition, Divestiture, Terminated Acquisition and Terminated Divestiture

Proposed Acquisition by CVS Health
On December 3, 2017, we entered into a definitive agreement (the "CVS Merger Agreement") under which CVS Health Corporation ("CVS Health") will acquire all of our outstanding shares for a combination of cash and stock. Under terms of the agreement, our shareholders will receive $145 in cash and 0.8378 of a CVS Health common share for each of our common shares. The proposed transaction (the "CVS Health Transaction") is subject to customary closing conditions, including the approval and adoption of the CVS Merger Agreement by our shareholders, the approval of the issuance of CVS Health shares in the transaction by CVS Health stockholders, expiration of the federal Hart-Scott-Rodino anti-trust waiting period and approvals of certain state departments of insurance and other regulators. On February 1, 2018, Aetna and CVS Health each received a request for additional information (also known as a "second request") from the U.S. Department of Justice (the "DOJ") in connection with the DOJ's review of the transactions contemplated by the CVS Merger Agreement. The CVS Health Transaction is expected to close in the second half of 2018.

Divestiture of Group Life Insurance, Group Disability Insurance, and Absence Management Businesses

On November 1, 2017, we completed the sale of a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance and absence management businesses (the "Group Insurance sale") to HLAIC for cash consideration of $1.45 billion. The transaction was accomplished through an indemnity reinsurance arrangement, under which HLAIC contractually assumed certain of our policyholder liabilities and obligations, although we remain directly obligated to policyholders. Assets related to and supporting the reinsured life and disability insurance policies were transferred to a trust established by HLAIC for our benefit, and we recorded a reinsurance receivable from HLAIC. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The deferred gain liability was recorded in accrued expenses and other current liabilities and in other long-term liabilities on our Consolidated Balance Sheets, and the gain recognition is being recorded in fees and other revenue in our Consolidated Statements of Income.

Revenues for the businesses sold were $1.9 billion, $2.3 billion and $2.3 billion for the for the years ended December 31, 2017, 2016, and 2015, respectively. Income before income taxes for the businesses being sold were $104 million, $127 million and $187 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Terminated Acquisition of Humana

On July 2, 2015, we entered into a definitive agreement (the "Humana Merger Agreement") to acquire Humana Inc. ("Humana"). On July 21, 2016, the DOJ and certain state attorneys general filed a civil complaint in the U.S. District Court for the District of Columbia (the "District Court") against us and Humana charging that our acquisition of Humana (the "Humana Transaction") would violate Section 7 of the Clayton Antitrust Act, and seeking a permanent injunction to prevent Aetna from acquiring Humana. On January 23, 2017, the District Court granted the DOJ's request to enjoin the Humana Transaction.

On February 14, 2017, Aetna and Humana entered into a mutual termination agreement (the "Termination Agreement") pursuant to which the parties thereto (collectively the "Parties") agreed to terminate the Humana Merger Agreement, including all schedules and exhibits thereto, and all ancillary agreements contemplated thereby, entered pursuant thereto or entered in connection therewith (other than certain confidentiality agreements) (collectively with the Humana Merger Agreement, the "Transaction Documents"), effective immediately as of February 14, 2017 (the "Termination Date"). Under the Termination Agreement, Aetna agreed to pay Humana the Regulatory Termination Fee (as defined in the Humana Merger Agreement) of $1.0 billion in cash in full satisfaction of any amounts required to be paid by Aetna under the Humana Merger Agreement. The Parties also agreed to release each other from any and all liability, claims, rights, actions, causes of action, suits, liens, obligations, accounts, debts, demands, agreements, promises, liabilities, controversies, costs, charges, damages, expenses and fees, however arising, in connection with, arising out of or related to the Transaction Documents, the transactions contemplated therein or thereby or certain related matters. We paid Humana the Regulatory Termination Fee on February 16, 2017 and recorded the expense in general and administrative expenses. We funded that payment with the proceeds of the 2016 senior notes (as defined below).

In June 2016, we issued $13.0 billion of senior notes to partially fund the Humana Transaction (collectively, the "2016 senior notes"). In accordance with the terms of the 2016 senior notes, on February 14, 2017, we issued a notice of redemption for $10.2 billion aggregate principal amount of certain of the 2016 senior notes (collectively, the "Special Mandatory Redemption Notes") at a redemption price equal to 101% of the aggregate principal amount of those notes plus accrued and unpaid interest. We redeemed the Special Mandatory Redemption Notes on March 16, 2017, and we funded the redemption with the proceeds of the 2016 senior notes. As a result of the redemption of the Special Mandatory Redemption Notes, we recognized certain costs in our net income during the year ended December 31, 2017. Refer to Note 9 for additional information.

Terminated Divestiture to Molina

In order to address the DOJ's perceived competitive concerns regarding Medicare Advantage relating to the Humana Transaction, on August 2, 2016, we entered into a definitive agreement (the "Aetna APA") to sell for cash to Molina Healthcare, Inc. ("Molina") certain of our Medicare Advantage assets. On February 14, 2017, Aetna and Molina entered into a Termination Agreement (the "APA Termination Agreement") pursuant to which Aetna terminated the Aetna APA, including all schedules and exhibits thereto, and all ancillary agreements contemplated thereby or entered pursuant thereto. Under the APA Termination Agreement, Aetna agreed to pay Molina in cash (a) a termination fee of $53 million and (b) approximately 70% of Molina's transaction costs. We paid Molina the termination fee on February 16, 2017 and the applicable transaction costs of $7 million on February 27, 2017 and recorded the expense in general and administrative expenses. The payments were funded with the proceeds of the 2016 senior notes.

4. Investments

Total investments at December 31, 2017 and 2016 were as follows:

	2017			2016		
(Millions)	**Current**	**Long-term**	**Total**	**Current**	**Long-term**	**Total**
Debt and equity securities available for sale	**$ 2,114**	**$ 14,906**	**$ 17,020**	$ 2,876	$ 18,866	$ 21,742
Mortgage loans	**166**	**1,330**	**1,496**	170	1,341	1,511
Other investments	**—**	**1,557**	**1,557**	—	1,626	1,626
Total investments	**$ 2,280**	**$ 17,793**	**$ 20,073**	$ 3,046	$ 21,833	$ 24,879

At December 31, 2017 and 2016, we held investments of $616 million and $657 million, respectively, related to the 2012 conversion of an existing group annuity contract from a participating to a non-participating contract. These investments are included in the total investments of our Large Case Pensions segment supporting non-experience-rated products. Although these investments are not accounted for as Separate Accounts assets, they are legally segregated and are not subject to claims that arise out of our business and only support our future policy benefits obligations under that group annuity contract. Refer to Note 2 for additional information.

Debt and Equity Securities

Debt and equity securities available for sale at December 31, 2017 and 2016 were as follows:

(Millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017				
Debt securities:				
U.S. government securities	**$ 1,319**	**$ 44**	**$ (1)**	**$ 1,362**
States, municipalities and political subdivisions	**3,287**	**116**	**(12)**	**3,391**
U.S. corporate securities	**6,886**	**388**	**(22)**	**7,252**
Foreign securities	**2,498**	**187**	**(7)**	**2,678**
Residential mortgage-backed securities	**570**	**5**	**(4)**	**571**
Commercial mortgage-backed securities	**641**	**3**	**(9)**	**635**
Other asset-backed securities	**1,031**	**8**	**(4)**	**1,035**
Redeemable preferred securities	**22**	**4**	**—**	**26**
Total debt securities	**16,254**	**755**	**(59)**	**16,950**
Equity securities	**60**	**12**	**(2)**	**70**
Total debt and equity securities [(1) (2)]	**$ 16,314**	**$ 767**	**$ (61)**	**$ 17,020**
December 31, 2016				
Debt securities:				
U.S. government securities	$ 1,643	$ 51	$ —	$ 1,694
States, municipalities and political subdivisions	5,047	152	(61)	5,138
U.S. corporate securities	8,145	385	(55)	8,475
Foreign securities	2,958	163	(33)	3,088
Residential mortgage-backed securities	793	11	(9)	795
Commercial mortgage-backed securities	1,382	5	(39)	1,348
Other asset-backed securities	1,077	7	(9)	1,075
Redeemable preferred securities	22	5	—	27
Total debt securities	21,067	779	(206)	21,640
Equity securities	84	20	(2)	102
Total debt and equity securities [(1) (2)]	$ 21,151	$ 799	$ (208)	$ 21,742

(1) At both December 31, 2017 and 2016, we held securities for which we previously recognized an immaterial amount of non-credit related impairments in accumulated other comprehensive loss. These securities each had an immaterial amount of net unrealized capital gains at both December 31, 2017 and 2016.

(2) Investment risks associated with our experience-rated and discontinued products generally do not impact our operating results (refer to Note 19 for additional information on our accounting for discontinued products). At December 31, 2017, debt and equity securities with a fair value of approximately $2.6 billion, gross unrealized capital gains of $202 million and gross unrealized capital losses of $9 million and, at December 31, 2016, debt and equity securities with a fair value of approximately $2.9 billion, gross unrealized capital gains of $195 million and gross unrealized capital losses of $35 million were included in total debt and equity securities, but support our experience-rated and discontinued products. Changes in net unrealized capital gains (losses) on these securities are not reflected in accumulated other comprehensive income.

The fair value of debt securities at December 31, 2017 is shown below by contractual maturity. Actual maturities may differ from contractual maturities because securities may be restructured, called or prepaid, or we intend to sell a security prior to maturity.

(Millions)	Amortized Cost	Fair Value
Due to mature:		
Less than one year	**$ 1,048**	**$ 1,055**
One year through five years	**5,559**	**5,665**
After five years through ten years	**3,503**	**3,614**
Greater than ten years	**3,902**	**4,375**
Residential mortgage-backed securities	**570**	**571**
Commercial mortgage-backed securities	**641**	**635**
Other asset-backed securities	**1,031**	**1,035**
Total	**$ 16,254**	**$ 16,950**

Mortgage-Backed and Other Asset-Backed Securities
All of our residential mortgage-backed securities at December 31, 2017 were issued by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and carry agency guarantees and explicit or implicit guarantees by the U.S. Government. At December 31, 2017, our residential mortgage-backed securities had an average credit quality rating of AAA and a weighted average duration of 4.5 years.

Our commercial mortgage-backed securities have underlying loans that are dispersed throughout the United States. Significant market observable inputs used to value these securities include loss severity and probability of default. At December 31, 2017, these securities had an average credit quality rating of AAA and a weighted average duration of 6.8 years.

Our other asset-backed securities have a variety of underlying collateral (e.g., automobile loans, credit card receivables, home equity loans and commercial loans). Significant market observable inputs used to value these securities include the unemployment rate, loss severity and probability of default. At December 31, 2017, these securities had an average credit quality rating of AA- and a weighted average duration of 1.0 years.

Summarized below are the debt and equity securities we held at December 31, 2017 and 2016 that were in an unrealized capital loss position, aggregated by the length of time the investments have been in that position:

(Millions, except number of securities)	Less than 12 months			Greater than 12 months			Total [1]		
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
December 31, 2017									
Debt securities:									
U.S. government securities	**77**	**$ 200**	**$ 1**	**14**	**$ 22**	**$ —**	**91**	**$ 222**	**$ 1**
States, municipalities and political subdivisions	**318**	**616**	**4**	**111**	**308**	**8**	**429**	**924**	**12**
U.S. corporate securities	**989**	**1,469**	**6**	**284**	**494**	**16**	**1,273**	**1,963**	**22**
Foreign securities	**262**	**419**	**3**	**91**	**194**	**4**	**353**	**613**	**7**
Residential mortgage-backed securities	**111**	**179**	**1**	**98**	**134**	**3**	**209**	**313**	**4**
Commercial mortgage-backed securities	**38**	**135**	**1**	**79**	**241**	**8**	**117**	**376**	**9**
Other asset-backed securities	**150**	**304**	**2**	**79**	**151**	**2**	**229**	**455**	**4**
Total debt securities	**1,945**	**3,322**	**18**	**756**	**1,544**	**41**	**2,701**	**4,866**	**59**
Equity securities	**2**	**2**	**—**	**7**	**7**	**2**	**9**	**9**	**2**
Total debt and equity securities [1]	**1,947**	**$ 3,324**	**$ 18**	**763**	**$ 1,551**	**$ 43**	**2,710**	**$ 4,875**	**$ 61**
December 31, 2016									
Debt securities:									
U.S. government securities	26	$ 39	$ —	1	$ 1	$ —	27	$ 40	$ —
States, municipalities and political subdivisions	865	2,228	58	37	75	3	902	2,303	61
U.S. corporate securities	1,428	2,277	44	114	101	11	1,542	2,378	55
Foreign securities	649	970	27	62	76	6	711	1,046	33
Residential mortgage-backed securities	188	455	8	104	17	1	292	472	9
Commercial mortgage-backed securities	285	1,038	39	3	3	—	288	1,041	39
Other asset-backed securities	226	403	4	208	177	5	434	580	9
Total debt securities	3,667	7,410	180	529	450	26	4,196	7,860	206
Equity securities	2	3	—	8	3	2	10	6	2
Total debt and equity securities [1]	3,669	$ 7,413	$ 180	537	$ 453	$ 28	4,206	$ 7,866	$ 208

[1] At December 31, 2017 and 2016, debt and equity securities in an unrealized capital loss position of $9 million and $35 million, respectively, and with related fair value of $517 million and $890 million, respectively, related to experience-rated and discontinued products.

We reviewed the securities in the tables above and concluded that they are performing assets generating investment income to support the needs of our business. In performing this review, we considered factors such as the quality of the investment security based on research performed by our internal credit analysts and external rating agencies and the prospects of realizing the carrying value of the security based on the investment's current prospects for recovery. At December 31, 2017, we did not intend to sell these securities, and we did not believe it was more likely than not that we would be required to sell these securities prior to anticipated recovery of their amortized cost basis.

The maturity dates for debt securities in an unrealized capital loss position at December 31, 2017 were as follows:

	Supporting discontinued and experience-rated products		Supporting remaining products		Total	
(Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Due to mature:						
Less than one year	**$ 2**	**$ —**	**$ 415**	**$ 1**	**$ 417**	**$ 1**
One year through five years	**119**	**—**	**1,890**	**18**	**2,009**	**18**
After five years through ten years	**170**	**3**	**675**	**10**	**845**	**13**
Greater than ten years	**97**	**3**	**354**	**7**	**451**	**10**
Residential mortgage-backed securities	**12**	**—**	**301**	**4**	**313**	**4**
Commercial mortgage-backed securities	**109**	**2**	**267**	**7**	**376**	**9**
Other asset-backed securities	**6**	**—**	**449**	**4**	**455**	**4**
Total	**$ 515**	**$ 8**	**$ 4,351**	**$ 51**	**$ 4,866**	**$ 59**

Mortgage Loans

Our mortgage loans are collateralized by commercial real estate. During 2017 and 2016 we had the following activity in our mortgage loan portfolio:

(Millions)	2017	2016
New mortgage loans	**$ 279**	$ 190
Mortgage loans fully-repaid	**248**	173
Mortgage loans foreclosed	**—**	8

We assess our mortgage loans on a regular basis for credit impairments, and annually assign a credit quality indicator to each loan. Our credit quality indicator is internally developed and categorizes our portfolio on a scale from 1 to 7. These indicators are based upon several factors, including current loan-to-value ratios, property condition, market trends, creditworthiness of the borrower and deal structure. The vast majority of our mortgage loans fall into categories 2 to 4.

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

Based upon our most recent assessments at December 31, 2017 and 2016, our mortgage loans were given the following credit quality indicators:

(In Millions, except credit ratings indicator)	2017	2016
1	**$ 40**	$ 45
2 to 4	**1,447**	1,449
5 and 6	**9**	17
7	**—**	—
Total	**$ 1,496**	$ 1,511

At December 31, 2017 scheduled mortgage loan principal repayments were as follows:

(Millions)	
2018	**$ 166**
2019	**124**
2020	**141**
2021	**273**
2022	**244**
Thereafter	**548**

Net Investment Income

Sources of net investment income for 2017, 2016 and 2015 were as follows:

(Millions)	2017	2016	2015
Debt securities	**$ 727**	$ 772	$ 794
Mortgage loans	**86**	95	91
Other investments	**185**	82	78
Gross investment income	**998**	949	963
Investment expenses	**(48)**	(39)	(46)
Net investment income [(1)]	**$ 950**	$ 910	$ 917

[(1)] Net investment income includes $233 million, $208 million and $248 million for 2017, 2016 and 2015, respectively, related to investments supporting our experience-rated and discontinued products.

Realized Capital Gains/Losses

Net realized capital (losses) gains for the three years ended December 31, 2017, 2016 and 2015, excluding amounts related to experience-rated contract holders and discontinued products, were as follows:

(Millions)	2017	2016	2015
Other-than-temporary impairment (“OTTI”) losses on debt securities recognized in earnings	**$ (8)**	$ (30)	$ (64)
Other net realized capital (losses) gains	**(231)**	116	(1)
Net realized capital (losses) gains	**$ (239)**	$ 86	$ (65)

The net realized capital losses in 2017 were primarily attributable to the recognition into earnings of the entire unamortized effective portion of the related hedge losses upon the mandatory redemption of $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes and the redemption of $750 million aggregate principal amount of senior notes due 2020, partially offset by gains from the sale of debt securities and gains from other investments. The net realized capital gains in 2016 were primarily attributable to gains from the sales of debt securities and other investments, partially offset by yield-related OTTI on debt securities. The net realized capital losses in 2015 were primarily attributable to yield-related OTTI on U.S. corporate debt securities.

Yield-related impairments are recognized in other comprehensive income unless we have the intention to sell the security in an unrealized capital loss position, in which case the yield-related OTTI is recognized in earnings. In 2017, 2016 and 2015, we recognized yield-related OTTI losses of $6 million, $24 million and $63 million, respectively, related to our debt securities. We had no other individually material realized capital losses on debt or equity securities that impacted our operating results during 2017, 2016 or 2015.

Excluding amounts related to experience-rated and discontinued products, proceeds from the sale of available for sale debt and equity securities and the related gross realized capital gains and losses for 2017, 2016 and 2015 were as follows [(1)]:

(Millions)	2017	2016	2015
Proceeds on sales	**$ 5,753**	$ 6,725	$ 4,987
Gross realized capital gains	**114**	155	83
Gross realized capital losses	**47**	61	76

(1) The proceeds on sales and gross realized capital gains and losses exclude the impact of the sales of short-term debt securities which primarily relate to our investments in mutual funds. These investments were excluded from the disclosed amounts because they represent an immaterial amount of aggregate gross realized capital gains or losses and have a high volume of sales activity.

Variable Interest Entities

We have investments in certain hedge fund and private equity investments and real estate partnerships that are considered Variable Interest Entities ("VIE's"). We do not have a future obligation to fund losses or debts on behalf of these investments; however, we may voluntarily contribute funds. In evaluating whether we are the primary beneficiary of a VIE, we considered several factors, including whether we (a) have the power to direct the activities that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses and the right to receive benefits that could potentially be significant to the VIE.

Variable Interest Entities - Primary Beneficiary

During the fourth quarter of 2017, we redeemed the entire minority shareholder interest related to our majority owned hedge fund investment where we were the investment manager and had the power to direct the activities that most significantly impact the VIE's economic performance, including determining the hedge fund's investment strategy. Prior to the fourth quarter of 2017, we were the primary beneficiary and consolidated the investment in our operating results. As of December 31, 2017, we will continue to consolidate the hedge fund in our operating results; however, the investment is no longer considered a VIE as the hedge fund is a wholly-owned subsidiary.

Substantially all of the assets of the VIE hedge fund were comprised of hedge fund investments reported as long-term investments on our Consolidated Balance Sheets. The VIE hedge fund had no material liabilities at December 31, 2016. The total amount of the VIE hedge fund's assets included in long-term investments on our Consolidated Balance Sheets at December 31, 2016 was $472 million.

Variable Interest Entities - Other Variable Interest Holder

Our involvement with VIEs where we are not determined to be the primary beneficiary consists of the following:

- *Hedge fund and private equity investments* - We invest in hedge fund and private equity investments in order to generate investment returns for our investment portfolio supporting our businesses.
- *Real estate partnerships* - We invest in various real estate partnerships, including those that construct, own and manage low-income housing developments. For the low income housing development investments, substantially all of the projected benefits to us are from tax credits and other tax benefits.

We are not the primary beneficiary of these investments because the nature of our involvement with the activities of these VIEs does not give us the power to direct the activities that most significantly impact their economic performance. We record the amount of our investment in these VIEs as long-term investments on our Consolidated Balance Sheets and recognize our share of each VIE's income or losses in earnings. Our maximum exposure to loss from these VIEs is limited to our investment balances as disclosed below and the risk of recapture of previously recognized tax credits related to the real estate partnerships, which we do not consider significant.

The total amount of other variable interest holder VIE assets included in long-term investments on our Consolidated Balance Sheets at December 31, 2017 and 2016 were as follows:

(Millions)	**December 31, 2017**	**December 31, 2016**
Hedge fund investments	**$ 351**	$ 384
Private equity investments	**453**	454
Real estate partnerships	**247**	278
Total	**$ 1,051**	$ 1,116

The carrying value of the total assets and liabilities of our other variable interest holder VIE investments at December 31, 2017 and 2016 were as follows:

(Millions)	December 31, 2017	December 31, 2016
Assets:		
Hedge fund investments	**$ 54,789**	$ 32,926
Private equity investments	**27,342**	25,368
Real estate partnerships	**6,451**	6,743
Total	**$ 88,582**	$ 65,037
Liabilities:		
Hedge fund investments	**$ 12,073**	$ 2,819
Private equity investments	**2,461**	2,354
Real estate partnerships	**4,691**	4,938
Total	**$ 19,225**	$ 10,111

5. Fair Value

The preparation of our consolidated financial statements in accordance with GAAP requires certain of our assets and liabilities to be reflected at their fair value, and others on another basis, such as an adjusted historical cost basis. In this note, we provide details on the fair value of financial assets and liabilities and how we determine those fair values. We present this information for those financial instruments that are measured at fair value for which the change in fair value impacts net income attributable to Aetna or other comprehensive income separately from other financial assets and liabilities.

Financial Instruments Measured at Fair Value in our Consolidated Balance Sheets

Certain of our financial instruments are measured at fair value in our Consolidated Balance Sheets. The fair values of these instruments are based on valuations that include inputs that can be classified within one of three levels of a hierarchy established by GAAP. The following are the levels of the hierarchy and a brief description of the type of valuation information ("inputs") that qualifies a financial asset or liability for each level:

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

Financial assets and liabilities are classified based upon the lowest level of input that is significant to the valuation. When quoted prices in active markets for identical assets and liabilities are available, we use these quoted market prices to determine the fair value of financial assets and liabilities and classify these assets and liabilities in Level 1. In other cases where a quoted market price for identical assets and liabilities in an active market is either not available or not observable, we estimate fair value using valuation methodologies based on available and observable market information or by using a matrix pricing model. These financial assets and liabilities would then be classified in Level 2. If quoted market prices are not available, we determine fair value using broker quotes or an internal analysis of each investment's financial performance and cash flow projections. Thus, financial assets and liabilities may be classified in Level 3 even though there may be some significant inputs that may be observable.

The following is a description of the valuation methodologies used for our financial assets and liabilities that are measured at fair value, including the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Debt Securities – Where quoted prices are available in an active market, our debt securities are classified in Level 1 of the fair value hierarchy. Our Level 1 debt securities consist primarily of U.S. Treasury securities.

The fair values of our Level 2 debt securities are obtained using models, such as matrix pricing, which use quoted market prices of debt securities with similar characteristics, or discounted cash flows to estimate fair value. We review these prices to ensure they are based on observable market inputs that include, but are not limited to, quoted

prices for similar assets in active markets, quoted prices for identical assets in inactive markets and inputs that are observable but not prices (for example, interest rates and credit risks). We also review the methodologies and the assumptions used to calculate prices from these observable inputs. On a quarterly basis, we select a sample of our Level 2 debt securities' prices and compare them to prices provided by a secondary source. Variances over a specified threshold are identified and reviewed to confirm the price provided by the primary source represents an appropriate estimate of fair value. In addition, our internal investment team consistently compares the prices obtained for select Level 2 debt securities to the team's own independent estimates of fair value for those securities. We obtained one price for each of our Level 2 debt securities and did not adjust any of these prices at December 31, 2017 or 2016.

We also value certain debt securities using Level 3 inputs. For Level 3 debt securities, fair values are determined by outside brokers or, in the case of certain private placement securities, are priced internally. Outside brokers determine the value of these debt securities through a combination of their knowledge of the current pricing environment and market flows. We obtained one non-binding broker quote for each of these Level 3 debt securities and did not adjust any of these quotes at December 31, 2017 or 2016. The total fair value of our broker quoted debt securities was $67 million and $80 million at December 31, 2017 and 2016, respectively. Examples of these broker quoted Level 3 debt securities include certain U.S. and foreign corporate securities and certain of our commercial mortgage-backed securities as well as other asset-backed securities. For some of our private placement securities, our internal staff determines the value of these debt securities by analyzing spreads of corporate and sector indices as well as interest spreads of comparable public bonds. Examples of these private placement Level 3 debt securities include certain U.S. and foreign securities and certain tax-exempt municipal securities.

Equity Securities – We currently have two classifications of equity securities: those that are publicly traded and those that are privately placed. Our publicly-traded equity securities are classified in Level 1 because quoted prices are available for these securities in an active market. For privately placed equity securities, there is no active market; therefore, we classify these securities in Level 3 because we price these securities through an internal analysis of each investment's financial statements and cash flow projections. Significant unobservable inputs consist of earnings and revenue multiples, discount for lack of marketability and comparability adjustments. An increase or decrease in any of these unobservable inputs would result in a change in the fair value measurement, which may be significant.

Derivatives – Where quoted prices are available in an active market, our derivatives are classified in Level 1. Certain of our derivative instruments are valued using models that primarily use market observable inputs and therefore are classified in Level 2 because they are traded in markets where quoted market prices are not readily available.

Financial assets and liabilities measured at fair value on a recurring basis in our Consolidated Balance Sheets at December 31, 2017 and 2016 were as follows:

(Millions)	Level 1	Level 2	Level 3	Total
December 31, 2017				
Assets:				
Debt securities:				
U.S. government securities	**$ 1,313**	**$ 49**	**$ —**	**$ 1,362**
States, municipalities and political subdivisions	**—**	**3,390**	**1**	**3,391**
U.S. corporate securities	**—**	**7,167**	**85**	**7,252**
Foreign securities	**—**	**2,675**	**3**	**2,678**
Residential mortgage-backed securities	**—**	**571**	**—**	**571**
Commercial mortgage-backed securities	**—**	**635**	**—**	**635**
Other asset-backed securities	**—**	**1,035**	**—**	**1,035**
Redeemable preferred securities	**—**	**19**	**7**	**26**
Total debt securities	**1,313**	**15,541**	**96**	**16,950**
Equity securities	**43**	**—**	**27**	**70**
Total	**$ 1,356**	**$ 15,541**	**$ 123**	**$ 17,020**
December 31, 2016				
Assets:				
Debt securities:				
U.S. government securities	$ 1,514	$ 180	$ —	$ 1,694
States, municipalities and political subdivisions	—	5,137	1	5,138
U.S. corporate securities	—	8,395	80	8,475
Foreign securities	—	3,067	21	3,088
Residential mortgage-backed securities	—	795	—	795
Commercial mortgage-backed securities	—	1,348	—	1,348
Other asset-backed securities	—	1,075	—	1,075
Redeemable preferred securities	—	26	1	27
Total debt securities	1,514	20,023	103	21,640
Equity securities	59	—	43	102
Total	$ 1,573	$ 20,023	$ 146	$ 21,742

There were no transfers between Levels 1 and 2 during the years ended December 31, 2017 and 2016.

The changes in the balances of Level 3 financial assets during 2017 were as follows:

(Millions)	**Foreign securities**	**U.S. corporate securities**	**Equity securities**	**Other**	**Total**
Beginning balance	**$ 21**	**$ 80**	**$ 43**	**$ 2**	**$ 146**
Net realized and unrealized capital gains (losses):					
Included in earnings	**—**	**4**	**42**	**—**	**46**
Included in other comprehensive income	**—**	**—**	**(38)**	**—**	**(38)**
Purchases	**—**	**18**	**9**	**42**	**69**
Sales	**—**	**—**	**(29)**	**—**	**(29)**
Settlements	**—**	**(17)**	**—**	**—**	**(17)**
Transfers out of Level 3, net	**(18)**	**—**	**—**	**(36)**	**(54)**
Ending balance	**$ 3**	**$ 85**	**$ 27**	**$ 8**	**$ 123**

The changes in the balances of Level 3 financial assets during 2016 were as follows:

(Millions)	**Foreign securities**	**U.S. corporate securities**	**Equity securities**	**Other**	**Total**
Beginning balance	$ 25	$ 64	$ 19	$ 6	$ 114
Net realized and unrealized capital (losses) gains:					
Included in earnings	—	(15)	—	—	(15)
Included in other comprehensive income	—	(4)	11	(3)	4
Other [(1)]	—	—	3	—	3
Purchases	16	41	10	33	100
Sales	(8)	(3)	—	(5)	(16)
Settlements	(2)	(3)	—	—	(5)
Transfers out of Level 3, net	(10)	—	—	(29)	(39)
Ending balance	$ 21	$ 80	$ 43	$ 2	$ 146

[(1)] Reflects realized and unrealized capital gains and losses on investments supporting our experience-rated and discontinued products, which do not impact our operating results.

The total gross transfers into (out of) Level 3 during the years ended December 31, 2017 and 2016 were as follows:

(Millions)	**2017**	**2016**
Gross transfers into Level 3	**$ —**	$ —
Gross transfers out of Level 3	**(54)**	(39)
Net transfers out of Level 3	**$ (54)**	$ (39)

Gross transfers out of Level 3 during 2017 primarily related to commercial mortgage-backed securities, other asset-backed securities and foreign debt securities for which observable market data was subsequently received. Gross transfers out of Level 3 during 2016 primarily related to commercial mortgage-backed securities for which observable market data was subsequently received.

Financial Instruments Not Measured at Fair Value in our Consolidated Balance Sheets

The following is a description of the valuation methodologies used for estimating the fair value of our financial assets and liabilities that are carried on our Consolidated Balance Sheets at adjusted cost or contract value.

Mortgage loans: Fair values are estimated by discounting expected mortgage loan cash flows at market rates that reflect the rates at which similar loans would be made to similar borrowers. These rates reflect our assessment of the creditworthiness of the borrower and the remaining duration of the loans. The fair value estimates of mortgage loans of lower credit quality, including problem and restructured loans, are based on the estimated fair value of the underlying collateral.

Bank loans: Where fair value is determined by quoted market prices of bank loans with similar characteristics, our bank loans are classified in Level 2. For bank loans classified in Level 3, fair value is determined by outside brokers using their internal analyses through a combination of their knowledge of the current pricing environment and market flows.

Equity securities: Certain of our equity securities are carried at cost. The fair values of our cost-method investments are not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment.

Investment contract liabilities:

- *With a fixed maturity*: Fair value is estimated by discounting cash flows at interest rates currently being offered by, or available to, us for similar contracts.
- *Without a fixed maturity*: Fair value is estimated as the amount payable to the contract holder upon demand. However, we have the right under such contracts to delay payment of withdrawals that may ultimately result in paying an amount different than that determined to be payable on demand.

Long-term debt: Fair values are based on quoted market prices for the same or similar issued debt or, if no quoted market prices are available, on the current rates estimated to be available to us for debt of similar terms and remaining maturities.

The carrying value and estimated fair value classified by level of fair value hierarchy for our financial instruments carried on our Consolidated Balance Sheets at adjusted cost or contract value at December 31, 2017 and 2016 were as follows:

(Millions)	Carrying Value	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
December 31, 2017					
Assets:					
Mortgage loans	**$ 1,496**	**$ —**	**$ —**	**$ 1,524**	**$ 1,524**
Bank loans	**7**	**—**	**—**	**7**	**7**
Equity securities [1]	**45**	**N/A**	**N/A**	**N/A**	**N/A**
Liabilities:					
Investment contract liabilities:					
With a fixed maturity	**7**	**—**	**—**	**7**	**7**
Without a fixed maturity	**363**	**—**	**—**	**354**	**354**
Long-term debt	**9,159**	**—**	**9,815**	**—**	**9,815**

(Millions)	Carrying Value	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
December 31, 2016					
Assets:					
Mortgage loans	$ 1,511	$ —	$ —	$ 1,540	$ 1,540
Bank loans	8	—	—	8	8
Equity securities [1]	35	N/A	N/A	N/A	N/A
Liabilities:					
Investment contract liabilities:					
With a fixed maturity	8	—	—	8	8
Without a fixed maturity	378	—	—	364	364
Long-term debt	20,661	—	21,468	—	21,468

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

Separate Accounts Measured at Fair Value in our Consolidated Balance Sheets

Separate Accounts assets in our Large Case Pensions segment represent funds maintained to meet specific objectives of contract holders. Since contract holders bear the investment risk of these assets, a corresponding Separate Accounts liability has been established equal to the assets. These assets and liabilities are carried at fair value. Net investment income and capital gains and losses accrue directly to such contract holders. The assets of each account are legally segregated and are not subject to claims arising from our other businesses. Deposits, withdrawals, net investment income and realized and unrealized capital gains and losses on Separate Accounts assets are not reflected in our Consolidated Statements of Income, Shareholders' Equity or Cash Flows.

Separate Accounts assets include debt and equity securities and derivative instruments. The valuation methodologies used for these assets are similar to the methodologies described above in this Note 5. Separate Accounts assets also include investments in common/collective trusts that are carried at fair value. Common/collective trusts invest in other investment funds otherwise known as the underlying funds. The Separate Accounts' interests in the common/collective trust funds are based on the fair values of the investments of the underlying funds and therefore are classified in Level 2. The assets in the underlying funds primarily consist of equity securities. Investments in common/collective trust funds are valued at their respective net asset value per share/unit on the valuation date.

Separate Accounts financial assets at December 31, 2017 and 2016 were as follows:

	2017				2016			
(Millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt securities	**$ 1,085**	**$ 2,611**	**$ 2**	**$ 3,698**	$ 766	$ 2,378	$ —	$ 3,144
Equity securities	**—**	**6**	**—**	**6**	166	6	—	172
Common/collective trusts	**—**	**448**	**—**	**448**	—	582	—	582
Total [(1)]	**$ 1,085**	**$ 3,065**	**$ 2**	**$ 4,152**	$ 932	$ 2,966	$ —	$ 3,898

(1) Excludes $144 million and $93 million of cash and cash equivalents and other receivables at December 31, 2017 and 2016, respectively.

During 2017 and 2016, we had an immaterial amount of Level 3 Separate Accounts financial assets and an immaterial amount of gross transfers of Separate Accounts financial assets into or out of Level 3. During 2017 and 2016, there were no transfers of Separate Accounts financial assets between Levels 1 and 2.

Offsetting Financial Assets and Liabilities

Certain financial assets and liabilities are offset in our Consolidated Balance Sheets or are subject to master netting arrangements or similar agreements with the applicable counterparty. Financial assets, including derivative assets, subject to offsetting and enforceable master netting arrangements were $10 million and $17 million at December 31, 2017 and December 31, 2016, respectively.

There were no financial liabilities, including derivative liabilities, subject to offsetting and enforceable master netting arrangements at December 31, 2017 or December 31, 2016.

6. Goodwill and Other Acquired Intangible Assets

The change in the carrying amount of goodwill for our reportable segments for the years ended December 31, 2017 and 2016 was as follows:

(Millions)	**Health Care**	**Group Insurance**	**Total Company**
Balance at January 1, 2016	$ 10,524	$ 113	$ 10,637
Acquisitions	—	—	—
Dispositions	—	—	—
Subsequent adjustments	—	—	—
Balance at December 31, 2016	**10,524**	**113**	**10,637**
Acquisitions	**47**	**—**	**47**
Dispositions	**—**	**(113)**	**(113)**
Subsequent adjustments	**—**	**—**	**—**
Balance at December 31, 2017	**$ 10,571**	**$ —**	**$ 10,571**

No goodwill is allocated to the Large Case Pensions segment. The increase in goodwill allocated to our Health Care segment in 2017 was due to goodwill associated with an immaterial acquisition. The decrease in goodwill allocated to our Group Insurance segment in 2017 was due to the Group Insurance sale.

Other acquired intangible assets at December 31, 2017 and 2016 consisted of the following:

(Millions)	Cost	Accumulated Amortization	Net Balance	Amortization Period (Years)	
2017					
Provider networks	**$ 1,254**	**$ 756**	**$ 498**	**12-25**	**(1)**
Customer lists	**1,172**	**610**	**562**	**3-20**	**(1)**
Value of business acquired	**149**	**102**	**47**	**20**	
Technology	**176**	**160**	**16**	**5**	
Other	**14**	**5**	**9**	**10-15**	
Definite-lived trademarks	**170**	**144**	**26**	**5-20**	
Indefinite-lived trademarks	**22**	**—**	**22**		
Total other acquired intangible assets	**$ 2,957**	**$ 1,777**	**$ 1,180**		
2016					
Provider networks	$ 1,254	$ 694	$ 560	12-25	(1)
Customer lists	1,166	485	681	3-14	(1)
Value of business acquired	149	92	57	20	
Technology	176	123	53	4-10	
Other	10	4	6	10-15	
Definite-lived trademarks	170	107	63	5-20	
Indefinite-lived trademarks	22	—	22		
Total other acquired intangible assets	$ 2,947	$ 1,505	$ 1,442		

(1) The amortization period for our provider networks and customer lists includes an assumption of renewal or extension of these arrangements. At both December 31, 2017 and 2016, the periods prior to the next renewal or extension for our provider networks primarily ranged from 1 to 3 years, and the period prior to the next renewal or extension for our customer lists was 1 year. Any costs related to the renewal or extension of these contracts are expensed as incurred.

We estimate annual pre-tax amortization for other acquired intangible assets over the next five years to be as follows:

(Millions)	
2018	**$ 187**
2019	**181**
2020	**169**
2021	**156**
2022	**140**

7. Health Care and Other Insurance Liabilities

Our insurance liabilities below are disaggregated by reportable segment. Health care costs payable relate to our Health Care segment and unpaid claims relate to our Group Insurance segment. On November 1, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance and absence management businesses to HLAIC. The transaction was accomplished through an indemnity reinsurance arrangement and accordingly, substantially all of our life and disability insurance reserves were fully ceded at December 31, 2017. As a result, we did not include disclosures related to the development of our unpaid claims insurance liabilities.

Health Care Costs Payable

The following is information about incurred and cumulative paid Health Care claims development as of December 31, 2017, net of reinsurance, and the total IBNR liabilities plus expected development on reported claims included within the net incurred claims amounts. Refer to Note 2 for information on how we estimate our IBNR reserve and health care costs payable as well as changes to those methodologies, if any. Our estimate of IBNR liabilities is primarily based on trend and completion factors. Claim frequency is not used in the calculation of our liability. In addition, it is impracticable to disclose claim frequency information for health care claims due to our inability to gather consistent claim frequency information across our multiple claims processing systems. Any claim frequency count disclosure would not be comparable across our different claim

processing systems and would not be consistent from period to period based on the volume of claims processed through each system. As a result, we have not included health care claim count frequency in the disclosures included below.

The information about incurred and paid Health Care claims development for the year ended December 31, 2016 is presented as required unaudited supplemental information.

(Millions)	**Incurred Health Care Claims, Net of Reinsurance For the Years Ended December 31,**	
Date of Service	**2016**	**2017**
	(Unaudited)	
2016	$ 44,110	**$ 43,434**
2017		**42,498**
	Total	**$ 85,932**

(Millions)	**Cumulative Paid Health Care Claims, Net of Reinsurance For the Years Ended December 31,**	
Date of Service	**2016**	**2017**
	(Unaudited)	
2016	$ 37,888	**$ 43,273**
2017		**37,022**
	Total	**$ 80,295**
All outstanding liabilities for health care costs payable prior to 2016, net of reinsurance		**54**
Total outstanding liabilities for health care costs payable, net of reinsurance		**$ 5,691**

At December 31, 2017, total Health Care liabilities for IBNR plus expected development on reported claims totaled approximately $5.0 billion. Substantially all of the total Health Care liabilities for IBNR plus expected development on reported claims at December 31, 2017 related to the current year.

The reconciliation of the December 31, 2017 Health Care net incurred and paid claims development tables to the health care costs payable liability in our Consolidated Balance Sheet is as follows:

(Millions)	
	December 31, 2017
Short-duration health care costs payable, net of reinsurance	**$ 5,691**
Reinsurance recoverables	**6**
Premium deficiency reserve	**16**
Insurance lines other than short duration	**102**
Total health care costs payable	**$ 5,815**

The following table shows the components of the change in health care costs payable during 2017, 2016 and 2015:

(Millions)	**2017**	**2016**	**2015**
Health care costs payable, beginning of the period	**$ 6,558**	$ 6,306	$ 5,621
Less: Reinsurance recoverables	**5**	4	6
Health care costs payable, beginning of the period, net	**6,553**	6,302	5,615
Add: Components of incurred health care costs			
Current year	**43,551**	45,019	42,553
Prior years	**(814)**	(764)	(841)
Total incurred health care costs	**42,737**	44,255	41,712
Less: Claims paid			
Current year	**37,974**	38,700	36,389
Prior years	**5,523**	5,304	4,636
Total claims paid	**43,497**	44,004	41,025
Health care costs payable, end of period, net	**5,793**	6,553	6,302
Add: Premium deficiency reserve	**16**	—	—
Add: Reinsurance recoverables	**6**	5	4
Health care costs payable, end of period	**$ 5,815**	$ 6,558	$ 6,306

Our estimates of prior years' health care costs payable decreased by $814 million, $764 million and $841 million in 2017, 2016 and 2015, respectively, because claims were settled for amounts less than originally estimated (i.e., the amount of claims incurred was lower than we originally estimated), primarily due to lower health care cost trends as well as the actual claim submission time being faster than we originally assumed (i.e., our completion factors were higher than we originally assumed) in estimating our health care costs payable at the end of the prior year. This development does not directly correspond to an increase in our current year operating results as these reductions were offset by estimated current period health care costs when we established our estimate of the current year health care costs payable.

8. The ACA's Reinsurance, Risk Adjustment and Risk Corridor Programs (the "3Rs")

Through December 31, 2017, we participated in certain public health insurance exchanges ("Public Exchanges") established pursuant to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, the "ACA"). Under regulations established by the U.S. Department of Health and Human Services ("HHS"), HHS pays us a portion of the premium ("Premium Subsidy") and through September 30, 2017, paid a portion of the health care costs ("Cost Sharing Subsidy") for low-income individual Public Exchange members. In addition, HHS administers the 3Rs risk management programs. The ACA's temporary reinsurance and risk corridor programs expired at the end of 2016.

Our net receivable (payable) related to the 3Rs risk management programs at December 31, 2017 and 2016 was as follows:

	At December 31, 2017			**At December 31, 2016**		
(Millions)	**Reinsurance**	**Risk Adjustment**	**Risk Corridor**	**Reinsurance**	**Risk Adjustment**	**Risk Corridor**
Current	**$ 37**	**$ (41)**	**$ —**	$ 202	$ (690)	$ (10)
Long-term	**$ —**	**$ 2**	**$ —**	$ —	$ —	$ —
Total net receivable (payable)	**$ 37**	**$ (39)**	**$ —**	$ 202	$ (690)	$ (10)

At December 31, 2017, we estimate that we are entitled to receive a total of $314 million from HHS under the three-year ACA risk corridor program for the 2014 through 2016 program years. In November 2016, HHS announced that all 2015 ACA risk corridor collections will be used to pay a portion of the balances on the 2014 ACA risk corridor payments. At December 31, 2017 and 2016, we did not record any ACA risk corridor receivables related to the 2016 or 2015 program years or any amount in excess of HHS's announced pro-rated funding amount for the 2014 program year because payments from HHS are uncertain.

We expect to perform an annual final reconciliation and settlement with HHS of the 3Rs in each subsequent year. The final reconciliation and settlement with HHS of the 2014 and 2015 Cost Sharing Subsidies occurred in 2016 and 2017, respectively. The final reconciliation and settlement of the 2016 Cost Sharing Subsidy is scheduled to occur in 2018.

9. Debt

Long-term debt

The carrying value of our long-term debt at December 31, 2017 and 2016 was as follows:

(Millions)	2017	2016
Senior notes, 5.95% due March 2017 [1]	**$ —**	$ 386
Senior notes, 1.75% due May 2017 [1]	**—**	250
Senior notes, 1.5% due November 2017 [1]	**—**	499
Senior notes, floating rate due December 2017 [1]	**—**	499
Senior notes, 1.7% due June 2018 [1]	**999**	997
Senior notes, 2.2% due March 2019	**374**	374
Senior notes, 1.9% due June 2019	**—**	1,642
Senior notes, 3.95% due September 2020	**—**	745
Senior notes, 2.4% due June 2021	**—**	1,839
Senior notes, 5.45% due June 2021	**647**	661
Senior notes, 4.125% due June 2021	**496**	495
Senior notes, 2.75% due November 2022	**988**	986
Senior notes, 2.8% due June 2023	**1,292**	1,290
Senior notes, 3.5% due November 2024	**743**	742
Senior notes, 3.2% due June 2026	**—**	2,771
Senior notes, 4.25% due June 2036	**—**	1,480
Senior notes, 6.625% due June 2036	**766**	765
Senior notes, 6.75% due December 2037	**527**	527
Senior notes, 4.5% due May 2042	**479**	478
Senior notes, 4.125% due November 2042	**489**	489
Senior notes, 4.75% due March 2044	**371**	371
Senior notes, 4.375% due June 2046	**—**	2,375
Senior notes, 3.875% due August 2047	**988**	—
Total long-term debt	**9,159**	20,661
Less current portion of long-term debt	**999**	1,634
Total long-term debt, less current portion and credit facility issuance costs	**$ 8,160**	$ 19,027

[1] At December 31, 2017, our 1.7% senior notes due June 2018 are classified as current in our Consolidated Balance Sheet. At December 31, 2016, our 5.95% senior notes due March 2017, 1.75% senior notes due May 2017, 1.5% senior notes due November 2017 and floating rate senior notes due December 2017 were each classified as current in our Consolidated Balance Sheet.

At December 31, 2017 the amount of future maturities of our long-term debt are as follows:

(Millions)	
2018	**$ 999**
2019	**374**
2020	**—**
2021	**1,143**
2022	**988**
Thereafter	**5,655**

2017 Senior Notes

In August 2017, we issued $1.0 billion of 3.875% senior notes due 2047. We used the net proceeds of this offering to repay a portion of our 1.5% senior notes due in November 2017, repay a portion of our floating rate senior notes due in December 2017 and for general corporate purposes.

2016 Senior Notes

In June 2016, in connection with the Humana Transaction, we issued the 2016 senior notes, which consisted of: $500 million of floating rate senior notes due December 2017, $1.0 billion of 1.7% senior notes due June 2018, approximately $1.7 billion of 1.9% senior notes due June 2019, approximately $1.9 billion of 2.4% senior notes due June 2021, $1.3 billion of 2.8% senior notes due June 2023, $2.8 billion of 3.2% senior notes due June 2026, $1.5 billion of 4.25% senior notes due June 2036 and $2.4 billion of 4.375% senior notes due June 2046.

Early Extinguishment of Long-Term Debt

Special Mandatory Redemption Notes

As a result of the termination of the Humana Merger Agreement, we redeemed the entire $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes, which were due in 2019, 2021, 2026, 2036 and 2046, at a redemption price equal to 101% of the aggregate principal amount of those notes plus accrued and unpaid interest. We redeemed those notes on March 16, 2017, and we funded the redemption with the proceeds of the 2016 senior notes. As a result of the redemption, we recorded a loss on early extinguishment of long-term debt of $125 million ($192 million pretax) in the year ended December 31, 2017.

Prior to issuing the 2016 senior notes, during 2015 and 2016 we entered into various interest rate swaps and treasury rate locks that were designated as cash flow hedges against interest rate exposure related to the forecasted future issuance of fixed-rate debt to be primarily used to finance a portion of the purchase price of the Humana Transaction. In addition, we redesignated existing interest rate swaps with an aggregate notional value of $500 million as cash flow hedges against interest rate exposure related to the forecasted future issuance of fixed rate debt.

Prior to issuing the 2016 senior notes in June 2016, we terminated all outstanding hedges and paid an aggregate of $348 million to the hedge counter parties upon termination. The aggregate effective portion of the hedge loss of $342 million pretax was recorded in accumulated other comprehensive loss, net of tax. Upon the redemption of the Special Mandatory Redemption Notes, the entire remaining unamortized effective portion of the hedge loss of $323 million pretax recorded in accumulated other comprehensive loss was recognized as a realized capital loss in the year ended December 31, 2017.

2020 Notes

On February 27, 2017, we announced the redemption for cash of the entire $750 million aggregate principal amount outstanding of our 3.95% senior notes due September 1, 2020 (the “2020 Notes”). We redeemed the 2020 Notes on March 29, 2017 at a redemption price that included a make-whole premium, plus accrued and unpaid interest. We funded the redemption from available cash and short-term debt. As a result of the redemption, we recorded a loss on early extinguishment of long-term debt of $35 million ($54 million pretax) in the year ended December 31, 2017. Upon redemption of the 2020 Notes, the entire remaining unamortized effective portion of the hedge loss of $13 million pretax related to the issuance of the 2020 Notes recorded in accumulated other comprehensive loss was recognized as a realized capital loss in the year ended December 31, 2017.

Refer to Note 14 for additional information regarding hedge losses reclassified from accumulated other comprehensive loss to net income during the year ended December 31, 2017.

Revolving Credit Facility

On March 27, 2012, we entered into an unsecured $1.5 billion five-year revolving credit agreement (the "Credit Agreement") with several financial institutions. On September 24, 2012, in connection with the acquisition of Coventry, we entered into a First Amendment (the "First Amendment") to the Credit Agreement and also entered into an Incremental Commitment Agreement (the "Incremental Commitment Agreement"). On March 2, 2015, we entered into a Second Amendment to the Credit Agreement (the "Second Amendment"). On July 30, 2015, in connection with the Humana Transaction, we entered into a Third Amendment to the Credit Agreement (the "Third Amendment"). On March 17, 2017, we entered into a Fourth Amendment to the Credit Agreement (the "Fourth Amendment," and together with the First Amendment, the Incremental Commitment Agreement, the Second Amendment, the Third Amendment and the Credit Agreement, resulting in the "Facility"). The Facility is an unsecured $2.0 billion revolving credit agreement. The Third Amendment modified the calculation of total debt for purposes of determining compliance prior to the closing date of the Humana Transaction (the "Closing Date") with certain covenants to exclude debt incurred by us to finance the Humana Transaction, the other financing transactions related to the Humana Transaction and/or the payment of fees and expenses incurred in connection therewith so long as either (A) the net proceeds of such debt were set aside to finance the Humana Transaction, the other financing transactions related to the Humana Transaction and/or the payment of fees and expenses incurred in connection therewith or (B) such debt was subject to mandatory redemption in the event that the Humana Merger Agreement was terminated or expired. Among other things, the Fourth Amendment extended the maturity date of the existing Credit Agreement to March 27, 2021, eliminated the availability of swingline loans, provided us with additional time on each business day to provide notice of borrowings and added customary provisions to reflect European Union "bail-in" directive legislation.

In addition, upon our agreement with one or more financial institutions, we may expand the commitments under the Facility by an additional $500 million. The Facility also provides for the issuance of up to $200 million of letters of credit at our request, which count as usage of the available commitments under the Facility. In each of 2013, 2014, 2015 and 2017, we extended the maturity date of the Facility by one year. The maturity date of the Facility is March 27, 2021.

Various interest rate options are available under the Facility. Any revolving borrowings mature on the termination date of the Facility. We pay facility fees on the Facility ranging from .050% to .150% per annum, depending upon our long-term senior unsecured debt rating. The facility fee was .100% at December 31, 2017. The Facility contains a financial covenant that requires us to maintain a ratio of total debt to consolidated capitalization as of the end of each fiscal quarter at or below 50%. For this purpose, consolidated capitalization equals the sum of total shareholders' equity, excluding any overfunded or underfunded status of our pension and OPEB plans and any net unrealized capital gains and losses, and total debt (as defined in the Facility). We met this requirement at December 31, 2017. There were no amounts outstanding under the Facility at any time during the year ended December 31, 2017 or 2016.

Term Loan Agreement

On July 30, 2015, in connection with the Humana Transaction, we entered into a senior three-year $3.2 billion term loan credit agreement (the "Term Loan Agreement") with a group of seventeen lenders. The lenders' commitments under the Term Loan Agreement terminated on February 14, 2017, as a result of the termination of the Humana Merger Agreement.

Federal Home Loan Bank of Boston

We are a member of the Federal Home Loan Bank of Boston (the "FHLBB"), and as a member we have the ability to obtain cash advances, subject to certain minimum collateral requirements. Our maximum borrowing capacity available from the FHLBB at December 31, 2017 was approximately $700 million. At both December 31, 2017 and 2016, we did not have any outstanding borrowings from the FHLBB.

10. Pension and Other Postretirement Plans

Defined Benefit Retirement Plans

We sponsor various defined benefit plans, including two pension plans, and OPEB plans that provide certain health care and life insurance benefits for retired employees, including those of our former parent company.

During 2017, 2016 and 2015 we did not make any contribution to the Aetna Pension Plan. Effective December 31, 2010, our employees no longer earn future pension service credits in the Aetna Pension Plan (i.e., the Plan was "frozen" effective December 31, 2010), although the Aetna Pension Plan will continue to operate and account balances will continue to earn annual interest credits.

We also sponsor a non-qualified supplemental pension plan (the "Non-qualified Pension Plan") that, prior to January 1, 2007, had been used to provide benefits for wages above the Internal Revenue Code wage limits applicable to tax qualified pension plans (such as the Aetna Pension Plan). Effective January 1, 2007, no new benefits accrue under the Non-qualified Pension Plan,

but interest will continue to be credited on outstanding supplemental cash balance accounts; and the plan may continue to be used to credit special pension arrangements.

In addition, we currently provide certain medical and life insurance benefits for retired employees, including those of our former parent company. We provide subsidized health care benefits to certain eligible employees who terminated employment prior to December 31, 2006. There is a cap on our portion of the cost of providing medical and dental benefits to our retirees. Through December 31, 2015, all current and future retirees and employees who terminated employment at age 45 or later with at least five years of service were eligible to participate in our group health plans at their own cost. Effective January 1, 2016, only current and future retirees and employees who terminate employment at age 55 or later are eligible for such participation.

The information set forth in the following tables is based upon current actuarial reports using the annual measurement dates (December 31, for each year presented) for our pension and OPEB plans.

The following table shows the changes in the benefit obligations during 2017 and 2016 for our pension and OPEB plans:

	Pension Plans		**OPEB Plans**	
(Millions)	**2017**	**2016**	**2017**	**2016**
Benefit obligation, beginning of year	**$ 6,032**	$ 5,946	**$ 248**	$ 257
Interest cost	**203**	260	**8**	11
Actuarial loss	**394**	161	**11**	—
Benefits paid	**(411)**	(335)	**(18)**	(20)
Benefit obligation, end of year	**$ 6,218**	$ 6,032	**$ 249**	$ 248

The pension plans' benefit obligation increased in 2017 driven by interest cost recognized in 2017 and an increase in actuarial losses arising as a result of a lower discount rate as further described below; substantially offset by benefits paid in 2017.

The Aetna Pension Plan comprises 96% of the pension plans' total benefit obligation at December 31, 2017. The discount rates used to determine the benefit obligation of our pension and OPEB plans were calculated using a yield curve as of our annual measurement date. Each yield curve consisted of a series of individual discount rates, with each discount rate corresponding to a single point in time, based on high-quality bonds. Projected benefit payments are discounted to the measurement date using the corresponding rate from the yield curve. The weighted average discount rate for our pension plans was 3.68% and 4.22% for 2017 and 2016, respectively. The discount rate for our OPEB plans was 3.63% and 4.12% for 2017 and 2016, respectively. The discount rates differ for our pension and OPEB plans due to the duration of the projected benefit payments for each plan.

Effective as of the beginning of 2017, we refined the approach used to estimate the interest cost component of net periodic benefit cost for pension and OPEB plans that utilize a yield curve approach. Historically, we estimated the interest cost using a single weighted average discount rate derived from the yield curve used to measure the projected benefit obligation. We have now elected to measure interest cost by applying the specific spot rates along that yield curve to the relevant projected cash flows for each component. We believe the new approach provides a more precise estimate of such interest cost. We have accounted for this refinement as a change in accounting estimate and, accordingly, have accounted for it on a prospective basis beginning in 2017. The reduction in net periodic benefit cost associated with this refinement for the year ended December 31, 2017 was $26 million ($41 million pre-tax). For our pension benefits, the 2017 weighted-average discount rate for interest costs under the refined approach adopted as of the beginning of 2017 was 3.51%. Under the prior methodology, the 2017 weighted-average discount rate would have been 4.22%.

Additionally, based on the mortality experience of our pension and OPEB plans, in 2017 we utilized the RP-2014 Mortality Table with a generation projection of future mortality improvements using Scale MP-2017. In 2016, we utilized the RP-2014 Mortality Table with a generation projection of future mortality improvements using Scale MP-2016. In 2015 we utilized the RP-2014 Mortality Table with a generation projection of future mortality improvements using Scale MP-2015.

The following table reconciles the beginning and ending balances of the fair value of plan assets during 2017 and 2016 for our pension and OPEB plans:

	Pension Plans		OPEB Plans	
(Millions)	**2017**	**2016**	**2017**	**2016**
Fair value of plan assets, beginning of year	**$ 5,914**	$ 5,802	**$ 52**	$ 55
Actual return on plan assets	**808**	426	**2**	1
Employer contributions	**20**	21	**14**	16
Benefits paid	**(411)**	(335)	**(18)**	(20)
Fair value of plan assets, end of year	**$ 6,331**	$ 5,914	**$ 50**	$ 52

The difference between the fair value of plan assets and the plan's benefit obligation is referred to as the plan's funded status. This funded status is an accounting-based calculation and is not indicative of our mandatory funding requirements.

The funded status of our pension and OPEB plans at the measurement date for 2017 and 2016 was as follows:

	Pension Plans		OPEB Plans	
(Millions)	**2017**	**2016**	**2017**	**2016**
Benefit obligation	**$ (6,218)**	$ (6,032)	**$ (249)**	$ (248)
Fair value of plan assets	**6,331**	5,914	**50**	52
Funded status	**$ 113**	$ (118)	**$ (199)**	$ (196)

At December 31, 2017, the fair value of plan assets of the Aetna Pension Plan was in excess of the benefit obligations, while the Non-qualified Pension Plan had benefit obligations in excess of the fair value of plan assets. Below is the funded status of each of our Pension Plans:

	Aetna Pension Plan		Non-qualified Pension Plan	
(Millions)	**2017**	**2016**	**2017**	**2016**
Benefit obligation	**$ (5,995)**	$ (5,807)	**$ (223)**	$ (225)
Fair value of plan assets	**6,331**	5,914	**—**	—
Funded status	**$ 336**	$ 107	**$ (223)**	$ (225)

The amounts in accumulated other comprehensive loss that have not yet been recognized in net periodic benefit cost as of December 31, 2017 and 2016 were as follows:

	Pension Plans		OPEB Plans	
(Millions)	**2017**	**2016**	**2017**	**2016**
Unrecognized prior service credit	**$ —**	$ —	**$ (15)**	$ (19)
Unrecognized net actuarial losses	**2,361**	2,460	**75**	66
Amount recognized in accumulated other comprehensive loss	**$ (2,361)**	$ (2,460)	**$ (60)**	$ (47)

The assets (liabilities) recognized on our Consolidated Balance Sheets at December 31, 2017 and 2016 for our pension and OPEB plans were consisted of the following:

	Pension Plans		OPEB Plans	
(Millions)	**2017**	**2016**	**2017**	**2016**
Accrued benefit assets reflected in other long-term assets	**$ 336**	$ 107	**$ —**	$ —
Accrued benefit liabilities reflected in other current liabilities	**(20)**	(20)	**(12)**	(13)
Accrued benefit liabilities reflected in other long-term liabilities	**(203)**	(205)	**(187)**	(183)
Net amount of assets (liabilities) recognized at December 31,	**$ 113**	$ (118)	**$ (199)**	$ (196)

At December 31, 2017, we had approximately $2.4 billion and $75 million of net actuarial losses for our pension and OPEB plans, respectively, and $15 million of prior service credits for our OPEB plans and an immaterial amount of prior service credits

for our pension plan, that have not been recognized as components of net periodic benefit costs. We expect to recognize $63 million and $3 million in amortization of net actuarial losses for our pension and OPEB plans, respectively, and $4 million in amortization of prior service credits for our OPEB plans in 2018. Our amortization of prior service credits for our pension plans in 2018 is not expected to be material.

Components of the net periodic benefit (income) cost of our defined benefit pension plans and OPEB plans for the years ended December 31, 2017, 2016 and 2015 were as follows:

	Pension Plans			OPEB Plans		
(Millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Amortization of prior service credit	**$ —**	$ —	$ (1)	**$ (4)**	$ (4)	$ (4)
Interest cost	**203**	260	261	**8**	11	11
Expected return on plan assets	**(380)**	(389)	(419)	**(2)**	(3)	(3)
Recognized net actuarial losses	**65**	61	62	**3**	3	3
Net periodic (income) benefit cost	**$ (112)**	$ (68)	$ (97)	**$ 5**	$ 7	$ 7

The weighted average assumptions used to determine net periodic benefit (income) cost in 2017, 2016 and 2015 for the pension and OPEB plans were as follows:

	Pension Plans			OPEB Plans		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Discount rate	**4.22%**	4.50%	4.12%	**4.12%**	4.39%	4.02%
Expected long-term return on plan assets	**6.70%**	6.90%	7.00%	**4.75%**	4.75%	5.30%

We assume different health care cost trend rates for medical costs and prescription drug costs in estimating the expected costs of our OPEB plans. The assumed medical cost trend rate for 2018 is 5.4%, decreasing gradually to 4.5% by 2026. The assumed prescription drug cost trend rate for 2018 is 9.4%, decreasing gradually to 4.5% by 2026. These assumptions reflect our historical as well as expected future trends for retirees. In addition, the trend assumptions reflect factors specific to our retiree medical plan, such as plan design, cost-sharing provisions, benefits covered and the presence of subsidy caps. A one-percentage point increase in both the assumed medical cost and assumed prescription drug cost trend rates would result in an immaterial pretax increase in the aggregate of the service and interest cost components of OPEB costs and a $8 million increase in the OPEB benefit obligation. A one-percentage point decrease in both the assumed medical cost and assumed prescription drug cost trend rates would result in an immaterial pretax decrease in the aggregate of the service and interest cost components of OPEB costs and an $8 million decrease in the OPEB benefit obligation.

Our current funding strategy for the Aetna Pension Plan is to fund an amount at least equal to the minimum funding requirement as determined under applicable regulatory requirements with consideration of factors such as the maximum tax deductibility of such amounts. Minimum funding requirements for the Aetna Pension Plan were met in 2017 and 2016, and we were not required to make cash contributions for either of those years. We do not have any required contribution to the Aetna Pension Plan in 2018. Employer contributions related to the supplemental pension and OPEB plans represent payments to retirees for current benefits. We have no plans to return any pension or OPEB plan assets to the Company in 2018. Our non-qualified supplemental pension plan and OPEB plans do not have minimum funding requirements.

Expected benefit payments, which reflect future employee service, as appropriate, of the pension and OPEB plans to be paid for each of the next five years and in the aggregate for the next five years thereafter at December 31, 2017 were as follows:

(Millions)	Pension Plans	OPEB Plans
2018	$ 374	$ 17
2019	364	17
2020	367	17
2021	371	17
2022	374	17
2023-2027	1,867	79

Assets of the Aetna Pension Plan

The assets of the Aetna Pension Plan ("Pension Assets") primarily include debt and equity securities held in separate accounts, as well as common/collective trusts and real estate investments. The valuation methodologies used to price these debt and equity securities and common/collective trusts are similar to the methodologies described in Note 5. Pension Assets also include investments in other assets that are carried at fair value. The following is a description of the valuation methodology used to price real estate investments and these additional investments, including the general classification pursuant to the valuation hierarchy.

Real Estate - Real estate investments are valued by independent third party appraisers. The appraisals comply with the Uniform Standards of Professional Appraisal Practice, which includes, among other things, the income, cost, and sales comparison approaches to estimating property value. Therefore, these investments are classified in Level 3.

Private equity limited partnerships - Private equity limited partnerships are carried at fair value which is estimated based on the fair value of the underlying investment funds provided by the general partner or manager of the investments, the financial statements of which generally are audited. We typically do not have a controlling ownership in our private equity limited partnership investments, and therefore we apply the equity method of accounting for these investments. Accordingly, these investments have been excluded from the fair value table below.

Hedge fund limited partnerships - Hedge fund limited partnerships are carried at fair value which is estimated using the net asset value ("NAV") per unit as reported by the administrator of the underlying investment fund as a practical expedient to fair value. Therefore, these investments have been excluded from the fair value table below.

Pension Assets with changes in fair value measured on a recurring basis at December 31, 2017 were as follows:

(Millions)	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. government securities	$ 644	$ 38	$ —	$ 682
States, municipalities and political subdivisions	—	150	—	150
U.S. corporate securities	—	1,506	—	1,506
Foreign securities	—	165	—	165
Residential mortgage-backed securities	—	322	—	322
Commercial mortgage-backed securities	—	57	1	58
Other asset-backed securities	—	130	—	130
Redeemable preferred securities	—	8	—	8
Total debt securities	644	2,376	1	3,021
Equity securities:				
U.S. Domestic	939	4	—	943
International	556	—	—	556
Domestic real estate	26	—	—	26
Total equity securities	1,521	4	—	1,525
Other investments:				
Real estate	—	—	479	479
Common/collective trusts [1]	—	478	—	478
Derivatives	—	1	—	1
Total other investments	—	479	479	958
Total pension investments [2]	$ 2,165	$ 2,859	$ 480	$ 5,504

(1) The assets in the underlying funds of common/collective trusts consist of $294 million of equity securities and $184 million of debt securities.

(2) Excludes $119 million of cash and cash equivalents and other payables, $530 million of private equity limited partnership investments and $178 million of hedge fund limited partnership investments.

Pension Assets with changes in fair value measured on a recurring basis at December 31, 2016 were as follows:

(Millions)	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. government securities	$ 460	$ 122	$ —	$ 582
States, municipalities and political subdivisions	—	128	—	128
U.S. corporate securities	—	1,291	—	1,291
Foreign securities	—	103	—	103
Residential mortgage-backed securities	—	163	—	163
Commercial mortgage-backed securities	—	57	—	57
Other asset-backed securities	—	60	—	60
Redeemable preferred securities	—	6	—	6
Total debt securities	460	1,930	—	2,390
Equity securities:				
U.S. Domestic	1,305	5	—	1,310
International	611	—	—	611
Domestic real estate	34	—	—	34
Total equity securities	1,950	5	—	1,955
Other investments:				
Real estate	—	—	478	478
Common/collective trusts [1]	—	465	—	465
Total other investments	—	465	478	943
Total pension investments [2]	$ 2,410	$ 2,400	$ 478	$ 5,288

[1] The assets in the underlying funds of common/collective trusts consist of $307 million of equity securities and $158 million of debt securities.

[2] Excludes $180 million of cash and cash equivalents and other payables, $255 million of private equity limited partnership investments and $191 million of hedge fund limited partnership investments.

The changes in the balances of Level 3 Pension Assets during 2017 and 2016 were as follows:

	2017		
(Millions)	Real Estate	Other	Total
Beginning balance	**$ 478**	**$ —**	**$ 478**
Actual return on plan assets	**23**	**—**	**23**
Purchases, sales and settlements	**(22)**	**—**	**(22)**
Transfers into Level 3	**—**	**1**	**1**
Ending balance	**$ 479**	**$ 1**	**$ 480**

	2016		
(Millions)	Real Estate	Other	Total
Beginning balance	$ 497	$ 3	$ 500
Actual return on plan assets	42	—	42
Purchases, sales and settlements	(61)	(1)	(62)
Transfers out of Level 3	—	(2)	(2)
Ending balance	$ 478	$ —	$ 478

The Aetna Pension Plan invests in a diversified mix of assets intended to maximize long-term returns while recognizing the need for adequate liquidity to meet ongoing benefit and administrative obligations. The risk of unexpected investment and actuarial outcomes is regularly evaluated. This evaluation is performed through forecasting and assessing ranges of investment outcomes over short- and long-term horizons, and by assessing the Aetna Pension Plan's liability characteristics, our financial position and our future potential obligations from both the pension and general corporate perspectives. Complementary investment styles and techniques are utilized by multiple professional investment firms to further improve portfolio and operational risk characteristics. Public and private equity investments are used primarily to increase overall plan returns. Real estate investments are viewed

favorably for their diversification benefits and above-average dividend generation. Fixed income investments provide diversification benefits and liability hedging attributes that are desirable, especially in falling interest rate environments.

At December 31, 2017, target investment allocations for the Aetna Pension Plan were: 33% in equity securities, 54% in debt securities, 6% in real estate, 4% in private equity limited partnerships and 3% in hedge funds. Actual asset allocations may differ from target allocations due to tactical decisions to overweight or underweight certain assets or as a result of normal fluctuations in asset values. Asset allocations are consistent with stated investment policies and, as a general rule, periodically rebalanced back to target asset allocations. Asset allocations and investment performance are formally reviewed periodically throughout the year by the Plan's Benefit Finance Committee. Forecasting of asset and liability growth is performed at least annually.

We have several benefit plans for retired employees currently supported by the OPEB plan assets. OPEB plan assets are directly and indirectly invested in a diversified mix of traditional asset classes, primarily high-quality fixed income securities.

The actual and target asset allocations of the OPEB plans used at December 31, 2017 and 2016 presented as a percentage of total plan assets, were as follows:

(Millions)	**2017**	**Target Allocation**	**2016**	**Target Allocation**
Equity securities	**13%**	**10-15%**	11%	5-15%
Debt securities	**81%**	**75-85%**	82%	80-90%
Real estate/other	**6%**	**5-10%**	7%	0-10%

Our expected return on plan assets assumption is based on many factors, including forecasted capital market real returns over a long-term horizon, forecasted inflation rates, historical compounded asset returns and patterns and correlations on those returns. Expectations for modest increases in interest rates, normal inflation trends and average capital market real returns led us to an expected return on pension plan assets assumption of 6.70% for 2017, 6.90% for 2016 and 7.00% for 2015, and an expected return on OPEB plan assets assumption of 4.75% for both 2017 and 2016 and 5.30% for 2015. We regularly review actual asset allocations and periodically rebalance our investments to the mid-point of our targeted allocation ranges when we consider it appropriate.

401(k) Plan

Our employees are eligible to participate in a defined contribution retirement savings plan under which designated contributions may be invested in our common stock or certain other investments (the "Aetna 401(k) Plan"). Our 401(k) contribution to the Aetna 401(k) Plan provides for a match of 100% of up to 6% of the eligible pay contributed by the employee. During 2017, 2016 and 2015, we made $196 million, $197 million and $198 million, respectively, in aggregate of matching contributions to our 401(k) plans. The matching contributions are made in cash and invested according to each participant's investment elections. The plan trustee held 6 million shares of our common stock for plan participants at December 31, 2017. At December 31, 2017, 34 million shares of our common stock were reserved for issuance under the Aetna 401(k) Plan.

11. Income Taxes

The components of our income tax provision in 2017, 2016 and 2015 were:

(Millions)	2017	2016	2015
Current income taxes:			
Federal	**$ 1,369**	$ 1,662	$ 1,797
State	**73**	129	112
Total current income taxes	**1,442**	1,791	1,909
Deferred income tax benefits:			
Federal	**(328)**	(55)	(59)
State	**(27)**	(1)	(9)
Total deferred income tax benefits	**(355)**	(56)	(68)
Total income taxes	**$ 1,087**	$ 1,735	$ 1,841

Income taxes were different from the amount computed by applying the statutory federal income tax rate to income before income taxes as follows:

	2017		2016		2015	
(Millions)	Amount	Percent	Amount	Percent	Amount	Percent
Amount at statutory rate	**$ 1,047**	**35.0%**	$ 1,397	35.0 %	$ 1,483	35.0 %
Health insurer fee	**—**	**—%**	293	7.3 %	300	7.1 %
State income taxes	**21**	.7%	83	2.1 %	63	1.5 %
Other, net	**19**	**.6%**	(38)	(.9)%	(5)	(.1)%
Income taxes	**$ 1,087**	**36.3%**	$ 1,735	43.5 %	$ 1,841	43.5 %

The significant components of our net deferred tax liabilities at December 31, 2017 and 2016 were as follows:

(Millions)	2017	2016
Deferred tax assets:		
Insurance reserves	**$ 187**	$ 231
Reserve for anticipated future losses on discontinued products	**135**	225
Employee and postretirement benefits	**75**	196
Net operating losses	**184**	147
Severance and facilities	**32**	135
Investments, net	**58**	80
Debt fair value adjustments	**10**	23
Deferred revenue	**231**	21
Other	**116**	117
Gross deferred tax assets	**1,028**	1,175
Less: Valuation allowance	**154**	118
Deferred tax assets, net of valuation allowance	**874**	1,057
Deferred tax liabilities:		
Goodwill and other acquired intangible assets	**451**	814
Cumulative depreciation and amortization	**101**	185
Unrealized gains on investment securities	**105**	42
Other	**22**	20
Total gross deferred tax liabilities	**679**	1,061
Net deferred tax assets (liabilities)	**$ 195**	$ (4)

Valuation allowances are provided when we estimate that it is more likely than not that deferred tax assets will not be realized. A valuation allowance has been established primarily related to state net operating losses. We base our estimates of the future realization of deferred tax assets primarily on historic taxable income and existing deferred tax liabilities.

We participate in the Compliance Assurance Process (the "CAP") with the Internal Revenue Service (the "IRS"). Under the CAP, the IRS undertakes audit procedures during the tax year and as the return is prepared for filing. The IRS has concluded its CAP audit of our 2016 tax return as well as all the prior years. We expect the IRS will conclude its CAP audit of our 2017 tax return in 2018.

We are also subject to audits by various state taxing authorities for tax years from 2000 through 2016. We believe we carry appropriate reserves for any exposure to state tax issues.

At both December 31, 2017 and December 31, 2016 we did not have material uncertain tax positions reflected in our Consolidated Balance Sheets.

On December 22, 2017, the TCJA was enacted. Refer to Note 2 for additional information related to the TCJA.

12. Stock-based Employee Incentive Plans

Our stock-based employee compensation plans (collectively, the "Plans") provide for awards of stock options, SARs, PSARs, RSUs, MSUs, PSUs, deferred contingent common stock and the ability for employees to purchase common stock at a discount. At December 31, 2017, 27 million common shares were available for issuance under the Plans. Executive, middle management and non-management employees may be granted stock options, SARs, PSARs, RSUs, MSUs and PSUs, each of which are described below:

Stock Options, SARs and PSARs

We have not granted stock options since 2005, and no stock options were outstanding as of December 31, 2017. SARs granted will be settled in our common stock, net of taxes, based on the appreciation of our stock price on the exercise date over the market price on the date of grant. SARs generally become 100% vested three years after the grant is made, with one-third vesting each year. Vested SARs may be exercised at any time during the ten years after grant, except in certain circumstances, generally related to employment termination or retirement. At the end of the ten year period, any unexercised SARs expire.

The SARs granted to certain employees during 2017 and 2016 and described above had an estimated grant date fair value per SAR of $32.30 and $34.33, respectively. The grant date fair value was calculated using a modified Black-Scholes option pricing model using the following assumptions:

	2017	2016
Expected term (in years)	**7.21**	7.11
Volatility	**26.52%**	32.9%
Risk-free interest rate	**2.22%**	1.52%
Dividend yield	**1.71%**	0.91%
Initial price	**$ 125.27**	$ 103.45

The expected term is based on historical equity award activity. Volatility is based on a weighted average of the historical volatility of our stock price and implied volatility from traded options on our stock. The risk-free interest rate is based on a U.S. Treasury rate with a life equal to the expected life of the SARs grant. This rate was calculated by interpolating between the 7-year and 10-year U.S. Treasury rates for both the 2017 and 2016 SARs grants. The dividend yield is based on our expected dividends for the upcoming 12 months subsequent to the grant date.

PSARs represent the opportunity to vest in SARs. For the PSARs granted in 2013 ("2013 PSARs"), the number of vested PSARs (which could range in specified increments from zero to 700,000 SARs) was dependent on Aetna's total shareholder return over a three year performance period relative to a defined peer group of companies. The 2013 PSARs were subject to a three-year vesting period that ended on August 5, 2016, and vested at 500,000 SARs.

We estimated the grant date fair value of the 2013 PSARs using a Monte Carlo simulation. The 2013 PSARs had a grant date per PSAR fair value of $18.64. That grant date fair value was calculated using the following assumptions:

Expected settlement period (in years)	6.12
Volatility	40.4%
Risk-free interest rate	.6%
Dividend yield	1.25%
Initial price	$ 64.25

The stock option, SAR and PSAR transactions during 2017, 2016 and 2015 were as follows:

(Millions, except exercise price and remaining life)	**Number of Stock Options, SARs and PSARs**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	**Aggregate Intrinsic Value**
2015				
Outstanding, beginning of year	8.1	$ 49.37	4.2	$ 318
Granted	2.0	101.41	—	—
Exercised	(2.5)	43.90	—	155
Expired or forfeited	(.2)	91.25	—	—
Outstanding, end of year [(1)]	7.4	$ 64.11	5.3	$ 325
Exercisable, end of year	4.1	$ 45.88	2.6	$ 252
2016				
Outstanding, beginning of year	7.4	$ 64.11	5.3	$ 325
Granted	2.4	104.47	—	—
Exercised	(1.4)	52.99	—	85
Expired or forfeited	(.4)	83.25	—	—
Outstanding, end of year	8.0	$ 77.20	5.9	$ 373
Exercisable, end of year	4.3	$ 57.26	3.6	$ 287
2017				
Outstanding, beginning of year	**8.0**	**$ 77.20**	**5.9**	**$ 373**
Granted	**2.2**	**125.82**	**—**	**—**
Exercised	**(2.4)**	**65.42**	**—**	**185**
Expired or forfeited	**(.2)**	**108.24**	**—**	**—**
Outstanding, end of year	**7.6**	**$ 94.03**	**6.6**	**$ 398**
Exercisable, end of year	**3.6**	**$ 71.06**	**4.6**	**$ 397**

[(1)] PSARs are included in this table in 2015 at the maximum amount that could potentially vest.

The following is a summary of information regarding SARs outstanding at December 31, 2017 (millions, except remaining contractual life and exercise price):

	Outstanding				Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
20.00-30.00 [1]	—	1.4	$ 25.50	$ 3	—	$ 25.50	$ 3
30.00-40.00	.8	1.1	32.11	125	.8	32.11	125
40.00-50.00 [1]	—	.3	45.84	1	—	45.84	1
50.00-60.00	.4	.1	50.70	55	.4	50.70	55
60.00-70.00	.5	5.6	64.25	58	.5	64.25	58
70.00-80.00	.5	6.1	72.42	49	.5	72.42	49
80.00-90.00 [1]	—	4.4	80.27	—	—	80.27	—
100.00-110.00	2.9	7.6	102.51	227	1.3	102.11	99
110.00-120.00	.2	8.3	115.16	16	.1	115.36	7
120.00-130.00	2.0	9.1	125.24	112	—	124.41	1
130.00-140.00 [1]	—	9.2	132.80	—	—	—	—
140.00-150.00	.1	9.4	145.10	2	—	—	—
160.00-170.00 [1]	—	9.7	163.21	—	—	—	—
$20.00-$170.00 [2]	7.4	6.6	$ 94.03	$ 648	3.6	$ 71.06	$ 398

[1] The number of outstanding and exercisable SARs with exercise prices between $20 and $30, $40 and $50, $80 and $90, $130 and $140 and $160 and $170 rounded to zero.

[2] The number of outstanding SARs with exercise prices between $90 and $100 and $150 and $160 rounded to zero.

During 2017, 2016 and 2015, the following activity occurred under the Plans:

(Millions)	2017	2016	2015
Cash received from stock option exercises	$ —	$ —	$ 7
Intrinsic value of stock options/SARs exercised and stock units vested	499	384	413
Tax benefits realized for the tax deductions from stock options and SARs exercised and stock units vested	99	77	101
Fair value of stock options, SARs, PSARs and stock units vested [1]	300	223	126

[1] The fair value represents the aggregate grant date fair value of the stock options, SARs, PSARs and stock units as of the respective grant dates.

We settle our SARs and stock units with newly-issued common stock and generally utilized the proceeds from stock options to repurchase our common stock in the open market in the same period.

RSUs, MSUs and PSUs

For each RSU granted, employees receive one share of common stock, net of taxes, at the end of the vesting period. RSUs generally become 100% vested approximately three years from the grant date, with one third vesting each December. The grant date fair value is determined based on the market price of our common stock on the date of grant.

The number of vested MSUs (which could range from zero to 150% of the original number of units granted) is dependent on the weighted average closing price of our common stock for the thirty trading days prior to the vesting date, including the vesting date. Each vested MSU represents one share of common stock and will be paid in shares of common stock, net of taxes. MSUs representing 50% of the grant date fair value of the MSUs granted in 2012 were subject to a two-year vesting period while the remaining MSUs granted in 2012 were subject to a three-year vesting period. MSUs granted in 2014 and 2013 were subject to a three-year vesting period. There were no MSUs granted from 2015 through 2017.

The number of vested PSUs (which could range from zero to 200% of the original number of units granted) is dependent upon the degree to which we achieve performance goals, which for the most part, are set at the time of grant as determined by our

Board's Committee on Compensation and Talent Management (the "Compensation Committee"). Each vested PSU represents one share of common stock and will be paid in shares of common stock, net of taxes. The grant date fair value is determined based on the market price of our common stock on the date of grant. Below is a summary of the performance period and vesting percentages for each tranche of PSUs granted by the Company:

- *PSUs granted in 2013 ("2013 PSUs"):* Certain PSUs granted in 2013 were subject to a single three-year performance period that ended on December 31, 2015, and vested at 74.61% of the original number of units granted. Certain PSUs granted in 2013 were subject to a two-year vesting period with two separate performance periods. Half of these PSUs were subject to a one-year performance period that ended on December 31, 2013, and vested at 127.08% of the original number of units granted. The remaining half were subject to a one-year performance period that ended on December 31, 2014, and vested at 131.62% of the original number of units granted.
- *PSUs granted in 2014 ("2014 PSUs"):* The 2014 PSUs had a two-year performance period that ended on December 31, 2015, and a three-year vesting period. The 2014 PSUs vested at 200% of the original number of units granted.
- *PSUs granted in 2015 ("2015 PSUs"):* The 2015 PSUs have a three-year performance period that ended on December 31, 2017, and are subject to a three-year vesting period. The 2015 PSUs vested at 120% of the original number of units granted.
- *PSUs granted in 2016 ("2016 PSUs"):* The 2016 PSUs have a three-year performance period that will end on December 31, 2018, and are subject to a three-year vesting period.
- *PSUs granted in 2017 ("2017 PSUs"):* The 2017 PSUs have a three-year performance period that will end on December 31, 2019, and are subject to a three-year vesting period.

From 2010 through 2014, we granted MSUs to certain employees. We did not grant any MSUs from 2015 through 2017. We estimate the grant date fair value of MSUs using a Monte Carlo simulation. MSUs granted in 2014 had a weighted average per MSU grant date fair value of $74.99. The weighted-average per MSU grant date fair value was calculated using the following assumptions:

	2014
Volatility	26.4%
Risk-free interest rate	.7%
Dividend yield	1.3%
Initial price	$ 72.26

The annualized volatility of the price of our common stock was calculated over the three-year period preceding the grant date of the MSUs. The risk-free interest rates for periods within the expected life of the MSUs were based on a constant maturity yield curve in effect on the grant date of the MSUs. The dividend yield assumption was based on our expected 2014 annual dividend payout. There were no MSUs outstanding as of December 31, 2017.

RSU, MSU and PSU transactions in 2017, 2016 and 2015 were as follows (number of units in millions):

	2017		2016		2015	
	RSUs, MSUs and PSUs	**Weighted Average Grant Date Fair Value**	**RSUs, MSUs and PSUs**	**Weighted Average Grant Date Fair Value**	**RSUs, MSUs and PSUs**	**Weighted Average Grant Date Fair Value**
RSUs, MSUs and PSUs at beginning of year	**2.9**	**$ 91.95**	3.9	$ 73.40	5.1	$ 58.57
Granted	**0.9**	**126.56**	2.1	98.60	1.8	100.52
Vested	**(2.1)**	**88.17**	(2.7)	68.87	(2.6)	59.72
Forfeited	**(.2)**	**101.69**	(.4)	71.17	(.4)	70.94
RSUs, MSUs and PSUs at end of year	**1.5**	**$ 112.71**	2.9	$ 91.95	3.9	$ 73.40

Stock Compensation Expense

In 2017, 2016 and 2015 we recorded share-based compensation expense of $187 million, $191 million and $181 million, respectively, in general and administrative expenses. We also recorded related tax benefits of $39 million, $33 million and $37 million in 2017, 2016 and 2015, respectively. At December 31, 2017, $153 million of total unrecognized compensation costs related to unvested SARs, RSUs and PSUs is expected to be recognized over a weighted-average period of 1.6 years.

13. Shareholders' Equity

Share Repurchases

From time to time, our Board authorizes us to repurchase our common stock. The repurchases are effected from time to time in the open market, through negotiated transactions, including accelerated share repurchase ("ASR") agreements, and through plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The activity under Board authorized share repurchase programs in 2017, 2016 and 2015 was as follows:

		Shares Purchased					
		2017		2016		2015	
(Millions)	Purchase Not to Exceed	Shares	Cost	Shares	Cost	Shares	Cost
Authorization date:							
February 17, 2017	$ 4,000	**19.3**	**$ 2,762**	—	$ —	—	$ —
November 21, 2014	1,000	**7.1**	**1,000**	—	—	—	—
February 28, 2014	1,000	**0.6**	**83**	—	—	3.0	296
Total repurchases	N/A	**27.0**	**$ 3,845**	—	$ —	3.0	$ 296
Repurchase authorization remaining at December 31,		**N/A**	**$ 1,238**	N/A	$ 1,083	N/A	$ 1,083

On February 22, 2017, we entered into ASR agreements with two unrelated third party financial institutions to repurchase an aggregate of $3.3 billion of Aetna's common shares. Under the terms of the ASR agreements, we made an approximately $1.7 billion payment to each unrelated third party financial institution on February 22, 2017 and received from each of them an initial delivery of approximately 10.4 million of our common shares on the same day, which represented approximately 80 percent of the total common shares expected to be repurchased under the ASR agreements based on the closing price of $126.34 per share on the day before we entered into the ASR agreements. In August 2017, we settled the ASR agreements and received approximately 2.7 million of our common shares based on the volume-weighted average share price of our common shares during the term of the applicable transaction, less a discount. The average price of our common shares repurchased under the ASR agreements was $140.09 per share.

We recorded the initial delivery of our common shares as a decrease to retained earnings of approximately $2.6 billion, and recorded the remaining approximately $0.7 billion as a decrease to additional paid-in capital on our Consolidated Balance Sheet. In August 2017, we reclassified the approximately $0.7 billion recorded as a reduction to additional paid-in capital to a reduction of retained earnings upon final settlement of the ASR agreements.

During the year ended December 31, 2017, we also repurchased approximately 3.4 million of our common shares in the open market at a cost of approximately $545 million. As a result of the CVS Merger Agreement, our ability to repurchase shares of our common stock prior to the completion of the merger contemplated by the CVS Merger Agreement (the "Merger") is limited.

Dividends

Prior to termination of the Humana Merger Agreement, Aetna was not permitted to declare, set aside or pay any dividend or other distribution other than a regular quarterly cash dividend in the ordinary course of business, which could not exceed $.25 per share. In addition, the Term Loan Agreement contained a covenant limiting "Restricted Payments" (as defined in the Term Loan Agreement) by Aetna, subject to certain exceptions and baskets, including an exception permitting the payment of regular cash dividends. Under the terms of the CVS Merger Agreement, prior to the completion of the Merger, Aetna is not permitted to declare, set aside or pay any dividend or make any other distribution other than a regular quarterly cash dividend in the ordinary course of business, which cannot exceed $.50 per share. Declaration and payment of future dividends is at the discretion of our Board and may be adjusted as business needs or marketplace conditions change. In addition, under the terms of the CVS Merger Agreement, we have agreed with CVS Health to coordinate the declaration and payment of dividends so that our shareholders do not fail to receive a quarterly dividend around the time of closing the Merger.

In 2017 and 2016 our Board declared the following cash dividends:

Date Declared	Dividend Amount Per Share	Stockholders of Record Date	Date Paid/ To be Paid	Total Dividends (Millions)
Year ended December 31, 2016				
February 19, 2016	$ .25	April 14, 2016	April 29, 2016	$ 88
May 20, 2016	.25	July 14, 2016	July 29, 2016	88
September 30, 2016	.25	October 13, 2016	October 28, 2016	88
December 2, 2016	.25	January 12, 2017	January 27, 2017	88
Year ended December 31, 2017				
February 17, 2017	$ .50	April 13, 2017	April 28, 2017	$ 166
May 19, 2017	.50	July 13, 2017	July 28, 2017	166
September 29, 2017	.50	October 12, 2017	October 27, 2017	163
December 3, 2017	.50	January 11, 2018	January 26, 2018	163

On February 23, 2018, our Board declared a cash dividend of $.50 per share that will be paid on April 27, 2018 to shareholders of record at the close of business on April 12, 2018.

Preferred Stock and Undesignated Shares

In addition to the common stock disclosed on our Consolidated Balance Sheets, 8 million shares of Class A voting preferred stock, $.01 par value per share, have been authorized and none are issued or outstanding at December 31, 2017. At December 31, 2017, there were also 469 million undesignated shares that our Board has the power to divide into such classes and series, with such voting rights, designations, preferences, limitations and special rights as our Board determines.

Regulatory Requirements

Our business operations are conducted through subsidiaries that principally consist of HMOs and insurance companies. Our HMO and insurance subsidiaries report their financial statements in accordance with accounting practices prescribed by state regulatory authorities which may differ from GAAP. The combined statutory net income for the years ended and combined statutory capital and surplus at December 31, 2017, 2016 and 2015 for our insurance and HMO subsidiaries were as follows:

(Millions)	2017	2016	2015
Statutory net income	**$ 2,908**	$ 2,229	$ 2,186
Statutory capital and surplus	**9,948**	10,413	9,883

During 2017, our insurance and HMO subsidiaries paid approximately $3.9 billion of gross dividends to the Company.

In addition to general state law restrictions on payments of dividends and other distributions to shareholders applicable to all corporations, HMOs and insurance companies are subject to further regulations that, among other things, may require those companies to maintain certain levels of equity and restrict the amount of dividends and other distributions that may be paid to their equity holders. At December 31, 2017, these amounts were as follows:

(Millions)	
Minimum statutory surplus required by regulators	$ 3,685
Investments on deposit with regulatory bodies	621
Maximum dividend distributions permitted in 2018 without state approval	1,573

Non-controlling (Minority) Interests

At December 31, 2017 and 2016, continuing business non-controlling interests were $257 million and $62 million, respectively, primarily related to third party interests in our operating entities. At December 31, 2016, continuing business non-controlling interests also included third party interests in our investment holdings. During the fourth quarter of 2017, we redeemed the entire minority shareholder interests in our investment holdings. The non-controlling entities' share is included in total equity.

14. Other Comprehensive Income (Loss)

Shareholders' equity included the following activity in accumulated other comprehensive income (loss) in 2017, 2016 and 2015:

	At December 31,		
(Millions)	**2017**	**2016**	**2015**
Previously impaired debt securities: [1]			
Beginning of period balance	**$ 16**	$ 19	$ 35
Net unrealized losses *($(9), $(31) and $(69) pretax)*	**(6)**	(20)	(45)
Less: Net reclassification of gains (losses) to earnings *($8, $(26) and $(44) pretax)* [2]	**5**	(17)	(29)
Other comprehensive loss	**(11)**	(3)	(16)
End of period balance	**5**	16	19
All other securities:			
Beginning of period balance	**297**	312	568
Net unrealized gains (losses) *($165, $(12) and $(490) pretax)*	**107**	(8)	(318)
Less: Net reclassification of gains (losses) to earnings *($120, $11 and $(97) pretax)* [2]	**78**	7	(62)
Other comprehensive income (loss)	**29**	(15)	(256)
End of period balance	**326**	297	312
Derivatives and foreign currency:			
Beginning of period balance	**(235)**	$ (74)	$ (61)
Net unrealized gains (losses) *($11, $(273) and $(26) pretax)*	**7**	(177)	(17)
Less: Net reclassification of losses to earnings *($(345), $(25) and $(6) pretax)* [3]	**(224)**	(16)	(4)
Other comprehensive income (loss)	**231**	(161)	(13)
End of period balance	**(4)**	(235)	(74)
Pension and OPEB plans:			
Beginning of period balance	**(1,630)**	(1,587)	(1,653)
Net unrealized net actuarial gains (losses) arising during the period *($23, $(126) and $41 pretax)*	**18**	(82)	27
Less: Net amortization of net actuarial losses *($(68), $(64) and $(64) pretax)* [4]	**(44)**	(42)	(42)
Less: Net amortization of prior service credit *($5, $5 and $4 pretax)* [4]	**3**	3	3
Other comprehensive income (loss)	**59**	(43)	66
End of period balance	**(1,571)**	(1,630)	(1,587)
Total beginning of period accumulated other comprehensive loss	**(1,552)**	(1,330)	(1,111)
Total other comprehensive income (loss)	**308**	(222)	(219)
Total end of period accumulated other comprehensive loss	**$ (1,244)**	$ (1,552)	$ (1,330)

[1] Represents specifically identified unrealized gains on the non-credit related component of impaired debt securities that we do not intend to sell and subsequent changes in the fair value of any previously impaired security.

[2] Reclassifications out of accumulated other comprehensive income for specifically identified previously impaired debt securities and all other securities are reflected in net realized capital (losses) gains within our Consolidated Statements of Income.

[3] Reclassifications out of accumulated other comprehensive income for specifically identified foreign currency gains (losses) and derivatives are reflected in net realized capital (losses) gains within our Consolidated Statements of Income, except for the specifically identified effective portion of derivatives related to interest rate swaps which are reflected in interest expense. During the year ended December 31, 2017, we redeemed the entire $10.2 billion aggregate principal amount outstanding of the Special Mandatory Redemption Notes and the entire $750 million aggregate principal amount outstanding of our senior notes due 2020 and reclassified out of accumulated other comprehensive income the remaining $336 million pre-tax unrealized hedge losses as a realized capital loss within our Consolidated Statements of Income. Refer to Note 9 for additional information.

[4] Reclassifications out of accumulated other comprehensive income for specifically identified pension and OPEB plan expenses are reflected in general and administrative expenses within our Consolidated Statements of Income. Refer to Note 10 for additional information.

15. Earnings Per Common Share

Basic earnings per common share ("EPS") is computed by dividing net income attributable to Aetna by the weighted-average number of common shares outstanding during the reporting period. Diluted EPS is computed in a similar manner, except that the weighted average number of common shares outstanding is adjusted for the dilutive effects of our outstanding stock-based compensation awards, but only if the effect is dilutive.

The computations of basic and diluted EPS for 2017, 2016 and 2015 are as follows:

(Millions, except per common share data)	2017	2016	2015
Net income attributable to Aetna	**$ 1,904**	$ 2,271	$ 2,390
Weighted average shares used to compute basic EPS	**333.2**	351.3	349.3
Dilutive effect of outstanding stock-based compensation awards	**2.2**	3.0	3.3
Weighted average shares used to compute diluted EPS	**335.4**	354.3	352.6
Basic EPS	**$ 5.71**	$ 6.46	$ 6.84
Diluted EPS	**$ 5.68**	$ 6.41	$ 6.78

The stock-based compensation awards excluded from the calculation of diluted EPS for 2017, 2016 and 2015 are as follows:

(Millions)	2017	2016	2015
Stock appreciation rights ("SARs") [1]	**—**	.1	.5
Other stock-based compensation awards [2]	**.7**	.7	.8

[1] SARs are excluded from the calculation of diluted EPS if the exercise price is greater than the average market price of Aetna common shares during the period (i.e., the awards are anti-dilutive).

[2] Performance stock units ("PSUs"), certain market stock units ("MSUs") with performance conditions, and performance stock appreciation rights ("PSARs") are excluded from the calculation of diluted EPS if all necessary performance conditions have not been satisfied at the end of the reporting period (refer to Note 12 for additional information about PSARs).

16. Reinsurance

We utilize reinsurance agreements primarily to reduce our required capital and to facilitate the acquisition or disposition of certain insurance contracts. Ceded reinsurance agreements permit us to recover a portion of our losses from reinsurers, although they do not discharge our primary liability as the direct insurer of the risks reinsured.

On November 1, 2017, we completed the sale of a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance and absence management businesses to HLAIC. The transaction was accomplished through an indemnity reinsurance arrangement under which HLAIC contractually assumed certain of our policyholder liabilities and obligations, although we remain directly obligated to policyholders. The liability related to our obligation is primarily recorded in unpaid claims on our Consolidated Balance Sheets. Assets related to and supporting the reinsured life and disability insurance policies were transferred to a trust established by HLAIC for our benefit, and we recorded a reinsurance receivable from HLAIC.

Effective October 1, 1998, we reinsured certain policyholder liabilities and obligations related to individual life insurance in conjunction with our former parent company's sale of this business. These transactions were in the form of indemnity reinsurance arrangements, whereby the assuming companies contractually assumed certain policyholder liabilities and obligations, although we remain directly obligated to policyholders. The liability related to our obligation is recorded in future policy benefits and policyholders' funds on our Consolidated Balance Sheets. Assets related to and supporting these policies were transferred to the assuming companies, and we recorded a reinsurance recoverable.

Effective 2014 to 2017, we entered into certain three to five-year reinsurance agreements with unrelated reinsurers that allowed us to reduce our required capital and provided collateralized excess of loss reinsurance coverage on a portion of our group Commercial Insured Health Care business. In January 2018, we entered into two four-year reinsurance agreements with an unrelated reinsurer that allowed us to reduce our required capital and provided collateralized excess of loss reinsurance coverage on a portion of our group Commercial Insured Health Care business.

The ACA established a temporary reinsurance program that expired at the end of 2016. Under this program, all issuers of major medical commercial insurance products and self-insured plan sponsors were required to contribute funding in amounts set by HHS. Funds collected were utilized to reimburse issuers' high claims costs incurred for qualified individual members. The expense related to this required funding was reflected in general and administrative expenses for all of our insurance products with the exception of products associated with qualified individual members; this expense for qualified individual members was reflected as a reduction of premium revenue. When annual claim costs incurred by our qualified individual members exceeded a specified attachment point, we were entitled to certain reimbursements from this program. We recorded a receivable and offset health care costs to reflect our estimate of these recoveries. Refer to Note 2 for additional information about the ACA's temporary three-year reinsurance program.

Reinsurance recoverables recorded at December 31, 2017 and 2016 were as follows:

(Millions)	**Total Recoverables**	
Reinsurer	**2017**	**2016**
Hartford Life and Accident Insurance Company	**$ 3,555**	**$ —**
Lincoln Life & Annuity Company of New York	**431**	444
VOYA Retirement Insurance and Annuity Company	**197**	209
Affordable Care Act	**37**	202
All Other	**153**	164
Total	**$ 4,373**	$ 1,019

Direct, assumed and ceded premiums earned for the years ended December 31 were as follows:

	Health Care			**Group Insurance**		
(Millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Direct	**$ 51,964**	$ 54,062	$ 51,539	**$ 2,171**	$ 2,155	$ 2,155
Assumed	**413**	402	368	**1**	1	1
Ceded	**(355)**	(348)	(289)	**(353)**	(13)	(17)
Net premiums	**$ 52,022**	$ 54,116	$ 51,618	**$ 1,819**	$ 2,143	$ 2,139

The impact of reinsurance on benefit costs (health care costs for our Health Care segment and current and future benefits for our Group Insurance segment) for the years ended December 31 were as follows:

	Health Care			**Group Insurance**		
(Millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Direct	**$ 42,780**	$ 44,341	$ 42,038	**$ 2,181**	$ 1,861	$ 1,845
Assumed	**318**	339	298	**4**	2	2
Ceded	**(345)**	(425)	(624)	**(597)**	(13)	(10)
Net benefit costs	**$ 42,753**	$ 44,255	$ 41,712	**$ 1,588**	$ 1,850	$ 1,837

Assumed and ceded other premiums and current and future benefit expense related to our Large Case Pensions segment was not material during the years ended 2017, 2016 or 2015. There is not a material difference between premiums on a written basis versus an earned basis.

We also have various agreements with unrelated reinsurers that do not qualify for reinsurance accounting under GAAP, and consequently are accounted for using deposit accounting. We entered into these contracts to reduce the risk of catastrophic loss which in turn reduces our capital and surplus requirements surrounding certain portions of our group term life, group accidental death and dismemberment, Medicare Advantage and group Commercial Insured Health Care businesses. Total deposit assets and liabilities related to reinsurance agreements that do not qualify for reinsurance accounting under GAAP were not material as of December 31, 2017 or 2016.

17. Commitments and Contingencies

Guarantees

We have the following significant guarantee and indemnification arrangements at December 31, 2017.

- ASC Claim Funding Accounts - We have arrangements with certain banks for the processing of claim payments for our ASC customers. The banks maintain accounts to fund claims of our ASC customers. The customer is responsible for funding the amount paid by the bank each day. In these arrangements, we guarantee that the banks will not sustain losses if the responsible ASC customer does not properly fund its account. The aggregate maximum exposure under these arrangements is generally limited to $250 million. We can limit our exposure to this guarantee by suspending the payment of claims for ASC customers that have not adequately funded the amount paid by the bank.
- Indemnification Agreements - In connection with certain acquisitions and dispositions of assets and/or businesses, our various issuances of long-term debt and certain of our reinsurance agreements, we have incurred certain customary indemnification obligations to the applicable seller, purchaser, underwriters and/or various other participants. In general, we have agreed to indemnify the other party for certain losses relating to the assets or business that we or they purchased or sold or for other matters on terms that are customary for similar transactions. Certain portions of our indemnification obligations are capped at the applicable transaction price, while other arrangements are not subject to such a limit. At December 31, 2017, we do not believe that our future obligations under any of these agreements will be material to our financial position.
- Separate Accounts assets - Certain Separate Accounts assets associated with the Large Case Pensions business represent funds maintained as a contractual requirement to fund specific pension annuities that we have guaranteed. Minimum contractual obligations underlying the guaranteed benefits in these Separate Accounts were approximately $1.7 billion and $1.8 billion at December 31, 2017 and 2016, respectively. Refer to Note 2 for additional information on Separate Accounts. Contract holders assume all investment and mortality risk and are required to maintain Separate Account balances at or above a specified level. The level of required funds is a function of the risk underlying the Separate Account's investment strategy. If contract holders do not maintain the required level of Separate Account assets to meet the annuity guarantees, we would establish an additional liability. Contract holders' balances in the Separate Accounts at December 31, 2017 exceeded the value of the guaranteed benefit obligation. As a result, we were not required to maintain any additional liability for our related guarantees at December 31, 2017.

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

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

In 2009, the Pennsylvania Insurance Commissioner (the "Commissioner") placed long-term care insurer Penn Treaty Network America Insurance Company and one of its subsidiaries (collectively, "Penn Treaty") in rehabilitation, an intermediate action before insolvency, and subsequently petitioned a state court to convert the rehabilitation into a liquidation. Penn Treaty was placed in liquidation in March 2017. We recorded a discounted estimated liability and expense of $231 million pretax during the first quarter of 2017 for our estimated share of future assessments by applicable life and health guaranty associations which reflects a 3.5% discount rate. The undiscounted estimated liability was $347 million. The expense was recorded in general and administrative expenses in our Consolidated Statements of Income, and the liability was recorded in accrued expenses and other current liabilities in our Consolidated Balance Sheets. We did not record an asset for expected premium tax offsets for our in force business at December 31, 2017 as the amount was not material. It is reasonably possible that in the future we may record a liability and expense relating to other insolvencies which could have a material adverse effect on our operating results, financial position and cash flows. While historically we have ultimately recovered more than half of guaranty fund assessments through statutorily permitted premium tax offsets, significant increases in assessments could lead to legislative and/or regulatory actions that may limit future offsets.

HMOs in certain states in which we do business are subject to assessments, including market stabilization and other risk-sharing pools, for which we are assessed charges based on incurred claims, demographic membership mix and other factors. We establish liabilities for these assessments based on applicable laws and regulations. In certain states, the ultimate assessments we pay are dependent upon our experience relative to other entities subject to the assessment, and the ultimate

liability is not known at the financial statement date. While the ultimate amount of the assessment is dependent upon the experience of all pool participants, we believe we have adequate reserves to cover such assessments.

Litigation and Regulatory Proceedings

Out-of-Network Benefit Proceedings

We are named as a defendant in several purported class actions and individual lawsuits arising out of our practices related to the payment of claims for services rendered to our members by health care providers with whom we do not have a contract ("out-of-network providers"). Among other things, these lawsuits allege that we paid too little to our health plan members and/or providers for these services, among other reasons, because of our use of data provided by Ingenix, Inc., a subsidiary of one of our competitors ("Ingenix"). Other major health insurers are the subject of similar litigation or have settled similar litigation.

Various plaintiffs who are health care providers or medical associations seek to represent nationwide classes of out-of-network providers who provided services to our members during the period from 2001 to the present. Various plaintiffs who are members in our health plans seek to represent nationwide classes of our members who received services from out-of-network providers during the period from 2001 to the present. Taken together, these lawsuits allege that we violated state law, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Racketeer Influenced and Corrupt Organizations Act ("RICO") and federal antitrust laws, either acting alone or in concert with our competitors. The purported classes seek reimbursement of all unpaid benefits, recalculation and repayment of deductible and coinsurance amounts, unspecified damages and treble damages, statutory penalties, injunctive and declaratory relief, plus interest, costs and attorneys' fees, and seek to disqualify us from acting as a fiduciary of any benefit plan that is subject to ERISA. Individual lawsuits that generally contain similar allegations and seek similar relief have been brought by health plan members and out-of-network providers.

The first class action case was commenced on July 30, 2007. The federal Judicial Panel on Multi-District Litigation (the "MDL Panel") has consolidated these class action cases in the U.S. District Court for the District of New Jersey (the "New Jersey District Court") under the caption *In re: Aetna UCR Litigation*, MDL No. 2020 ("MDL 2020"). In addition, the MDL Panel has transferred the individual lawsuits to MDL 2020. On May 9, 2011, the New Jersey District Court dismissed the physician plaintiffs from MDL 2020 without prejudice. The New Jersey District Court's action followed a ruling by the United States District Court for the Southern District of Florida (the "Florida District Court") that the physician plaintiffs were enjoined from participating in MDL 2020 due to a prior settlement and release. The United States Court of Appeals for the Eleventh Circuit has dismissed the physician plaintiffs' appeal of the Florida District Court's ruling.

On December 6, 2012, we entered into an agreement to settle MDL 2020. Under the terms of the proposed nationwide settlement, we would have been released from claims relating to our out-of-network reimbursement practices from the beginning of the applicable settlement class period through August 30, 2013. The settlement agreement did not contain an admission of wrongdoing. The medical associations were not parties to the settlement agreement.

Under the settlement agreement, we would have paid up to $120 million to fund claims submitted by health plan members and health care providers who were members of the settlement classes. These payments also would have funded the legal fees of plaintiffs' counsel and the costs of administering the settlement. In connection with the proposed settlement, the Company recorded an after-tax charge to net income attributable to Aetna of $78 million in the fourth quarter of 2012.

The settlement agreement provided us the right to terminate the agreement under certain conditions related to settlement class members who opted out of the settlement. Based on a report provided to the parties by the settlement administrator, the conditions permitting us to terminate the settlement agreement were satisfied. On March 13, 2014, we notified the New Jersey District Court and plaintiffs' counsel that we were terminating the settlement agreement. Various legal and factual developments since the date of the settlement agreement led us to believe terminating the settlement agreement was in our best interests. As a result of this termination, we released the reserve established in connection with the settlement agreement, net of amounts due to the settlement administrator, which reduced first quarter 2014 other general and administrative expenses by $103 million pretax.

On June 30, 2015, the New Jersey District Court granted in part our motion to dismiss the proceeding. The New Jersey District Court dismissed with prejudice the plaintiffs' RICO and federal antitrust claims; their ERISA claims that are based on our disclosures and our purported breach of fiduciary duties; and certain of their state law claims. The New Jersey District Court also dismissed with prejudice all claims asserted by several medical association plaintiffs. The plaintiffs' remaining claims are for ERISA benefits and breach of contract. We intend to defend ourselves vigorously against the plaintiffs' remaining claims.

We also have received subpoenas and/or requests for documents and other information from, and been investigated by, attorneys general and other state and/or federal regulators, legislators and agencies relating to, and we are involved in other

litigation regarding, our out-of-network benefit payment and administration practices. It is reasonably possible that others could initiate additional litigation or additional regulatory action against us with respect to our out-of-network benefit payment and/or administration practices.

CMS Actions

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

CMS revised its audit methodology for RADV audits to determine refunds payable by Medicare Advantage plans for contract year 2011 and forward. Under the revised methodology, among other things, CMS will project the error rate identified in the audit sample of approximately 200 members to all risk adjusted premium payments made under the contract being audited. Historically, CMS did not project sample error rates to the entire contract. As a result, the revised methodology may increase our exposure to premium refunds to CMS based on incomplete medical records maintained by providers. Since 2013, CMS has selected certain of our Medicare Advantage contracts for various contract years for RADV audit. We are currently unable to predict which of our Medicare Advantage contracts will be selected for future audit, the amounts of any retroactive refunds of, or prospective adjustments to, Medicare Advantage premium payments made to us, the effect of any such refunds or adjustments on the actuarial soundness of our Medicare Advantage bids, or whether any RADV audit findings would cause a change to our method of estimating future premium revenue in future bid submissions to CMS or compromise premium assumptions made in our bids for prior contract years, the current contract year or future contract years. Any premium or fee refunds or adjustments resulting from regulatory audits, whether as a result of RADV, Public Exchange related or other audits by CMS, the OIG, HHS or otherwise, including audits of our minimum medical loss ratio rebates, methodology and/or reports, could be material and could adversely affect our operating results, financial position and cash flows.

Other Litigation and Regulatory Proceedings

We are involved in numerous other lawsuits arising, for the most part, in the ordinary course of our business operations, including claims of or relating to bad faith, medical malpractice, non-compliance with state and federal regulatory regimes, marketing misconduct, failure to timely or appropriately pay or administer claims and benefits in our Health Care and Group Insurance businesses (including our post-payment audit and collection practices and reductions in payments to providers due to sequestration), provider network structure (including the use of performance-based networks and termination of provider contracts), provider directory accuracy, rescission of insurance coverage, improper disclosure of personal information, anticompetitive practices, intellectual property litigation, other legal proceedings in our Health Care and Group Insurance businesses and employment litigation. Some of these other lawsuits are or are purported to be class actions. We intend to defend ourselves vigorously against the claims brought in these matters.

Awards to us and others of certain government contracts, particularly Medicaid contracts and contracts with government customers in our Commercial business, are subject to increasingly frequent protests by unsuccessful bidders. These protests may result in awards to us being reversed, delayed or modified. The loss or delay in implementation of any government contract could adversely affect our operating results. We will continue to defend vigorously contract awards we receive.

In addition, our operations, current and past business practices, current and past contracts, and accounts and other books and records are subject to routine, regular and special investigations, audits, examinations and reviews by, and from time to time we receive subpoenas and other requests for information from, CMS, the U.S. Department of Health and Human Services, various state insurance and health care regulatory authorities, state attorneys general, treasurers and offices of inspector general, the Center for Consumer Information and Insurance Oversight, OIG, the Office of Personnel Management, the U.S. Department of Labor, the U.S. Department of the Treasury, the U.S. Food and Drug Administration, committees, subcommittees and members of the U.S. Congress, the U.S. Department of Justice, the Federal Trade Commission, U.S. attorneys and other state, federal and

international governmental authorities. These government actions include inquiries by, and testimony before, certain members, committees and subcommittees of the U.S. Congress regarding our withdrawal from certain states' Public Exchanges for 2017, certain of our current and past business practices, including our overall claims processing and payment practices, our business practices with respect to our small group products, student health products or individual customers (such as market withdrawals, rating information, premium increases and medical benefit ratios), executive compensation matters and travel and entertainment expenses, as well as the investigations by, and subpoenas and requests from, attorneys general and others described above under "Out-of-Network Benefit Proceedings." We also have produced documents and information to the Civil Division of the DOJ in cooperation with a current investigation of our patient chart review processes in connection with risk adjustment data submissions under Parts C and D of the Medicare program.

A significant number of states are investigating life insurers' claims payment and related escheat practices. These investigations have resulted in significant charges to earnings by other life insurers in connection with related settlements. We have received requests for information from a number of states, and certain of our subsidiaries are being audited, with respect to our life insurance claim payment and related escheat practices. In the fourth quarter of 2013, we made changes to our life insurance claim payment practices (including related escheatment practices) based on evolving industry practices and regulatory expectations and interpretations, including expanding our existing use of the Social Security Administration's Death Master File to identify additional potentially unclaimed death benefits and locate applicable beneficiaries. As a result of these changes, in the fourth quarter of 2013, we increased our estimated liability for unpaid life insurance claims with respect to insureds who passed away on or before December 31, 2013, and recorded in current and future benefits a charge of $36 million ($55 million pretax). Given the judicial, legislative and regulatory uncertainty with respect to life insurance claim payment and related escheat practices, it is reasonably possible that we may incur additional liability related to those practices, whether as a result of further changes in our business practices, litigation, government actions or otherwise, which could adversely affect our operating results and cash flows.

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

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

Estimating the probable losses or a range of probable losses resulting from litigation, government actions and other legal proceedings is inherently difficult and requires an extensive degree of judgment, particularly where the matters involve indeterminate claims for monetary damages, involve claims for injunctive relief, may involve fines, penalties or punitive damages that are discretionary in amount, involve a large number of claimants or regulatory authorities, represent a change in regulatory policy, present novel legal theories, are in the early stages of the proceedings, are subject to appeal or could result in changes in business practices. In addition, because most legal proceedings are resolved over long periods of time, potential losses are subject to change due to, among other things, new developments, changes in litigation strategy, the outcome of intermediate procedural and substantive rulings and other parties' settlement posture and their evaluation of the strength or weakness of their case against us. Except as specifically noted above under "Other Litigation and Regulatory Proceedings," we are currently unable to predict the ultimate outcome of, or reasonably estimate the losses or a range of losses resulting from, the matters described above under "Litigation and Regulatory Proceedings", and it is reasonably possible that their outcome could be material to us.

Other Obligations

We have operating leases for office space and certain computer and other equipment. Rental expenses for these items were $159 million, $167 million and $165 million in 2017, 2016 and 2015, respectively. For 2018 through 2022, our future net minimum payments under non-cancelable leases and funding obligations relating to equity limited partnership investments, commercial mortgage loans and real estate partnerships were:

(Millions)	2018	2019	2020	2021	2022
Future net minimum payments under non-cancelable leases	$ 142	$ 115	$ 79	$ 65	$ 51
Funding requirements for equity limited partnership investments, commercial mortgage loans and real estate partnerships	139	106	90	53	35
Total	$ 281	$ 221	$ 169	$ 118	$ 86

18. Segment Information

Our operations are conducted in three business segments: Health Care, Group Insurance and Large Case Pensions. Our Corporate Financing segment is not a business segment; it is added to our business segments to reconcile to our consolidated results. The Corporate Financing segment includes transaction and integration-related costs, restructuring costs, income taxes, interest expense on our outstanding debt and the financing components of our pension and OPEB expense (the service cost and prior service cost components of this expense are allocated to our business segments). Effective for the first quarter of 2018, we will realign our business segments to correspond with changes to our management structure and internal management reporting which reflect our evolving business strategy of helping our members live healthier lives. Refer to Note 1 for further discussion.

Non-GAAP financial measures we disclose, such as adjusted earnings and pre-tax adjusted earnings, should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP. Effective March 31, 2017, to more clearly differentiate between the GAAP and non-GAAP financial measures used in our reports filed with or furnished to the Securities and Exchange Commission and our other disclosures, we changed the naming convention for our non-GAAP financial measures from “operating” measures to “adjusted” measures. The underlying calculations of our consolidated non-GAAP financial measures did not change. Prior to March 31, 2017, operating earnings was the measure reported to the chief executive officer for purposes of assessing financial performance and making operating decisions, such as the allocation of resources among our business segments. Effective March 31, 2017, the chief executive officer assesses our consolidated results based on adjusted earnings and assesses business segment results based on pre-tax adjusted earnings because income taxes are recorded in our Corporate Financing segment and are not allocated to our business segments. Also effective March 31, 2017, transaction and integration-related costs and restructuring costs were reclassified to our Corporate Financing segment because they do not reflect our underlying business performance. Prior periods have been restated to reflect this presentation.

Summarized financial information of our segment operations [1] for 2017, 2016 and 2015 were as follows:

(Millions)	Health Care	Group Insurance	Large Case Pensions	Corporate Financing	Total Company
2017					
Revenue from external customers	**$ 57,771**	**$ 1,992**	**$ 61**	**$ —**	**$ 59,824**
Net investment income	**476**	**210**	**253**	**11**	**950**
Interest expense	**—**	**—**	**—**	**442**	**442**
Depreciation and amortization expense	**705**	**—**	**—**	**—**	**705**
Pre-tax adjusted earnings (loss) [2]	**5,207**	**125**	**15**	**(254)**	**5,093**
2016					
Revenue from external customers	$ 59,860	$ 2,251	$ 48	$ —	$ 62,159
Net investment income	435	226	226	23	910
Interest expense	—	—	—	604	604
Depreciation and amortization expense	681	—	—	—	681
Pre-tax adjusted earnings (loss) [2]	5,073	141	10	(259)	4,965
2015					
Revenue from external customers	$ 57,203	$ 2,240	$ 42	$ —	$ 59,485
Net investment income	408	238	271	—	917
Interest expense	—	—	—	369	369
Depreciation and amortization expense	671	—	—	—	671
Pre-tax adjusted earnings (loss) [2]	4,751	174	14	(227)	4,712

[1] Total Assets by segment are not disclosed as this information is not reviewed by the chief executive officer.

[2] Pre-tax adjusted earnings (loss) excludes net realized capital gains or losses, amortization of other acquired intangible assets and the other items described in the reconciliation below.

A reconciliation of income before income taxes attributable to Aetna to pre-tax adjusted earnings[(1)] in 2017, 2016 and 2015 follows.

(Millions)	**2017**	**2016**	**2015**
Income before income taxes (GAAP measure)	**$ 2,992**	$ 3,991	$ 4,236
Less: (Loss) income before income taxes attributable to non-controlling interests (GAAP measure)	**(10)**	(20)	7
Income before income taxes attributable to Aetna (GAAP measure)	**3,002**	4,011	4,229
Gain related to sale of certain domestic group insurance businesses	**(88)**	—	—
Loss on early extinguishment of long-term debt	**246**	—	—
Penn Treaty-related guaranty fund assessments	**231**	—	—
Transaction and integration-related costs	**1,240**	517	258
Restructuring costs	**60**	404	15
Reduction of reserve for anticipated future losses on discontinued products	**(109)**	(128)	—
Litigation related proceeds	**—**	—	(110)
Amortization of other acquired intangible assets	**272**	247	255
Net realized capital losses (gains)	**239**	(86)	65
Pre-tax adjusted earnings	**$ 5,093**	$ 4,965	$ 4,712

(1) In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earnings and pre-tax adjusted earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:

- During the year ended December 31, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance, and absence management business. The transaction was accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of Aetna's business operations.
- During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory redemption of the $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemption of $750 million aggregate principal amount of our outstanding senior notes due 2020.
- During the year ended December 31, 2017, we recorded an expense for estimated future guaranty fund assessments related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of our business operations.
- We recorded transaction-related costs during the year ended December 31, 2017 related to our proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primarily related to the Humana Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agreement, the termination of our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP Consolidated Statements of Income in general and administrative expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior to the mandatory redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-tax adjusted earnings. The negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption (the “Other 2016 Senior Notes”) was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the Humana Merger Agreement, the interest expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings.
- Restructuring costs for 2017 include severance costs associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early retirement program, severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments which require us to make payments to suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume commitments as a result of our reduced participation on the ACA’s individual Public Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense management and cost control initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.

- In 1993, we discontinued the sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the year ended December 31, 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for anticipated future losses on discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating results of these discontinued products, which are credited or charged to the reserve and do not affect our operating results.
- In 2015, we received proceeds net of legal costs, in connection with a litigation settlement. These net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

Revenues from external customers by product in 2017, 2016 and 2015 were as follows:

(Millions)	**2017**	**2016**	**2015**
Health care premiums	**$ 52,022**	$ 54,116	$ 51,618
Health care fees and other revenue	**5,749**	5,744	5,585
Group insurance premiums	**1,819**	2,143	2,139
Group insurance fees and other revenues	**173**	108	101
Large case pensions premiums	**53**	39	32
Large case pensions other revenue	**8**	9	10
Total revenue from external customers [1] [2]	**$ 59,824**	$ 62,159	$ 59,485

[1] All within the U.S., except approximately $634 million, $642 million and $1.3 billion in 2017, 2016 and 2015, respectively, which were derived from foreign customers.

[2] Revenue from the U.S. federal government was approximately $20.8 billion, $20.5 billion and $17.8 billion in 2017, 2016 and 2015, respectively, in the Health Care and Group Insurance segments. These amounts exceeded 10 percent of our total revenue from external customers in each of 2017, 2016 and 2015.

The following is a reconciliation of revenue from external customers to total revenues included in our Consolidated Statements of Income in 2017, 2016 and 2015:

(Millions)	**2017**	**2016**	**2015**
Revenue from external customers	**$ 59,824**	$ 62,159	$ 59,485
Net investment income	**950**	910	917
Net realized capital (losses) gains	**(239)**	86	(65)
Total revenue	**$ 60,535**	$ 63,155	$ 60,337

Long-lived assets, which are principally within the U.S., were $576 million and $579 million at December 31, 2017 and 2016, respectively.

19. Discontinued Products

Prior to 1993, we sold single-premium annuities (“SPAs”) and guaranteed investment contracts (“GICs”), primarily to employer sponsored pension plans. In 1993, we discontinued selling these products to Large Case Pensions customers, and now we refer to these products as discontinued products. In November 2016, the last outstanding GIC matured.

We discontinued selling these products because they were generating losses for us, and we projected that they would continue to generate losses over their life (which is currently greater than 30 years for SPAs); so we established a reserve for anticipated future losses at the time of discontinuance. This reserve represents the present value (at the risk-free rate of return consistent with the duration of the liabilities) of the difference between the expected cash flows from the assets supporting these products and the cash flows expected to be required to meet the obligations of the outstanding contracts.

Key assumptions in setting the reserve for anticipated future losses include future investment results, payments to retirees, mortality and retirement rates and the cost of asset management and customer service. In 2014, we modified the mortality tables used in order to reflect the more up-to-date 2014 Retired Pensioner’s Mortality table. The mortality tables were previously modified in 2012, in order to reflect the more up-to-date 2000 Retired Pensioner’s Mortality table, and in 1995, in order to reflect the more up-to-date 1994 Uninsured Pensioner’s Mortality table. In 1997, we began the use of a bond default assumption to reflect historical default experience. Other than these changes, since 1993 there have been no significant changes to the assumptions underlying the reserve.

We review the adequacy of this reserve quarterly based on actual experience. As long as our expected future losses remain consistent with prior projections, the results of the discontinued products are applied against the reserve and do not impact net income attributable to Aetna. If actual or expected future losses are greater than we currently estimate, we may increase the reserve, which could adversely impact net income attributable to Aetna. If actual or expected future losses are less than we currently estimate, we may decrease the reserve, which could favorably impact net income attributable to Aetna. As a result of this review, we released $71 million ($109 million pretax) and $84 million ($128 million pretax) in the years ended December 31, 2017 and 2016, respectively. No releases were made to the reserve in 2015. The reserve release during the year ended December 31, 2017 was primarily due to favorable mortality experience compared to assumptions we previously made in estimating the reserve. The reserve release in the years ended December 31, 2017 and 2016 also was due to favorable retirement experience as well as favorable investment performance compared to assumptions we previously made in estimating the reserve. The reserve at each of December 31, 2017 and 2016 reflects management's best estimate of anticipated future losses and is included in future policy benefits on our Consolidated Balance Sheets.

The activity in the reserve for anticipated future losses on discontinued products in 2017, 2016 and 2015 was as follows (pretax):

(Millions)	**2017**	**2016**	**2015**
Reserve, beginning of period	**$ 962**	$ 1,067	$ 1,015
Operating income (loss)	**29**	(34)	(9)
Net realized capital gains	**72**	57	61
Reserve reduction	**(109)**	(128)	—
Reserve, end of period	**$ 954**	$ 962	$ 1,067

During 2017, our discontinued products reflected operating income and net realized capital gains, primarily attributable to gains from other investments and the sale of debt securities and investment real estate. During 2016, our discontinued products reflected operating losses and net realized capital gains, primarily attributable to gains from the sale of debt securities. During 2015, our discontinued products reflected operating losses and net realized capital gains, primarily attributable to gains from the sale of other invested assets and investment real estate. We evaluated these 2017 results against the expectations of future cash flows assumed in estimating the reserve for anticipated future losses and do not believe that an adjustment to the reserve was required at December 31, 2017.

The anticipated run-off of the discontinued products reserve balance at December 31, 2017 (assuming that assets are held until maturity and that the reserve run-off is proportional to the liability run-off) is as follows:

(Millions)	
2018	$ 55
2019	54
2020	52
2021	50
2022	48
Thereafter	695

Assets and liabilities supporting discontinued products[1] at December 31, 2017 and 2016 were as follows:

(Millions)	**2017**	**2016**
Assets:		
Debt and equity securities available for sale	**$ 1,623**	$ 1,913
Mortgage loans	**567**	370
Other investments	**564**	646
Total investments	**2,754**	2,929
Other assets	**71**	104
Receivable from continuing products [2]	**474**	554
Total assets	**$ 3,299**	$ 3,587
Liabilities:		
Future policy benefits	**$ 2,165**	$ 2,326
Reserve for anticipated future losses on discontinued products	**954**	962
Current and deferred income taxes	**22**	42
Other liabilities [3]	**158**	257
Total liabilities	**$ 3,299**	$ 3,587

(1) Assets supporting the discontinued products are distinguished from assets supporting continuing products.

(2) At the time of discontinuance, a receivable from Large Case Pensions' continuing products was established on the discontinued products balance sheet. This receivable represented the net present value of anticipated cash shortfalls in the discontinued products, which will be funded from continuing products. Interest on the receivable is accrued at the discount rate that was used to calculate the reserve. The offsetting payable, on which interest is similarly accrued, is reflected in continuing products. Interest on the payable generally offsets investment income on the assets available to fund the shortfall. These amounts are eliminated in consolidation.

(3) Net unrealized capital gains on the available-for-sale debt securities are included in other liabilities and are not reflected in consolidated shareholders' equity.

The discontinued products investment portfolio has changed since inception. Mortgage loans have decreased from $5.4 billion (37% of the investment portfolio) at December 31, 1993 to $567 million (21% of the investment portfolio) at December 31, 2017. This was a result of maturities, prepayments and the securitization and sale of commercial mortgages. Also, real estate decreased from $500 million (4% of the investment portfolio) at December 31, 1993 to $113 million (4% of the investment portfolio) at December 31, 2017, primarily as a result of sales. The resulting proceeds were primarily reinvested in debt securities, equity securities and other investments. Over time, the then-existing mortgage loan and real estate portfolios and the reinvested proceeds have resulted in greater investment returns than we originally assumed in 1993.

At December 31, 2017, the expected run-off of the SPA liabilities, including future interest, was as follows:

(Millions)	
2018	$ 328
2019	312
2020	297
2021	281
2022	266
Thereafter	3,240

The liability expected as of December 31, 1993 and the actual liability balances at December 31, 2017, 2016 and 2015 for the GIC and SPA liabilities were as follows:

	Expected		Actual	
(Millions)	**GIC**	**SPA**	**GIC**	**SPA**
2015	$ 10	$ 2,112	$ —	$ 2,494
2016	9	1,942	—	2,326
2017	**9**	**1,771**	**—**	**2,165**

The GIC balances were lower than expected in each period because several contract holders redeemed their contracts prior to contract maturity. In November 2016, the last outstanding GIC matured. The SPA balances in each period were higher than expected because of additional amounts received under existing contracts.

The distributions on our discontinued products consisted of scheduled contract maturities, settlements and benefit payments of $323 million, $364 million and $356 million for the years ended December 31, 2017, 2016 and 2015, respectively. Participant-directed withdrawals from our discontinued products were not significant in the years ended December 31, 2017, 2016 or 2015. Cash required to fund these distributions was provided by earnings and scheduled payments on, and sales of, invested assets.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Aetna Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Aetna Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and the accompanying financial statement schedule I (collectively, the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

Basis for Opinion

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with the respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the Company's auditor since 1972.

Hartford, Connecticut
February 23, 2018

Quarterly Data (unaudited)

(Millions, except per share and common stock data)	First	Second	Third	Fourth
2017				
Total revenue	**$ 15,165**	**$ 15,523**	**$ 14,994**	**$ 14,853**
(Loss) income before income taxes	**$ (628)**	**$ 1,820**	**$ 1,274**	**$ 526**
Income tax benefit (expense)	**249**	**(637)**	**(426)**	**(272)**
Net income including non-controlling interests	**(379)**	**1,183**	**848**	**254**
Less: Net income (loss) attributable to non-controlling interests	**2**	**(20)**	**10**	**10**
Net (loss) income attributable to Aetna	**$ (381)**	**$ 1,203**	**$ 838**	**$ 244**
Net (loss) income attributable to Aetna per share - basic [(1)]	**$ (1.11)**	**$ 3.62**	**$ 2.54**	**$ .75**
Net (loss) income attributable to Aetna per share - diluted [(1)]	**(1.11)**	**3.60**	**2.52**	**.74**
2016				
Total revenue	**$ 15,694**	**$ 15,952**	**$ 15,782**	**$ 15,727**
Income before income taxes	**$ 1,289**	**$ 1,354**	**$ 1,073**	**$ 275**
Income tax expense	**(551)**	**(561)**	**(476)**	**(147)**
Net income including non-controlling interests	**738**	**793**	**597**	**128**
Less: Net income (loss) attributable to non-controlling interests	**1**	**2**	**(7)**	**(11)**
Net income attributable to Aetna	**$ 737**	**$ 791**	**$ 604**	**$ 139**
Net income attributable to Aetna per share - basic [(1)]	**$ 2.10**	**$ 2.25**	**$ 1.72**	**$ .40**
Net income attributable to Aetna per share - diluted [(1)]	**2.09**	**2.23**	**1.70**	**.39**

(1) Calculation of net income (loss) attributable to Aetna per share is based on weighted average shares outstanding during each quarter and, accordingly, the sum may not equal the total for the year.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures
We maintain disclosure controls and procedures, which are designed to ensure that information that we are required to disclose in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

An evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2017 was conducted under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of December 31, 2017 were designed to ensure that material information relating to Aetna Inc. and its consolidated subsidiaries would be made known to the Chief Executive Officer and Chief Financial Officer by others within those entities, particularly during the periods when periodic reports under the Exchange Act are being prepared and were effective. Refer to the Certifications by our Chief Executive Officer and Chief Financial Officer filed as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K.

Management's Report on Internal Control over Financial Reporting
Management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICoFR") for the Company. ICoFR is defined as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Our ICoFR process includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, ICoFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive and Chief Financial Officers, management assessed the effectiveness of our ICoFR at December 31, 2017. In making this assessment, management used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in "*Internal Control - Integrated Framework*" *(2013)*. Based on this assessment, management concluded that our ICoFR was effective at December 31, 2017. Our ICoFR as well as our consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears on page 153.

Management's Responsibility for Financial Statements
Management is responsible for our consolidated financial statements, which have been prepared in accordance with GAAP. Management believes the consolidated financial statements, and other financial information included in this report, fairly present in all material respects our financial position, results of operations and cash flows as of and for the periods presented in this report.

The financial statements are the product of a number of processes that include the gathering of financial data developed from the records of our day-to-day business transactions. Informed judgments and estimates are used for those transactions not yet complete or for which the ultimate effects cannot be measured precisely. We emphasize the selection and training of personnel who are qualified to perform these functions. In addition, our personnel are subject to rigorous standards of ethical conduct that are widely communicated throughout the organization.

The Audit Committee of Aetna's Board of Directors engages KPMG LLP, an independent registered public accounting firm, to audit our consolidated financial statements and express their opinion thereon. Members of that firm also have the right of full

access to each member of management in conducting their audits. The report of KPMG LLP on their audit of our consolidated financial statements appears on page 153.

Audit Committee Oversight
The Audit Committee of Aetna's Board of Directors is comprised solely of independent directors. The Audit Committee meets regularly with management, our internal auditors and KPMG LLP to oversee and monitor the work of each and to inquire of each as to their assessment of the performance of the others in their work relating to our consolidated financial statements and ICoFR. Both KPMG LLP and our internal auditors have, at all times, the right of full access to the Audit Committee, without management present, to discuss any matter they believe should be brought to the attention of the Audit Committee.

Changes in Internal Control over Financial Reporting
There has been no change in our internal control over financial reporting identified in connection with the evaluation of such control that occurred during our fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Information concerning our Directors, our Directors' and certain of our executives' compliance with Section 16(a) of the Exchange Act, our Code of Conduct (our written code of ethics) and our audit committee and audit committee financial experts is incorporated herein by reference to the information under the captions "Nominees for Directorships," "Section 16(a) Beneficial Ownership Reporting Compliance," "Aetna's Code of Conduct" and "Board and Committee Membership; Committee Descriptions" in the Proxy Statement.

EXECUTIVE OFFICERS OF THE REGISTRANT
Aetna's Chairman is elected by Aetna's Board of Directors (our "Board"). All of Aetna's other executive officers listed below are appointed by our Board, generally at its Annual Meeting, and such persons hold office until the next Annual Meeting of our Board or until their successors are elected or appointed. None of these officers has a family relationship with any other executive officer or Director. In addition, there are no arrangements or understandings, other than those with Directors or executive officers acting solely in their capacities as such, pursuant to which these executive officers were appointed.

Name of Executive Officer	Position*	Age *
Mark T. Bertolini	Chairman and Chief Executive Officer	61
Karen S. Lynch	President	55
Shawn M. Guertin	Executive Vice President, Chief Financial Officer and Chief Enterprise Risk Officer	54
Richard M. Jelinek	Executive Vice President, Enterprise Strategy	52
Margaret M. McCarthy	Executive Vice President, Operations and Technology	64
Harold L. Paz, M.D, M.S.	Executive Vice President, Chief Medical Officer	63
Thomas J. Sabatino, Jr.	Executive Vice President and General Counsel	59
Francis S. Soistman, Jr.	Executive Vice President, Government Services	61

*As of February 23, 2018

Executive Officers' Business Experience During Past Five Years

Mark T. Bertolini serves as Aetna's Chairman, having held that position since April 8, 2011. Mr. Bertolini was elected to Aetna's Board and has served as Chief Executive Officer since November 29, 2010. Mr. Bertolini also served as President from July 24, 2007 to December 31, 2014.

Karen S. Lynch became President of Aetna on January 1, 2015, having served as Executive Vice President, Local and Regional Businesses since February 2013 and Executive Vice President, Head of Specialty Products since July 23, 2012. Prior to joining Aetna, Ms. Lynch served as President of Magellan Health Services, a position she assumed in August 2009.

Shawn M. Guertin became Executive Vice President, Chief Financial Officer and Chief Enterprise Risk Officer on January 2, 2014, having served as Senior Vice President, Chief Financial Officer and Chief Enterprise Risk Officer since February 25, 2013. Prior to that, Mr. Guertin served as the Head of Business Segment Finance since April 2011.

Richard M. Jelinek became Executive Vice President, Enterprise Strategy in March 2017, having served as Executive Vice President, Humana Integration since November 2, 2015. Prior to joining Aetna, Mr. Jelinek served as an operating partner at Advent International, a position he assumed in September 2013. Prior to that, Mr. Jelinek held a series of senior leadership positions at UnitedHealth Group and its affiliates from 1994-2013, including Executive Vice President of UnitedHealth Group and CEO of OptumHealth.

Margaret M. McCarthy became Executive Vice President, Operations and Technology on November 29, 2010, having served as Chief Information Officer since June 3, 2005 and Senior Vice President Innovation, Technology and Service Operations since January 1, 2010.

Harold J. Paz, M.D, M.S. became Executive Vice President, Chief Medical Officer on July 28, 2014. Prior to joining Aetna, Dr. Paz served as Chief Executive Officer of Penn State Hershey Medical Center and Health System, Senior Vice President for Health Affairs for Penn State University, dean of its College of Medicine and professor of medicine and public health sciences, a position he assumed in April 2006.

Thomas J. Sabatino, Jr. became Executive Vice President and General Counsel on April 25, 2016. Prior to joining Aetna, Mr. Sabatino served as Senior Executive Vice President, Chief Administrative Officer and General Counsel of Hertz Global Holdings, Inc. from February 2015 through April 2016; Executive Vice President, Global Legal and Chief Administrative Officer of Walgreens Boots Alliance from September 2011 through January 2015; and Senior Vice President and General Counsel of UAL Corporation and United Airlines, Inc. from March 2010 to December 2010.

Francis S. Soistman, Jr. became Executive Vice President, Government Services on June 14, 2013, having served as Vice President, Medicare since May 20, 2013 and Head of Medicare since January 14, 2013. Prior to joining Aetna, Mr. Soistman served as Executive Vice President of Jessamine Healthcare, a position he assumed in 2010.

Item 11. Executive Compensation

The information under the captions “Compensation Discussion and Analysis,” “Director Compensation Philosophy and Elements,” “2017 Nonmanagement Director Compensation,” “Additional Director Compensation Information,” “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The CVS Merger Agreement dated as of December 3, 2017, among CVS Health Corporation, Hudson Merger Sub Corp. and Aetna Inc. is expected to result in a change in control of Aetna Inc. at a subsequent date.

The information under the caption “Security Ownership of Certain Beneficial Owners, Directors, Nominees and Executive Officers” and “Equity Compensation Plans” in an amendment to this Form 10-K in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information under the captions “Director Independence” and “Related Party Transaction Policy” in an amendment to this Form 10-K in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information under the captions “Fees Incurred for 2017 and 2016 Services Performed by the Independent Registered Public Accounting Firm” and “Nonaudit Services and Other Relationships Between the Company and the Independent Registered Public Accounting Firm” in an amendment to this Form 10-K in the Proxy Statement is incorporated herein by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements. See “Index to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedule. The following financial statement schedule of the Company is included in this Item 15:
   Schedule I: Condensed Financial Information of Aetna Inc. (Parent Company Only)

3. Exhibits. The exhibits listed in the accompanying “Index to Exhibits” in this Item 15 are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Index to Financial Statement Schedule

Schedule I - Financial Information of Aetna Inc.

Aetna Inc. (Parent Company Only)
Balance Sheets

	At December 31,	
(Millions)	**2017**	**2016**
Assets:		
Current assets:		
Cash and cash equivalents	**$ 1,981**	$ 14,972
Investments	**—**	4
Income taxes receivable	**184**	48
Other current assets	**56**	109
Total current assets	**2,221**	15,133
Investment in affiliates [(1)]	**23,192**	23,415
Deferred income taxes	**162**	285
Other long-term assets	**350**	107
Total assets	**$ 25,925**	$ 38,940
Liabilities and shareholders' equity:		
Current liabilities:		
Accrued expenses and other current liabilities	**$ 977**	$ 792
Current portion of long-term debt	**999**	— 1,248
Total current liabilities	**1,976**	2,040
Long-term debt, less current portion	**7,513**	18,366
Employee benefit liabilities	**531**	545
Other long-term liabilities	**68**	46
Total liabilities	**10,088**	20,997
Shareholders' equity:		
Common stock ($.01 par value; 2.5 billion shares authorized and 326.8 million shares issued and outstanding in 2017; 2.5 billion shares authorized and 351.7 million shares issued and outstanding in 2016) and additional paid-in capital	**4,706**	4,716
Retained earnings	**12,118**	14,717
Accumulated other comprehensive loss	**(1,244)**	(1,552)
Total Aetna shareholders' equity	**15,580**	17,881
Non-controlling interests	**257**	62
Total equity	**15,837**	17,943
Total liabilities and equity	**$ 25,925**	$ 38,940

[(1)] Includes goodwill and other acquired intangible assets of $11.8 billion and $12.1 billion at December 31, 2017 and 2016, respectively.

Refer to accompanying Notes to Financial Statements.

Aetna Inc. (Parent Company Only)
Statements of Income

(Millions)	For the Years Ended December 31, 2017	2016	2015
Other revenue [1]	**$ —**	$ —	$ 110
Net investment income	**18**	31	—
Net realized capital losses	**(336)**	(6)	—
Total revenue	**(318)**	25	110
Operating expenses	**1,282**	289	183
Interest expense	**422**	578	343
Loss on early extinguishment of long-term debt	**246**	—	—
Total expenses	**1,950**	867	526
Loss before income tax benefit and equity in earnings of affiliates, net	**(2,268)**	(842)	(416)
Income tax benefit	**759**	249	93
Equity in earnings of affiliates, net [2]	**3,413**	2,864	2,713
Net income attributable to Aetna	**$ 1,904**	$ 2,271	$ 2,390

[1] In the year ended December 31, 2015, other revenue includes litigation-related proceeds, net of legal costs. Refer to Note 18 “Segment Information” included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

[2] Includes after-tax amortization of other acquired intangible assets of $171 million, $161 million and $166 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Refer to accompanying Notes to Financial Statements.

Aetna Inc. (Parent Company Only)
Statements of Comprehensive Income

	For the Years Ended December 31,		
(Millions)	**2017**	**2016**	**2015**
Net income attributable to Aetna	**$ 1,904**	$ 2,271	$ 2,390
Other comprehensive income (loss), net of tax:			
Previously impaired debt securities	**(11)**	(3)	(16)
All other securities	**29**	(15)	(256)
Derivatives and foreign currency	**231**	(161)	(13)
Pension and OPEB plans	**59**	(43)	66
Other comprehensive income (loss)	**308**	(222)	(219)
Comprehensive income attributable to Aetna	**$ 2,212**	$ 2,049	$ 2,171

Refer to Note 14 “Other Comprehensive (Loss) Income” included in Part II, Item 8 of this Annual Report on Form 10-K for further information about other comprehensive income or loss.

Refer to accompanying Notes to Financial Statements.

Aetna Inc. (Parent Company Only)
Statements of Shareholders' Equity

(Millions)	Number of Common Shares Outstanding	Attributable to Aetna: Common Stock and Additional Paid-in Capital	Attributable to Aetna: Retained Earnings	Attributable to Aetna: Accumulated Other Comprehensive Loss	Attributable to Aetna: Total Aetna Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance at December 31, 2014	349.8	$ 4,542	$ 11,052	$ (1,111)	$ 14,483	$ 69	$ 14,552
Net income	—	—	2,390	—	2,390	5	2,395
Other decreases in non-controlling interests	—	—	—	—	—	(9)	(9)
Other comprehensive loss	—	—	—	(219)	(219)	—	(219)
Common shares issued for benefit plans, including tax benefits, net of employee tax withholdings	2.7	105	—	—	105	—	105
Repurchases of common shares	(3.0)	—	(296)	—	(296)	—	(296)
Dividends declared	—	—	(349)	—	(349)	—	(349)
Balance at December 31, 2015	349.5	4,647	12,797	(1,330)	16,114	65	16,179
Net income (loss)	—	—	2,271	—	2,271	(15)	2,256
Other increases in non-controlling interests	—	—	—	—	—	12	12
Other comprehensive loss	—	—	—	(222)	(222)	—	(222)
Common shares issued for benefit plans, including tax benefits, net of employee tax withholdings	2.2	69	—	—	69	—	69
Dividends declared	—	—	(351)	—	(351)	—	(351)
Balance at December 31, 2016	**351.7**	**4,716**	**14,717**	**(1,552)**	**17,881**	**62**	**17,943**
Net income	**—**	**—**	**1,904**	**—**	**1,904**	**1**	**1,905**
Other increases in non-controlling interests	**—**	**—**	**—**	**—**	**—**	**194**	**194**
Other comprehensive income	**—**	**—**	**—**	**308**	**308**	**—**	**308**
Common shares issued for benefit plans, net of employee tax withholdings	**2.1**	**(10)**	**—**	**—**	**(10)**	**—**	**(10)**
Repurchases of common shares	**(27.0)**	**—**	**(3,845)**	**—**	**(3,845)**	**—**	**(3,845)**
Dividends declared	**—**	**—**	**(658)**	**—**	**(658)**	**—**	**(658)**
Balance at December 31, 2017	**326.8**	**$ 4,706**	**$ 12,118**	**$ (1,244)**	**$ 15,580**	**$ 257**	**$ 15,837**

Refer to accompanying Notes to Financial Statements.

Aetna Inc. (Parent Company Only)
Statements of Cash Flows

	For the Years Ended December 31,		
(Millions)	**2017**	**2016**	**2015**
Cash flows from operating activities:			
Net income attributable to Aetna	**$ 1,904**	$ 2,271	$ 2,390
Adjustments to reconcile net income including non-controlling interests to net cash used for operating activities:			
Loss on early extinguishment of long-term debt	**246**	—	—
Equity earnings of affiliates, net [1]	**(3,413)**	(2,864)	(2,713)
Stock-based compensation expense	**187**	191	181
Net realized capital losses	**336**	6	—
Net change in other assets and other liabilities	**(72)**	328	(239)
Net cash used for operating activities	**(812)**	(68)	(381)
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	**4**	—	66
Dividends received from affiliates, net	**3,721**	2,742	1,733
Proceeds from sale of businesses, net of cash transferred	**67**	—	—
Net cash provided by investing activities	**3,792**	2,742	1,799
Cash flows from financing activities:			
Issuance of long-term debt	**988**	12,886	—
Repayment of long-term debt	**(12,351)**	—	—
Net repayment of short-term debt	**—**	—	(500)
Common shares issued under benefit plans, net	**(180)**	(139)	(143)
Stock-based compensation tax benefits	**—**	—	53
Common shares repurchased	**(3,845)**	—	(296)
Net payment on interest rate derivatives	**—**	(274)	(25)
Dividends paid to shareholders	**(583)**	(351)	(349)
Net cash (used for) provided by financing activities	**(15,971)**	12,122	(1,260)
Net (decrease) increase in cash and cash equivalents	**(12,991)**	14,796	158
Cash and cash equivalents, beginning of period	**14,972**	176	18
Cash and cash equivalents, end of period	**$ 1,981**	$ 14,972	$ 176
Supplemental cash flow information:			
Interest paid	**$ 409**	$ 485	$ 276
Income taxes refunded	**733**	252	282

[1] Includes after-tax amortization of other acquired intangible assets of $171 million, $161 million and $166 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Refer to accompanying Notes to Financial Statements.

Aetna Inc. (Parent Company Only)
Notes to Financial Statements

1. Organization

The financial statements reflect financial information for Aetna Inc. (a Pennsylvania corporation) only (the “Parent Company”). The financial information presented herein includes the Balance Sheets of the Parent Company as of December 31, 2017 and 2016 and the related Statements of Income, Comprehensive Income, Shareholders' Equity and Cash Flows for the years ended December 31, 2017, 2016 and 2015. The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Annual Report.

2. Summary of Significant Accounting Policies

Refer to Note 2 “Summary of Significant Accounting Policies” included in Part II, Item 8 of this Annual Report on Form 10-K for the summary of significant accounting policies.

3. Dividends

Gross cash dividends received from subsidiaries and included in net cash provided by investing activities in the Statements of Cash Flows were $4.3 billion, $2.9 billion and $2.2 billion in 2017, 2016 and 2015, respectively.

4. Acquisitions and Dispositions

Refer to Note 3 “Acquisition, Divestiture, Terminated Acquisition and Terminated Divestiture” included in Part II, Item 8 of this Annual Report on Form 10-K for a description of acquisitions and dispositions.

5. Other Comprehensive Income (Loss)

Refer to Note 14 “Other Comprehensive Income (Loss) ” included in Part II, Item 8 of this Annual Report on Form 10-K for a description of accumulated other comprehensive income (loss).

6. Debt

Long-term debt on the Parent Company Only balance sheet excludes long-term debt of a subsidiary. That debt was acquired in the Parent Company’s acquisition of Coventry Health Care, Inc. Refer to Note 9 “Debt” included in Part II, Item 8 of this Annual Report on Form 10-K for a description of the Parent Company's consolidated total debt.

7. Share Repurchases

Refer to Note 13 “Shareholders’ Equity” included in Part II, Item 8 of this Annual Report on Form 10-K for a description of share repurchases.

INDEX TO EXHIBITS

*Exhibits**

Exhibits to this Form 10-K are as follows:

2	**Plan of acquisition, reorganization, arrangement, liquidation or succession**
2.1	Master Transaction Agreement by and between Aetna Inc. and Hartford Life and Accident Insurance Company dated as of October 22, 2017, incorporated herein by reference to Exhibit 2.1 to Aetna Inc.'s Form 8-K filed on October 26, 2017.
2.2	Agreement and Plan of Merger among CVS Health Corporation, Hudson Merger Sub Corp. and Aetna Inc. dated as of December 3, 2017, incorporated herein by reference to Exhibit 2.1 to Aetna Inc.'s Form 8-K filed on December 6, 2017.
3	**Articles of Incorporation and By-Laws**
3.1	Amended and Restated Articles of Incorporation of Aetna Inc., incorporated herein by reference to Exhibit 3.1 to Aetna Inc.'s Form 8-K filed on June 4, 2014.
3.2	Amended and Restated By-Laws of Aetna Inc., incorporated herein by reference to Exhibit 3.2 to Aetna Inc.'s Form 8-K filed on June 4, 2014.
4	**Instruments defining the rights of security holders, including indentures**
4.1	Form of Aetna Inc. Common Share certificate, incorporated herein by reference to Exhibit 4.1 to Aetna Inc.'s Amendment No. 2 to Registration Statement on Form 10 filed on December 1, 2000.
4.2	Senior Indenture dated as of March 2, 2001, between Aetna Inc. and U.S. Bank National Association, successor in interest to State Street Bank and Trust Company, incorporated herein by reference to Exhibit 4.2 to Aetna Inc.'s Registration Statement on Form S-3 filed on November 30, 2017.
4.3	Form of Subordinated Indenture between Aetna Inc. and U.S. Bank National Association, incorporated herein by reference to Exhibit 4.3 to Aetna Inc.'s Registration Statement on Form S-3 filed on November 30, 2017.
4.4	Supplemental Indenture dated as of May 20, 2011, between Aetna Inc. and U.S. Bank National Association, as successor-in-interest to State Street Bank and Trust Company, as trustee, establishing and designating Aetna Inc.'s 4.125% Senior Notes due June 1, 2021, incorporated herein by reference to Exhibit 4.1 to Aetna Inc.'s Form 8-K filed on May 20, 2011 (SEC file number 001-16095).
4.5	Supplemental Indenture dated as of May 4, 2012, between Aetna Inc. and U.S. Bank National Association, as successor-in-interest to State Street Bank and Trust Company, as trustee, establishing and designating Aetna Inc.'s 1.750% Senior Notes due May 15, 2017 and 4.500% Senior Notes due May 15, 2042, incorporated herein by reference to Exhibit 4.1 to Aetna Inc.'s Form 8-K filed on May 4, 2012 (SEC file number 001-16095).
4.6	Supplemental Indenture dated as of November 7, 2012, between Aetna Inc. and U.S. Bank National Association, as successor-in-interest to State Street Bank and Trust Company, as trustee, establishing and designating Aetna Inc.'s 1.500% Senior Notes due November 15, 2017, 2.750% Senior Notes due November 15, 2022 and 4.125% Senior Notes due November 15, 2042, incorporated herein by reference to Exhibit 4.1 to Aetna Inc.'s Form 8-K filed on November 7, 2012 (SEC file number 001-16095).
4.7	Supplemental Indenture dated as of March 7, 2014, between Aetna Inc. and U.S. Bank National Association, as successor-in-interest to State Street Bank and Trust Company, as trustee, establishing and designating Aetna Inc.'s 2.200% Senior Notes due March 15, 2019 and 4.750% Senior Notes due March 15, 2044, incorporated herein by reference to Exhibit 4.1 to Aetna Inc.'s Form 8-K filed on March 7, 2014.
4.8	Supplemental Indenture dated as of November 10, 2014, between Aetna Inc. and U.S. Bank National Association, as successor-in-interest to State Street Bank and Trust Company, as trustee, establishing and designating Aetna Inc.'s 3.500% Senior Notes due November 15, 2024, incorporated herein by reference to Exhibit 4.1 to Aetna Inc.'s Form 8-K filed on November 10, 2014.
4.9	Supplemental Indenture dated as of June 9, 2016, between Aetna Inc. and U.S. Bank National Association, as successor-in-interest to State Street Bank and Trust Company, as trustee, establishing and designating the Aetna Inc.'s Floating Rate Senior Notes due December 8, 2017, 1.700% Senior Notes due June 7, 2018, 1.900% Senior Notes due June 7, 2019, 2.400% Senior Notes due June 15, 2021, 2.800% Senior Notes due June 15, 2023, 3.200% Senior Notes due June 15, 2026, 4.250% Senior Notes due June 15, 2036 and 4.375% Senior Notes due June 15, 2046, incorporated herein by reference to Exhibit 4.1 to Aetna Inc.'s Form 8-K filed on June 9, 2016.
4.10	Supplemental Indenture dated as of August 10, 2017, between Aetna Inc. and U.S. Bank National Association, as successor-in-interest to State Street Bank and Trust Company, as trustee, establishing and designating Aetna Inc.'s 3.875% Senior Notes due August 15, 2047, incorporated herein by reference to Exhibit 4.1 to Aetna Inc.'s Form 8-K filed on August 10, 2017.
4.11	Indenture, dated as of March 20, 2007, between Coventry Health Care, Inc., as Issuer, and The Bank of New York, as Trustee (incorporated by

	reference to Exhibit 4.1 to Coventry Health Care, Inc.'s Current Report on Form 8-K filed on March 20, 2007 (SEC file number 001-16477)), incorporated herein by reference to Exhibit 4.4 to Aetna Inc.'s Form 10-Q filed July 30, 2013.
4.12	Second Supplemental Indenture, dated as of June 7, 2011, among Coventry Health Care, Inc. and Union Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.3 to Coventry Health Care, Inc.'s Current Report on Form 8-K filed on June 7, 2011), incorporated herein by reference to Exhibit 4.10 to Aetna Inc.'s Form 10-Q filed July 30, 2013.

4.13	Officers' Certificate pursuant to the Indenture, dated as of June 7, 2011 (incorporated by reference to Exhibit 4.4 to Coventry Health Care, Inc.'s Current Report on Form 8-K filed on June 7, 2011), incorporated herein by reference to Exhibit 4.11 to Aetna Inc.'s Form 10-Q filed July 30, 2013.
4.14	Global Note for the 2021 Notes, dated June 7, 2011, of Coventry Health Care, Inc. (incorporated by reference to Exhibit 4.5 to Coventry Health Care, Inc.'s Current Report on Form 8-K filed on June 7, 2011), incorporated herein by reference to Exhibit 4.12 to Aetna Inc.'s Form 10-Q filed July 30, 2013.
10	**Material contracts**
10.1	$1,500,000,000 Five-Year Credit Agreement dated as of March 27, 2012, incorporated herein by reference to Exhibit 99.1 to Aetna Inc.'s Form 8-K filed on March 28, 2012 (SEC file number 001-16095).
10.2	First Amendment dated as of September 24, 2012, to the $1,500,000,000 Five Year Credit Agreement dated as of March 27, 2012, incorporated herein by reference to Exhibit 99.2 to Aetna Inc.'s Form 8-K filed on September 27, 2012 (SEC file number 001-16095).
10.3	Incremental Commitment Agreement dated as of September 24, 2012, incorporated herein by reference to Exhibit 99.3 to Aetna Inc.'s Form 8-K filed on September 27, 2012 (SEC file number 001-16095).
10.4	Extension of the Maturity Date of the Five-Year Credit Agreement dated March 27, 2012, as amended, incorporated herein by reference to Exhibits 99.1 to 99.22 to Aetna Inc.'s Form 8-K filed on March 27, 2013.
10.5	Extension of the Maturity Date of the Five-Year Credit Agreement dated March 27, 2012, as amended, incorporated herein by reference to Exhibits 99.1 through 99.22 to Aetna Inc.'s Form 8-K filed on March 28, 2014.
10.6	Maturity Data Extension Request, incorporated herein by reference to Exhibit 99.1 to Aetna Inc.'s Form 8-K filed on March 5, 2015.
10.7	Second Amendment dated as of March 2, 2015, to $1,500,000,000 Five-Year Credit Agreement dated as of March 27, 2012, incorporated herein by reference to Exhibit 99.2 to Aetna Inc.'s Form 8-K filed on March 5, 2015.
10.8	Notice of closing dated March 2, 2015, incorporated herein by reference to Exhibit 99.3 to Aetna Inc.'s Form 8-K filed on March 5, 2015.
10.9	Third Amendment dated as of July 30, 2015, to the Five-Year Credit Agreement dated as of March 27, 2012, incorporated herein by reference to Exhibit 99.1 to Aetna Inc.'s Form 8-K filed on July 31, 2015.
10.10	Notice of Effectiveness (Third Amendment), incorporated herein by reference to Exhibit 99.2 to Aetna Inc.'s Form 8-K filed on July 31, 2015.
10.11	Fourth Amendment dated as of March 17, 2017, to the Five-Year Credit Agreement dated as of March 27, 2012, incorporated herein by reference to Exhibit 99.1 to Aetna Inc.'s Form 8-K filed on March 21, 2017.
10.12	Notice of closing (Fourth Amendment) dated March 17, 2017, incorporated herein by reference to Exhibit 99.2 to Aetna Inc.'s Form 8-K filed on March 21, 2017.
10.13	Amended and Restated Aetna Inc. 2000 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.4 to Aetna Inc.'s Form 10-K filed on February 27, 2009 (SEC file number 001-16095). **
10.14	Form of Aetna Inc. 2000 Stock Incentive Plan - Stock Appreciation Right Terms of Award, incorporated herein by reference to Exhibit 10.1 to Aetna Inc.'s Form 10-Q filed on October 26, 2006 (SEC file number 001-16095). **
10.15	Form of Aetna Inc. 2010 Stock Incentive Plan – Restricted Stock Unit Terms of Award (with non-compete provision), incorporated herein by reference to Exhibit 10.1 to Aetna Inc.'s Form 10-Q filed on April 28, 2011 (SEC file number 001-16095). **
10.16	Form of Aetna Inc. 2010 Stock Incentive Plan – Market Stock Unit Terms of Award, incorporated herein by reference to Exhibit 10.2 to Aetna Inc.'s Form 10-Q filed on April 28, 2011 (SEC file number 001-16095). **
10.17	Form of Aetna Inc. 2010 Stock Incentive Plan – Performance Stock Unit Terms of Award, incorporated herein by reference to Exhibit 10.3 to Aetna Inc.'s Form 10-Q filed on April 28, 2011 (SEC file number 001-16095). **
10.18	Form of Aetna Inc. 2010 Stock Incentive Plan – Performance Stock Unit Terms of Award (2015), incorporated herein by reference to Exhibit 10.2 to Aetna Inc.'s Form 10-Q filed on April 28, 2015. **
10.19	Form of Aetna Inc. 2010 Stock Incentive Plan – Executive Restricted Stock Unit Terms of Award (2015), incorporated herein by reference to Exhibit 10.3 to Aetna Inc.'s Form 10-Q filed on April 28, 2015. **

10.20	Form of Aetna Inc. 2010 Stock Incentive Plan – Restricted Stock Unit Terms of Award (2011, with retirement vesting), incorporated herein by reference to Exhibit 10.4 to Aetna Inc.'s Form 10-Q filed on April 28, 2011 (SEC file number 001-16095). **
10.21	Form of Aetna Inc. 2010 Stock Incentive Plan – Restricted Stock Unit Terms of Award (2011, without retirement vesting), incorporated herein by reference to Exhibit 10.5 to Aetna Inc.'s Form 10-Q filed on April 28, 2011 (SEC file number 001-16095). **

10.22	Form of Aetna Inc. 2010 Stock Incentive Plan – Stock Appreciation Right Terms of Award (2015), incorporated herein by reference to Exhibit 10.4 to Aetna Inc.'s Form 10-Q filed on April 28, 2015. **
10.23	Form of Aetna Inc. 2010 Stock Incentive Plan – Stock Appreciation Right Agreement, incorporated herein by reference to Exhibit 10.6 to Aetna Inc.'s Form 10-Q filed on April 28, 2011 (SEC file number 001-16095). **
10.24	Amended and Restated Aetna Inc. 2001 Annual Incentive Plan, incorporated herein by reference to Exhibit 10.5 to Aetna Inc.'s Form 10-Q filed on April 29, 2010 (SEC file number 001-16095). **
10.25	Aetna Inc. 2010 Non-Employee Director Compensation Plan, incorporated herein by reference to Annex C to Aetna Inc.'s definitive proxy statement on Schedule 14A filed on April 12, 2010 (SEC file number 001-16095). **
10.26	Aetna Inc. Non-Employee Director Compensation Plan as Amended through December 5, 2008, incorporated herein by reference to Exhibit 10.13 to Aetna Inc.'s Form 10-K filed on February 27, 2009 (SEC file number 001-16095). **
10.27	Form of Aetna Inc. Non-Employee Director Compensation Plan - Restricted Stock Unit Agreement, incorporated herein by reference to Exhibit 10.4 to Aetna Inc.'s Form 10-Q filed on October 26, 2006 (SEC file number 001-16095). **
10.28	1999 Director Charitable Award Program, as Amended and Restated on January 25, 2008, incorporated herein by referenced to Exhibit 10.15 to Aetna Inc.'s Form 10-K filed on February 29, 2008 (SEC file number 001-16095). **
10.29	Aetna Inc. 2016 Employee Stock Purchase Plan, incorporated herein by reference to Exhibit 10.1 to Aetna Inc.'s Form 10-Q filed on August 2, 2016. **
10.30	Amended Aetna Inc. 2010 Stock Incentive Plan, as amended May 19, 2017, incorporated herein by reference to Exhibit 10.1 to Aetna Inc.'s Form 10-Q filed on August 3, 2017. **
10.31	Amended and Restated Employment Agreement dated October 19, 2010 between Aetna Inc. and Mark T. Bertolini, incorporated herein by reference to Exhibit 10.3 to Aetna Inc.'s Form 10-Q filed November 3, 2010 (SEC file number 001-16095). **
10.32	Amendment No. 1, dated as of August 4, 2013, to Amended and Restated Employment Agreement dated October 19, 2010 between Aetna Inc. and Mark T. Bertolini, incorporated herein by reference to Exhibit 10.1 to Aetna Inc.'s Form 8-K filed on August 5, 2013. **
10.33	Letter agreement dated March 23, 2011, between Aetna Life Insurance Company and Shawn M. Guertin, incorporated herein by reference to Exhibit 10.1 to Aetna Inc.'s Form 10-Q filed on April 30, 2013. **
10.34	Letter agreement dated September 17, 2015, between Aetna Inc. and Gary W. Loveman, incorporated herein by reference to Exhibit 10.1 to Aetna Inc.'s Form 10-Q filed April 28, 2016. **
10.35	Letter agreement dated May 18, 2012, between Aetna Life Insurance Company and Karen S. Rohan (Lynch), incorporated herein by reference to Exhibit 10.3 to Aetna Inc.'s Form 10-Q filed on April 30, 2013. **
10.36	Employment Agreement dated December 10, 2014, between Aetna Inc. and Karen S. Rohan (Lynch), incorporated herein by reference to Exhibit 10.29 to Aetna Inc.'s Form 10-K filed on February 27, 2015. **
10.37	Letter agreement dated December 17, 2012, between Aetna Life Insurance Company and Francis S. Soistman, incorporated herein by reference to Exhibit 10.1 to Aetna Inc.'s Form 10-Q filed on April 28, 2015. **
10.38	Letter agreement dated March 31, 2016, between Aetna Inc. and Thomas J. Sabatino, Jr., incorporated by reference herein to Exhibit 10.5 to Aetna Inc.'s Form 10-Q filed on May 2, 2017. **
10.39	Letter agreement dated December 22, 2017, between Aetna Inc. and Gary W. Loveman. **
10.40	Letter agreement dated December 22, 2017, between Aetna Inc. and Richard M. Jelinek. **
10.41	Letter agreement dated December 22, 2017, between Aetna Inc. and Thomas J. Sabatino, Jr. **
10.42	Form of Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement, incorporated herein by reference to Exhibit 10.32 to Aetna Inc.'s Form 10-K filed on February 27, 2015. **
10.43	Separation Agreement dated February 13, 2018, between Aetna Inc. and Gary W. Loveman, Ph. D, incorporated herein by reference to Exhibit

10.1 to Aetna Inc.’s Form 8-K filed on February 20, 2018. **

10.44 Descriptions of certain arrangements not embodied in formal documents as described under the headings “2017 Nonmanagement Director Compensation” and “Additional Director Compensation Information” are incorporated herein by reference to the Proxy Statement (when filed). **

11	**Statement re: computation of per share earnings**
11.1	"Computation of per share earnings" is incorporated herein by reference to Note 15 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.
12	**Statement re: computation of ratios**
12.1	Computation of ratio of earnings to fixed charges.
21	**Subsidiaries of the registrant**
21.1	Subsidiaries of Aetna Inc.
23	**Consents of experts and counsel**
23.1	Consent of Independent Registered Public Accounting Firm.
24	**Power of Attorney**
24.1	Power of Attorney.
31	**Rule 13a - 14(a)/15d - 14(e) Certifications**
31.1	Certification.
31.2	Certification.
32	**Section 1350 Certifications**
32.1	Certification.
32.2	Certification.
99	**Additional Exhibits**
99.1	Risk Factors of CVS Health Corporation
101	**XBRL Documents**
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

* Exhibits other than those listed are omitted because they are not required to be listed or are not applicable. Copies of exhibits, including exhibits that are not required to be listed, will be furnished without charge upon written request to the Office of the Corporate Secretary, Aetna Inc., 151 Farmington Avenue, Hartford, Connecticut 06156.

** Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 23, 2018

Aetna Inc.

By: /s/ Heather Dixon
Heather Dixon
Vice President, Controller and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signer	Title	Date
/s/ Mark T. Bertolini Mark T. Bertolini	Chairman and Chief Executive Officer and Director (Principal Executive Officer)	February 23, 2018
/s/ Shawn M. Guertin Shawn M. Guertin	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 23, 2018
/s/ Heather Dixon Heather Dixon	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	February 23, 2018
Fernando Aguirre *	Director	
Frank M. Clark *	Director	
Betsy Z. Cohen *	Director	
Molly J. Coye, M.D. *	Director	
Roger N. Farah *	Director	
Jeffrey E. Garten *	Director	
Ellen M. Hancock *	Director	
Richard J. Harrington *	Director	
Edward J. Ludwig *	Director	
Joseph P. Newhouse *	Director	
Olympia J. Snowe *	Director	

* By: /s/ Heather Dixon
Heather Dixon
Attorney-in-fact
February 23, 2018

Exhibit 10.39

[Aetna Logo]

Aetna Inc.
151 Farmington Avenue
Hartford, CT 06156

Thomas W. Weidenkopf
Executive Vice President and Chief
Human Resources Officer
Phone: 212-457-0752

December 22, 2017

Gary W. Loveman
Executive Vice President, Consumer Health and Services
93 Worcester Street
Wellesley, MA 02481

Dear Gary,

In connection with the transactions contemplated by the Agreement and Plan of Merger dated as of December 3, 2017 among CVS Health Corporation, Hudson Merger Sub. Corp. and Aetna Inc., and in order to mitigate the potential adverse tax consequences to you under Section 280G and 4999 of the Internal Revenue Code arising from compensation that may become payable to you in connection with a termination of employment, we have agreed as follows:

- The 2015 Performance Stock Unit Awards otherwise scheduled to vest on October 26, 2018, shall automatically, without further action of the Company or its Committee on Compensation and Talent Management, be fully vested (at 120% of the target number granted), accelerated and paid to you in Company shares (net of applicable taxes) on December 27, 2017.

- The Restricted Stock Units otherwise scheduled to vest on October 26, 2018, shall automatically, without further action of the Company or its Committee on Compensation and Talent Management, be fully vested, accelerated and paid to you in Company shares (net of applicable taxes) on December 27, 2017.

We have agreed that the shares paid to you pursuant to this agreement are transferable on December 29, 2017 upon delivery to your UBS account (subject to normal Company preclearance procedures). We have also agreed that, if prior to October 26, 2018, the original vesting date of your 2015 Performance Stock Unit Award and Restricted Stock Units, your employment is terminated for cause (as defined in your Employment Agreement dated September 17, 2015) or you voluntarily terminate your employment prior to such date, then promptly following such termination of employment, you will surrender to the Company the net after-tax shares issued to you pursuant to this agreement that would not have vested other than because of the acceleration provided to you pursuant to this agreement (or, if applicable, you will repay to the Company the net after-tax amount of cash received by you on any sale of such shares).

AETNA INC.

/s/ Thomas W. Weidenkopf

By: Thomas J. Weidenkopf

Dated: 12/27/17

AGREED AND ACCEPTED

/s/ Gary W. Loveman

Gary W. Loveman

Dated: 12-22-17

Exhibit 10.40

[Aetna Logo]

Aetna Inc.
151 Farmington Avenue
Hartford, CT 06156

Thomas W. Weidenkopf
Executive Vice President and Chief
Human Resources Officer
Phone: 212-457-0752

December 22, 2017

Richard M. Jelinek
Executive Vice President, Enterprise Strategy
100 Park Avenue, 12th Floor
New York, NY 10017

Dear Rick,

In connection with the transactions contemplated by the Agreement and Plan of Merger dated as of December 3, 2017 among CVS Health Corporation, Hudson Merger Sub. Corp. and Aetna Inc., and in order to mitigate the potential adverse tax consequences to you under Section 280G and 4999 of the Internal Revenue Code arising from compensation that may become payable to you in connection with a termination of employment, we have agreed as follows:

- The 2015 Performance Stock Unit Awards otherwise scheduled to vest on November 2, 2018, shall automatically, without further action of the Company or its Committee on Compensation and Talent Management, be fully vested (at 120% of the target number granted), accelerated and paid to you in Company shares (net of applicable taxes) on December 27, 2017.

- The Restricted Stock Units otherwise scheduled to vest on November 2, 2018, shall automatically, without further action of the Company or its Committee on Compensation and Talent Management, be fully vested, accelerated and paid to you in Company shares (net of applicable taxes) on December 27, 2017.

We have agreed that the shares paid to you pursuant to this agreement are transferable on December 29, 2017 upon delivery to your UBS account (subject to normal Company preclearance procedures). We have also agreed that, if prior to November 2, 2018, the original vesting date of your 2015 Performance Stock Unit Award and Restricted Stock Units, your employment is terminated for cause or you voluntarily terminate your employment prior to such date, then promptly following such termination of employment, you will surrender to the Company the net after-tax shares issued to you pursuant to this agreement that would not have vested other than because of the acceleration provided to you pursuant to this agreement (or, if applicable, you will repay to the Company the net after-tax amount of cash received by you on any sale of such shares).

AETNA INC.

AGREED AND ACCEPTED

	/s/ Thomas W. Weidenkopf	/s/ Rick Jelinek	
By:	Thomas J. Weidenkopf	Rick Jelinek	
Dated:	12/27/17	Dated:	12/22/17

Exhibit 10.41

[Aetna Logo]

Aetna Inc.
151 Farmington Avenue
Hartford, CT 06156

Thomas W. Weidenkopf
Executive Vice President and Chief
Human Resources Officer
Phone: 212-457-0752

December 22, 2017

Thomas J. Sabatino, Jr.
Executive Vice President and General Counsel
100 Park Avenue, 12th Floor
New York, NY 10017

Dear Tom,

In connection with the transactions contemplated by the Agreement and Plan of Merger dated as of December 3, 2017 among CVS Health Corporation, Hudson Merger Sub. Corp. and Aetna Inc., and in order to mitigate the potential adverse tax consequences to you under Section 280G and 4999 of the Internal Revenue Code arising from compensation that may become payable to you in connection with a termination of employment, we have agreed that the Restricted Stock Units previously awarded to you and otherwise scheduled to vest on May 10, 2018, shall automatically, without further action of the Company or its Committee on Compensation and Talent Management, be fully vested, accelerated and paid to you in Company shares (net of applicable taxes) on December 27, 2017.

We have agreed that the shares paid to you pursuant to this agreement are transferable on December 29, 2017 upon delivery to your UBS account (subject to normal Company preclearance procedures). We have also agreed that, if prior to May 10, 2018 (the original vesting date of the Restricted Stock Units), your employment is terminated for cause (as defined in your Employment Agreement dated March 31, 2016) or you voluntarily terminate your employment prior to such date, then promptly following such termination of employment, you will surrender to the Company the net after-tax shares issued to you pursuant to this agreement that would not have vested other than because of the acceleration provided to you pursuant to this agreement (or, if applicable, you will repay to the Company the net after-tax amount of cash received by you on any sale of such shares).

AETNA INC.	AGREED AND ACCEPTED
/s/ Thomas W. Weidenkopf	/s/ Thomas J. Sabatino, Jr.
By: Thomas J. Weidenkopf	Thomas J. Sabatino, Jr.
Dated: 12/27/17	Dated: 12-22-17

Exhibit 12.1

Statement re: Computation of Ratios

The computation of the ratio of earnings to fixed charges for the years ended December 31, 2013 through 2017 are as follows:

	Years Ended December 31,				
(Millions)	**2017**	**2016**	**2015**	**2014**	**2013**
Income from continuing operations before income taxes	**$ 2,991**	**$ 3,991**	$ 4,234	$ 3,497	$ 2,937
Add back fixed charges	**498**	**663**	426	396	396
Income as adjusted ("earnings")	**$ 3,489**	**$ 4,654**	$ 4,660	$ 3,893	$ 3,333
Fixed charges:					
Interest expense	**$ 442**	**$ 604**	$ 369	$ 334	$ 336
Portion of rents representative of interest factor	**56**	**59**	57	62	60
Total fixed charges	**$ 498**	**$ 663**	$ 426	$ 396	$ 396
Ratio of earnings to fixed charges	**7.01**	**7.02**	10.94	9.83	8.42

Exhibit 21.1

Subsidiaries of Aetna Inc.

Listed below are subsidiaries of Aetna Inc. at December 31, 2017 with their jurisdictions of organization shown in parentheses. Subsidiaries excluded from the list below would not, in the aggregate, constitute a "significant subsidiary" of Aetna Inc., as that term is defined in Rule 1-02(w) of Regulation S-X.

- Aetna Health Holdings, LLC (Delaware)
    - Aetna Health of California Inc. (California)
    - Aetna Health Inc. (Connecticut)
    - Aetna Health Inc. (Florida)
    - Aetna Health Inc. (Georgia)
    - Aetna Health Inc. (Maine)
    - Aetna Health Inc. (Michigan)
    - Aetna Health Inc. (New Jersey)
    - Aetna Health Inc. (New York)
        - Aetna Better Health Inc. (New York)
    - Aetna Health Inc. (Pennsylvania)
    - Aetna Health Inc. (Texas)
    - Aetna Better Health of California Inc. (California)
    - Aetna Better Health of Iowa Inc. (Iowa)
    - Aetna Better Health of Texas Inc. (Texas)
    - Aetna Better Health Inc. (Georgia)
    - Aetna HealthAssurance Pennsylvania, Inc. (Pennsylvania)
    - Aetna Dental of California Inc. (California)
    - Aetna Dental Inc. (New Jersey)
    - Aetna Dental Inc. (Texas)
    - Aetna Rx Home Delivery, LLC (Delaware)
    - Aetna Health Management, LLC (Delaware)
    - Aetna Ireland Inc. (Delaware)
    - Aetna Specialty Pharmacy, LLC (Delaware)
    - Cofinity, Inc. (Delaware)
    - @Credentials Inc. (Delaware)
    - Strategic Resource Company (South Carolina)
    - Aetna Better Health Inc. (Pennsylvania)
    - Aetna Better Health Inc. (Connecticut)
    - Aetna Better Health Inc. (Illinois)
    - Aetna Better Health of Kansas Inc. (Kansas)
    - Aetna Better Health, Inc. (Louisiana)
    - Aetna Florida Inc. (Florida)
    - Aetna Better Health Inc. (Ohio)
    - Aetna Better Health of Oklahoma Inc. (Oklahoma)
    - Aetna Better Health of Nevada Inc. (Nevada)
    - Aetna Better Health Inc. (New Jersey)
    - Aetna Better Health of Washington Inc. (Washington)
    - Aetna Better Health of North Carolina Inc. (North Carolina)
    - Aetna Network Services LLC (Connecticut)
    - Aetna Risk Assurance Company of Connecticut Inc. (Connecticut)
    - Aetna Student Health Agency Inc. (Massachusetts)
    - Delaware Physicians Care, Incorporated (Delaware)
    - Schaller Anderson Medical Administrators, Incorporated (Delaware)
    - Aetna Medicaid Administrators LLC (Arizona)
    - iTriage, LLC (Delaware)
    - bswift LLC (Illinois)
        - Corporate Benefit Strategies, Inc. (Delaware)
    - Prodigy Health Group, Inc. (Delaware)
        - Niagara Re, Inc. (New York)
        - Performax, Inc. (Delaware)

        - Scrip World, LLC (Utah)
        - Precision Benefit Services, Inc. (Delaware)
        - American Health Holding, Inc. (Ohio)
        - Meritain Health, Inc. (New York)
            - Administrative Enterprises, Inc. (Arizona)
            - U.S Healthcare Holdings, LLC (Ohio)
            - Prime Net, Inc. (Ohio)
            - Professional Risk Management, Inc. (Ohio)
    - ADMINCO, Inc. (Arizona)
    - Coventry Transplant Network, Inc. (Delaware)
    - Aetna Health of Iowa Inc. (Iowa)
    - Coventry Health Care of Nebraska, Inc. (Nebraska)
    - Aetna Health Inc. (Louisiana)
    - HealthAssuance Pennsylvania, Inc. (Pennsylvania)
    - Coventry Prescription Management Services Inc. (Nevada)
    - Coventry Health and Life Insurance Company (Missouri)
        - Aetna Better Health of Kentucky Insurance Company (Kentucky)
    - Coventry Health Care of Virginia, Inc. (Virginia)
    - Coventry Health Care of Missouri, Inc. (Missouri)
    - Aetna Better Health of Missouri LLC (Missouri)
    - Coventry Health Care of Illinois, Inc. (Illinois)
    - Coventry Health Care of West Virginia, Inc. (West Virginia)
    - Coventry HealthCare Management Corporation (Delaware)
    - Coventry Health Care of Kansas, Inc. (Kansas)
    - Coventry Health Care National Accounts, Inc. (Delaware)
    - Aetna Better Health of Michigan Inc. (Michigan)
    - Aetna Health of Utah Inc. (Utah)
    - Aetna Better Health Inc. (Tennessee)
    - Coventry Health Care National Network, Inc. (Delaware)
    - Coventry Consumer Advantage, Inc. (Delaware)
    - MHNet Specialty Services, LLC (Maryland)
        - Mental Health Network of New York IPA, Inc. (New York)
        - Mental Health Associates, Inc. (Louisiana)
        - MHNet of Florida, Inc. (Florida)
        - MHNet Life and Health Insurance Company (Texas)
    - Group Dental Service, Inc. (Maryland)
        - Group Dental Service of Maryland, Inc. (Maryland)
    - Florida Health Plan Administrators, LLC (Florida)
        - Coventry Health Care of Florida, Inc. (Florida)
        - Carefree Insurance Services, Inc. (Florida)
        - Coventry Health Plan of Florida, Inc. (Florida)
    - First Health Group Corp. (Delaware)
        - First Health Life & Health Insurance Company (Texas)
        - Claims Administration Corp. (Maryland)
    - Coventry Health Care Workers' Compensation, Inc. (Delaware)
        - Coventry Rehabilitation Services, Inc. (Delaware)
        - First Script Network Services, Inc. (Nevada)
        - FOCUS HealthCare Management, Inc. (Tennessee)
        - Medical Examinations of New York, P.C. (New York)
        - MetraComp, Inc. (Connecticut)
    - Aetna Pharmacy Management Services LLC (Delaware)
- Continental Life Insurance Company of Brentwood, Tennessee (Tennessee)
    - American Continental Insurance Company (Tennessee)
- Aetna Life Insurance Company (Connecticut)
    - AHP Holdings, Inc. (Connecticut)
        - Aetna Insurance Company of Connecticut (Connecticut)
        - AE Fourteen, Incorporated (Connecticut)
        - Aetna Life Assignment Company (Connecticut)
    - Aetna ACO Holdings Inc. (Delaware)

        - Innovation Health Holdings, LLC (Delaware)
            - Innovation Health Insurance Company (Virginia)
                - Innovation Health Plan, Inc. (Virginia)
        - Banner Health and Aetna Health Insurance Holding Company LLC (Delaware)
            - Banner Health and Aetna Health Insurance Company (Arizona)
                - Banner Health and Aetna Health Plan Inc. (Arizona)
        - Allina Health and Aetna Insurance Holding Company LLC (Delaware)
            - Allina Health and Aetna Insurance Company (Minnesota)
        - Sutter Health and Aetna Insurance Holding Company LLC (Delaware)
            - Sutter Health and Aetna Administrative Services LLC (Delaware)
            - Sutter Health and Aetna Insurance Company (California)
        - Texas Health + Aetna Health Insurance Holding Company LLC (Texas)
            - Texas Health + Aetna Health Insurance Company (Texas)
                - Texas Health + Aetna Health Plan Inc. (Texas)
    - PE Holdings, LLC (Connecticut)
    - Aetna Resources LLC (Delaware)
    - Canal Place, LLC (Delaware)
    - Aetna Ventures, LLC (Delaware)
    - Broadspire National Services, Inc. (Florida)
    - Aetna Multi-Strategy 1099 Fund (Delaware)
- Phoenix Data Solutions LLC (Delaware)
- Aetna Financial Holdings, LLC (Delaware)
    - Aetna Asset Advisors, LLC (Delaware)
    - U.S. Healthcare Properties, Inc. (Pennsylvania)
    - Aetna Capital Management, LLC (Delaware)
        - Aetna Partners Diversified Fund, LLC (Delaware)
        - Aetna Partners Diversified Fund (Cayman), Limited (Cayman)
    - Aetna Workers' Comp Access, LLC (Delaware)
    - Aetna Behavioral Health, LLC (Delaware)
    - Managed Care Coordinators, Inc. (Delaware)
    - Horizon Behavioral Services, LLC (Delaware)
        - Employee Assistance Services, LLC (Kentucky)
        - Health and Human Resource Center, Inc. (California)
        - Resources for Living, LLC (Texas)
        - The Vasquez Group Inc. (Illinois)
        - Work and Family Benefits, Inc. (New Jersey)
    - Aetna Card Solutions, LLC (Connecticut)
    - PayFlex Holdings, Inc. (Delaware)
        - PayFlex Systems USA, Inc. (Nebraska)
- Aetna Health and Life lnsurance Company (Connecticut)
- Aetna Health Insurance Company (Pennsylvania)
- Aetna Health Insurance Company of New York (New York)
- Aetna International Inc. (Connecticut)
    - Aetna Life & Casualty (Bermuda) Ltd. (Bermuda)
    - Aetna Global Benefits (Bahamas) Limited (Bahamas)
    - Aetna Global Holdings Limited (England & Wales)
        - Healthagen International Limited (England & Wales)
        - Aetna Korea Ltd. (South Korea)
        - Health Care Management Co. Ltd.
        - Minor Health Entreprise Co, Ltd.
        - Bupa Health Insurance (Thailand) Public Company Limited
    - Aetna Global Benefits (Bermuda) Limited (Bermuda)
        - Goodhealth Worldwide (Global) Limited (Bermuda)
        - Aetna Global Benefits (Europe) Limited (England & Wales)
        - Aetna Global Benefits (Asia Pacific) Limited (Hong Kong)
        - Goodhealth Worldwide (Asia) Limited (Hong Kong)
        - Aetna Global Benefits Limited (DIFC, UAE)
        - PT Aetna Global Benefits Indonesia (Indonesia)
        - Spinnaker Topco Limited (Bermuda)

        - Spinnaker Bidco Limited (England and Wales)
            - Aetna Holdco (UK) Limited (England and Wales)
                - Aetna Global Benefits (UK) Limited (England and Wales)
                - Aetna Insurance Company Limited (England and Wales)
    - Aetna Insurance (Singapore) Pte. Ltd. (Singapore)
    - Aetna Health Insurance Company of Europe DAC (Ireland)
    - Aetna (Shanghai) Enterprise Services Co. Ltd. (China)
        - Aetna (Beijing) Enterprise Management Services Co., Ltd. (China)
    - Aetna Global Benefits (Singapore) PTE. LTD. (Singapore)
        - Indian Health Organisation Private Limited (India)
    - PT Asuransi Aetna Asia (Indonesia)
- AUSHC Holdings, Inc. (Connecticut)
    - PHPSNE Parent Corporation (Delaware)
- Active Health Management, Inc. (Delaware)
    - Health Data & Management Solutions, Inc. (Delaware)
        - Futrix Limited (New Zealand)
    - Aetna Integrated Informatics, Inc. (Pennsylvania)
- Health Re, Inc. (Vermont)
- ASI Wings, LLC (Delaware)
- Healthagen LLC
- Aetna Corporate Services LLC (Delaware)
- Echo Merger Sub, Inc. (Delaware)
- Medicity LLC (Delaware)
    - Novo Innovations, LLC (Delaware)
    - Allviant Corporation (Delaware)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Aetna Inc:

We consent to the incorporation by reference in the registration statement (No. 333-221818) on Form S-3, and the registration statements (Nos. 333-52120, 52122, 52124, 73052, 87722, 87726, 124619, 124620, 136176, 136177, 168497, 168498, 176009, 176011, 188792, 188814, 190272, 197707, 212841 and 219668 on Form S-8 of Aetna Inc. of our report dated February 23, 2018 with respect to the consolidated balance sheets of Aetna Inc. and subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and the accompanying financial statement schedule I, and the effectiveness of internal control over financial reporting as of December 31, 2017, which report appears in the December 31, 2017 Annual Report on Form 10-K of Aetna Inc.

/s/ KPMG LLP

Hartford, Connecticut
February 23, 2018

Exhibit 24.1

Power of Attorney

We, the undersigned Directors of Aetna Inc. (the "Company"), hereby severally constitute and appoint Shawn M. Guertin, Heather Dixon and William C. Baskin III, and each of them individually, our true and lawful attorneys-in-fact, with full power to them and each of them to sign for us, and in our names and in the capacities indicated below, the Company's 2017 Annual Report on Form 10-K and any and all amendments thereto to be filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, hereby ratifying and confirming our signatures as they may be signed by any of our said attorneys to such Form 10-K and to any and all amendments thereto.

Dated: February 23, 2018

/s/ Fernando Aguirre
Fernando Aguirre, Director

/s/ Ellen M. Hancock
Ellen M. Hancock, Director

/s/ Frank M. Clark
Frank M. Clark, Director

/s/ Richard J. Harrington
Richard J. Harrington, Director

/s/ Betsy Z. Cohen
Betsy Z. Cohen, Director

/s/ Edward J. Ludwig
Edward J. Ludwig, Director

/s/ Molly J. Coye, M.D.
Molly J. Coye, M.D., Director

/s/ Joseph P. Newhouse
Joseph P. Newhouse, Director

/s/ Roger N. Farah
Roger N. Farah, Director

/s/ Olympia J. Snowe
Olympia J. Snowe, Director

/s/ Jeffrey E. Garten
Jeffrey E. Garten, Director

Exhibit 31.1

Certification

I, Mark T. Bertolini, certify that:

1. I have reviewed this annual report on Form 10-K of Aetna Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2018

/s/ Mark T. Bertolini

Mark T. Bertolini

Chairman and Chief Executive Officer

Exhibit 31.2

Certification

I, Shawn M. Guertin, certify that:

1. I have reviewed this annual report on Form 10-K of Aetna Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2018

/s/ Shawn M. Guertin

Shawn M. Guertin

Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification

The certification set forth below is being submitted to the Securities and Exchange Commission in connection with the Annual Report on Form 10-K of Aetna Inc. for the period ended December 31, 2017 (the "Report") solely for the purpose of complying with Rule 13a-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Mark T. Bertolini, Chairman and Chief Executive Officer of Aetna Inc., certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Aetna Inc.

Date: February 23, 2018

/s/ Mark T. Bertolini

Mark T. Bertolini

Chairman and Chief Executive Officer

Exhibit 32.2

Certification

The certification set forth below is being submitted to the Securities and Exchange Commission in connection with the Annual Report on Form 10-K of Aetna Inc. for the period ended December 31, 2017 (the "Report") solely for the purpose of complying with Rule 13a-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Shawn M. Guertin, Executive Vice President and Chief Financial Officer of Aetna Inc., certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Aetna Inc.

Date: February 23, 2018

/s/ Shawn M. Guertin

Shawn M. Guertin

Executive Vice President and Chief Financial Officer

Exhibit 99.1

The following sets forth the risk factors of CVS Health Corporation (“CVS Health”) and its subsidiaries described in Part I, Item 1A of CVS Health's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission (the "SEC") on February 14, 2018, which is incorporated by reference in Aetna Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017.

In this Exhibit 99.1, “we”, “our”, “us”, and “the Company” refer to CVS Health and its subsidiaries.

Part I, Item 1A of CVS Health's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 14, 2018

Item 1A. Risk Factors

Our business is subject to various industry, economic, regulatory and other risks and uncertainties. Our business, financial condition, results of operations, cash flows and prospects could be materially adversely affected by any one or more of the following risk factors and by additional risks and uncertainties not presently known to us or that we currently deem to be immaterial:

Risks of declining gross margins in the PBM, retail pharmacy and LTC pharmacy industries.

The PBM industry has been experiencing margin pressure as a result of competitive pressures and increased client demands for lower prices, increased revenue sharing, enhanced service offerings and/or higher service levels. In that regard, we maintain contractual relationships with generic pharmaceutical manufacturers and brand name pharmaceutical manufacturers that provide for purchase discounts and/or rebates on drugs dispensed by pharmacies in our retail network and by our specialty and mail order pharmacies (all or a portion of which may be passed on to clients). Manufacturer rebates often depend on a PBM’s ability to meet contractual market share or other requirements, including in some cases the placement of a manufacturer’s products on the PBM’s formularies. If we lose our relationship with one or more pharmaceutical manufacturers, or if the discounts or rebates provided by pharmaceutical manufacturers decline, our business and financial results could be adversely affected. Further, competitive pressures in the PBM industry have resulted in our clients sharing in a larger portion of rebates and/or discounts received from pharmaceutical manufacturers. Market dynamics and regulatory changes have impacted our ability to offer plan sponsors pricing that includes the use of retail “differential” or “spread”, which could negatively impact our future profitability. Further, changes in existing federal or state laws or regulations or the adoption of new laws or regulations relating to patent term extensions, purchase discount and rebate arrangements with pharmaceutical manufacturers, or to formulary management or other PBM services could also reduce the discounts or rebates we receive. In addition, changes in federal or state laws or regulations or the adoption of new laws or regulations relating to claims processing and billing, including our ability to use MAC lists and collect transmission fees, could adversely impact our profitability.

Our retail pharmacy, specialty pharmacy and LTC pharmacy operations have also been affected by the margin pressures described above, including client demands for lower prices, generic pricing and network reimbursement pressure. In addition, as competition increases in the markets in which we operate, a significant increase in general pricing pressures could occur, and this could require us to reevaluate our pricing structures to remain competitive. A shift in the mix of our pharmacy prescription volume towards programs offering lower reimbursement rates could adversely affect our margins, including the shift in pharmacy mix towards 90-day prescriptions at retail and the shift in pharmacy mix towards Medicare Part D prescriptions. Finally, the margins of our LTC business are further affected by the increased efforts of health care payors to negotiate reduced or capitated pricing arrangements. These actions could also adversely affect the margins of our LTC business.

Efforts to reduce reimbursement levels and alter health care financing practices.

The continued efforts of health maintenance organizations, managed care organizations, PBMs, government entities, and other third party payors to reduce prescription drug costs and pharmacy reimbursement rates, as well as litigation and other legal proceedings relating to how drugs are priced, may impact our profitability. In particular, increased utilization of generic pharmaceuticals (which normally yield a higher gross profit rate than equivalent brand named drugs) has resulted in pressure to decrease reimbursement payments to retail, specialty, LTC and mail order pharmacies for generic drugs, causing a reduction in the generic profit rate. Historically, the effect of this trend on generic profitability has been mitigated by our efforts to negotiate reduced acquisition costs of generic pharmaceuticals with manufacturers. However, in recent years, there has been significant

consolidation within the generic manufacturing industry, and it is possible that this and other external factors may enhance the ability of manufacturers to sustain or increase pricing of generic pharmaceuticals and diminish our ability to negotiate reduced acquisition costs. Any inability to offset increased costs or to modify our activities to lessen the impact could have a significant adverse effect on our results of operations.

In addition, during the past several years, the United States health care industry has been subject to an increase in governmental regulation and audits at both the federal and state levels. Efforts to control health care costs, including prescription drug costs, are continuing at the federal and state government levels. Changing political, economic and regulatory influences may significantly affect health care financing and reimbursement practices. For example, we anticipate that federal and state governments will continue to review and assess alternative health care delivery systems, payment methodologies and operational requirements for health care providers, including LTC facilities and pharmacies. A change in the composition of pharmacy prescription volume toward programs offering lower reimbursement rates could negatively impact our profitability. Any action taken to repeal or replace all or significant parts of ACA could also impact our profitability, though it is unclear at this time what the full effects will be.

ACA made several significant changes to Medicaid rebates and to reimbursement. One of these changes was to revise the definition of the Average Manufacturer Price, a pricing element common to most payment formulas, and the reimbursement formula for multi-source (i.e., generic) drugs. This change has negatively affected our reimbursement. In addition, ACA made other changes that affect the coverage and plan designs that are or will be provided by many of our health plan clients, including the requirement for health insurers to meet a minimum medical loss ratio to avoid having to pay rebates to enrollees. These ACA changes may not affect our business directly, but they could indirectly impact our services and/or business practices.

A highly competitive business environment.

Each of our retail pharmacy, LTC pharmacy, retail health clinic and pharmacy services operations currently operates in a highly competitive and evolving health care environment.

The competitive success of our retail pharmacy business, as well as our specialty pharmacy operations with non-Caremark payors, is derived by their ability to establish and maintain contractual relationships with PBMs and other payors on acceptable terms in an environment where some PBM clients are considering adopting narrow or restricted retail pharmacy networks. As a pharmacy retail business, we compete with other drugstore chains, supermarkets, on-line and other discount retailers, independent pharmacies, membership clubs, convenience stores and mass merchants, some of which are aggressively expanding into markets we serve. We also face competition from other retail health clinics, as well as other mail order pharmacies and PBMs. Disruptive innovation by existing or new competitors could alter the competitive landscape in the future and require us to accurately identify and assess such changes and make timely and effective changes to our strategies and business model to compete effectively. Competition may also come from other sources in the future. Changes in market dynamics or the actions of competitors or manufacturers, including industry consolidation, the emergence of new competitors and strategic alliances, and the exclusion from new narrow or restricted networks, could materially and adversely impact us.

We could also be adversely affected if we fail to identify or effectively respond to changes in market dynamics. For example, specialty pharmacy represents a significant and growing proportion of prescription drug spending in the United States, a significant portion of which is dispensed outside of traditional retail pharmacies. Because our specialty pharmacy operations focuses on complex and high-cost medications that serve a relatively limited universe of patients, the future growth of this business depends to a significant extent upon expanding our ability to access key drugs and successfully penetrate key treatment categories.

The competitive success of our LTC pharmacy operations is dependent upon our ability to compete in each geographic region where we have operations. In the geographic regions we serve, we compete with PharMerica, our largest competitor, as well as with numerous local and regional institutional pharmacies, pharmacies owned by long-term care facilities and local retail pharmacies. Our long-term care customers consist of skilled nursing facilities, assisted living facilities, independent living communities, hospitals, correctional facilities, and other health care service providers. We believe that the assisted living segment, where residents can choose which pharmacy will provide them with pharmaceuticals, is projected to grow the most as a percentage of the total LTC sector over the near term. The ability of a resident of an assisted living facility to select the pharmacy that supplies him or her with pharmaceuticals could adversely affect our business, financial condition and results of operations because there can be no assurance that such resident will select us.

The competitive success of our pharmacy services business is impacted by its ability to establish and maintain contractual relationships with network pharmacies in an environment where some PBM clients are considering adopting narrow or

restricted retail pharmacy networks. Competitors in the PBM industry (e.g., Express Scripts, OptumRx, Prime Therapeutics, MedImpact and Humana), include large, national PBM companies, PBMs owned by large national health plans and smaller standalone PBMs. Competition may also come from other sources in the future. In addition, changes in the overall composition of our pharmacy networks, or reduced pharmacy access under our networks, could adversely affect our claims volume and/or our competitiveness generally.

Competitors in each of our business areas may offer services and pricing terms that we may not be willing or able to offer. Strong competition in the PBM marketplace has generated greater client demand for lower pricing, increased revenue sharing and enhanced product and service offerings. Unless we can demonstrate enhanced value to our clients through innovative product and service offerings, particularly in a rapidly changing health care industry, we may be unable to remain competitive.

Changes in U.S. policy, laws and regulations, including reform of the United States health care system.

The results of the November 2016 elections continue to generate some uncertainty with respect to, and could result in, significant changes in legislation, regulation and government policy that could significantly impact our business and the health care and retail industries. While it is not possible to predict whether and when any such changes will occur or what form any such changes may take (including through the use of Executive Orders), specific proposals discussed by the Presidential Administration could have a material adverse effect on our business, liquidity and results of operations include, but are not limited to, immigration policies, the modification of ACA. Other significant changes to health care system legislation or regulation as well as changes with respect to tax and trade policies, tariffs and other government regulations affecting trade between the United States and other countries are also possible.

Potential modification to ACA, significant changes to Medicaid funding or even significant destabilization of the Health Insurance Marketplaces could impact the number of Americans with health insurance and, consequently, prescription drug coverage. Further changes to ACA are possible and we cannot predict the effect, if any, on future changes to ACA, the implementation or failure to implement the outstanding provisions of ACA, or the enactment of new health care system legislation to replace current legislation may have on our retail pharmacy, LTC pharmacy, specialty pharmacy and pharmacy services operations.

In addition, much of the branded and generic drug product that we sell in our retail, mail and specialty pharmacies, and much of the other merchandise we sell, is manufactured in whole or in substantial part outside of the United States. In most cases, the products or merchandise are imported by others and sold to us. As a result, significant changes in tax or trade policies, tariffs or trade relations between the United States and other countries, such as the imposition of unilateral tariffs on imported products, could result in significant increases in our costs, restrict our access to suppliers, depress economic activity, and have a material impact on our business, liquidity and results of operations. In addition, other countries may change their business and trade policies and such changes, as well as any negative sentiments towards the United States in response to increased import tariffs and other changes in U.S. trade regulations, could adversely affect our business.

Risks related to compliance with a broad and complex regulatory framework.

Our business is subject to numerous federal, state and local laws and regulations. See “Business - Government Regulation.” In addition, during the past several years, the United States health care industry has been subject to an increase in governmental regulation and enforcement activity at both the federal and state levels. Further, uncertainties exist regarding the application of many of these legal requirements to our business. In addition, it is possible that certain provisions of the current health care reform legislation may be modified, repealed or otherwise invalidated. Changes in these laws and regulations and the related interpretations and enforcement practices may require extensive system and operating changes that may be difficult to implement. Untimely compliance or noncompliance with applicable laws and regulations could adversely affect the continued operation of our business, including, but not limited to: imposition of civil or criminal penalties; significant fines or monetary penalties; suspension or disgorgement of payments from government programs; loss of required government certifications or approvals; loss of authorizations to participate in or exclusion from government reimbursement programs, such as the Medicare and Medicaid programs; or loss of registrations or licensure. The regulations to which we are subject include, but are not limited to: the laws and regulations described in the Government Regulation section; accounting standards; financial disclosure; securities laws and regulations; federal anti-trust laws; tax laws and regulations and their possible reform; laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous materials and wastes; and laws and regulations of the FTC, the FCC, and the Consumer Product Safety Commission, as well as state regulatory authorities, governing the sale, advertisement and promotion of products that we sell, such as Boards of Pharmacy. The FDA, DEA and various states regulate the distribution of pharmaceuticals and controlled substances. We are required to hold valid DEA and state-level registrations and licenses, meet various security and operating standards and comply with the federal and various states’ controlled substances acts and their

accompanying regulations governing the sale, marketing, packaging, holding and distribution of controlled substances. The DEA, FDA and state regulatory authorities have broad enforcement powers, including the ability to suspend our registrations and licenses, seize or recall products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations. In addition, our business interests outside of the United States are subject to the Foreign Corrupt Practices Act and other applicable domestic and international laws and regulations. We are also subject to the terms of various government agreements and mandates, including those described in the Government Regulation section. In that regard, our business, financial position and results of operations could be adversely affected by existing and new government legislative, regulatory action and enforcement activity, including, without limitation, any one or more of the following:

- federal and state laws and regulations concerning the submission of claims for reimbursement by Medicare, Medicaid and other government programs, whether at retail, mail, specialty or LTC;
- federal and state laws and regulations governing the purchase, distribution, tracking, management, compounding, dispensing and reimbursement of prescription drugs and related services, whether at retail, mail, specialty or LTC, and applicable registration or licensing requirements;
- heighted enforcement of controlled substances regulations;
- the effect of the expiration of patents covering brand name drugs and the introduction of generic products;
- the frequency and rate of approvals by the FDA of new brand name and generic drugs, or of over-the-counter status for brand name drugs;
- rules and regulations issued pursuant to HIPAA and the HITECH Act; and other federal and state laws affecting the collection, use, disclosure and transmission of health or other personal information, such as federal laws on information privacy precipitated by concerns about information collection through the Internet, state security breach laws and state laws limiting the use and disclosure of prescriber information;
- health care fraud and abuse laws regulations;
- consumer protection laws affecting our health care services, our loyalty programs, our drug discount card programs, the products we sell, the informational calls we make and/or the marketing of our goods and services;
- federal, state and local environmental, health and safety laws and regulations applicable to our business, including the management of hazardous substances, storage and transportation of hazardous materials, and various recordkeeping disclosure and procedure requirements promulgated by the Occupational Safety and Health Administration that may apply to our operations;
- health care reform, managed care reform and plan design legislation;
- laws against the corporate practice of medicine;
- FDA regulation affecting the retail, LTC, specialty or PBM industry;
- government regulation of the development, administration, review and updating of formularies and drug lists including requirements and/or limitations around formulary tiering and patient cost sharing;
- state laws and regulations related to increased oversight of PBM activities by state departments of insurance pharmacy reimbursement for generics and pharmacy audits;
- drug pricing legislation, including “most favored nation” pricing;
- federal and state laws and regulations establishing or changing prompt payment requirements for payments to retail pharmacies;
- impact of network access legislation or regulations, including “any willing provider” laws, on our ability to manage pharmacy networks;
- ERISA and related regulations;
- administration of Medicare Part D, including legislative changes and/or CMS rulemaking and interpretation;
- Medicare and Medicaid regulations applicable to our business, in particular our LTC pharmacies and those of our client’s facilities;
- ongoing compliance with consent decrees, corporate integrity agreements, corrective action plans and other agreements with government agencies;
- insurance licensing and other insurance regulatory requirements applicable to offering Medicare Part D programs and services or other health care services; and
- direct regulation of pharmacies or PBMs by regulatory and quasi-regulatory bodies.

The possibility of client losses and/or the failure to win new business.

Our PBM business generates net revenues primarily by contracting with clients to provide prescription drugs and related health care services to plan members. PBM client contracts often have terms of approximately three years in duration, so approximately one third of a PBM’s client base typically is subject to renewal each year. In some cases, however, PBM clients may negotiate a shorter or longer contract term or may require early or periodic renegotiation of pricing prior to expiration of a contract. Our clients are generally well informed and organized, can move between our competitors and often seek competing bids prior to expiration of their contracts. In addition, the reputational impact of a service-related incident could negatively

affect our business. These factors, together with the impact of competitive pressures, could make it difficult for us to attract new clients, retain existing clients and cross-sell additional services. Further, the PBM industry has been affected by consolidation activity that may continue in the future. In the event one or more of our PBM clients is acquired by an entity that is not also our client, we may be unable to retain all or a portion of the acquired business. These circumstances, either individually or in the aggregate, could result in an adverse effect on our business and financial results. Therefore, we continually face challenges in competing for new PBM business and retaining or renewing our existing PBM business. With respect to our LTC business, reimbursement from skilled nursing facilities for prescriptions we dispense is determined pursuant to our agreements with those skilled nursing facilities. The termination of these agreements generally causes our ability to provide services to any of the residents of that facility to cease, resulting in the loss of revenue from any source for those residents. There can be no assurance that we will be able to win new business or secure renewal business on terms as favorable to us as the present terms.

Additionally, with respect to our retail and LTC pharmacy businesses, reimbursement under Medicare Part D, as well as reimbursement from certain private third-party payors, is determined pursuant to agreements that we negotiate with those payors or their pharmacy benefit manager representatives. The loss of those agreements, or a material change in the terms of those agreements, could negatively impact the Company. In addition, restricted networks that exclude our retail or specialty pharmacies negatively impact those businesses.

Risks relating to the market availability, suppliers and safety profiles of prescription drugs that we purchase and sell.

We dispense significant volumes of brand-name and generic drugs from our retail, LTC, specialty and mail-order pharmacies and through our PBM's network of retail pharmacies. When increased safety risk profiles or manufacturing or other supply issues of specific drugs or classes of drugs occur, or drugs become subject to greater restrictions as controlled substances, physicians may cease writing prescriptions for these drugs or the utilization of these drugs may be otherwise reduced.

Additionally, adverse publicity regarding drugs with higher safety risk profiles may result in reduced consumer demand for such drugs. On occasion, products are withdrawn by their manufacturers or transition to over-the-counter products, which can result in lower prescription utilization. In addition, future FDA rulings could restrict the supply or increase the cost of products sold to our customers. Our volumes, net revenues, profitability and cash flows may decline as a result of such regulatory rulings or market changes.

Further, we acquire a substantial amount of our mail and specialty pharmacies' prescription drug supply from a limited number of suppliers. Our agreements with these suppliers are often short-term and easily cancelable by either party without cause. In addition, these agreements may limit our ability to provide services for competing drugs during the term of the agreement and may allow the supplier to distribute through channels other than ours. Certain of these agreements also allow pricing and other terms to be adjusted periodically for changing market conditions or required service levels. A termination or modification to any of these relationships could have a material adverse effect on our business, financial condition and results of operations. Moreover, many products distributed by our specialty pharmacy business are manufactured with ingredients that are susceptible to supply shortages. In some cases, we depend upon a single source of supply.

In addition, our suppliers are independent entities subject to their own operational and financial risks that are outside our control. If our current suppliers were to stop selling prescription drugs to us or delay delivery, including as a result of supply shortages, supplier production disruptions, supplier quality issues, closing or bankruptcies of our suppliers, or for other reasons, we may be unable to procure alternatives from other suppliers in a timely and efficient manner and on acceptable terms, or at all.

A disruption in our business operations could occur as a result of contamination of drugs, a failure to maintain necessary shipment and storage conditions, errors in mail order processing, the unavailability of prescription drugs provided by suppliers, labor disruptions or other unanticipated disruptions at our mail order facilities, call centers, data centers or corporate facilities, among other factors. Such disruption could reduce our ability to process and dispense prescriptions and provide products and services to our customers.

In the event any products we distribute are in limited supply for significant periods of time, our financial condition and results of operations could be materially and adversely affected.

Risks related to the frequency and rate of the introduction and pricing of generic drugs and brand name prescription products.

The profitability of our business is dependent upon the utilization of prescription drug products. Utilization trends are affected by, among other factors, the introduction of new and successful prescription pharmaceuticals as well as lower-priced generic alternatives to existing brand name products, as the sale of generic alternatives normally yield higher gross margins than brand name equivalents. In addition, inflation in the price of the brand name drugs can affect utilization, particularly given the increase in high deductible health plans. Accordingly, our business could be impacted by a slowdown or delay in the number or magnitude of new and successful prescription pharmaceuticals and/or generic alternatives, as well as the pricing of brand name drugs.

The health of the economy in general and in the markets we serve.

Our business is affected by the economy and consumer confidence in general, including various economic factors, inflation and changes in consumer purchasing power, preferences and/or spending patterns. It is possible that an unfavorable, uncertain or volatile economic environment will cause a decline in drug and health care services utilization and dampen demand for pharmacy benefit management services as well as consumer demand for products sold in our retail stores. Further economic conditions including interest rate fluctuations, changes in capital market conditions and regulatory changes may affect our ability to obtain necessary financing on acceptable terms, our ability to secure suitable store locations under acceptable terms and our ability to execute sale-leaseback transactions under acceptable terms. These changes in conditions could result in an adverse effect on our business and financial results. This could be further exacerbated by the increasing prevalence of high deductible health plans and health plan designs favoring co-insurance over co-payments.

The failure or disruption of our information technology systems, our information security systems and our infrastructure to support our business and to protect the privacy and security of sensitive customer and business information.

Many aspects of our operations are dependent on our information systems and the information collected, processed, stored, and handled by these systems. We rely heavily on our computer systems to manage our ordering, pricing, point-of-sale, pharmacy fulfillment, inventory replenishment, claims processing, ExtraCare customer loyalty program, finance, human resource and other processes. Throughout our operations, we receive, retain and transmit certain confidential information, including PII that our customers and clients provide to purchase products or services, enroll in programs or services, register on our websites, interact with our personnel, or otherwise communicate with us. In addition, for these operations, we depend in part on the secure transmission of confidential information over public networks. Our information systems are subject to damage or interruption from power outages, facility damage, computer and telecommunications failures, computer viruses, security breaches including credit card or personally identifiable information breaches, coordinated cyber attacks, vandalism, catastrophic events and human error. Although we deploy a layered approach to address information security threats and vulnerabilities, including ones from a cyber security standpoint, designed to protect confidential information against data security breaches, a compromise of our information security controls or of those businesses with whom we interact, which results in confidential information being accessed, obtained, damaged, or used by unauthorized or improper persons, could harm our reputation and expose us to regulatory actions and claims from customers and clients, financial institutions, payment card associations and other persons, any of which could adversely affect our business, financial position, and results of operations. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these techniques or to implement adequate preventative measures. Moreover, a data security breach could require that we expend significant resources related to our information systems and infrastructure, and could distract management and other key personnel from performing their primary operational duties. We also could be adversely affected by any significant disruption in the systems of third parties we interact with, including key payors and vendors.

If our information systems are damaged, fail to work properly or otherwise become unavailable, or if we are unable to successfully complete our planned consolidation of our PBM claims adjudication platforms, we may incur substantial costs to repair or replace them, and may experience reputational damage, loss of critical information, customer disruption and interruptions or delays in our ability to perform essential functions and implement new and innovative services. In addition, compliance with changes in privacy and information security laws and standards may result in considerable expense due to increased investment in technology and the development of new operational processes.

Failure to adequately protect receipt and use of confidential health information concerning individuals.

Many aspects of our business involve the collection, transmission and use of an individual’s protected health information or other sensitive personal information. In some cases, we also use aggregated and de-identified data as defined by HIPAA for

analytical and research purposes, particularly data related to improving the quality of the care we provide. In other cases, we may provide de-identified data to pharmaceutical manufacturers and to third-party data aggregators where permitted by our contracts. These activities are subject to federal and state privacy and security laws and regulations and, in the future, may be subject to international regulatory requirements such as the General Data Protection Regulation, a new European Union privacy regulation that takes effect on May 25, 2018. At the federal level, HIPAA imposes extensive privacy and security requirements governing the transmission, use and disclosure of health information by all participants in the health care industry, whether directly as a covered entity or as a business associate. Our business encompasses both situations and includes our pharmacists, nurse practitioners and PBM operations. In addition, industry requirements, such as Generally Accepted Privacy Principles may be imposed on us by our contracts with our PBM clients or other customers. Many of our businesses are also subject to the Payment Card Industry Data Security Standard, which is a security standard mandated by the credit card industry for the purpose of protecting credit card account data. These increasingly complex laws, regulations and industry requirements are subject to change and compliance with them may result in significant expenses associated with increased operational and compliance costs, particularly as we continue to collect and retain large amounts of information. To the extent that either we or our vendors with whom we share information are found to be out of compliance with applicable laws and regulations or experience a data security breach, we could be subject to additional litigation, regulatory risks and reputational harm. For example, the privacy and security of the information we maintain may be compromised by the actions of outside parties, by employee errors or by malfeasance. Such risks may result in an unauthorized party obtaining access to our data systems thereby threatening the privacy of protected health information or other sensitive personal information we use and maintain. Failure to comply with federal or state statutes or regulations may result in criminal penalties and civil sanctions. In addition, failure to comply with our own privacy or security policies may result in sanctions by the FTC or other federal oversight agencies. Future regulations and legislation that severely restrict or prohibit our use of patient, member or customer identifiable or other information could limit our ability to use information critical to the operation of our business. Furthermore, if we violate a patient's privacy or are found to have violated any federal or state statute or regulation with regard to confidentiality or dissemination or use of PHI, we could be liable for significant damages, fines or penalties and suffer reputational harm, any one of which could have a material adverse effect on our business and results of operations.

Regulatory and business changes relating to our participation in Medicare Part D.

Medicare Part D has resulted in increased utilization and puts pressure on pharmacy gross margin rates due to regulatory and competitive pressures. Further, as a result of ACA and changes to the retiree drug subsidy rules, our PBM clients could decide to discontinue providing prescription drug benefits to their Medicare-eligible members. To the extent this occurs, the adverse effects of increasing customer migration into Medicare Part D may outweigh the benefits we realize from growth of our Medicare Part D business. In addition, if the cost and complexity of Medicare Part D exceed management's expectations or prevent effective program implementation or administration; if changes to the regulations regarding how drug costs are reported for Medicare Part D are implemented in a manner that impacts the profitability of our Medicare Part D business; if changes to the regulations impact our ability to retain fees from third parties including network pharmacies; if the government alters Medicare program requirements or reduces funding because of the higher-than-anticipated cost to taxpayers of Medicare Part D or for other reasons; if the government mandates the use of point-of-sale manufacturer rebates or makes changes to how pharmacy pay-for-performance is calculated; if Congress acts to reduce reinsurance thresholds from 80% to 20%; if we fail to design and maintain programs that are attractive to Medicare participants; if CMS imposes restrictions on our Medicare Part D business as a result of audits or other regulatory actions; if we fail to successfully implement corrective action or other remedial measures sufficient to prevent or remove any applicable restrictions that may be imposed by CMS; or if we are not successful in retaining enrollees, or winning contract renewals or new contracts under Medicare Part D's competitive bidding process, our Medicare Part D services and the ability to expand our Medicare Part D services could be negatively impacted.

Possible changes in industry pricing benchmarks and drug pricing generally.

It is possible that the pharmaceutical industry or regulators may evaluate and/or develop an alternative pricing reference to replace Average Wholesale Price ("AWP") or Wholesale Acquisition Cost ("WAC"), which are the pricing references used for many of our PBM and LTC client contracts, pharmaceutical purchase agreements, retail network contracts, specialty payor agreements and other contracts with third party payors in connection with the reimbursement of drug payments. In addition, many state Medicaid fee-for-service programs ("FFS Medicaid") have established pharmacy network payments on the basis of Actual Acquisition Cost ("AAC"). The use of an AAC basis in FFS Medicaid could have an impact in reimbursement practices in other commercial and government segments. Future changes to the use of AWP, WAC or to other published pricing benchmarks used to establish pharmaceutical pricing, including changes in the basis for calculating reimbursement by federal and state health programs and/or other payors, could impact the reimbursement we receive from Medicare and Medicaid programs, the reimbursement we receive from PBM clients and other payors and/or our ability to negotiate rebates and/or discounts with pharmaceutical manufacturers, wholesalers, PBMs and retail pharmacies. A failure or inability to fully offset any increased prices or costs or to modify our operations to mitigate the impact of such increases could have an adverse effect on

our results of operations. Additionally, any future changes in drug prices could be significantly different than our projections. The effect of these possible changes on our business cannot be predicted at this time.

Product liability, product recall or personal injury issues could damage our reputation; failure to maintain adequate liability insurance coverage.

The products that we sell could become subject to contamination, product tampering, mislabeling, recall or other damage. In addition, errors in the dispensing and packaging of pharmaceuticals could lead to serious injury or death. Product liability or personal injury claims may be asserted against us with respect to any of the products or pharmaceuticals we sell or services we provide. Our business involves the provision of professional services including by pharmacists, nurses and nurse practitioners that exposes us to professional liability claims. Should a product or other liability issue arise, the coverage limits under our insurance programs and the indemnification amounts available to us may not be adequate to protect us against claims. We also may not be able to maintain this insurance on acceptable terms in the future. Damage to our reputation in the event of a product liability or personal injury issue or judgment against us or a product recall could have a significant adverse effect on our business, financial condition and results of operations.

Relationship with our retail and specialty pharmacy customers and the demand for our products and services, including propriety brands.

The success of our business depends in part on customer loyalty, superior customer service and our ability to persuade customers to frequent our retail stores and online sites and to purchase products in additional categories and our proprietary brands. Failure to timely identify or effectively respond to changing consumer preferences and spending patterns, and evolving demographic mixes in our markets, an inability to expand the products being purchased by our clients and customers, or the failure or inability to obtain or offer particular categories of products could negatively affect our relationship with our clients and customers and the demand for our products and services and could result in excess inventories of products.

We offer our retail customers proprietary brand products that are available exclusively at our retail stores and through our online retail sites. The sale of proprietary products subjects us to unique risks including potential product liability risks and mandatory or voluntary product recalls, potential supply chain and distribution chain disruptions for raw materials and finished products, our ability to successfully protect our intellectual property rights and the rights of applicable third parties, and other risks generally encountered by entities that source, market and sell private-label products. Any failure to adequately address some or all of these risks could have an adverse effect on our business, results of operations and financial condition. Additionally, an increase in the sales of our proprietary brands may negatively affect our sales of products owned by our suppliers which, consequently, could adversely impact certain of our supplier relationships. Our ability to locate qualified, economically stable suppliers who satisfy our requirements, and to acquire sufficient products in a timely and effective manner, is critical to ensuring, among other things, that customer confidence is not diminished. Any failure to develop sourcing relationships with a broad and deep supplier base could adversely affect our financial performance and erode customer loyalty.

Finally, our specialty pharmacy business focuses on complex and high-cost medications, many of which are made available by manufacturers to a limited number of pharmacies (so-called limited distribution drugs), that serve a relatively limited universe of patients. As a result, the future growth of our specialty pharmacy business is dependent largely upon expanding our base of drugs or penetration in certain treatment categories. Any contraction of our base of patients or reduction in demand for the prescriptions we currently dispense could have an adverse effect on our business, financial condition and results of operations.

Risks related to developing and maintaining a relevant omni-channel experience for our customers.

Our business has evolved from a retail store experience to interaction with customers across numerous channels, including in-store, online, mobile and social media, among others. Omni-channel retailing is rapidly evolving and we must keep pace with changing customer expectations and new developments by our competitors. Our customers are increasingly using computers, tablets, mobile phones, and other devices to comparison shop, determine product availability and complete purchases through mobile commerce applications. As a result, the portion of total consumer expenditures with all retailers occurring online and through mobile commerce applications is increasing and the pace of this increase could accelerate. We must compete by offering a consistent and convenient shopping experience for our customers regardless of the ultimate sales channel and by investing in, providing and maintaining mobile commerce applications for our customers that have the right features and are reliable and easy to use. If we are unable to make, improve, or develop relevant customer-facing technology in a timely manner that keeps pace with technological developments and dynamic customer expectations, our ability to compete and our results of operations could be materially and adversely affected. In addition, if our online activities or our other customer-facing technology systems do not function as designed, we may experience a loss of customer confidence, data security breaches, lost

sales, or be exposed to fraudulent purchases, any of which could materially and adversely affect our business operations, reputation and results of operations.

We are subject to payment-related risks that could increase our operating costs, expose us to fraud or theft, subject us to potential liability and disrupt our business operations.

We accept payments using a variety of methods, including cash, checks, credit cards, debit cards, gift cards, mobile payments and potentially other technologies in the future. Acceptance of these payment methods subjects us to rules, regulations, contractual obligations and compliance requirements, including payment network rules and operating guidelines, data security standards and certification requirements, and rules governing electronic funds transfers. These requirements may change in the future, which could make compliance more difficult or costly. For certain payment options, including credit and debit cards, we pay interchange and other fees, which could increase periodically thereby raising our operating costs. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, and various other forms of electronic payment. If these companies are unable to provide these services to us, or if their systems are compromised, our operations could be disrupted. The payment methods that we offer also expose us to potential fraud and theft by persons seeking to obtain unauthorized access to, or exploit any weaknesses in, the payment systems. If we fail to abide by applicable rules or requirements, or if data relating to our payment systems is compromised due to a breach or misuse, we may be responsible for any costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees. In addition, our reputation and ability to accept certain types of payments could each be harmed resulting in reduced sales and adverse effects on our results of operations.

Solvency of our customers.

In the event that our customers' operating and financial performance deteriorates, or they are unable to make scheduled payments or obtain adequate financing, our customers may not be able to pay timely, or may delay payment of, amounts owed to us. Any inability of our customers to pay us for our products and services may adversely affect our business, financial condition and results of operations. In addition, both state and federal government sponsored payers, as a result of budget deficits or reductions, may suspend payments or seek to reduce their healthcare expenditures resulting in our customers delaying payments to us or renegotiating their contracts with us. Any delay or reduction in payments by such government sponsored payers may adversely affect our business, financial condition and results of operations.

Our outstanding debt and associated payment obligations could significantly increase in the future if we incur additional debt and do not retire existing debt.

Our current debt service costs associated with our increased debt levels may negatively impact our ability to make important investments in our business and limit our flexibility to respond to industry changes and market conditions. In addition, our debt levels and related debt service obligations could make it more difficult or expensive for us to obtain financing for working capital, capital expenditures, acquisitions or other purposes in the future. These circumstances could have a material adverse effect on our business operations and financial condition.

Further, we may incur and assume significantly more debt in the future, including in connection with the Aetna Acquisition or other acquisitions, strategic investments or joint ventures. For example, in connection with the Aetna Acquisition, if it is completed, we expect to incur approximately, $45.0 billion of new indebtedness and assume approximately $8.2 billion of existing indebtedness of Aetna. If we do not retire our existing debt or debt we assume in acquisitions or other strategic transactions, the risks described above could increase. We also could be adversely impacted by any failure to renew or replace, on terms acceptable to us or at all, existing indebtedness when it expires, and by any failure to satisfy applicable covenants.

We may be unable to refinance existing indebtedness or otherwise access the capital markets for any reason, whether due to market conditions or otherwise. Our continued access to the capital markets, and the terms of such access, depend on multiple factors including the condition of debt capital markets, our operating performance, the amount of our indebtedness and debt service obligations and our credit ratings. Any disruptions or turmoil in the capital markets or any downgrade of our credit ratings could have a material adverse effect on our cost of funds, liquidity, competitive position and access to capital markets, which could materially and adversely affect our business operations, financial condition, and results of operations.

Our long-term debt obligations include covenants that limit our ability and the ability of our subsidiaries to secure indebtedness with a security interest on certain property or stock or engage in certain sale and leaseback transactions with respect to certain properties. In addition, our existing credit agreements require us to maintain a ratio of consolidated debt to total capitalization not to exceed specified levels. Our ability to comply with these restrictions and covenants may be affected by events beyond

our control, and if we fail to comply with such restrictions or covenants, our outstanding indebtedness could be declared immediately due and payable. This could have a material adverse effect on our business operations and financial condition.

We may be unable to successfully integrate companies acquired by us.

Upon the closing of any acquisition we complete, we will need to successfully integrate the products, services and related assets, as well as internal controls into our business operations. If an acquisition is consummated, the integration of the acquired business, its products, services and related assets into our company may also be complex and time-consuming and, if the integration is not fully successful, we may not achieve the anticipated benefits, operating and cost synergies or growth opportunities of an acquisition. Potential difficulties that may be encountered in the integration process include the following:

- Integrating personnel, operations and systems, while maintaining focus on producing and delivering consistent, high quality products and services;
- Coordinating geographically dispersed organizations;
- Disruption of management's attention from our ongoing business operations;
- Retaining existing customers and attracting new customers; and
- Managing inefficiencies associated with integrating our operations.

An inability to realize the full extent of the anticipated benefits, operating and cost synergies, innovations and operations efficiencies or growth opportunities of an acquisition, as well as any delays encountered in the integration process, could have a material adverse effect on our business and results of operation. Furthermore, these acquisitions, even if successfully integrated, may fail to further our business strategy as anticipated, expose us to increased competition or challenges with respect to our products, services or geographic markets, and expose us to additional liabilities associated with an acquired business including risks and liabilities associated with litigation involving the acquired business. Any one of these challenges or risks could impair our ability to realize any benefit from our acquisitions after we have expended resources on them.

Risks related to the seasonality of our business.

Although the majority of our revenues, particularly pharmacy revenues, are generally not seasonal in nature, front store revenues tend to be higher during the December holiday season. Uncharacteristic or extreme weather conditions can adversely impact consumer shopping patterns as well. This could lead to lost sales, as well as increased snow removal and other costs, thereby negatively affecting our short-term results of operations. In addition, both pharmacy and front store revenues are affected by the timing and severity of the cough, cold and flu season, which is susceptible to large fluctuations from year to year, and our quarterly earnings and operating cash flows are impacted by the Medicare Part D benefit design and changes in the composition of our membership. See "Business - Pharmacy Services Seasonality."

Our operations are subject to a variety of business continuity hazards and risks, any of which could interrupt operations or otherwise adversely affect our performance and results.

We are subject to business continuity hazards and other risks, including natural disasters, utility and other mechanical failures, acts of war or terrorism, disruption of communications, data security and preservation, disruption of supply or distribution, safety regulation and labor difficulties. The occurrence of any of these or other events might disrupt or shut down operations, or otherwise adversely impact our operations. We may also be subject to certain liability claims in the event of an injury or loss of life, or damage to property, resulting from such events. Although we have developed business continuity plans and maintain insurance policies that we believe are customary and adequate for our size and industry, our insurance policies include limits and, as such, our coverage may be insufficient to protect against all potential hazards and risks incident to our business. Should any such hazards or risks occur, or should our insurance coverage be inadequate or unavailable, our business financial condition and results of operations could be adversely affected.

Risks related to litigation and other legal proceedings.

Pharmacy services, retail pharmacy and LTC pharmacy are highly regulated and litigious industries. We are currently subject to various litigation matters, investigations, audits, inspections, government inquiries, and regulatory and legal proceedings. Litigation, and particularly securities and collective or class action litigation, is often expensive and disruptive. Further, under the *qui tam* or "whistleblower" provisions of the federal and various state false claims acts, private citizens may bring lawsuits alleging that a violation of the federal anti-kickback statute or similar laws has resulted in the submission of "false" claims to federal and/or state health care programs, including Medicare and Medicaid. Litigation related to our provision of professional services in our pharmacies, specialty pharmacies, clinics and LTC facilities has also increased as we expand our services along the continuum of health care. We cannot predict the outcome of any of these matters, and the costs incurred may be substantial

regardless of outcome. Our business, financial condition and results of operations may be adversely affected, or we may be required to materially change our business practices, as a result of such proceedings. We refer you to Item 3, “Legal Proceedings” for additional information.

We face significant competition in attracting and retaining talented employees. Further, managing succession for, and retention of, key executives is critical to our success, and our failure to do so could have an adverse impact on our future performance.

Our ability to attract and retain qualified and experienced employees is essential to meet current and future goals and objectives and there is no guarantee we will be able to attract and retain such employees or that competition among potential employers will not result in increased salaries or other benefits. An inability to retain existing employees or attract additional employees, or an unexpected loss of leadership, could have a material adverse effect on our business and results of operations.

In addition, our failure to adequately plan for succession of senior management and other key management roles or the failure of key employees to successfully transition into new roles could have a material adverse effect on our business and results of operations. While we have succession plans in place and employment arrangements with certain key executives, these do not guarantee the services of these executives will continue to be available to us.

Goodwill and other intangible assets could, in the future, become impaired.

As of December 31, 2017, we had $52.1 billion of goodwill and other intangible assets. Goodwill and indefinitely-lived intangible assets are subject to annual impairment reviews, or more frequent reviews if events or circumstances indicate that the carrying value may not be recoverable. When evaluating goodwill for potential impairment, we first compare the fair value of our reporting units to their respective carrying amounts. We estimate the fair value of our reporting units using a combination of a discounted cash flow model and a comparable market multiple model. If the estimated fair value of the reporting unit is less than its carrying amount, an impairment loss calculation is prepared. The impairment loss calculation compares the fair value of a reporting unit to its carrying amount. If the carrying amount of the reporting unit exceeds the fair value, a goodwill impairment loss is recognized in an amount equal to the excess to the extent of the goodwill balance. Estimated fair values could change if, for example, there are changes in the business climate, changes in the competitive environment, adverse legal or regulatory actions or developments, changes in capital structure, cost of debt, interest rates, capital expenditure levels, operating cash flows, or market capitalization. Because of the significance of our goodwill and intangible assets, any future impairment of these assets could require material noncash charges to our results of operations, which could have a material adverse effect on our financial condition and results of operations.

The foregoing is not a comprehensive listing of all possible risks and there can be no assurance that we have correctly identified and appropriately assessed all factors affecting the business. As such, we refer you to “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which includes our “Cautionary Statement Concerning Forward-Looking Statements” at the end of such section, of our Annual Report to Stockholders for the year ended December 31, 2017, which section is incorporated by reference herein.

Aetna-Related Risk Factors In addition to the risk factors described above that could materially adversely affect our business, financial condition, results of operations, cash flows and prospects, the following risk factors, and additional risks not presently known to us or that we currently deem to be immaterial, could also materially adversely affect us and the Aetna Acquisition.

In order to complete the merger, we and Aetna must obtain certain governmental authorizations, and if such authorizations are not granted or are granted with conditions that become applicable to the parties, completion of the merger may be jeopardized or prevented or the anticipated benefits of the merger could be reduced.

Completion of the merger is conditioned upon the expiration or early termination of the waiting period relating to the merger under the HSR Act and certain other applicable laws or regulations and the required governmental authorizations having been obtained and being in full force and effect. Although we and Aetna have agreed in the merger agreement to use our reasonable best efforts, subject to certain limitations, to make certain governmental filings or obtain the governmental authorizations required to complete the merger (the “required governmental authorizations”), as the case may be, there can be no assurance that the relevant waiting periods will expire or authorizations will be obtained and no assurance that the merger will be completed.

In addition, the governmental authorities from which these authorizations are required have broad discretion in administering the governing laws and regulations, and may take into account various facts and circumstances in their consideration of the merger, including other potential transactions in the health care industry or other industries. These governmental authorities

may initiate proceedings seeking to prevent, or otherwise seek to prevent, the merger. As a condition to authorization of the merger or related transactions, these governmental authorities also may impose requirements, limitations or costs, require divestitures or place restrictions on the conduct of our business after completion of the merger. Under the terms of the merger agreement, we are not required, and Aetna is not permitted without our consent, to take any actions or agree to any terms or conditions in connection with (i) the expiration or early termination of the waiting period relating to the merger under the HSR Act, (ii) any other antitrust law or (iii) the required governmental authorizations, in each case if such action, term or condition would have, or would reasonably be expected to have, individually or in the aggregate, a regulatory material adverse effect on us or Aetna.

However, notwithstanding the provisions of the merger agreement, either we or Aetna could become subject to terms or conditions in connection with such waiting periods, laws or other authorizations (whether because such term or condition does not rise to the specified level of materiality or we otherwise consent to its imposition) the imposition of which could adversely affect our ability to integrate Aetna's operations with our operations, reduce the anticipated benefits of the merger or otherwise materially and adversely affect our business and results of operations after completion of the merger.

In addition to receipt of certain governmental authorizations, completion of the merger is subject to a number of other conditions, and if these conditions are not satisfied or waived, the merger will not be completed.

Our obligations and the obligations of Aetna to complete the merger are subject to satisfaction or waiver of a number of conditions in addition to receipt of certain governmental authorizations, including, among other conditions: (i) approval and adoption of the merger agreement by Aetna shareholders at an Aetna special meeting, (ii) approval of the stock issuance by our stockholders at the CVS Health special meeting, (iii) approval for the listing on the New York Stock Exchange of the shares of CVS Health common stock to be issued in the merger, (iv) absence of any applicable law or order that prohibits completion of the transaction, (v) accuracy of the representations and warranties made in the merger agreement by the other party, subject to certain materiality qualifications, (vi) performance in all material respects by the other party of the material obligations required to be performed by it at or prior to completion of the transaction, and (vii) the absence of a material adverse effect on the other party. There can be no assurance that the conditions to completion of the merger will be satisfied or waived or that the merger will be completed.

In addition, the CVS Health special meeting and the Aetna special meeting may take place before certain governmental authorizations have been obtained and, therefore, before the terms on which such governmental authorizations may be obtained, or the conditions to obtaining such governmental authorizations that may be imposed, are known. As a result, if CVS Health stockholders approve the stock issuance at the CVS Health special meeting, or Aetna shareholders approve and adopt the merger agreement at the Aetna special meeting, we and Aetna may make decisions after the respective meetings to waive a condition as to the receipt of certain governmental authorizations or to take certain actions required to obtain such governmental authorizations without seeking further stockholder or shareholder approval, as applicable, and such actions could have an adverse effect on the combined company.

After completion of the merger, we may fail to realize the anticipated benefits and cost savings of the merger, which could adversely affect the value of shares of our common stock.

The success of the merger will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the businesses of CVS Health and Aetna. Our ability to realize these anticipated benefits and cost savings is subject to certain risks, including:

- Our ability to successfully combine the businesses of CVS Health and Aetna;
- whether the combined businesses will perform as expected;
- the possibility that we paid more for Aetna than the value we will derive from the acquisition;
- the reduction of our cash available for operations and other uses and the incurrence of indebtedness to finance the acquisition; and
- the assumption of known and unknown liabilities of Aetna.

If we are not able to successfully combine the businesses of CVS Health and Aetna within the anticipated time frame, or at all, the anticipated cost savings and other benefits of the merger may not be realized fully or may take longer to realize than expected, the combined businesses may not perform as expected and the value of the shares of our common stock may be adversely affected.
We and Aetna have operated and, until completion of the merger will continue to operate, independently, and there can be no assurances that our respective businesses can be integrated successfully. It is possible that the integration process could result in the loss of key CVS Health or Aetna employees, the disruption of either company's or both companies' ongoing businesses or

in unexpected integration issues, higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated. Specifically, issues that must be addressed in integrating the operations of Aetna and CVS Health in order to realize the anticipated benefits of the merger so the combined business performs as expected include, among other things:

- combining the companies' separate operational, financial, reporting and corporate functions;
- integrating the companies' technologies, products and services;
- identifying and eliminating redundant and underperforming operations and assets;
- harmonizing the companies' operating practices, employee development, compensation and benefit programs, internal controls and other policies, procedures and processes;
- addressing possible differences in business backgrounds, corporate cultures and management philosophies;
- consolidating the companies' corporate, administrative and information technology infrastructure;
- coordinating sales, distribution and marketing efforts;
- managing the movement of certain businesses and positions to different locations;
- maintaining existing agreements with customers, providers and vendors and avoiding delays in entering into new agreements with prospective customers, providers and vendors;
- operating in industry sectors in which we and our current management may have little or no experience;
- coordinating geographically dispersed organizations;
- consolidating offices of Aetna and CVS Health that are currently in or near the same location; and
- effecting potential actions that may be required in connection with obtaining regulatory approvals.

In addition, at times, the attention of certain members of each company's management and each company's resources may be focused on completion of the merger and the integration of the businesses of the two companies and diverted from day-to-day business operations, which may disrupt each company's ongoing business and the business of the combined company.

We have limited experience in the insurance and managed health care industry, which may hinder our ability to achieve the combined company's objectives.

We have limited experience operating an insurance and managed health care business, and will rely in large part on the existing management of Aetna to continue to manage the Aetna business following the merger. However, there is no assurance that we will be able to retain the services of such management. If we fail to retain the existing management of Aetna, our ability to realize the anticipated benefits of the transaction may be adversely affected.

We and Aetna may have difficulty attracting, motivating and retaining executives and other key employees in light of the merger.

As we will be operating in industry sectors for which our existing management team has little or no experience, our success after the transaction will depend in part on our ability to retain key executives and other employees of Aetna. Uncertainty about the effect of the merger on CVS Health and Aetna employees may have an adverse effect on each of us and Aetna separately and consequently the combined business. This uncertainty may impair our and/or Aetna's ability to attract, retain and motivate key personnel. Employee retention may be particularly challenging during the pendency of the merger, as employees of CVS Health and Aetna may experience uncertainty about their future roles in the combined business.

Additionally, Aetna's officers and employees may hold Aetna common shares, as well as Aetna stock appreciation rights, Aetna restricted stock units ("Aetna RSUs") and Aetna performance stock units ("Aetna PSUs") that are subject to accelerated vesting on a change in control, and, if the merger is completed, these officers and employees may be entitled to cash and/or the consideration payable under the merger agreement in respect of such Aetna common shares, stock appreciation rights, Aetna RSUs and Aetna PSUs. These payouts could also make retention of these officers and employees more difficult. Additionally, pursuant to employment agreements and/or other agreements or arrangements with Aetna, certain key employees of Aetna are entitled to receive severance payments upon a termination without cause and/or a resignation for "good reason" following completion of the merger. Under these agreements, certain key employees of Aetna potentially could resign from his or her employment following specified circumstances set forth in his or her applicable agreement, including an adverse change in his or her title, authority or responsibilities, compensation and benefits or primary office location.

Furthermore, if key employees of CVS Health or Aetna depart or are at risk of departing, including because of issues relating to the uncertainty and difficulty of integration, financial security or a desire not to become employees of the combined business, we may have to incur significant costs in retaining such individuals or in identifying, hiring and retaining replacements for departing employees and may lose significant expertise and talent relating to the business of Aetna, and our ability to realize the anticipated benefits of the merger may be materially and adversely affected. Accordingly, no assurance can be given that we

will be able to attract or retain key employees of Aetna to the same extent that Aetna has been able to attract or retain employees in the past.

Our and Aetna's business relationships may be subject to disruption due to uncertainty associated with the merger.

Parties with which we or Aetna do business may experience uncertainty associated with the merger, including with respect to current or future business relationships with us, Aetna or the combined business. Our and Aetna's business relationships may be subject to disruption as customers, providers, vendors and others may attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than us, Aetna or the combined business. These disruptions could have a material adverse effect on the businesses, financial condition, results of operations or prospects of CVS Health, Aetna and/or the combined business, including a material adverse effect on our ability to realize the anticipated benefits of the merger. The risk and adverse effect of such disruptions could be exacerbated by a delay in completion of the merger or termination of the merger agreement.

The merger agreement contains provisions that may make it more difficult for us and Aetna to pursue alternatives to the merger.

The merger agreement contains provisions that make it more difficult for Aetna to sell its business to a party other than us, or for us to sell its business. These provisions include a general prohibition on each party soliciting any acquisition proposal. Further, there are only limited exceptions to each party's agreement that its board of directors will not withdraw or modify in a manner adverse to the other party the recommendation of its board of directors in favor of the approval and adoption of the merger agreement, in the case of Aetna, or the approval of the stock issuance, in our case, and the other party generally has a right to match any acquisition proposal that may be made. However, at any time prior to the approval and adoption of the merger agreement by Aetna shareholders, in the case of Aetna, or the approval of the stock issuance by CVS Health stockholders, in our case, such party's board of directors is permitted to take certain of these actions if it determines in good faith that the failure to take such action would be reasonably likely to be inconsistent with its fiduciary duties under applicable law.

While we believe these provisions are reasonable and not preclusive of other offers, these restrictions might discourage a third party that has an interest in acquiring all or a significant part of either Aetna or CVS Health from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher per-share value than the currently proposed merger consideration, in the case of Aetna, or that party were prepared to enter into an agreement that may be favorable to us or our stockholders, in our case. Furthermore, the termination fees described below may result in a potential competing acquirer proposing to pay a lower per-share price to acquire the applicable party than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable by such party in certain circumstances.

Failure to complete the merger could negatively impact our stock price and our future business and financial results.

If the merger is not completed for any reason, including as a result of Aetna shareholders failing to approve and adopt the merger agreement or CVS Health stockholders failing to approve the stock issuance, our ongoing business may be materially and adversely affected and, without realizing any of the benefits of having completed the merger, we would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on the trading price of our common stock and other securities, and from our customers, providers, vendors, regulators and employees;
- we may be required to pay Aetna a termination fee of $2.1 billion if the merger agreement is terminated under certain circumstances;
- we will be required to pay certain transaction expenses and other costs incurred in connection with the merger, whether or not the merger is completed;
- the merger agreement places certain restrictions on the conduct of our businesses prior to completion of the merger, and such restrictions, the waiver of which is subject to the consent of Aetna, may prevent us from making certain acquisitions, taking certain other specified actions or otherwise pursuing business opportunities during the pendency of the merger that we would have made, taken or pursued if these restrictions were not in place; and
- matters relating to the merger (including arranging permanent financing and integration planning) will require substantial commitments of time and resources by our management and the expenditure of significant funds in the form of fees and expenses, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to us as an independent company.

There can be no assurance that the risks described above will not materialize. If any of those risks materialize, they may materially and adversely affect our businesses, financial condition, financial results, ratings, stock prices and/or bond prices.

In addition, we could be subject to litigation related to any failure to complete the merger or related to any proceeding to specifically enforce our obligation to perform our obligations under the merger agreement. If the merger is not completed, these risks may materialize and may materially and adversely affect our businesses, financial condition, financial results, ratings, stock prices and/or bond prices.

We and Aetna may be targets of securities class action and derivative lawsuits which could result in substantial costs and may delay or prevent the merger from being completed.

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into merger agreements. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on our and Aetna's respective liquidity and financial condition. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting completion of the merger, then that injunction may delay or prevent the merger from being completed, which may adversely affect our and Aetna's respective business, financial position and results of operation. Since the filing with the SEC of the preliminary joint proxy statement/prospectus relating to the proposed merger, a number of class action lawsuits in connection with the merger have been filed against us, Aetna and Aetna's directors and officers. Neither we nor Aetna presently believe that there is any merit to any such lawsuit. We and Aetna intend to defend them vigorously.

Our indebtedness following completion of the merger will be substantially greater than our indebtedness on a stand-alone basis and greater than the combined indebtedness of CVS Health and Aetna existing prior to the announcement of the transaction. This increased level of indebtedness could adversely affect our business flexibility, and increase our borrowing costs. Downgrades in our ratings could adversely affect our business, cash flows, financial condition and operating results.

In order to complete the merger, we expect to incur acquisition-related debt financing of approximately $45.0 billion and assume Aetna's existing indebtedness of approximately $8.2 billion. Our substantially increased indebtedness and higher debt-to-equity ratio following completion of the merger in comparison to that of CVS Health prior to the merger will have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and will increase our borrowing costs. In addition, the amount of cash required to service our increased indebtedness levels and thus the demands on our cash resources will be greater than the amount of cash flows required to service the indebtedness of CVS Health or Aetna individually prior to the merger. The increased levels of indebtedness could also reduce funds available to fund our efforts to combine our business with Aetna and realize expected benefits of the merger and/or engage in investments in product development, capital expenditures, dividend payments, share repurchases and other activities and may create competitive disadvantages for us relative to other companies with lower debt levels.

In addition, our credit ratings impact the cost and availability of future borrowings, and, as a result, our cost of capital. Our ratings reflect each rating organization's opinion of our financial strength, operating performance and ability to meet our debt obligations or, following completion of the merger, obligations to the combined company's insureds. Each of the ratings organizations reviews our ratings periodically, and there can be no assurance that our current ratings will be maintained in the future. Following the announcement of the merger agreement, each of Standard & Poor's and Moody's placed certain of our debt, financial strength and other credit ratings under review for a possible downgrade. Following the announcement of the merger agreement, Standard & Poor's, A.M. Best and Fitch placed Aetna's debt, financial strength and other credit ratings under review with negative implications. Downgrades in our ratings could adversely affect our business, cash flows, financial condition and operating results. In addition, if the merger is completed and, in certain circumstances, Aetna's debt securities are rated below investment grade, this may constitute a change of control triggering event under the indentures governing such debt. Upon the occurrence of a change of control triggering event, Aetna, as the surviving corporation of the merger, would be required to offer to repurchase most of Aetna's outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest if any, to, but not including, the date of repurchase. However, it is possible that Aetna (or us) would not have sufficient funds at the time of the change of control triggering event to make the required repurchase of notes or that restrictions in other debt instruments would not allow such repurchases. We cannot provide any assurance that there will be sufficient funds available for Aetna (or us) to make any required repurchases of the notes upon a change of control triggering event.

We will incur significant transaction and integration-related costs in connection with the merger.

We expect to incur a number of non-recurring costs associated with the merger and combining the operations of the two companies. We will incur significant transaction costs related to the merger, including with respect to the financing for the cash consideration to be paid to Aetna shareholders. We also will incur significant integration-related fees and costs related to

formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the merger and the integration of the two companies' businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

The merger may not be accretive, and may be dilutive, to our earnings per share, which may negatively affect the market price of shares of our common stock.

We currently project that the merger will result in a number of benefits, including enhanced competitive positioning and a platform from which to accelerate growth, and that it will be accretive to earnings per share in the second full year after the close of the transaction. This projection is based on preliminary estimates that may materially change. In addition, future events and conditions could decrease or delay the accretion that is currently projected or could result in dilution, including adverse changes in market conditions, additional transaction and integration-related costs and other factors such as the failure to realize some or all of the anticipated benefits of the merger. Any dilution of, decrease in or delay of any accretion to, our earnings per share could cause the price of shares of our common stock to decline or grow at a reduced rate.

The future results of the combined company may be adversely impacted if the combined company does not effectively manage its expanded operations following completion of the merger.

Following completion of the merger, the size of the combined company's business will be significantly larger than the current size of either our or Aetna's respective businesses. The combined company's ability to successfully manage this expanded business will depend, in part, upon management's ability to implement an effective integration of the two companies and its ability to manage a combined business with significantly larger size and scope with the associated increased costs and complexity. There can be no assurances that the management of the combined company will be successful or that the combined company will realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the merger.

Additional information concerning these risks, uncertainties and assumptions can be found in the section entitled "Risk Factors" beginning on page 62 of our preliminary joint proxy statement/prospectus filed February 9, 2018 with the SEC on Form S-4/A.

Document and Entity Information Document - USD ($) shares in Millions, $ in Millions	12 Months Ended		
	Dec. 31, 2017	Jan. 31, 2018	Jun. 30, 2017
Document And Entity Information [Abstract]			
Entity Registrant Name	AETNA INC /PA/		
Entity Central Index Key	0001122304		
Current Fiscal Year End Date	--12-31		
Entity Filer Category	Large Accelerated Filer		
Document Type	10-K		
Document Period End Date	Dec. 31, 2017		
Document Fiscal Year Focus	2017		
Document Fiscal Period Focus	FY		
Amendment Flag	false		
Entity Common Stock, Shares Outstanding		326.8	
Entity Well-known Seasoned Issuer	Yes		
Entity Voluntary Filers	No		
Entity Current Reporting Status	Yes		
Entity Public Float			$ 49,200

Consolidated Balance Sheets - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Current assets:		
Cash and cash equivalents	$ 4,076	$ 17,996
Investments	2,280	3,046
Premiums receivable, net	2,240	2,356
Other receivables, net	2,831	2,224
Reinsurance recoverables, current	1,050	292
Accrued investment income	193	232
Income taxes receivable	365	44
Other current assets	2,488	2,259
Total current assets	15,523	28,449
Long-term investments	17,793	21,833
Reinsurance recoverables	3,323	727
Goodwill	10,571	10,637
Other acquired intangible assets, net	1,180	1,442
Property and equipment, net	586	587
Deferred Tax Assets, Net, Noncurrent	195	0
Other long-term assets	1,684	1,480
Separate Accounts Assets	4,296	3,991
Total assets	55,151	69,146
Current liabilities:		
Health care costs payable	5,815	6,558
Future policy benefits	604	645
Unpaid claims	850	801
Unearned premiums	654	556
Policyholders' funds	2,918	2,772
Current portion of long-term debt	999	1,634
Accrued expenses and other current liabilities	4,997	5,728
Total current liabilities	16,837	18,694
Future policy benefits	5,763	5,929
Unpaid claims	1,922	1,703
Policyholders' funds	739	812
Long-term debt, less current portion	8,160	19,027
Deferred income taxes		4
Other long-term liabilities	1,597	1,043
Separate Accounts liabilities	4,296	3,991
Total liabilities	39,314	51,203
Commitments and contingencies (Note 17)		
Shareholders' equity:		
Common stock ($.01 par value; 2.5 billion shares authorized and 326.8 million shares issued and outstanding in 2017; 2.5 billion shares authorized and 351.7 million shares issued and outstanding in 2016) and additional paid-in capital	4,706	4,716
Retained earnings	12,118	14,717

Accumulated other comprehensive loss	(1,244)	(1,552)
Total Aetna shareholders' equity	15,580	17,881
Non-controlling interests	257	62
Total equity	15,837	17,943
Total liabilities and equity	$ 55,151	$ 69,146

Consolidated Balance Sheets (Parentheticals) - $ / shares shares in Millions	Dec. 31, 2017	Dec. 31, 2016
Consolidated Balance Sheets (Parenthetical) [Abstract]		
Common Stock, Par or Stated Value Per Share	$ 0.01	$ 0.01
Common Stock, Shares Authorized	2,500.0	2,500.0
Common Stock, Shares, Issued	326.8	351.7
Common Stock, Shares, Outstanding	326.8	351.7

Consolidated Statements of Income - USD ($) $ in Millions		12 Months Ended		
		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Revenue:				
Health care premiums		$ 52,022	$ 54,116	$ 51,618
Other premiums		1,872	2,182	2,171
Fees and other revenue	[1]	5,930	5,861	5,696
Net investment income	[2]	950	910	917
Net realized capital gains (losses)		(239)	86	(65)
Total revenue		60,535	63,155	60,337
Benefits and expenses:				
Health care costs	[3]	42,753	44,255	41,712
Current and future benefits		1,875	2,101	2,121
Operating expenses:				
Selling expenses		1,598	1,678	1,611
General and administrative expenses		10,466	10,407	10,033
Total operating expenses		12,064	12,085	11,644
Interest expense	[2]	442	604	369
Amortization of other acquired intangible assets	[4]	272	247	255
Loss on early extinguishment of long-term debt		246	0	0
Reduction of reserve for anticipated future losses on discontinued products	[4]	(109)	(128)	0
Total benefits and expenses		57,543	59,164	56,101
Income before income taxes	[4]	2,992	3,991	4,236
Income taxes		1,087	1,735	1,841
Net income including non-controlling interests		1,905	2,256	2,395
Less: Net income (loss) attributable to non-controlling interests		1	(15)	5
Net income attributable to the Aetna		$ 1,904	$ 2,271	$ 2,390
Earnings per common share:				
Basic		$ 5.71	$ 6.46	$ 6.84
Diluted		$ 5.68	$ 6.41	$ 6.78
Administrative Services Contract Member Co Payments And Plan Sponsor Reimbursements		$ 130	$ 128	$ 112
Pharmaceutical And Processing Costs		1,400	1,300	1,300
Insured Member Co Payments		$ 115	$ 115	$ 117

[1] Fees and other revenue include administrative services contract member co-payments and plan sponsor reimbursements related to our home delivery and specialty pharmacy operations of $130 million, $128 million and $112 million for 2017, 2016 and 2015, respectively (net of pharmaceutical and processing costs of $1.4 billion for 2017 and 1.3 billion for each of 2016 and 2015).

[2] (1) Total Assets by segment are not disclosed as this information is not reviewed by the chief executive officer.

[3] Health care costs have been reduced by Insured member co-payments related to our home delivery and specialty pharmacy operations of $115 million, $115 million and $117 million for 2017, 2016 and 2015, respectively.

[4] (1) In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earnings and pre-tax adjusted earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:•During the year ended December 31, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group

disability insurance, and absence management business. The transaction was accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of Aetna's business operations.•During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory redemption of the $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemption of $750 million aggregate principal amount of our outstanding senior notes due 2020.•During the year ended December 31, 2017, we recorded an expense for estimated future guaranty fund assessments related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of our business operations.•We recorded transaction-related costs during the year ended December 31, 2017 related to our proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primarily related to the Humana Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agreement, the termination of our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP Consolidated Statements of Income in general and administrative expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior to the mandatory redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-tax adjusted earnings. The negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption (the “Other 2016 Senior Notes”) was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the Humana Merger Agreement, the interest expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings. •Restructuring costs for 2017 include severance costs associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early retirement program, severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments which require us to make payments to suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume commitments as a result of our reduced participation on the ACA’s individual Public Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense management and cost control initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.•In 1993, we discontinued the sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the year ended December 31, 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for anticipated future losses on discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating results of these discontinued products, which are credited or charged to the reserve and do not affect our operating results.•In 2015, we received proceeds net of legal costs, in connection with a litigation settlement. These net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

Statement of Comprehensive Income Statement - USD ($) $ in Millions		12 Months Ended		
		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Net income including non-controlling interests		$ 1,905	$ 2,256	$ 2,395
Other comprehensive income (loss)		308	(222)	(219)
Comprehensive income (loss) including non-controlling interests		2,213	2,034	2,176
Less: Comprehensive (loss) income attributable to non-controlling interests		1	(15)	5
Comprehensive income attributable to Aetna		2,212	2,049	2,171
Net Unrealized Gains (Losses) Previously Impaired Securities [Member]				
Other comprehensive income (loss)	[1]	(11)	(3)	(16)
Net Unrealized Gains (Losses) All Other Securities [Member]				
Other comprehensive income (loss)		29	(15)	(256)
Derivatives [Member]				
Other comprehensive income (loss)		231	(161)	(13)
Pension and OPEB Plan [Member]				
Other comprehensive income (loss)		$ 59	$ (43)	$ 66

[1] Represents specifically identified unrealized gains on the non-credit related component of impaired debt securities that we do not intend to sell and subsequent changes in the fair value of any previously impaired security.

Consolidated Statements of Shareholders' Equity - USD ($) shares in Millions, $ in Millions	Total	Common Stock [Member]	Common Stock Including Additional Paid in Capital [Member]	Retained Earnings [Member]	Parent [Member]	Accumulated Other Comprehensive Loss [Member]	Noncontrolling Interest [Member]
Stockholders' Equity [Roll Forward]							
Non-controlling interests							$ 69.0
Balance at beginning of period at Dec. 31, 2014			$ 4,542.0	$ 11,052.0	$ 14,483.0	$ (1,111.0)	
Balance at beginning of period (in shares) at Dec. 31, 2014		349.8					
Stockholders' Equity [Roll Forward]							
Non-controlling interests							65.0
Total equity at beginning of period at Dec. 31, 2014	$ 14,552.0						
Comprehensive income:							
Net income attributable to the Aetna	2,390.0	$ 0.0		2,390.0	2,390.0		
Less: Net income (loss) attributable to non-controlling interests	5.0						5.0
Net income including non-controlling interests	2,395.0						
Noncontrolling Interest, Period Increase (Decrease)	(9.0)	0.0	0.0	0.0	0.0	0.0	(9.0)
Other comprehensive income (loss) (Note 14):							
Other comprehensive income (loss)	(219.0)	$ 0.0			(219.0)	(219.0)	0.0
Other Comprehensive Income	2,171.0						
Common shares issued for benefit plans, including tax benefits, net of employee tax withholdings	105.0		105.0		105.0		
Stock Issued During Period, Value, Stock Options Exercised	0.0						
Common shares issued for benefit plans, including tax benefits, net of employee tax withholdings (in shares)		2.7					
Repurchases of common shares	(296.0)		0.0	(296.0)	(296.0)		0.0
Dividends, Stock		$ 0.0					
Repurchases of common shares (in shares)		(3.0)					
Dividends declared	(349.0)			(349.0)	(349.0)		0.0

Balance at end of period at Dec. 31, 2015			4,647.0	12,797.0	16,114.0	(1,330.0)	
Balance at end of period (in shares) at Dec. 31, 2015		349.5					
Non-controlling interests at end of period at Dec. 31, 2015							65.0
Total equity at end of period at Dec. 31, 2015	16,179.0						
Stockholders' Equity [Roll Forward]							
Non-controlling interests							65.0
Non-controlling interests	62.0						62.0
Comprehensive income:							
Net income attributable to the Aetna	2,271.0	$ 0.0		2,271.0	2,271.0		
Less: Net income (loss) attributable to non-controlling interests	(15.0)						(15.0)
Net income including non-controlling interests	2,256.0						
Noncontrolling Interest, Period Increase (Decrease)	12.0	0.0	0.0	0.0	0.0	0.0	12.0
Other comprehensive income (loss) (Note 14):							
Other comprehensive income (loss)	(222.0)	$ 0.0			(222.0)	(222.0)	0.0
Other Comprehensive Income	2,049.0						
Common shares issued for benefit plans, including tax benefits, net of employee tax withholdings	69.0		69.0		69.0		
Stock Issued During Period, Value, Stock Options Exercised							0.0
Common shares issued for benefit plans, including tax benefits, net of employee tax withholdings (in shares)		2.2					
Dividends, Stock		$ 0.0					
Dividends declared	(351.0)			(351.0)	(351.0)		0.0
Balance at end of period at Dec. 31, 2016	$ 17,881.0		4,716.0	14,717.0	17,881.0	(1,552.0)	
Balance at end of period (in shares) at Dec. 31, 2016	351.7	351.7					
Non-controlling interests at end of period at Dec. 31, 2016	$ 62.0						62.0
Total equity at end of period at Dec. 31, 2016	17,943.0						
Stockholders' Equity [Roll Forward]							
Non-controlling interests	62.0						62.0
Non-controlling interests	257.0						257.0

Comprehensive income:							
Net income attributable to the Aetna	1,904.0	$ 0.0	0.0	1,904.0	1,904.0	0.0	
Less: Net income (loss) attributable to non-controlling interests	1.0						1.0
Net income including non-controlling interests	1,905.0						
Noncontrolling Interest, Period Increase (Decrease)	194.0	0.0	0.0	0.0	0.0	0.0	194.0
Other comprehensive income (loss) (Note 14):							
Other comprehensive income (loss)	308.0	$ 0.0			308.0	308.0	0.0
Other Comprehensive Income	2,212.0						
Common shares issued for benefit plans, including tax benefits, net of employee tax withholdings	(10.0)		(10.0)		(10.0)		
Stock Issued During Period, Value, Stock Options Exercised							0.0
Common shares issued for benefit plans, including tax benefits, net of employee tax withholdings (in shares)		2.1					
Repurchases of common shares	$ (3,845.0)		0.0	(3,845.0)	(3,845.0)		0.0
Dividends, Stock		$ 0.0					
Repurchases of common shares (in shares)	(10.4)	27.0					
Dividends declared	$ (658.0)			(658.0)	(658.0)		0.0
Balance at end of period at Dec. 31, 2017	$ 15,580.0		$ 4,706.0	$ 12,118.0	$ 15,580.0	$ (1,244.0)	
Balance at end of period (in shares) at Dec. 31, 2017	326.8	326.8					
Non-controlling interests at end of period at Dec. 31, 2017	$ 257.0						257.0
Total equity at end of period at Dec. 31, 2017	15,837.0						
Stockholders' Equity [Roll Forward]							
Non-controlling interests	$ 257.0						$ 257.0

Consolidated Statements of Cash Flows - USD ($) $ in Millions		12 Months Ended		
		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Cash flows from operating activities:				
Net income including non-controlling interests		$ 1,905	$ 2,256	$ 2,395
Adjustments to reconcile net income to net cash provided by operating activities:				
Net realized capital losses (gains)		239	(86)	65
Depreciation and amortization		705	681	671
Debt fair value amortization		(17)	(30)	(30)
Equity in earnings of affiliates, net		(105)	(6)	(31)
Stock-based compensation expense		187	191	181
Reduction of reserve for anticipated future losses on discontinued products	[1]	(109)	(128)	0
Amortization of net investment premium		69	79	84
Loss on early extinguishment of long-term debt		246	0	0
Gain (Loss) on Disposition of Business	[1]	88	0	0
Changes in assets and liabilities:				
Premiums due and other receivables		(809)	(153)	(616)
Income taxes		(672)	155	31
Net change in other assets and other liabilities		(1,445)	669	646
Health care and insurance liabilities		(624)	91	470
Proceeds from Equity Method Investment, Distribution		54	0	0
Net cash provided by operating activities		(464)	3,719	3,866
Cash flows from investing activities:				
Proceeds from sales and maturities of investments		12,144	14,741	12,299
Cost of investments		(10,370)	(14,852)	(12,943)
Additions to property, equipment and software		(410)	(270)	(363)
Proceeds from Divestiture of Businesses, Net of Cash Divested		1,390	0	0
Cash used for acquisitions, net of cash acquired		(24)	0	(20)
Net cash provided by (used for) investing activities		2,730	(381)	(1,027)
Cash flows from financing activities:				
Issuance of long-term debt		988	12,886	0
Repayment of long-term debt		(12,734)	0	(229)
Net (repayment) issuance of short-term debt		0	0	(500)
Deposits and interest credited to investment contracts net of (withdrawals)		1	1	(35)
Common shares issued under benefit plans, net		(180)	(139)	(143)
Stock-based compensation tax benefits		0	0	53
(Settlements) proceeds from repurchase agreements		0	0	(202)
Common shares repurchased		(3,845)	0	(296)
Dividends paid to shareholders		(583)	(351)	(349)
Net payment on interest rate derivatives		0	(274)	(25)
(Distributions) contributions, non-controlling interests		167	11	(9)
Net cash provided by (used for) financing activities		(16,186)	12,134	(1,735)

Net increase (decrease) in cash and cash equivalents	(13,920)	15,472	1,104
Cash and cash equivalents, beginning of period	17,996	2,524	1,420
Cash and cash equivalents, end of period	4,076	17,996	2,524
Interest Paid	453	541	338
Income Taxes Paid	$ 1,759	$ 1,580	$ 1,755

[1] (1) In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earnings and pre-tax adjusted earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:•During the year ended December 31, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance, and absence management business. The transaction was accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of Aetna's business operations.•During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory redemption of the $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemption of $750 million aggregate principal amount of our outstanding senior notes due 2020.•During the year ended December 31, 2017, we recorded an expense for estimated future guaranty fund assessments related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of our business operations.•We recorded transaction-related costs during the year ended December 31, 2017 related to our proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primarily related to the Humana Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agreement, the termination of our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP Consolidated Statements of Income in general and administrative expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior to the mandatory redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-tax adjusted earnings. The negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption (the “Other 2016 Senior Notes”) was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the Humana Merger Agreement, the interest expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings. •Restructuring costs for 2017 include severance costs associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early retirement program, severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments which require us to make payments to suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume commitments as a result of our reduced participation on the ACA’s individual Public Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense management and cost control initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.•In 1993, we discontinued the sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the year ended December 31, 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for anticipated future losses on discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating results of these discontinued products, which are credited or charged to the reserve and do not affect our operating results.•In 2015, we received proceeds net of legal costs, in connection with a litigation settlement. These net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

Organization

12 Months Ended
Dec. 31, 2017

Organization, Consolidation and Presentation of Financial Statements [Abstract]

Organization

1. Organization

We conduct our operations in three business segments:

- **Health Care** consists of medical, pharmacy benefit management services, dental, behavioral health and vision plans offered on both an Insured basis (where we assume all or a majority of the risk for medical and dental care costs) and an employer-funded basis (where the plan sponsor under an administrative services contract ("ASC") assumes all or a majority of this risk) and emerging business products and services that complement and enhance our medical products. We also offer Medicare and Medicaid products and services and other medical products, such as medical management and data analytics services, medical stop loss insurance, workers' compensation administrative services and products that provide access to our provider networks in select geographies. We no longer sell individual Commercial products, and we exited the individual Public Exchanges in 2018.

- **Group Insurance** primarily includes group life insurance and group disability products. Group life insurance products are offered on an Insured basis. Group disability products are offered to employers on both an Insured and an ASC basis. Group Insurance also includes long-term care products that were offered primarily on an Insured basis. We no longer solicit or accept new long-term care customers. During the fourth quarter of 2017, we sold a substantial portion of our Group Insurance business to Hartford Life and Accident Insurance Company ("HLAIC") (refer to Note 3 for additional information).

- **Large Case Pensions** manages a variety of retirement products (including pension and annuity products) primarily for tax-qualified pension plans. These products provide a variety of funding and benefit payment distribution options and other services. Large Case Pensions also includes certain discontinued products (refer to Note 19 for additional information).

Our three business segments are distinct businesses that offer different products and services. Our Chief Executive Officer evaluates financial performance and makes resource allocation decisions at these segment levels. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2. We evaluate the performance of these business segments based on pre-tax adjusted earnings (income before income taxes attributable to Aetna, excluding net realized capital gains or losses, amortization of other acquired intangible assets and other items, if any, that neither relate to the ordinary course of our business nor reflect our underlying business performance).

Effective for the first quarter of 2018, we will realign our business segments to correspond with changes to our management structure and internal management reporting which reflect our evolving business strategy of helping our members live healthier lives. As a result of this realignment, our operations will now be conducted in the Health Care reportable segment. Health Care offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services to large and small employers, public sector employers, and Medicaid and Medicare beneficiaries. Our Health Care products are offered on both an Insured basis and an employer-funded basis. Health Care also includes emerging business products and services that complement and enhance our medical products.

Effective for the first quarter of 2018, we will present the remainder of our financial results in the Corporate/Other category, which will consist of:

- Products for which we no longer solicit or accept new customers such as our large case pensions and long-term care products;
- Contracts we have divested through reinsurance or other contracts, such as our domestic group life insurance, group disability insurance and absence management businesses; and
- Corporate expenses not supporting business operations, including transaction and integration-related costs, income taxes, interest expense on our outstanding debt and the financing components of our pension and other postretirement employee benefit plans ("OPEB") expense.

Refer to Note 18 for segment financial information.

Summary of Significant Accounting Policies	12 Months Ended Dec. 31, 2017
Accounting Policies [Abstract]	
Summary of Significant Accounting Policies	

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts of Aetna and the subsidiaries that we control. All significant intercompany balances have been eliminated in consolidation. The Company has evaluated subsequent events from the financial statement date through the date the financial statements were issued and determined there were no subsequent events to disclose other than as disclosed in Notes 1, 13, 16 and 18.

Reclassifications

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

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in these consolidated financial statements and notes. We consider the following accounting estimates critical in the preparation of the accompanying consolidated financial statements: health care costs payable, other insurance liabilities, recoverability of goodwill and other acquired intangible assets, measurement of defined benefit pension and other postretirement employee benefit plans, other-than-temporary impairment of debt securities, revenue recognition, allowance for estimated terminations and uncollectible accounts and accounting for certain provisions of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, the "ACA"). We use information available to us at the time estimates are made; however, these estimates could change materially if different information or assumptions were used. Additionally, these estimates may not ultimately reflect the actual amounts of the final transactions that occur.

Cash and Cash Equivalents

Cash and cash equivalents include cash on-hand and debt securities with an original maturity of three months or less when purchased. The carrying value of cash equivalents approximates fair value due to the short-term nature of these investments. Cash and cash equivalents at December 31, 2016 included approximately $13 billion of highly-rated money market fund investments related to the net proceeds received from the 2016 senior notes we issued in June 2016 to partially fund our then pending acquisition of Humana Inc. (the "Humana Transaction"). These money market funds had average maturities of 60 days or less and were redeemable daily at par value plus accrued dividends with specified yield rates.

Investments

Debt and Equity Securities

Debt and equity securities consist primarily of U.S. Treasury and agency securities, mortgage-backed securities, corporate and foreign bonds and other debt and equity securities. Debt securities are classified as either current or long-term investments based on their contractual maturities unless we intend to sell an investment within the next twelve months, in which case it is classified as current on our Consolidated Balance Sheets. We have classified our debt and equity securities as available for sale and carry them at fair value. Refer to Note 5 for additional information on how we estimate the fair value of these investments.

The cost for mortgage-backed and other asset-backed securities is adjusted for unamortized premiums and discounts, which are amortized using the interest method over the estimated remaining term of the securities, adjusted for anticipated prepayments.

We regularly review our debt and equity securities to determine whether a decline in fair value below the carrying value is other-than-temporary. When a debt or equity security is in an unrealized capital loss position, we monitor the duration and severity of the loss to determine if sufficient market recovery can occur within a reasonable period of time. If a decline in the fair value of a debt security is considered other-than-temporary, the cost basis or carrying value of the debt security is written down. The write-down is then bifurcated into its credit and non-credit related components. The amount of the credit-related component is included in our operating results, and the amount of the non-credit related component is included in other comprehensive income, unless we intend to sell the debt security or it is more likely than not that we will be required to sell the debt security prior to its anticipated recovery of its amortized cost basis. We do not accrue interest on debt securities when management believes the collection of interest is

unlikely. If we intend to sell an equity security, we will recognize the unrealized capital gain or loss in our operating results.

Mortgage Loans
We value our mortgage loan investments on our balance sheet at the unpaid principal balance, net of impairment reserves. A mortgage loan may be impaired when it is a problem loan (i.e., more than 60 days delinquent, in bankruptcy or in process of foreclosure), a potential problem loan (i.e., high probability of default) or a restructured loan. For impaired loans, a specific impairment reserve is established for the difference between the recorded investment in the loan and the estimated fair value of the collateral. We apply our loan impairment policy individually to all loans in our portfolio.

The impairment evaluation described above also considers characteristics and risk factors attributable to the aggregate portfolio. We establish an additional allowance for loan losses if it is probable that there will be a credit loss on a group of similar mortgage loans. We consider the following characteristics and risk factors when evaluating if a credit loss is probable on a group of similar mortgage loans: loan-to-value ratios, property type (e.g., office, retail, apartment, industrial), geographic location, vacancy rates and property condition. As a result of that evaluation, we determined that a credit loss was not probable and did not record any additional allowance for groups of similar mortgage loans in 2017, 2016 or 2015.

We record full or partial impairments of loans at the time an event occurs affecting the legal status of the loan, typically at the time of foreclosure or upon a loan modification giving rise to forgiveness of debt. Interest income on a potential problem loan or restructured loan is accrued to the extent we deem it collectible and the loan continues to perform under its original or restructured terms. Interest income on problem loans is recognized on a cash basis. Cash payments on loans in the process of foreclosure are treated as a return of principal. Mortgage loans with a maturity date or a committed prepayment date within twelve months are classified as current on our Consolidated Balance Sheets.

Other Investments
Other investments consist primarily of the following:

- Private equity and hedge fund limited partnerships, which are carried at fair value on our Consolidated Balance Sheets. The fair values of private equity limited partnerships are estimated based on the fair value of the underlying investment funds provided by the general partner or manager of the investments, the financial statements of which generally are audited. We typically do not have a controlling ownership in our private equity limited partnership investments, and therefore we apply the equity method of accounting for these investments. Hedge fund limited partnerships are carried at fair value which is estimated using the net asset value (“NAV”) per unit as reported by the administrator of the underlying investment fund as a practical expedient to fair value. We review our investments for impairment at least quarterly and monitor their performance throughout the year through discussions with the administrators, managers and/or general partners. If we become aware of an impairment of a limited partnership's investments through our review or prior to receiving the limited partnership's financial statements at the financial statement date, we will recognize an impairment by recording a reduction in the carrying value of the limited partnership with a corresponding charge to net investment income.

- Investment real estate, which is carried on our Consolidated Balance Sheets at depreciated cost, including capital additions, net of write-downs for other-than-temporary declines in fair value. Depreciation is calculated using the straight-line method based on the estimated useful life of each asset. If any of our real estate investments is considered held-for-sale, we carry it at the lower of its carrying value or fair value less estimated selling costs. We generally estimate fair value using a discounted future cash flow analysis in conjunction with comparable sales information. At the time of the sale, we record the difference between the sales price and the carrying value as a realized capital gain or loss.

- Privately-placed equity securities, which are carried at cost on our Consolidated Balance Sheets. We do not estimate the fair value of these securities if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. Additionally, as a member of the Federal Home Loan Bank of Boston (“FHLBB”), we are required to purchase and hold shares of the FHLBB. These shares are restricted and also carried at cost.

- Bank loans, which are carried on our Consolidated Balance Sheets at amortized cost, net of any allowance for impairments. If any of our bank loans are considered held-for-sale, we carry those loans at the lower of cost or fair value.

- Derivatives, which we make limited use of in order to manage interest rate, foreign exchange and price risk and credit exposure. The derivatives we use consist primarily of interest rate swaps, treasury rate locks, forward contracts, futures contracts, warrants, put options, and credit default swaps. Derivative assets are recorded in investments and derivative liabilities are recorded in

accrued expenses and other current liabilities on our Consolidated Balance Sheets and reflected at fair value. When we enter into a derivative contract, if certain criteria are met, we may designate it as one of the following: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment; a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability; or a foreign currency fair value or cash flow hedge.

Net Investment Income
Net investment income on investments supporting Health Care and Group Insurance liabilities and Large Case Pensions products (other than experience-rated and discontinued products) is reflected in our operating results.

Experience-rated products are products in the Large Case Pensions business where the contract holder, not us, assumes investment and other risks, subject to, among other things, minimum guarantees provided by us. The effect of investment performance on experience-rated products is allocated to contract holders' accounts daily, based on the underlying investment experience and, therefore, does not impact our operating results (as long as our minimum guarantees are not triggered).

When we discontinued the sale of our fully-guaranteed Large Case Pensions products, we established a reserve for anticipated future losses from these discontinued products and segregated the related investments. Investment performance on this separate portfolio is ultimately credited/charged to the reserve and, generally, does not impact our operating results.

Net investment income supporting Large Case Pensions' experience-rated and discontinued products is included in net investment income in our Consolidated Statements of Income and is credited to contract holders' accounts or the reserve for anticipated future losses through a charge to current and future benefits.

Realized/Unrealized Capital Gains and Losses
Realized capital gains and losses on investments supporting Health Care and Group Insurance liabilities and Large Case Pensions products (other than experience-rated and discontinued products) are reflected in our operating results. Realized capital gains and losses are determined on a specific identification basis. We reflect purchases and sales of debt and equity securities and alternative investments on the trade date. We reflect purchases and sales of mortgage loans and investment real estate on the closing date.

Realized capital gains and losses on investments supporting Large Case Pensions' experience-rated and discontinued products are not included in realized capital gains and losses in our Consolidated Statements of Income and instead are credited directly to contract holders' accounts, in the case of experience-rated products, or allocated to the reserve for anticipated future losses, in the case of discontinued products. The contract holders' accounts are reflected in policyholders' funds, and the reserve for anticipated future losses is reflected in future policy benefits on our Consolidated Balance Sheets.

Unrealized capital gains and losses on investments supporting Health Care and Group Insurance liabilities and Large Case Pensions products (other than experience-rated and discontinued products) are reflected in shareholders' equity, net of tax, as a component of accumulated other comprehensive loss.

Unrealized capital gains and losses on investments supporting Large Case Pensions' experience-rated products are credited directly to contract holders' accounts, which are reflected in policyholders' funds on our Consolidated Balance Sheets. Unrealized capital gains and losses on discontinued products are reflected in other long-term liabilities on our Consolidated Balance Sheets.

Refer to Note 19 for additional information on our discontinued products.

Premium Receivables
Premium receivables include the uncollected amounts from fully-insured groups, individuals and government programs and are reported net of an allowance for estimated terminations and uncollectible accounts of $381 million and $139 million at December 31, 2017 and 2016, respectively. We estimate the allowance for estimated terminations and uncollectible accounts using management's best estimate of collectability, taking into consideration the age of the outstanding amount, historical collection patterns and other economic factors. For details on our Medicare Part D Prescription Drug Program Plans ("Medicare Part D") receivables at December 31, 2017 and 2016, refer to the "*Accounting for Medicare Part D"* section below.

Our premium receivable balance at December 31, 2017 from the State of Illinois was approximately $350 million. The State of Illinois experienced budget difficulties which contributed to the state being delinquent in paying certain of our premiums and fees. Given our significant cash collections during the fourth quarter

of 2017 of approximately $960 million, the State of Illinois budget and bond issuance, a federal judge's ruling that prioritized Medicaid payments and the federal government's match of a percentage of payments made by the state to managed care organizations under the state's Medicaid program, we continue to believe the amounts due to us are collectible.

Other Receivables

Other receivables include uncollected amounts from self-funded groups, pharmacy rebates, other government receivables, proceeds due from brokers on investment trades, provider advances and other miscellaneous amounts due to us. These receivables are reported net of an allowance for uncollectible accounts of $74 million and $37 million at December 31, 2017 and 2016, respectively. We estimate the allowance for uncollectible accounts using management's best estimate of collectability, taking into consideration the age of the outstanding amount, historical collection patterns and other economic factors. Pharmacy rebate receivables were $1.0 billion and $916 million at December 31, 2017 and 2016, respectively. For details on our Medicare Part D receivables at December 31, 2017 and 2016, refer to the "*Accounting for Medicare Part D"* section below.

Reinsurance Recoverables

We utilize reinsurance agreements primarily to reduce our required capital and to facilitate the acquisition or disposition of certain insurance contracts (including the Group Insurance sale (as defined in Note 3)). Ceded reinsurance agreements permit us to recover a portion of our losses from reinsurers, although they do not discharge our primary liability as the direct insurer of the risks reinsured. Failure of reinsurers to indemnify us could result in losses; however, we do not expect charges for unrecoverable reinsurance to have a material effect on our operating results or financial position. We evaluate the financial condition of our reinsurers and monitor concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of our reinsurers. At December 31, 2017, our reinsurance recoverables consisted primarily of amounts due from third parties that are rated consistent with companies that are considered to have the ability to meet their obligations.

Health Care Contract Acquisition Costs

Health care benefits products included in our Health Care segment are cancelable by either the customer or the member monthly upon written notice. Acquisition costs related to our prepaid health care and health indemnity contracts are generally expensed as incurred. At December 31, 2017 and 2016, the balance of our deferred acquisition costs was $521 million and $412 million, respectively, comprised primarily of commissions paid on our Medicare Supplement products. Deferred acquisition costs are recorded as other current assets or other long-term assets on our Consolidated Balance Sheets and are amortized over the estimated life of the contracts. The amortization of deferred acquisition costs is recorded in general and administrative expenses in our Consolidated Statements of Income.

Goodwill and Other Acquired Intangible Assets

When we complete an acquisition, we apply the acquisition method of accounting, which requires the recognition of goodwill (which represents the excess cost of the acquisition over the fair value of net assets acquired and identified intangible assets). We evaluate goodwill for impairment (at the reporting unit level) annually, or more frequently if circumstances indicate a possible impairment, by comparing an estimate of the fair value of the applicable reporting unit to its carrying value, including goodwill. If the carrying value exceeds fair value, we have historically compared the implied fair value of the applicable goodwill to its carrying amount to measure the amount of goodwill impairment, if any. Effective January 1, 2017, we adopted, on a prospective basis, new accounting guidance which simplifies the accounting for goodwill impairment. The new guidance eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. A goodwill impairment charge would be recognized if the carrying amount of a reporting unit exceeds the estimated fair value of the reporting unit. The fair value of each reporting unit substantially exceeded its carrying value in each of the three years ended December 31, 2017, 2016, or 2015, and no goodwill impairment loss was recognized in any of those years. In conjunction with the Group Insurance sale, which included a substantial portion of our Group Insurance business, the goodwill allocated to our Group Insurance segment of $113 million was included in the calculation of the total gain on the sale, with a corresponding reduction of the goodwill balance.

Our annual impairment tests were based on an evaluation of future discounted cash flows. These evaluations utilized the best information available to us at the time, including supportable assumptions and projections we believe are reasonable. Collectively, these evaluations were our best estimates of projected future cash flows. Our discounted cash flow evaluations used discount rates that correspond to a weighted-average cost of capital consistent with a market-participant view. The discount rates are consistent with those used for investment decisions and take into account the operating plans and strategies of our reporting units. Certain other key assumptions utilized, including changes in membership, revenue, health care costs, operating expenses, impacts of health care reform fees, assessments and taxes, and effective tax rates, are based on estimates consistent with those utilized in our annual planning

process that we believe are reasonable. If we do not achieve our earnings objectives, the assumptions and estimates underlying these goodwill impairment evaluations could be adversely affected, and we may impair a portion of our goodwill, which would adversely affect our operating results in the period of impairment.

We report other acquired intangible assets at historical cost, net of accumulated amortization. Other acquired intangible assets primarily relate to provider networks, customer lists, value of business acquired ("VOBA"), technology and trademarks and are amortized over the useful-life based upon the pattern of future cash flows attributable to the asset. Other than VOBA and indefinite lived trademarks, other acquired intangible assets generally are amortized using the straight-line method. VOBA is amortized over the expected life of the acquired contracts in proportion to estimated premiums. Other intangible assets with indefinite lives are not amortized but are tested for impairment at least annually.

We regularly evaluate whether events or changes in circumstances indicate that the carrying value of other acquired intangible assets may not be recoverable. If we determine that the carrying value of an asset may not be recoverable, we group the asset with other assets and liabilities at the lowest level for which independent identifiable cash flows are available and estimate the future undiscounted cash flows expected to result from future use of the asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying value of the asset group, we recognize an impairment loss for the amount by which the carrying value of the asset group exceeds its fair value. There were no material impairment losses on other acquired intangible assets recognized in any of the three years ended December 31, 2017, 2016 or 2015.

Property and Equipment

We report property and equipment at historical cost, net of accumulated depreciation. At December 31, 2017 and 2016, the historical cost of property and equipment was approximately $1.5 billion and $1.4 billion, respectively, and the related accumulated depreciation was $893 million and $851 million, respectively. We calculate depreciation primarily using the straight-line method over the estimated useful lives of the respective assets, which range from 10 to 40 years for buildings and 3 to 10 years for equipment. Depreciation expense was $118 million, $125 million and $131 million for the years ended December 31, 2017, 2016 and 2015, respectively. If we determine the carrying value of our property and equipment is not recoverable, an impairment charge is recorded. There were no material impairment losses on property and equipment recognized in any of the three years ended December 31, 2017, 2016 or 2015.

Separate Accounts

Separate Accounts assets and liabilities in the Large Case Pensions segment represent funds maintained to meet specific objectives of contract holders who bear the investment risk. These assets and liabilities are carried at fair value. Net investment income and net realized capital gains and losses accrue directly to such contract holders. The assets of each account are legally segregated and are not subject to claims arising from our other businesses. Deposits, withdrawals, net investment income and net realized and net unrealized capital gains and losses on Separate Accounts assets are not reflected in our Consolidated Statements of Income or Cash Flows. Management fees charged to contract holders are included in fees and other revenue and recognized over the period earned.

Health Care Costs Payable

Health care costs payable consist principally of unpaid fee-for-service medical, dental and pharmacy claims, capitation costs, other amounts due to health care providers pursuant to risk-sharing arrangements related to the Health Care segment's Insured Commercial, Medicare and Medicaid products and accruals for state assessments. Unpaid health care claims include our estimate of payments we will make for (i) services rendered to our members but not yet reported to us and (ii) claims which have been reported to us but not yet paid, each as of the financial statement date (collectively, "IBNR") in our Health Care segment. Health care costs payable also include an estimate of the cost of services that will continue to be rendered after the financial statement date if we are obligated to pay for such services in accordance with contractual or regulatory requirements. Such estimates are developed using actuarial principles and assumptions which consider, among other things, historical and projected claim submission and processing patterns, assumed and historical medical cost trends, historical utilization of medical services, claim inventory levels, changes in membership and product mix, seasonality and other relevant factors. We reflect changes in these estimates in health care costs in our operating results in the period they are determined. Capitation costs represent contractual monthly fees paid to participating physicians and other medical providers for providing medical care, regardless of the volume of medical services provided to the member. Approximately 3% of our health care costs related to capitated arrangements in 2017 and approximately 4% of our health care costs related to capitated arrangements in both 2016 and 2015. Amounts due under risk-sharing arrangements are based on the terms of the underlying contracts with the providers and consider claims experience under the contracts through the financial statement date.

We develop our estimate of IBNR using actuarial principles and assumptions that consider numerous

factors. Of those factors, we consider the analysis of historical and projected claim payment patterns (including claims submission and processing patterns) and the assumed health care cost trend rate (the year-over-year change in per member per month health care costs) to be the most critical assumptions. In developing our estimate of IBNR, we consistently apply these actuarial principles and assumptions each period, with consideration to the variability of related factors. There have been no significant changes to the methodologies or assumptions used to develop our estimate of IBNR in 2017.

We analyze historical claim payment patterns by comparing claim incurred dates (i.e., the date services were provided) to claim payment dates to estimate "completion factors." We use completion factors predominantly to estimate the ultimate cost of claims incurred more than three months before the financial statement date. We estimate completion factors by aggregating claim data based on the month of service and month of claim payment and estimating the percentage of claims incurred for a given month that are complete by each month thereafter. For any given month, substantially all claims are paid within six months of the date of service, but it can take up to 48 months or longer after the date of service before all of the claims are completely resolved and paid. These historically-derived completion factors are then applied to claims paid through the financial statement date to estimate the ultimate claim cost for a given month's incurred claim activity. The difference between the estimated ultimate claim cost and the claims paid through the financial statement date represents our estimate of claims remaining to be paid as of the financial statement date and is included in our health care costs payable. We use completion factors predominantly to estimate the ultimate cost of claims with claim incurred dates greater than three months prior to the financial statement date. The completion factors we use reflect judgments and possible adjustments based on data such as claim inventory levels, claim submission and processing patterns and, to a lesser extent, other factors such as changes in health care cost trend rates, changes in membership and changes in product mix. If claims are submitted or processed on a faster (slower) pace than prior periods, the actual claims may be more (less) complete than originally estimated using our completion factors, which may result in reserves that are higher (lower) than the ultimate cost of claims.

Because claims incurred within three months before the financial statement date are less mature, we use a combination of historically-derived completion factors and the assumed health care cost trend rate to estimate the ultimate cost of claims incurred for these months. We apply our actuarial judgment and place a greater emphasis on the assumed health care cost trend rate for the most recent claim incurred dates as these months may be influenced by seasonal patterns and changes in membership and product mix.

Our health care cost trend rate is affected by changes in per member utilization of medical services as well as changes in the unit cost of such services. Many factors influence the health care cost trend rate, including our ability to manage health care costs through product design, negotiation of favorable provider contracts and medical management programs, as well as the mix of our business. The health status of our members, aging of the population and other demographic characteristics, advances in medical technology and other factors continue to contribute to rising per member utilization and unit costs. Changes in health care practices, inflation, new technologies, increases in the cost of prescription drugs (including specialty pharmacy drugs), direct-to-consumer marketing by pharmaceutical companies, clusters of high-cost cases, claim intensity, changes in the regulatory environment, health care provider or member fraud and numerous other factors also contribute to the cost of health care and our health care cost trend rate.

For each reporting period, we use an extensive degree of judgment in the process of estimating our health care costs payable. As a result, considerable variability and uncertainty is inherent in such estimates, particularly with respect to claims with claim incurred dates of three months or less before the financial statement date; and the adequacy of such estimates is highly sensitive to changes in assumed completion factors and the assumed health care cost trend rates. For each reporting period we recognize the actuarial best estimate of health care costs payable considering the potential volatility in assumed completion factors and health care cost trend rates, as well as other factors. We believe our estimate of health care costs payable is reasonable and adequate to cover our obligations at December 31, 2017; however, actual claim payments may differ from our estimates. A worsening (or improvement) of our health care cost trend rates or changes in completion factors from those that we assumed in estimating health care costs payable at December 31, 2017 would cause these estimates to change in the near term, and such a change could be material.

Each quarter, we re-examine previously established health care costs payable estimates based on actual claim payments for prior periods and other changes in facts and circumstances. Given the extensive degree of judgment in this estimate, it is possible that our estimates of health care costs payable could develop either favorably (that is, our actual health care costs for the period were less than we estimated) or unfavorably. The changes in our estimate of health care costs payable may relate to a prior quarter, prior year or earlier periods. For our roll forward of our health care costs payable, refer to Note 7. Our reserving practice is to consistently recognize the actuarial best estimate of our ultimate liability for health care costs

payable.

Unpaid claims

Unpaid claims consist primarily of reserves associated with certain short-duration group disability and term life insurance contracts in the Group Insurance segment, including an estimate for IBNR in our Group Insurance segment as of the financial statement date. Reserves associated with certain short-duration group disability and term life insurance contracts are based upon our estimate of the present value of future benefits, which is based on assumed investment yields and assumptions regarding mortality, morbidity and recoveries from the U.S. Social Security Administration. We develop our estimate of IBNR using actuarial principles and assumptions which consider, among other things, contractual requirements, claim incidence rates, claim recovery rates, seasonality and other relevant factors. We discount certain claim liabilities related to group long-term disability and life insurance waiver of premium contracts. The discount rates generally reflect our expected investment returns for the investments supporting all incurral years of these liabilities. The discount rates for retrospectively-rated contracts are set at contractually specified levels. Our estimates of unpaid claims are subject to change due to changes in the underlying experience of the insurance contracts, changes in investment yields or other factors, and these changes are recorded in current and future benefits in our Consolidated Statements of Income in the period they are determined. Substantially all of our life and disability insurance liabilities have been fully ceded to unrelated third parties through indemnity reinsurance agreements, however we remain directly obligated to the policyholders.

We estimate our reserve for claims IBNR for life products largely based on completion factors. The completion factors we use are based on our historical experience and reflect judgments and possible adjustments based on data such as claim inventory levels, claim payment patterns, changes in business volume and other factors. If claims are submitted or processed on a faster (slower) pace than historical periods, the actual claims may be more (less) complete than originally estimated using our completion factors, which may result in reserves that are higher (lower) than required to cover future life benefit payments. At December 31, 2017, we held $239 million in reserves for life claims incurred but not yet reported to us.

There have been no significant changes to the methodologies or assumptions used to develop our estimate of IBNR in 2017.

Future policy benefits

Future policy benefits consist primarily of reserves for limited payment pension and annuity contracts in the Large Case Pensions segment and long-duration group life and long-term care insurance contracts in the Group Insurance segment. Reserves for limited payment contracts are computed using actuarial principles that consider, among other things, assumptions reflecting anticipated mortality, retirement, expense and interest rate experience. Such assumptions generally vary by plan, year of issue and policy duration. Assumed interest rates on such contracts ranged from .8% to 11.3% in both 2017 and 2016. We periodically review mortality assumptions against both industry standards and our experience. Reserves for long-duration group life and long-term care contracts represent our estimate of the present value of future benefits to be paid to or on behalf of policyholders less the present value of future net premiums. Assumed interest rates on such contracts ranged from 2.5% to 6.0% in 2017. Assumed interest rates on such contracts ranged from 2.5% to 8.8% in 2016. Our estimate of the present value of future benefits under such contracts is based upon mortality, morbidity and interest rate assumptions.

Policyholders' funds

Policyholders' funds consist primarily of reserves for pension and annuity investment contracts in the Large Case Pensions segment and customer funds associated with group life and health contracts in the Health Care and Group Insurance segments. Reserves for such contracts are equal to cumulative deposits less withdrawals and charges plus credited interest thereon, net of experience-rated adjustments. In 2017, interest rates for pension and annuity investment contracts ranged from 3.5% to 15.4%, and interest rates for group life and health contracts ranged from 0% to 2.3%. In 2016, interest rates for pension and annuity investment contracts ranged from 3.5% to 15.9%, and interest rates for group life and health contracts ranged from 0% to 2.4%. Reserves for contracts subject to experience rating reflect our rights as well as the rights of policyholders and plan participants.

We also hold funds for health savings accounts ("HSAs") on behalf of members associated with high deductible health plans. These amounts are held to pay for qualified health care expenses incurred by these members. The HSA balances were approximately $1.9 billion and $1.7 billion at December 31, 2017 and 2016, respectively, and are reflected in other current assets with a corresponding liability in policyholder funds.

We review health care and other insurance liabilities periodically. We reflect any necessary adjustments during the current period in operating results. While the ultimate amount of claims and related expenses are

dependent on future developments, it is management's opinion that the liabilities that have been established are adequate to cover such costs. The health care and other insurance liabilities that are expected to be paid within twelve months are classified as current on our Consolidated Balance Sheets.

Premium Deficiency Reserves

We evaluate our insurance contracts to determine if it is probable that a loss will be incurred. We recognize a premium deficiency loss when it is probable that expected future claims, including maintenance costs (for example, direct costs such as claim processing costs), will exceed existing reserves plus anticipated future premiums and reinsurance recoveries. Anticipated investment income is considered in the calculation of premium deficiency losses for short-duration contracts. For purposes of determining premium deficiency losses, contracts are grouped consistent with our method of acquiring, servicing and measuring the profitability of such contracts. We established a premium deficiency reserve of $16 million at December 31, 2017 for the 2018 coverage year related to our Medicaid products. We did not have any material premium deficiency reserves for our Health Care or Group Insurance business at December 31, 2016.

Revenue Recognition

Premium Revenue

Health care premiums are recognized as income in the month in which the enrollee is entitled to receive health care services. Health care premiums are reported net of an allowance for estimated terminations and uncollectible amounts. Additionally, premium revenue subject to the ACA's minimum Medical Loss Ratio ("MLR") rebate requirements is recorded net of the estimated minimum MLR rebates for the current calendar year. Other premium revenue for group life, long-term care and disability products is recognized as income, net of allowances for termination and uncollectible accounts, over the term of the coverage. Other premium revenue for Large Case Pensions' limited payment pension and annuity contracts is recognized as revenue in the period received. Premiums related to unexpired contractual coverage periods are reported as unearned premiums in our Consolidated Balance Sheets and recognized as revenue when earned.

Some of our contracts allow for premiums to be adjusted to reflect actual experience or the relative health status of members. Such adjustments are reasonably estimable at the outset of the contract, and adjustments to those estimates are made based on actual experience of the customer emerging under the contract and the terms of the underlying contract.

Administrative Service Contract ("ASC") Fees

Fees and other revenue consists primarily of ASC fees which are received in exchange for performing certain claim processing and member services for health and disability members and are recognized as revenue over the period the service is provided. Fees and other revenue also includes fees related to our pharmacy benefit management and workers' compensation administrative services products and services. Some of our contracts include guarantees with respect to certain functions, such as customer service response time, claim processing accuracy and claim processing turnaround time, as well as certain guarantees that a plan sponsor's benefit claim experience will fall within a certain range. With any of these guarantees, we are financially at risk if the conditions of the arrangements are not met, although the maximum amount at risk is typically limited to a percentage of the fees otherwise payable to us by the customer involved. Each period we estimate our obligations under the terms of these guarantees and record it as an offset to our ASC fees.

In addition, fees and other revenue also include charges assessed against contract holders' funds for contract fees, participant fees and asset charges related to pension and annuity products in the Large Case Pensions segment. Other amounts received on pension and annuity investment-type contracts are reflected as deposits and are not recorded as revenue. Some of our Large Case Pensions contract holders have the contractual right to purchase annuities with life contingencies using the funds they maintain on deposit with us. Since these products are considered an insurance contract, when the contract holder makes this election, we treat the accumulated investment balance as a single premium and reflect it as both premiums and current and future benefits in our Consolidated Statements of Income.

Accounting for Medicare Part D

We offer Medicare Part D prescription drug insurance coverage under contracts with the Centers for Medicare & Medicaid Services ("CMS"). Under these annual contracts, we receive monthly payments from CMS and members which include:

- *Premiums:* CMS pays us a fixed monthly per member premium over the term of our annual contract. In addition, certain members pay us a fixed monthly premium over the term of our annual contract. For qualifying low-income Medicare beneficiaries, CMS pays us all or a portion of the member's monthly premiums. The payments we receive monthly from CMS and members, which are determined from our annual bid, represent amounts we are paid for providing Medicare Part D prescription drug insurance coverage. We recognize premium revenue for providing this

insurance coverage ratably over the term of our annual contract.

- *Risk-Sharing Arrangement:* Our risk-sharing arrangement with CMS provides a risk corridor whereby the amount we received in premiums from members and CMS, based on our annual bid, is compared to our actual drug costs incurred during the contract year. Based on the risk corridor provision and Medicare Part D actual experience, we record an estimated risk-sharing receivable or payable as an adjustment to premium revenue. A final reconciliation and settlement of this risk sharing arrangement is made with CMS based on actual experience after the end of each contract year.
- *Catastrophic Reinsurance and Low-Income Cost Sharing Subsidies*: CMS pays us a cost reimbursement estimate monthly to fund the CMS obligation to pay its portion of prescription drug costs which exceed the member's out-of-pocket threshold. A final reconciliation and settlement is made with CMS based on actual experience after the end of each contract year. In addition, for qualifying low-income Medicare beneficiaries, CMS pays to us monthly, on the member's behalf, all or a portion of a member's cost sharing amounts (deductibles, coinsurance, etc.). We administer and pay the subsidized portion of the claims on behalf of CMS, and a final reconciliation and settlement of this cost sharing subsidy is made with CMS based on actual experience after the end of each contract year. These subsidies represent cost reimbursements under the Medicare Part D plans for which we are not at risk. Accordingly, the amounts received for these subsidies are not reflected as premium revenues, but rather are accounted for as receivables and liabilities.
- *Coverage Gap Drug Discount:* The ACA mandated a consumer discount on brand name prescription drugs for Medicare Part D participants in the coverage gap (the so-called "donut hole"). This discount is funded by CMS and pharmaceutical manufacturers while we administer the application of these funds. Accordingly, amounts received are not reflected as premium revenues, but rather are accounted for as deposits. We record a liability when amounts are received from CMS and a receivable when we bill the pharmaceutical manufacturers.

We expense the cost of Medicare Part D covered prescription drugs as incurred in medical costs in our Consolidated Statements of Income.

The Consolidated Balance Sheets include the following amounts associated with Medicare Part D at December 31, 2017 and 2016. CMS subsidies and discounts in the table below include the catastrophic reinsurance and low-income cost sharing subsidies funded by CMS for which we assume no risk as well as brand name prescription drug discounts for Medicare Part D participants in the coverage gap funded by CMS and pharmaceutical manufacturers.

	December 31, 2017		December 31, 2016	
(Millions)	Risk Share	CMS Subsidies/Discounts	Risk Share	CMS Subsidies/Discounts
Premium receivables, net	$ 148	$ —	$ 209	$ —
Other receivables, net	—	791	—	206
Other long-term assets	6	74	14	175
Total assets	154	865	223	381
Accrued expenses and other current liabilities	(1)	(20)	—	(656)
Other long-term liabilities	(8)	(39)	(22)	(33)
Total liabilities	(9)	(59)	(22)	(689)
Total net assets (liabilities)	$ 145	$ 806	$ 201	$ (308)

Health Care Reform

Health Insurer Fee

Since January 1, 2014, the ACA imposes an annual premium-based health insurer fee ("HIF") for each calendar year payable in September which is not deductible for tax purposes. We are required to estimate a liability for the HIF at the beginning of the calendar year in which the fee is payable with a corresponding deferred asset that is amortized ratably to general and administrative expense over the calendar year. We record the liability for the health insurer fee in accrued expenses and other current liabilities and record the deferred asset in other current assets in our consolidated financial statements. In December 2015, the Consolidated Appropriation Act was enacted, which included a one year suspension of the HIF for 2017. Accordingly, there was no expense related to the HIF in 2017. In 2016 and 2015, general and administrative

expense includes $837 million and $857 million, respectively, related to our share of the HIF. In January 2018 the HIF was suspended for 2019.

Public Exchanges
Through December 31, 2017, we participated in certain public health insurance exchanges ("Public Exchanges") established pursuant to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, the "ACA"). Under regulations established by the U.S. Department of Health and Human Services ("HHS"), HHS pays us a portion of the premium ("Premium Subsidy") and through September 30, 2017, paid a portion of the health care costs ("Cost Sharing Subsidy") for low-income individual Public Exchange members. In addition, HHS administers the 3Rs risk management programs. The ACA's temporary reinsurance and risk corridor programs expired at the end of 2016.

We recognize monthly premiums received from Public Exchange members and the Premium Subsidy as premium revenue ratably over the contract period. The Cost Sharing Subsidy offsets health care costs based on our estimate of the portion of claim costs incurred by our low income individual Public Exchange members that qualify for reimbursement by HHS. We record a liability or a receivable depending on whether qualifying health care costs incurred are less than or greater than the Cost Sharing Subsidy received to date.

Reinsurance
The ACA established a temporary reinsurance program that expired at the end of 2016. Under this program, all issuers of major medical commercial insurance products and self-insured plan sponsors were required to contribute funding in amounts set by HHS. Funds collected were utilized to reimburse issuers' high claims costs incurred for qualified individual members. The expense related to this required funding was reflected in general and administrative expenses for all of our insurance products with the exception of products associated with qualified individual members; this expense for qualified individual members was reflected as a reduction of premium revenue.

There was no expense recorded in 2017 related to our estimated contribution for the funding of the ACA's reinsurance program as the program expired at the end of 2016. In 2016 and 2015, our contribution to the funding of the ACA's reinsurance program was $118 million and $210 million, respectively, which was recorded in general and administrative expenses. When annual claim costs incurred by our qualified individual members exceeded a specified attachment point, we were entitled to certain reimbursements from this program. We recorded a receivable and offset health care costs to reflect our estimate of these recoveries.

Risk Adjustment
The ACA established a permanent risk adjustment program to transfer funds from qualified individual and small group insurance plans with below average risk scores to plans with above average risk scores. Based on the risk of our qualified plan members relative to the average risk of members of other qualified plans in comparable markets, we estimate our ultimate risk adjustment receivable or payable for the current calendar year and reflect the pro-rata year-to-date impact as an adjustment to our premium revenue.

Risk Corridor
The ACA established a temporary risk sharing program that expired at the end of 2016 for qualified individual and small group insurance plans. Under this program we made (or received) a payment to (or from) HHS based on the ratio of allowable costs to target costs (as defined by the ACA). We recorded a risk corridor receivable or payable as an adjustment to premium revenue on a pro-rata year-to-date basis based on our estimate of the ultimate risk sharing amount for the current calendar year. At December 31, 2017 and 2016, we did not record any ACA risk corridor receivables related to the 2016 or 2015 program years or any amount in excess of HHS's announced pro-rated funding amount for the 2014 program year because payments from HHS are uncertain.

We expect to perform an annual final reconciliation and settlement with HHS of the 3Rs in each subsequent year. The final reconciliation and settlement with HHS of the 2014 and 2015 Cost Sharing Subsidies occurred in 2016 and 2017, respectively. The final reconciliation and settlement of the 2016 Cost Sharing Subsidy is scheduled to occur in 2018.

Refer to Note 8 for additional information related to the 3Rs.

Selling Expenses
Selling expenses include broker commissions, the variable component of our internal sales force compensation and premium taxes.

Stock-Based Compensation

We record compensation expense for stock-based awards over their vesting periods primarily based on the estimated fair value at the grant date. For stock appreciation rights (“SARs”), the fair value is estimated using the Black-Scholes option-pricing model. For restricted stock units (“RSUs”) and performance stock units (“PSUs”), the fair value is equal to the market price of the Company's common stock on the date of grant. For market stock units (“MSUs”) and performance stock appreciation rights (“PSARs”), the fair value is estimated using Monte Carlo simulations. Stock-based compensation expense is recorded in general and administrative expenses in our Consolidated Statements of Income. Refer to Note 12 for additional information related to our stock-based employee incentive plans.

Income Taxes

We are taxed at the statutory corporate income tax rates after adjusting income reported for financial statement purposes for certain items. We recognize deferred income tax assets and liabilities for the differences between the financial and income tax reporting basis of assets and liabilities based on enacted tax rates and laws. Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. Deferred income tax expense or benefit primarily reflects the net change in deferred income tax assets and liabilities during the year.

Our current income tax provision reflects the tax results of revenues and expenses currently taxable or deductible. Penalties and interest on our tax positions are classified as a component of our income tax provision.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “TCJA”) was enacted. Among other things, the TCJA reduced the federal corporate income tax rate to 21 percent effective January 1, 2018. Accordingly, we remeasured our deferred tax assets and liabilities as of the enactment date to reflect the lower tax rate and recognized an incremental tax expense of $99 million related to the reduction in our net deferred tax assets during the year ended December 31, 2017. The accounting for certain income tax effects of the TCJA was considered provisional at December 31, 2017, including the assessment of the mandatory repatriation of foreign earnings, the minimum tax on global intangible low-taxed income and the assertion of permanent reinvestment of foreign earnings. Accordingly, the items were recorded at a reasonable estimate at December 31, 2017. Measurement period adjustments will be recorded, as necessary, as adjustments to income tax expense from continuing operations.

Measurement of Defined Benefit Pension and Other Postretirement Employee Benefit (“OPEB”) Plans

We sponsor defined benefit pension plans (“pension plans”) and OPEB plans for our employees and retirees. We recognize the funded status of our pension plans and OPEB plans on our Consolidated Balance Sheets based on our year-end measurements of plan assets and benefit obligations. Prepaid pension and OPEB benefits represent prepaid costs related to our pension plans and are reported with other current and long-term assets. Liabilities associated with pension plans and OPEB plans are reported within current and other long-term liabilities based on the amount by which the actuarial present value of benefits payable in the next twelve months included in the benefit obligation exceeds the fair value of plan assets.

Earnings Per Share

We calculate basic earnings per share based on the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated based on the weighted average number of common shares outstanding plus the dilutive effect of outstanding SARs, MSUs, PSUs, RSUs and PSARs using the treasury stock method. Refer to Notes 12 and 15 for additional information.

New Accounting Standards

Accounting for Financial Instruments - Hedge Accounting

During the third quarter of 2017, we elected to early adopt new accounting guidance which simplifies the application of hedge accounting. The new guidance expands our ability to hedge non-financial and financial risk components, eliminates the requirement to separately measure and report hedge ineffectiveness, requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item and simplifies certain documentation and assessment requirements. The adoption of this new guidance did not have a material impact on our financial position or operating results.

Simplifying the Test for Goodwill Impairment

Effective January 1, 2017, we adopted, on a prospective basis, new accounting guidance which simplifies the accounting for goodwill impairment. The new guidance eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. A goodwill impairment charge would be recognized if the carrying amount of a reporting unit exceeds the estimated fair value of the reporting unit. The adoption of this new guidance did not have a material impact on our financial position

or operating results.

Classification of Certain Cash Receipts and Cash Payments in the Consolidated Statements of Cash Flows
Effective January 1, 2017, we adopted, on a retrospective basis, new accounting guidance which clarifies the classification of certain cash receipts and cash payments in our Consolidated Statements of Cash Flows. As a result, we classified $54 million of cash distributions received from our partnership investments as cash inflows from operating activities for the year ended December 31, 2017, that previously would have been classified as cash inflows from investing activities. There were no material reclassifications in our Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015 as a result of the adoption of this new guidance.

Future Application of Accounting Standards
Revenue from Contracts with Customers
Effective January 1, 2018, we adopted new accounting guidance related to revenue recognition from contracts with customers. While industry-specific guidance related to contracts with customers within the scope of *Accounting Standards Codification ("ASC") 944 Financial Services - Insurance* remains unchanged, most other industry-specific revenue recognition requirements have been removed. The new guidance requires that an entity recognize revenue for the transfer of goods or services to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. We adopted the new guidance using the modified retrospective approach. The new guidance only impacted contracts with customers outside of the scope of ASC Topic 944. We expect an increase to revenue and expenses within an expected range of approximately $1.5 billion to $2.0 billion for 2018 related to modifications to principal versus agent guidance for our home delivery and specialty pharmacy operations. We do not anticipate any material changes in the timing of our recognition of revenue or net income.

Recognition and Measurement of Financial Assets and Financial Liabilities
Effective January 1, 2018, we adopted new accounting guidance related to the recognition and measurement of financial assets and financial liabilities. Under the new guidance, all equity investments in unconsolidated entities will be measured at fair value with changes in fair value recognized in net income. We may elect to report equity investments without a readily determinable fair value at cost less impairment, plus or minus subsequent adjustments for observable price changes. The new guidance also revises certain disclosures regarding financial assets and liabilities. The adoption of this new guidance did not have a material impact on our financial position or operating results.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost
Effective January 1, 2018, we adopted, on a retrospective basis, new accounting guidance related to the presentation of net periodic pension costs and net periodic postretirement benefit costs. Under the new guidance, the service cost component is required to be reported in the same income statement line item as other employee compensation costs for services rendered during the period. The other components of net periodic benefit cost are required to be presented in the income statement separately from the service cost component and outside of a subtotal of income from operations. The net periodic benefit costs for the Company's pension and other postretirement employee benefit plans do not contain a service cost component as these defined benefit plans have been frozen for an extended period of time. The adoption of this new guidance did not have a material impact on our financial position or operating results.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income
New accounting guidance was issued related to the reclassification of certain tax effects from accumulated other comprehensive income to retained earnings. The new guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA. The new guidance is effective January 1, 2019, with early adoption permitted. We are still evaluating whether we will adopt the new guidance as well as the impact of the adoption of this new guidance on our financial position and operating results.

Leases
Effective January 1, 2019, we will adopt new accounting guidance related to the recognition, measurement and disclosure requirements for leases. Under the new guidance, lessees will be required to recognize a right-of-use asset and corresponding lease liability on their Consolidated Balance Sheets for all leases other than those that meet the definition of a short-term lease. The new guidance also revises certain disclosure requirements regarding leases. While we are still evaluating the impact of adoption of this new guidance, we anticipate that we will be required to record an asset and corresponding liability related to our operating leases (as described in Note 17) on our Consolidated Balance Sheets. The adoption of this new guidance is not expected to have a material impact on our operating results.

Accounting for Interest Associated with the Purchase of Callable Debt Securities
Effective January 1, 2019, we will adopt new accounting guidance related to the amortization of purchased callable debt securities held at a premium. Under the new guidance, premiums on callable debt securities are amortized to the earliest call date rather than to the contractual maturity date. Callable debt securities held at a discount will continue to be amortized to the contractual maturity date. We are still evaluating the impact of the adoption of this new guidance on our financial position and operating results.

Measurement of Credit Losses on Financial Instruments
Effective January 1, 2020, we will adopt new accounting guidance related to the measurement of credit losses on financial assets and certain other instruments. The new guidance requires the use of a new forward-looking expected loss impairment model for trade and other receivables, held-to-maturity debt securities, loans and other instruments. The new guidance also requires impairments and recoveries for available-for-sale debt securities to be recorded through an allowance account and revises certain disclosure requirements. We are still evaluating the impact of the adoption of this new guidance on our financial position and operating results.

Acquisitions, Terminated Acquisition and Terminated Divestiture

Business Combinations [Abstract]

Acquisitions

12 Months Ended

Dec. 31, 2017

3. Acquisition, Divestiture, Terminated Acquisition and Terminated Divestiture

Proposed Acquisition by CVS Health

On December 3, 2017, we entered into a definitive agreement (the "CVS Merger Agreement") under which CVS Health Corporation ("CVS Health") will acquire all of our outstanding shares for a combination of cash and stock. Under terms of the agreement, our shareholders will receive $145 in cash and 0.8378 of a CVS Health common share for each of our common shares. The proposed transaction (the "CVS Health Transaction") is subject to customary closing conditions, including the approval and adoption of the CVS Merger Agreement by our shareholders, the approval of the issuance of CVS Health shares in the transaction by CVS Health stockholders, expiration of the federal Hart-Scott-Rodino anti-trust waiting period and approvals of certain state departments of insurance and other regulators. On February 1, 2018, Aetna and CVS Health each received a request for additional information (also known as a "second request") from the U.S. Department of Justice (the "DOJ") in connection with the DOJ's review of the transactions contemplated by the CVS Merger Agreement. The CVS Health Transaction is expected to close in the second half of 2018.

Divestiture of Group Life Insurance, Group Disability Insurance, and Absence Management Businesses

On November 1, 2017, we completed the sale of a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance and absence management businesses (the "Group Insurance sale") to HLAIC for cash consideration of $1.45 billion. The transaction was accomplished through an indemnity reinsurance arrangement, under which HLAIC contractually assumed certain of our policyholder liabilities and obligations, although we remain directly obligated to policyholders. Assets related to and supporting the reinsured life and disability insurance policies were transferred to a trust established by HLAIC for our benefit, and we recorded a reinsurance receivable from HLAIC. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The deferred gain liability was recorded in accrued expenses and other current liabilities and in other long-term liabilities on our Consolidated Balance Sheets, and the gain recognition is being recorded in fees and other revenue in our Consolidated Statements of Income.

Revenues for the businesses sold were $1.9 billion, $2.3 billion and $2.3 billion for the for the years ended December 31, 2017, 2016, and 2015, respectively. Income before income taxes for the businesses being sold were $104 million, $127 million and $187 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Terminated Acquisition of Humana

On July 2, 2015, we entered into a definitive agreement (the "Humana Merger Agreement") to acquire Humana Inc. ("Humana"). On July 21, 2016, the DOJ and certain state attorneys general filed a civil complaint in the U.S. District Court for the District of Columbia (the "District Court") against us and Humana charging that our acquisition of Humana (the "Humana Transaction") would violate Section 7 of the Clayton Antitrust Act, and seeking a permanent injunction to prevent Aetna from acquiring Humana. On January 23, 2017, the District Court granted the DOJ's request to enjoin the Humana Transaction.

On February 14, 2017, Aetna and Humana entered into a mutual termination agreement (the "Termination Agreement") pursuant to which the parties thereto (collectively the "Parties") agreed to terminate the Humana Merger Agreement, including all schedules and exhibits thereto, and all ancillary agreements contemplated thereby, entered pursuant thereto or entered in connection therewith (other than certain confidentiality agreements) (collectively with the Humana Merger Agreement, the "Transaction Documents"), effective immediately as of February 14, 2017 (the "Termination Date"). Under the Termination Agreement, Aetna agreed to pay Humana the Regulatory Termination Fee (as defined in the Humana Merger Agreement) of $1.0 billion in cash in full satisfaction of any amounts required to be paid by Aetna under the Humana Merger Agreement. The Parties also agreed to release each other from any and all liability, claims, rights, actions, causes of action, suits, liens, obligations, accounts, debts, demands, agreements, promises, liabilities, controversies, costs, charges, damages, expenses and fees, however arising, in connection with, arising out of or related to the Transaction Documents, the transactions

contemplated therein or thereby or certain related matters. We paid Humana the Regulatory Termination Fee on February 16, 2017 and recorded the expense in general and administrative expenses. We funded that payment with the proceeds of the 2016 senior notes (as defined below).

In June 2016, we issued $13.0 billion of senior notes to partially fund the Humana Transaction (collectively, the "2016 senior notes"). In accordance with the terms of the 2016 senior notes, on February 14, 2017, we issued a notice of redemption for $10.2 billion aggregate principal amount of certain of the 2016 senior notes (collectively, the "Special Mandatory Redemption Notes") at a redemption price equal to 101% of the aggregate principal amount of those notes plus accrued and unpaid interest. We redeemed the Special Mandatory Redemption Notes on March 16, 2017, and we funded the redemption with the proceeds of the 2016 senior notes. As a result of the redemption of the Special Mandatory Redemption Notes, we recognized certain costs in our net income during the year ended December 31, 2017. Refer to Note 9 for additional information.

Terminated Divestiture to Molina

In order to address the DOJ's perceived competitive concerns regarding Medicare Advantage relating to the Humana Transaction, on August 2, 2016, we entered into a definitive agreement (the "Aetna APA") to sell for cash to Molina Healthcare, Inc. ("Molina") certain of our Medicare Advantage assets. On February 14, 2017, Aetna and Molina entered into a Termination Agreement (the "APA Termination Agreement") pursuant to which Aetna terminated the Aetna APA, including all schedules and exhibits thereto, and all ancillary agreements contemplated thereby or entered pursuant thereto. Under the APA Termination Agreement, Aetna agreed to pay Molina in cash (a) a termination fee of $53 million and (b) approximately 70% of Molina's transaction costs. We paid Molina the termination fee on February 16, 2017 and the applicable transaction costs of $7 million on February 27, 2017 and recorded the expense in general and administrative expenses. The payments were funded with the proceeds of the 2016 senior notes.

Investments

Investments [Abstract]

Investments

12 Months Ended
Dec. 31, 2017

4. Investments

Total investments at December 31, 2017 and 2016 were as follows:

	2017			2016		
(Millions)	**Current**	**Long-term**	**Total**	**Current**	**Long-term**	**Total**
Debt and equity securities available for sale	**$ 2,114**	**$ 14,906**	**$ 17,020**	$ 2,876	$ 18,866	$ 21,742
Mortgage loans	**166**	**1,330**	**1,496**	170	1,341	1,511
Other investments	**—**	**1,557**	**1,557**	—	1,626	1,626
Total investments	**$ 2,280**	**$ 17,793**	**$ 20,073**	$ 3,046	$ 21,833	$ 24,879

At December 31, 2017 and 2016, we held investments of $616 million and $657 million, respectively, related to the 2012 conversion of an existing group annuity contract from a participating to a non-participating contract. These investments are included in the total investments of our Large Case Pensions segment supporting non-experience-rated products. Although these investments are not accounted for as Separate Accounts assets, they are legally segregated and are not subject to claims that arise out of our business and only support our future policy benefits obligations under that group annuity contract. Refer to Note 2 for additional information.

Debt and Equity Securities

Debt and equity securities available for sale at December 31, 2017 and 2016 were as follows:

(Millions)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
December 31, 2017				
Debt securities:				
U.S. government securities	**$ 1,319**	**$ 44**	**$ (1)**	**$ 1,362**
States, municipalities and political subdivisions	**3,287**	**116**	**(12)**	**3,391**
U.S. corporate securities	**6,886**	**388**	**(22)**	**7,252**
Foreign securities	**2,498**	**187**	**(7)**	**2,678**
Residential mortgage-backed securities	**570**	**5**	**(4)**	**571**
Commercial mortgage-backed securities	**641**	**3**	**(9)**	**635**
Other asset-backed securities	**1,031**	**8**	**(4)**	**1,035**
Redeemable preferred securities	**22**	**4**	**—**	**26**
Total debt securities	**16,254**	**755**	**(59)**	**16,950**
Equity securities	**60**	**12**	**(2)**	**70**
Total debt and equity securities [1] [2]	**$ 16,314**	**$ 767**	**$ (61)**	**$ 17,020**
December 31, 2016				
Debt securities:				
U.S. government securities	$ 1,643	$ 51	$ —	$ 1,694
States, municipalities and political subdivisions	5,047	152	(61)	5,138
U.S. corporate securities	8,145	385	(55)	8,475
Foreign securities	2,958	163	(33)	3,088
Residential mortgage-backed securities	793	11	(9)	795
Commercial mortgage-backed securities	1,382	5	(39)	1,348
Other asset-backed securities	1,077	7	(9)	1,075
Redeemable preferred securities	22	5	—	27
Total debt securities	21,067	779	(206)	21,640
Equity securities	84	20	(2)	102
Total debt and equity securities [1] [2]	$ 21,151	$ 799	$ (208)	$ 21,742

(1) At both December 31, 2017 and 2016, we held securities for which we previously recognized an immaterial amount of non-credit related impairments in accumulated other comprehensive loss. These securities each had an immaterial amount of net unrealized capital gains at both December 31, 2017 and 2016.

(2) Investment risks associated with our experience-rated and discontinued products generally do not impact our operating results (refer to Note 19 for additional information on our accounting for discontinued products). At December 31, 2017, debt and equity securities with a fair value of approximately $2.6 billion, gross unrealized capital gains of $202 million and gross unrealized capital losses of $9 million and, at December 31, 2016, debt and equity securities with a fair value of approximately $2.9 billion, gross unrealized capital gains of $195 million and gross unrealized capital losses of $35 million were included in total debt and equity securities, but support our experience-rated and discontinued products. Changes in net unrealized capital gains (losses) on these securities are not reflected in accumulated other comprehensive income.

The fair value of debt securities at December 31, 2017 is shown below by contractual maturity. Actual maturities may differ from contractual maturities because securities may be restructured, called or prepaid, or we intend to sell a security prior to maturity.

(Millions)	Amortized Cost	Fair Value
Due to mature:		
Less than one year	**$ 1,048**	**$ 1,055**
One year through five years	**5,559**	**5,665**
After five years through ten years	**3,503**	**3,614**
Greater than ten years	**3,902**	**4,375**
Residential mortgage-backed securities	**570**	**571**
Commercial mortgage-backed securities	**641**	**635**
Other asset-backed securities	**1,031**	**1,035**
Total	**$ 16,254**	**$ 16,950**

Mortgage-Backed and Other Asset-Backed Securities

All of our residential mortgage-backed securities at December 31, 2017 were issued by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and carry agency guarantees and explicit or implicit guarantees by the U.S. Government. At December 31, 2017, our residential mortgage-backed securities had an average credit quality rating of AAA and a weighted average duration of 4.5 years.

Our commercial mortgage-backed securities have underlying loans that are dispersed throughout the United States. Significant market observable inputs used to value these securities include loss severity and probability of default. At December 31, 2017, these securities had an average credit quality rating of AAA and a weighted average duration of 6.8 years.

Our other asset-backed securities have a variety of underlying collateral (e.g., automobile loans, credit card receivables, home equity loans and commercial loans). Significant market observable inputs used to value these securities include the unemployment rate, loss severity and probability of default. At December 31, 2017, these securities had an average credit quality rating of AA- and a weighted average duration of 1.0 years.

Summarized below are the debt and equity securities we held at December 31, 2017 and 2016 that were in an unrealized capital loss position, aggregated by the length of time the investments have been in that position:

	Less than 12 months			Greater than 12 months			Total (1)		
(Millions, except number of securities)	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
December 31, 2017									
Debt securities:									
U.S. government securities	**77**	**$ 200**	**$ 1**	**14**	**$ 22**	**$ —**	**91**	**$ 222**	**$ 1**
States, municipalities and political subdivisions	**318**	**616**	**4**	**111**	**308**	**8**	**429**	**924**	**12**

U.S. corporate securities	**989**	**1,469**	**6**	**284**	**494**	**16**	**1,273**	**1,963**	**22**
Foreign securities	**262**	**419**	**3**	**91**	**194**	**4**	**353**	**613**	**7**
Residential mortgage-backed securities	**111**	**179**	**1**	**98**	**134**	**3**	**209**	**313**	**4**
Commercial mortgage-backed securities	**38**	**135**	**1**	**79**	**241**	**8**	**117**	**376**	**9**
Other asset-backed securities	**150**	**304**	**2**	**79**	**151**	**2**	**229**	**455**	**4**
Total debt securities	**1,945**	**3,322**	**18**	**756**	**1,544**	**41**	**2,701**	**4,866**	**59**
Equity securities	**2**	**2**	**—**	**7**	**7**	**2**	**9**	**9**	**2**
Total debt and equity securities [1]	**1,947**	**$ 3,324**	**$ 18**	**763**	**$ 1,551**	**$ 43**	**2,710**	**$ 4,875**	**$ 61**
December 31, 2016									
Debt securities:									
U.S. government securities	26	$ 39	$ —	1	$ 1	$ —	27	$ 40	$ —
States, municipalities and political subdivisions	865	2,228	58	37	75	3	902	2,303	61
U.S. corporate securities	1,428	2,277	44	114	101	11	1,542	2,378	55
Foreign securities	649	970	27	62	76	6	711	1,046	33
Residential mortgage-backed securities	188	455	8	104	17	1	292	472	9
Commercial mortgage-backed securities	285	1,038	39	3	3	—	288	1,041	39
Other asset-backed securities	226	403	4	208	177	5	434	580	9
Total debt securities	3,667	7,410	180	529	450	26	4,196	7,860	206
Equity securities	2	3	—	8	3	2	10	6	2
Total debt and equity securities [1]	3,669	$ 7,413	$ 180	537	$ 453	$ 28	4,206	$ 7,866	$ 208

[1] At December 31, 2017 and 2016, debt and equity securities in an unrealized capital loss position of $9 million and $35 million, respectively, and with related fair value of $517 million and $890 million, respectively, related to experience-rated and discontinued products.

We reviewed the securities in the tables above and concluded that they are performing assets generating investment income to support the needs of our business. In performing this review, we considered factors such as the quality of the investment security based on research performed by our internal credit analysts and external rating agencies and the prospects of realizing the carrying value of the security based on the investment's current prospects for recovery. At December 31, 2017, we did not intend to sell these securities, and we did not believe it was more likely than not that we would be required to sell these securities prior to anticipated recovery of their amortized cost basis.

The maturity dates for debt securities in an unrealized capital loss position at December 31, 2017 were as follows:

	Supporting discontinued and experience-rated products		**Supporting remaining products**		**Total**	
(Millions)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Due to mature:						
Less than one year	**$ 2**	**$ —**	**$ 415**	**$ 1**	**$ 417**	**$ 1**
One year through five years	**119**	**—**	**1,890**	**18**	**2,009**	**18**
After five years through ten years	**170**	**3**	**675**	**10**	**845**	**13**

Greater than ten years	**97**	**3**	**354**	**7**	**451**	**10**
Residential mortgage-backed securities	**12**	**—**	**301**	**4**	**313**	**4**
Commercial mortgage-backed securities	**109**	**2**	**267**	**7**	**376**	**9**
Other asset-backed securities	**6**	**—**	**449**	**4**	**455**	**4**
Total	**$ 515**	**$ 8**	**$ 4,351**	**$ 51**	**$ 4,866**	**$ 59**

Mortgage Loans

Our mortgage loans are collateralized by commercial real estate. During 2017 and 2016 we had the following activity in our mortgage loan portfolio:

(Millions)	**2017**	**2016**
New mortgage loans	**$ 279**	$ 190
Mortgage loans fully-repaid	**248**	173
Mortgage loans foreclosed	**—**	8

We assess our mortgage loans on a regular basis for credit impairments, and annually assign a credit quality indicator to each loan. Our credit quality indicator is internally developed and categorizes our portfolio on a scale from 1 to 7. These indicators are based upon several factors, including current loan-to-value ratios, property condition, market trends, creditworthiness of the borrower and deal structure. The vast majority of our mortgage loans fall into categories 2 to 4.

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

Based upon our most recent assessments at December 31, 2017 and 2016, our mortgage loans were given the following credit quality indicators:

(In Millions, except credit ratings indicator)	**2017**	**2016**
1	**$ 40**	$ 45
2 to 4	**1,447**	1,449
5 and 6	**9**	17
7	**—**	—
Total	**$ 1,496**	$ 1,511

At December 31, 2017 scheduled mortgage loan principal repayments were as follows:

(Millions)	
2018	**$ 166**
2019	**124**
2020	**141**
2021	**273**
2022	**244**
Thereafter	**548**

Net Investment Income

Sources of net investment income for 2017, 2016 and 2015 were as follows:

(Millions)	**2017**	**2016**	**2015**
Debt securities	**$ 727**	$ 772	$ 794

Mortgage loans	**86**	95	91
Other investments	**185**	82	78
Gross investment income	**998**	949	963
Investment expenses	**(48)**	(39)	(46)
Net investment income [1]	**$ 950**	$ 910	$ 917

[1] Net investment income includes $233 million, $208 million and $248 million for 2017, 2016 and 2015, respectively, related to investments supporting our experience-rated and discontinued products.

Realized Capital Gains/Losses

Net realized capital (losses) gains for the three years ended December 31, 2017, 2016 and 2015, excluding amounts related to experience-rated contract holders and discontinued products, were as follows:

(Millions)	**2017**	**2016**	**2015**
Other-than-temporary impairment ("OTTI") losses on debt securities recognized in earnings	**$ (8)**	$ (30)	$ (64)
Other net realized capital (losses) gains	**(231)**	116	(1)
Net realized capital (losses) gains	**$ (239)**	$ 86	$ (65)

The net realized capital losses in 2017 were primarily attributable to the recognition into earnings of the entire unamortized effective portion of the related hedge losses upon the mandatory redemption of $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes and the redemption of $750 million aggregate principal amount of senior notes due 2020, partially offset by gains from the sale of debt securities and gains from other investments. The net realized capital gains in 2016 were primarily attributable to gains from the sales of debt securities and other investments, partially offset by yield-related OTTI on debt securities. The net realized capital losses in 2015 were primarily attributable to yield-related OTTI on U.S. corporate debt securities.

Yield-related impairments are recognized in other comprehensive income unless we have the intention to sell the security in an unrealized capital loss position, in which case the yield-related OTTI is recognized in earnings. In 2017, 2016 and 2015, we recognized yield-related OTTI losses of $6 million, $24 million and $63 million, respectively, related to our debt securities. We had no other individually material realized capital losses on debt or equity securities that impacted our operating results during 2017, 2016 or 2015.

Excluding amounts related to experience-rated and discontinued products, proceeds from the sale of available for sale debt and equity securities and the related gross realized capital gains and losses for 2017, 2016 and 2015 were as follows [1]:

(Millions)	**2017**	**2016**	**2015**
Proceeds on sales	**$ 5,753**	$ 6,725	$ 4,987
Gross realized capital gains	**114**	155	83
Gross realized capital losses	**47**	61	76

[1] The proceeds on sales and gross realized capital gains and losses exclude the impact of the sales of short-term debt securities which primarily relate to our investments in mutual funds. These investments were excluded from the disclosed amounts because they represent an immaterial amount of aggregate gross realized capital gains or losses and have a high volume of sales activity.

Variable Interest Entities

We have investments in certain hedge fund and private equity investments and real estate partnerships that are considered Variable Interest Entities ("VIE's"). We do not have a future obligation to fund losses or debts on behalf of these investments; however, we may voluntarily contribute funds. In evaluating whether we are the primary beneficiary of a VIE, we considered several factors, including whether we (a) have the power to direct the activities that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses and the right to receive benefits that could potentially be significant to the VIE.

Variable Interest Entities - Primary Beneficiary

During the fourth quarter of 2017, we redeemed the entire minority shareholder interest related to our majority owned hedge fund investment where we were the investment manager and had the power to direct the activities that most significantly impact the VIE's economic performance, including determining the hedge fund's investment strategy. Prior to the fourth quarter of 2017, we were the primary beneficiary and consolidated the investment in our operating results. As of December 31, 2017, we will continue to

consolidate the hedge fund in our operating results; however, the investment is no longer considered a VIE as the hedge fund is a wholly-owned subsidiary.

Substantially all of the assets of the VIE hedge fund were comprised of hedge fund investments reported as long-term investments on our Consolidated Balance Sheets. The VIE hedge fund had no material liabilities at December 31, 2016. The total amount of the VIE hedge fund's assets included in long-term investments on our Consolidated Balance Sheets at December 31, 2016 was $472 million.

Variable Interest Entities - Other Variable Interest Holder
Our involvement with VIEs where we are not determined to be the primary beneficiary consists of the following:

- *Hedge fund and private equity investments* - We invest in hedge fund and private equity investments in order to generate investment returns for our investment portfolio supporting our businesses.
- *Real estate partnerships* - We invest in various real estate partnerships, including those that construct, own and manage low-income housing developments. For the low income housing development investments, substantially all of the projected benefits to us are from tax credits and other tax benefits.

We are not the primary beneficiary of these investments because the nature of our involvement with the activities of these VIEs does not give us the power to direct the activities that most significantly impact their economic performance. We record the amount of our investment in these VIEs as long-term investments on our Consolidated Balance Sheets and recognize our share of each VIE's income or losses in earnings. Our maximum exposure to loss from these VIEs is limited to our investment balances as disclosed below and the risk of recapture of previously recognized tax credits related to the real estate partnerships, which we do not consider significant.

The total amount of other variable interest holder VIE assets included in long-term investments on our Consolidated Balance Sheets at December 31, 2017 and 2016 were as follows:

(Millions)	**December 31, 2017**	**December 31, 2016**
Hedge fund investments	**$ 351**	$ 384
Private equity investments	**453**	454
Real estate partnerships	**247**	278
Total	**$ 1,051**	$ 1,116

The carrying value of the total assets and liabilities of our other variable interest holder VIE investments at December 31, 2017 and 2016 were as follows:

(Millions)	**December 31, 2017**	**December 31, 2016**
Assets:		
Hedge fund investments	**$ 54,789**	$ 32,926
Private equity investments	**27,342**	25,368
Real estate partnerships	**6,451**	6,743
Total	**$ 88,582**	$ 65,037
Liabilities:		
Hedge fund investments	**$ 12,073**	$ 2,819
Private equity investments	**2,461**	2,354
Real estate partnerships	**4,691**	4,938
Total	**$ 19,225**	$ 10,111

Financial Instruments

12 Months Ended
Dec. 31, 2017

Financial Instruments [Abstract]

Financial Instruments

5. Fair Value

The preparation of our consolidated financial statements in accordance with GAAP requires certain of our assets and liabilities to be reflected at their fair value, and others on another basis, such as an adjusted historical cost basis. In this note, we provide details on the fair value of financial assets and liabilities and how we determine those fair values. We present this information for those financial instruments that are measured at fair value for which the change in fair value impacts net income attributable to Aetna or other comprehensive income separately from other financial assets and liabilities.

Financial Instruments Measured at Fair Value in our Consolidated Balance Sheets
Certain of our financial instruments are measured at fair value in our Consolidated Balance Sheets. The fair values of these instruments are based on valuations that include inputs that can be classified within one of three levels of a hierarchy established by GAAP. The following are the levels of the hierarchy and a brief description of the type of valuation information ("inputs") that qualifies a financial asset or liability for each level:

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

Financial assets and liabilities are classified based upon the lowest level of input that is significant to the valuation. When quoted prices in active markets for identical assets and liabilities are available, we use these quoted market prices to determine the fair value of financial assets and liabilities and classify these assets and liabilities in Level 1. In other cases where a quoted market price for identical assets and liabilities in an active market is either not available or not observable, we estimate fair value using valuation methodologies based on available and observable market information or by using a matrix pricing model. These financial assets and liabilities would then be classified in Level 2. If quoted market prices are not available, we determine fair value using broker quotes or an internal analysis of each investment's financial performance and cash flow projections. Thus, financial assets and liabilities may be classified in Level 3 even though there may be some significant inputs that may be observable.

The following is a description of the valuation methodologies used for our financial assets and liabilities that are measured at fair value, including the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Debt Securities – Where quoted prices are available in an active market, our debt securities are classified in Level 1 of the fair value hierarchy. Our Level 1 debt securities consist primarily of U.S. Treasury securities.

The fair values of our Level 2 debt securities are obtained using models, such as matrix pricing, which use quoted market prices of debt securities with similar characteristics, or discounted cash flows to estimate fair value. We review these prices to ensure they are based on observable market inputs that include, but are not limited to, quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets and inputs that are observable but not prices (for example, interest rates and credit risks). We also review the methodologies and the assumptions used to calculate prices from these observable inputs. On a quarterly basis, we select a sample of our Level 2 debt securities' prices and compare them to prices provided by a secondary source. Variances over a specified threshold are identified and reviewed to confirm the price provided by the primary source represents an appropriate estimate of fair value. In addition, our internal investment team consistently compares the prices obtained for select Level 2 debt securities to the team's own independent estimates of fair value for those securities. We obtained one price for each of our Level 2 debt securities and did not adjust any of these prices at December 31, 2017 or 2016.

We also value certain debt securities using Level 3 inputs. For Level 3 debt securities, fair values

are determined by outside brokers or, in the case of certain private placement securities, are priced internally. Outside brokers determine the value of these debt securities through a combination of their knowledge of the current pricing environment and market flows. We obtained one non-binding broker quote for each of these Level 3 debt securities and did not adjust any of these quotes at December 31, 2017 or 2016. The total fair value of our broker quoted debt securities was $67 million and $80 million at December 31, 2017 and 2016, respectively. Examples of these broker quoted Level 3 debt securities include certain U.S. and foreign corporate securities and certain of our commercial mortgage-backed securities as well as other asset-backed securities. For some of our private placement securities, our internal staff determines the value of these debt securities by analyzing spreads of corporate and sector indices as well as interest spreads of comparable public bonds. Examples of these private placement Level 3 debt securities include certain U.S. and foreign securities and certain tax-exempt municipal securities.

Equity Securities – We currently have two classifications of equity securities: those that are publicly traded and those that are privately placed. Our publicly-traded equity securities are classified in Level 1 because quoted prices are available for these securities in an active market. For privately placed equity securities, there is no active market; therefore, we classify these securities in Level 3 because we price these securities through an internal analysis of each investment's financial statements and cash flow projections. Significant unobservable inputs consist of earnings and revenue multiples, discount for lack of marketability and comparability adjustments. An increase or decrease in any of these unobservable inputs would result in a change in the fair value measurement, which may be significant.

Derivatives – Where quoted prices are available in an active market, our derivatives are classified in Level 1. Certain of our derivative instruments are valued using models that primarily use market observable inputs and therefore are classified in Level 2 because they are traded in markets where quoted market prices are not readily available.

Financial assets and liabilities measured at fair value on a recurring basis in our Consolidated Balance Sheets at December 31, 2017 and 2016 were as follows:

(Millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2017				
Assets:				
Debt securities:				
U.S. government securities	**$ 1,313**	**$ 49**	**$ —**	**$ 1,362**
States, municipalities and political subdivisions	**—**	**3,390**	**1**	**3,391**
U.S. corporate securities	**—**	**7,167**	**85**	**7,252**
Foreign securities	**—**	**2,675**	**3**	**2,678**
Residential mortgage-backed securities	**—**	**571**	**—**	**571**
Commercial mortgage-backed securities	**—**	**635**	**—**	**635**
Other asset-backed securities	**—**	**1,035**	**—**	**1,035**
Redeemable preferred securities	**—**	**19**	**7**	**26**
Total debt securities	**1,313**	**15,541**	**96**	**16,950**
Equity securities	**43**	**—**	**27**	**70**
Total	**$ 1,356**	**$ 15,541**	**$ 123**	**$ 17,020**
December 31, 2016				
Assets:				
Debt securities:				
U.S. government securities	$ 1,514	$ 180	$ —	$ 1,694
States, municipalities and political subdivisions	—	5,137	1	5,138
U.S. corporate securities	—	8,395	80	8,475
Foreign securities	—	3,067	21	3,088
Residential mortgage-backed securities	—	795	—	795
Commercial mortgage-backed securities	—	1,348	—	1,348
Other asset-backed securities	—	1,075	—	1,075
Redeemable preferred securities	—	26	1	27
Total debt securities	1,514	20,023	103	21,640
Equity securities	59	—	43	102
Total	$ 1,573	$ 20,023	$ 146	$ 21,742

There were no transfers between Levels 1 and 2 during the years ended December 31, 2017 and 2016.

The changes in the balances of Level 3 financial assets during 2017 were as follows:

(Millions)	**Foreign securities**	**U.S. corporate securities**	**Equity securities**	**Other**	**Total**
Beginning balance	**$ 21**	**$ 80**	**$ 43**	**$ 2**	**$ 146**
Net realized and unrealized capital gains (losses):					
Included in earnings	**—**	**4**	**42**	**—**	**46**
Included in other comprehensive income	**—**	**—**	**(38)**	**—**	**(38)**
Purchases	**—**	**18**	**9**	**42**	**69**
Sales	**—**	**—**	**(29)**	**—**	**(29)**
Settlements	**—**	**(17)**	**—**	**—**	**(17)**
Transfers out of Level 3, net	**(18)**	**—**	**—**	**(36)**	**(54)**
Ending balance	**$ 3**	**$ 85**	**$ 27**	**$ 8**	**$ 123**

The changes in the balances of Level 3 financial assets during 2016 were as follows:

(Millions)	**Foreign securities**	**U.S. corporate securities**	**Equity securities**	**Other**	**Total**
Beginning balance	$ 25	$ 64	$ 19	$ 6	$ 114
Net realized and unrealized capital (losses) gains:					
Included in earnings	—	(15)	—	—	(15)
Included in other comprehensive income	—	(4)	11	(3)	4
Other [1]	—	—	3	—	3
Purchases	16	41	10	33	100
Sales	(8)	(3)	—	(5)	(16)
Settlements	(2)	(3)	—	—	(5)
Transfers out of Level 3, net	(10)	—	—	(29)	(39)
Ending balance	$ 21	$ 80	$ 43	$ 2	$ 146

[1] Reflects realized and unrealized capital gains and losses on investments supporting our experience-rated and discontinued products, which do not impact our operating results.

The total gross transfers into (out of) Level 3 during the years ended December 31, 2017 and 2016 were as follows:

(Millions)	**2017**	**2016**
Gross transfers into Level 3	**$ —**	$ —
Gross transfers out of Level 3	**(54)**	(39)
Net transfers out of Level 3	**$ (54)**	$ (39)

Gross transfers out of Level 3 during 2017 primarily related to commercial mortgage-backed securities, other asset-backed securities and foreign debt securities for which observable market data was subsequently received. Gross transfers out of Level 3 during 2016 primarily related to commercial mortgage-backed securities for which observable market data was subsequently received.

Financial Instruments Not Measured at Fair Value in our Consolidated Balance Sheets

The following is a description of the valuation methodologies used for estimating the fair value of our financial assets and liabilities that are carried on our Consolidated Balance Sheets at adjusted cost or

contract value.

Mortgage loans: Fair values are estimated by discounting expected mortgage loan cash flows at market rates that reflect the rates at which similar loans would be made to similar borrowers. These rates reflect our assessment of the creditworthiness of the borrower and the remaining duration of the loans. The fair value estimates of mortgage loans of lower credit quality, including problem and restructured loans, are based on the estimated fair value of the underlying collateral.

Bank loans: Where fair value is determined by quoted market prices of bank loans with similar characteristics, our bank loans are classified in Level 2. For bank loans classified in Level 3, fair value is determined by outside brokers using their internal analyses through a combination of their knowledge of the current pricing environment and market flows.

Equity securities: Certain of our equity securities are carried at cost. The fair values of our cost-method investments are not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment.

Investment contract liabilities:

- *With a fixed maturity*: Fair value is estimated by discounting cash flows at interest rates currently being offered by, or available to, us for similar contracts.
- *Without a fixed maturity*: Fair value is estimated as the amount payable to the contract holder upon demand. However, we have the right under such contracts to delay payment of withdrawals that may ultimately result in paying an amount different than that determined to be payable on demand.

Long-term debt: Fair values are based on quoted market prices for the same or similar issued debt or, if no quoted market prices are available, on the current rates estimated to be available to us for debt of similar terms and remaining maturities.

The carrying value and estimated fair value classified by level of fair value hierarchy for our financial instruments carried on our Consolidated Balance Sheets at adjusted cost or contract value at December 31, 2017 and 2016 were as follows:

	Carrying	Estimated Fair Value			
(Millions)	**Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2017					
Assets:					
Mortgage loans	**$ 1,496**	**$ —**	**$ —**	**$ 1,524**	**$ 1,524**
Bank loans	**7**	**—**	**—**	**7**	**7**
Equity securities [1]	**45**	**N/A**	**N/A**	**N/A**	**N/A**
Liabilities:					
Investment contract liabilities:					
With a fixed maturity	**7**	**—**	**—**	**7**	**7**
Without a fixed maturity	**363**	**—**	**—**	**354**	**354**
Long-term debt	**9,159**	**—**	**9,815**	**—**	**9,815**

	Carrying	Estimated Fair Value			
(Millions)	**Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2016					
Assets:					
Mortgage loans	$ 1,511	$ —	$ —	$ 1,540	$ 1,540
Bank loans	8	—	—	8	8
Equity securities [1]	35	N/A	N/A	N/A	N/A
Liabilities:					
Investment contract liabilities:					
With a fixed maturity	8	—	—	8	8
Without a fixed maturity	378	—	—	364	364
Long-term debt	20,661	—	21,468	—	21,468

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

Separate Accounts Measured at Fair Value in our Consolidated Balance Sheets

Separate Accounts assets in our Large Case Pensions segment represent funds maintained to meet specific objectives of contract holders. Since contract holders bear the investment risk of these assets, a corresponding Separate Accounts liability has been established equal to the assets. These assets and liabilities are carried at fair value. Net investment income and capital gains and losses accrue directly to such contract holders. The assets of each account are legally segregated and are not subject to claims arising from our other businesses. Deposits, withdrawals, net investment income and realized and unrealized capital gains and losses on Separate Accounts assets are not reflected in our Consolidated Statements of Income, Shareholders' Equity or Cash Flows.

Separate Accounts assets include debt and equity securities and derivative instruments. The valuation methodologies used for these assets are similar to the methodologies described above in this Note 5. Separate Accounts assets also include investments in common/collective trusts that are carried at fair value. Common/collective trusts invest in other investment funds otherwise known as the underlying funds. The Separate Accounts' interests in the common/collective trust funds are based on the fair values of the investments of the underlying funds and therefore are classified in Level 2. The assets in the underlying funds primarily consist of equity securities. Investments in common/collective trust funds are valued at their respective net asset value per share/unit on the valuation date.

Separate Accounts financial assets at December 31, 2017 and 2016 were as follows:

	2017				**2016**			
(Millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt securities	**$ 1,085**	**$ 2,611**	**$ 2**	**$ 3,698**	$ 766	$ 2,378	$ —	$ 3,144
Equity securities	**—**	**6**	**—**	**6**	166	6	—	172
Common/collective trusts	**—**	**448**	**—**	**448**	—	582	—	582
Total [1]	**$ 1,085**	**$ 3,065**	**$ 2**	**$ 4,152**	$ 932	$ 2,966	$ —	$ 3,898

(1) Excludes $144 million and $93 million of cash and cash equivalents and other receivables at December 31, 2017 and 2016, respectively.

During 2017 and 2016, we had an immaterial amount of Level 3 Separate Accounts financial assets and an immaterial amount of gross transfers of Separate Accounts financial assets into or out of Level 3. During 2017 and 2016, there were no transfers of Separate Accounts financial assets between Levels 1 and 2.

Offsetting Financial Assets and Liabilities

Certain financial assets and liabilities are offset in our Consolidated Balance Sheets or are subject to master netting arrangements or similar agreements with the applicable counterparty. Financial assets, including derivative assets, subject to offsetting and enforceable master netting arrangements were $10 million and $17 million at December 31, 2017 and December 31, 2016, respectively.

There were no financial liabilities, including derivative liabilities, subject to offsetting and enforceable master netting arrangements at December 31, 2017 or December 31, 2016.

Goodwill and Other Acquired Intangible Assets

Goodwill and Intangible Assets Disclosure [Abstract]

Goodwill and Other Acquired Intangible Assets

12 Months Ended
Dec. 31, 2017

6. Goodwill and Other Acquired Intangible Assets

The change in the carrying amount of goodwill for our reportable segments for the years ended December 31, 2017 and 2016 was as follows:

(Millions)	Health Care	Group Insurance	Total Company
Balance at January 1, 2016	$ 10,524	$ 113	$ 10,637
Acquisitions	—	—	—
Dispositions	—	—	—
Subsequent adjustments	—	—	—
Balance at December 31, 2016	**10,524**	**113**	**10,637**
Acquisitions	**47**	**—**	**47**
Dispositions	**—**	**(113)**	**(113)**
Subsequent adjustments	**—**	**—**	**—**
Balance at December 31, 2017	**$ 10,571**	**$ —**	**$ 10,571**

No goodwill is allocated to the Large Case Pensions segment. The increase in goodwill allocated to our Health Care segment in 2017 was due to goodwill associated with an immaterial acquisition. The decrease in goodwill allocated to our Group Insurance segment in 2017 was due to the Group Insurance sale.

Other acquired intangible assets at December 31, 2017 and 2016 consisted of the following:

(Millions)	Cost	Accumulated Amortization	Net Balance	Amortization Period (Years)
2017				
Provider networks	**$ 1,254**	**$ 756**	**$ 498**	**12-25** [1]
Customer lists	**1,172**	**610**	**562**	**3-20** [1]
Value of business acquired	**149**	**102**	**47**	**20**
Technology	**176**	**160**	**16**	**5**
Other	**14**	**5**	**9**	**10-15**
Definite-lived trademarks	**170**	**144**	**26**	**5-20**
Indefinite-lived trademarks	**22**	**—**	**22**	
Total other acquired intangible assets	**$ 2,957**	**$ 1,777**	**$ 1,180**	
2016				
Provider networks	$ 1,254	$ 694	$ 560	12-25 [1]
Customer lists	1,166	485	681	3-14 [1]
Value of business acquired	149	92	57	20
Technology	176	123	53	4-10
Other	10	4	6	10-15
Definite-lived trademarks	170	107	63	5-20
Indefinite-lived trademarks	22	—	22	
Total other acquired intangible assets	$ 2,947	$ 1,505	$ 1,442	

[1] The amortization period for our provider networks and customer lists includes an assumption of renewal or extension of these arrangements. At both December 31, 2017 and 2016, the periods prior to the next renewal or extension for our provider networks primarily ranged from 1 to 3 years, and the period prior to the next renewal or extension for our customer lists was 1 year. Any costs related to the renewal or extension of these contracts are expensed as incurred.

We estimate annual pre-tax amortization for other acquired intangible assets over the next five years to be as follows:

(Millions)		
2018	**$**	**187**
2019		**181**
2020		**169**
2021		**156**
2022		**140**

Health Care and Other Insurance Liabilities	12 Months Ended Dec. 31, 2017
Health Care and Other Insurance Liabilities [Abstract]	
Short-Duration Insurance and Deposit Contracts [Text Block]	

7. Health Care and Other Insurance Liabilities

Our insurance liabilities below are disaggregated by reportable segment. Health care costs payable relate to our Health Care segment and unpaid claims relate to our Group Insurance segment. On November 1, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance and absence management businesses to HLAIC. The transaction was accomplished through an indemnity reinsurance arrangement and accordingly, substantially all of our life and disability insurance reserves were fully ceded at December 31, 2017. As a result, we did not include disclosures related to the development of our unpaid claims insurance liabilities.

Health Care Costs Payable

The following is information about incurred and cumulative paid Health Care claims development as of December 31, 2017, net of reinsurance, and the total IBNR liabilities plus expected development on reported claims included within the net incurred claims amounts. Refer to Note 2 for information on how we estimate our IBNR reserve and health care costs payable as well as changes to those methodologies, if any. Our estimate of IBNR liabilities is primarily based on trend and completion factors. Claim frequency is not used in the calculation of our liability. In addition, it is impracticable to disclose claim frequency information for health care claims due to our inability to gather consistent claim frequency information across our multiple claims processing systems. Any claim frequency count disclosure would not be comparable across our different claim processing systems and would not be consistent from period to period based on the volume of claims processed through each system. As a result, we have not included health care claim count frequency in the disclosures included below.

The information about incurred and paid Health Care claims development for the year ended December 31, 2016 is presented as required unaudited supplemental information.

(Millions)	**Incurred Health Care Claims, Net of Reinsurance For the Years Ended December 31,**	
Date of Service	**2016**	**2017**
	(Unaudited)	
2016	$ 44,110	**$ 43,434**
2017		**42,498**
	Total	**$ 85,932**

(Millions)	**Cumulative Paid Health Care Claims, Net of Reinsurance For the Years Ended December 31,**	
Date of Service	**2016**	**2017**
	(Unaudited)	
2016	$ 37,888	**$ 43,273**
2017		**37,022**
	Total	**$ 80,295**
All outstanding liabilities for health care costs payable prior to 2016, net of reinsurance		**54**
Total outstanding liabilities for health care costs payable, net of reinsurance		**$ 5,691**

At December 31, 2017, total Health Care liabilities for IBNR plus expected development on reported claims totaled approximately $5.0 billion. Substantially all of the total Health Care liabilities for IBNR plus expected development on reported claims at December 31, 2017 related to the current year.

The reconciliation of the December 31, 2017 Health Care net incurred and paid claims development tables to the health care costs payable liability in our Consolidated Balance Sheet is as follows:

(Millions)

	December 31, 2017
Short-duration health care costs payable, net of reinsurance	**$ 5,691**
Reinsurance recoverables	**6**
Premium deficiency reserve	**16**
Insurance lines other than short duration	**102**
Total health care costs payable	**$ 5,815**

The following table shows the components of the change in health care costs payable during 2017, 2016 and 2015:

(Millions)	2017	2016	2015
Health care costs payable, beginning of the period	**$ 6,558**	$ 6,306	$ 5,621
Less: Reinsurance recoverables	**5**	4	6
Health care costs payable, beginning of the period, net	**6,553**	6,302	5,615
Add: Components of incurred health care costs			
Current year	**43,551**	45,019	42,553
Prior years	**(814)**	(764)	(841)
Total incurred health care costs	**42,737**	44,255	41,712
Less: Claims paid			
Current year	**37,974**	38,700	36,389
Prior years	**5,523**	5,304	4,636
Total claims paid	**43,497**	44,004	41,025
Health care costs payable, end of period, net	**5,793**	6,553	6,302
Add: Premium deficiency reserve	**16**	—	—
Add: Reinsurance recoverables	**6**	5	4
Health care costs payable, end of period	**$ 5,815**	$ 6,558	$ 6,306

Our estimates of prior years' health care costs payable decreased by $814 million, $764 million and $841 million in 2017, 2016 and 2015, respectively, because claims were settled for amounts less than originally estimated (i.e., the amount of claims incurred was lower than we originally estimated), primarily due to lower health care cost trends as well as the actual claim submission time being faster than we originally assumed (i.e., our completion factors were higher than we originally assumed) in estimating our health care costs payable at the end of the prior year. This development does not directly correspond to an increase in our current year operating results as these reductions were offset by estimated current period health care costs when we established our estimate of the current year health care costs payable.

The ACA's Reinsurance, Risk Adjustment and Risk Corridor

12 Months Ended

Dec. 31, 2017

Health Care Reform [Abstract]

Health Care Reform [Text Block]

8. The ACA's Reinsurance, Risk Adjustment and Risk Corridor Programs (the "3Rs")

Through December 31, 2017, we participated in certain public health insurance exchanges ("Public Exchanges") established pursuant to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, the "ACA"). Under regulations established by the U.S. Department of Health and Human Services ("HHS"), HHS pays us a portion of the premium ("Premium Subsidy") and through September 30, 2017, paid a portion of the health care costs ("Cost Sharing Subsidy") for low-income individual Public Exchange members. In addition, HHS administers the 3Rs risk management programs. The ACA's temporary reinsurance and risk corridor programs expired at the end of 2016.

Our net receivable (payable) related to the 3Rs risk management programs at December 31, 2017 and 2016 was as follows:

	At December 31, 2017			**At December 31, 2016**		
(Millions)	**Reinsurance**	**Risk Adjustment**	**Risk Corridor**	**Reinsurance**	**Risk Adjustment**	**Risk Corridor**
Current	**$ 37**	**$ (41)**	**$ —**	$ 202	$ (690)	$ (10)
Long-term	**$ —**	**$ 2**	**$ —**	$ —	$ —	$ —
Total net receivable (payable)	**$ 37**	**$ (39)**	**$ —**	$ 202	$ (690)	$ (10)

At December 31, 2017, we estimate that we are entitled to receive a total of $314 million from HHS under the three-year ACA risk corridor program for the 2014 through 2016 program years. In November 2016, HHS announced that all 2015 ACA risk corridor collections will be used to pay a portion of the balances on the 2014 ACA risk corridor payments. At December 31, 2017 and 2016, we did not record any ACA risk corridor receivables related to the 2016 or 2015 program years or any amount in excess of HHS's announced pro-rated funding amount for the 2014 program year because payments from HHS are uncertain.

We expect to perform an annual final reconciliation and settlement with HHS of the 3Rs in each subsequent year. The final reconciliation and settlement with HHS of the 2014 and 2015 Cost Sharing Subsidies occurred in 2016 and 2017, respectively. The final reconciliation and settlement of the 2016 Cost Sharing Subsidy is scheduled to occur in 2018.

Debt

12 Months Ended
Dec. 31, 2017

Debt Disclosure [Abstract]

Debt

9. Debt

Long-term debt

The carrying value of our long-term debt at December 31, 2017 and 2016 was as follows:

(Millions)	2017	2016
Senior notes, 5.95% due March 2017 [1]	**$ —**	$ 386
Senior notes, 1.75% due May 2017 [1]	**—**	250
Senior notes, 1.5% due November 2017 [1]	**—**	499
Senior notes, floating rate due December 2017 [1]	**—**	499
Senior notes, 1.7% due June 2018 [1]	**999**	997
Senior notes, 2.2% due March 2019	**374**	374
Senior notes, 1.9% due June 2019	**—**	1,642
Senior notes, 3.95% due September 2020	**—**	745
Senior notes, 2.4% due June 2021	**—**	1,839
Senior notes, 5.45% due June 2021	**647**	661
Senior notes, 4.125% due June 2021	**496**	495
Senior notes, 2.75% due November 2022	**988**	986
Senior notes, 2.8% due June 2023	**1,292**	1,290
Senior notes, 3.5% due November 2024	**743**	742
Senior notes, 3.2% due June 2026	**—**	2,771
Senior notes, 4.25% due June 2036	**—**	1,480
Senior notes, 6.625% due June 2036	**766**	765
Senior notes, 6.75% due December 2037	**527**	527
Senior notes, 4.5% due May 2042	**479**	478
Senior notes, 4.125% due November 2042	**489**	489
Senior notes, 4.75% due March 2044	**371**	371
Senior notes, 4.375% due June 2046	**—**	2,375
Senior notes, 3.875% due August 2047	**988**	—
Total long-term debt	**9,159**	20,661
Less current portion of long-term debt	**999**	1,634
Total long-term debt, less current portion and credit facility issuance costs	**$ 8,160**	$ 19,027

[1] At December 31, 2017, our 1.7% senior notes due June 2018 are classified as current in our Consolidated Balance Sheet. At December 31, 2016, our 5.95% senior notes due March 2017, 1.75% senior notes due May 2017, 1.5% senior notes due November 2017 and floating rate senior notes due December 2017 were each classified as current in our Consolidated Balance Sheet.

At December 31, 2017 the amount of future maturities of our long-term debt are as follows:

(Millions)	
2018	**$ 999**
2019	**374**
2020	**—**
2021	**1,143**
2022	**988**
Thereafter	**5,655**

2017 Senior Notes

In August 2017, we issued $1.0 billion of 3.875% senior notes due 2047. We used the net proceeds of this offering to repay a portion of our 1.5% senior notes due in November 2017, repay a portion of our floating rate senior notes due in December 2017 and for general corporate purposes.

2016 Senior Notes

In June 2016, in connection with the Humana Transaction, we issued the 2016 senior notes, which consisted of: $500 million of floating rate senior notes due December 2017, $1.0 billion of 1.7% senior notes due June 2018, approximately $1.7 billion of 1.9% senior notes due June 2019, approximately $1.9 billion of 2.4% senior notes due June 2021, $1.3 billion of 2.8% senior notes due June 2023, $2.8 billion of 3.2% senior notes due June 2026, $1.5 billion of 4.25% senior notes due June 2036 and $2.4 billion of 4.375% senior notes due June 2046.

Early Extinguishment of Long-Term Debt

Special Mandatory Redemption Notes

As a result of the termination of the Humana Merger Agreement, we redeemed the entire $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes, which were due in 2019, 2021, 2026, 2036 and 2046, at a redemption price equal to 101% of the aggregate principal amount of those notes plus accrued and unpaid interest. We redeemed those notes on March 16, 2017, and we funded the redemption with the proceeds of the 2016 senior notes. As a result of the redemption, we recorded a loss on early extinguishment of long-term debt of $125 million ($192 million pretax) in the year ended December 31, 2017.

Prior to issuing the 2016 senior notes, during 2015 and 2016 we entered into various interest rate swaps and treasury rate locks that were designated as cash flow hedges against interest rate exposure related to the forecasted future issuance of fixed-rate debt to be primarily used to finance a portion of the purchase price of the Humana Transaction. In addition, we redesignated existing interest rate swaps with an aggregate notional value of $500 million as cash flow hedges against interest rate exposure related to the forecasted future issuance of fixed rate debt.

Prior to issuing the 2016 senior notes in June 2016, we terminated all outstanding hedges and paid an aggregate of $348 million to the hedge counter parties upon termination. The aggregate effective portion of the hedge loss of $342 million pretax was recorded in accumulated other comprehensive loss, net of tax. Upon the redemption of the Special Mandatory Redemption Notes, the entire remaining unamortized effective portion of the hedge loss of $323 million pretax recorded in accumulated other comprehensive loss was recognized as a realized capital loss in the year ended December 31, 2017.

2020 Notes

On February 27, 2017, we announced the redemption for cash of the entire $750 million aggregate principal amount outstanding of our 3.95% senior notes due September 1, 2020 (the “2020 Notes”). We redeemed the 2020 Notes on March 29, 2017 at a redemption price that included a make-whole premium, plus accrued and unpaid interest. We funded the redemption from available cash and short-term debt. As a result of the redemption, we recorded a loss on early extinguishment of long-term debt of $35 million ($54 million pretax) in the year ended December 31, 2017. Upon redemption of the 2020 Notes, the entire remaining unamortized effective portion of the hedge loss of $13 million pretax related to the issuance of the 2020 Notes recorded in accumulated other comprehensive loss was recognized as a realized capital loss in the year ended December 31, 2017.

Refer to Note 14 for additional information regarding hedge losses reclassified from accumulated other comprehensive loss to net income during the year ended December 31, 2017.

Revolving Credit Facility

On March 27, 2012, we entered into an unsecured $1.5 billion five-year revolving credit agreement (the “Credit Agreement”) with several financial institutions. On September 24, 2012, in connection with the acquisition of Coventry, we entered into a First Amendment (the “First Amendment”) to the Credit Agreement and also entered into an Incremental Commitment Agreement (the “Incremental Commitment Agreement”). On March 2, 2015, we entered into a Second Amendment to the Credit Agreement (the “Second Amendment”). On July 30, 2015, in connection with the Humana Transaction, we entered into a Third Amendment to the Credit Agreement (the “Third Amendment”). On March 17, 2017, we entered into a Fourth Amendment to the Credit Agreement (the “Fourth Amendment,” and together with the First Amendment, the Incremental Commitment Agreement, the Second Amendment, the Third Amendment and the Credit Agreement, resulting in the “Facility”). The Facility is an unsecured $2.0 billion revolving credit agreement. The Third Amendment modified the calculation of total debt for purposes of determining compliance prior to the closing date of the Humana Transaction (the “Closing Date”) with certain covenants to exclude debt incurred by us to finance the Humana Transaction, the other financing transactions related to the Humana Transaction and/or the payment of fees and expenses incurred in connection therewith so long as either (A) the net proceeds of such debt were set aside to finance the Humana Transaction, the other financing transactions related to the Humana Transaction and/or the payment of fees and expenses incurred in connection therewith or (B) such debt was subject to mandatory redemption in the event that the Humana Merger Agreement was terminated or expired. Among other

things, the Fourth Amendment extended the maturity date of the existing Credit Agreement to March 27, 2021, eliminated the availability of swingline loans, provided us with additional time on each business day to provide notice of borrowings and added customary provisions to reflect European Union "bail-in" directive legislation.

In addition, upon our agreement with one or more financial institutions, we may expand the commitments under the Facility by an additional $500 million. The Facility also provides for the issuance of up to $200 million of letters of credit at our request, which count as usage of the available commitments under the Facility. In each of 2013, 2014, 2015 and 2017, we extended the maturity date of the Facility by one year. The maturity date of the Facility is March 27, 2021.

Various interest rate options are available under the Facility. Any revolving borrowings mature on the termination date of the Facility. We pay facility fees on the Facility ranging from .050% to .150% per annum, depending upon our long-term senior unsecured debt rating. The facility fee was .100% at December 31, 2017. The Facility contains a financial covenant that requires us to maintain a ratio of total debt to consolidated capitalization as of the end of each fiscal quarter at or below 50%. For this purpose, consolidated capitalization equals the sum of total shareholders' equity, excluding any overfunded or underfunded status of our pension and OPEB plans and any net unrealized capital gains and losses, and total debt (as defined in the Facility). We met this requirement at December 31, 2017. There were no amounts outstanding under the Facility at any time during the year ended December 31, 2017 or 2016.

Term Loan Agreement

On July 30, 2015, in connection with the Humana Transaction, we entered into a senior three-year $3.2 billion term loan credit agreement (the "Term Loan Agreement") with a group of seventeen lenders. The lenders' commitments under the Term Loan Agreement terminated on February 14, 2017, as a result of the termination of the Humana Merger Agreement.

Federal Home Loan Bank of Boston

We are a member of the Federal Home Loan Bank of Boston (the "FHLBB"), and as a member we have the ability to obtain cash advances, subject to certain minimum collateral requirements. Our maximum borrowing capacity available from the FHLBB at December 31, 2017 was approximately $700 million. At both December 31, 2017 and 2016, we did not have any outstanding borrowings from the FHLBB.

Pension and Other Postretirement Plans

12 Months Ended Dec. 31, 2017

Retirement Benefits [Abstract]

Pension and Other Postretirement Plans

10. Pension and Other Postretirement Plans

Defined Benefit Retirement Plans

We sponsor various defined benefit plans, including two pension plans, and OPEB plans that provide certain health care and life insurance benefits for retired employees, including those of our former parent company.

During 2017, 2016 and 2015 we did not make any contribution to the Aetna Pension Plan. Effective December 31, 2010, our employees no longer earn future pension service credits in the Aetna Pension Plan (i.e., the Plan was "frozen" effective December 31, 2010), although the Aetna Pension Plan will continue to operate and account balances will continue to earn annual interest credits.

We also sponsor a non-qualified supplemental pension plan (the "Non-qualified Pension Plan") that, prior to January 1, 2007, had been used to provide benefits for wages above the Internal Revenue Code wage limits applicable to tax qualified pension plans (such as the Aetna Pension Plan). Effective January 1, 2007, no new benefits accrue under the Non-qualified Pension Plan, but interest will continue to be credited on outstanding supplemental cash balance accounts; and the plan may continue to be used to credit special pension arrangements.

In addition, we currently provide certain medical and life insurance benefits for retired employees, including those of our former parent company. We provide subsidized health care benefits to certain eligible employees who terminated employment prior to December 31, 2006. There is a cap on our portion of the cost of providing medical and dental benefits to our retirees. Through December 31, 2015, all current and future retirees and employees who terminated employment at age 45 or later with at least five years of service were eligible to participate in our group health plans at their own cost. Effective January 1, 2016, only current and future retirees and employees who terminate employment at age 55 or later are eligible for such participation.

The information set forth in the following tables is based upon current actuarial reports using the annual measurement dates (December 31, for each year presented) for our pension and OPEB plans.

The following table shows the changes in the benefit obligations during 2017 and 2016 for our pension and OPEB plans:

	Pension Plans		**OPEB Plans**	
(Millions)	**2017**	**2016**	**2017**	**2016**
Benefit obligation, beginning of year	**$ 6,032**	$ 5,946	**$ 248**	$ 257
Interest cost	**203**	260	**8**	11
Actuarial loss	**394**	161	**11**	—
Benefits paid	**(411)**	(335)	**(18)**	(20)
Benefit obligation, end of year	**$ 6,218**	$ 6,032	**$ 249**	$ 248

The pension plans' benefit obligation increased in 2017 driven by interest cost recognized in 2017 and an increase in actuarial losses arising as a result of a lower discount rate as further described below; substantially offset by benefits paid in 2017.

The Aetna Pension Plan comprises 96% of the pension plans' total benefit obligation at December 31, 2017. The discount rates used to determine the benefit obligation of our pension and OPEB plans were calculated using a yield curve as of our annual measurement date. Each yield curve consisted of a series of individual discount rates, with each discount rate corresponding to a single point in time, based on high-quality bonds. Projected benefit payments are discounted to the measurement date using the corresponding rate from the yield curve. The weighted average discount rate for our pension plans was 3.68% and 4.22% for 2017 and 2016, respectively. The discount rate for our OPEB plans was 3.63% and 4.12% for 2017 and 2016, respectively. The discount rates differ for our pension and OPEB plans due to the duration of the projected benefit payments for each plan.

Effective as of the beginning of 2017, we refined the approach used to estimate the interest cost component of net periodic benefit cost for pension and OPEB plans that utilize a yield curve approach. Historically, we estimated the interest cost using a single weighted average discount rate derived from the yield curve used to measure the projected benefit obligation. We have now elected to measure interest cost by applying the specific spot rates along that yield curve to the relevant projected cash flows for each component. We believe the new approach provides a more precise estimate of such interest cost. We have accounted for this refinement as a change in accounting estimate and, accordingly, have accounted for it on a prospective basis beginning in 2017. The reduction in net periodic benefit cost associated with this refinement for the year ended December 31, 2017 was $26 million ($41 million pre-tax). For our pension benefits, the 2017 weighted-average discount rate for interest costs under the refined approach adopted as of the beginning of 2017 was 3.51%. Under the prior methodology, the 2017 weighted-average discount rate would have been 4.22%.

Additionally, based on the mortality experience of our pension and OPEB plans, in 2017 we utilized the RP-2014 Mortality Table with a generation projection of future mortality improvements using Scale MP-2017. In 2016, we utilized the RP-2014 Mortality Table with a generation projection of future mortality improvements using Scale MP-2016. In 2015 we utilized the RP-2014 Mortality Table with a generation projection of future mortality improvements using Scale MP-2015.

The following table reconciles the beginning and ending balances of the fair value of plan assets during 2017 and 2016 for our pension and OPEB plans:

	Pension Plans		**OPEB Plans**	
(Millions)	**2017**	**2016**	**2017**	**2016**
Fair value of plan assets, beginning of year	**$ 5,914**	$ 5,802	**$ 52**	$ 55
Actual return on plan assets	**808**	426	**2**	1
Employer contributions	**20**	21	**14**	16
Benefits paid	**(411)**	(335)	**(18)**	(20)
Fair value of plan assets, end of year	**$ 6,331**	$ 5,914	**$ 50**	$ 52

The difference between the fair value of plan assets and the plan's benefit obligation is referred to as the plan's funded status. This funded status is an accounting-based calculation and is not indicative of our mandatory funding requirements.

The funded status of our pension and OPEB plans at the measurement date for 2017 and 2016 was as follows:

	Pension Plans		**OPEB Plans**	
(Millions)	**2017**	**2016**	**2017**	**2016**
Benefit obligation	**$ (6,218)**	$ (6,032)	**$ (249)**	$ (248)
Fair value of plan assets	**6,331**	5,914	**50**	52
Funded status	**$ 113**	$ (118)	**$ (199)**	$ (196)

At December 31, 2017, the fair value of plan assets of the Aetna Pension Plan was in excess of the benefit obligations, while the Non-qualified Pension Plan had benefit obligations in excess of the fair value of plan assets. Below is the funded status of each of our Pension Plans:

	Aetna Pension Plan		**Non-qualified Pension Plan**	
(Millions)	**2017**	**2016**	**2017**	**2016**
Benefit obligation	**$ (5,995)**	$ (5,807)	**$ (223)**	$ (225)
Fair value of plan assets	**6,331**	5,914	**—**	—
Funded status	**$ 336**	$ 107	**$ (223)**	$ (225)

The amounts in accumulated other comprehensive loss that have not yet been recognized in net periodic benefit cost as of December 31, 2017 and 2016 were as follows:

	Pension Plans	**OPEB Plans**

(Millions)	2017	2016	2017	2016
Unrecognized prior service credit	**$ —**	$ —	**$ (15)**	$ (19)
Unrecognized net actuarial losses	**2,361**	2,460	**75**	66
Amount recognized in accumulated other comprehensive loss	**$ (2,361)**	$ (2,460)	**$ (60)**	$ (47)

The assets (liabilities) recognized on our Consolidated Balance Sheets at December 31, 2017 and 2016 for our pension and OPEB plans were consisted of the following:

	Pension Plans		OPEB Plans	
(Millions)	2017	2016	2017	2016
Accrued benefit assets reflected in other long-term assets	**$ 336**	$ 107	**$ —**	$ —
Accrued benefit liabilities reflected in other current liabilities	**(20)**	(20)	**(12)**	(13)
Accrued benefit liabilities reflected in other long-term liabilities	**(203)**	(205)	**(187)**	(183)
Net amount of assets (liabilities) recognized at December 31,	**$ 113**	$ (118)	**$ (199)**	$ (196)

At December 31, 2017, we had approximately $2.4 billion and $75 million of net actuarial losses for our pension and OPEB plans, respectively, and $15 million of prior service credits for our OPEB plans and an immaterial amount of prior service credits for our pension plan, that have not been recognized as components of net periodic benefit costs. We expect to recognize $63 million and $3 million in amortization of net actuarial losses for our pension and OPEB plans, respectively, and $4 million in amortization of prior service credits for our OPEB plans in 2018. Our amortization of prior service credits for our pension plans in 2018 is not expected to be material.

Components of the net periodic benefit (income) cost of our defined benefit pension plans and OPEB plans for the years ended December 31, 2017, 2016 and 2015 were as follows:

	Pension Plans			OPEB Plans		
(Millions)	2017	2016	2015	2017	2016	2015
Amortization of prior service credit	**$ —**	$ —	$ (1)	**$ (4)**	$ (4)	$ (4)
Interest cost	**203**	260	261	**8**	11	11
Expected return on plan assets	**(380)**	(389)	(419)	**(2)**	(3)	(3)
Recognized net actuarial losses	**65**	61	62	**3**	3	3
Net periodic (income) benefit cost	**$ (112)**	$ (68)	$ (97)	**$ 5**	$ 7	$ 7

The weighted average assumptions used to determine net periodic benefit (income) cost in 2017, 2016 and 2015 for the pension and OPEB plans were as follows:

	Pension Plans			OPEB Plans		
	2017	2016	2015	2017	2016	2015
Discount rate	**4.22%**	4.50%	4.12%	**4.12%**	4.39%	4.02%
Expected long-term return on plan assets	**6.70%**	6.90%	7.00%	**4.75%**	4.75%	5.30%

We assume different health care cost trend rates for medical costs and prescription drug costs in estimating the expected costs of our OPEB plans. The assumed medical cost trend rate for 2018 is 5.4%, decreasing gradually to 4.5% by 2026. The assumed prescription drug cost trend rate for 2018 is 9.4%, decreasing gradually to 4.5% by 2026. These assumptions reflect our historical as well as expected future trends for retirees. In addition, the trend assumptions reflect factors specific to our retiree medical plan, such as plan design, cost-sharing provisions, benefits covered and the presence of subsidy caps. A one-percentage point increase in both the assumed medical cost and assumed prescription drug cost trend rates would result in an immaterial pretax increase in the aggregate of the service and interest cost components of OPEB costs and a $8 million increase in the OPEB benefit obligation. A one-percentage point decrease in both the assumed medical cost and assumed prescription drug cost trend rates would

result in an immaterial pretax decrease in the aggregate of the service and interest cost components of OPEB costs and an $8 million decrease in the OPEB benefit obligation.

Our current funding strategy for the Aetna Pension Plan is to fund an amount at least equal to the minimum funding requirement as determined under applicable regulatory requirements with consideration of factors such as the maximum tax deductibility of such amounts. Minimum funding requirements for the Aetna Pension Plan were met in 2017 and 2016, and we were not required to make cash contributions for either of those years. We do not have any required contribution to the Aetna Pension Plan in 2018. Employer contributions related to the supplemental pension and OPEB plans represent payments to retirees for current benefits. We have no plans to return any pension or OPEB plan assets to the Company in 2018. Our non-qualified supplemental pension plan and OPEB plans do not have minimum funding requirements.

Expected benefit payments, which reflect future employee service, as appropriate, of the pension and OPEB plans to be paid for each of the next five years and in the aggregate for the next five years thereafter at December 31, 2017 were as follows:

(Millions)	Pension Plans	OPEB Plans
2018	$ 374	$ 17
2019	364	17
2020	367	17
2021	371	17
2022	374	17
2023-2027	1,867	79

Assets of the Aetna Pension Plan

The assets of the Aetna Pension Plan ("Pension Assets") primarily include debt and equity securities held in separate accounts, as well as common/collective trusts and real estate investments. The valuation methodologies used to price these debt and equity securities and common/collective trusts are similar to the methodologies described in Note 5. Pension Assets also include investments in other assets that are carried at fair value. The following is a description of the valuation methodology used to price real estate investments and these additional investments, including the general classification pursuant to the valuation hierarchy.

Real Estate - Real estate investments are valued by independent third party appraisers. The appraisals comply with the Uniform Standards of Professional Appraisal Practice, which includes, among other things, the income, cost, and sales comparison approaches to estimating property value. Therefore, these investments are classified in Level 3.

Private equity limited partnerships - Private equity limited partnerships are carried at fair value which is estimated based on the fair value of the underlying investment funds provided by the general partner or manager of the investments, the financial statements of which generally are audited. We typically do not have a controlling ownership in our private equity limited partnership investments, and therefore we apply the equity method of accounting for these investments. Accordingly, these investments have been excluded from the fair value table below.

Hedge fund limited partnerships - Hedge fund limited partnerships are carried at fair value which is estimated using the net asset value ("NAV") per unit as reported by the administrator of the underlying investment fund as a practical expedient to fair value. Therefore, these investments have been excluded from the fair value table below.

Pension Assets with changes in fair value measured on a recurring basis at December 31, 2017 were as follows:

(Millions)	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. government securities	**$ 644**	**$ 38**	**$ —**	**$ 682**
States, municipalities and political subdivisions	**—**	**150**	**—**	**150**
U.S. corporate securities	**—**	**1,506**	**—**	**1,506**
Foreign securities	**—**	**165**	**—**	**165**
Residential mortgage-backed securities	**—**	**322**	**—**	**322**

Commercial mortgage-backed securities	—	57	1	58
Other asset-backed securities	—	130	—	130
Redeemable preferred securities	—	8	—	8
Total debt securities	644	2,376	1	3,021
Equity securities:				
U.S. Domestic	939	4	—	943
International	556	—	—	556
Domestic real estate	26	—	—	26
Total equity securities	1,521	4	—	1,525
Other investments:				
Real estate	—	—	479	479
Common/collective trusts [1]	—	478	—	478
Derivatives	—	1	—	1
Total other investments	—	479	479	958
Total pension investments [2]	$ 2,165	$ 2,859	$ 480	$ 5,504

[1] The assets in the underlying funds of common/collective trusts consist of $294 million of equity securities and $184 million of debt securities.

[2] Excludes $119 million of cash and cash equivalents and other payables, $530 million of private equity limited partnership investments and $178 million of hedge fund limited partnership investments.

Pension Assets with changes in fair value measured on a recurring basis at December 31, 2016 were as follows:

(Millions)	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. government securities	$ 460	$ 122	$ —	$ 582
States, municipalities and political subdivisions	—	128	—	128
U.S. corporate securities	—	1,291	—	1,291
Foreign securities	—	103	—	103
Residential mortgage-backed securities	—	163	—	163
Commercial mortgage-backed securities	—	57	—	57
Other asset-backed securities	—	60	—	60
Redeemable preferred securities	—	6	—	6
Total debt securities	460	1,930	—	2,390
Equity securities:				
U.S. Domestic	1,305	5	—	1,310
International	611	—	—	611
Domestic real estate	34	—	—	34
Total equity securities	1,950	5	—	1,955
Other investments:				
Real estate	—	—	478	478
Common/collective trusts [1]	—	465	—	465
Total other investments	—	465	478	943
Total pension investments [2]	$ 2,410	$ 2,400	$ 478	$ 5,288

[1] The assets in the underlying funds of common/collective trusts consist of $307 million of equity securities and $158 million of debt securities.

[2] Excludes $180 million of cash and cash equivalents and other payables, $255 million of private equity limited partnership investments and $191 million of hedge fund limited partnership investments.

The changes in the balances of Level 3 Pension Assets during 2017 and 2016 were as follows:

	2017

(Millions)	Real Estate	Other	Total
Beginning balance	**$ 478**	**$ —**	**$ 478**
Actual return on plan assets	**23**	**—**	**23**
Purchases, sales and settlements	**(22)**	**—**	**(22)**
Transfers into Level 3	**—**	**1**	**1**
Ending balance	**$ 479**	**$ 1**	**$ 480**

	2016		
(Millions)	Real Estate	Other	Total
Beginning balance	$ 497	$ 3	$ 500
Actual return on plan assets	42	—	42
Purchases, sales and settlements	(61)	(1)	(62)
Transfers out of Level 3	—	(2)	(2)
Ending balance	$ 478	$ —	$ 478

The Aetna Pension Plan invests in a diversified mix of assets intended to maximize long-term returns while recognizing the need for adequate liquidity to meet ongoing benefit and administrative obligations. The risk of unexpected investment and actuarial outcomes is regularly evaluated. This evaluation is performed through forecasting and assessing ranges of investment outcomes over short- and long-term horizons, and by assessing the Aetna Pension Plan's liability characteristics, our financial position and our future potential obligations from both the pension and general corporate perspectives. Complementary investment styles and techniques are utilized by multiple professional investment firms to further improve portfolio and operational risk characteristics. Public and private equity investments are used primarily to increase overall plan returns. Real estate investments are viewed favorably for their diversification benefits and above-average dividend generation. Fixed income investments provide diversification benefits and liability hedging attributes that are desirable, especially in falling interest rate environments.

At December 31, 2017, target investment allocations for the Aetna Pension Plan were: 33% in equity securities, 54% in debt securities, 6% in real estate, 4% in private equity limited partnerships and 3% in hedge funds. Actual asset allocations may differ from target allocations due to tactical decisions to overweight or underweight certain assets or as a result of normal fluctuations in asset values. Asset allocations are consistent with stated investment policies and, as a general rule, periodically rebalanced back to target asset allocations. Asset allocations and investment performance are formally reviewed periodically throughout the year by the Plan's Benefit Finance Committee. Forecasting of asset and liability growth is performed at least annually.

We have several benefit plans for retired employees currently supported by the OPEB plan assets. OPEB plan assets are directly and indirectly invested in a diversified mix of traditional asset classes, primarily high-quality fixed income securities.

The actual and target asset allocations of the OPEB plans used at December 31, 2017 and 2016 presented as a percentage of total plan assets, were as follows:

(Millions)	2017	Target Allocation	2016	Target Allocation
Equity securities	**13%**	**10-15%**	11%	5-15%
Debt securities	**81%**	**75-85%**	82%	80-90%
Real estate/other	**6%**	**5-10%**	7%	0-10%

Our expected return on plan assets assumption is based on many factors, including forecasted capital market real returns over a long-term horizon, forecasted inflation rates, historical compounded asset returns and patterns and correlations on those returns. Expectations for modest increases in interest rates, normal inflation trends and average capital market real returns led us to an expected return on pension plan assets assumption of 6.70% for 2017, 6.90% for 2016 and 7.00% for 2015, and an expected return on OPEB plan assets assumption of 4.75% for both 2017 and 2016 and 5.30% for 2015. We regularly review actual asset allocations and periodically rebalance our investments to the mid-point of our targeted allocation ranges when we consider it appropriate.

401(k) Plan

Our employees are eligible to participate in a defined contribution retirement savings plan under which designated contributions may be invested in our common stock or certain other investments (the "Aetna 401(k) Plan"). Our 401(k) contribution to the Aetna 401(k) Plan provides for a match of 100% of up to 6% of the eligible pay contributed by the employee. During 2017, 2016 and 2015, we made $196 million, $197 million and $198 million, respectively, in aggregate of matching contributions to our 401(k) plans. The matching contributions are made in cash and invested according to each participant's investment elections. The plan trustee held 6 million shares of our common stock for plan participants at December 31, 2017. At December 31, 2017, 34 million shares of our common stock were reserved for issuance under the Aetna 401(k) Plan.

Income Taxes

Income Tax Disclosure [Abstract]

Income Taxes

12 Months Ended
Dec. 31, 2017

11. Income Taxes

The components of our income tax provision in 2017, 2016 and 2015 were:

(Millions)	**2017**	**2016**	**2015**
Current income taxes:			
Federal	**$ 1,369**	$ 1,662	$ 1,797
State	**73**	129	112
Total current income taxes	**1,442**	1,791	1,909
Deferred income tax benefits:			
Federal	**(328)**	(55)	(59)
State	**(27)**	(1)	(9)
Total deferred income tax benefits	**(355)**	(56)	(68)
Total income taxes	**$ 1,087**	$ 1,735	$ 1,841

Income taxes were different from the amount computed by applying the statutory federal income tax rate to income before income taxes as follows:

	2017		**2016**		**2015**	
(Millions)	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
Amount at statutory rate	**$ 1,047**	**35.0%**	$ 1,397	35.0 %	$ 1,483	35.0 %
Health insurer fee	**—**	**—%**	293	7.3 %	300	7.1 %
State income taxes	**21**	.7%	83	2.1 %	63	1.5 %
Other, net	**19**	**.6%**	(38)	(.9)%	(5)	(.1)%
Income taxes	**$ 1,087**	**36.3%**	$ 1,735	43.5 %	$ 1,841	43.5 %

The significant components of our net deferred tax liabilities at December 31, 2017 and 2016 were as follows:

(Millions)	**2017**	**2016**
Deferred tax assets:		
Insurance reserves	**$ 187**	$ 231
Reserve for anticipated future losses on discontinued products	**135**	225
Employee and postretirement benefits	**75**	196
Net operating losses	**184**	147
Severance and facilities	**32**	135
Investments, net	**58**	80
Debt fair value adjustments	**10**	23
Deferred revenue	**231**	21
Other	**116**	117
Gross deferred tax assets	**1,028**	1,175
Less: Valuation allowance	**154**	118
Deferred tax assets, net of valuation allowance	**874**	1,057
Deferred tax liabilities:		
Goodwill and other acquired intangible assets	**451**	814
Cumulative depreciation and amortization	**101**	185
Unrealized gains on investment securities	**105**	42
Other	**22**	20

Total gross deferred tax liabilities	**679**	1,061
Net deferred tax assets (liabilities)	**$ 195**	$ (4)

Valuation allowances are provided when we estimate that it is more likely than not that deferred tax assets will not be realized. A valuation allowance has been established primarily related to state net operating losses. We base our estimates of the future realization of deferred tax assets primarily on historic taxable income and existing deferred tax liabilities.

We participate in the Compliance Assurance Process (the “CAP”) with the Internal Revenue Service (the “IRS”). Under the CAP, the IRS undertakes audit procedures during the tax year and as the return is prepared for filing. The IRS has concluded its CAP audit of our 2016 tax return as well as all the prior years. We expect the IRS will conclude its CAP audit of our 2017 tax return in 2018.

We are also subject to audits by various state taxing authorities for tax years from 2000 through 2016. We believe we carry appropriate reserves for any exposure to state tax issues.

At both December 31, 2017 and December 31, 2016 we did not have material uncertain tax positions reflected in our Consolidated Balance Sheets.

On December 22, 2017, the TCJA was enacted. Refer to Note 2 for additional information related to the TCJA.

Stock-based Employee Incentive Plans	12 Months Ended Dec. 31, 2017
Stock-based Employee Incentive Plans [Abstract]	

Stock-based Employee Incentive Plans

12. Stock-based Employee Incentive Plans

Our stock-based employee compensation plans (collectively, the "Plans") provide for awards of stock options, SARs, PSARs, RSUs, MSUs, PSUs, deferred contingent common stock and the ability for employees to purchase common stock at a discount. At December 31, 2017, 27 million common shares were available for issuance under the Plans. Executive, middle management and non-management employees may be granted stock options, SARs, PSARs, RSUs, MSUs and PSUs, each of which are described below:

Stock Options, SARs and PSARs

We have not granted stock options since 2005, and no stock options were outstanding as of December 31, 2017. SARs granted will be settled in our common stock, net of taxes, based on the appreciation of our stock price on the exercise date over the market price on the date of grant. SARs generally become 100% vested three years after the grant is made, with one-third vesting each year. Vested SARs may be exercised at any time during the ten years after grant, except in certain circumstances, generally related to employment termination or retirement. At the end of the ten year period, any unexercised SARs expire.

The SARs granted to certain employees during 2017 and 2016 and described above had an estimated grant date fair value per SAR of $32.30 and $34.33, respectively. The grant date fair value was calculated using a modified Black-Scholes option pricing model using the following assumptions:

	2017	2016
Expected term (in years)	**7.21**	7.11
Volatility	**26.52%**	32.9%
Risk-free interest rate	**2.22%**	1.52%
Dividend yield	**1.71%**	0.91%
Initial price	**$ 125.27**	$ 103.45

The expected term is based on historical equity award activity. Volatility is based on a weighted average of the historical volatility of our stock price and implied volatility from traded options on our stock. The risk-free interest rate is based on a U.S. Treasury rate with a life equal to the expected life of the SARs grant. This rate was calculated by interpolating between the 7-year and 10-year U.S. Treasury rates for both the 2017 and 2016 SARs grants. The dividend yield is based on our expected dividends for the upcoming 12 months subsequent to the grant date.

PSARs represent the opportunity to vest in SARs. For the PSARs granted in 2013 ("2013 PSARs"), the number of vested PSARs (which could range in specified increments from zero to 700,000 SARs) was dependent on Aetna's total shareholder return over a three year performance period relative to a defined peer group of companies. The 2013 PSARs were subject to a three-year vesting period that ended on August 5, 2016, and vested at 500,000 SARs.

We estimated the grant date fair value of the 2013 PSARs using a Monte Carlo simulation. The 2013 PSARs had a grant date per PSAR fair value of $18.64. That grant date fair value was calculated using the following assumptions:

Expected settlement period (in years)	6.12
Volatility	40.4%
Risk-free interest rate	.6%
Dividend yield	1.25%
Initial price	$ 64.25

The stock option, SAR and PSAR transactions during 2017, 2016 and 2015 were as follows:

	Number of	Weighted

(Millions, except exercise price and remaining life)	Stock Options, SARs and PSARs	Weighted Average Exercise Price	Average Remaining Contractual Life	Aggregate Intrinsic Value
2015				
Outstanding, beginning of year	8.1	$ 49.37	4.2	$ 318
Granted	2.0	101.41	—	—
Exercised	(2.5)	43.90	—	155
Expired or forfeited	(.2)	91.25	—	—
Outstanding, end of year [1]	7.4	$ 64.11	5.3	$ 325
Exercisable, end of year	4.1	$ 45.88	2.6	$ 252
2016				
Outstanding, beginning of year	7.4	$ 64.11	5.3	$ 325
Granted	2.4	104.47	—	—
Exercised	(1.4)	52.99	—	85
Expired or forfeited	(.4)	83.25	—	—
Outstanding, end of year	8.0	$ 77.20	5.9	$ 373
Exercisable, end of year	4.3	$ 57.26	3.6	$ 287
2017				
Outstanding, beginning of year	**8.0**	**$ 77.20**	**5.9**	**$ 373**
Granted	**2.2**	**125.82**	**—**	**—**
Exercised	**(2.4)**	**65.42**	**—**	**185**
Expired or forfeited	**(.2)**	**108.24**	**—**	**—**
Outstanding, end of year	**7.6**	**$ 94.03**	**6.6**	**$ 398**
Exercisable, end of year	**3.6**	**$ 71.06**	**4.6**	**$ 397**

[1] PSARs are included in this table in 2015 at the maximum amount that could potentially vest.

The following is a summary of information regarding SARs outstanding at December 31, 2017 (millions, except remaining contractual life and exercise price):

	Outstanding				Exercisable		
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life (Years)**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**	**Number Exercisable**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**
20.00-30.00 [1]	**—**	**1.4**	**$ 25.50**	**$ 3**	**—**	**$ 25.50**	**$ 3**
30.00-40.00	**.8**	**1.1**	**32.11**	**125**	**.8**	**32.11**	**125**
40.00-50.00 [1]	**—**	**.3**	**45.84**	**1**	**—**	**45.84**	**1**
50.00-60.00	**.4**	**.1**	**50.70**	**55**	**.4**	**50.70**	**55**
60.00-70.00	**.5**	**5.6**	**64.25**	**58**	**.5**	**64.25**	**58**
70.00-80.00	**.5**	**6.1**	**72.42**	**49**	**.5**	**72.42**	**49**
80.00-90.00 [1]	**—**	**4.4**	**80.27**	**—**	**—**	**80.27**	**—**
100.00-110.00	**2.9**	**7.6**	**102.51**	**227**	**1.3**	**102.11**	**99**
110.00-120.00	**.2**	**8.3**	**115.16**	**16**	**.1**	**115.36**	**7**
120.00-130.00	**2.0**	**9.1**	**125.24**	**112**	**—**	**124.41**	**1**
130.00-140.00 [1]	**—**	**9.2**	**132.80**	**—**	**—**	**—**	**—**
140.00-150.00	**.1**	**9.4**	**145.10**	**2**	**—**	**—**	**—**
160.00-170.00 [1]	**—**	**9.7**	**163.21**	**—**	**—**	**—**	**—**
$20.00-$170.00 [2]	**7.4**	**6.6**	**$ 94.03**	**$ 648**	**3.6**	**$ 71.06**	**$ 398**

[1] The number of outstanding and exercisable SARs with exercise prices between $20 and $30, $40 and $50, $80 and $90, $130 and $140 and $160 and $170 rounded to zero.

[2] The number of outstanding SARs with exercise prices between $90 and $100 and $150 and $160 rounded to zero.

During 2017, 2016 and 2015, the following activity occurred under the Plans:

(Millions)	**2017**	**2016**	**2015**
Cash received from stock option exercises	**$ —**	$ —	$ 7
Intrinsic value of stock options/SARs exercised and stock units vested	**499**	384	413
Tax benefits realized for the tax deductions from stock options and SARs exercised and stock units vested	**99**	77	101
Fair value of stock options, SARs, PSARs and stock units vested [(1)]	**300**	223	126

[(1)] The fair value represents the aggregate grant date fair value of the stock options, SARs, PSARs and stock units as of the respective grant dates.

We settle our SARs and stock units with newly-issued common stock and generally utilized the proceeds from stock options to repurchase our common stock in the open market in the same period.

RSUs, MSUs and PSUs

For each RSU granted, employees receive one share of common stock, net of taxes, at the end of the vesting period. RSUs generally become 100% vested approximately three years from the grant date, with one third vesting each December. The grant date fair value is determined based on the market price of our common stock on the date of grant.

The number of vested MSUs (which could range from zero to 150% of the original number of units granted) is dependent on the weighted average closing price of our common stock for the thirty trading days prior to the vesting date, including the vesting date. Each vested MSU represents one share of common stock and will be paid in shares of common stock, net of taxes. MSUs representing 50% of the grant date fair value of the MSUs granted in 2012 were subject to a two-year vesting period while the remaining MSUs granted in 2012 were subject to a three-year vesting period. MSUs granted in 2014 and 2013 were subject to a three-year vesting period. There were no MSUs granted from 2015 through 2017.

The number of vested PSUs (which could range from zero to 200% of the original number of units granted) is dependent upon the degree to which we achieve performance goals, which for the most part, are set at the time of grant as determined by our Board's Committee on Compensation and Talent Management (the "Compensation Committee"). Each vested PSU represents one share of common stock and will be paid in shares of common stock, net of taxes. The grant date fair value is determined based on the market price of our common stock on the date of grant. Below is a summary of the performance period and vesting percentages for each tranche of PSUs granted by the Company:

- *PSUs granted in 2013 ("2013 PSUs"):* Certain PSUs granted in 2013 were subject to a single three-year performance period that ended on December 31, 2015, and vested at 74.61% of the original number of units granted. Certain PSUs granted in 2013 were subject to a two-year vesting period with two separate performance periods. Half of these PSUs were subject to a one-year performance period that ended on December 31, 2013, and vested at 127.08% of the original number of units granted. The remaining half were subject to a one-year performance period that ended on December 31, 2014, and vested at 131.62% of the original number of units granted.
- *PSUs granted in 2014 ("2014 PSUs"):* The 2014 PSUs had a two-year performance period that ended on December 31, 2015, and a three-year vesting period. The 2014 PSUs vested at 200% of the original number of units granted.
- *PSUs granted in 2015 ("2015 PSUs"):* The 2015 PSUs have a three-year performance period that ended on December 31, 2017, and are subject to a three-year vesting period. The 2015 PSUs vested at 120% of the original number of units granted.
- *PSUs granted in 2016 ("2016 PSUs"):* The 2016 PSUs have a three-year performance period that will end on December 31, 2018, and are subject to a three-year vesting period.
- *PSUs granted in 2017 ("2017 PSUs"):* The 2017 PSUs have a three-year performance period that will end on December 31, 2019, and are subject to a three-year vesting period.

From 2010 through 2014, we granted MSUs to certain employees. We did not grant any MSUs from 2015 through 2017. We estimate the grant date fair value of MSUs using a Monte Carlo simulation. MSUs granted in 2014 had a weighted average per MSU grant date fair value of $74.99. The weighted-average per MSU grant date fair value was calculated using the following assumptions:

	2014
Volatility	26.4%
Risk-free interest rate	.7%

Dividend yield	1.3%
Initial price	$ 72.26

The annualized volatility of the price of our common stock was calculated over the three-year period preceding the grant date of the MSUs. The risk-free interest rates for periods within the expected life of the MSUs were based on a constant maturity yield curve in effect on the grant date of the MSUs. The dividend yield assumption was based on our expected 2014 annual dividend payout. There were no MSUs outstanding as of December 31, 2017.

RSU, MSU and PSU transactions in 2017, 2016 and 2015 were as follows (number of units in millions):

	2017		**2016**		**2015**	
	RSUs, MSUs and PSUs	**Weighted Average Grant Date Fair Value**	**RSUs, MSUs and PSUs**	**Weighted Average Grant Date Fair Value**	**RSUs, MSUs and PSUs**	**Weighted Average Grant Date Fair Value**
RSUs, MSUs and PSUs at beginning of year	**2.9**	**$ 91.95**	3.9	$ 73.40	5.1	$ 58.57
Granted	**0.9**	**126.56**	2.1	98.60	1.8	100.52
Vested	**(2.1)**	**88.17**	(2.7)	68.87	(2.6)	59.72
Forfeited	**(.2)**	**101.69**	(.4)	71.17	(.4)	70.94
RSUs, MSUs and PSUs at end of year	**1.5**	**$ 112.71**	2.9	$ 91.95	3.9	$ 73.40

Stock Compensation Expense

In 2017, 2016 and 2015 we recorded share-based compensation expense of $187 million, $191 million and $181 million, respectively, in general and administrative expenses. We also recorded related tax benefits of $39 million, $33 million and $37 million in 2017, 2016 and 2015, respectively. At December 31, 2017, $153 million of total unrecognized compensation costs related to unvested SARs, RSUs and PSUs is expected to be recognized over a weighted-average period of 1.6 years.

Shareholders' Equity

12 Months Ended
Dec. 31, 2017

Class of Stock Disclosures [Abstract]

Capital Stock

13. Shareholders' Equity

Share Repurchases

From time to time, our Board authorizes us to repurchase our common stock. The repurchases are effected from time to time in the open market, through negotiated transactions, including accelerated share repurchase ("ASR") agreements, and through plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The activity under Board authorized share repurchase programs in 2017, 2016 and 2015 was as follows:

		Shares Purchased					
	Purchase Not to	2017		2016		2015	
(Millions)	Exceed	Shares	Cost	Shares	Cost	Shares	Cost
Authorization date:							
February 17, 2017	$ 4,000	**19.3**	**$ 2,762**	—	$ —	—	$ —
November 21, 2014	1,000	**7.1**	**1,000**	—	—	—	—
February 28, 2014	1,000	**0.6**	**83**	—	—	3.0	296
Total repurchases	N/A	**27.0**	**$ 3,845**	—	$ —	3.0	$ 296
Repurchase authorization remaining at December 31,		**N/A**	**$ 1,238**	N/A	$ 1,083	N/A	$ 1,083

On February 22, 2017, we entered into ASR agreements with two unrelated third party financial institutions to repurchase an aggregate of $3.3 billion of Aetna's common shares. Under the terms of the ASR agreements, we made an approximately $1.7 billion payment to each unrelated third party financial institution on February 22, 2017 and received from each of them an initial delivery of approximately 10.4 million of our common shares on the same day, which represented approximately 80 percent of the total common shares expected to be repurchased under the ASR agreements based on the closing price of $126.34 per share on the day before we entered into the ASR agreements. In August 2017, we settled the ASR agreements and received approximately 2.7 million of our common shares based on the volume-weighted average share price of our common shares during the term of the applicable transaction, less a discount. The average price of our common shares repurchased under the ASR agreements was $140.09 per share.

We recorded the initial delivery of our common shares as a decrease to retained earnings of approximately $2.6 billion, and recorded the remaining approximately $0.7 billion as a decrease to additional paid-in capital on our Consolidated Balance Sheet. In August 2017, we reclassified the approximately $0.7 billion recorded as a reduction to additional paid-in capital to a reduction of retained earnings upon final settlement of the ASR agreements.

During the year ended December 31, 2017, we also repurchased approximately 3.4 million of our common shares in the open market at a cost of approximately $545 million. As a result of the CVS Merger Agreement, our ability to repurchase shares of our common stock prior to the completion of the merger contemplated by the CVS Merger Agreement (the "Merger") is limited.

Dividends

Prior to termination of the Humana Merger Agreement, Aetna was not permitted to declare, set aside or pay any dividend or other distribution other than a regular quarterly cash dividend in the ordinary course of business, which could not exceed $.25 per share. In addition, the Term Loan Agreement contained a covenant limiting "Restricted Payments" (as defined in the Term Loan Agreement) by Aetna, subject to certain exceptions and baskets, including an exception permitting the payment of regular cash dividends. Under the terms of the CVS Merger Agreement, prior to the completion of the Merger, Aetna is not permitted to declare, set aside or pay any dividend or make any other distribution other than a regular quarterly cash dividend in the ordinary course of business, which cannot exceed $.50 per share. Declaration and payment of future dividends is at the discretion of our Board and may be adjusted as business needs or marketplace conditions change. In addition, under the terms of the CVS Merger

Agreement, we have agreed with CVS Health to coordinate the declaration and payment of dividends so that our shareholders do not fail to receive a quarterly dividend around the time of closing the Merger.

In 2017 and 2016 our Board declared the following cash dividends:

Date Declared	Dividend Amount Per Share	Stockholders of Record Date	Date Paid/ To be Paid	Total Dividends (Millions)
Year ended December 31, 2016				
February 19, 2016	$ .25	April 14, 2016	April 29, 2016	$ 88
May 20, 2016	.25	July 14, 2016	July 29, 2016	88
September 30, 2016	.25	October 13, 2016	October 28, 2016	88
December 2, 2016	.25	January 12, 2017	January 27, 2017	88
Year ended December 31, 2017				
February 17, 2017	$ .50	April 13, 2017	April 28, 2017	$ 166
May 19, 2017	.50	July 13, 2017	July 28, 2017	166
September 29, 2017	.50	October 12, 2017	October 27, 2017	163
December 3, 2017	.50	January 11, 2018	January 26, 2018	163

On February 23, 2018, our Board declared a cash dividend of $.50 per share that will be paid on April 27, 2018 to shareholders of record at the close of business on April 12, 2018.

Preferred Stock and Undesignated Shares

In addition to the common stock disclosed on our Consolidated Balance Sheets, 8 million shares of Class A voting preferred stock, $.01 par value per share, have been authorized and none are issued or outstanding at December 31, 2017. At December 31, 2017, there were also 469 million undesignated shares that our Board has the power to divide into such classes and series, with such voting rights, designations, preferences, limitations and special rights as our Board determines.

Regulatory Requirements

Our business operations are conducted through subsidiaries that principally consist of HMOs and insurance companies. Our HMO and insurance subsidiaries report their financial statements in accordance with accounting practices prescribed by state regulatory authorities which may differ from GAAP. The combined statutory net income for the years ended and combined statutory capital and surplus at December 31, 2017, 2016 and 2015 for our insurance and HMO subsidiaries were as follows:

(Millions)	2017	2016	2015
Statutory net income	**$ 2,908**	$ 2,229	$ 2,186
Statutory capital and surplus	**9,948**	10,413	9,883

During 2017, our insurance and HMO subsidiaries paid approximately $3.9 billion of gross dividends to the Company.

In addition to general state law restrictions on payments of dividends and other distributions to shareholders applicable to all corporations, HMOs and insurance companies are subject to further regulations that, among other things, may require those companies to maintain certain levels of equity and restrict the amount of dividends and other distributions that may be paid to their equity holders. At December 31, 2017, these amounts were as follows:

(Millions)	
Minimum statutory surplus required by regulators	$ 3,685
Investments on deposit with regulatory bodies	621
Maximum dividend distributions permitted in 2018 without state approval	1,573

Non-controlling (Minority) Interests

At December 31, 2017 and 2016, continuing business non-controlling interests were $257 million and $62 million, respectively, primarily related to third party interests in our operating entities. At December 31, 2016, continuing business non-controlling interests also included third party interests in our investment holdings. During the fourth quarter of 2017, we redeemed the entire minority shareholder interests in our investment holdings. The non-controlling entities' share is included in total equity.

Other Comprehensive (Loss) Income

Other Comprehensive Income (Loss), Net of Tax [Abstract]

Other Comprehensive (Loss) Income

12 Months Ended
Dec. 31, 2017

14. Other Comprehensive Income (Loss)

Shareholders' equity included the following activity in accumulated other comprehensive income (loss) in 2017, 2016 and 2015:

	At December 31,		
(Millions)	**2017**	**2016**	**2015**
Previously impaired debt securities: [1]			
Beginning of period balance	**$ 16**	$ 19	$ 35
Net unrealized losses *($(9), $(31) and $(69) pretax)*	**(6)**	(20)	(45)
Less: Net reclassification of gains (losses) to earnings *($8, $(26) and $(44) pretax)* [2]	**5**	(17)	(29)
Other comprehensive loss	**(11)**	(3)	(16)
End of period balance	**5**	16	19
All other securities:			
Beginning of period balance	**297**	312	568
Net unrealized gains (losses) *($165, $(12) and $(490) pretax)*	**107**	(8)	(318)
Less: Net reclassification of gains (losses) to earnings *($120, $11 and $(97) pretax)* [2]	**78**	7	(62)
Other comprehensive income (loss)	**29**	(15)	(256)
End of period balance	**326**	297	312
Derivatives and foreign currency:			
Beginning of period balance	**(235)**	$ (74)	$ (61)
Net unrealized gains (losses) *($11, $(273) and $(26) pretax)*	**7**	(177)	(17)
Less: Net reclassification of losses to earnings *($(345), $(25) and $(6) pretax)* [3]	**(224)**	(16)	(4)
Other comprehensive income (loss)	**231**	(161)	(13)
End of period balance	**(4)**	(235)	(74)
Pension and OPEB plans:			
Beginning of period balance	**(1,630)**	(1,587)	(1,653)
Net unrealized net actuarial gains (losses) arising during the period *($23, $(126) and $41 pretax)*	**18**	(82)	27
Less: Net amortization of net actuarial losses *($(68), $(64) and $(64) pretax)* [4]	**(44)**	(42)	(42)
Less: Net amortization of prior service credit *($5, $5 and $4 pretax)* [4]	**3**	3	3
Other comprehensive income (loss)	**59**	(43)	66
End of period balance	**(1,571)**	(1,630)	(1,587)
Total beginning of period accumulated other comprehensive loss	**(1,552)**	(1,330)	(1,111)
Total other comprehensive income (loss)	**308**	(222)	(219)
Total end of period accumulated other comprehensive loss	**$ (1,244)**	$ (1,552)	$ (1,330)

[1] Represents specifically identified unrealized gains on the non-credit related component of impaired debt securities that we do not intend to sell and subsequent changes in the fair value of any previously impaired security.

[2] Reclassifications out of accumulated other comprehensive income for specifically identified previously impaired debt securities and all other securities are reflected in net realized capital (losses) gains within our Consolidated Statements of Income.

[3] Reclassifications out of accumulated other comprehensive income for specifically identified foreign currency gains (losses) and derivatives are reflected in net realized capital (losses) gains within our Consolidated Statements of Income, except for the specifically identified effective portion of derivatives related to interest rate swaps which are reflected in interest expense. During the year ended December 31, 2017, we redeemed the entire $10.2 billion aggregate principal amount outstanding of the Special Mandatory Redemption Notes and the entire $750 million

aggregate principal amount outstanding of our senior notes due 2020 and reclassified out of accumulated other comprehensive income the remaining $336 million pre-tax unrealized hedge losses as a realized capital loss within our Consolidated Statements of Income. Refer to Note 9 for additional information.

(4) Reclassifications out of accumulated other comprehensive income for specifically identified pension and OPEB plan expenses are reflected in general and administrative expenses within our Consolidated Statements of Income. Refer to Note 10 for additional information.

Earnings Per Common Share

12 Months Ended
Dec. 31, 2017

Earnings Per Share [Abstract]

Earnings Per Common Share

15. Earnings Per Common Share

Basic earnings per common share ("EPS") is computed by dividing net income attributable to Aetna by the weighted-average number of common shares outstanding during the reporting period. Diluted EPS is computed in a similar manner, except that the weighted average number of common shares outstanding is adjusted for the dilutive effects of our outstanding stock-based compensation awards, but only if the effect is dilutive.

The computations of basic and diluted EPS for 2017, 2016 and 2015 are as follows:

(Millions, except per common share data)	**2017**	**2016**	**2015**
Net income attributable to Aetna	**$ 1,904**	$ 2,271	$ 2,390
Weighted average shares used to compute basic EPS	**333.2**	351.3	349.3
Dilutive effect of outstanding stock-based compensation awards	**2.2**	3.0	3.3
Weighted average shares used to compute diluted EPS	**335.4**	354.3	352.6
Basic EPS	**$ 5.71**	$ 6.46	$ 6.84
Diluted EPS	**$ 5.68**	$ 6.41	$ 6.78

The stock-based compensation awards excluded from the calculation of diluted EPS for 2017, 2016 and 2015 are as follows:

(Millions)	**2017**	**2016**	**2015**
Stock appreciation rights ("SARs") [1]	**—**	.1	.5
Other stock-based compensation awards [2]	**.7**	.7	.8

[1] SARs are excluded from the calculation of diluted EPS if the exercise price is greater than the average market price of Aetna common shares during the period (i.e., the awards are anti-dilutive).

[2] Performance stock units ("PSUs"), certain market stock units ("MSUs") with performance conditions, and performance stock appreciation rights ("PSARs") are excluded from the calculation of diluted EPS if all necessary performance conditions have not been satisfied at the end of the reporting period (refer to Note 12 for additional information about PSARs).

Reinsurance

12 Months Ended
Dec. 31, 2017

Reinsurance Disclosures [Abstract]

Reinsurance

16. Reinsurance

We utilize reinsurance agreements primarily to reduce our required capital and to facilitate the acquisition or disposition of certain insurance contracts. Ceded reinsurance agreements permit us to recover a portion of our losses from reinsurers, although they do not discharge our primary liability as the direct insurer of the risks reinsured.

On November 1, 2017, we completed the sale of a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance and absence management businesses to HLAIC. The transaction was accomplished through an indemnity reinsurance arrangement under which HLAIC contractually assumed certain of our policyholder liabilities and obligations, although we remain directly obligated to policyholders. The liability related to our obligation is primarily recorded in unpaid claims on our Consolidated Balance Sheets. Assets related to and supporting the reinsured life and disability insurance policies were transferred to a trust established by HLAIC for our benefit, and we recorded a reinsurance receivable from HLAIC.

Effective October 1, 1998, we reinsured certain policyholder liabilities and obligations related to individual life insurance in conjunction with our former parent company's sale of this business. These transactions were in the form of indemnity reinsurance arrangements, whereby the assuming companies contractually assumed certain policyholder liabilities and obligations, although we remain directly obligated to policyholders. The liability related to our obligation is recorded in future policy benefits and policyholders' funds on our Consolidated Balance Sheets. Assets related to and supporting these policies were transferred to the assuming companies, and we recorded a reinsurance recoverable.

Effective 2014 to 2017, we entered into certain three to five-year reinsurance agreements with unrelated reinsurers that allowed us to reduce our required capital and provided collateralized excess of loss reinsurance coverage on a portion of our group Commercial Insured Health Care business. In January 2018, we entered into two four-year reinsurance agreements with an unrelated reinsurer that allowed us to reduce our required capital and provided collateralized excess of loss reinsurance coverage on a portion of our group Commercial Insured Health Care business.

The ACA established a temporary reinsurance program that expired at the end of 2016. Under this program, all issuers of major medical commercial insurance products and self-insured plan sponsors were required to contribute funding in amounts set by HHS. Funds collected were utilized to reimburse issuers' high claims costs incurred for qualified individual members. The expense related to this required funding was reflected in general and administrative expenses for all of our insurance products with the exception of products associated with qualified individual members; this expense for qualified individual members was reflected as a reduction of premium revenue. When annual claim costs incurred by our qualified individual members exceeded a specified attachment point, we were entitled to certain reimbursements from this program. We recorded a receivable and offset health care costs to reflect our estimate of these recoveries. Refer to Note 2 for additional information about the ACA's temporary three-year reinsurance program.

Reinsurance recoverables recorded at December 31, 2017 and 2016 were as follows:

(Millions)	**Total Recoverables**	
Reinsurer	**2017**	**2016**
Hartford Life and Accident Insurance Company	**$ 3,555**	$ —
Lincoln Life & Annuity Company of New York	**431**	444
VOYA Retirement Insurance and Annuity Company	**197**	209
Affordable Care Act	**37**	202
All Other	**153**	164
Total	**$ 4,373**	$ 1,019

Direct, assumed and ceded premiums earned for the years ended December 31 were as follows:

	Health Care			Group Insurance		
(Millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Direct	**$ 51,964**	$ 54,062	$ 51,539	**$ 2,171**	$ 2,155	$ 2,155
Assumed	**413**	402	368	**1**	1	1
Ceded	**(355)**	(348)	(289)	**(353)**	(13)	(17)
Net premiums	**$ 52,022**	$ 54,116	$ 51,618	**$ 1,819**	$ 2,143	$ 2,139

The impact of reinsurance on benefit costs (health care costs for our Health Care segment and current and future benefits for our Group Insurance segment) for the years ended December 31 were as follows:

	Health Care			Group Insurance		
(Millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Direct	**$ 42,780**	$ 44,341	$ 42,038	**$ 2,181**	$ 1,861	$ 1,845
Assumed	**318**	339	298	**4**	2	2
Ceded	**(345)**	(425)	(624)	**(597)**	(13)	(10)
Net benefit costs	**$ 42,753**	$ 44,255	$ 41,712	**$ 1,588**	$ 1,850	$ 1,837

Assumed and ceded other premiums and current and future benefit expense related to our Large Case Pensions segment was not material during the years ended 2017, 2016 or 2015. There is not a material difference between premiums on a written basis versus an earned basis.

We also have various agreements with unrelated reinsurers that do not qualify for reinsurance accounting under GAAP, and consequently are accounted for using deposit accounting. We entered into these contracts to reduce the risk of catastrophic loss which in turn reduces our capital and surplus requirements surrounding certain portions of our group term life, group accidental death and dismemberment, Medicare Advantage and group Commercial Insured Health Care businesses. Total deposit assets and liabilities related to reinsurance agreements that do not qualify for reinsurance accounting under GAAP were not material as of December 31, 2017 or 2016.

Commitments and Contingencies	12 Months Ended Dec. 31, 2017
Commitments and Contingencies Disclosure [Abstract]	
Commitments and Contingencies	**17. Commitments and Contingencies**

Guarantees

We have the following significant guarantee and indemnification arrangements at December 31, 2017.

- ASC Claim Funding Accounts - We have arrangements with certain banks for the processing of claim payments for our ASC customers. The banks maintain accounts to fund claims of our ASC customers. The customer is responsible for funding the amount paid by the bank each day. In these arrangements, we guarantee that the banks will not sustain losses if the responsible ASC customer does not properly fund its account. The aggregate maximum exposure under these arrangements is generally limited to $250 million. We can limit our exposure to this guarantee by suspending the payment of claims for ASC customers that have not adequately funded the amount paid by the bank.
- Indemnification Agreements - In connection with certain acquisitions and dispositions of assets and/or businesses, our various issuances of long-term debt and certain of our reinsurance agreements, we have incurred certain customary indemnification obligations to the applicable seller, purchaser, underwriters and/or various other participants. In general, we have agreed to indemnify the other party for certain losses relating to the assets or business that we or they purchased or sold or for other matters on terms that are customary for similar transactions. Certain portions of our indemnification obligations are capped at the applicable transaction price, while other arrangements are not subject to such a limit. At December 31, 2017, we do not believe that our future obligations under any of these agreements will be material to our financial position.
- Separate Accounts assets - Certain Separate Accounts assets associated with the Large Case Pensions business represent funds maintained as a contractual requirement to fund specific pension annuities that we have guaranteed. Minimum contractual obligations underlying the guaranteed benefits in these Separate Accounts were approximately $1.7 billion and $1.8 billion at December 31, 2017 and 2016, respectively. Refer to Note 2 for additional information on Separate Accounts. Contract holders assume all investment and mortality risk and are required to maintain Separate Account balances at or above a specified level. The level of required funds is a function of the risk underlying the Separate Account's investment strategy. If contract holders do not maintain the required level of Separate Account assets to meet the annuity guarantees, we would establish an additional liability. Contract holders' balances in the Separate Accounts at December 31, 2017 exceeded the value of the guaranteed benefit obligation. As a result, we were not required to maintain any additional liability for our related guarantees at December 31, 2017.

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

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

In 2009, the Pennsylvania Insurance Commissioner (the "Commissioner") placed long-term care insurer Penn Treaty Network America Insurance Company and one of its subsidiaries (collectively, "Penn Treaty") in rehabilitation, an intermediate action before insolvency, and subsequently petitioned a state court to convert the rehabilitation into a liquidation. Penn Treaty was placed in liquidation in March 2017. We recorded a discounted estimated liability and expense of $231 million pretax during the first quarter of 2017 for our estimated share of future assessments by applicable life and health guaranty associations which reflects a 3.5% discount rate. The undiscounted estimated liability was $347 million. The expense was recorded in general and administrative expenses in our Consolidated Statements of Income, and the liability was recorded in accrued expenses and other current liabilities in our Consolidated Balance Sheets. We did not record an asset for expected premium tax offsets for our in force business at December 31, 2017 as the amount was not material. It is reasonably possible that in the future we may record a liability and expense relating to other insolvencies which could have a material adverse effect on our operating results,

financial position and cash flows. While historically we have ultimately recovered more than half of guaranty fund assessments through statutorily permitted premium tax offsets, significant increases in assessments could lead to legislative and/or regulatory actions that may limit future offsets.

HMOs in certain states in which we do business are subject to assessments, including market stabilization and other risk-sharing pools, for which we are assessed charges based on incurred claims, demographic membership mix and other factors. We establish liabilities for these assessments based on applicable laws and regulations. In certain states, the ultimate assessments we pay are dependent upon our experience relative to other entities subject to the assessment, and the ultimate liability is not known at the financial statement date. While the ultimate amount of the assessment is dependent upon the experience of all pool participants, we believe we have adequate reserves to cover such assessments.

Litigation and Regulatory Proceedings

Out-of-Network Benefit Proceedings

We are named as a defendant in several purported class actions and individual lawsuits arising out of our practices related to the payment of claims for services rendered to our members by health care providers with whom we do not have a contract ("out-of-network providers"). Among other things, these lawsuits allege that we paid too little to our health plan members and/or providers for these services, among other reasons, because of our use of data provided by Ingenix, Inc., a subsidiary of one of our competitors ("Ingenix"). Other major health insurers are the subject of similar litigation or have settled similar litigation.

Various plaintiffs who are health care providers or medical associations seek to represent nationwide classes of out-of-network providers who provided services to our members during the period from 2001 to the present. Various plaintiffs who are members in our health plans seek to represent nationwide classes of our members who received services from out-of-network providers during the period from 2001 to the present. Taken together, these lawsuits allege that we violated state law, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Racketeer Influenced and Corrupt Organizations Act ("RICO") and federal antitrust laws, either acting alone or in concert with our competitors. The purported classes seek reimbursement of all unpaid benefits, recalculation and repayment of deductible and coinsurance amounts, unspecified damages and treble damages, statutory penalties, injunctive and declaratory relief, plus interest, costs and attorneys' fees, and seek to disqualify us from acting as a fiduciary of any benefit plan that is subject to ERISA. Individual lawsuits that generally contain similar allegations and seek similar relief have been brought by health plan members and out-of-network providers.

The first class action case was commenced on July 30, 2007. The federal Judicial Panel on Multi-District Litigation (the "MDL Panel") has consolidated these class action cases in the U.S. District Court for the District of New Jersey (the "New Jersey District Court") under the caption *In re: Aetna UCR Litigation*, MDL No. 2020 ("MDL 2020"). In addition, the MDL Panel has transferred the individual lawsuits to MDL 2020. On May 9, 2011, the New Jersey District Court dismissed the physician plaintiffs from MDL 2020 without prejudice. The New Jersey District Court's action followed a ruling by the United States District Court for the Southern District of Florida (the "Florida District Court") that the physician plaintiffs were enjoined from participating in MDL 2020 due to a prior settlement and release. The United States Court of Appeals for the Eleventh Circuit has dismissed the physician plaintiffs' appeal of the Florida District Court's ruling.

On December 6, 2012, we entered into an agreement to settle MDL 2020. Under the terms of the proposed nationwide settlement, we would have been released from claims relating to our out-of-network reimbursement practices from the beginning of the applicable settlement class period through August 30, 2013. The settlement agreement did not contain an admission of wrongdoing. The medical associations were not parties to the settlement agreement.

Under the settlement agreement, we would have paid up to $120 million to fund claims submitted by health plan members and health care providers who were members of the settlement classes. These payments also would have funded the legal fees of plaintiffs' counsel and the costs of administering the settlement. In connection with the proposed settlement, the Company recorded an after-tax charge to net income attributable to Aetna of $78 million in the fourth quarter of 2012.

The settlement agreement provided us the right to terminate the agreement under certain conditions related to settlement class members who opted out of the settlement. Based on a report provided to the parties by the settlement administrator, the conditions permitting us to terminate the settlement agreement were satisfied. On March 13, 2014, we notified the New Jersey District Court and plaintiffs' counsel that we were terminating the settlement agreement. Various legal and factual developments since the date of the settlement agreement led us to believe terminating the settlement agreement was in our best interests. As a result of this termination, we released the reserve established in connection with the settlement

agreement, net of amounts due to the settlement administrator, which reduced first quarter 2014 other general and administrative expenses by $103 million pretax.

On June 30, 2015, the New Jersey District Court granted in part our motion to dismiss the proceeding. The New Jersey District Court dismissed with prejudice the plaintiffs' RICO and federal antitrust claims; their ERISA claims that are based on our disclosures and our purported breach of fiduciary duties; and certain of their state law claims. The New Jersey District Court also dismissed with prejudice all claims asserted by several medical association plaintiffs. The plaintiffs' remaining claims are for ERISA benefits and breach of contract. We intend to defend ourselves vigorously against the plaintiffs' remaining claims.

We also have received subpoenas and/or requests for documents and other information from, and been investigated by, attorneys general and other state and/or federal regulators, legislators and agencies relating to, and we are involved in other litigation regarding, our out-of-network benefit payment and administration practices. It is reasonably possible that others could initiate additional litigation or additional regulatory action against us with respect to our out-of-network benefit payment and/or administration practices.

CMS Actions

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

CMS revised its audit methodology for RADV audits to determine refunds payable by Medicare Advantage plans for contract year 2011 and forward. Under the revised methodology, among other things, CMS will project the error rate identified in the audit sample of approximately 200 members to all risk adjusted premium payments made under the contract being audited. Historically, CMS did not project sample error rates to the entire contract. As a result, the revised methodology may increase our exposure to premium refunds to CMS based on incomplete medical records maintained by providers. Since 2013, CMS has selected certain of our Medicare Advantage contracts for various contract years for RADV audit. We are currently unable to predict which of our Medicare Advantage contracts will be selected for future audit, the amounts of any retroactive refunds of, or prospective adjustments to, Medicare Advantage premium payments made to us, the effect of any such refunds or adjustments on the actuarial soundness of our Medicare Advantage bids, or whether any RADV audit findings would cause a change to our method of estimating future premium revenue in future bid submissions to CMS or compromise premium assumptions made in our bids for prior contract years, the current contract year or future contract years. Any premium or fee refunds or adjustments resulting from regulatory audits, whether as a result of RADV, Public Exchange related or other audits by CMS, the OIG, HHS or otherwise, including audits of our minimum medical loss ratio rebates, methodology and/or reports, could be material and could adversely affect our operating results, financial position and cash flows.

Other Litigation and Regulatory Proceedings

We are involved in numerous other lawsuits arising, for the most part, in the ordinary course of our business operations, including claims of or relating to bad faith, medical malpractice, non-compliance with state and federal regulatory regimes, marketing misconduct, failure to timely or appropriately pay or administer claims and benefits in our Health Care and Group Insurance businesses (including our post-payment audit and collection practices and reductions in payments to providers due to sequestration), provider network structure (including the use of performance-based networks and termination of provider contracts), provider directory accuracy, rescission of insurance coverage, improper disclosure of personal information, anticompetitive practices, intellectual property litigation, other legal proceedings in our Health Care and Group Insurance businesses and employment litigation. Some of these other lawsuits are or are purported to be class actions. We intend to defend ourselves vigorously against the claims

brought in these matters.

Awards to us and others of certain government contracts, particularly Medicaid contracts and contracts with government customers in our Commercial business, are subject to increasingly frequent protests by unsuccessful bidders. These protests may result in awards to us being reversed, delayed or modified. The loss or delay in implementation of any government contract could adversely affect our operating results. We will continue to defend vigorously contract awards we receive.

In addition, our operations, current and past business practices, current and past contracts, and accounts and other books and records are subject to routine, regular and special investigations, audits, examinations and reviews by, and from time to time we receive subpoenas and other requests for information from, CMS, the U.S. Department of Health and Human Services, various state insurance and health care regulatory authorities, state attorneys general, treasurers and offices of inspector general, the Center for Consumer Information and Insurance Oversight, OIG, the Office of Personnel Management, the U.S. Department of Labor, the U.S. Department of the Treasury, the U.S. Food and Drug Administration, committees, subcommittees and members of the U.S. Congress, the U.S. Department of Justice, the Federal Trade Commission, U.S. attorneys and other state, federal and international governmental authorities. These government actions include inquiries by, and testimony before, certain members, committees and subcommittees of the U.S. Congress regarding our withdrawal from certain states' Public Exchanges for 2017, certain of our current and past business practices, including our overall claims processing and payment practices, our business practices with respect to our small group products, student health products or individual customers (such as market withdrawals, rating information, premium increases and medical benefit ratios), executive compensation matters and travel and entertainment expenses, as well as the investigations by, and subpoenas and requests from, attorneys general and others described above under "Out-of-Network Benefit Proceedings." We also have produced documents and information to the Civil Division of the DOJ in cooperation with a current investigation of our patient chart review processes in connection with risk adjustment data submissions under Parts C and D of the Medicare program.

A significant number of states are investigating life insurers' claims payment and related escheat practices. These investigations have resulted in significant charges to earnings by other life insurers in connection with related settlements. We have received requests for information from a number of states, and certain of our subsidiaries are being audited, with respect to our life insurance claim payment and related escheat practices. In the fourth quarter of 2013, we made changes to our life insurance claim payment practices (including related escheatment practices) based on evolving industry practices and regulatory expectations and interpretations, including expanding our existing use of the Social Security Administration's Death Master File to identify additional potentially unclaimed death benefits and locate applicable beneficiaries. As a result of these changes, in the fourth quarter of 2013, we increased our estimated liability for unpaid life insurance claims with respect to insureds who passed away on or before December 31, 2013, and recorded in current and future benefits a charge of $36 million ($55 million pretax). Given the judicial, legislative and regulatory uncertainty with respect to life insurance claim payment and related escheat practices, it is reasonably possible that we may incur additional liability related to those practices, whether as a result of further changes in our business practices, litigation, government actions or otherwise, which could adversely affect our operating results and cash flows.

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

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

Estimating the probable losses or a range of probable losses resulting from litigation, government actions and other legal proceedings is inherently difficult and requires an extensive degree of judgment, particularly where the matters involve indeterminate claims for monetary damages, involve claims for injunctive relief, may involve fines, penalties or punitive damages that are discretionary in amount, involve a large number of claimants or regulatory authorities, represent a change in regulatory policy, present novel legal theories, are in the early stages of the proceedings, are subject to appeal or could result in changes in business practices. In addition, because most legal proceedings are resolved over long periods of time, potential losses are subject to change due to, among other things, new developments, changes in litigation strategy, the outcome of intermediate procedural and substantive rulings and other parties' settlement posture and their evaluation of the strength or weakness of their case against us. Except as specifically noted above under "Other Litigation and Regulatory Proceedings," we are currently unable to predict the ultimate outcome of, or reasonably estimate the losses or a range of losses resulting from, the matters described above under "Litigation and Regulatory Proceedings", and it is reasonably possible that their outcome could be material to us.

Other Obligations

We have operating leases for office space and certain computer and other equipment. Rental expenses for these items were $159 million, $167 million and $165 million in 2017, 2016 and 2015, respectively. For 2018 through 2022, our future net minimum payments under non-cancelable leases and funding obligations relating to equity limited partnership investments, commercial mortgage loans and real estate partnerships were:

(Millions)	**2018**	**2019**	**2020**	**2021**	**2022**
Future net minimum payments under non-cancelable leases	$ 142	$ 115	$ 79	$ 65	$ 51
Funding requirements for equity limited partnership investments, commercial mortgage loans and real estate partnerships	139	106	90	53	35
Total	$ 281	$ 221	$ 169	$ 118	$ 86

Segment Information

12 Months Ended
Dec. 31, 2017

Segment Reporting [Abstract]

Segment Information

18. Segment Information

Our operations are conducted in three business segments: Health Care, Group Insurance and Large Case Pensions. Our Corporate Financing segment is not a business segment; it is added to our business segments to reconcile to our consolidated results. The Corporate Financing segment includes transaction and integration-related costs, restructuring costs, income taxes, interest expense on our outstanding debt and the financing components of our pension and OPEB expense (the service cost and prior service cost components of this expense are allocated to our business segments). Effective for the first quarter of 2018, we will realign our business segments to correspond with changes to our management structure and internal management reporting which reflect our evolving business strategy of helping our members live healthier lives. Refer to Note 1 for further discussion.

Non-GAAP financial measures we disclose, such as adjusted earnings and pre-tax adjusted earnings, should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP. Effective March 31, 2017, to more clearly differentiate between the GAAP and non-GAAP financial measures used in our reports filed with or furnished to the Securities and Exchange Commission and our other disclosures, we changed the naming convention for our non-GAAP financial measures from “operating” measures to “adjusted” measures. The underlying calculations of our consolidated non-GAAP financial measures did not change. Prior to March 31, 2017, operating earnings was the measure reported to the chief executive officer for purposes of assessing financial performance and making operating decisions, such as the allocation of resources among our business segments. Effective March 31, 2017, the chief executive officer assesses our consolidated results based on adjusted earnings and assesses business segment results based on pre-tax adjusted earnings because income taxes are recorded in our Corporate Financing segment and are not allocated to our business segments. Also effective March 31, 2017, transaction and integration-related costs and restructuring costs were reclassified to our Corporate Financing segment because they do not reflect our underlying business performance. Prior periods have been restated to reflect this presentation.

Summarized financial information of our segment operations [1] for 2017, 2016 and 2015 were as follows:

(Millions)	Health Care	Group Insurance	Large Case Pensions	Corporate Financing	Total Company
2017					
Revenue from external customers	**$ 57,771**	**$ 1,992**	**$ 61**	**$ —**	**$ 59,824**
Net investment income	**476**	**210**	**253**	**11**	**950**
Interest expense	**—**	**—**	**—**	**442**	**442**
Depreciation and amortization expense	**705**	**—**	**—**	**—**	**705**
Pre-tax adjusted earnings (loss) [2]	**5,207**	**125**	**15**	**(254)**	**5,093**
2016					
Revenue from external customers	$ 59,860	$ 2,251	$ 48	$ —	$ 62,159
Net investment income	435	226	226	23	910
Interest expense	—	—	—	604	604
Depreciation and amortization expense	681	—	—	—	681
Pre-tax adjusted earnings (loss) [2]	5,073	141	10	(259)	4,965
2015					
Revenue from external customers	$ 57,203	$ 2,240	$ 42	$ —	$ 59,485
Net investment income	408	238	271	—	917
Interest expense	—	—	—	369	369
Depreciation and amortization expense	671	—	—	—	671
Pre-tax adjusted earnings (loss) [2]	4,751	174	14	(227)	4,712

[1] Total Assets by segment are not disclosed as this information is not reviewed by the chief executive officer.

[2] Pre-tax adjusted earnings (loss) excludes net realized capital gains or losses, amortization of other acquired intangible assets and the other items described in the reconciliation below.

A reconciliation of income before income taxes attributable to Aetna to pre-tax adjusted earnings[(1)] in 2017, 2016 and 2015 follows.

(Millions)	**2017**	**2016**	**2015**
Income before income taxes (GAAP measure)	**$ 2,992**	$ 3,991	$ 4,236
Less: (Loss) income before income taxes attributable to non-controlling interests (GAAP measure)	**(10)**	(20)	7
Income before income taxes attributable to Aetna (GAAP measure)	**3,002**	4,011	4,229
Gain related to sale of certain domestic group insurance businesses	**(88)**	—	—
Loss on early extinguishment of long-term debt	**246**	—	—
Penn Treaty-related guaranty fund assessments	**231**	—	—
Transaction and integration-related costs	**1,240**	517	258
Restructuring costs	**60**	404	15
Reduction of reserve for anticipated future losses on discontinued products	**(109)**	(128)	—
Litigation related proceeds	**—**	—	(110)
Amortization of other acquired intangible assets	**272**	247	255
Net realized capital losses (gains)	**239**	(86)	65
Pre-tax adjusted earnings	**$ 5,093**	$ 4,965	$ 4,712

(1) In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earnings and pre-tax adjusted earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:

- During the year ended December 31, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance, and absence management business. The transaction was accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of Aetna's business operations.
- During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory redemption of the $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemption of $750 million aggregate principal amount of our outstanding senior notes due 2020.
- During the year ended December 31, 2017, we recorded an expense for estimated future guaranty fund assessments related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of our business operations.
- We recorded transaction-related costs during the year ended December 31, 2017 related to our proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primarily related to the Humana Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agreement, the termination of our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP Consolidated Statements of Income in general and administrative expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior to the mandatory redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-tax adjusted earnings. The negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption (the “Other 2016 Senior Notes”) was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the Humana Merger Agreement, the interest expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings.
- Restructuring costs for 2017 include severance costs associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early retirement program, severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments which require us to make payments to

suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume commitments as a result of our reduced participation on the ACA's individual Public Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense management and cost control initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.

- In 1993, we discontinued the sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the year ended December 31, 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for anticipated future losses on discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating results of these discontinued products, which are credited or charged to the reserve and do not affect our operating results.
- In 2015, we received proceeds net of legal costs, in connection with a litigation settlement. These net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

Revenues from external customers by product in 2017, 2016 and 2015 were as follows:

(Millions)	**2017**	**2016**	**2015**
Health care premiums	**$ 52,022**	$ 54,116	$ 51,618
Health care fees and other revenue	**5,749**	5,744	5,585
Group insurance premiums	**1,819**	2,143	2,139
Group insurance fees and other revenues	**173**	108	101
Large case pensions premiums	**53**	39	32
Large case pensions other revenue	**8**	9	10
Total revenue from external customers [(1) (2)]	**$ 59,824**	$ 62,159	$ 59,485

(1) All within the U.S., except approximately $634 million, $642 million and $1.3 billion in 2017, 2016 and 2015, respectively, which were derived from foreign customers.

(2) Revenue from the U.S. federal government was approximately $20.8 billion, $20.5 billion and $17.8 billion in 2017, 2016 and 2015, respectively, in the Health Care and Group Insurance segments. These amounts exceeded 10 percent of our total revenue from external customers in each of 2017, 2016 and 2015.

The following is a reconciliation of revenue from external customers to total revenues included in our Consolidated Statements of Income in 2017, 2016 and 2015:

(Millions)	**2017**	**2016**	**2015**
Revenue from external customers	**$ 59,824**	$ 62,159	$ 59,485
Net investment income	**950**	910	917
Net realized capital (losses) gains	**(239)**	86	(65)
Total revenue	**$ 60,535**	$ 63,155	$ 60,337

Long-lived assets, which are principally within the U.S., were $576 million and $579 million at December 31, 2017 and 2016, respectively.

Discontinued Products

12 Months Ended
Dec. 31, 2017

Discontinued Products [Abstract]

Discontinued Products

19. Discontinued Products

Prior to 1993, we sold single-premium annuities ("SPAs") and guaranteed investment contracts ("GICs"), primarily to employer sponsored pension plans. In 1993, we discontinued selling these products to Large Case Pensions customers, and now we refer to these products as discontinued products. In November 2016, the last outstanding GIC matured.

We discontinued selling these products because they were generating losses for us, and we projected that they would continue to generate losses over their life (which is currently greater than 30 years for SPAs); so we established a reserve for anticipated future losses at the time of discontinuance. This reserve represents the present value (at the risk-free rate of return consistent with the duration of the liabilities) of the difference between the expected cash flows from the assets supporting these products and the cash flows expected to be required to meet the obligations of the outstanding contracts.

Key assumptions in setting the reserve for anticipated future losses include future investment results, payments to retirees, mortality and retirement rates and the cost of asset management and customer service. In 2014, we modified the mortality tables used in order to reflect the more up-to-date 2014 Retired Pensioner's Mortality table. The mortality tables were previously modified in 2012, in order to reflect the more up-to-date 2000 Retired Pensioner's Mortality table, and in 1995, in order to reflect the more up-to-date 1994 Uninsured Pensioner's Mortality table. In 1997, we began the use of a bond default assumption to reflect historical default experience. Other than these changes, since 1993 there have been no significant changes to the assumptions underlying the reserve.

We review the adequacy of this reserve quarterly based on actual experience. As long as our expected future losses remain consistent with prior projections, the results of the discontinued products are applied against the reserve and do not impact net income attributable to Aetna. If actual or expected future losses are greater than we currently estimate, we may increase the reserve, which could adversely impact net income attributable to Aetna. If actual or expected future losses are less than we currently estimate, we may decrease the reserve, which could favorably impact net income attributable to Aetna. As a result of this review, we released $71 million ($109 million pretax) and $84 million ($128 million pretax) in the years ended December 31, 2017 and 2016, respectively. No releases were made to the reserve in 2015. The reserve release during the year ended December 31, 2017 was primarily due to favorable mortality experience compared to assumptions we previously made in estimating the reserve. The reserve release in the years ended December 31, 2017 and 2016 also was due to favorable retirement experience as well as favorable investment performance compared to assumptions we previously made in estimating the reserve. The reserve at each of December 31, 2017 and 2016 reflects management's best estimate of anticipated future losses and is included in future policy benefits on our Consolidated Balance Sheets.

The activity in the reserve for anticipated future losses on discontinued products in 2017, 2016 and 2015 was as follows (pretax):

(Millions)	**2017**	**2016**	**2015**
Reserve, beginning of period	**$ 962**	$ 1,067	$ 1,015
Operating income (loss)	**29**	(34)	(9)
Net realized capital gains	**72**	57	61
Reserve reduction	**(109)**	(128)	—
Reserve, end of period	**$ 954**	$ 962	$ 1,067

During 2017, our discontinued products reflected operating income and net realized capital gains, primarily attributable to gains from other investments and the sale of debt securities and investment real estate. During 2016, our discontinued products reflected operating losses and net realized capital gains, primarily attributable to gains from the sale of debt securities. During 2015, our discontinued products reflected operating losses and net realized capital gains, primarily attributable to gains from the sale of other invested assets and investment real estate. We evaluated these 2017 results against the expectations of future cash flows assumed in estimating the reserve for anticipated future losses and do not believe that an adjustment to the reserve was required at December 31, 2017.

The anticipated run-off of the discontinued products reserve balance at December 31, 2017 (assuming that assets are held until maturity and that the reserve run-off is proportional to the liability run-off) is as follows:

(Millions)	
2018	$ 55
2019	54
2020	52
2021	50
2022	48
Thereafter	695

Assets and liabilities supporting discontinued products[1] at December 31, 2017 and 2016 were as follows:

(Millions)	**2017**	**2016**
Assets:		
Debt and equity securities available for sale	**$ 1,623**	$ 1,913
Mortgage loans	**567**	370
Other investments	**564**	646
Total investments	**2,754**	2,929
Other assets	**71**	104
Receivable from continuing products [2]	**474**	554
Total assets	**$ 3,299**	$ 3,587
Liabilities:		
Future policy benefits	**$ 2,165**	$ 2,326
Reserve for anticipated future losses on discontinued products	**954**	962
Current and deferred income taxes	**22**	42
Other liabilities [3]	**158**	257
Total liabilities	**$ 3,299**	$ 3,587

(1) Assets supporting the discontinued products are distinguished from assets supporting continuing products.

(2) At the time of discontinuance, a receivable from Large Case Pensions' continuing products was established on the discontinued products balance sheet. This receivable represented the net present value of anticipated cash shortfalls in the discontinued products, which will be funded from continuing products. Interest on the receivable is accrued at the discount rate that was used to calculate the reserve. The offsetting payable, on which interest is similarly accrued, is reflected in continuing products. Interest on the payable generally offsets investment income on the assets available to fund the shortfall. These amounts are eliminated in consolidation.

(3) Net unrealized capital gains on the available-for-sale debt securities are included in other liabilities and are not reflected in consolidated shareholders' equity.

The discontinued products investment portfolio has changed since inception. Mortgage loans have decreased from $5.4 billion (37% of the investment portfolio) at December 31, 1993 to $567 million (21% of the investment portfolio) at December 31, 2017. This was a result of maturities, prepayments and the securitization and sale of commercial mortgages. Also, real estate decreased from $500 million (4% of the investment portfolio) at December 31, 1993 to $113 million (4% of the investment portfolio) at December 31, 2017, primarily as a result of sales. The resulting proceeds were primarily reinvested in debt securities, equity securities and other investments. Over time, the then-existing mortgage loan and real estate portfolios and the reinvested proceeds have resulted in greater investment returns than we originally assumed in 1993.

At December 31, 2017, the expected run-off of the SPA liabilities, including future interest, was as follows:

(Millions)	
2018	$ 328
2019	312
2020	297
2021	281

2022	266
Thereafter	3,240

The liability expected as of December 31, 1993 and the actual liability balances at December 31, 2017, 2016 and 2015 for the GIC and SPA liabilities were as follows:

	Expected		Actual	
(Millions)	**GIC**	**SPA**	**GIC**	**SPA**
2015	$ 10	$ 2,112	$ —	$ 2,494
2016	9	1,942	—	2,326
2017	**9**	**1,771**	**—**	**2,165**

The GIC balances were lower than expected in each period because several contract holders redeemed their contracts prior to contract maturity. In November 2016, the last outstanding GIC matured. The SPA balances in each period were higher than expected because of additional amounts received under existing contracts.

The distributions on our discontinued products consisted of scheduled contract maturities, settlements and benefit payments of $323 million, $364 million and $356 million for the years ended December 31, 2017, 2016 and 2015, respectively. Participant-directed withdrawals from our discontinued products were not significant in the years ended December 31, 2017, 2016 or 2015. Cash required to fund these distributions was provided by earnings and scheduled payments on, and sales of, invested assets.

Quarterly Financial Data

12 Months Ended
Dec. 31, 2017

Quarterly Financial Information Disclosure [Abstract]

Quarterly Financial Information

Quarterly Data (unaudited)

(Millions, except per share and common stock data)	First	Second	Third	Fourth
2017				
Total revenue	$ 15,165	$ 15,523	$ 14,994	$ 14,853
(Loss) income before income taxes	$ (628)	$ 1,820	$ 1,274	$ 526
Income tax benefit (expense)	249	(637)	(426)	(272)
Net income including non-controlling interests	(379)	1,183	848	254
Less: Net income (loss) attributable to non-controlling interests	2	(20)	10	10
Net (loss) income attributable to Aetna	$ (381)	$ 1,203	$ 838	$ 244
Net (loss) income attributable to Aetna per share - basic [(1)]	$ (1.11)	$ 3.62	$ 2.54	$ .75
Net (loss) income attributable to Aetna per share - diluted [(1)]	(1.11)	3.60	2.52	.74
2016				
Total revenue	$ 15,694	$ 15,952	$ 15,782	$ 15,727
Income before income taxes	$ 1,289	$ 1,354	$ 1,073	$ 275
Income tax expense	(551)	(561)	(476)	(147)
Net income including non-controlling interests	738	793	597	128
Less: Net income (loss) attributable to non-controlling interests	1	2	(7)	(11)
Net income attributable to Aetna	$ 737	$ 791	$ 604	$ 139
Net income attributable to Aetna per share - basic [(1)]	$ 2.10	$ 2.25	$ 1.72	$ .40
Net income attributable to Aetna per share - diluted [(1)]	2.09	2.23	1.70	.39

(1) Calculation of net income (loss) attributable to Aetna per share is based on weighted average shares outstanding during each quarter and, accordingly, the sum may not equal the total for the year.

Summary of Significant Accounting Policies (Policies)	12 Months Ended Dec. 31, 2017
New Accounting Pronouncements or Change in Accounting Principle [Line Items]	
New Accounting Pronouncements, Policy [Policy Text Block]	***New Accounting Standards*** *Accounting for Financial Instruments - Hedge Accounting* During the third quarter of 2017, we elected to early adopt new accounting guidance which simplifies the application of hedge accounting. The new guidance expands our ability to hedge non-financial and financial risk components, eliminates the requirement to separately measure and report hedge ineffectiveness, requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item and simplifies certain documentation and assessment requirements. The adoption of this new guidance did not have a material impact on our financial position or operating results. *Simplifying the Test for Goodwill Impairment* Effective January 1, 2017, we adopted, on a prospective basis, new accounting guidance which simplifies the accounting for goodwill impairment. The new guidance eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. A goodwill impairment charge would be recognized if the carrying amount of a reporting unit exceeds the estimated fair value of the reporting unit. The adoption of this new guidance did not have a material impact on our financial position or operating results. *Classification of Certain Cash Receipts and Cash Payments in the Consolidated Statements of Cash Flows* Effective January 1, 2017, we adopted, on a retrospective basis, new accounting guidance which clarifies the classification of certain cash receipts and cash payments in our Consolidated Statements of Cash Flows. As a result, we classified $54 million of cash distributions received from our partnership investments as cash inflows from operating activities for the year ended December 31, 2017, that previously would have been classified as cash inflows from investing activities. There were no material reclassifications in our Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015 as a result of the adoption of this new guidance.
Principles of Consolidation	***Basis of Presentation*** The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of Aetna and the subsidiaries that we control. All significant intercompany balances have been eliminated in consolidation. The Company has evaluated subsequent events from the financial statement date through the date the financial statements were issued and determined there were no subsequent events to disclose other than as disclosed in Notes 1, 13, 16 and 18.
Reclassification Policy	***Reclassifications*** Certain prior year amounts have been reclassified to conform to the current year presentation.
Use of Estimates Policy	***Use of Estimates*** The preparation of the accompanying consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in these consolidated financial statements and notes. We consider the following accounting estimates critical in the preparation of the accompanying consolidated financial statements: health care costs payable, other insurance liabilities, recoverability of goodwill and other acquired intangible assets, measurement of defined benefit pension and other postretirement employee benefit plans, other-than-temporary impairment of debt securities, revenue recognition, allowance for estimated terminations and uncollectible accounts and accounting for certain provisions of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, the “ACA”). We use information available to us at the time estimates are made; however, these estimates could change materially if different information or assumptions were used. Additionally, these estimates may not ultimately reflect the actual amounts of the final transactions that occur.
Cash and Cash Equivalents	***Cash and Cash Equivalents*** Cash and cash equivalents include cash on-hand and debt securities with an original maturity of three months or less when purchased. The carrying value of cash equivalents approximates fair value due to the short-term nature of these investments. Cash and cash equivalents at December 31, 2016 included approximately $13 billion of highly-rated money market fund investments related to the net proceeds

received from the 2016 senior notes we issued in June 2016 to partially fund our then pending acquisition of Humana Inc. (the "Humana Transaction"). These money market funds had average maturities of 60 days or less and were redeemable daily at par value plus accrued dividends with specified yield rates.

Investments

Investments

Debt and Equity Securities

Debt and equity securities consist primarily of U.S. Treasury and agency securities, mortgage-backed securities, corporate and foreign bonds and other debt and equity securities. Debt securities are classified as either current or long-term investments based on their contractual maturities unless we intend to sell an investment within the next twelve months, in which case it is classified as current on our Consolidated Balance Sheets. We have classified our debt and equity securities as available for sale and carry them at fair value. Refer to Note 5 for additional information on how we estimate the fair value of these investments.

The cost for mortgage-backed and other asset-backed securities is adjusted for unamortized premiums and discounts, which are amortized using the interest method over the estimated remaining term of the securities, adjusted for anticipated prepayments.

We regularly review our debt and equity securities to determine whether a decline in fair value below the carrying value is other-than-temporary. When a debt or equity security is in an unrealized capital loss position, we monitor the duration and severity of the loss to determine if sufficient market recovery can occur within a reasonable period of time. If a decline in the fair value of a debt security is considered other-than-temporary, the cost basis or carrying value of the debt security is written down. The write-down is then bifurcated into its credit and non-credit related components. The amount of the credit-related component is included in our operating results, and the amount of the non-credit related component is included in other comprehensive income, unless we intend to sell the debt security or it is more likely than not that we will be required to sell the debt security prior to its anticipated recovery of its amortized cost basis. We do not accrue interest on debt securities when management believes the collection of interest is unlikely. If we intend to sell an equity security, we will recognize the unrealized capital gain or loss in our operating results.

Mortgage Loans

We value our mortgage loan investments on our balance sheet at the unpaid principal balance, net of impairment reserves. A mortgage loan may be impaired when it is a problem loan (i.e., more than 60 days delinquent, in bankruptcy or in process of foreclosure), a potential problem loan (i.e., high probability of default) or a restructured loan. For impaired loans, a specific impairment reserve is established for the difference between the recorded investment in the loan and the estimated fair value of the collateral. We apply our loan impairment policy individually to all loans in our portfolio.

The impairment evaluation described above also considers characteristics and risk factors attributable to the aggregate portfolio. We establish an additional allowance for loan losses if it is probable that there will be a credit loss on a group of similar mortgage loans. We consider the following characteristics and risk factors when evaluating if a credit loss is probable on a group of similar mortgage loans: loan-to-value ratios, property type (e.g., office, retail, apartment, industrial), geographic location, vacancy rates and property condition. As a result of that evaluation, we determined that a credit loss was not probable and did not record any additional allowance for groups of similar mortgage loans in 2017, 2016 or 2015.

We record full or partial impairments of loans at the time an event occurs affecting the legal status of the loan, typically at the time of foreclosure or upon a loan modification giving rise to forgiveness of debt. Interest income on a potential problem loan or restructured loan is accrued to the extent we deem it collectible and the loan continues to perform under its original or restructured terms. Interest income on problem loans is recognized on a cash basis. Cash payments on loans in the process of foreclosure are treated as a return of principal. Mortgage loans with a maturity date or a committed prepayment date within twelve months are classified as current on our Consolidated Balance Sheets.

Other Investments

Other investments consist primarily of the following:

- Private equity and hedge fund limited partnerships, which are carried at fair value on our Consolidated Balance Sheets. The fair values of private equity limited partnerships are estimated based on the fair value of the underlying investment funds provided by the general partner or manager of the investments, the financial statements of which generally are audited. We typically do not have a controlling ownership in our private equity limited partnership investments, and therefore we apply the equity method of accounting for these investments. Hedge fund limited partnerships are carried at fair value which is estimated using the net asset value ("NAV") per unit as reported by the administrator of the underlying investment fund as a practical expedient to fair value. We review our investments for impairment at least quarterly and monitor their performance

throughout the year through discussions with the administrators, managers and/or general partners. If we become aware of an impairment of a limited partnership's investments through our review or prior to receiving the limited partnership's financial statements at the financial statement date, we will recognize an impairment by recording a reduction in the carrying value of the limited partnership with a corresponding charge to net investment income.

- Investment real estate, which is carried on our Consolidated Balance Sheets at depreciated cost, including capital additions, net of write-downs for other-than-temporary declines in fair value. Depreciation is calculated using the straight-line method based on the estimated useful life of each asset. If any of our real estate investments is considered held-for-sale, we carry it at the lower of its carrying value or fair value less estimated selling costs. We generally estimate fair value using a discounted future cash flow analysis in conjunction with comparable sales information. At the time of the sale, we record the difference between the sales price and the carrying value as a realized capital gain or loss.
- Privately-placed equity securities, which are carried at cost on our Consolidated Balance Sheets. We do not estimate the fair value of these securities if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. Additionally, as a member of the Federal Home Loan Bank of Boston (“FHLBB”), we are required to purchase and hold shares of the FHLBB. These shares are restricted and also carried at cost.
- Bank loans, which are carried on our Consolidated Balance Sheets at amortized cost, net of any allowance for impairments. If any of our bank loans are considered held-for-sale, we carry those loans at the lower of cost or fair value.
- Derivatives, which we make limited use of in order to manage interest rate, foreign exchange and price risk and credit exposure. The derivatives we use consist primarily of interest rate swaps, treasury rate locks, forward contracts, futures contracts, warrants, put options, and credit default swaps. Derivative assets are recorded in investments and derivative liabilities are recorded in accrued expenses and other current liabilities on our Consolidated Balance Sheets and reflected at fair value. When we enter into a derivative contract, if certain criteria are met, we may designate it as one of the following: a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment; a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability; or a foreign currency fair value or cash flow hedge.

Net Investment Income And Realized Capital Gains And Losses

Net Investment Income
Net investment income on investments supporting Health Care and Group Insurance liabilities and Large Case Pensions products (other than experience-rated and discontinued products) is reflected in our operating results.

Experience-rated products are products in the Large Case Pensions business where the contract holder, not us, assumes investment and other risks, subject to, among other things, minimum guarantees provided by us. The effect of investment performance on experience-rated products is allocated to contract holders’ accounts daily, based on the underlying investment experience and, therefore, does not impact our operating results (as long as our minimum guarantees are not triggered).

When we discontinued the sale of our fully-guaranteed Large Case Pensions products, we established a reserve for anticipated future losses from these discontinued products and segregated the related investments. Investment performance on this separate portfolio is ultimately credited/charged to the reserve and, generally, does not impact our operating results.

Net investment income supporting Large Case Pensions’ experience-rated and discontinued products is included in net investment income in our Consolidated Statements of Income and is credited to contract holders’ accounts or the reserve for anticipated future losses through a charge to current and future benefits.

Realized/Unrealized Capital Gains and Losses
Realized capital gains and losses on investments supporting Health Care and Group Insurance liabilities and Large Case Pensions products (other than experience-rated and discontinued products) are reflected in our operating results. Realized capital gains and losses are determined on a specific identification basis. We reflect purchases and sales of debt and equity securities and alternative investments on the trade date. We reflect purchases and sales of mortgage loans and investment real estate on the closing date.

Realized capital gains and losses on investments supporting Large Case Pensions’ experience-rated and discontinued products are not included in realized capital gains and losses in our Consolidated Statements of Income and instead are credited directly to contract holders’ accounts, in the case of

experience-rated products, or allocated to the reserve for anticipated future losses, in the case of discontinued products. The contract holders' accounts are reflected in policyholders' funds, and the reserve for anticipated future losses is reflected in future policy benefits on our Consolidated Balance Sheets.

Unrealized capital gains and losses on investments supporting Health Care and Group Insurance liabilities and Large Case Pensions products (other than experience-rated and discontinued products) are reflected in shareholders' equity, net of tax, as a component of accumulated other comprehensive loss.

Unrealized capital gains and losses on investments supporting Large Case Pensions' experience-rated products are credited directly to contract holders' accounts, which are reflected in policyholders' funds on our Consolidated Balance Sheets. Unrealized capital gains and losses on discontinued products are reflected in other long-term liabilities on our Consolidated Balance Sheets.

Refer to Note 19 for additional information on our discontinued products.

Premiums and Other Receivables

Premium Receivables

Premium receivables include the uncollected amounts from fully-insured groups, individuals and government programs and are reported net of an allowance for estimated terminations and uncollectible accounts of $381 million and $139 million at December 31, 2017 and 2016, respectively. We estimate the allowance for estimated terminations and uncollectible accounts using management's best estimate of collectability, taking into consideration the age of the outstanding amount, historical collection patterns and other economic factors. For details on our Medicare Part D Prescription Drug Program Plans ("Medicare Part D") receivables at December 31, 2017 and 2016, refer to the "*Accounting for Medicare Part D"* section below.

Our premium receivable balance at December 31, 2017 from the State of Illinois was approximately $350 million. The State of Illinois experienced budget difficulties which contributed to the state being delinquent in paying certain of our premiums and fees. Given our significant cash collections during the fourth quarter of 2017 of approximately $960 million, the State of Illinois budget and bond issuance, a federal judge's ruling that prioritized Medicaid payments and the federal government's match of a percentage of payments made by the state to managed care organizations under the state's Medicaid program, we continue to believe the amounts due to us are collectible.

Other Receivables

Other receivables include uncollected amounts from self-funded groups, pharmacy rebates, other government receivables, proceeds due from brokers on investment trades, provider advances and other miscellaneous amounts due to us. These receivables are reported net of an allowance for uncollectible accounts of $74 million and $37 million at December 31, 2017 and 2016, respectively. We estimate the allowance for uncollectible accounts using management's best estimate of collectability, taking into consideration the age of the outstanding amount, historical collection patterns and other economic factors. Pharmacy rebate receivables were $1.0 billion and $916 million at December 31, 2017 and 2016, respectively. For details on our Medicare Part D receivables at December 31, 2017 and 2016, refer to the "*Accounting for Medicare Part D"* section below.

Reinsurance

Reinsurance Recoverables

We utilize reinsurance agreements primarily to reduce our required capital and to facilitate the acquisition or disposition of certain insurance contracts (including the Group Insurance sale (as defined in Note 3)). Ceded reinsurance agreements permit us to recover a portion of our losses from reinsurers, although they do not discharge our primary liability as the direct insurer of the risks reinsured. Failure of reinsurers to indemnify us could result in losses; however, we do not expect charges for unrecoverable reinsurance to have a material effect on our operating results or financial position. We evaluate the financial condition of our reinsurers and monitor concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of our reinsurers. At December 31, 2017, our reinsurance recoverables consisted primarily of amounts due from third parties that are rated consistent with companies that are considered to have the ability to meet their obligations.

Health Care Contract Acquisition Costs

Health Care Contract Acquisition Costs

Health care benefits products included in our Health Care segment are cancelable by either the customer or the member monthly upon written notice. Acquisition costs related to our prepaid health care and health indemnity contracts are generally expensed as incurred. At December 31, 2017 and 2016, the balance of our deferred acquisition costs was $521 million and $412 million, respectively, comprised primarily of commissions paid on our Medicare Supplement products. Deferred acquisition costs are recorded as other current assets or other long-term assets on our Consolidated Balance Sheets and are amortized over the estimated life of the contracts. The amortization of deferred acquisition costs is recorded in general and administrative expenses in our Consolidated Statements of Income.

Goodwill and Other Acquired Intangible Assets

Goodwill and Other Acquired Intangible Assets

When we complete an acquisition, we apply the acquisition method of accounting, which requires the recognition of goodwill (which represents the excess cost of the acquisition over the fair value of net assets acquired and identified intangible assets). We evaluate goodwill for impairment (at the reporting unit level) annually, or more frequently if circumstances indicate a possible impairment, by comparing an estimate of the fair value of the applicable reporting unit to its carrying value, including goodwill. If the carrying value exceeds fair value, we have historically compared the implied fair value of the applicable goodwill to its carrying amount to measure the amount of goodwill impairment, if any. Effective January 1, 2017, we adopted, on a prospective basis, new accounting guidance which simplifies the accounting for goodwill impairment. The new guidance eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. A goodwill impairment charge would be recognized if the carrying amount of a reporting unit exceeds the estimated fair value of the reporting unit. The fair value of each reporting unit substantially exceeded its carrying value in each of the three years ended December 31, 2017, 2016, or 2015, and no goodwill impairment loss was recognized in any of those years. In conjunction with the Group Insurance sale, which included a substantial portion of our Group Insurance business, the goodwill allocated to our Group Insurance segment of $113 million was included in the calculation of the total gain on the sale, with a corresponding reduction of the goodwill balance.

Our annual impairment tests were based on an evaluation of future discounted cash flows. These evaluations utilized the best information available to us at the time, including supportable assumptions and projections we believe are reasonable. Collectively, these evaluations were our best estimates of projected future cash flows. Our discounted cash flow evaluations used discount rates that correspond to a weighted-average cost of capital consistent with a market-participant view. The discount rates are consistent with those used for investment decisions and take into account the operating plans and strategies of our reporting units. Certain other key assumptions utilized, including changes in membership, revenue, health care costs, operating expenses, impacts of health care reform fees, assessments and taxes, and effective tax rates, are based on estimates consistent with those utilized in our annual planning process that we believe are reasonable. If we do not achieve our earnings objectives, the assumptions and estimates underlying these goodwill impairment evaluations could be adversely affected, and we may impair a portion of our goodwill, which would adversely affect our operating results in the period of impairment.

We report other acquired intangible assets at historical cost, net of accumulated amortization. Other acquired intangible assets primarily relate to provider networks, customer lists, value of business acquired (“VOBA”), technology and trademarks and are amortized over the useful-life based upon the pattern of future cash flows attributable to the asset. Other than VOBA and indefinite lived trademarks, other acquired intangible assets generally are amortized using the straight-line method. VOBA is amortized over the expected life of the acquired contracts in proportion to estimated premiums. Other intangible assets with indefinite lives are not amortized but are tested for impairment at least annually.

We regularly evaluate whether events or changes in circumstances indicate that the carrying value of other acquired intangible assets may not be recoverable. If we determine that the carrying value of an asset may not be recoverable, we group the asset with other assets and liabilities at the lowest level for which independent identifiable cash flows are available and estimate the future undiscounted cash flows expected to result from future use of the asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying value of the asset group, we recognize an impairment loss for the amount by which the carrying value of the asset group exceeds its fair value. There were no material impairment losses on other acquired intangible assets recognized in any of the three years ended December 31, 2017, 2016 or 2015.

Property Plant And Equipment And Other Acquired Intangible Assets

Property and Equipment

We report property and equipment at historical cost, net of accumulated depreciation. At December 31, 2017 and 2016, the historical cost of property and equipment was approximately $1.5 billion and $1.4 billion, respectively, and the related accumulated depreciation was $893 million and $851 million, respectively. We calculate depreciation primarily using the straight-line method over the estimated useful lives of the respective assets, which range from 10 to 40 years for buildings and 3 to 10 years for equipment. Depreciation expense was $118 million, $125 million and $131 million for the years ended December 31, 2017, 2016 and 2015, respectively. If we determine the carrying value of our property and equipment is not recoverable, an impairment charge is recorded. There were no material impairment losses on property and equipment recognized in any of the three years ended December 31, 2017, 2016 or 2015.

Separate Accounts

Separate Accounts

Separate Accounts assets and liabilities in the Large Case Pensions segment represent funds maintained to meet specific objectives of contract holders who bear the investment risk. These assets and liabilities are carried at fair value. Net investment income and net realized capital gains and losses accrue directly to such contract holders. The assets of each account are legally segregated and are not subject to claims

arising from our other businesses. Deposits, withdrawals, net investment income and net realized and net unrealized capital gains and losses on Separate Accounts assets are not reflected in our Consolidated Statements of Income or Cash Flows. Management fees charged to contract holders are included in fees and other revenue and recognized over the period earned.

Health Care and Other Insurance Liabilities

Health Care Costs Payable

Health care costs payable consist principally of unpaid fee-for-service medical, dental and pharmacy claims, capitation costs, other amounts due to health care providers pursuant to risk-sharing arrangements related to the Health Care segment's Insured Commercial, Medicare and Medicaid products and accruals for state assessments. Unpaid health care claims include our estimate of payments we will make for (i) services rendered to our members but not yet reported to us and (ii) claims which have been reported to us but not yet paid, each as of the financial statement date (collectively, "IBNR") in our Health Care segment. Health care costs payable also include an estimate of the cost of services that will continue to be rendered after the financial statement date if we are obligated to pay for such services in accordance with contractual or regulatory requirements. Such estimates are developed using actuarial principles and assumptions which consider, among other things, historical and projected claim submission and processing patterns, assumed and historical medical cost trends, historical utilization of medical services, claim inventory levels, changes in membership and product mix, seasonality and other relevant factors. We reflect changes in these estimates in health care costs in our operating results in the period they are determined. Capitation costs represent contractual monthly fees paid to participating physicians and other medical providers for providing medical care, regardless of the volume of medical services provided to the member. Approximately 3% of our health care costs related to capitated arrangements in 2017 and approximately 4% of our health care costs related to capitated arrangements in both 2016 and 2015. Amounts due under risk-sharing arrangements are based on the terms of the underlying contracts with the providers and consider claims experience under the contracts through the financial statement date.

We develop our estimate of IBNR using actuarial principles and assumptions that consider numerous factors. Of those factors, we consider the analysis of historical and projected claim payment patterns (including claims submission and processing patterns) and the assumed health care cost trend rate (the year-over-year change in per member per month health care costs) to be the most critical assumptions. In developing our estimate of IBNR, we consistently apply these actuarial principles and assumptions each period, with consideration to the variability of related factors. There have been no significant changes to the methodologies or assumptions used to develop our estimate of IBNR in 2017.

We analyze historical claim payment patterns by comparing claim incurred dates (i.e., the date services were provided) to claim payment dates to estimate "completion factors." We use completion factors predominantly to estimate the ultimate cost of claims incurred more than three months before the financial statement date. We estimate completion factors by aggregating claim data based on the month of service and month of claim payment and estimating the percentage of claims incurred for a given month that are complete by each month thereafter. For any given month, substantially all claims are paid within six months of the date of service, but it can take up to 48 months or longer after the date of service before all of the claims are completely resolved and paid. These historically-derived completion factors are then applied to claims paid through the financial statement date to estimate the ultimate claim cost for a given month's incurred claim activity. The difference between the estimated ultimate claim cost and the claims paid through the financial statement date represents our estimate of claims remaining to be paid as of the financial statement date and is included in our health care costs payable. We use completion factors predominantly to estimate the ultimate cost of claims with claim incurred dates greater than three months prior to the financial statement date. The completion factors we use reflect judgments and possible adjustments based on data such as claim inventory levels, claim submission and processing patterns and, to a lesser extent, other factors such as changes in health care cost trend rates, changes in membership and changes in product mix. If claims are submitted or processed on a faster (slower) pace than prior periods, the actual claims may be more (less) complete than originally estimated using our completion factors, which may result in reserves that are higher (lower) than the ultimate cost of claims.

Because claims incurred within three months before the financial statement date are less mature, we use a combination of historically-derived completion factors and the assumed health care cost trend rate to estimate the ultimate cost of claims incurred for these months. We apply our actuarial judgment and place a greater emphasis on the assumed health care cost trend rate for the most recent claim incurred dates as these months may be influenced by seasonal patterns and changes in membership and product mix.

Our health care cost trend rate is affected by changes in per member utilization of medical services as well as changes in the unit cost of such services. Many factors influence the health care cost trend rate, including our ability to manage health care costs through product design, negotiation of favorable provider contracts and medical management programs, as well as the mix of our business. The health status of our members, aging of the population and other demographic characteristics, advances in medical technology and other factors continue to contribute to rising per member utilization and unit

costs. Changes in health care practices, inflation, new technologies, increases in the cost of prescription drugs (including specialty pharmacy drugs), direct-to-consumer marketing by pharmaceutical companies, clusters of high-cost cases, claim intensity, changes in the regulatory environment, health care provider or member fraud and numerous other factors also contribute to the cost of health care and our health care cost trend rate.

For each reporting period, we use an extensive degree of judgment in the process of estimating our health care costs payable. As a result, considerable variability and uncertainty is inherent in such estimates, particularly with respect to claims with claim incurred dates of three months or less before the financial statement date; and the adequacy of such estimates is highly sensitive to changes in assumed completion factors and the assumed health care cost trend rates. For each reporting period we recognize the actuarial best estimate of health care costs payable considering the potential volatility in assumed completion factors and health care cost trend rates, as well as other factors. We believe our estimate of health care costs payable is reasonable and adequate to cover our obligations at December 31, 2017; however, actual claim payments may differ from our estimates. A worsening (or improvement) of our health care cost trend rates or changes in completion factors from those that we assumed in estimating health care costs payable at December 31, 2017 would cause these estimates to change in the near term, and such a change could be material.

Each quarter, we re-examine previously established health care costs payable estimates based on actual claim payments for prior periods and other changes in facts and circumstances. Given the extensive degree of judgment in this estimate, it is possible that our estimates of health care costs payable could develop either favorably (that is, our actual health care costs for the period were less than we estimated) or unfavorably. The changes in our estimate of health care costs payable may relate to a prior quarter, prior year or earlier periods. For our roll forward of our health care costs payable, refer to Note 7. Our reserving practice is to consistently recognize the actuarial best estimate of our ultimate liability for health care costs payable.

Unpaid claims

Unpaid claims consist primarily of reserves associated with certain short-duration group disability and term life insurance contracts in the Group Insurance segment, including an estimate for IBNR in our Group Insurance segment as of the financial statement date. Reserves associated with certain short-duration group disability and term life insurance contracts are based upon our estimate of the present value of future benefits, which is based on assumed investment yields and assumptions regarding mortality, morbidity and recoveries from the U.S. Social Security Administration. We develop our estimate of IBNR using actuarial principles and assumptions which consider, among other things, contractual requirements, claim incidence rates, claim recovery rates, seasonality and other relevant factors. We discount certain claim liabilities related to group long-term disability and life insurance waiver of premium contracts. The discount rates generally reflect our expected investment returns for the investments supporting all incurral years of these liabilities. The discount rates for retrospectively-rated contracts are set at contractually specified levels. Our estimates of unpaid claims are subject to change due to changes in the underlying experience of the insurance contracts, changes in investment yields or other factors, and these changes are recorded in current and future benefits in our Consolidated Statements of Income in the period they are determined. Substantially all of our life and disability insurance liabilities have been fully ceded to unrelated third parties through indemnity reinsurance agreements, however we remain directly obligated to the policyholders.

We estimate our reserve for claims IBNR for life products largely based on completion factors. The completion factors we use are based on our historical experience and reflect judgments and possible adjustments based on data such as claim inventory levels, claim payment patterns, changes in business volume and other factors. If claims are submitted or processed on a faster (slower) pace than historical periods, the actual claims may be more (less) complete than originally estimated using our completion factors, which may result in reserves that are higher (lower) than required to cover future life benefit payments. At December 31, 2017, we held $239 million in reserves for life claims incurred but not yet reported to us.

There have been no significant changes to the methodologies or assumptions used to develop our estimate of IBNR in 2017.

Future policy benefits

Future policy benefits consist primarily of reserves for limited payment pension and annuity contracts in the Large Case Pensions segment and long-duration group life and long-term care insurance contracts in the Group Insurance segment. Reserves for limited payment contracts are computed using actuarial principles that consider, among other things, assumptions reflecting anticipated mortality, retirement, expense and interest rate experience. Such assumptions generally vary by plan, year of issue and policy duration. Assumed interest rates on such contracts ranged from .8% to 11.3% in both 2017 and 2016. We

periodically review mortality assumptions against both industry standards and our experience. Reserves for long-duration group life and long-term care contracts represent our estimate of the present value of future benefits to be paid to or on behalf of policyholders less the present value of future net premiums. Assumed interest rates on such contracts ranged from 2.5% to 6.0% in 2017. Assumed interest rates on such contracts ranged from 2.5% to 8.8% in 2016. Our estimate of the present value of future benefits under such contracts is based upon mortality, morbidity and interest rate assumptions.

Policyholders' funds

Policyholders' funds consist primarily of reserves for pension and annuity investment contracts in the Large Case Pensions segment and customer funds associated with group life and health contracts in the Health Care and Group Insurance segments. Reserves for such contracts are equal to cumulative deposits less withdrawals and charges plus credited interest thereon, net of experience-rated adjustments. In 2017, interest rates for pension and annuity investment contracts ranged from 3.5% to 15.4%, and interest rates for group life and health contracts ranged from 0% to 2.3%. In 2016, interest rates for pension and annuity investment contracts ranged from 3.5% to 15.9%, and interest rates for group life and health contracts ranged from 0% to 2.4%. Reserves for contracts subject to experience rating reflect our rights as well as the rights of policyholders and plan participants.

We also hold funds for health savings accounts ("HSAs") on behalf of members associated with high deductible health plans. These amounts are held to pay for qualified health care expenses incurred by these members. The HSA balances were approximately $1.9 billion and $1.7 billion at December 31, 2017 and 2016, respectively, and are reflected in other current assets with a corresponding liability in policyholder funds.

We review health care and other insurance liabilities periodically. We reflect any necessary adjustments during the current period in operating results. While the ultimate amount of claims and related expenses are dependent on future developments, it is management's opinion that the liabilities that have been established are adequate to cover such costs. The health care and other insurance liabilities that are expected to be paid within twelve months are classified as current on our Consolidated Balance Sheets.

Premium Deficiency Reserves

We evaluate our insurance contracts to determine if it is probable that a loss will be incurred. We recognize a premium deficiency loss when it is probable that expected future claims, including maintenance costs (for example, direct costs such as claim processing costs), will exceed existing reserves plus anticipated future premiums and reinsurance recoveries. Anticipated investment income is considered in the calculation of premium deficiency losses for short-duration contracts. For purposes of determining premium deficiency losses, contracts are grouped consistent with our method of acquiring, servicing and measuring the profitability of such contracts. We established a premium deficiency reserve of $16 million at December 31, 2017 for the 2018 coverage year related to our Medicaid products. We did not have any material premium deficiency reserves for our Health Care or Group Insurance business at December 31, 2016.

Revenue Recognition

Revenue Recognition

Premium Revenue

Health care premiums are recognized as income in the month in which the enrollee is entitled to receive health care services. Health care premiums are reported net of an allowance for estimated terminations and uncollectible amounts. Additionally, premium revenue subject to the ACA's minimum Medical Loss Ratio ("MLR") rebate requirements is recorded net of the estimated minimum MLR rebates for the current calendar year. Other premium revenue for group life, long-term care and disability products is recognized as income, net of allowances for termination and uncollectible accounts, over the term of the coverage. Other premium revenue for Large Case Pensions' limited payment pension and annuity contracts is recognized as revenue in the period received. Premiums related to unexpired contractual coverage periods are reported as unearned premiums in our Consolidated Balance Sheets and recognized as revenue when earned.

Some of our contracts allow for premiums to be adjusted to reflect actual experience or the relative health status of members. Such adjustments are reasonably estimable at the outset of the contract, and adjustments to those estimates are made based on actual experience of the customer emerging under the contract and the terms of the underlying contract.

Administrative Service Contract ("ASC") Fees

Fees and other revenue consists primarily of ASC fees which are received in exchange for performing certain claim processing and member services for health and disability members and are recognized as revenue over the period the service is provided. Fees and other revenue also includes fees related to our pharmacy benefit management and workers' compensation administrative services products and services. Some of our contracts include guarantees with respect to certain functions, such as customer service

response time, claim processing accuracy and claim processing turnaround time, as well as certain guarantees that a plan sponsor's benefit claim experience will fall within a certain range. With any of these guarantees, we are financially at risk if the conditions of the arrangements are not met, although the maximum amount at risk is typically limited to a percentage of the fees otherwise payable to us by the customer involved. Each period we estimate our obligations under the terms of these guarantees and record it as an offset to our ASC fees.

In addition, fees and other revenue also include charges assessed against contract holders' funds for contract fees, participant fees and asset charges related to pension and annuity products in the Large Case Pensions segment. Other amounts received on pension and annuity investment-type contracts are reflected as deposits and are not recorded as revenue. Some of our Large Case Pensions contract holders have the contractual right to purchase annuities with life contingencies using the funds they maintain on deposit with us. Since these products are considered an insurance contract, when the contract holder makes this election, we treat the accumulated investment balance as a single premium and reflect it as both premiums and current and future benefits in our Consolidated Statements of Income.

Accounting for Medicare Part D
We offer Medicare Part D prescription drug insurance coverage under contracts with the Centers for Medicare & Medicaid Services ("CMS"). Under these annual contracts, we receive monthly payments from CMS and members which include:

- *Premiums:* CMS pays us a fixed monthly per member premium over the term of our annual contract. In addition, certain members pay us a fixed monthly premium over the term of our annual contract. For qualifying low-income Medicare beneficiaries, CMS pays us all or a portion of the member's monthly premiums. The payments we receive monthly from CMS and members, which are determined from our annual bid, represent amounts we are paid for providing Medicare Part D prescription drug insurance coverage. We recognize premium revenue for providing this insurance coverage ratably over the term of our annual contract.
- *Risk-Sharing Arrangement:* Our risk-sharing arrangement with CMS provides a risk corridor whereby the amount we received in premiums from members and CMS, based on our annual bid, is compared to our actual drug costs incurred during the contract year. Based on the risk corridor provision and Medicare Part D actual experience, we record an estimated risk-sharing receivable or payable as an adjustment to premium revenue. A final reconciliation and settlement of this risk sharing arrangement is made with CMS based on actual experience after the end of each contract year.
- *Catastrophic Reinsurance and Low-Income Cost Sharing Subsidies*: CMS pays us a cost reimbursement estimate monthly to fund the CMS obligation to pay its portion of prescription drug costs which exceed the member's out-of-pocket threshold. A final reconciliation and settlement is made with CMS based on actual experience after the end of each contract year. In addition, for qualifying low-income Medicare beneficiaries, CMS pays to us monthly, on the member's behalf, all or a portion of a member's cost sharing amounts (deductibles, coinsurance, etc.). We administer and pay the subsidized portion of the claims on behalf of CMS, and a final reconciliation and settlement of this cost sharing subsidy is made with CMS based on actual experience after the end of each contract year. These subsidies represent cost reimbursements under the Medicare Part D plans for which we are not at risk. Accordingly, the amounts received for these subsidies are not reflected as premium revenues, but rather are accounted for as receivables and liabilities.
- *Coverage Gap Drug Discount:* The ACA mandated a consumer discount on brand name prescription drugs for Medicare Part D participants in the coverage gap (the so-called "donut hole"). This discount is funded by CMS and pharmaceutical manufacturers while we administer the application of these funds. Accordingly, amounts received are not reflected as premium revenues, but rather are accounted for as deposits. We record a liability when amounts are received from CMS and a receivable when we bill the pharmaceutical manufacturers.

We expense the cost of Medicare Part D covered prescription drugs as incurred in medical costs in our Consolidated Statements of Income.

The Consolidated Balance Sheets include the following amounts associated with Medicare Part D at December 31, 2017 and 2016. CMS subsidies and discounts in the table below include the catastrophic reinsurance and low-income cost sharing subsidies funded by CMS for which we assume no risk as well as brand name prescription drug discounts for Medicare Part D participants in the coverage gap funded by CMS and pharmaceutical manufacturers.

	December 31, 2017	December 31, 2016

(Millions)	Risk Share	CMS Subsidies/Discounts	Risk Share	CMS Subsidies/Discounts
Premium receivables, net	$ 148	$ —	$ 209	$ —
Other receivables, net	—	791	—	206
Other long-term assets	6	74	14	175
Total assets	154	865	223	381
Accrued expenses and other current liabilities	(1)	(20)	—	(656)
Other long-term liabilities	(8)	(39)	(22)	(33)
Total liabilities	(9)	(59)	(22)	(689)
Total net assets (liabilities)	$ 145	$ 806	$ 201	$ (308)

Health Care Reform

Health Insurer Fee

Since January 1, 2014, the ACA imposes an annual premium-based health insurer fee ("HIF") for each calendar year payable in September which is not deductible for tax purposes. We are required to estimate a liability for the HIF at the beginning of the calendar year in which the fee is payable with a corresponding deferred asset that is amortized ratably to general and administrative expense over the calendar year. We record the liability for the health insurer fee in accrued expenses and other current liabilities and record the deferred asset in other current assets in our consolidated financial statements. In December 2015, the Consolidated Appropriation Act was enacted, which included a one year suspension of the HIF for 2017. Accordingly, there was no expense related to the HIF in 2017. In 2016 and 2015, general and administrative expense includes $837 million and $857 million, respectively, related to our share of the HIF. In January 2018 the HIF was suspended for 2019.

Public Exchanges

Through December 31, 2017, we participated in certain public health insurance exchanges ("Public Exchanges") established pursuant to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, the "ACA"). Under regulations established by the U.S. Department of Health and Human Services ("HHS"), HHS pays us a portion of the premium ("Premium Subsidy") and through September 30, 2017, paid a portion of the health care costs ("Cost Sharing Subsidy") for low-income individual Public Exchange members. In addition, HHS administers the 3Rs risk management programs. The ACA's temporary reinsurance and risk corridor programs expired at the end of 2016.

We recognize monthly premiums received from Public Exchange members and the Premium Subsidy as premium revenue ratably over the contract period. The Cost Sharing Subsidy offsets health care costs based on our estimate of the portion of claim costs incurred by our low income individual Public Exchange members that qualify for reimbursement by HHS. We record a liability or a receivable depending on whether qualifying health care costs incurred are less than or greater than the Cost Sharing Subsidy received to date.

Reinsurance

The ACA established a temporary reinsurance program that expired at the end of 2016. Under this program, all issuers of major medical commercial insurance products and self-insured plan sponsors were required to contribute funding in amounts set by HHS. Funds collected were utilized to reimburse issuers' high claims costs incurred for qualified individual members. The expense related to this required funding was reflected in general and administrative expenses for all of our insurance products with the exception of products associated with qualified individual members; this expense for qualified individual members was reflected as a reduction of premium revenue.

There was no expense recorded in 2017 related to our estimated contribution for the funding of the ACA's reinsurance program as the program expired at the end of 2016. In 2016 and 2015, our contribution to the funding of the ACA's reinsurance program was $118 million and $210 million, respectively, which was recorded in general and administrative expenses. When annual claim costs incurred by our qualified individual members exceeded a specified attachment point, we were entitled to certain reimbursements from this program. We recorded a receivable and offset health care costs to reflect our estimate of these recoveries.

Risk Adjustment

The ACA established a permanent risk adjustment program to transfer funds from qualified individual and small group insurance plans with below average risk scores to plans with above average risk scores. Based on the risk of our qualified plan members relative to the average risk of members of other qualified plans in comparable markets, we estimate our ultimate risk adjustment receivable or payable for the current calendar year and reflect the pro-rata year-to-date impact as an adjustment to our premium revenue.

Risk Corridor
The ACA established a temporary risk sharing program that expired at the end of 2016 for qualified individual and small group insurance plans. Under this program we made (or received) a payment to (or from) HHS based on the ratio of allowable costs to target costs (as defined by the ACA). We recorded a risk corridor receivable or payable as an adjustment to premium revenue on a pro-rata year-to-date basis based on our estimate of the ultimate risk sharing amount for the current calendar year. At December 31, 2017 and 2016, we did not record any ACA risk corridor receivables related to the 2016 or 2015 program years or any amount in excess of HHS's announced pro-rated funding amount for the 2014 program year because payments from HHS are uncertain.

We expect to perform an annual final reconciliation and settlement with HHS of the 3Rs in each subsequent year. The final reconciliation and settlement with HHS of the 2014 and 2015 Cost Sharing Subsidies occurred in 2016 and 2017, respectively. The final reconciliation and settlement of the 2016 Cost Sharing Subsidy is scheduled to occur in 2018.

Refer to Note 8 for additional information related to the 3Rs.

Selling, General and Administrative Expenses, Policy [Policy Text Block]

Selling Expenses
Selling expenses include broker commissions, the variable component of our internal sales force compensation and premium taxes.

Share-based Compensation, Option and Incentive Plans Policy [Policy Text Block]

Stock-Based Compensation
We record compensation expense for stock-based awards over their vesting periods primarily based on the estimated fair value at the grant date. For stock appreciation rights ("SARs"), the fair value is estimated using the Black-Scholes option-pricing model. For restricted stock units ("RSUs") and performance stock units ("PSUs"), the fair value is equal to the market price of the Company's common stock on the date of grant. For market stock units ("MSUs") and performance stock appreciation rights ("PSARs"), the fair value is estimated using Monte Carlo simulations. Stock-based compensation expense is recorded in general and administrative expenses in our Consolidated Statements of Income. Refer to Note 12 for additional information related to our stock-based employee incentive plans.

Income Taxes

Income Taxes
We are taxed at the statutory corporate income tax rates after adjusting income reported for financial statement purposes for certain items. We recognize deferred income tax assets and liabilities for the differences between the financial and income tax reporting basis of assets and liabilities based on enacted tax rates and laws. Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. Deferred income tax expense or benefit primarily reflects the net change in deferred income tax assets and liabilities during the year.

Our current income tax provision reflects the tax results of revenues and expenses currently taxable or deductible. Penalties and interest on our tax positions are classified as a component of our income tax provision.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was enacted. Among other things, the TCJA reduced the federal corporate income tax rate to 21 percent effective January 1, 2018. Accordingly, we remeasured our deferred tax assets and liabilities as of the enactment date to reflect the lower tax rate and recognized an incremental tax expense of $99 million related to the reduction in our net deferred tax assets during the year ended December 31, 2017. The accounting for certain income tax effects of the TCJA was considered provisional at December 31, 2017, including the assessment of the mandatory repatriation of foreign earnings, the minimum tax on global intangible low-taxed income and the assertion of permanent reinvestment of foreign earnings. Accordingly, the items were recorded at a reasonable estimate at December 31, 2017. Measurement period adjustments will be recorded, as necessary, as adjustments to income tax expense from continuing operations.

Pension and Other Postretirement Plans, Policy [Policy Text Block]

Measurement of Defined Benefit Pension and Other Postretirement Employee Benefit ("OPEB") Plans
We sponsor defined benefit pension plans ("pension plans") and OPEB plans for our employees and retirees. We recognize the funded status of our pension plans and OPEB plans on our Consolidated Balance Sheets based on our year-end measurements of plan assets and benefit obligations. Prepaid pension and OPEB benefits represent prepaid costs related to our pension plans and are reported with

other current and long-term assets. Liabilities associated with pension plans and OPEB plans are reported within current and other long-term liabilities based on the amount by which the actuarial present value of benefits payable in the next twelve months included in the benefit obligation exceeds the fair value of plan assets.

Earnings Per Share, Policy [Policy Text Block]

Earnings Per Share

We calculate basic earnings per share based on the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated based on the weighted average number of common shares outstanding plus the dilutive effect of outstanding SARs, MSUs, PSUs, RSUs and PSARs using the treasury stock method. Refer to Notes 12 and 15 for additional information.

Summary of Significant Accounting Policies Medicare Part D (Tables)

12 Months Ended

Dec. 31, 2017

Medicare Part D [Abstract]

Medicare Part D [Table Text Block]

The Consolidated Balance Sheets include the following amounts associated with Medicare Part D at December 31, 2017 and 2016. CMS subsidies and discounts in the table below include the catastrophic reinsurance and low-income cost sharing subsidies funded by CMS for which we assume no risk as well as brand name prescription drug discounts for Medicare Part D participants in the coverage gap funded by CMS and pharmaceutical manufacturers.

	December 31, 2017		December 31, 2016	
(Millions)	Risk Share	CMS Subsidies/Discounts	Risk Share	CMS Subsidies/Discounts
Premium receivables, net	$ 148	$ —	$ 209	$ —
Other receivables, net	—	791	—	206
Other long-term assets	6	74	14	175
Total assets	154	865	223	381
Accrued expenses and other current liabilities	(1)	(20)	—	(656)
Other long-term liabilities	(8)	(39)	(22)	(33)
Total liabilities	(9)	(59)	(22)	(689)
Total net assets (liabilities)	$ 145	$ 806	$ 201	$ (308)

Investments (Tables)

12 Months Ended
Dec. 31, 2017

Total investments

Total investments at December 31, 2017 and 2016 were as follows:

	2017			2016		
(Millions)	**Current**	**Long-term**	**Total**	**Current**	**Long-term**	**Total**
Debt and equity securities available for sale	**$ 2,114**	**$ 14,906**	**$ 17,020**	$ 2,876	$ 18,866	$ 21,742
Mortgage loans	**166**	**1,330**	**1,496**	170	1,341	1,511
Other investments	**—**	**1,557**	**1,557**	—	1,626	1,626
Total investments	**$ 2,280**	**$ 17,793**	**$ 20,073**	$ 3,046	$ 21,833	$ 24,879

Debt and Equity Available-for-sale Securities

Debt and equity securities available for sale at December 31, 2017 and 2016 were as follows:

(Millions)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
December 31, 2017				
Debt securities:				
U.S. government securities	**$ 1,319**	**$ 44**	**$ (1)**	**$ 1,362**
States, municipalities and political subdivisions	**3,287**	**116**	**(12)**	**3,391**
U.S. corporate securities	**6,886**	**388**	**(22)**	**7,252**
Foreign securities	**2,498**	**187**	**(7)**	**2,678**
Residential mortgage-backed securities	**570**	**5**	**(4)**	**571**
Commercial mortgage-backed securities	**641**	**3**	**(9)**	**635**
Other asset-backed securities	**1,031**	**8**	**(4)**	**1,035**
Redeemable preferred securities	**22**	**4**	**—**	**26**
Total debt securities	**16,254**	**755**	**(59)**	**16,950**
Equity securities	**60**	**12**	**(2)**	**70**
Total debt and equity securities [1] [2]	**$ 16,314**	**$ 767**	**$ (61)**	**$ 17,020**
December 31, 2016				
Debt securities:				
U.S. government securities	$ 1,643	$ 51	$ —	$ 1,694
States, municipalities and political subdivisions	5,047	152	(61)	5,138
U.S. corporate securities	8,145	385	(55)	8,475
Foreign securities	2,958	163	(33)	3,088
Residential mortgage-backed securities	793	11	(9)	795
Commercial mortgage-backed securities	1,382	5	(39)	1,348
Other asset-backed securities	1,077	7	(9)	1,075
Redeemable preferred securities	22	5	—	27
Total debt securities	21,067	779	(206)	21,640
Equity securities	84	20	(2)	102
Total debt and equity securities [1] [2]	$ 21,151	$ 799	$ (208)	$ 21,742

[1] At both December 31, 2017 and 2016, we held securities for which we previously recognized an immaterial amount of non-credit related impairments in accumulated other comprehensive loss. These securities each had an immaterial amount of net unrealized capital gains at both December 31, 2017 and 2016.

[2] Investment risks associated with our experience-rated and discontinued products generally do not impact our operating results (refer to Note 19 for additional information on our accounting for discontinued products). At December 31, 2017, debt and equity securities with a fair value of approximately $2.6 billion, gross unrealized capital gains of $202 million and gross unrealized capital losses of $9 million and, at December 31, 2016, debt and equity securities with a fair value of approximately $2.9 billion, gross unrealized capital gains of $195 million and gross unrealized capital losses of $35 million were included in total debt and equity securities, but support our experience-rated and discontinued products. Changes in net unrealized capital gains (losses) on these securities are not reflected in accumulated other comprehensive income.

Fair value of debt securities by

The fair value of debt securities at December 31, 2017 is shown below by contractual maturity. Actual

contractual maturity

maturities may differ from contractual maturities because securities may be restructured, called or prepaid, or we intend to sell a security prior to maturity.

(Millions)	Amortized Cost	Fair Value
Due to mature:		
Less than one year	$ 1,048	$ 1,055
One year through five years	5,559	5,665
After five years through ten years	3,503	3,614
Greater than ten years	3,902	4,375
Residential mortgage-backed securities	570	571
Commercial mortgage-backed securities	641	635
Other asset-backed securities	1,031	1,035
Total	$ 16,254	$ 16,950

Debt and Equity Securities in an Unrealized Capital Loss Position

Summarized below are the debt and equity securities we held at December 31, 2017 and 2016 that were in an unrealized capital loss position, aggregated by the length of time the investments have been in that position:

	Less than 12 months			Greater than 12 months			Total [1]		
(Millions, except number of securities)	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
December 31, 2017									
Debt securities:									
U.S. government securities	77	$ 200	$ 1	14	$ 22	$ —	91	$ 222	$ 1
States, municipalities and political subdivisions	318	616	4	111	308	8	429	924	12
U.S. corporate securities	989	1,469	6	284	494	16	1,273	1,963	22
Foreign securities	262	419	3	91	194	4	353	613	7
Residential mortgage-backed securities	111	179	1	98	134	3	209	313	4
Commercial mortgage-backed securities	38	135	1	79	241	8	117	376	9
Other asset-backed securities	150	304	2	79	151	2	229	455	4
Total debt securities	1,945	3,322	18	756	1,544	41	2,701	4,866	59
Equity securities	2	2	—	7	7	2	9	9	2
Total debt and equity securities [1]	1,947	$ 3,324	$ 18	763	$ 1,551	$ 43	2,710	$ 4,875	$ 61
December 31, 2016									
Debt securities:									
U.S. government securities	26	$ 39	$ —	1	$ 1	$ —	27	$ 40	$ —
States, municipalities and political subdivisions	865	2,228	58	37	75	3	902	2,303	61
U.S. corporate securities	1,428	2,277	44	114	101	11	1,542	2,378	55
Foreign securities	649	970	27	62	76	6	711	1,046	33
Residential mortgage-backed securities	188	455	8	104	17	1	292	472	9
Commercial mortgage-backed									

securities	285	1,038	39	3	3	—	288	1,041	39
Other asset-backed securities	226	403	4	208	177	5	434	580	9
Total debt securities	3,667	7,410	180	529	450	26	4,196	7,860	206
Equity securities	2	3	—	8	3	2	10	6	2
Total debt and equity securities [1]	3,669	$ 7,413	$ 180	537	$ 453	$ 28	4,206	$ 7,866	$ 208

[1] At December 31, 2017 and 2016, debt and equity securities in an unrealized capital loss position of $9 million and $35 million, respectively, and with related fair value of $517 million and $890 million, respectively, related to experience-rated and discontinued products.

Maturity dates for debt securities

The maturity dates for debt securities in an unrealized capital loss position at December 31, 2017 were as follows:

	Supporting discontinued and experience-rated products		Supporting remaining products		Total	
(Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Due to mature:						
Less than one year	**$ 2**	**$ —**	**$ 415**	**$ 1**	**$ 417**	**$ 1**
One year through five years	**119**	**—**	**1,890**	**18**	**2,009**	**18**
After five years through ten years	**170**	**3**	**675**	**10**	**845**	**13**
Greater than ten years	**97**	**3**	**354**	**7**	**451**	**10**
Residential mortgage-backed securities	**12**	**—**	**301**	**4**	**313**	**4**
Commercial mortgage-backed securities	**109**	**2**	**267**	**7**	**376**	**9**
Other asset-backed securities	**6**	**—**	**449**	**4**	**455**	**4**
Total	**$ 515**	**$ 8**	**$ 4,351**	**$ 51**	**$ 4,866**	**$ 59**

Activity in mortgage loan portfolio

During 2017 and 2016 we had the following activity in our mortgage loan portfolio:

(Millions)	2017	2016
New mortgage loans	**$ 279**	$ 190
Mortgage loans fully-repaid	**248**	173
Mortgage loans foreclosed	**—**	8

Mortgage loan internal credit rating

Based upon our most recent assessments at December 31, 2017 and 2016, our mortgage loans were given the following credit quality indicators:

(In Millions, except credit ratings indicator)	2017	2016
1	**$ 40**	$ 45
2 to 4	**1,447**	1,449
5 and 6	**9**	17
7	**—**	—
Total	**$ 1,496**	$ 1,511

Future Mortgage Loan Payments

At December 31, 2017 scheduled mortgage loan principal repayments were as follows:

(Millions)	
2018	**$ 166**
2019	**124**
2020	**141**
2021	**273**
2022	**244**
Thereafter	**548**

Sources of net investment income

Sources of net investment income for 2017, 2016 and 2015 were as follows:

(Millions)	2017	2016	2015

Debt securities	**$ 727**	$ 772	$ 794
Mortgage loans	**86**	95	91
Other investments	**185**	82	78
Gross investment income	**998**	949	963
Investment expenses	**(48)**	(39)	(46)
Net investment income [1]	**$ 950**	$ 910	$ 917

[1] Net investment income includes $233 million, $208 million and $248 million for 2017, 2016 and 2015, respectively, related to investments supporting our experience-rated and discontinued products.

Net realized capital gains (losses)

Net realized capital (losses) gains for the three years ended December 31, 2017, 2016 and 2015, excluding amounts related to experience-rated contract holders and discontinued products, were as follows:

(Millions)	**2017**	**2016**	**2015**
Other-than-temporary impairment ("OTTI") losses on debt securities recognized in earnings	**$ (8)**	$ (30)	$ (64)
Other net realized capital (losses) gains	**(231)**	116	(1)
Net realized capital (losses) gains	**$ (239)**	$ 86	$ (65)

Proceeds and related gross realized capital gains and losses from the sale of debt securities

Excluding amounts related to experience-rated and discontinued products, proceeds from the sale of available for sale debt and equity securities and the related gross realized capital gains and losses for 2017, 2016 and 2015 were as follows [1]:

(Millions)	**2017**	**2016**	**2015**
Proceeds on sales	**$ 5,753**	$ 6,725	$ 4,987
Gross realized capital gains	**114**	155	83
Gross realized capital losses	**47**	61	76

[1] The proceeds on sales and gross realized capital gains and losses exclude the impact of the sales of short-term debt securities which primarily relate to our investments in mutual funds. These investments were excluded from the disclosed amounts because they represent an immaterial amount of aggregate gross realized capital gains or losses and have a high volume of sales activity.

Variable Interest Entity Assets Included on the Balance Sheet [Member]

Schedule of Variable Interest Entities [Table Text Block]

The total amount of other variable interest holder VIE assets included in long-term investments on our Consolidated Balance Sheets at December 31, 2017 and 2016 were as follows:

(Millions)	**December 31, 2017**	**December 31, 2016**
Hedge fund investments	**$ 351**	$ 384
Private equity investments	**453**	454
Real estate partnerships	**247**	278
Total	**$ 1,051**	$ 1,116

Variable Interest Entity Assets and Liabilities [Member]

Schedule of Variable Interest Entities [Table Text Block]

The carrying value of the total assets and liabilities of our other variable interest holder VIE investments at December 31, 2017 and 2016 were as follows:

(Millions)	**December 31, 2017**	**December 31, 2016**
Assets:		
Hedge fund investments	**$ 54,789**	$ 32,926
Private equity investments	**27,342**	25,368
Real estate partnerships	**6,451**	6,743
Total	**$ 88,582**	$ 65,037
Liabilities:		
Hedge fund investments	**$ 12,073**	$ 2,819
Private equity investments	**2,461**	2,354

Real estate partnerships	**4,691**	4,938
Total	**$ 19,225**	$ 10,111

Financial Instruments (Tables)

12 Months Ended Dec. 31, 2017

Financial Instruments [Abstract]

Fair Value of Financial Assets

Financial assets and liabilities measured at fair value on a recurring basis in our Consolidated Balance Sheets at December 31, 2017 and 2016 were as follows:

(Millions)	Level 1	Level 2	Level 3	Total
December 31, 2017				
Assets:				
Debt securities:				
U.S. government securities	**$ 1,313**	**$ 49**	**$ —**	**$ 1,362**
States, municipalities and political subdivisions	**—**	**3,390**	**1**	**3,391**
U.S. corporate securities	**—**	**7,167**	**85**	**7,252**
Foreign securities	**—**	**2,675**	**3**	**2,678**
Residential mortgage-backed securities	**—**	**571**	**—**	**571**
Commercial mortgage-backed securities	**—**	**635**	**—**	**635**
Other asset-backed securities	**—**	**1,035**	**—**	**1,035**
Redeemable preferred securities	**—**	**19**	**7**	**26**
Total debt securities	**1,313**	**15,541**	**96**	**16,950**
Equity securities	**43**	**—**	**27**	**70**
Total	**$ 1,356**	**$ 15,541**	**$ 123**	**$ 17,020**
December 31, 2016				
Assets:				
Debt securities:				
U.S. government securities	$ 1,514	$ 180	$ —	$ 1,694
States, municipalities and political subdivisions	—	5,137	1	5,138
U.S. corporate securities	—	8,395	80	8,475
Foreign securities	—	3,067	21	3,088
Residential mortgage-backed securities	—	795	—	795
Commercial mortgage-backed securities	—	1,348	—	1,348
Other asset-backed securities	—	1,075	—	1,075
Redeemable preferred securities	—	26	1	27
Total debt securities	1,514	20,023	103	21,640
Equity securities	59	—	43	102
Total	$ 1,573	$ 20,023	$ 146	$ 21,742

Changes in the Balances of Level 3 Financial Assets

The changes in the balances of Level 3 financial assets during 2017 were as follows:

(Millions)	Foreign securities	U.S. corporate securities	Equity securities	Other	Total
Beginning balance	**$ 21**	**$ 80**	**$ 43**	**$ 2**	**$ 146**
Net realized and unrealized capital gains (losses):					
Included in earnings	**—**	**4**	**42**	**—**	**46**
Included in other comprehensive income	**—**	**—**	**(38)**	**—**	**(38)**
Purchases	**—**	**18**	**9**	**42**	**69**
Sales	**—**	**—**	**(29)**	**—**	**(29)**
Settlements	**—**	**(17)**	**—**	**—**	**(17)**
Transfers out of Level 3, net	**(18)**	**—**	**—**	**(36)**	**(54)**
Ending balance	**$ 3**	**$ 85**	**$ 27**	**$ 8**	**$ 123**

The changes in the balances of Level 3 financial assets during 2016 were as follows:

(Millions)	Foreign securities	U.S. corporate securities	Equity securities	Other	Total
Beginning balance	$ 25	$ 64	$ 19	$ 6	$ 114
Net realized and unrealized capital (losses) gains:					
Included in earnings	—	(15)	—	—	(15)
Included in other comprehensive income	—	(4)	11	(3)	4
Other [1]	—	—	3	—	3
Purchases	16	41	10	33	100
Sales	(8)	(3)	—	(5)	(16)
Settlements	(2)	(3)	—	—	(5)
Transfers out of Level 3, net	(10)	—	—	(29)	(39)
Ending balance	$ 21	$ 80	$ 43	$ 2	$ 146

[1] Reflects realized and unrealized capital gains and losses on investments supporting our experience-rated and discontinued products, which do not impact our operating results.

Gross Transfers into (out of) Level 3

The total gross transfers into (out of) Level 3 during the years ended December 31, 2017 and 2016 were as follows:

(Millions)	2017	2016
Gross transfers into Level 3	**$ —**	$ —
Gross transfers out of Level 3	**(54)**	(39)
Net transfers out of Level 3	**$ (54)**	$ (39)

Carrying Value and Estimated Fair Value of Certain Financial Instruments

The carrying value and estimated fair value classified by level of fair value hierarchy for our financial instruments carried on our Consolidated Balance Sheets at adjusted cost or contract value at December 31, 2017 and 2016 were as follows:

(Millions)	Carrying Value	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
December 31, 2017					
Assets:					
Mortgage loans	**$ 1,496**	**$ —**	**$ —**	**$ 1,524**	**$ 1,524**
Bank loans	**7**	**—**	**—**	**7**	**7**
Equity securities [1]	**45**	**N/A**	**N/A**	**N/A**	**N/A**
Liabilities:					
Investment contract liabilities:					
With a fixed maturity	**7**	**—**	**—**	**7**	**7**
Without a fixed maturity	**363**	**—**	**—**	**354**	**354**
Long-term debt	**9,159**	**—**	**9,815**	**—**	**9,815**

(Millions)	Carrying Value	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
December 31, 2016					
Assets:					
Mortgage loans	$ 1,511	$ —	$ —	$ 1,540	$ 1,540
Bank loans	8	—	—	8	8
Equity securities [1]	35	N/A	N/A	N/A	N/A
Liabilities:					
Investment contract liabilities:					
With a fixed maturity	8	—	—	8	8
Without a fixed maturity	378	—	—	364	364
Long-term debt	20,661	—	21,468	—	21,468

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

Separate Account Financial Assets

Separate Accounts financial assets at December 31, 2017 and 2016 were as follows:

	2017				2016			
(Millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt securities	**$ 1,085**	**$ 2,611**	**$ 2**	**$ 3,698**	$ 766	$ 2,378	$ —	$ 3,144
Equity securities	**—**	**6**	**—**	**6**	166	6	—	172
Common/collective trusts	**—**	**448**	**—**	**448**	—	582	—	582
Total [1]	**$ 1,085**	**$ 3,065**	**$ 2**	**$ 4,152**	$ 932	$ 2,966	$ —	$ 3,898

[1] Excludes $144 million and $93 million of cash and cash equivalents and other receivables at December 31, 2017 and 2016, respectively.

Goodwill and Other Acquired Intangible Assets (Tables)

12 Months Ended
Dec. 31, 2017

Goodwill and Intangible Assets Disclosure [Abstract]

Change in Goodwill

The change in the carrying amount of goodwill for our reportable segments for the years ended December 31, 2017 and 2016 was as follows:

(Millions)	Health Care	Group Insurance	Total Company
Balance at January 1, 2016	$ 10,524	$ 113	$ 10,637
Acquisitions	—	—	—
Dispositions	—	—	—
Subsequent adjustments	—	—	—
Balance at December 31, 2016	**10,524**	**113**	**10,637**
Acquisitions	**47**	**—**	**47**
Dispositions	**—**	**(113)**	**(113)**
Subsequent adjustments	—	—	—
Balance at December 31, 2017	**$ 10,571**	**$ —**	**$ 10,571**

Other acquired intangible assets

Other acquired intangible assets at December 31, 2017 and 2016 consisted of the following:

(Millions)	Cost	Accumulated Amortization	Net Balance	Amortization Period (Years)
2017				
Provider networks	**$ 1,254**	**$ 756**	**$ 498**	**12-25** [1]
Customer lists	**1,172**	**610**	**562**	**3-20** [1]
Value of business acquired	**149**	**102**	**47**	**20**
Technology	**176**	**160**	**16**	**5**
Other	**14**	**5**	**9**	**10-15**
Definite-lived trademarks	**170**	**144**	**26**	**5-20**
Indefinite-lived trademarks	**22**	**—**	**22**	
Total other acquired intangible assets	**$ 2,957**	**$ 1,777**	**$ 1,180**	
2016				
Provider networks	$ 1,254	$ 694	$ 560	12-25 [1]
Customer lists	1,166	485	681	3-14 [1]
Value of business acquired	149	92	57	20
Technology	176	123	53	4-10
Other	10	4	6	10-15
Definite-lived trademarks	170	107	63	5-20
Indefinite-lived trademarks	22	—	22	
Total other acquired intangible assets	$ 2,947	$ 1,505	$ 1,442	

[1] The amortization period for our provider networks and customer lists includes an assumption of renewal or extension of these arrangements. At both December 31, 2017 and 2016, the periods prior to the next renewal or extension for our provider networks primarily ranged from 1 to 3 years, and the period prior to the next renewal or extension for our customer lists was 1 year. Any costs related to the renewal or extension of these contracts are expensed as incurred.

Estimated annual pretax amortization for other acquired intangible assets over the next five years

We estimate annual pre-tax amortization for other acquired intangible assets over the next five years to be as follows:

(Millions)	
2018	**$ 187**
2019	**181**
2020	**169**

2021	**156**
2022	**140**

Health Care and Other Insurance Liabilities (Tables) - Health Care [Member]

12 Months Ended

Dec. 31, 2017

Short-duration Insurance Contracts, Claims Development [Table Text Block]

(Millions)	Incurred Health Care Claims, Net of Reinsurance For the Years Ended December 31,	
Date of Service	**2016**	**2017**
	(Unaudited)	
2016	$ 44,110	**$ 43,434**
2017		**42,498**
	Total	**$ 85,932**

(Millions)	Cumulative Paid Health Care Claims, Net of Reinsurance For the Years Ended December 31,	
Date of Service	**2016**	**2017**
	(Unaudited)	
2016	$ 37,888	**$ 43,273**
2017		**37,022**
	Total	**$ 80,295**
All outstanding liabilities for health care costs payable prior to 2016, net of reinsurance		**54**
Total outstanding liabilities for health care costs payable, net of reinsurance		**$ 5,691**

Short-duration Insurance Contracts, Reconciliation of Claims Development to Liability [Table Text Block]

The reconciliation of the December 31, 2017 Health Care net incurred and paid claims development tables to the health care costs payable liability in our Consolidated Balance Sheet is as follows:

(Millions)	December 31, 2017
Short-duration health care costs payable, net of reinsurance	**$ 5,691**
Reinsurance recoverables	**6**
Premium deficiency reserve	**16**
Insurance lines other than short duration	**102**
Total health care costs payable	**$ 5,815**

Schedule of Liability for Unpaid Claims and Claims Adjustment Expense [Table Text Block]

The following table shows the components of the change in health care costs payable during 2017, 2016 and 2015:

(Millions)	2017	2016	2015
Health care costs payable, beginning of the period	**$ 6,558**	$ 6,306	$ 5,621
Less: Reinsurance recoverables	**5**	4	6
Health care costs payable, beginning of the period, net	**6,553**	6,302	5,615
Add: Components of incurred health care costs			
Current year	**43,551**	45,019	42,553
Prior years	**(814)**	(764)	(841)
Total incurred health care costs	**42,737**	44,255	41,712
Less: Claims paid			
Current year	**37,974**	38,700	36,389
Prior years	**5,523**	5,304	4,636
Total claims paid	**43,497**	44,004	41,025
Health care costs payable, end of period, net	**5,793**	6,553	6,302
Add: Premium deficiency reserve	**16**	—	—

Add: Reinsurance recoverables	**6**	5	4
Health care costs payable, end of period	**$ 5,815**	$ 6,558	$ 6,306

The ACA's Reinsurance, Risk Adjustment and Risk Corridor (Tables)

12 Months Ended

Dec. 31, 2017

Health Care Reform [Abstract]

Health Care Reform Programs [Table Text Block]

Our net receivable (payable) related to the 3Rs risk management programs at December 31, 2017 and 2016 was as follows:

	At December 31, 2017			At December 31, 2016		
(Millions)	Reinsurance	Risk Adjustment	Risk Corridor	Reinsurance	Risk Adjustment	Risk Corridor
Current	**$ 37**	**$ (41)**	**$ —**	$ 202	$ (690)	$ (10)
Long-term	**$ —**	**$ 2**	**$ —**	$ —	$ —	$ —
Total net receivable (payable)	**$ 37**	**$ (39)**	**$ —**	$ 202	$ (690)	$ (10)

Debt (Tables)

12 Months Ended
Dec. 31, 2017

Debt Disclosure [Abstract]

Carrying Value of Long-Term Debt

The carrying value of our long-term debt at December 31, 2017 and 2016 was as follows:

(Millions)	2017	2016
Senior notes, 5.95% due March 2017 [1]	**$ —**	$ 386
Senior notes, 1.75% due May 2017 [1]	**—**	250
Senior notes, 1.5% due November 2017 [1]	**—**	499
Senior notes, floating rate due December 2017 [1]	**—**	499
Senior notes, 1.7% due June 2018 [1]	**999**	997
Senior notes, 2.2% due March 2019	**374**	374
Senior notes, 1.9% due June 2019	**—**	1,642
Senior notes, 3.95% due September 2020	**—**	745
Senior notes, 2.4% due June 2021	**—**	1,839
Senior notes, 5.45% due June 2021	**647**	661
Senior notes, 4.125% due June 2021	**496**	495
Senior notes, 2.75% due November 2022	**988**	986
Senior notes, 2.8% due June 2023	**1,292**	1,290
Senior notes, 3.5% due November 2024	**743**	742
Senior notes, 3.2% due June 2026	**—**	2,771
Senior notes, 4.25% due June 2036	**—**	1,480
Senior notes, 6.625% due June 2036	**766**	765
Senior notes, 6.75% due December 2037	**527**	527
Senior notes, 4.5% due May 2042	**479**	478
Senior notes, 4.125% due November 2042	**489**	489
Senior notes, 4.75% due March 2044	**371**	371
Senior notes, 4.375% due June 2046	**—**	2,375
Senior notes, 3.875% due August 2047	**988**	—
Total long-term debt	**9,159**	20,661
Less current portion of long-term debt	**999**	1,634
Total long-term debt, less current portion and credit facility issuance costs	**$ 8,160**	$ 19,027

(1) At December 31, 2017, our 1.7% senior notes due June 2018 are classified as current in our Consolidated Balance Sheet. At December 31, 2016, our 5.95% senior notes due March 2017, 1.75% senior notes due May 2017, 1.5% senior notes due November 2017 and floating rate senior notes due December 2017 were each classified as current in our Consolidated Balance Sheet.

Schedule of Maturities of Long-term Debt [Table Text Block]

At December 31, 2017 the amount of future maturities of our long-term debt are as follows:

(Millions)	
2018	**$ 999**
2019	**374**
2020	**—**
2021	**1,143**
2022	**988**
Thereafter	**5,655**

Pension and Other Postretirement Plans (Tables)

12 Months Ended Dec. 31, 2017

Retirement Benefits [Abstract]

Schedule Of Changes In Benefit Obligations During Period

The following table shows the changes in the benefit obligations during 2017 and 2016 for our pension and OPEB plans:

	Pension Plans		OPEB Plans	
(Millions)	**2017**	**2016**	**2017**	**2016**
Benefit obligation, beginning of year	**$ 6,032**	$ 5,946	**$ 248**	$ 257
Interest cost	**203**	260	**8**	11
Actuarial loss	**394**	161	**11**	—
Benefits paid	**(411)**	(335)	**(18)**	(20)
Benefit obligation, end of year	**$ 6,218**	$ 6,032	**$ 249**	$ 248

Schedule Of Fair Value Of Financial Assets For Pension And Postretirement Benefits

The following table reconciles the beginning and ending balances of the fair value of plan assets during 2017 and 2016 for our pension and OPEB plans:

	Pension Plans		OPEB Plans	
(Millions)	**2017**	**2016**	**2017**	**2016**
Fair value of plan assets, beginning of year	**$ 5,914**	$ 5,802	**$ 52**	$ 55
Actual return on plan assets	**808**	426	**2**	1
Employer contributions	**20**	21	**14**	16
Benefits paid	**(411)**	(335)	**(18)**	(20)
Fair value of plan assets, end of year	**$ 6,331**	$ 5,914	**$ 50**	$ 52

Funded Status

The funded status of our pension and OPEB plans at the measurement date for 2017 and 2016 was as follows:

	Pension Plans		OPEB Plans	
(Millions)	**2017**	**2016**	**2017**	**2016**
Benefit obligation	**$ (6,218)**	$ (6,032)	**$ (249)**	$ (248)
Fair value of plan assets	**6,331**	5,914	**50**	52
Funded status	**$ 113**	$ (118)	**$ (199)**	$ (196)

Funded Status for Aetna and Non-qualified Pension Plans

At December 31, 2017, the fair value of plan assets of the Aetna Pension Plan was in excess of the benefit obligations, while the Non-qualified Pension Plan had benefit obligations in excess of the fair value of plan assets. Below is the funded status of each of our Pension Plans:

	Aetna Pension Plan		Non-qualified Pension Plan	
(Millions)	**2017**	**2016**	**2017**	**2016**
Benefit obligation	**$ (5,995)**	$ (5,807)	**$ (223)**	$ (225)
Fair value of plan assets	**6,331**	5,914	**—**	—
Funded status	**$ 336**	$ 107	**$ (223)**	$ (225)

Amounts in OCI not yet recognized for pension and OPEB plans

The amounts in accumulated other comprehensive loss that have not yet been recognized in net periodic benefit cost as of December 31, 2017 and 2016 were as follows:

	Pension Plans		OPEB Plans	
(Millions)	**2017**	**2016**	**2017**	**2016**
Unrecognized prior service credit	**$ —**	$ —	**$ (15)**	$ (19)
Unrecognized net actuarial losses	**2,361**	2,460	**75**	66
Amount recognized in accumulated other comprehensive loss	**$ (2,361)**	$ (2,460)	**$ (60)**	$ (47)

Net Amount Of Liabilities Recognized Table

The assets (liabilities) recognized on our Consolidated Balance Sheets at December 31, 2017 and 2016 for our pension and OPEB plans were consisted of the following:

(Millions)	Pension Plans 2017	Pension Plans 2016	OPEB Plans 2017	OPEB Plans 2016
Accrued benefit assets reflected in other long-term assets	**$ 336**	$ 107	**$ —**	$ —
Accrued benefit liabilities reflected in other current liabilities	**(20)**	(20)	**(12)**	(13)
Accrued benefit liabilities reflected in other long-term liabilities	**(203)**	(205)	**(187)**	(183)
Net amount of assets (liabilities) recognized at December 31,	**$ 113**	$ (118)	**$ (199)**	$ (196)

Schedule of Net Benefit Costs

Components of the net periodic benefit (income) cost of our defined benefit pension plans and OPEB plans for the years ended December 31, 2017, 2016 and 2015 were as follows:

(Millions)	Pension Plans 2017	Pension Plans 2016	Pension Plans 2015	OPEB Plans 2017	OPEB Plans 2016	OPEB Plans 2015
Amortization of prior service credit	**$ —**	$ —	$ (1)	**$ (4)**	$ (4)	$ (4)
Interest cost	**203**	260	261	**8**	11	11
Expected return on plan assets	**(380)**	(389)	(419)	**(2)**	(3)	(3)
Recognized net actuarial losses	**65**	61	62	**3**	3	3
Net periodic (income) benefit cost	**$ (112)**	$ (68)	$ (97)	**$ 5**	$ 7	$ 7

Weighted Average Assumptions Table

The weighted average assumptions used to determine net periodic benefit (income) cost in 2017, 2016 and 2015 for the pension and OPEB plans were as follows:

	Pension Plans 2017	Pension Plans 2016	Pension Plans 2015	OPEB Plans 2017	OPEB Plans 2016	OPEB Plans 2015
Discount rate	**4.22%**	4.50%	4.12%	**4.12%**	4.39%	4.02%
Expected long-term return on plan assets	**6.70%**	6.90%	7.00%	**4.75%**	4.75%	5.30%

Expected Benefits Payments Table

Expected benefit payments, which reflect future employee service, as appropriate, of the pension and OPEB plans to be paid for each of the next five years and in the aggregate for the next five years thereafter at December 31, 2017 were as follows:

(Millions)	Pension Plans	OPEB Plans
2018	$ 374	$ 17
2019	364	17
2020	367	17
2021	371	17
2022	374	17
2023-2027	1,867	79

Fair Value Of Plan Assets

Pension Assets with changes in fair value measured on a recurring basis at December 31, 2017 were as follows:

(Millions)	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. government securities	**$ 644**	**$ 38**	**$ —**	**$ 682**
States, municipalities and political subdivisions	**—**	**150**	**—**	**150**
U.S. corporate securities	**—**	**1,506**	**—**	**1,506**
Foreign securities	**—**	**165**	**—**	**165**
Residential mortgage-backed securities	**—**	**322**	**—**	**322**
Commercial mortgage-backed securities	**—**	**57**	**1**	**58**
Other asset-backed securities	**—**	**130**	**—**	**130**
Redeemable preferred securities	**—**	**8**	**—**	**8**
Total debt securities	**644**	**2,376**	**1**	**3,021**
Equity securities:				

U.S. Domestic	**939**	**4**	**—**	**943**
International	**556**	**—**	**—**	**556**
Domestic real estate	**26**	**—**	**—**	**26**
Total equity securities	**1,521**	**4**	**—**	**1,525**
Other investments:				
Real estate	**—**	**—**	**479**	**479**
Common/collective trusts [1]	**—**	**478**	**—**	**478**
Derivatives	**—**	**1**	**—**	**1**
Total other investments	**—**	**479**	**479**	**958**
Total pension investments [2]	**$ 2,165**	**$ 2,859**	**$ 480**	**$ 5,504**

(1) The assets in the underlying funds of common/collective trusts consist of $294 million of equity securities and $184 million of debt securities.

(2) Excludes $119 million of cash and cash equivalents and other payables, $530 million of private equity limited partnership investments and $178 million of hedge fund limited partnership investments.

Pension Assets with changes in fair value measured on a recurring basis at December 31, 2016 were as follows:

(Millions)	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. government securities	$ 460	$ 122	$ —	$ 582
States, municipalities and political subdivisions	—	128	—	128
U.S. corporate securities	—	1,291	—	1,291
Foreign securities	—	103	—	103
Residential mortgage-backed securities	—	163	—	163
Commercial mortgage-backed securities	—	57	—	57
Other asset-backed securities	—	60	—	60
Redeemable preferred securities	—	6	—	6
Total debt securities	460	1,930	—	2,390
Equity securities:				
U.S. Domestic	1,305	5	—	1,310
International	611	—	—	611
Domestic real estate	34	—	—	34
Total equity securities	1,950	5	—	1,955
Other investments:				
Real estate	—	—	478	478
Common/collective trusts [1]	—	465	—	465
Total other investments	—	465	478	943
Total pension investments [2]	$ 2,410	$ 2,400	$ 478	$ 5,288

(1) The assets in the underlying funds of common/collective trusts consist of $307 million of equity securities and $158 million of debt securities.

(2) Excludes $180 million of cash and cash equivalents and other payables, $255 million of private equity limited partnership investments and $191 million of hedge fund limited partnership investments.

Schedule of changes in the fair value of level three plan assets by asset category

The changes in the balances of Level 3 Pension Assets during 2017 and 2016 were as follows:

	2017		
(Millions)	Real Estate	Other	Total
Beginning balance	**$ 478**	**$ —**	**$ 478**
Actual return on plan assets	**23**	**—**	**23**
Purchases, sales and settlements	**(22)**	**—**	**(22)**

Transfers into Level 3	**—**	**1**	**1**
Ending balance	**$ 479**	**$ 1**	**$ 480**

	2016		
(Millions)	**Real Estate**	**Other**	**Total**
Beginning balance	$ 497	$ 3	$ 500
Actual return on plan assets	42	—	42
Purchases, sales and settlements	(61)	(1)	(62)
Transfers out of Level 3	—	(2)	(2)
Ending balance	$ 478	$ —	$ 478

Asset Allocation And Target Asset Allocation Table

The actual and target asset allocations of the OPEB plans used at December 31, 2017 and 2016 presented as a percentage of total plan assets, were as follows:

(Millions)	**2017**	**Target Allocation**	**2016**	**Target Allocation**
Equity securities	**13%**	**10-15%**	11%	5-15%
Debt securities	**81%**	**75-85%**	82%	80-90%
Real estate/other	**6%**	**5-10%**	7%	0-10%

Income Taxes (Tables)

12 Months Ended
Dec. 31, 2017

Income Tax Disclosure [Abstract]

Schedule of Components of Income Tax Expense (Benefit)

The components of our income tax provision in 2017, 2016 and 2015 were:

(Millions)	2017	2016	2015
Current income taxes:			
Federal	**$ 1,369**	$ 1,662	$ 1,797
State	**73**	129	112
Total current income taxes	**1,442**	1,791	1,909
Deferred income tax benefits:			
Federal	**(328)**	(55)	(59)
State	**(27)**	(1)	(9)
Total deferred income tax benefits	**(355)**	(56)	(68)
Total income taxes	**$ 1,087**	$ 1,735	$ 1,841

Schedule of Effective Income Tax Rate Reconciliation

Income taxes were different from the amount computed by applying the statutory federal income tax rate to income before income taxes as follows:

	2017		2016		2015	
(Millions)	Amount	Percent	Amount	Percent	Amount	Percent
Amount at statutory rate	**$ 1,047**	**35.0%**	$ 1,397	35.0 %	$ 1,483	35.0 %
Health insurer fee	**—**	**—%**	293	7.3 %	300	7.1 %
State income taxes	**21**	.7%	83	2.1 %	63	1.5 %
Other, net	**19**	**.6%**	(38)	(.9)%	(5)	(.1)%
Income taxes	**$ 1,087**	**36.3%**	$ 1,735	43.5 %	$ 1,841	43.5 %

Schedule of Deferred Tax Assets and Liabilities

The significant components of our net deferred tax liabilities at December 31, 2017 and 2016 were as follows:

(Millions)	2017	2016
Deferred tax assets:		
Insurance reserves	**$ 187**	$ 231
Reserve for anticipated future losses on discontinued products	**135**	225
Employee and postretirement benefits	**75**	196
Net operating losses	**184**	147
Severance and facilities	**32**	135
Investments, net	**58**	80
Debt fair value adjustments	**10**	23
Deferred revenue	**231**	21
Other	**116**	117
Gross deferred tax assets	**1,028**	1,175
Less: Valuation allowance	**154**	118
Deferred tax assets, net of valuation allowance	**874**	1,057
Deferred tax liabilities:		
Goodwill and other acquired intangible assets	**451**	814
Cumulative depreciation and amortization	**101**	185
Unrealized gains on investment securities	**105**	42
Other	**22**	20
Total gross deferred tax liabilities	**679**	1,061
Net deferred tax assets (liabilities)	**$ 195**	$ (4)

Stock-based Employee Incentive Plans (Tables)

12 Months Ended
Dec. 31, 2017

Stock-based Employee Incentive Plans [Abstract]

Assumptions Used in Stock Appreciation Rights Granted [Table Text Block]

The SARs granted to certain employees during 2017 and 2016 and described above had an estimated grant date fair value per SAR of $32.30 and $34.33, respectively. The grant date fair value was calculated using a modified Black-Scholes option pricing model using the following assumptions:

	2017	2016
Expected term (in years)	**7.21**	7.11
Volatility	**26.52%**	32.9%
Risk-free interest rate	**2.22%**	1.52%
Dividend yield	**1.71%**	0.91%
Initial price	**$ 125.27**	$ 103.45

Share Based Compensation Arrangement By Share Based Payment Award Fair Value Assumptions And Methodology [Table Text Block]

We estimated the grant date fair value of the 2013 PSARs using a Monte Carlo simulation. The 2013 PSARs had a grant date per PSAR fair value of $18.64. That grant date fair value was calculated using the following assumptions:

Expected settlement period (in years)	6.12
Volatility	40.4%
Risk-free interest rate	.6%
Dividend yield	1.25%
Initial price	$ 64.25

Schedule of Share-based Compensation, Stock Options and Stock Appreciation Rights Award Activity

The stock option, SAR and PSAR transactions during 2017, 2016 and 2015 were as follows:

(Millions, except exercise price and remaining life)	Number of Stock Options, SARs and PSARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
2015				
Outstanding, beginning of year	8.1	$ 49.37	4.2	$ 318
Granted	2.0	101.41	—	—
Exercised	(2.5)	43.90	—	155
Expired or forfeited	(.2)	91.25	—	—
Outstanding, end of year [1]	7.4	$ 64.11	5.3	$ 325
Exercisable, end of year	4.1	$ 45.88	2.6	$ 252
2016				
Outstanding, beginning of year	7.4	$ 64.11	5.3	$ 325
Granted	2.4	104.47	—	—
Exercised	(1.4)	52.99	—	85
Expired or forfeited	(.4)	83.25	—	—
Outstanding, end of year	8.0	$ 77.20	5.9	$ 373
Exercisable, end of year	4.3	$ 57.26	3.6	$ 287
2017				
Outstanding, beginning of year	**8.0**	**$ 77.20**	**5.9**	**$ 373**
Granted	**2.2**	**125.82**	**—**	**—**
Exercised	**(2.4)**	**65.42**	**—**	**185**
Expired or forfeited	**(.2)**	**108.24**	**—**	**—**
Outstanding, end of year	**7.6**	**$ 94.03**	**6.6**	**$ 398**
Exercisable, end of year	**3.6**	**$ 71.06**	**4.6**	**$ 397**

[1] PSARs are included in this table in 2015 at the maximum amount that could potentially vest

Schedule Of Share Based Compensation Shares Authorized Under Stock Option Plans And Stock Appreciation Rights By Exercise Price Range

The following is a summary of information regarding SARs outstanding at December 31, 2017 (millions, except remaining contractual life and exercise price):

	Outstanding				Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
20.00-30.00 [1]	—	1.4	$ 25.50	$ 3	—	$ 25.50	$ 3
30.00-40.00	.8	1.1	32.11	125	.8	32.11	125
40.00-50.00 [1]	—	.3	45.84	1	—	45.84	1
50.00-60.00	.4	.1	50.70	55	.4	50.70	55
60.00-70.00	.5	5.6	64.25	58	.5	64.25	58
70.00-80.00	.5	6.1	72.42	49	.5	72.42	49
80.00-90.00 [1]	—	4.4	80.27	—	—	80.27	—
100.00-110.00	2.9	7.6	102.51	227	1.3	102.11	99
110.00-120.00	.2	8.3	115.16	16	.1	115.36	7
120.00-130.00	2.0	9.1	125.24	112	—	124.41	1
130.00-140.00 [1]	—	9.2	132.80	—	—	—	—
140.00-150.00	.1	9.4	145.10	2	—	—	—
160.00-170.00 [1]	—	9.7	163.21	—	—	—	—
$20.00-$170.00 [2]	7.4	6.6	$ 94.03	$ 648	3.6	$ 71.06	$ 398

[1] The number of outstanding and exercisable SARs with exercise prices between $20 and $30, $40 and $50, $80 and $90, $130 and $140 and $160 and $170 rounded to zero.

[2] The number of outstanding SARs with exercise prices between $90 and $100 and $150 and $160 rounded to zero.

Activity Under Stock Option, Performance Stock Appreciation Rights, Stock Appreciation Rights Plans

During 2017, 2016 and 2015, the following activity occurred under the Plans:

(Millions)	2017	2016	2015
Cash received from stock option exercises	$ —	$ —	$ 7
Intrinsic value of stock options/SARs exercised and stock units vested	499	384	413
Tax benefits realized for the tax deductions from stock options and SARs exercised and stock units vested	99	77	101
Fair value of stock options, SARs, PSARs and stock units vested [1]	300	223	126

[1] The fair value represents the aggregate grant date fair value of the stock options, SARs, PSARs and stock units as of the respective grant dates.

Assumptions Used In Market Stock Units Granted

From 2010 through 2014, we granted MSUs to certain employees. We did not grant any MSUs from 2015 through 2017. We estimate the grant date fair value of MSUs using a Monte Carlo simulation. MSUs granted in 2014 had a weighted average per MSU grant date fair value of $74.99. The weighted-average per MSU grant date fair value was calculated using the following assumptions:

	2014
Volatility	26.4%
Risk-free interest rate	.7%
Dividend yield	1.3%
Initial price	$ 72.26

Summary Of Status Of Performance Stock Units And Restricted Stock Units

RSU, MSU and PSU transactions in 2017, 2016 and 2015 were as follows (number of units in millions):

	2017		2016		2015	
	RSUs, MSUs and PSUs	Weighted Average Grant Date Fair Value	RSUs, MSUs and PSUs	Weighted Average Grant Date Fair Value	RSUs, MSUs and PSUs	Weighted Average Grant Date Fair Value
RSUs, MSUs and PSUs at						

beginning of year	**2.9**	**$ 91.95**	3.9	$ 73.40	5.1	$ 58.57
Granted	**0.9**	**126.56**	2.1	98.60	1.8	100.52
Vested	**(2.1)**	**88.17**	(2.7)	68.87	(2.6)	59.72
Forfeited	**(.2)**	**101.69**	(.4)	71.17	(.4)	70.94
RSUs, MSUs and PSUs at end of year	**1.5**	**$ 112.71**	2.9	$ 91.95	3.9	$ 73.40

Shareholders' Equity (Tables)

12 Months Ended
Dec. 31, 2017

Class of Stock Disclosures [Abstract]

Schedule of Board authorizations for common stock repurchases

The activity under Board authorized share repurchase programs in 2017, 2016 and 2015 was as follows:

		Shares Purchased					
	Purchase Not to	2017		2016		2015	
(Millions)	Exceed	Shares	Cost	Shares	Cost	Shares	Cost
Authorization date:							
February 17, 2017	$ 4,000	**19.3**	**$ 2,762**	—	$ —	—	$ —
November 21, 2014	1,000	**7.1**	**1,000**	—	—	—	—
February 28, 2014	1,000	**0.6**	**83**	—	—	3.0	296
Total repurchases	N/A	**27.0**	**$ 3,845**	—	$ —	3.0	$ 296
Repurchase authorization remaining at December 31,		**N/A**	**$ 1,238**	N/A	$ 1,083	N/A	$ 1,083

Accelerated Share Repurchases [Table Text Block]

Dividends declared

In 2017 and 2016 our Board declared the following cash dividends:

Date Declared	Dividend Amount Per Share	Stockholders of Record Date	Date Paid/ To be Paid	Total Dividends (Millions)
Year ended December 31, 2016				
February 19, 2016	$ .25	April 14, 2016	April 29, 2016	$ 88
May 20, 2016	.25	July 14, 2016	July 29, 2016	88
September 30, 2016	.25	October 13, 2016	October 28, 2016	88
December 2, 2016	.25	January 12, 2017	January 27, 2017	88
Year ended December 31, 2017				
February 17, 2017	$ .50	April 13, 2017	April 28, 2017	$ 166
May 19, 2017	.50	July 13, 2017	July 28, 2017	166
September 29, 2017	.50	October 12, 2017	October 27, 2017	163
December 3, 2017	.50	January 11, 2018	January 26, 2018	163

Statutory Accounting Practices Disclosure [Table Text Block]

At December 31, 2017, these amounts were as follows:

(Millions)	
Minimum statutory surplus required by regulators	$ 3,685
Investments on deposit with regulatory bodies	621
Maximum dividend distributions permitted in 2018 without state approval	1,573

The combined statutory net income for the years ended and combined statutory capital and surplus at December 31, 2017, 2016 and 2015 for our insurance and HMO subsidiaries were as follows:

(Millions)	2017	2016	2015
Statutory net income	**$ 2,908**	$ 2,229	$ 2,186
Statutory capital and surplus	**9,948**	10,413	9,883

Other Comprehensive (Loss) Income (Tables)

Other Comprehensive Income (Loss), Net of Tax [Abstract]

Other Comprehensive (Loss) Income

12 Months Ended Dec. 31, 2017

Shareholders' equity included the following activity in accumulated other comprehensive income (loss) in 2017, 2016 and 2015:

	At December 31,		
(Millions)	**2017**	**2016**	**2015**
Previously impaired debt securities: [1]			
Beginning of period balance	**$ 16**	$ 19	$ 35
Net unrealized losses *($(9), $(31) and $(69) pretax)*	**(6)**	(20)	(45)
Less: Net reclassification of gains (losses) to earnings *($8, $(26) and $(44) pretax)* [2]	**5**	(17)	(29)
Other comprehensive loss	**(11)**	(3)	(16)
End of period balance	**5**	16	19
All other securities:			
Beginning of period balance	**297**	312	568
Net unrealized gains (losses) *($165, $(12) and $(490) pretax)*	**107**	(8)	(318)
Less: Net reclassification of gains (losses) to earnings *($120, $11 and $(97) pretax)* [2]	**78**	7	(62)
Other comprehensive income (loss)	**29**	(15)	(256)
End of period balance	**326**	297	312
Derivatives and foreign currency:			
Beginning of period balance	**(235)**	$ (74)	$ (61)
Net unrealized gains (losses) *($11, $(273) and $(26) pretax)*	**7**	(177)	(17)
Less: Net reclassification of losses to earnings *($(345), $(25) and $(6) pretax)* [3]	**(224)**	(16)	(4)
Other comprehensive income (loss)	**231**	(161)	(13)
End of period balance	**(4)**	(235)	(74)
Pension and OPEB plans:			
Beginning of period balance	**(1,630)**	(1,587)	(1,653)
Net unrealized net actuarial gains (losses) arising during the period *($23, $(126) and $41 pretax)*	**18**	(82)	27
Less: Net amortization of net actuarial losses *($(68), $(64) and $(64) pretax)* [4]	**(44)**	(42)	(42)
Less: Net amortization of prior service credit *($5, $5 and $4 pretax)* [4]	**3**	3	3
Other comprehensive income (loss)	**59**	(43)	66
End of period balance	**(1,571)**	(1,630)	(1,587)
Total beginning of period accumulated other comprehensive loss	**(1,552)**	(1,330)	(1,111)
Total other comprehensive income (loss)	**308**	(222)	(219)
Total end of period accumulated other comprehensive loss	**$ (1,244)**	$ (1,552)	$ (1,330)

[1] Represents specifically identified unrealized gains on the non-credit related component of impaired debt securities that we do not intend to sell and subsequent changes in the fair value of any previously impaired security.

[2] Reclassifications out of accumulated other comprehensive income for specifically identified previously impaired debt securities and all other securities are reflected in net realized capital (losses) gains within our Consolidated Statements of Income.

[3] Reclassifications out of accumulated other comprehensive income for specifically identified foreign currency gains (losses) and derivatives are reflected in net realized capital (losses) gains within our Consolidated Statements of Income, except for the specifically identified effective portion of derivatives related to interest rate swaps which are reflected in interest expense. During the year ended December 31, 2017, we redeemed the entire $10.2 billion aggregate principal amount outstanding of the Special Mandatory Redemption Notes and the entire $750 million aggregate principal amount outstanding of our senior notes due 2020 and reclassified out of accumulated other comprehensive income the remaining $336 million pre-tax unrealized hedge losses as a realized capital loss within

our Consolidated Statements of Income. Refer to Note 9 for additional information.

(4) Reclassifications out of accumulated other comprehensive income for specifically identified pension and OPEB plan expenses are reflected in general and administrative expenses within our Consolidated Statements of Income. Refer to Note 10 for additional information.

Earnings Per Common Share (Tables)

12 Months Ended Dec. 31, 2017

Earnings Per Share [Abstract]

Earnings Per Share

The computations of basic and diluted EPS for 2017, 2016 and 2015 are as follows:

(Millions, except per common share data)	2017	2016	2015
Net income attributable to Aetna	**$ 1,904**	$ 2,271	$ 2,390
Weighted average shares used to compute basic EPS	**333.2**	351.3	349.3
Dilutive effect of outstanding stock-based compensation awards	**2.2**	3.0	3.3
Weighted average shares used to compute diluted EPS	**335.4**	354.3	352.6
Basic EPS	**$ 5.71**	$ 6.46	$ 6.84
Diluted EPS	**$ 5.68**	$ 6.41	$ 6.78

Schedule of Antidilutive Securities Excluded from Computation of Earnings Per Share

The stock-based compensation awards excluded from the calculation of diluted EPS for 2017, 2016 and 2015 are as follows:

(Millions)	2017	2016	2015
Stock appreciation rights ("SARs") [1]	**—**	.1	.5
Other stock-based compensation awards [2]	**.7**	.7	.8

(1) SARs are excluded from the calculation of diluted EPS if the exercise price is greater than the average market price of Aetna common shares during the period (i.e., the awards are anti-dilutive).

(2) Performance stock units ("PSUs"), certain market stock units ("MSUs") with performance conditions, and performance stock appreciation rights ("PSARs") are excluded from the calculation of diluted EPS if all necessary performance conditions have not been satisfied at the end of the reporting period (refer to Note 12 for additional information about PSARs).

Reinsurance (Tables)

12 Months Ended
Dec. 31, 2017

Reinsurance Disclosures [Abstract]

Reinsurance Recoverables [Table Text Block]

Reinsurance recoverables recorded at December 31, 2017 and 2016 were as follows:

(Millions)	Total Recoverables	
Reinsurer	**2017**	**2016**
Hartford Life and Accident Insurance Company	**$ 3,555**	**$ —**
Lincoln Life & Annuity Company of New York	**431**	444
VOYA Retirement Insurance and Annuity Company	**197**	209
Affordable Care Act	**37**	202
All Other	**153**	164
Total	**$ 4,373**	$ 1,019

Supplemental Schedule of Reinsurance Premiums for Insurance Companies [Text Block]

Direct, assumed and ceded premiums earned for the years ended December 31 were as follows:

	Health Care			Group Insurance		
(Millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Direct	**$ 51,964**	$ 54,062	$ 51,539	**$ 2,171**	$ 2,155	$ 2,155
Assumed	**413**	402	368	**1**	1	1
Ceded	**(355)**	(348)	(289)	**(353)**	(13)	(17)
Net premiums	**$ 52,022**	$ 54,116	$ 51,618	**$ 1,819**	$ 2,143	$ 2,139

Effects of Reinsurance [Table Text Block]

The impact of reinsurance on benefit costs (health care costs for our Health Care segment and current and future benefits for our Group Insurance segment) for the years ended December 31 were as follows:

	Health Care			Group Insurance		
(Millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Direct	**$ 42,780**	$ 44,341	$ 42,038	**$ 2,181**	$ 1,861	$ 1,845
Assumed	**318**	339	298	**4**	2	2
Ceded	**(345)**	(425)	(624)	**(597)**	(13)	(10)
Net benefit costs	**$ 42,753**	$ 44,255	$ 41,712	**$ 1,588**	$ 1,850	$ 1,837

Commitments and Contingencies (Tables)	12 Months Ended Dec. 31, 2017
Commitments and Contingencies Disclosure [Abstract]	
Other Commitments [Table Text Block]	For 2018 through 2022, our future net minimum payments under non-cancelable leases and funding obligations relating to equity limited partnership investments, commercial mortgage loans and real estate partnerships were:

(Millions)	**2018**	**2019**	**2020**	**2021**	**2022**
Future net minimum payments under non-cancelable leases	$ 142	$ 115	$ 79	$ 65	$ 51
Funding requirements for equity limited partnership investments, commercial mortgage loans and real estate partnerships	139	106	90	53	35
Total	$ 281	$ 221	$ 169	$ 118	$ 86

Segment Information (Tables)

12 Months Ended
Dec. 31, 2017

Segment Reporting [Abstract]

Summarized financial information of segments

Summarized financial information of our segment operations [1] for 2017, 2016 and 2015 were as follows:

(Millions)	Health Care	Group Insurance	Large Case Pensions	Corporate Financing	Total Company
2017					
Revenue from external customers	**$ 57,771**	**$ 1,992**	**$ 61**	**$ —**	**$ 59,824**
Net investment income	**476**	**210**	**253**	**11**	**950**
Interest expense	**—**	**—**	**—**	**442**	**442**
Depreciation and amortization expense	**705**	**—**	**—**	**—**	**705**
Pre-tax adjusted earnings (loss) [2]	**5,207**	**125**	**15**	**(254)**	**5,093**
2016					
Revenue from external customers	$ 59,860	$ 2,251	$ 48	$ —	$ 62,159
Net investment income	435	226	226	23	910
Interest expense	—	—	—	604	604
Depreciation and amortization expense	681	—	—	—	681
Pre-tax adjusted earnings (loss) [2]	5,073	141	10	(259)	4,965
2015					
Revenue from external customers	$ 57,203	$ 2,240	$ 42	$ —	$ 59,485
Net investment income	408	238	271	—	917
Interest expense	—	—	—	369	369
Depreciation and amortization expense	671	—	—	—	671
Pre-tax adjusted earnings (loss) [2]	4,751	174	14	(227)	4,712

[1] Total Assets by segment are not disclosed as this information is not reviewed by the chief executive officer.

[2] Pre-tax adjusted earnings (loss) excludes net realized capital gains or losses, amortization of other acquired intangible assets and the other items described in the reconciliation below.

Reconciliation of operating earnings to net income

A reconciliation of income before income taxes attributable to Aetna to pre-tax adjusted earnings[1] in 2017, 2016 and 2015 follows.

(Millions)	2017	2016	2015
Income before income taxes (GAAP measure)	**$ 2,992**	$ 3,991	$ 4,236
Less: (Loss) income before income taxes attributable to non-controlling interests (GAAP measure)	**(10)**	(20)	7
Income before income taxes attributable to Aetna (GAAP measure)	**3,002**	4,011	4,229
Gain related to sale of certain domestic group insurance businesses	**(88)**	—	—
Loss on early extinguishment of long-term debt	**246**	—	—
Penn Treaty-related guaranty fund assessments	**231**	—	—
Transaction and integration-related costs	**1,240**	517	258
Restructuring costs	**60**	404	15
Reduction of reserve for anticipated future losses on discontinued products	**(109)**	(128)	—
Litigation related proceeds	**—**	—	(110)
Amortization of other acquired intangible assets	**272**	247	255
Net realized capital losses (gains)	**239**	(86)	65
Pre-tax adjusted earnings	**$ 5,093**	$ 4,965	$ 4,712

[1] In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earnings and pre-tax adjusted earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:

- During the year ended December 31, 2017, we sold a substantial portion of our Group Insurance segment

consisting of our domestic group life insurance, group disability insurance, and absence management business. The transaction was accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of Aetna's business operations.

- During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory redemption of the $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemption of $750 million aggregate principal amount of our outstanding senior notes due 2020.
- During the year ended December 31, 2017, we recorded an expense for estimated future guaranty fund assessments related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of our business operations.
- We recorded transaction-related costs during the year ended December 31, 2017 related to our proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primarily related to the Humana Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agreement, the termination of our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP Consolidated Statements of Income in general and administrative expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior to the mandatory redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-tax adjusted earnings. The negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption (the “Other 2016 Senior Notes”) was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the Humana Merger Agreement, the interest expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings.
- Restructuring costs for 2017 include severance costs associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early retirement program, severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments which require us to make payments to suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume commitments as a result of our reduced participation on the ACA’s individual Public Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense management and cost control initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.
- In 1993, we discontinued the sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the year ended December 31, 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for anticipated future losses on discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating results of these discontinued products, which are credited or charged to the reserve and do not affect our operating results.
- In 2015, we received proceeds net of legal costs, in connection with a litigation settlement. These net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

Revenues from external customers by product

Revenues from external customers by product in 2017, 2016 and 2015 were as follows:

(Millions)	**2017**	**2016**	**2015**
Health care premiums	**$ 52,022**	$ 54,116	$ 51,618
Health care fees and other revenue	**5,749**	5,744	5,585
Group insurance premiums	**1,819**	2,143	2,139
Group insurance fees and other revenues	**173**	108	101
Large case pensions premiums	**53**	39	32
Large case pensions other revenue	**8**	9	10
Total revenue from external customers [1] [2]	**$ 59,824**	$ 62,159	$ 59,485

(1) All within the U.S., except approximately $634 million, $642 million and $1.3 billion in 2017, 2016 and 2015, respectively, which were derived from foreign customers.

(2) Revenue from the U.S. federal government was approximately $20.8 billion, $20.5 billion and $17.8 billion in 2017, 2016 and 2015, respectively, in the Health Care and Group Insurance segments. These amounts exceeded 10 percent of our total revenue from external customers in each of 2017, 2016 and 2015.

Reconciliation of revenues from external customers to total revenues

The following is a reconciliation of revenue from external customers to total revenues included in our Consolidated Statements of Income in 2017, 2016 and 2015:

(Millions)	**2017**	**2016**	**2015**
Revenue from external customers	**$ 59,824**	$ 62,159	$ 59,485
Net investment income	**950**	910	917
Net realized capital (losses) gains	**(239)**	86	(65)
Total revenue	**$ 60,535**	$ 63,155	$ 60,337

Discontinued Products (Tables)

12 Months Ended Dec. 31, 2017

Discontinued Products [Abstract]

Activity in the Reserve for Anticipated Future Losses

The activity in the reserve for anticipated future losses on discontinued products in 2017, 2016 and 2015 was as follows (pretax):

(Millions)	**2017**	**2016**	**2015**
Reserve, beginning of period	**$ 962**	$ 1,067	$ 1,015
Operating income (loss)	**29**	(34)	(9)
Net realized capital gains	**72**	57	61
Reserve reduction	**(109)**	(128)	—
Reserve, end of period	**$ 954**	$ 962	$ 1,067

Anticipated Runoff Of Discontinued Products Reserve Balance

The anticipated run-off of the discontinued products reserve balance at December 31, 2017 (assuming that assets are held until maturity and that the reserve run-off is proportional to the liability run-off) is as follows:

(Millions)	
2018	$ 55
2019	54
2020	52
2021	50
2022	48
Thereafter	695

Assets and Liabilities Supporting Discontinued Products

Assets and liabilities supporting discontinued products[(1)] at December 31, 2017 and 2016 were as follows:

(Millions)	**2017**	**2016**
Assets:		
Debt and equity securities available for sale	**$ 1,623**	$ 1,913
Mortgage loans	**567**	370
Other investments	**564**	646
Total investments	**2,754**	2,929
Other assets	**71**	104
Receivable from continuing products [(2)]	**474**	554
Total assets	**$ 3,299**	$ 3,587
Liabilities:		
Future policy benefits	**$ 2,165**	$ 2,326
Reserve for anticipated future losses on discontinued products	**954**	962
Current and deferred income taxes	**22**	42
Other liabilities [(3)]	**158**	257
Total liabilities	**$ 3,299**	$ 3,587

(1) Assets supporting the discontinued products are distinguished from assets supporting continuing products.

(2) At the time of discontinuance, a receivable from Large Case Pensions' continuing products was established on the discontinued products balance sheet. This receivable represented the net present value of anticipated cash shortfalls in the discontinued products, which will be funded from continuing products. Interest on the receivable is accrued at the discount rate that was used to calculate the reserve. The offsetting payable, on which interest is similarly accrued, is reflected in continuing products. Interest on the payable generally offsets investment income on the assets available to fund the shortfall. These amounts are eliminated in consolidation.

(3) Net unrealized capital gains on the available-for-sale debt securities are included in other liabilities and are not reflected in consolidated shareholders' equity.

Expected Runoff Of Single Premium Annuities And Guaranteed Investment Contracts Liabilities

At December 31, 2017, the expected run-off of the SPA liabilities, including future interest, was as follows:

(Millions)	
2018	$ 328
2019	312
2020	297
2021	281
2022	266
Thereafter	3,240

Comparison Of Expected And Actual Runoff Of Single Premium Annuities And Guaranteed Investment Contracts Liabilities

The liability expected as of December 31, 1993 and the actual liability balances at December 31, 2017, 2016 and 2015 for the GIC and SPA liabilities were as follows:

	Expected		**Actual**	
(Millions)	**GIC**	**SPA**	**GIC**	**SPA**
2015	$ 10	$ 2,112	$ —	$ 2,494
2016	9	1,942	—	2,326
2017	**9**	**1,771**	**—**	**2,165**

Quarterly Financial Data (Tables)

12 Months Ended Dec. 31, 2017

Quarterly Financial Information Disclosure [Abstract]

Schedule of Quarterly Financial Information

Quarterly Data (unaudited)

(Millions, except per share and common stock data)	First	Second	Third	Fourth
2017				
Total revenue	$ 15,165	$ 15,523	$ 14,994	$ 14,853
(Loss) income before income taxes	$ (628)	$ 1,820	$ 1,274	$ 526
Income tax benefit (expense)	249	(637)	(426)	(272)
Net income including non-controlling interests	(379)	1,183	848	254
Less: Net income (loss) attributable to non-controlling interests	2	(20)	10	10
Net (loss) income attributable to Aetna	$ (381)	$ 1,203	$ 838	$ 244
Net (loss) income attributable to Aetna per share - basic [(1)]	$ (1.11)	$ 3.62	$ 2.54	$ .75
Net (loss) income attributable to Aetna per share - diluted [(1)]	(1.11)	3.60	2.52	.74
2016				
Total revenue	$ 15,694	$ 15,952	$ 15,782	$ 15,727
Income before income taxes	$ 1,289	$ 1,354	$ 1,073	$ 275
Income tax expense	(551)	(561)	(476)	(147)
Net income including non-controlling interests	738	793	597	128
Less: Net income (loss) attributable to non-controlling interests	1	2	(7)	(11)
Net income attributable to Aetna	$ 737	$ 791	$ 604	$ 139
Net income attributable to Aetna per share - basic [(1)]	$ 2.10	$ 2.25	$ 1.72	$ .40
Net income attributable to Aetna per share - diluted [(1)]	2.09	2.23	1.70	.39

(1) Calculation of net income (loss) attributable to Aetna per share is based on weighted average shares outstanding during each quarter and, accordingly, the sum may not equal the total for the year.

Summary of Significant Accounting Policies (Details) $ in Millions	12 Months Ended		
	Dec. 31, 2017 USD ($) days	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)
New Accounting Pronouncements or Change in Accounting Principle [Line Items]			
Goodwill, Other Increase (Decrease)	$ (113)	$ 0	
Premiums Receivable, Gross	350		
Cash Collections during Period State IL	960		
Proceeds from Equity Method Investment, Distribution	54	0	$ 0
Premiums receivable, net	2,240	2,356	
Accumulated depreciation	893	851	
Depreciation	$ 118	$ 125	$ 131
Health Care Organization, Capitation Costs	3.00%	4.00%	4.00%
Liability for Unpaid Claims and Claims Adjustment Expense, Incurred but Not Reported (IBNR) Claims, Amount	$ 239		
Health Insurer Fee		$ 837	$ 857
Reinsurance contribution under Health Care Reform		118	$ 210
Premium Deficiency Reserve Liability	16		
Other long-term assets	1,684	1,480	
Total assets	55,151	69,146	
Total liabilities	$ (39,314)	(51,203)	
TCJA Effective Tax Rate	21.00%		
Remeasured DTA under TCJA	$ 99		
Deferred Policy Acquisition Costs	521	412	
Property, Plant and Equipment, Gross	1,500	1,400	
Policyholder funds - Health Savings Account	$ 1,900	$ 1,700	
Minimum days delinquent when a loan can be considered a problem loan (in days) | days	60		
Minimum assumed interest rates on limited payment pension contracts on large case pension business (in hundredths)	0.80%	0.80%	
Limited Payments Contracts Maximum	11.30%	11.30%	
Minimum assumed interest rates on long-duration group life and long-term care contracts (in hundredths)	2.50%	2.50%	
Maximum Assumed Interest Rates On Long Duration Group Life And Long Term Care Contracts	6.00%	8.80%	
Minimum interest rate for group health and life contracts (in hundredths)	0.00%	0.00%	
Maximum interest rate for group health and life contracts (in hundredths)	2.30%	2.40%	
Minimum interest rate for pension and annuity investment contracts (in hundredths)	3.50%	3.50%	
Maximum interest rate for pension and annuity investment contracts (in hundredths)	15.40%	15.90%	
Minimum [Member]			
New Accounting Pronouncements or Change in Accounting Principle [Line Items]			
Impact of adoption of topic 606	$ 1,500		
Building Useful Life	10 years		
Property, Plant and Equipment, Useful Life	3 years		

Maximum [Member]		
New Accounting Pronouncements or Change in Accounting Principle [Line Items]		
Impact of adoption of topic 606	$ 2,000	
Building Useful Life	40 years	
Property, Plant and Equipment, Useful Life	10 years	
CMS Subsidiaries [Member]		
New Accounting Pronouncements or Change in Accounting Principle [Line Items]		
Premiums receivable, net	$ 0	$ 0
Other Receivables, Net, Current	791	206
Other long-term assets	74	175
Total assets	865	381
Other Accrued Liabilities, Current	(20)	(656)
Liabilities, Other than Long-term Debt, Noncurrent	(39)	(33)
Total liabilities	(59)	(689)
Net Assets	806	(308)
Risk Share [Member]		
New Accounting Pronouncements or Change in Accounting Principle [Line Items]		
Premiums receivable, net	148	209
Other Receivables, Net, Current	0	0
Other long-term assets	6	14
Total assets	154	223
Other Accrued Liabilities, Current	(1)	0
Liabilities, Other than Long-term Debt, Noncurrent	(8)	(22)
Total liabilities	(9)	(22)
Net Assets	145	201
Group Insurance [Member]		
New Accounting Pronouncements or Change in Accounting Principle [Line Items]		
Goodwill, Other Increase (Decrease)	(113)	0
Cash proceeds from Humana-related debt [Domain]		
New Accounting Pronouncements or Change in Accounting Principle [Line Items]		
Cash Equivalents, at Carrying Value		13,000
Pharmacy Rebate [Member]		
New Accounting Pronouncements or Change in Accounting Principle [Line Items]		
Other Receivables, Net, Current	$ 1,000	$ 916

Summary of Significant Accounting Policies- Valuation and Allowance (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Allowance for Uncollectible Premiums Receivable [Member]		
Valuation and Qualifying Accounts Disclosure [Line Items]		
Valuation Allowances and Reserves, Balance	$ 381	$ 139
Allowance for Trade Receivables [Member]		
Valuation and Qualifying Accounts Disclosure [Line Items]		
Valuation Allowances and Reserves, Balance	$ 74	$ 37

Acquisitions, Terminated Acquisition and Terminated Divestiture (Details) $ / shares in Units, $ in Millions	12 Months Ended		
	Dec. 31, 2017 USD ($) $ / shares	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)
Business Acquisition [Line Items]			
Business Acquisition, Share Price | $ / shares	$ 145		
Conversion of Stock, Shares Issued	0.8378		
Proceeds from Divestiture of Businesses	$ 1,450		
Gain (Loss) on Disposition of Business	710		
Gain (Loss) on Disposition of Business (Pre-tax)	$ 1,100		
Remaining contract period	3		
Retrospective reinsurance period	30		
Disposal Group, Including Discontinued Operation, Revenue	$ 1,900	$ 2,300	$ 2,300
Disposal Group, Including Discontinued Operation, Operating Income (Loss)	104	127	$ 187
Loss on Contract Termination	53		
Long-term Debt	$ 9,159	20,661	
Loss on Contract Termination, Percent of Total Costs	70.00%		
Goodwill, Acquired During Period	$ 47	0	
Debt Issued for Humana Acquisition [Domain]			
Business Acquisition [Line Items]			
Debt Instrument, Face Amount		$ 13,000	
Long-term Debt	$ 10,200		
Debt Instrument, Redemption Price, Percentage	101.00%		
Humana [Member]			
Business Acquisition [Line Items]			
Loss on Contract Termination	$ 1,000		
Molina Divestiture [Member]			
Business Acquisition [Line Items]			
Loss on Contract Termination	$ 7		

Investments (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Total Investments [Line Items]		
Restricted Investments	$ 616	$ 657
Current	2,280	3,046
Long-term investments	17,793	21,833
Total investments	20,073	24,879
Debt And Equity Securities Available For Sale [Member]		
Total Investments [Line Items]		
Current	2,114	2,876
Long-term investments	14,906	18,866
Total investments	17,020	21,742
Mortgage Loans [Member]		
Total Investments [Line Items]		
Current	166	170
Long-term investments	1,330	1,341
Total investments	1,496	1,511
Other Investments [Member]		
Total Investments [Line Items]		
Current	0	0
Long-term investments	1,557	1,626
Total investments	$ 1,557	$ 1,626

Investments - Debt and Equity Securities (Details) - USD ($) $ in Millions		12 Months Ended	
		Dec. 31, 2017	Dec. 31, 2016
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis	[1],[2]	$ 16,314	$ 21,151
Gross Unrealized Gains	[1],[2]	767	799
Gross Unrealized Losses	[1],[2]	(61)	(208)
Fair Value	[1],[2]	17,020	21,742
Supporting Discontinued And Experience Rated Products [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Gross Unrealized Gains		202	195
Gross Unrealized Losses		(9)	(35)
Fair Value		2,600	2,900
Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis		16,254	21,067
Gross Unrealized Gains		755	779
Gross Unrealized Losses		(59)	(206)
Fair Value		16,950	21,640
US Government Agencies Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis		1,319	1,643
Gross Unrealized Gains		44	51
Gross Unrealized Losses		(1)	0
Fair Value		1,362	1,694
US States and Political Subdivisions Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis		3,287	5,047
Gross Unrealized Gains		116	152
Gross Unrealized Losses		(12)	(61)
Fair Value		3,391	5,138
U.S. corporate securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis		6,886	8,145
Gross Unrealized Gains		388	385
Gross Unrealized Losses		(22)	(55)
Fair Value		7,252	8,475
Foreign Corporate Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis		2,498	2,958
Gross Unrealized Gains		187	163
Gross Unrealized Losses		(7)	(33)
Fair Value		2,678	3,088
Residential Mortgage Backed Securities [Member]			

Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis		570	793
Gross Unrealized Gains		5	11
Gross Unrealized Losses		(4)	(9)
Fair Value		571	795
Commercial Mortgage Backed Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis		641	1,382
Gross Unrealized Gains		3	5
Gross Unrealized Losses	[2]	(9)	(39)
Fair Value		635	1,348
Other Asset-Backed Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis		1,031	1,077
Gross Unrealized Gains		8	7
Gross Unrealized Losses	[2]	(4)	(9)
Fair Value		1,035	1,075
Redeemable Preferred Stock [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis		22	22
Gross Unrealized Gains		4	5
Gross Unrealized Losses		0	0
Fair Value		26	27
Equity Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Amortized Cost Basis		60	84
Gross Unrealized Gains		12	20
Gross Unrealized Losses		(2)	(2)
Fair Value		$ 70	$ 102

[1] (1) At both December 31, 2017 and 2016, we held securities for which we previously recognized an immaterial amount of non-credit related impairments in accumulated other comprehensive loss. These securities each had an immaterial amount of net unrealized capital gains at both December 31, 2017 and 2016.

[2] (2) Investment risks associated with our experience-rated and discontinued products generally do not impact our operating results (refer to Note 19 for additional information on our accounting for discontinued products). At December 31, 2017, debt and equity securities with a fair value of approximately $2.6 billion, gross unrealized capital gains of $202 million and gross unrealized capital losses of $9 million and, at December 31, 2016, debt and equity securities with a fair value of approximately $2.9 billion, gross unrealized capital gains of $195 million and gross unrealized capital losses of $35 million were included in total debt and equity securities, but support our experience-rated and discontinued products. Changes in net unrealized capital gains (losses) on these securities are not reflected in accumulated other comprehensive income.

Investments - Debt Securities by Maturity (Details) - USD ($) $ in Millions		Dec. 31, 2017	Dec. 31, 2016
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Debt Maturities, Next Twelve Months, Amortized Cost Basis		$ 1,048	
Available-for-sale Securities, Debt Maturities [Abstract]			
Available-for-sale Securities, Debt Maturities, Year Two Through Five, Amortized Cost Basis		5,559	
Available-for-sale Securities, Debt Maturities, Year Six Through Ten, Amortized Cost Basis		3,503	
Available-for-sale Securities, Debt Maturities, after Ten Years, Amortized Cost Basis		3,902	
Available-for-sale Securities, Amortized Cost Basis		16,254	
Available-for-sale Securities	[1],[2]	17,020	$ 21,742
Debt Securities [Member]			
Available-for-sale Securities, Debt Maturities [Abstract]			
Available-for-sale Securities		16,950	21,640
Available-for-sale Securities With Established Maturities [Member]			
Available-for-sale Securities, Debt Maturities [Abstract]			
Less than one year		1,055	
One year through five years		5,665	
After five years through ten years		3,614	
Greater than ten years		4,375	
Residential Mortgage Backed Securities [Member]			
Available-for-sale Securities, Debt Maturities [Abstract]			
Available-for-sale Securities, Debt Maturities, without Single Maturity Date, Amortized Cost Basis		570	
Available-for-sale Securities, Debt Maturities, without Single Maturity Date, Fair Value		571	
Available-for-sale Securities		571	795
Commercial Mortgage Backed Securities [Member]			
Available-for-sale Securities, Debt Maturities [Abstract]			
Available-for-sale Securities, Debt Maturities, without Single Maturity Date, Amortized Cost Basis		641	
Available-for-sale Securities, Debt Maturities, without Single Maturity Date, Fair Value		635	
Available-for-sale Securities		635	1,348
Other Asset-Backed Securities [Member]			
Available-for-sale Securities, Debt Maturities [Abstract]			
Available-for-sale Securities, Debt Maturities, without Single Maturity Date, Amortized Cost Basis		1,031	
Available-for-sale Securities, Debt Maturities, without Single Maturity Date, Fair Value		1,035	
Available-for-sale Securities		$ 1,035	$ 1,075

[1] (1) At both December 31, 2017 and 2016, we held securities for which we previously recognized an immaterial amount of non-credit related impairments in accumulated other comprehensive loss. These securities each had an immaterial amount of net unrealized capital gains at both December 31, 2017 and 2016.

[2] (2) Investment risks associated with our experience-rated and discontinued products generally do not impact our operating results (refer to Note 19 for additional information on our accounting for discontinued products). At December 31, 2017, debt and equity securities with a fair value of approximately $2.6 billion, gross unrealized capital gains of $202 million and gross unrealized capital losses of $9 million and, at December 31, 2016, debt and

equity securities with a fair value of approximately $2.9 billion, gross unrealized capital gains of $195 million and gross unrealized capital losses of $35 million were included in total debt and equity securities, but support our experience-rated and discontinued products. Changes in net unrealized capital gains (losses) on these securities are not reflected in accumulated other comprehensive income.

Investments - Unrealized Loss Position (Details) $ in Millions		12 Months Ended	
		Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Less than One Year	[1]	1,947	3,669
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than Twelve Months, Fair Value	[1]	$ 3,324	$ 7,413
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than 12 Months, Aggregate Losses	[1]	$ 18	$ 180
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Greater than or Equal to One Year	[1]	763	537
Available-for-sale Securities, Continuous Unrealized Loss Position, Twelve Months or Longer, Fair Value	[1]	$ 1,551	$ 453
Available-for-sale Securities, Continuous Unrealized Loss Position, 12 Months or Longer, Aggregate Losses	[1]	$ 43	$ 28
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions	[1]	2,710	4,206
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 4,875	$ 7,866
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	61	208
Supporting Discontinued And Experience Rated Products [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value		517	890
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses		$ 9	$ 35
Debt Securities [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Less than One Year		1,945	3,667
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than Twelve Months, Fair Value		$ 3,322	$ 7,410
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than 12 Months, Aggregate Losses		$ 18	$ 180
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Greater than or Equal to One Year		756	529
Available-for-sale Securities, Continuous Unrealized Loss Position, Twelve Months or Longer, Fair Value		$ 1,544	$ 450
Available-for-sale Securities, Continuous Unrealized Loss Position, 12 Months or Longer, Aggregate Losses		$ 41	$ 26
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions	[1]	2,701	4,196
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 4,866	$ 7,860
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	59	$ 206
Debt Securities [Member] | Supporting Discontinued And Experience Rated Products [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value		515	
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses		$ 8	

US Government Agencies Debt Securities [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Less than One Year		77	26
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than Twelve Months, Fair Value		$ 200	$ 39
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than 12 Months, Aggregate Losses		$ 1	$ 0
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Greater than or Equal to One Year		14	1
Available-for-sale Securities, Continuous Unrealized Loss Position, Twelve Months or Longer, Fair Value		$ 22	$ 1
Available-for-sale Securities, Continuous Unrealized Loss Position, 12 Months or Longer, Aggregate Losses		$ 0	$ 0
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions	[1]	91	27
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 222	$ 40
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	$ 1	$ 0
US States and Political Subdivisions Debt Securities [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Less than One Year		318	865
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than Twelve Months, Fair Value		$ 616	$ 2,228
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than 12 Months, Aggregate Losses		$ 4	$ 58
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Greater than or Equal to One Year		111	37
Available-for-sale Securities, Continuous Unrealized Loss Position, Twelve Months or Longer, Fair Value		$ 308	$ 75
Available-for-sale Securities, Continuous Unrealized Loss Position, 12 Months or Longer, Aggregate Losses		$ 8	$ 3
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions	[1]	429	902
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 924	$ 2,303
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	$ 12	$ 61
Domestic Corporate Debt Securities [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Less than One Year		989	1,428
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than Twelve Months, Fair Value		$ 1,469	$ 2,277
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than 12 Months, Aggregate Losses		$ 6	$ 44
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Greater than or Equal to One Year		284	114
Available-for-sale Securities, Continuous Unrealized Loss Position, Twelve Months or Longer, Fair Value		$ 494	$ 101

Available-for-sale Securities, Continuous Unrealized Loss Position, 12 Months or Longer, Aggregate Losses		$ 16	$ 11
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions	[1]	1,273	1,542
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 1,963	$ 2,378
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	$ 22	$ 55
Foreign Corporate Debt Securities [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Less than One Year		262	649
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than Twelve Months, Fair Value		$ 419	$ 970
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than 12 Months, Aggregate Losses		$ 3	$ 27
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Greater than or Equal to One Year		91	62
Available-for-sale Securities, Continuous Unrealized Loss Position, Twelve Months or Longer, Fair Value		$ 194	$ 76
Available-for-sale Securities, Continuous Unrealized Loss Position, 12 Months or Longer, Aggregate Losses		$ 4	$ 6
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions	[1]	353	711
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 613	$ 1,046
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	$ 7	$ 33
Residential Mortgage Backed Securities [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Less than One Year		111	188
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than Twelve Months, Fair Value		$ 179	$ 455
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than 12 Months, Aggregate Losses		$ 1	$ 8
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Greater than or Equal to One Year		98	104
Available-for-sale Securities, Continuous Unrealized Loss Position, Twelve Months or Longer, Fair Value		$ 134	$ 17
Available-for-sale Securities, Continuous Unrealized Loss Position, 12 Months or Longer, Aggregate Losses		$ 3	$ 1
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions	[1]	209	292
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 313	$ 472
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	$ 4	$ 9
Commercial Mortgage Backed Securities [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Less than One Year		38	285
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than Twelve Months, Fair Value		$ 135	$ 1,038

Available-for-sale Securities, Continuous Unrealized Loss Position, Less than 12 Months, Aggregate Losses		$ 1	$ 39
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Greater than or Equal to One Year		79	3
Available-for-sale Securities, Continuous Unrealized Loss Position, Twelve Months or Longer, Fair Value		$ 241	$ 3
Available-for-sale Securities, Continuous Unrealized Loss Position, 12 Months or Longer, Aggregate Losses		$ 8	$ 0
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions	[1]	117	288
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 376	$ 1,041
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	$ 9	$ 39
Other Asset-Backed Securities [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Less than One Year		150	226
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than Twelve Months, Fair Value		$ 304	$ 403
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than 12 Months, Aggregate Losses		$ 2	$ 4
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Greater than or Equal to One Year		79	208
Available-for-sale Securities, Continuous Unrealized Loss Position, Twelve Months or Longer, Fair Value		$ 151	$ 177
Available-for-sale Securities, Continuous Unrealized Loss Position, 12 Months or Longer, Aggregate Losses		$ 2	$ 5
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions	[1]	229	434
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 455	$ 580
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	$ 4	$ 9
Equity Securities [Member]			
Available-for-sale Securities, Continuous Unrealized Loss Position [Abstract]			
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Less than One Year		2	2
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than Twelve Months, Fair Value		$ 2	$ 3
Available-for-sale Securities, Continuous Unrealized Loss Position, Less than 12 Months, Aggregate Losses		$ 0	$ 0
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions, Greater than or Equal to One Year		7	8
Available-for-sale Securities, Continuous Unrealized Loss Position, Twelve Months or Longer, Fair Value		$ 7	$ 3
Available-for-sale Securities, Continuous Unrealized Loss Position, 12 Months or Longer, Aggregate Losses		$ 2	$ 2
Available-for-sale, Securities in Unrealized Loss Positions, Qualitative Disclosure, Number of Positions	[1]	9	10
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 9	$ 6
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	$ 2	$ 2

[1] At December 31, 2017 and 2016, debt and equity securities in an unrealized capital loss position of $9 million and $35 million, respectively, and with related fair value of $517 million and $890 million, respectively, related to experience-rated and discontinued products.

Investments - Unrealized Loss Position Maturities (Details) - USD ($) $ in Millions		12 Months Ended	
		Dec. 31, 2017	Dec. 31, 2016
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	$ 4,875	$ 7,866
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	61	208
Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	[1]	4,866	7,860
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	[1]	59	206
Supporting Remaining Products [Member] | Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value		4,351	
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses		51	
Supporting Discontinued And Experience Rated Products [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value		517	890
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses		9	$ 35
Supporting Discontinued And Experience Rated Products [Member] | Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value		515	
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses		8	
Maturing in Less than one Year [Member] | Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value		417	
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses		1	
Maturing in Less than one Year [Member] | Supporting Remaining Products [Member] | Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value		415	
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses		1	
Maturing in Less than one Year [Member] | Supporting Discontinued And Experience Rated Products [Member] | Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value		2	
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses		0	
Maturing in One Through Five Years [Member] | Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value		2,009	
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses		18	
Maturing in One Through Five Years [Member] | Supporting Remaining Products [Member] | Debt Securities [Member]			
Schedule of Available-for-sale Securities [Line Items]			
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value		1,890	

Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	18
Maturing in One Through Five Years [Member] | Supporting Discontinued And Experience Rated Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	119
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	0
Maturing After Five Years Through Ten Years [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	845
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	13
Maturing After Five Years Through Ten Years [Member] | Supporting Remaining Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	675
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	10
Maturing After Five Years Through Ten Years [Member] | Supporting Discontinued And Experience Rated Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	170
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	3
Maturing in Greater Than Ten Years [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	451
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	10
Maturing in Greater Than Ten Years [Member] | Supporting Remaining Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	354
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	7
Maturing in Greater Than Ten Years [Member] | Supporting Discontinued And Experience Rated Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	97
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	3
Residential Mortgage Backed Securities [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	313
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	4
Residential Mortgage Backed Securities [Member] | Supporting Remaining Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	301
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	4
Residential Mortgage Backed Securities [Member] | Supporting Discontinued And Experience Rated Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	12

Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	0
Commercial Mortgage Backed Securities [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	376
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	9
Commercial Mortgage Backed Securities [Member] | Supporting Remaining Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	267
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	7
Commercial Mortgage Backed Securities [Member] | Supporting Discontinued And Experience Rated Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	109
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	2
Other Asset-Backed Securities [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	455
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	4
Other Asset-Backed Securities [Member] | Supporting Remaining Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	449
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	4
Other Asset-Backed Securities [Member] | Supporting Discontinued And Experience Rated Products [Member] | Debt Securities [Member]	
Schedule of Available-for-sale Securities [Line Items]	
Available-for-sale Securities, Continuous Unrealized Loss Position, Fair Value	6
Available-for-sale Securities, Continuous Unrealized Loss Position, Aggregate Losses	$ 0

[1] At December 31, 2017 and 2016, debt and equity securities in an unrealized capital loss position of $9 million and $35 million, respectively, and with related fair value of $517 million and $890 million, respectively, related to experience-rated and discontinued products.

Investments - Mortgage Loans (Details) - USD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Commercial Real Estate [Member]		
Movement in Mortgage Loans on Real Estate [Roll Forward]		
New mortgage loans	$ 279	$ 190
Mortgage loans fully repaid	248	173
Mortgage loans foreclosed	0	8
Mortgage Loans on Real Estate	1,496	1,511
Scheduled Mortgage Loan Principal Repayments [Abstract]		
2018	166	
2019	124	
2020	141	
2021	273	
2022	244	
Thereafter	548	
Commercial Real Estate [Member] | Category 1 [Member]		
Movement in Mortgage Loans on Real Estate [Roll Forward]		
Mortgage Loans on Real Estate	40	45
Commercial Real Estate [Member] | Category 2 to 4 [Member]		
Movement in Mortgage Loans on Real Estate [Roll Forward]		
Mortgage Loans on Real Estate	1,447	1,449
Commercial Real Estate [Member] | Categories 5 and 6 [Member]		
Movement in Mortgage Loans on Real Estate [Roll Forward]		
Mortgage Loans on Real Estate	9	17
Commercial Real Estate [Member] | Category 7 [Member]		
Movement in Mortgage Loans on Real Estate [Roll Forward]		
Mortgage Loans on Real Estate	$ 0	$ 0
Residential Mortgage Backed Securities [Member]		
Mortgage Loans on Real Estate [Line Items]		
Available For Sale Securities, Weighted Average Duration Of Securities	4 years 183 days	
Commercial Mortgage Backed Securities [Member]		
Mortgage Loans on Real Estate [Line Items]		
Available For Sale Securities, Weighted Average Duration Of Securities	6 years 292 days	
Other Asset-Backed Securities [Member]		
Mortgage Loans on Real Estate [Line Items]		
Available For Sale Securities, Weighted Average Duration Of Securities	1 year	

Investments - Investment Income (Details) - USD ($) $ in Millions		12 Months Ended		
		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Schedule of Investment Income, Reported Amounts, by Category [Line Items]				
Gross investment income		$ 998	$ 949	$ 963
Investment expenses		(48)	(39)	(46)
Net Investment Income	[1]	950	910	917
Debt Securities [Member]				
Schedule of Investment Income, Reported Amounts, by Category [Line Items]				
Gross investment income		727	772	794
Mortgage Loans [Member]				
Schedule of Investment Income, Reported Amounts, by Category [Line Items]				
Gross investment income		86	95	91
Other Investments [Member]				
Schedule of Investment Income, Reported Amounts, by Category [Line Items]				
Gross investment income		185	82	78
Supporting Discontinued And Experience Rated Products [Member]				
Schedule of Investment Income, Reported Amounts, by Category [Line Items]				
Net Investment Income		$ 233	$ 208	$ 248

[1] Net investment income includes $233 million, $208 million and $248 million for 2017, 2016 and 2015, respectively, related to investments supporting our experience-rated and discontinued products.

Investments - Realized Gains (Details) - USD ($) $ in Millions		12 Months Ended		
		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Schedule of Available-for-sale Securities [Line Items]				
Long-term Debt		$ 9,159	$ 20,661	
Early Repayment of Senior Debt		750		
Other than Temporary Impairment Losses, Investments, Portion Recognized in Earnings, Net, Available-for-sale Securities		(8)	(30)	$ (64)
Available-for-sale Securities, Gross Realized Gain (Loss) [Abstract]				
Net Realized Capital Gains Losses Excluding OTTI Losses On Securities		(231)	116	(1)
Realized Investment Gains (Losses)		(239)	86	(65)
Debt Securities [Member]				
Available-for-sale Securities, Gross Realized Gain (Loss) [Abstract]				
OTTI Losses On Securities		(6)	(24)	(63)
Proceeds On Sales	[1]	5,753	6,725	4,987
Gross Realized Capital Gains	[1]	114	155	83
Gross Realized Capital Losses	[1]	47	$ 61	$ 76
Debt Issued for Humana Acquisition [Domain]				
Schedule of Available-for-sale Securities [Line Items]				
Long-term Debt		$ 10,200		

[1] The proceeds on sales and gross realized capital gains and losses exclude the impact of the sales of short-term debt securities which primarily relate to our investments in mutual funds. These investments were excluded from the disclosed amounts because they represent an immaterial amount of aggregate gross realized capital gains or losses and have a high volume of sales activity.

Investments - Variable Interest Entities and non-controlling Interests (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Variable Interest Entity, Not Primary Beneficiary, Disclosures [Abstract]		
Long-term investments	$ 17,793	$ 21,833
Assets of variable interest entities	88,582	65,037
Variable Interest Entity, Nonconsolidated, Carrying Amount, Liabilities	19,225	10,111
Variable Interest Entity, Primary Beneficiary [Member]		
Variable Interest Entity, Not Primary Beneficiary, Disclosures [Abstract]		
Long-term investments		472
Variable Interest Entity, Not Primary Beneficiary [Member]		
Variable Interest Entity, Not Primary Beneficiary, Disclosures [Abstract]		
Long-term investments	1,051	1,116
Hedge Funds [Member]		
Variable Interest Entity, Not Primary Beneficiary, Disclosures [Abstract]		
Assets of variable interest entities	54,789	32,926
Variable Interest Entity, Nonconsolidated, Carrying Amount, Liabilities	12,073	2,819
Private Equity Funds [Member]		
Variable Interest Entity, Not Primary Beneficiary, Disclosures [Abstract]		
Assets of variable interest entities	27,342	25,368
Variable Interest Entity, Nonconsolidated, Carrying Amount, Liabilities	2,461	2,354
Real Estate Funds [Member]		
Variable Interest Entity, Not Primary Beneficiary, Disclosures [Abstract]		
Assets of variable interest entities	6,451	6,743
Variable Interest Entity, Nonconsolidated, Carrying Amount, Liabilities	4,691	4,938
Hedge Funds [Member] | Variable Interest Entity, Not Primary Beneficiary [Member]		
Variable Interest Entity, Not Primary Beneficiary, Disclosures [Abstract]		
Long-term investments	351	384
Private Equity Funds [Member] | Variable Interest Entity, Not Primary Beneficiary [Member]		
Variable Interest Entity, Not Primary Beneficiary, Disclosures [Abstract]		
Long-term investments	453	454
Real Estate Funds [Member] | Variable Interest Entity, Not Primary Beneficiary [Member]		
Variable Interest Entity, Not Primary Beneficiary, Disclosures [Abstract]		
Long-term investments	$ 247	$ 278

Financial Instruments - Fair Value Measurements (Details) - USD ($) $ in Millions		Dec. 31, 2017	Dec. 31, 2016
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities	[1],[2]	$ 17,020	$ 21,742
Debt Securities [Member]			
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities		16,950	21,640
US Government Agencies Debt Securities [Member]			
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities		1,362	1,694
US States and Political Subdivisions Debt Securities [Member]			
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities		3,391	5,138
Domestic Corporate Debt Securities [Member]			
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities		7,252	8,475
Foreign Corporate Debt Securities [Member]			
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities		2,678	3,088
Residential Mortgage Backed Securities [Member]			
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities		571	795
Commercial Mortgage Backed Securities [Member]			
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities		635	1,348
Other Asset-Backed Securities [Member]			
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities		1,035	1,075
Redeemable Preferred Stock [Member]			
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities		26	27
Equity Securities [Member]			
Assets, Fair Value Disclosure [Abstract]			
Available-for-sale Securities		70	102
Fair Value, Measurements, Recurring			
Assets, Fair Value Disclosure [Abstract]			
Assets, Fair Value Disclosure		17,020	21,742
Fair Value, Measurements, Recurring | Level 1			
Assets, Fair Value Disclosure [Abstract]			
Assets, Fair Value Disclosure		1,356	1,573
Fair Value, Measurements, Recurring | Level 2			
Assets, Fair Value Disclosure [Abstract]			

Assets, Fair Value Disclosure	15,541	20,023
Fair Value, Measurements, Recurring | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Assets, Fair Value Disclosure	123	146
Fair Value, Measurements, Recurring | Debt Securities [Member]		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	16,950	21,640
Fair Value, Measurements, Recurring | Debt Securities [Member] | Level 1		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	1,313	1,514
Fair Value, Measurements, Recurring | Debt Securities [Member] | Level 2		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	15,541	20,023
Fair Value, Measurements, Recurring | Debt Securities [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	96	103
Fair Value, Measurements, Recurring | US Government Agencies Debt Securities [Member]		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	1,362	1,694
Fair Value, Measurements, Recurring | US Government Agencies Debt Securities [Member] | Level 1		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	1,313	1,514
Fair Value, Measurements, Recurring | US Government Agencies Debt Securities [Member] | Level 2		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	49	180
Fair Value, Measurements, Recurring | US Government Agencies Debt Securities [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | US States and Political Subdivisions Debt Securities [Member]		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	3,391	5,138
Fair Value, Measurements, Recurring | US States and Political Subdivisions Debt Securities [Member] | Level 1		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | US States and Political Subdivisions Debt Securities [Member] | Level 2		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	3,390	5,137
Fair Value, Measurements, Recurring | US States and Political Subdivisions Debt Securities [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	1	1

Fair Value, Measurements, Recurring | Domestic Corporate Debt Securities [Member]		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	7,252	8,475
Fair Value, Measurements, Recurring | Domestic Corporate Debt Securities [Member] | Level 1		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | Domestic Corporate Debt Securities [Member] | Level 2		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	7,167	8,395
Fair Value, Measurements, Recurring | Domestic Corporate Debt Securities [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	85	80
Fair Value, Measurements, Recurring | Foreign Corporate Debt Securities [Member]		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	2,678	3,088
Fair Value, Measurements, Recurring | Foreign Corporate Debt Securities [Member] | Level 1		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | Foreign Corporate Debt Securities [Member] | Level 2		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	2,675	3,067
Fair Value, Measurements, Recurring | Foreign Corporate Debt Securities [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	3	21
Fair Value, Measurements, Recurring | Residential Mortgage Backed Securities [Member]		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	571	795
Fair Value, Measurements, Recurring | Residential Mortgage Backed Securities [Member] | Level 1		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | Residential Mortgage Backed Securities [Member] | Level 2		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	571	795
Fair Value, Measurements, Recurring | Residential Mortgage Backed Securities [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | Commercial Mortgage Backed Securities [Member]		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	635	1,348
Fair Value, Measurements, Recurring | Commercial Mortgage Backed Securities [Member] | Level 1		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0

Fair Value, Measurements, Recurring | Commercial Mortgage Backed Securities [Member] | Level 2		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	635	1,348
Fair Value, Measurements, Recurring | Commercial Mortgage Backed Securities [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | Other Asset-Backed Securities [Member]		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	1,035	1,075
Fair Value, Measurements, Recurring | Other Asset-Backed Securities [Member] | Level 1		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | Other Asset-Backed Securities [Member] | Level 2		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	1,035	1,075
Fair Value, Measurements, Recurring | Other Asset-Backed Securities [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | Redeemable Preferred Stock [Member]		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	26	27
Fair Value, Measurements, Recurring | Redeemable Preferred Stock [Member] | Level 1		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | Redeemable Preferred Stock [Member] | Level 2		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	19	26
Fair Value, Measurements, Recurring | Redeemable Preferred Stock [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	7	1
Fair Value, Measurements, Recurring | Brokered Securities [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	67	80
Fair Value, Measurements, Recurring | Equity Securities [Member]		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	70	102
Fair Value, Measurements, Recurring | Equity Securities [Member] | Level 1		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	43	59
Fair Value, Measurements, Recurring | Equity Securities [Member] | Level 2		
Assets, Fair Value Disclosure [Abstract]		
Available-for-sale Securities	0	0
Fair Value, Measurements, Recurring | Equity Securities [Member] | Level 3		
Assets, Fair Value Disclosure [Abstract]		

Available-for-sale Securities	$ 27	$ 43

[1] (1) At both December 31, 2017 and 2016, we held securities for which we previously recognized an immaterial amount of non-credit related impairments in accumulated other comprehensive loss. These securities each had an immaterial amount of net unrealized capital gains at both December 31, 2017 and 2016.

[2] (2) Investment risks associated with our experience-rated and discontinued products generally do not impact our operating results (refer to Note 19 for additional information on our accounting for discontinued products). At December 31, 2017, debt and equity securities with a fair value of approximately $2.6 billion, gross unrealized capital gains of $202 million and gross unrealized capital losses of $9 million and, at December 31, 2016, debt and equity securities with a fair value of approximately $2.9 billion, gross unrealized capital gains of $195 million and gross unrealized capital losses of $35 million were included in total debt and equity securities, but support our experience-rated and discontinued products. Changes in net unrealized capital gains (losses) on these securities are not reflected in accumulated other comprehensive income.

Financial Instruments - Unobservable Input Reconciliation (Details) - USD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation [Line Items]		
Transfers between Level 1 and Level 2	$ 0	$ 0
Gross transfers into level 3	0	0
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Transfers out of Level 3	(54)	(39)
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation, Calculation [Roll Forward]		
Transfers into (out of) Level 3	(54)	(39)
Fair Value, Measurements, Recurring | Fair Value, Inputs, Level 3 [Member]		
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation, Calculation [Roll Forward]		
Beginning balance	146	114
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Earnings	46	(15)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Other Comprehensive Income (Loss)	(38)	4
Other	[1]	3
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Purchases	69	100
Sales	(29)	(16)
Settlements	(17)	(5)
Transfers into (out of) Level 3	(54)	(39)
Ending balance	123	146
Fair Value, Measurements, Recurring | Foreign Corporate Debt Securities [Member] | Fair Value, Inputs, Level 3 [Member]		
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation, Calculation [Roll Forward]		
Beginning balance	21	25
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Earnings	0	0
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Other Comprehensive Income (Loss)	0	0
Other	[1]	0
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Purchases	0	16
Sales	0	(8)
Settlements	0	(2)
Transfers into (out of) Level 3	(18)	(10)
Ending balance	3	21
Fair Value, Measurements, Recurring | U.S. corporate securities [Member] | Fair Value, Inputs, Level 3 [Member]		
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation, Calculation [Roll Forward]		

Beginning balance		80	64
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Earnings		4	(15)
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Other Comprehensive Income (Loss)		0	(4)
Other	[1]		0
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Purchases		18	41
Sales		0	(3)
Settlements		(17)	(3)
Transfers into (out of) Level 3		0	0
Ending balance		85	80
Fair Value, Measurements, Recurring | Equity Securities [Member] | Fair Value, Inputs, Level 3 [Member]			
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation, Calculation [Roll Forward]			
Beginning balance		43	19
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Earnings		42	0
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Other Comprehensive Income (Loss)		(38)	11
Other	[1]		3
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Purchases		9	10
Sales		(29)	0
Settlements		0	0
Transfers into (out of) Level 3		0	0
Ending balance		27	43
Fair Value, Measurements, Recurring | Other Securities [Member] | Fair Value, Inputs, Level 3 [Member]			
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation, Calculation [Roll Forward]			
Beginning balance		2	6
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Earnings		0	0
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Gain (Loss) Included in Other Comprehensive Income (Loss)		0	(3)
Other	[1]		0
Fair Value, Measurement with Unobservable Inputs Reconciliation, Recurring Basis, Asset, Purchases		42	33
Sales		0	(5)
Settlements		0	0
Transfers into (out of) Level 3		(36)	(29)
Ending balance		8	2
Separate Accounts Transfers [Member]			
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation [Line Items]			
Transfers between Level 1 and Level 2		$ 0	$ 0

[1] Reflects realized and unrealized capital gains and losses on investments supporting our experience-rated and discontinued products, which do not impact our operating results.

Financial Instruments - Balance Sheet Grouping (Details) - Fair Value, Measurements, Nonrecurring [Member] - USD ($) $ in Millions		Dec. 31, 2017	Dec. 31, 2016
Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]			
Mortgage loans		$ 1,524	$ 1,540
Bank Loans, Fair Value		7	8
Financial Instruments, Financial Liabilities, Balance Sheet Groupings [Abstract]			
Investment contracts with a fixed maturity		7	8
Investment contracts without a fixed maturity		354	364
Long-term debt		9,815	21,468
Level 1			
Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]			
Mortgage loans		0	0
Bank Loans, Fair Value		0	0
Financial Instruments, Financial Liabilities, Balance Sheet Groupings [Abstract]			
Investment contracts with a fixed maturity		0	0
Investment contracts without a fixed maturity		0	0
Long-term debt		0	0
Level 2			
Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]			
Mortgage loans		0	0
Bank Loans, Fair Value		0	0
Financial Instruments, Financial Liabilities, Balance Sheet Groupings [Abstract]			
Investment contracts with a fixed maturity		0	0
Investment contracts without a fixed maturity		0	0
Long-term debt		9,815	21,468
Level 3			
Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]			
Mortgage loans		1,524	1,540
Bank Loans, Fair Value		7	8
Financial Instruments, Financial Liabilities, Balance Sheet Groupings [Abstract]			
Investment contracts with a fixed maturity		7	8
Investment contracts without a fixed maturity		354	364
Long-term debt		0	0
Investment Type [Member]			
Financial Instruments, Financial Assets, Balance Sheet Groupings [Abstract]			
Mortgage loans		1,496	1,511
Bank Loans, net		7	8
Cost Method Investments	[1]	45	35
Financial Instruments, Financial Liabilities, Balance Sheet Groupings [Abstract]			
Investment contracts with a fixed maturity		7	8
Investment contracts without a fixed maturity		363	378

Long-term debt	$ 9,159	$ 20,661

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

Financial Instruments - Separate Accounts Fair Value (Details) - USD ($) $ in Millions		Dec. 31, 2017	Dec. 31, 2016
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets		$ 4,296	$ 3,991
Fair Value, Measurements, Recurring			
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets	[1]	4,152	3,898
Fair Value, Measurements, Recurring | Level 1			
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets	[1]	1,085	932
Fair Value, Measurements, Recurring | Level 2			
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets	[1]	3,065	2,966
Fair Value, Measurements, Recurring | Level 3			
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets	[1]	2	0
Cash and Cash Equivalents [Member]			
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets		144	93
Debt Securities [Member] | Fair Value, Measurements, Recurring			
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets		3,698	3,144
Debt Securities [Member] | Fair Value, Measurements, Recurring | Level 1			
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets		1,085	766
Debt Securities [Member] | Fair Value, Measurements, Recurring | Level 2			
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets		2,611	2,378
Debt Securities [Member] | Fair Value, Measurements, Recurring | Level 3			
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets		2	0
Equity Securities [Member] | Fair Value, Measurements, Recurring			
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]			
Separate Accounts Assets		6	172

Equity Securities [Member] | Fair Value, Measurements, Recurring | Level 1		
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]		
Separate Accounts Assets	0	166
Equity Securities [Member] | Fair Value, Measurements, Recurring | Level 2		
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]		
Separate Accounts Assets	6	6
Equity Securities [Member] | Fair Value, Measurements, Recurring | Level 3		
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]		
Separate Accounts Assets	0	0
Common/collective trusts | Fair Value, Measurements, Recurring		
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]		
Separate Accounts Assets	448	582
Common/collective trusts | Fair Value, Measurements, Recurring | Level 1		
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]		
Separate Accounts Assets	0	0
Common/collective trusts | Fair Value, Measurements, Recurring | Level 2		
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]		
Separate Accounts Assets	448	582
Common/collective trusts | Fair Value, Measurements, Recurring | Level 3		
Schedule of Fair Value of Separate Accounts by Major Category of Investment [Line Items]		
Separate Accounts Assets	$ 0	$ 0

[1] Excludes $144 million and $93 million of cash and cash equivalents and other receivables at December 31, 2017 and 2016, respectively.

Financial Instruments - Separate Accounts Unobservable Inputs (Details) - USD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation [Line Items]		
Transfers between Level 1 and Level 2	$ 0	$ 0
Separate Accounts Transfers [Member]		
Fair Value, Assets Measured on Recurring Basis, Unobservable Input Reconciliation [Line Items]		
Transfers between Level 1 and Level 2	$ 0	$ 0

Financial Instruments - Balance Sheet Offsetting (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Balance sheet offsetting [Abstract]		
Derivative, Collateral, Obligation to Return Securities	$ 10	$ 17

Goodwill and Other Acquired Intangible Assets - Goodwill (Details) - USD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2017	Dec. 31, 2016
Goodwill [Roll Forward]		
Balance, beginning of the period	$ 10,637	$ 10,637
Goodwill, Acquired During Period	47	0
Goodwill and Other Acquired Intangible Assets [Abstract]		
Goodwill, Other Increase (Decrease)	(113)	0
Goodwill, Purchase Accounting Adjustments	0	0
Balance, end of the period	10,571	10,637
Health Care [Member]		
Goodwill [Roll Forward]		
Balance, beginning of the period	10,524	10,524
Goodwill, Acquired During Period	47	0
Goodwill and Other Acquired Intangible Assets [Abstract]		
Goodwill, Other Increase (Decrease)	0	0
Goodwill, Purchase Accounting Adjustments	0	0
Balance, end of the period	10,571	10,524
Group Insurance [Member]		
Goodwill [Roll Forward]		
Balance, beginning of the period	113	113
Goodwill, Acquired During Period	0	0
Goodwill and Other Acquired Intangible Assets [Abstract]		
Goodwill, Other Increase (Decrease)	(113)	0
Goodwill, Purchase Accounting Adjustments	0	0
Balance, end of the period	$ 0	$ 113

Goodwill and Other Acquired Intangible Assets - Intangible Assets (Details) $ in Millions	12 Months Ended	
	Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)
Other Acquired Intangible Assets[Line Items]		
Acquired Finite-lived Intangible Asset, Weighted-Average Period before Renewal or Extension	1 year	1 year
Accumulated Amortization	$ 1,777	$ 1,505
Other acquired intangible assets, net	1,180	1,442
Intangible Assets, Gross (Excluding Goodwill)	2,957	2,947
Trademarks Indefinite Lived [Member]		
Other Acquired Intangible Assets[Line Items]		
Indefinite-lived trademarks	22	22
Indefinite-lived intangible asset, accumulated amortization	0	0
Provider networks [Member]		
Other Acquired Intangible Assets[Line Items]		
Cost	1,254	1,254
Accumulated Amortization	756	694
Other acquired intangible assets, net	$ 498	$ 560
The minimum number of years in the period prior to the next renewal or extension for provider networks (in years)	1	1
The maximum number of years in the period prior to the next renewal or extension for provider networks (in years)	3	3
Customer Lists [Member]		
Other Acquired Intangible Assets[Line Items]		
Cost	$ 1,172	$ 1,166
Accumulated Amortization	610	485
Other acquired intangible assets, net	562	681
Value Of Business Acquired [Member]		
Other Acquired Intangible Assets[Line Items]		
Cost	149	149
Accumulated Amortization	102	92
Other acquired intangible assets, net	47	57
Technology		
Other Acquired Intangible Assets[Line Items]		
Cost	176	176
Accumulated Amortization	160	123
Other acquired intangible assets, net	16	53
Other [Member]		
Other Acquired Intangible Assets[Line Items]		
Cost	14	10
Accumulated Amortization	5	4
Other acquired intangible assets, net	9	6
Trademarks Definite Lived [Member]		
Other Acquired Intangible Assets[Line Items]		
Cost	170	170

Accumulated Amortization		144	107
Other acquired intangible assets, net		$ 26	$ 63
Minimum [Member] | Provider networks [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life	[1]	12 years	12 years
Minimum [Member] | Customer Lists [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life	[1]	3 years	3 years
Minimum [Member] | Other [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life		10 years	10 years
Minimum [Member] | Trademarks Definite Lived [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life		5 years	5 years
Minimum [Member] | Technology-Based Intangible Assets [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life		5 years	4 years
Maximum [Member] | Provider networks [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life	[1]	25 years	25 years
Maximum [Member] | Customer Lists [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life	[1]	20 years	14 years
Maximum [Member] | Value Of Business Acquired [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life		20 years	20 years
Maximum [Member] | Other [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life		15 years	15 years
Maximum [Member] | Trademarks Definite Lived [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life		20 years	20 years
Maximum [Member] | Technology-Based Intangible Assets [Member]			
Other Acquired Intangible Assets[Line Items]			
Useful Life			10 years

[1] The amortization period for our provider networks and customer lists includes an assumption of renewal or extension of these arrangements. At both December 31, 2017 and 2016, the periods prior to the next renewal or extension for our provider networks primarily ranged from 1 to 3 years, and the period prior to the next renewal or extension for our customer lists was 1 year. Any costs related to the renewal or extension of these contracts are expensed as incurred.

Goodwill and Other Acquired Intangible Assets - Future Amortization Expense (Details) $ in Millions	Dec. 31, 2017 USD ($)
Finite-Lived Intangible Assets, Net, Amortization Expense, Fiscal Year Maturity [Abstract]	
Finite-Lived Intangible Assets, Amortization Expense, Next Twelve Months	$ 187
Finite-Lived Intangible Assets, Amortization Expense, Year Two	181
Finite-Lived Intangible Assets, Amortization Expense, Year Three	169
Finite-Lived Intangible Assets, Amortization Expense, Year Four	156
Finite-Lived Intangible Assets, Amortization Expense, after Year Five	$ 140

Health Care and Other Insurance Liabilities Unpaid Claims (Health Care) (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Premium Deficiency Reserve Liability	$ 16			
Health care costs payable	5,815	$ 6,558		
Health Care [Member]				
Short-duration Insurance Contracts, Incurred but Not Reported (IBNR) Claims Liability, Net	5,000			
Short-duration Insurance Contracts, Incurred Claims and Allocated Claim Adjustment Expense, Net	85,932			
Short-duration Insurance Contracts, Cumulative Paid Claims and Allocated Claim Adjustment Expense, Net	80,295			
Short-duration Insurance Contracts, Liability for Unpaid Claims and Allocated Claim Adjustment Expense, Net, Not Separately Presented	54			
Health care costs payable, net of reinsurance	5,691			
Reinsurance Recoverables on Unpaid Losses, Gross	6	5	$ 4	$ 6
Premium Deficiency Reserve Liability	16	0	0	
Short-duration Insurance Contracts, Liability for Unpaid Claims and Claim Adjustment Expense, Other Reconciling Item	102			
Health care costs payable	5,815	6,558	$ 6,306	$ 5,621
Short-duration Insurance Contracts, Accident Year 2016 [Member] | Health Care [Member]				
Short-duration Insurance Contracts, Incurred Claims and Allocated Claim Adjustment Expense, Net	43,434	44,110		
Short-duration Insurance Contracts, Cumulative Paid Claims and Allocated Claim Adjustment Expense, Net	43,273	$ 37,888		
Short-duration Insurance Contracts, Accident Year 2017 [Member] | Health Care [Member]				
Short-duration Insurance Contracts, Incurred Claims and Allocated Claim Adjustment Expense, Net	42,498			
Short-duration Insurance Contracts, Cumulative Paid Claims and Allocated Claim Adjustment Expense, Net	$ 37,022			

Health Care and Other Insurance Liabilities Reconciliation of Health Care Costs Payable (Details) - USD ($) $ in Millions		12 Months Ended			
		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Add: Components of incurred health care costs [Abstract]					
Health care costs	[1]	$ 42,753	$ 44,255	$ 41,712	
Less: Claims paid [Abstract]					
Premium Deficiency Reserve Liability		16			
Health care costs payable		5,815	6,558		
Health Care [Member]					
Short-duration Insurance Contracts, Incurred Claims and Allocated Claim Adjustment Expense, Net		85,932			
Add: Components of incurred health care costs [Abstract]					
Current Year Claims and Claims Adjustment Expense		43,551	45,019	42,553	
Prior Year Claims and Claims Adjustment Expense		(814)	(764)	(841)	
Health care costs		42,737	44,255	41,712	
Less: Claims paid [Abstract]					
Liability for Unpaid Claims and Claims Adjustment Expense, Claims Paid, Current Year		37,974	38,700	36,389	
Liability for Unpaid Claims and Claims Adjustment Expense, Claims Paid, Prior Years		5,523	5,304	4,636	
Liability for Unpaid Claims and Claims Adjustment Expense, Claims Paid		43,497	44,004	41,025	
Short-Duration Liability for Unpaid Claims, Health Care		5,793	6,553	6,302	$ 5,615
Premium Deficiency Reserve Liability		16	0	0	
Reinsurance Recoverables on Unpaid Losses, Gross		6	5	4	6
Health care costs payable		$ 5,815	$ 6,558	$ 6,306	$ 5,621

[1] Health care costs have been reduced by Insured member co-payments related to our home delivery and specialty pharmacy operations of $115 million, $115 million and $117 million for 2017, 2016 and 2015, respectively.

The ACA's Reinsurance, Risk Adjustment and Risk Corridor (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Reinsurance Recoverable Under Health Care Reform	$ 37	$ 202
Net health care reform risk adjustment payable (receivable)	(39)	(690)
Health care reform risk corridor net	0	(10)
Health care reform risk corridor receivable, gross	314	
Current [Member]		
Reinsurance Recoverable Under Health Care Reform	37	202
Net health care reform risk adjustment payable (receivable)	(41)	(690)
Health care reform risk corridor net	0	(10)
Long-term [Member]		
Reinsurance Recoverable Under Health Care Reform	0	0
Net health care reform risk adjustment payable (receivable)	2	0
Health care reform risk corridor net	$ 0	$ 0

Debt (Details)		Dec. 31, 2017 USD ($)	12 Months Ended Dec. 31, 2016 USD ($) Derivatives_and_swaps	Dec. 31, 2015 USD ($)
Debt Instrument [Line Items]				
Long-term Debt, Maturities, Repayments of Principal in Next Twelve Months		$ 999,000,000		
Long-term Debt, Current Maturities		999,000,000	$ 1,634,000,000	
Long-term debt, less current portion		8,160,000,000	19,027,000,000	
Long-term Debt		9,159,000,000	20,661,000,000	
Loss on early extinguishment of debt (after tax)	[1]	(246,000,000)	0	$ 0
Proceeds from Issuance of Long-term Debt		988,000,000	12,886,000,000	0
Derivative Instruments, Gain (Loss) Recognized in Other Comprehensive Income (Loss), Effective Portion, Net		342,000,000		
Derivative, Counterparty Payment		348,000,000		
Early Repayment of Senior Debt		750,000,000		
Derivative, Notional Amount		500,000,000	500,000,000	
Interest Rate Cash Flow Hedges [Abstract]				
Loss on early extinguishment of long-term debt		(246,000,000)	0	$ 0
Federal Home Loan Bank Advances		0	0	
Long-term Debt, Maturities, Repayments of Principal in Year Two		374,000,000		
Long-term Debt, Maturities, Repayments of Principal in Year Three		0		
Long-term Debt, Maturities, Repayments of Principal in Year Four		1,143,000,000		
Long-term Debt, Maturities, Repayments of Principal in Year Five		988,000,000		
Long-term Debt, Maturities, Repayments of Principal after Year Five		5,655,000,000		
Line of Credit Facility, Maximum Borrowing Capacity		1,500,000,000		
Debt Instrument, Unused Borrowing Capacity, Amount		2,000,000,000		
Senior Notes, 5.95%, Due 2017 [Member]				
Debt Instrument [Line Items]				
Long-term Debt	[2]	0	$ 386,000,000	
Debt Instrument, Interest Rate, Stated Percentage			5.95%	
Senior Notes, 1.75%, Due 2017 [Member]				
Debt Instrument [Line Items]				
Long-term Debt	[2]	$ 0	$ 250,000,000	
Debt Instrument, Interest Rate, Stated Percentage		1.75%	1.75%	
Senior Notes, 1.5%, Due 2017 [Member]				
Debt Instrument [Line Items]				
Long-term Debt	[2]	$ 0	$ 499,000,000	
Debt Instrument, Interest Rate, Stated Percentage		1.50%	1.50%	
Variable Rate [Domain]				
Debt Instrument [Line Items]				

Long-term Debt	[2]	$ 0	$ 499,000,000
Debt Instrument, Face Amount		500,000,000	
Senior Notes, 3.95%, Due 2020 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		0	$ 745,000,000
Loss on early extinguishment of debt (after tax)		$ 35,000,000	
Debt Instrument, Interest Rate, Stated Percentage		3.95%	3.95%
Interest Rate Cash Flow Hedges [Abstract]			
Loss on early extinguishment of long-term debt		$ 54,000,000	
Interest Rate Cash Flow Hedge Gain (Loss) Reclassified to Earnings		13,000,000	
Senior Notes, 2.4%, Due 2021 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 0	$ 1,839,000,000
Debt Instrument, Interest Rate, Stated Percentage		2.40%	2.40%
Debt Instrument, Face Amount		$ 1,900,000,000	$ 1,900,000,000
Senior Notes, 2.8%, Due 2023 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 1,292,000,000	$ 1,290,000,000
Debt Instrument, Interest Rate, Stated Percentage		2.80%	2.80%
Debt Instrument, Face Amount		$ 1,300,000,000	$ 1,300,000,000
Senior Notes, 5.45%, Due 2021 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 647,000,000	$ 661,000,000
Debt Instrument, Interest Rate, Stated Percentage		5.45%	5.45%
Senior Notes, 4.125%, Due 2021 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 496,000,000	$ 495,000,000
Debt Instrument, Interest Rate, Stated Percentage		4.125%	4.125%
Senior Notes, 2.75%, Due 2022 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 988,000,000	$ 986,000,000
Debt Instrument, Interest Rate, Stated Percentage		2.75%	2.75%
Senior notes, 3.5%, due 2024 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 743,000,000	$ 742,000,000
Debt Instrument, Interest Rate, Stated Percentage		3.50%	3.50%
Senior Notes, 6.625%, Due 2036 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 766,000,000	$ 765,000,000
Debt Instrument, Interest Rate, Stated Percentage		6.625%	6.625%
Senior Notes, 6.75%, Due 2037 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 527,000,000	$ 527,000,000
Debt Instrument, Interest Rate, Stated Percentage		6.75%	6.75%

Senior Notes, 4.5% due 2042 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 479,000,000	$ 478,000,000
Debt Instrument, Interest Rate, Stated Percentage		4.50%	4.50%
Senior Notes, 4.125%, Due 2042 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 489,000,000	$ 489,000,000
Debt Instrument, Interest Rate, Stated Percentage		4.125%	4.125%
Senior Notes, 4.75%, Due 2044 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 371,000,000	$ 371,000,000
Debt Instrument, Interest Rate, Stated Percentage		4.75%	4.75%
Senior Notes, 4.375%, Due 2046 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 0	$ 2,375,000,000
Debt Instrument, Interest Rate, Stated Percentage		4.375%	4.375%
Debt Instrument, Face Amount		$ 2,400,000,000	$ 2,400,000,000
Senior Notes, 3.875%, Due 2047 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 988,000,000	0
Debt Instrument, Interest Rate, Stated Percentage		3.875%	
Debt Instrument, Face Amount		$ 1,000,000,000	
Debt Issued for Humana Acquisition [Domain]			
Debt Instrument [Line Items]			
Long-term Debt		$ 10,200,000,000	
Debt Instrument, Redemption Price, Percentage		101.00%	
Debt Instrument, Face Amount			13,000,000,000
Senior Notes, 1.7%, Due 2018 [Member]			
Debt Instrument [Line Items]			
Long-term Debt	[2]	$ 999,000,000	$ 997,000,000
Debt Instrument, Interest Rate, Stated Percentage		1.70%	1.70%
Debt Instrument, Face Amount		$ 1,000,000,000	$ 1,000,000,000
Senior Notes, 2.2%, Due 2019 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 374,000,000	$ 374,000,000
Debt Instrument, Interest Rate, Stated Percentage		2.20%	2.20%
Senior Notes, 1.9%, Due 2019 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 0	$ 1,642,000,000
Debt Instrument, Interest Rate, Stated Percentage		1.90%	1.90%
Debt Instrument, Face Amount		$ 1,700,000,000	$ 1,700,000,000
Senior notes, 3.2%, due 2026 [Member]			
Debt Instrument [Line Items]			
Long-term Debt		$ 0	$ 2,771,000,000
Debt Instrument, Interest Rate, Stated Percentage		3.20%	3.20%
Debt Instrument, Face Amount		$ 2,800,000,000	$ 2,800,000,000

Senior notes, 4.25%, due 2036 [Member]		
Debt Instrument [Line Items]		
Long-term Debt	$ 0	$ 1,480,000,000
Debt Instrument, Interest Rate, Stated Percentage	4.25%	4.25%
Debt Instrument, Face Amount	$ 1,500,000,000	$ 1,500,000,000
Humana Debt Subject to Mandatory Redemption [Domain]		
Debt Instrument [Line Items]		
Loss on early extinguishment of debt (after tax)	125,000,000	
Interest Rate Cash Flow Hedges [Abstract]		
Loss on early extinguishment of long-term debt	192,000,000	
Interest Rate Cash Flow Hedge Gain (Loss) Reclassified to Earnings	323,000,000	
Debt refinance [Domain]		
Interest Rate Cash Flow Hedges [Abstract]		
Number of Interest Rate Derivatives Held | Derivatives_and_swaps		2
Term Loan [Member]		
Debt Instrument [Line Items]		
Term Loan Principal	$ 3,200,000,000	

[1] (1) In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earnings and pre-tax adjusted earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:•During the year ended December 31, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance, and absence management business. The transaction was accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of Aetna's business operations.•During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory redemption of the $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemption of $750 million aggregate principal amount of our outstanding senior notes due 2020.•During the year ended December 31, 2017, we recorded an expense for estimated future guaranty fund assessments related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of our business operations.•We recorded transaction-related costs during the year ended December 31, 2017 related to our proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primarily related to the Humana Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agreement, the termination of our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP Consolidated Statements of Income in general and administrative expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior to the mandatory redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-tax adjusted earnings. The negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption (the “Other 2016 Senior Notes”) was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the

Humana Merger Agreement, the interest expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings. •Restructuring costs for 2017 include severance costs associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early retirement program, severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments which require us to make payments to suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume commitments as a result of our reduced participation on the ACA's individual Public Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense management and cost control initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.•In 1993, we discontinued the sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the year ended December 31, 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for anticipated future losses on discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating results of these discontinued products, which are credited or charged to the reserve and do not affect our operating results.•In 2015, we received proceeds net of legal costs, in connection with a litigation settlement. These net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

[2] At December 31, 2017, our 1.7% senior notes due June 2018 are classified as current in our Consolidated Balance Sheet. At December 31, 2016, our 5.95% senior notes due March 2017, 1.75% senior notes due May 2017, 1.5% senior notes due November 2017 and floating rate senior notes due December 2017 were each classified as current in our Consolidated Balance Sheet.

Debt Debt Maturities (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Long-Term Debt Maturities [Abstract]		
Long-term Debt, Maturities, Repayments of Principal in Next Twelve Months	$ 999	
Long-term Debt, Current Maturities	999	$ 1,634
Long-term Debt, Maturities, Repayments of Principal in Year Two	374	
Long-term Debt, Maturities, Repayments of Principal in Year Three	0	
Long-term Debt, Maturities, Repayments of Principal in Year Four	1,143	
Long-term Debt, Maturities, Repayments of Principal in Year Five	988	
Long-term Debt, Maturities, Repayments of Principal after Year Five	$ 5,655	

Debt - Short-term Debt (Details) - USD ($) $ in Millions	Dec. 31, 2017	Dec. 31, 2016
Debt Disclosure [Abstract]		
Derivative, Notional Amount	$ 500	$ 500

Debt - Line of Credit (Details) - USD ($) $ in Millions	12 Months Ended Dec. 31, 2017	Dec. 31, 2016
Line of Credit Facility [Line Items]		
Commercial Paper	$ 0.0	$ 0.0
Line Of Credit Facility Interest Rate Under Agreement Maximum	0.15%	
Line of Credit Facility, Maximum Borrowing Capacity	$ 1,500.0	
Debt Instrument, Unused Borrowing Capacity, Amount	2,000.0	
Additional Credit Facility	500.0	
Maximum Amount Of Letters Of Credit Issuable	$ 200.0	
Line Of Credit Facility Interest Rate Under Agreement Minimum	0.05%	
Facility fee (in hundredths)	0.10%	
Level the debt to capitalization must be below under the facility agreement	50.00%	
Federal Home Loan Bank, Advances, General Debt Obligations, Maximum Amount Available	$ 700.0	
Term Loan [Member]		
Line of Credit Facility [Line Items]		
Term Loan Principal	$ 3,200.0	

Pension and Other Postretirement Plans Defined Benefit Plans Obligations (Details) $ in Millions	12 Months Ended				
	Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)	Dec. 31, 2017 USD ($) Plans	Dec. 31, 2016 USD ($)
Defined Benefit Plan Disclosure [Line Items]					
Number of pension plans sponsored by the company that provide benefits for our reired employees (in number of plans) | Plans				2	
Voluntary contribution to the pension plan	$ 0	$ 0			
Minimum age of all current and future retirees and employees, who terminate employment, are eligible to participate in group health plans at their own cost. (in years of age)				55	45
Number of years service to be eligible to participate in group health plans at their own cost after retirement or termination. (in years)				5	
Fair Value of Plan Assets [Roll Forward]					
Defined Benefit Plan, Plan Assets, Increase (Decrease) for Actual Return (Loss)	23	42			
Fair value of plan assets, end of year	5,504 [1]	5,288 [2]			
Funded status of pension and postretirement benefit plan [Abstract]					
Fair value of plan assets	5,504 [1]	5,288 [2]		$ 5,504 [1]	$ 5,288 [2]
Defined contribution benefit savings plan [Abstract]					
Pension Plan Balance To Total Benefit Obligation				96.00%	
Weighted Average Discount Rate Pension Plan				3.68%	4.22%
Weighted Average Discount Rate Other postretirement plan				3.63%	4.12%
Expected Net Actuarial Losses Pension				$ 63	
Expected Net Actuarial Losses Other Postretirement Plan				3	
Expected amortization of prior service credits other postretirement benefits				4	
Pension Plan [Member]					
Defined Benefit Plan Disclosure [Line Items]					
Accrued Benefit Assets				336	$ 107
Defined Benefit Plan, Funded (Unfunded) Status of Plan				113	(118)
Defined Benefit Plan, Change in Benefit Obligation [Roll Forward]					
Interest cost	203	260	$ 261		
Actuarial loss (gain)	394	161			
Benefits Paid	(411)	(335)			
Benefit obligation, end of year	(6,218)	(6,032)	(5,946)		
Fair Value of Plan Assets [Roll Forward]					
Defined Benefit Plan, Plan Assets, Increase (Decrease) for Actual Return (Loss)	808	426			
Employer contributions	20	21			
Fair value of plan assets, end of year	6,331	5,914	5,802		
Funded status of pension and postretirement benefit plan [Abstract]					
Benefit obligation	(6,218)	(6,032)	(5,946)	(6,218)	(6,032)

Fair value of plan assets	6,331	5,914	5,802	6,331	5,914
Defined Benefit Plan Reconciliation Of Funded Status To Fair Value Of Assets Liabilities [Abstract]					
Unrecognized prior service credit				0	0
Unrecognized net actuarial losses				2,361	2,460
Amount recognized in accumulated other comprehensive loss				(2,361)	(2,460)
Liabilities recognized on the balance sheet of our pension and postretirement benefit plan [Abstract]					
Accrued benefit liabilities reflected in other current liabilities				(20)	(20)
Accrued benefit liabilities reflected in other long-term liabilities				(203)	(205)
Assets for Plan Benefits, Defined Benefit Plan				113	
Liability, Defined Benefit Plan					118
Defined contribution benefit savings plan [Abstract]					
Unrecognized net actuarial losses				2,361	2,460
Unrecognized prior service credit				0	0
OPEB Plans [Member]					
Defined Benefit Plan Disclosure [Line Items]					
Accrued Benefit Assets				0	0
Defined Benefit Plan, Funded (Unfunded) Status of Plan				(199)	(196)
Defined Benefit Plan, Change in Benefit Obligation [Roll Forward]					
Interest cost	8	11	11		
Actuarial loss (gain)	11	0			
Benefits Paid	(18)	(20)			
Benefit obligation, end of year	(249)	(248)	(257)		
Fair Value of Plan Assets [Roll Forward]					
Defined Benefit Plan, Plan Assets, Increase (Decrease) for Actual Return (Loss)	2	1			
Employer contributions	14	16			
Fair value of plan assets, end of year	50	52	55		
Funded status of pension and postretirement benefit plan [Abstract]					
Benefit obligation	(249)	(248)	(257)	(249)	(248)
Fair value of plan assets	$ 50	$ 52	$ 55	50	52
Defined Benefit Plan Reconciliation Of Funded Status To Fair Value Of Assets Liabilities [Abstract]					
Unrecognized prior service credit				(15)	(19)
Unrecognized net actuarial losses				75	66
Amount recognized in accumulated other comprehensive loss				(60)	(47)
Liabilities recognized on the balance sheet of our pension and postretirement benefit plan [Abstract]					
Accrued benefit liabilities reflected in other current liabilities				(12)	(13)
Accrued benefit liabilities reflected in other long-term liabilities				(187)	(183)
Liability, Defined Benefit Plan				199	196
Defined contribution benefit savings plan [Abstract]					
Unrecognized net actuarial losses				75	66
Unrecognized prior service credit				(15)	(19)

Defined Benefit Plan, Expected Percentage Return on Plan Assets	4.75%	4.75%	5.30%		
Qualified Pension Plan [Member]					
Defined Benefit Plan Disclosure [Line Items]					
Defined Benefit Plan, Funded (Unfunded) Status of Plan				336	107
Defined Benefit Plan, Change in Benefit Obligation [Roll Forward]					
Benefit obligation, end of year	$ (5,995)	$ (5,807)			
Fair Value of Plan Assets [Roll Forward]					
Fair value of plan assets, end of year	6,331	5,914			
Funded status of pension and postretirement benefit plan [Abstract]					
Benefit obligation	(5,995)	(5,807)		(5,995)	(5,807)
Fair value of plan assets	6,331	5,914		6,331	5,914
Non-qualified pension plan [Member]					
Defined Benefit Plan Disclosure [Line Items]					
Defined Benefit Plan, Funded (Unfunded) Status of Plan				(223)	(225)
Defined Benefit Plan, Change in Benefit Obligation [Roll Forward]					
Benefit obligation, end of year	(223)	(225)			
Fair Value of Plan Assets [Roll Forward]					
Fair value of plan assets, end of year	0	0			
Funded status of pension and postretirement benefit plan [Abstract]					
Benefit obligation	(223)	(225)		(223)	(225)
Fair value of plan assets	$ 0	0		0	0
Equity Securities [Member]					
Defined Benefit Plan Disclosure [Line Items]					
Defined Benefit Plan, Target Allocation Percentage	0.33				
Equity Securities [Member] | Pension Plan [Member]					
Fair Value of Plan Assets [Roll Forward]					
Fair value of plan assets, end of year	$ 1,525	1,955			
Funded status of pension and postretirement benefit plan [Abstract]					
Fair value of plan assets	$ 1,525	1,955		1,525	1,955
Debt Securities [Member]					
Defined Benefit Plan Disclosure [Line Items]					
Defined Benefit Plan, Target Allocation Percentage	0.54				
Debt Securities [Member] | Pension Plan [Member]					
Fair Value of Plan Assets [Roll Forward]					
Fair value of plan assets, end of year	$ 3,021	2,390			
Funded status of pension and postretirement benefit plan [Abstract]					
Fair value of plan assets	$ 3,021	$ 2,390		$ 3,021	$ 2,390
Real Estate Investment [Member]					
Defined Benefit Plan Disclosure [Line Items]					
Defined Benefit Plan, Target Allocation Percentage	0.06				

Minimum [Member] | Equity Securities [Member] | OPEB Plans [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Defined Benefit Plan, Target Allocation Percentage	.1	0.05
Minimum [Member] | Debt Securities [Member] | OPEB Plans [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Defined Benefit Plan, Target Allocation Percentage	.75	0.8
Minimum [Member] | Real Estate Investment [Member] | OPEB Plans [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Defined Benefit Plan, Target Allocation Percentage	.05	0
Maximum [Member] | Equity Securities [Member] | OPEB Plans [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Defined Benefit Plan, Target Allocation Percentage	.15	0.15
Maximum [Member] | Debt Securities [Member] | OPEB Plans [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Defined Benefit Plan, Target Allocation Percentage	.85	0.9
Maximum [Member] | Real Estate Investment [Member] | OPEB Plans [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Defined Benefit Plan, Target Allocation Percentage	.1	0.1

[1] (2) Excludes $119 million of cash and cash equivalents and other payables, $530 million of private equity limited partnership investments and $178 million of hedge fund limited partnership investments.

[2] (2) Excludes $180 million of cash and cash equivalents and other payables, $255 million of private equity limited partnership investments and $191 million of hedge fund limited partnership investments.

Pension and Other Postretirement Plans Defined Benefit Plans Periodic Benefit (Income) (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Assumed healthcare cost trend rates for medical and prescription drug costs [Abstract]			
Medical cost trend rate for the next fiscal year (Defined Benefit Plans) (in hundredths)	5.40%		
Ultimate future medical cost trend rate beyond next fiscal year to 2026 (Defined Benefit Plans) (in hundredths)	4.50%		
Prescription drug cost trend rate for the next fiscal year (Defined Benefit Plans) (in hundredths)	9.40%		
Ultimate future prescription drug cost trend rate beyond next fiscal year to 2026 (Defined Benefit Plans) (in hundredths)	4.50%		
2017 Pension New Methodology [Domain]			
Weighted average assumptions used to determine net periodic benefit cost (income) [Abstract]			
Discount rate (in hundredths)	3.51%		
2017 Pension Original Methodology [Domain] [Domain]			
Weighted average assumptions used to determine net periodic benefit cost (income) [Abstract]			
Discount rate (in hundredths)	4.22%		
Pension Plan [Member]			
Operating Component Abstract			
Amortization of prior service cost	$ 0	$ 0	$ 1
Financing Component Abstract			
Interest cost	203	260	261
Expected return on plan assets	(380)	(389)	(419)
Recognized net actuarial losses	(65)	(61)	(62)
Net periodic benefit cost (income)	112	68	$ 97
Defined Benefit Plan, Plan Amendment [Abstract]			
Employer contributions	$ 20	$ 21	
Weighted average assumptions used to determine net periodic benefit cost (income) [Abstract]			
Discount rate (in hundredths)	4.22%	4.50%	4.12%
Expected long-term return on plan assets (in hundredths)	6.70%	6.90%	7.00%
OPEB Plans [Member]			
Operating Component Abstract			
Amortization of prior service cost	$ (4)	$ 4	$ 4
Financing Component Abstract			
Interest cost	8	11	11
Expected return on plan assets	(2)	(3)	(3)
Recognized net actuarial losses	3	(3)	(3)
Net periodic benefit cost (income)	5	(7)	$ (7)
Defined Benefit Plan, Plan Amendment [Abstract]			
Employer contributions	$ 14	$ 16	

Weighted average assumptions used to determine net periodic benefit cost (income) [Abstract]			
Discount rate (in hundredths)	4.12%	4.39%	4.02%
Expected long-term return on plan assets (in hundredths)	4.75%	4.75%	5.30%
Assumed healthcare cost trend rates for medical and prescription drug costs [Abstract]			
Defined Benefit Plan, Effect of One Percentage Point Increase on Accumulated Postretirement Benefit Obligation	$ 8		
Defined Benefit Plan, Effect of One Percentage Point Decrease on Accumulated Postretirement Benefit Obligation	$ 8		

Pension and Other Postretirement Plans Defined Benefit Plans Expected Benefit (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Defined Benefit Plan Disclosure [Line Items]			
Expected Net Actuarial Losses Pension	$ 63		
Expected Net Actuarial Losses Other Postretirement Plan	3		
Expected amortization of prior service credits other postretirement benefits	4		
Pension Plan [Member]			
Defined Benefit Plan Disclosure [Line Items]			
Defined Benefit Plan, Net Periodic Benefit Cost (Credit)	(112)	$ (68)	$ (97)
2018	374		
2019	364		
2020	367		
2021	371		
2022	374		
2023-2027	1,867		
OPEB Plans [Member]			
Defined Benefit Plan Disclosure [Line Items]			
Defined Benefit Plan, Net Periodic Benefit Cost (Credit)	(5)	$ 7	$ 7
2018	17		
2019	17		
2020	17		
2021	17		
2022	17		
2023-2027	79		
After Income Tax Expense (Benefit) [Member] | 2017 Pension Estimated Impact [Domain]			
Defined Benefit Plan Disclosure [Line Items]			
Defined Benefit Plan, Net Periodic Benefit Cost (Credit)	26		
Before Income Tax Expense (Benefit) [Member] | 2017 Pension Estimated Impact [Domain]			
Defined Benefit Plan Disclosure [Line Items]			
Defined Benefit Plan, Net Periodic Benefit Cost (Credit)	$ 41		

Pension and Other Postretirement Plans Assets of the Aetna Pension Plan Fair Value (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Defined Benefit Plan Level 3 Fair Value Of Plan Assets	$ 480	$ 478	$ 500
Fair value of plan assets	5,504 [1]	5,288 [2]	
Cash And Cash Equivalents And Other Payables Excluded From Total Investments Of The Pension Plan Assets	119	180	
private equity excluded from total investments of pension plan assets	530	255	
Hedge funds excluded from total investments of pension plans	178	191	
Defined Benefit Plan, Plan Assets, Increase (Decrease) for Actual Return (Loss)	23	42	
Defined Benefit Plan Fair Value Measurement With Unobservable Inputs Reconciliation Recurring Basis Asset Purchases Sales Issuances Settlements	(22)	(62)	
Defined Benefit Plan Transfers Into (Out Of) Level 3	1	(2)	
Pension Plan [Member]			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	6,331	5,914	5,802
Defined Benefit Plan, Plan Assets, Increase (Decrease) for Actual Return (Loss)	808	426	
Defined Benefit Plan, Plan Assets, Contributions by Employer	20	21	
Defined Benefit Plan, Benefit Obligation, Benefits Paid	411	335	
Pension Plan [Member] | Level 2			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	2,859 [1]	2,400 [2]	
Pension Plan [Member] | Level 1			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	2,165 [1]	2,410 [2]	
Pension Plan [Member] | Level 3			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	480 [1]	478 [2]	
Pension Plan [Member] | Debt Securities [Member]			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	3,021	2,390	
Pension Plan [Member] | Debt Securities [Member] | Level 2			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	2,376	1,930	
Pension Plan [Member] | Debt Securities [Member] | Level 1			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	644	460	
Pension Plan [Member] | Debt Securities [Member] | Level 3			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	1	0	
Pension Plan [Member] | Equity Securities [Member]			
Assets of the Aetna Pension Plan Fair Value [Line Items]			

Fair value of plan assets	1,525	1,955	
Pension Plan [Member] | Equity Securities [Member] | Level 2			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	4	5	
Pension Plan [Member] | Equity Securities [Member] | Level 1			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	1,521	1,950	
Pension Plan [Member] | Equity Securities [Member] | Level 3			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	0	0	
Pension Plan [Member] | Real Estate [Member]			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Defined Benefit Plan Level 3 Fair Value Of Plan Assets	479	478	497
Fair value of plan assets	479	478	
Defined Benefit Plan, Plan Assets, Increase (Decrease) for Actual Return (Loss)	23	42	
Defined Benefit Plan Fair Value Measurement With Unobservable Inputs Reconciliation Recurring Basis Asset Purchases Sales Issuances Settlements	(22)	(61)	
Defined Benefit Plan Transfers Into (Out Of) Level 3	0	0	
Pension Plan [Member] | Real Estate [Member] | Level 2			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	0	0	
Pension Plan [Member] | Real Estate [Member] | Level 1			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	0	0	
Pension Plan [Member] | Real Estate [Member] | Level 3			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	479	478	
Pension Plan [Member] | Other Assets [Member]			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Defined Benefit Plan Level 3 Fair Value Of Plan Assets	1	0	3
Defined Benefit Plan, Plan Assets, Increase (Decrease) for Actual Return (Loss)	0	0	
Defined Benefit Plan Fair Value Measurement With Unobservable Inputs Reconciliation Recurring Basis Asset Purchases Sales Issuances Settlements	0	(1)	
Defined Benefit Plan Transfers Into (Out Of) Level 3	1	(2)	
Pension Plan [Member] | Other Investments [Member]			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	958	943	
Pension Plan [Member] | Other Investments [Member] | Level 2			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	479	465	
Pension Plan [Member] | Other Investments [Member] | Level 1			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	0	0	
Pension Plan [Member] | Other Investments [Member] | Level 3			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	479	478	

Pension Plan [Member] | US Treasury and Government [Member] | Debt Securities [Member]		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	682	582
Pension Plan [Member] | US Treasury and Government [Member] | Debt Securities [Member] | Level 2		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	38	122
Pension Plan [Member] | US Treasury and Government [Member] | Debt Securities [Member] | Level 1		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	644	460
Pension Plan [Member] | US Treasury and Government [Member] | Debt Securities [Member] | Level 3		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | States, municipalities and political subdivisions [Member] | Debt Securities [Member]		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	150	128
Pension Plan [Member] | States, municipalities and political subdivisions [Member] | Debt Securities [Member] | Level 2		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	150	128
Pension Plan [Member] | States, municipalities and political subdivisions [Member] | Debt Securities [Member] | Level 1		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | States, municipalities and political subdivisions [Member] | Debt Securities [Member] | Level 3		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | U.S. corporate securities [Member] | Debt Securities [Member]		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	1,506	1,291
Pension Plan [Member] | U.S. corporate securities [Member] | Debt Securities [Member] | Level 2		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	1,506	1,291
Pension Plan [Member] | U.S. corporate securities [Member] | Debt Securities [Member] | Level 1		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | U.S. corporate securities [Member] | Debt Securities [Member] | Level 3		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | Foreign securities [Member] | Debt Securities [Member]		

Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	165	103
Pension Plan [Member] | Foreign securities [Member] | Debt Securities [Member] | Level 2		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	165	103
Pension Plan [Member] | Foreign securities [Member] | Debt Securities [Member] | Level 1		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | Foreign securities [Member] | Debt Securities [Member] | Level 3		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | Residential mortgage-backed securities [Member] | Debt Securities [Member]		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	322	163
Pension Plan [Member] | Residential mortgage-backed securities [Member] | Debt Securities [Member] | Level 2		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	322	163
Pension Plan [Member] | Residential mortgage-backed securities [Member] | Debt Securities [Member] | Level 1		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | Residential mortgage-backed securities [Member] | Debt Securities [Member] | Level 3		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | Commercial mortgage-backed securities [Member] | Debt Securities [Member]		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	58	57
Pension Plan [Member] | Commercial mortgage-backed securities [Member] | Debt Securities [Member] | Level 2		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	57	57
Pension Plan [Member] | Commercial mortgage-backed securities [Member] | Debt Securities [Member] | Level 1		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | Commercial mortgage-backed securities [Member] | Debt Securities [Member] | Level 3		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	1	0

Pension Plan [Member] | Other asset-backed securities [Member] | Debt Securities [Member]		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	130	60
Pension Plan [Member] | Other asset-backed securities [Member] | Debt Securities [Member] | Level 2		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	130	60
Pension Plan [Member] | Other asset-backed securities [Member] | Debt Securities [Member] | Level 1		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | Other asset-backed securities [Member] | Debt Securities [Member] | Level 3		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | Redeemable Preferred Securities [Member] | Debt Securities [Member]		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	8	6
Pension Plan [Member] | Redeemable Preferred Securities [Member] | Debt Securities [Member] | Level 2		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	8	6
Pension Plan [Member] | Redeemable Preferred Securities [Member] | Debt Securities [Member] | Level 1		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | Redeemable Preferred Securities [Member] | Debt Securities [Member] | Level 3		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | US Domestic securities [Member] | Equity Securities [Member]		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	943	1,310
Pension Plan [Member] | US Domestic securities [Member] | Equity Securities [Member] | Level 2		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	4	5
Pension Plan [Member] | US Domestic securities [Member] | Equity Securities [Member] | Level 1		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	939	1,305
Pension Plan [Member] | US Domestic securities [Member] | Equity Securities [Member] | Level 3		
Assets of the Aetna Pension Plan Fair Value [Line Items]		
Fair value of plan assets	0	0
Pension Plan [Member] | International [Member] | Equity Securities [Member]		

Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	556		611	
Pension Plan [Member] | International [Member] | Equity Securities [Member] | Level 2				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	0		0	
Pension Plan [Member] | International [Member] | Equity Securities [Member] | Level 1				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	556		611	
Pension Plan [Member] | International [Member] | Equity Securities [Member] | Level 3				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	0		0	
Pension Plan [Member] | Common/collective trusts | Debt Securities [Member] | Level 2				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	184		158	
Pension Plan [Member] | Common/collective trusts | Equity Securities [Member] | Level 2				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	294		307	
Pension Plan [Member] | Common/collective trusts | Other Investments [Member]				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	478	[3]	465	[4]
Pension Plan [Member] | Common/collective trusts | Other Investments [Member] | Level 2				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	478	[3]	465	[4]
Pension Plan [Member] | Common/collective trusts | Other Investments [Member] | Level 1				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	0	[3]	0	[4]
Pension Plan [Member] | Common/collective trusts | Other Investments [Member] | Level 3				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	0	[3]	0	[4]
Pension Plan [Member] | Domestic Real Estate [Member] | Equity Securities [Member]				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	26		34	
Pension Plan [Member] | Domestic Real Estate [Member] | Equity Securities [Member] | Level 2				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	0		0	
Pension Plan [Member] | Domestic Real Estate [Member] | Equity Securities [Member] | Level 1				
Assets of the Aetna Pension Plan Fair Value [Line Items]				
Fair value of plan assets	26		34	
Pension Plan [Member] | Domestic Real Estate [Member] | Equity Securities [Member] | Level 3				
Assets of the Aetna Pension Plan Fair Value [Line Items]				

Fair value of plan assets	0	0	
Pension Plan [Member] | Derivative Financial Instruments, Assets [Member] | Other Investments [Member]			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Derivative Instruments and Hedges, Assets	1		
Pension Plan [Member] | Derivative Financial Instruments, Assets [Member] | Other Investments [Member] | Level 2			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Derivative Instruments and Hedges, Assets	1		
Pension Plan [Member] | Derivative Financial Instruments, Assets [Member] | Other Investments [Member] | Level 1			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Derivative Instruments and Hedges, Assets	0		
Pension Plan [Member] | Derivative Financial Instruments, Assets [Member] | Other Investments [Member] | Level 3			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Derivative Instruments and Hedges, Assets	0		
OPEB Plans [Member]			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Fair value of plan assets	50	52	$ 55
Defined Benefit Plan, Plan Assets, Increase (Decrease) for Actual Return (Loss)	2	1	
Defined Benefit Plan, Plan Assets, Contributions by Employer	14	16	
Defined Benefit Plan, Benefit Obligation, Benefits Paid	$ 18	$ 20	
OPEB Plans [Member] | Debt Securities [Member]			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Actual Allocation percentage (in hundredths)	81.00%	82.00%	
OPEB Plans [Member] | Equity Securities [Member]			
Assets of the Aetna Pension Plan Fair Value [Line Items]			
Actual Allocation percentage (in hundredths)	13.00%	11.00%	

[1] (2) Excludes $119 million of cash and cash equivalents and other payables, $530 million of private equity limited partnership investments and $178 million of hedge fund limited partnership investments.

[2] (2) Excludes $180 million of cash and cash equivalents and other payables, $255 million of private equity limited partnership investments and $191 million of hedge fund limited partnership investments.

[3] (1) The assets in the underlying funds of common/collective trusts consist of $294 million of equity securities and $184 million of debt securities.

[4] (1) The assets in the underlying funds of common/collective trusts consist of $307 million of equity securities and $158 million of debt securities.

Pension and Other Postretirement Plans Assets of the Aetna Pension Plan (Details)	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Pension Plan [Member]			
Expected Return On Plan Assets [Abstract]			
Expected long-term return on plan assets (in hundredths)	6.70%	6.90%	7.00%
OPEB Plans [Member]			
Expected Return On Plan Assets [Abstract]			
Defined Benefit Plan, Expected Percentage Return on Plan Assets	4.75%	4.75%	5.30%
Expected long-term return on plan assets (in hundredths)	4.75%	4.75%	5.30%
Debt Securities [Member]			
Defined Contribution Plan [Abstract]			
Defined Benefit Plan, Target Allocation Percentage	0.54		
Debt Securities [Member] | OPEB Plans [Member]			
Defined Contribution Plan [Abstract]			
Actual Allocation percentage (in hundredths)	81.00%	82.00%	
Real Estate Investment [Member]			
Defined Contribution Plan [Abstract]			
Defined Benefit Plan, Target Allocation Percentage	0.06		
Real Estate Investment [Member] | OPEB Plans [Member]			
Defined Contribution Plan [Abstract]			
Actual Allocation percentage (in hundredths)	6.00%	7.00%	
Private Equity Funds [Member]			
Defined Contribution Plan [Abstract]			
Defined Benefit Plan, Target Allocation Percentage	0.04		
Equity Securities [Member]			
Defined Contribution Plan [Abstract]			
Defined Benefit Plan, Target Allocation Percentage	0.33		
Equity Securities [Member] | OPEB Plans [Member]			
Defined Contribution Plan [Abstract]			
Actual Allocation percentage (in hundredths)	13.00%	11.00%	
Hedge Funds [Member]			
Defined Contribution Plan [Abstract]			
Defined Benefit Plan, Target Allocation Percentage	0.03		
Minimum [Member] | Debt Securities [Member] | OPEB Plans [Member]			
Defined Contribution Plan [Abstract]			
Defined Benefit Plan, Target Allocation Percentage	.75	0.8	
Minimum [Member] | Real Estate Investment [Member] | OPEB Plans [Member]			
Defined Contribution Plan [Abstract]			
Defined Benefit Plan, Target Allocation Percentage	.05	0	
Minimum [Member] | Equity Securities [Member] | OPEB Plans [Member]			
Defined Contribution Plan [Abstract]			
Defined Benefit Plan, Target Allocation Percentage	.1	0.05	
Maximum [Member] | Debt Securities [Member] | OPEB Plans [Member]			

Defined Contribution Plan [Abstract]		
Defined Benefit Plan, Target Allocation Percentage	.85	0.9
Maximum [Member] | Real Estate Investment [Member] | OPEB Plans [Member]		
Defined Contribution Plan [Abstract]		
Defined Benefit Plan, Target Allocation Percentage	.1	0.1
Maximum [Member] | Equity Securities [Member] | OPEB Plans [Member]		
Defined Contribution Plan [Abstract]		
Defined Benefit Plan, Target Allocation Percentage	.15	0.15

Pension and Other Postretirement Plans 401(k) Plan (Details) - USD ($) shares in Millions, $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Employer match percentage on annual eligible employee earnings (in hundredths)	100.00%		
Defined Contribution Pension And Other Postretirement Plans Employee Deferral Percentage Maximum Eligible For Employer Match	6.00%		
Emplyer matching contributions during the period	$ 196	$ 197	$ 198
Number of shares of common stock held by the plan trustee for plan participants (in shares)	6		
Approximate number of shares of common stock reserved for issuance under the 401(k) plan (in shares)	34		

Income Taxes (Details) - USD ($) $ in Millions	3 Months Ended								12 Months Ended		
	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Current taxes: [Abstract]											
Federal									$ 1,369	$ 1,662	$ 1,797
State									73	129	112
Total current taxes									1,442	1,791	1,909
Deferred taxes (benefits): [Abstract]											
Federal									(328)	(55)	(59)
State									(27)	(1)	(9)
Total deferred income taxes									(355)	(56)	(68)
Income taxes	$ 272	$ 426	$ 637	$ (249)	$ 147	$ 476	$ 561	$ 551	1,087	1,735	1,841
Effective Income Tax Rate Reconciliation, Amount [Abstract]											
Application of the tax rate									1,047	1,397	1,483
Health insurer fee									0	293	300
State income taxes									21	83	63
Other, net									19	(38)	(5)
Income taxes	272	$ 426	$ 637	$ (249)	147	$ 476	$ 561	$ 551	$ 1,087	$ 1,735	$ 1,841
Tax rate									35.00%	35.00%	35.00%
Health Insurer Fee Tax Effect, Percent									0.00%	7.34%	7.08%
Effective Income Tax Rate Reconciliation, State and Local Income Taxes, Percent									0.70%	2.08%	1.49%
Effective Income Tax Rate Reconciliation, Other Adjustments, Percent									0.60%	(0.90%)	(0.12%)
Effective Income Tax Rate Reconciliation, Percent									36.30%	43.47%	43.46%
Deferred tax assets: [Abstract]											
Deferred Tax Assets Reserves And Accruals Insurance Reserves	187				231				$ 187	$ 231	
Reserve for anticipated future losses on discontinued products	135				225				135	225	
Deferred Tax Assets, Tax Deferred Expense, Compensation and Benefits, Employee Compensation	75				196				75	196	
Net operating losses	184				147				184	147	
Deferred Tax Assets, Tax Deferred Expense, Compensation and Benefits, Severance Payments	32				135				32	135	
Investments, net	58				80				58	80	
Debt fair value adjustment	10				23				10	23	
Deferred revenue	231				21				231	21	
Other	116				117				116	117	

Gross deferred tax assets	1,028	1,175	1,028	1,175
Less: Valuation allowance	154	118	154	118
Deferred tax assets, net of valuation allowance	874	1,057	874	1,057
Deferred tax liabilities: [Abstract]				
Goodwill and other acquired intangible assets	451	814	451	814
Cumulative depreciation and amortization	101	185	101	185
Unrealized gains on investment securities	105	42	105	42
Other	22	20	22	20
Deferred Tax Liabilities, Gross	679	1,061	679	1,061
Net deferred tax assets	$ (195)	$ (4)	$ (195)	$ (4)

Stock-based Employee Incentive Plans (Details)	3 Months Ended	12 Months Ended				
	Mar. 31, 2014 USD ($) $ / shares	Dec. 31, 2017 USD ($) $ / shares shares years	Dec. 31, 2016 USD ($) $ / shares years shares	Dec. 31, 2015 USD ($) $ / shares years shares	Dec. 31, 2014 USD ($) years $ / shares shares	Dec. 31, 2013
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]						
Share-based Compensation Arrangement by Share-based Payment Award, Number of Shares Available for Grant | shares		27,000,000				
Maximum vesting percentage for stock options and stock appreciation rights (in hundredths)		100.00%				
Stock Appreciation Rights Vesting Period		3				
Assumptions used to calculate the weighted-average fair value of options and SARs [Abstract]						
Share-based Compensation Arrangement by Share-based Payment Award, Fair Value Assumptions, Expected Term		7 years 77 days	7 years 40 days			
Share-based Compensation Arrangement by Share-based Payment Award, Fair Value Assumptions, Expected Volatility Rate		26.52%	32.90%			
Share-based Compensation Arrangement by Share-based Payment Award, Fair Value Assumptions, Risk Free Interest Rate		2.22%	1.52%			
Share-based Compensation Arrangement by Share-based Payment Award, Fair Value Assumptions, Expected Dividend Rate		1.71%	0.91%			
Share Price		$ 125.27	$ 103.45			
PSAR Minimum Vesting Amount | shares		0				
PSAR Maximum Vesting Amount | shares		700,000				
Amount of PSARs Vested | shares		500,000				
Assumptions used to calculate grant date fair value of PSARs [Abstract]						
Weighted-average per share value (PSARs)	$ 18.64					
Dividend yield PSARs (in hundredths)	1.25%					
Expected settlement period for PSARs	6 years 45 days					
Historical Volatility PSARs (in hundredths)	40.40%					

Risk Free Interest Rates PSARs (in hundredths)	0.60%				
Initial Price PSARs | $	$ 64.25				
Outstanding, beginning of year | shares		8,000,000	7,400,000	[1] 8,100,000	
Granted | shares		2,200,000	2,400,000	2,000,000	
Exercised | shares		2,400,000	1,400,000	2,500,000	
Expired or forfeited | shares		200,000	400,000	200,000	
Outstanding, end of year | shares		7,600,000	8,000,000	7,400,000	[1] 8,100,000
Exercisable, end of year | shares		3,600,000	4,300,000	4,100,000	
Number Of Stock Options And Stock Appreciation Rights [Abstract]					
Share-based Compensation Arrangement by Share-based Payment Award, Options, Exercisable, Weighted Average Exercise Price		$ 71.06	$ 57.26	$ 45.88	
WeightedAverageExercisePrice [Abstract]					
Stock options and stock appreciation rights exercised weighted average exercise price (in dollars per share)		65.42	52.99	43.90	
Stock options and stock appreciation rights forfeited weighted average exercise price (in dollars per share)		108.24	83.25	91.25	
Stock options and stock appreciation rights outstanding at end of period weighted average exercise price (in dollars per share)		$ 94.03	$ 77.20	$ 64.11	[1] $ 49.37
Share Based Compensation Arrangement By Share Based Payment Award Stock Options And Stock Appreciation Rights Exercised Weighted Average Remaining Contractual Ter		0.00	0.00	0.00	
Weighted Average Remaining Contractual Life [Abstract]					
Stock options and stock appreciation rights outstanding at beginning of year weighted average remaining contractual life (in years) | years		5.9	5.3	[1] 4.2	
Stock options and stock appreciation rights outstanding at end of period weighted average remaining contractual life (in years) | years		6.6	5.9	5.3	[1] 4.2
Stock options and stock appreciation rights exercisable at end of year weighted average remaining contractual life (in years)		4.58	3.6	2.6	
Aggregate Intrinsic Value [Abstract]					
Stock options and stock appreciation rights outstanding at beginning of year aggregate intrinsic value | $		$ 373,000,000	$ 325,000,000	[1] $ 318,000,000	

Stock options and stock appreciation rights exercised aggregate intrinsic value | $		185,000,000	85,000,000	155,000,000	
Stock options and stock appreciation rights outstanding at end of period aggregate intrinsic value | $		398,000,000	373,000,000	325,000,000 [1]	$ 318,000,000
Stock options and stock appreciation rights exercisable at end of year aggregate intrinsic value (in dollars per share) | $		$ 397,000,000	$ 287,000,000	$ 252,000,000	
Stock options and stock appreciation rights outstanding at beginning of year weighted average exercise price (in dollars per share)		$ 77.20	$ 64.11	[1] $ 49.37	
Stock options and stock appreciation rights granted weighted average exercise price (in dollars per share)		$ 125.82	$ 104.47	$ 101.41	
Share Based Compensation Arrangement by Share Based Payment Stock Options and Stock Appreciation Rights Granted Weighted Average Remaining Contractual Term		0.00	0.00	0.00	
Share Based Compensation Arrangement By Share Based Payment Award Stock Options And Stock Appreciation Rights Granted In Period Total Intrinsic Value | $		$ 0	$ 0	$ 0	
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $		0	0	0	
Activity under various plans [Abstract]					
Cash received from stock option exercises | $		0	0	7,000,000	
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $		499,000,000	384,000,000	413,000,000	
Employee Service Share-based Compensation, Tax Benefit from Exercise of Stock Options | $		99,000,000	77,000,000	101,000,000	
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested in Period, Fair Value | $	[2]	$ 300,000,000	$ 223,000,000	$ 126,000,000	
Number Of Shares Common Stock Received For Each Stock Unit Granted | shares		1			
Maximum vesting percentage for restricted stock units (in hundredths)		100.00%			
Market Stock Unit Vesting Period		3			
Vesting Percentage For Market Stock Units Range Minimum		0.00%			
Vesting Percentage For Market Stock Units Range Maximum		150.00%			

Minimum Vesting Percentage During Performance Period For Performance Stock Units	0.00%				
Maximum Vesting Percentage During Performance Period For Performance Stock Units	200.00%				
Performance Stock Unit Vesting Period	3		3		2
Assumptions used to calculate the weighted-average fair value of options for market stock units [Abstract]					
Dividend yield market stock units (in hundredths)				1.30%	
Historical volatility market stock units (in hundredths)				26.40%	
Risk-free interest rates market stock units (in hundredths)				0.70%	
Initial Price for market stock units | $				$ 72.26	
Summary of the status of restricted stock units, market stock units, and performance stock units [Roll Forward]					
Outstanding restricted stock units, market stock units, and performance stock units at beginning of year (in shares) | shares	2,900,000	3,900,000	5,100,000		
Restricted stock units, market stock units, and performance stock units during period - Granted (in shares) | shares	900,000	2,100,000	1,800,000		
Restricted stock units, market stock units, and performance stock units - Vested (in shares) | shares	(2,100,000)	(2,700,000)	(2,600,000)		
Restricted stock units, market stock units, and performance stock units - Forfeited (in shares) | shares	(200,000)	(400,000)	(400,000)		
Outstanding restricted stock units, market stock units and performance stock units at end of year (in shares) | shares	1,500,000	2,900,000	3,900,000	5,100,000	
Outstanding restricted stock units, market stock units, and performance stock units at beginning of year - weighted-average grant date fair value (in dollars per share)	$ 91.95	$ 73.40	$ 58.57		
Restricted stock units, market stock units, and performance stock units - weighted-average grant date fair value - Granted (in dollars per share)	126.56	98.60	100.52		
Restricted stock units, market stock units, and performance stock units - weighted-average grant date fair value - Vested (in dollars per share)	88.17	68.87	59.72		
Restricted stock units, market stock units, and performance stock units - weighted-average grant date fair value - Forfeited (in dollars per share)	101.69	71.17	70.94		

Outstanding stock performance units and restricted stock units at end of year - weighted-average grant date fair value (in dollars per share)		$ 112.71	$ 91.95	$ 73.40	$ 58.57
Pretax share-based compensation expense in general and administrative expenses recorded | $		$ 187,000,000	$ 191,000,000	$ 181,000,000	
Related tax benefits recorded | $		39,000,000	$ 33,000,000	$ 37,000,000	
Total unrecognized compensation costs related to stock options, stock appreciation rights, restricted stock units, market stock units and performance stock units | $		$ 153,000,000			
Weighted-average period unrecognized compensation costs related to stock options, stock appreciation rights, restricted stock units, market stock units and performance stock units is expected to be recognized (in years)		1.6			
Share Based Compensation Arrangement By Share Based Payment Award Stock Options And Stock Appreciation Rights Expired Weighted Average Remaining Contractual Term		0.00	0.00	0.00	
Price Range $20.00-$30.00					
Aggregate Intrinsic Value [Abstract]					
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	[3]	0			
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years		1.4			
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)		$ 25.50			
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $	[3]	$ 3,000,000			
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		0			
Share Based Compensation Shares					

Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 25.50
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $	[3]	$ 3,000,000
Price Range $30.00-$40.00		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares		800,000
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years		1.1
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)		$ 32.11
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $		$ 125,000,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		800,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 32.11
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $		$ 125,000,000
Price Range $40.00-$50.00		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	[3]	0
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years		0.3
Share-based Compensation, Shares		

Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)		$ 45.84
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $	[3]	$ 1,000,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		0
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 45.84
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $	[3]	$ 1,000,000
Price Range $50.00-$60.00		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares		400,000
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years		0.1
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)		$ 50.70
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $		$ 55,000,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		400,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 50.70
Share Based Compensation Shares		

Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $	$ 55,000,000
Price Range $60.00-$70.00	
Aggregate Intrinsic Value [Abstract]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	500,000
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years	5.6
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)	$ 64.25
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $	$ 58,000,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options	500,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price	$ 64.25
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $	$ 58,000,000
Price Range $70.00-$80.00	
Aggregate Intrinsic Value [Abstract]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	500,000
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years	6.1
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)	$ 72.42

Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $		$ 49,000,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		500,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 72.42
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $		$ 49,000,000
Price Range $80.00-$90.00		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	[3]	0
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years		4.4
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)		$ 80.27
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $	[3]	$ 0
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		0
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 80.27
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $	[3]	$ 0
Price Range $100.00-$110.00		
Aggregate Intrinsic Value [Abstract]		

Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	2,900,000
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years	7.6
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)	$ 102.51
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $	$ 227,000,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options	1,300,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price	$ 102.11
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $	$ 99,000,000
Price Range $110.00-$120.00	
Aggregate Intrinsic Value [Abstract]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	200,000
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years	8.3
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)	$ 115.16
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $	$ 16,000,000
Share Based Compensation Shares	

Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		100,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 115.36
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $		$ 7,000,000
Price Range $120.00-$130.00		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares		2,000,000
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years		9.1
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)		$ 125.24
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $		$ 112,000,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		0
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 124.41
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $		$ 1,000,000
Price Range $130.00-$140.00		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	[3]	0
Share-based Compensation, Shares		

Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years		9.2
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)		$ 132.80
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $	[3]	$ 0
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		0
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 0.00
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $	[3]	$ 0
Price Range $120.00-$130.00		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares		0
Price Range $140.00-$150.00		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares		100,000
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years		9.4
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)		$ 145.10
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $		$ 2,000,000

Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		0
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 0.00
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $		$ 0
Price Range $160.00-$170.00		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	[3]	0
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years		9.7
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)		$ 163.21
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $	[3]	$ 0
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		0
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 0.00
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $	[3]	$ 0
Total $20.00 - $170.00		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	[4]	7,400,000

Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Remaining Contractual Term (in years) | years		6.6
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Outstanding Options, Weighted Average Exercise Price, End of Period (in dollars per share)		$ 94.03
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Aggregate Intrinsic Value | $	[4]	$ 648,000,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Number Of Outstanding Options		3,600,000
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Weighted-Average Price		$ 71.06
Share Based Compensation Shares Exercisable Under Stock Options And Stock Appreciation Rights Plans Exercise Price Range Aggregate Intrinsic Value | $	[4]	$ 398,000,000
Price Range $90 to $100 and $150 to $160		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares		0
Price Range $20 and $30, $40 and $50, $80 and $90, $130 and $140 and $160 and $170		
Aggregate Intrinsic Value [Abstract]		
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range, Number of Outstanding Options | shares	[3]	0
Two year vesting period [Member]		
Activity under various plans [Abstract]		
Market Stock Unit Vesting Period		two
Three year vesting period [Member]		
Activity under various plans [Abstract]		
Weighted average per share fair value of market stock units granted (in dollars per share)		$ 74.99

Stock Appreciation Rights (SARs) [Member]					
Assumptions used to calculate the weighted-average fair value of options and SARs [Abstract]					
Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Grants in Period, Weighted Average Grant Date Fair Value	$ 32.30	$ 34.33			
PSUs granted in 2013					
Activity under various plans [Abstract]					
Percentage of original number of performance stock units original granted in period which vested in period			74.61%	131.62%	127.08%
PSUs granted in 2014 [Member]					
Activity under various plans [Abstract]					
Percentage of original number of performance stock units original granted in period which vested in period			200.00%		
PSUs granted in 2015 [Member] [Member]					
Activity under various plans [Abstract]					
Percentage of original number of performance stock units original granted in period which vested in period	120.00%				

[1] PSARs are included in this table in 2015 at the maximum amount that could potentially vest

[2] The fair value represents the aggregate grant date fair value of the stock options, SARs, PSARs and stock units as of the respective grant dates.

[3] The number of outstanding and exercisable SARs with exercise prices between $20 and $30, $40 and $50, $80 and $90, $130 and $140 and $160 and $170 rounded to zero.

[4] The number of outstanding SARs with exercise prices between $90 and $100 and $150 and $160 rounded to zero.

Shareholders' Equity - Repurchases (Details) - USD ($) $ / shares in Units, shares in Millions, $ in Millions	12 Months Ended					
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Mar. 31, 2017	Dec. 31, 2014	Mar. 31, 2014
Equity, Class of Treasury Stock [Line Items]						
Non-controlling interests	$ 257	$ 62				
Number of shares purchased (in shares)	10.4					
Amount of repurchases under the program	$ 3,845		$ 296			
Repurchase authorizations remaining at period end	1,238	$ 1,083	$ 1,083			
Accelerated Share Repurchases, Settlement (Payment) or Receipt	$ 3,300					
Accelerated Share Repurchase (Percent Initially Delivered)	80.00%					
Accelerated Share Repurchases, Initial Price Paid Per Share	$ 126.34					
Accelerated Share Repurchases, Cash or Stock Settlement	2.7					
Accelerated Share Repurchases, Final Price Paid Per Share	$ 140.09					
Authorization Date February 2017 [Member] [Member]						
Equity, Class of Treasury Stock [Line Items]						
Purchases not to exceed				$ 4,000		
Number of shares purchased (in shares)	19.3	0.0	0.0			
Amount of repurchases under the program	$ 2,762	$ 0	$ 0			
Authorization Date November 2014 [Member]						
Equity, Class of Treasury Stock [Line Items]						
Purchases not to exceed					$ 1,000	
Number of shares purchased (in shares)	7.1	0.0	0.0			
Amount of repurchases under the program	$ 1,000	$ 0	$ 0			
Authorization Date February 2014 [Member]						
Equity, Class of Treasury Stock [Line Items]						
Purchases not to exceed						$ 1,000
Number of shares purchased (in shares)	0.6	0.0	3.0			
Amount of repurchases under the program	$ 83	$ 0	$ 296			
Total Repurchases [Member]						
Equity, Class of Treasury Stock [Line Items]						
Number of shares purchased (in shares)	27.0	0.0	3.0			
Amount of repurchases under the program	$ 3,845	$ 0	$ 296			
Amount to reclassify to additional paid in capital [Domain]						
Equity, Class of Treasury Stock [Line Items]						
Amount of repurchases under the program	700					
Amount to reclassify to retained earnings [Domain]						
Equity, Class of Treasury Stock [Line Items]						
Amount of repurchases under the program	700					

Third Party - Two [Domain]	
Equity, Class of Treasury Stock [Line Items]	
Amount of repurchases under the program	2,600
Accelerated Share Repurchases, Settlement (Payment) or Receipt	$ 1,700
Third Party - One [Domain]	
Equity, Class of Treasury Stock [Line Items]	
Number of shares purchased (in shares)	3.4
Amount of repurchases under the program	$ 545

Shareholders' Equity - Dividends (Details) - USD ($)	3 Months Ended								12 Months Ended	
	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2017	Feb. 23, 2018
Dividends Payable [Line Items]										
Total Dividends	$ 163,000,000	$ 163,000,000	$ 166,000,000	$ 166,000,000	$ 88,000,000	$ 88,000,000	$ 88,000,000	$ 88,000,000		
Dividends Amount Per Share	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.250	$ 0.250	$ 0.250	$ 0.250	$ 0.500	
Maximum Value of Dividends Declared				$ 0.25						
Maximum Value of Dividends Declared under Proposed Business Transaction									$ 0.50	
Subsequent Event [Member]										
Dividends Payable [Line Items]										
Dividends Amount Per Share										$ 0.500

Shareholders' Equity - Stock Units (Details) shares in Millions	12 Months Ended Dec. 31, 2017 $ / shares shares
Class of Stock [Line Items]	
Number Of Undesignated Shares Available (in shares)	469
Preferred Class A [Member]	
Class of Stock [Line Items]	
Number of authorized Class A voting preferred stock (in shares)	8
Number of authorized Class A voting preferred stock, par value per share (in dollars per shares) | $ / shares	$ 0.01

Shareholders' Equity Statutory Accounting Practices (Details) - USD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Statutory Accounting Practices [Line Items]			
Cash Dividends Paid to Parent Company by Consolidated Subsidiaries	$ 4,300	$ 2,900	$ 2,200
Statutory Accounting Practices, Statutory Net Income Amount	2,908	2,229	2,186
Statutory Accounting Practices, Statutory Capital and Surplus, Balance	9,948	$ 10,413	$ 9,883
Statutory Accounting Practices, Statutory Capital and Surplus Required	3,685		
Assets Held by Insurance Regulators	621		
Statutory Accounting Practices, Statutory Amount Available for Dividend Payments without Regulatory Approval	1,573		
Insurance and HMO [Member]			
Statutory Accounting Practices [Line Items]			
Cash Dividends Paid to Parent Company by Consolidated Subsidiaries	$ 3,947		

Other Comprehensive (Loss) Income (Details) - USD ($) $ in Millions		12 Months Ended		
		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Comprehensive Income Loss [Line Items]				
Long-term Debt		$ 9,159	$ 20,661	
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Balance at beginning of period		(1,552)		
Other Comprehensive Income (Loss)		308	(222)	$ (219)
Balance at end of period		(1,244)	(1,552)	
Early Repayment of Senior Debt		750		
Net Unrealized Gains (Losses) Previously Impaired Securities [Member]				
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Balance at beginning of period	[1]	16	19	35
Balance at end of period	[1]	5	16	19
Other Comprehensive Income (Loss), Unrealized Holding Gain (Loss) on Securities Arising During Period, Net of Tax	[1]	(6)	(20)	(45)
Other Comprehensive Income (Loss), Unrealized Holding Gain (Loss) on Securities Arising During Period, before Tax	[1]	(9)	(31)	(69)
Other Comprehensive Income (Loss), Reclassification Adjustment from AOCI for Sale of Securities, Net of Tax	[1], [2]	5	(17)	(29)
Other Comprehensive Income (Loss), Reclassification Adjustment from AOCI for Sale of Securities, before Tax	[1], [2]	8	(26)	(44)
Net Unrealized Gains (Losses) All Other Securities [Member]				
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Balance at beginning of period		297	312	568
Balance at end of period		326	297	312
Other Comprehensive Income (Loss), Unrealized Holding Gain (Loss) on Securities Arising During Period, Net of Tax		107	(8)	(318)
Other Comprehensive Income (Loss), Unrealized Holding Gain (Loss) on Securities Arising During Period, before Tax		165	(12)	(490)
Other Comprehensive Income (Loss), Reclassification Adjustment from AOCI for Sale of Securities, Net of Tax	[2]	78	7	(62)
Other Comprehensive Income (Loss), Reclassification Adjustment from AOCI for Sale of Securities, before Tax	[2]	120	11	(97)
Derivatives [Member]				
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Balance at beginning of period		(235)	(74)	(61)
Balance at end of period		(4)	(235)	(74)
Other Comprehensive Income (Loss), Foreign Currency Transaction and Translation Gain (Loss) Arising During Period, Net of Tax		7	(177)	(17)
Other Comprehensive Income (Loss), Foreign Currency Transaction and Translation Gain (Loss), before Reclassification and Tax		11	(273)	(26)
Other Comprehensive Income (Loss), Foreign Currency Transaction and Translation Reclassification Adjustment from AOCI, Realized upon Sale or Liquidation, Net of Tax	[3]	(224)	(16)	(4)
Other Comprehensive Income (Loss), Foreign Currency Transaction and Translation				

Reclassification Adjustment from AOCI, Realized upon Sale or Liquidation, before Tax	[3]	(345)	(25)	(6)
Pension and OPEB Plan [Member]				
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Balance at beginning of period		(1,630)	(1,587)	(1,653)
Balance at end of period		(1,571)	(1,630)	(1,587)
Other comprehensive income, Pensions and Other Post Retirement Employee Benefit Plans, net of tax		18	(82)	27
Other Comprehensive Income (Loss), Defined Benefit Plan, Gain (Loss) Arising During Period, before Tax		23	(126)	41
Recognized net actuarial losses	[4]	(44)	(42)	(42)
Other Comprehensive Income (Loss), Defined Benefit Plan, Gain (Loss), Reclassification Adjustment from AOCI, before Tax	[4]	(68)	(64)	(64)
Other Comprehensive (Income) Loss, Defined Benefit Plan, Prior Service Cost (Credit), Reclassification Adjustment from AOCI, after Tax	[4]	3	3	3
Other Comprehensive (Income) Loss, Defined Benefit Plan, Reclassification Adjustment from AOCI, before Tax	[4]	5	5	4
Accumulated Other Comprehensive Loss [Member]				
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Balance at beginning of period		(1,552)	(1,330)	(1,111)
Balance at end of period		(1,244)	(1,552)	(1,330)
Derivatives [Member]				
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Other Comprehensive Income (Loss)		231	(161)	(13)
Net Unrealized Gains (Losses) All Other Securities [Member]				
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Other Comprehensive Income (Loss)		29	(15)	(256)
Net Unrealized Gains (Losses) Previously Impaired Securities [Member]				
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Other Comprehensive Income (Loss)	[1]	(11)	(3)	(16)
Pension and OPEB Plan [Member]				
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Other Comprehensive Income (Loss)		59	$ (43)	$ 66
Debt Issued for Humana Acquisition [Domain]				
Comprehensive Income Loss [Line Items]				
Long-term Debt		10,200		
Humana Debt Subject to Mandatory Redemption [Domain]				
Accumulated Other Comprehensive Income (Loss) [Roll Forward]				
Realized Investment Gains (Losses)		$ 336		

[1] Represents specifically identified unrealized gains on the non-credit related component of impaired debt securities that we do not intend to sell and subsequent changes in the fair value of any previously impaired security.

[2] Reclassifications out of accumulated other comprehensive income for specifically identified previously impaired debt securities and all other securities are reflected in net realized capital (losses) gains within our Consolidated Statements of Income.

[3] Reclassifications out of accumulated other comprehensive income for specifically identified foreign currency gains (losses) and derivatives are reflected in net realized capital (losses) gains within our Consolidated Statements of Income, except for the specifically identified effective portion of derivatives related to interest rate swaps which are reflected in interest expense.

During the year ended December 31, 2017, we redeemed the entire $10.2 billion aggregate principal amount outstanding of the Special Mandatory Redemption Notes and the entire $750 million aggregate principal amount outstanding of our senior notes due 2020 and reclassified out of accumulated other comprehensive income the remaining $336 million pre-tax unrealized hedge losses as a realized capital loss within our Consolidated Statements of Income. Refer to Note 9 for additional information.

[4] Reclassifications out of accumulated other comprehensive income for specifically identified pension and OPEB plan expenses are reflected in general and administrative expenses within our Consolidated Statements of Income. Refer to Note 10 for additional information.

Earnings Per Common Share (Details) - USD ($) $ / shares in Units, shares in Millions, $ in Millions	3 Months Ended								12 Months Ended		
	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Earnings Per Share, Basic and Diluted [Line Items]											
Net income attributable to the Aetna	$ 244	$ 838	$ 1,203	$ (381)	$ 139	$ 604	$ 791	$ 737	$ 1,904	$ 2,271	$ 2,390
Weighted Average Number of Shares Outstanding Reconciliation [Abstract]											
Weighted average shares used to compute basic EPS (in shares)									333.2	351.3	349.3
Dilutive effect of outstanding stock-based compensation awards (in shares)									2.2	3.0	3.3
Weighted average shares used to compute diluted EPS (in shares)									335.4	354.3	352.6
Basic EPS (in dollars per share)	$ 0.75 [1]	$ 2.54 [1]	$ 3.62 [1]	$ (1.11) [1]	$ 0.40 [1]	$ 1.72 [1]	$ 2.25 [1]	$ 2.10 [1]	$ 5.71	$ 6.46	$ 6.84
Diluted EPS (in dollars per share)	$ 0.74 [1]	$ 2.52 [1]	$ 3.60 [1]	$ (1.11) [1]	$ 0.39 [1]	$ 1.70 [1]	$ 2.23 [1]	$ 2.09 [1]	$ 5.68	$ 6.41	$ 6.78
Stock Appreciation Rights (SARs) [Member]											
Weighted Average Number of Shares Outstanding Reconciliation [Abstract]											
Antidilutive Securities Excluded from Computation of Earnings Per Share, Amount (in shares) [2]									0.0	0.1	0.5
Equity Award											
Weighted Average Number of Shares Outstanding Reconciliation [Abstract]											
Antidilutive Securities Excluded from Computation of Earnings Per Share, Amount (in shares) [3]									0.7	0.7	0.8

[1] Calculation of net income (loss) attributable to Aetna per share is based on weighted average shares outstanding during each quarter and, accordingly, the sum may not equal the total for the year.

[2] SARs are excluded from the calculation of diluted EPS if the exercise price is greater than the average market price of Aetna common shares during the period (i.e., the awards are anti-dilutive).

[3] Performance stock units ("PSUs"), certain market stock units ("MSUs") with performance conditions, and performance stock appreciation rights ("PSARs") are excluded from the calculation of diluted EPS if all necessary performance conditions have not been satisfied at the end of the reporting period (refer to Note 12 for additional information about PSARs).

Reinsurance (Details) $ in Millions		12 Months Ended		
		Dec. 31, 2017 USD ($)	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)
Total reinsurance recoverables		$ 4,373	$ 1,019	
Other Premiums		52,022	54,116	$ 51,618
Policyholder Benefits and Claims Incurred, Net, Health	[1]	$ 42,753	44,255	41,712
Three Years Reinsurance Agreement With Unrelated Insurer		3		
Five Years Reinsurance Agreement With Unrelated Insurer		5		
Number of Reinsurance Contracts Entered Into		2		
Four Years Reinsurance Agreement With Unrelated Insurer		4		
Reinsurance Entity 4 [Member] [Member]				
Total reinsurance recoverables		$ 3,555	0	
Reinsurance Entity 3 [Member]				
Total reinsurance recoverables		37	202	
Reinsurance Entity 2 [Member]				
Total reinsurance recoverables		197	209	
Reinsurance Entity 1 [Member]				
Total reinsurance recoverables		431	444	
Other Reinsurance Entities [Member]				
Total reinsurance recoverables		153	164	
Health Care [Member]				
Assumed Premiums Earned		413	402	368
Ceded Premiums Earned		(355)	(348)	(289)
Other Premiums		52,022	54,116	51,618
Policyholder Benefits and Claims Incurred, Direct		42,780	44,341	42,038
Policyholder Benefits and Claims Incurred, Assumed		318	339	298
Policyholder Benefits and Claims Incurred, Ceded		345	425	624
Policyholder Benefits and Claims Incurred, Net, Health		42,753	44,255	41,712
Direct Premiums Earned		51,964	54,062	51,539
Group Insurance [Member]				
Assumed Premiums Earned		1	1	1
Ceded Premiums Earned		(353)	(13)	(17)
Other Premiums		1,819	2,143	2,139
Policyholder Benefits and Claims Incurred, Direct		2,181	1,861	1,845
Policyholder Benefits and Claims Incurred, Assumed		4	2	2
Policyholder Benefits and Claims Incurred, Ceded		597	13	10
Policyholder Benefits and Claims Incurred, Net, Health		1,588	1,850	1,837
Direct Premiums Earned		$ 2,171	$ 2,155	$ 2,155

[1] Health care costs have been reduced by Insured member co-payments related to our home delivery and specialty pharmacy operations of $115 million, $115 million and $117 million for 2017, 2016 and 2015, respectively.

Commitments and Contingencies (Details) - USD ($) $ in Millions	3 Months Ended	12 Months Ended				
	Mar. 31, 2014	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2013	Dec. 31, 2012
Long-term Debt		$ 9,159	$ 20,661			
Loss Contingency Accrual, Insurance-related Assessment, Discount Rate		3.50%				
Loss Contingency, Undiscounted Amount of Insurance-related Assessment Liability		$ 347				
Aggregate maximum exposures under Administrative Services Contracts to banks for funding claims paid to customers		250				
Contractual obligations to maintain the required level of separate account assets for specific pensions annuities		1,700	1,800			
Loss Contingency, Discounted Amount of Insurance-related Assessment Liability		$ 231				
Loss on Contract Termination, Percent of Total Costs		70.00%				
Settlement of class action litigation, after-tax						$ 78
Release of litigation-related reserve, pre-tax	$ 103					
Charges for changes in our life claim payments practices, net of tax					$ 36	
Charge for changes in our life claim payment practices					$ 55	
Rental expenses for operating leases of office space and certain computer and other equipment		$ 159	167	$ 165		
Operating Leases, Future Minimum Payments Due [Abstract]						
2018		142				
2019		115				
2020		79				
2021		65				
2022		51				
Funding Requirements For Partnerhips Investments And Commercial Mortgage Loans [Abstract]						
2018		139				
2019		106				
2020		90				
2021		53				
2022		35				
Total Funding Requirements [Abstract]						
2018		281				
2019		221				
2020		169				
2021		118				
2022		86				
Debt Issued for Humana Acquisition [Domain]						
Debt Instrument, Face Amount			$ 13,000			
Long-term Debt		$ 10,200				

Debt Instrument, Redemption Price, Percentage	101.00%

Segment Reporting Information (Details) - USD ($) $ in Millions		3 Months Ended								12 Months Ended		
		Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Segment Reporting Information [Line Items]												
Remaining contract period										3		
Retrospective reinsurance period										30		
Gain (Loss) on Disposition of Business	[1]									$ 88	$ 0	$ 0
Early Repayment of Senior Debt										750		
Restructuring Charges	[1]									60	404	15
Segment Reporting Information, Profit (Loss) [Abstract]												
Revenue from external customers	[2], [3], [4]									59,824	62,159	59,485
Net investment income	[3]									950	910	917
Interest expense	[3]									442	604	369
Depreciation and amortization expense	[3]									705	681	671
Income taxes		$ 272	$ 426	$ 637	$ (249)	$ 147	$ 476	$ 561	$ 551	1,087	1,735	1,841
Operating earnings (loss)	[3], [5]									5,093	4,965	4,712
Segment assets		$ 55,151				$ 69,146				55,151	69,146	
Health Care [Member]												
Segment Reporting Information, Profit (Loss) [Abstract]												
Revenue from external customers	[3]									57,771	59,860	57,203
Net investment income	[3]									476	435	408
Interest expense	[3]									0	0	0
Depreciation and amortization expense	[3]									705	681	671
Operating earnings (loss)	[3], [5]									5,207	5,073	4,751
Group Insurance [Member]												
Segment Reporting Information, Profit (Loss) [Abstract]												
Revenue from external customers	[3]									1,992	2,251	2,240
Net investment income	[3]									210	226	238
Interest expense	[3]									0	0	0

Depreciation and amortization expense	[3]	0	0	0
Operating earnings (loss)	[3], [5]	125	141	174
Large Case Pension [Member]				
Segment Reporting Information, Profit (Loss) [Abstract]				
Revenue from external customers	[3]	61	48	42
Net investment income	[3]	253	226	271
Interest expense	[3]	0	0	0
Depreciation and amortization expense	[3]	0	0	0
Operating earnings (loss)	[3], [5]	15	10	14
Corporate Financing [Member]				
Segment Reporting Information, Profit (Loss) [Abstract]				
Revenue from external customers	[3]	0	0	0
Net investment income	[3]	11	23	0
Interest expense	[3]	442	604	369
Depreciation and amortization expense	[3]	0	0	0
Operating earnings (loss)	[3], [5]	$ (254)	$ (259)	$ (227)

[1] (1) In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earnings and pre-tax adjusted earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:•During the year ended December 31, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance, and absence management business. The transaction was accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of Aetna's business operations.•During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory redemption of the $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemption of $750 million aggregate principal amount of our outstanding senior notes due 2020.•During the year ended December 31, 2017, we recorded an expense for estimated future guaranty fund assessments related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of our business operations.•We recorded transaction-related costs during the year ended December 31, 2017 related to our proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primarily related to the Humana Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agreement, the termination of our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP

Consolidated Statements of Income in general and administrative expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior to the mandatory redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-tax adjusted earnings. The negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption (the “Other 2016 Senior Notes”) was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the Humana Merger Agreement, the interest expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings. •Restructuring costs for 2017 include severance costs associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early retirement program, severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments which require us to make payments to suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume commitments as a result of our reduced participation on the ACA’s individual Public Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense management and cost control initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.•In 1993, we discontinued the sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the year ended December 31, 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for anticipated future losses on discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating results of these discontinued products, which are credited or charged to the reserve and do not affect our operating results.•In 2015, we received proceeds net of legal costs, in connection with a litigation settlement. These net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

[2] (1) All within the U.S., except approximately $634 million, $642 million and $1.3 billion in 2017, 2016 and 2015, respectively, which were derived from foreign customers.

[3] (1) Total Assets by segment are not disclosed as this information is not reviewed by the chief executive officer.

[4] (2) Revenue from the U.S. federal government was approximately $20.8 billion, $20.5 billion and $17.8 billion in 2017, 2016 and 2015, respectively, in the Health Care and Group Insurance segments. These amounts exceeded 10 percent of our total revenue from external customers in each of 2017, 2016 and 2015.

[5] (2) Pre-tax adjusted earnings (loss) excludes net realized capital gains or losses, amortization of other acquired intangible assets and the other items described in the reconciliation below.

Segment Information - Reconciliation of Operating Earnings (Details) - USD ($) $ in Millions	3 Months Ended								12 Months Ended				
	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2013	Dec. 31, 2012
Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]													
Long-term Debt	$ 9,159				$ 20,661				$ 9,159	$ 20,661			
Income (Loss) from Continuing Operations before Equity Method Investments, Income Taxes, Noncontrolling Interest	526	$ 1,274	$ 1,820	$ (628)	275	$ 1,073	$ 1,354	$ 1,289	2,992 [1]	3,991 [1]	$ 4,236 [1]		
Income (Loss) Attributable to Noncontrolling Interest, before Tax	[1]								(10)	(20)	7		
Income Before Income Tax	[1]								3,002	4,011	4,229		
Segment Reconciliation [Abstract]													
Restructuring Charges	[1]								60	404	15		
Amortization of other acquired intangible assets	[1]								272	247	255		
Charges for changes in our life claim payments practices, net of tax												$ (36)	
Reduction of reserve for anticipated future losses on discontinued products, after tax									(71)	(84)			
Net Realized Capital Gains (Losses), Other Item	[1]								239	(86)	65		
Pre-tax adjusted earnings	[1]								5,093	4,965	4,712		
Gain (Loss) on Disposition of Business									710				
Loss on early extinguishment of debt (after tax)	[1]								(246)	0	0		
Reduction of reserve for anticipated future losses on discontinued products	[1]								(109)	(128)	0		
Business Combination, Integration Related Costs	[1]								1,240	517	258		
Litigation Settlement, Expense									0 [1]	0 [1]	(110) [1]		$ 120
Charge for changes in our life claim payment practices												$ 55	
Loss Contingency, Insurance-related Assessment	[1]								231	0	$ 0		

Gain (Loss) on Disposition of Business (Pre-tax)			1,100	
Debt Issued for Humana Acquisition [Domain]				
Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]				
Long-term Debt	10,200		10,200	
Debt Instrument, Face Amount		13,000		13,000
Senior notes, 3.2%, due 2026 [Member]				
Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]				
Long-term Debt	0	2,771	0	2,771
Debt Instrument, Face Amount	$ 2,800	$ 2,800	$ 2,800	$ 2,800

[1] (1) In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earnings and pre-tax adjusted earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:•During the year ended December 31, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance, and absence management business. The transaction was accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of Aetna's business operations.•During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory redemption of the $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemption of $750 million aggregate principal amount of our outstanding senior notes due 2020.•During the year ended December 31, 2017, we recorded an expense for estimated future guaranty fund assessments related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of our business operations.•We recorded transaction-related costs during the year ended December 31, 2017 related to our proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primarily related to the Humana Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agreement, the termination of our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP Consolidated Statements of Income in general and administrative expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior to the mandatory redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-tax adjusted earnings. The negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption (the “Other 2016 Senior Notes”) was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the Humana Merger Agreement, the interest expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings. •Restructuring costs for 2017 include severance costs

associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early retirement program, severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments which require us to make payments to suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume commitments as a result of our reduced participation on the ACA's individual Public Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense management and cost control initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.•In 1993, we discontinued the sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the year ended December 31, 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for anticipated future losses on discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating results of these discontinued products, which are credited or charged to the reserve and do not affect our operating results.•In 2015, we received proceeds net of legal costs, in connection with a litigation settlement. These net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

Segment Information - Revenues from External Customers by Product (Details) - USD ($) $ in Millions		12 Months Ended		
		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Revenue from External Customer [Line Items]				
Revenue from external customers	[1],[2],[3]	$ 59,824	$ 62,159	$ 59,485
Other revenue	[4]	5,930	5,861	5,696
Premiums Earned Net Accident And Health [Member]				
Revenue from External Customer [Line Items]				
Revenue from external customers		52,022	54,116	51,618
Health Care Fees And Other Revenue [Member]				
Revenue from External Customer [Line Items]				
Revenue from external customers		5,749	5,744	5,585
Group Life [Member]				
Revenue from External Customer [Line Items]				
Revenue from external customers		1,819	2,143	2,139
Group Disability [Member]				
Revenue from External Customer [Line Items]				
Revenue from external customers		173	108	101
Large Case Pension [Member]				
Revenue from External Customer [Line Items]				
Revenue from external customers		53	39	32
Other revenue		8	9	10
United States Federal Government [Member]				
Revenue from External Customer [Line Items]				
Revenue from external customers		20,800	20,500	17,800
Revenue from foreign customers [Member]				
Revenue from External Customer [Line Items]				
Revenue from external customers		$ 634	$ 642	$ 1,300

[1] (1) All within the U.S., except approximately $634 million, $642 million and $1.3 billion in 2017, 2016 and 2015, respectively, which were derived from foreign customers.

[2] (1) Total Assets by segment are not disclosed as this information is not reviewed by the chief executive officer.

[3] (2) Revenue from the U.S. federal government was approximately $20.8 billion, $20.5 billion and $17.8 billion in 2017, 2016 and 2015, respectively, in the Health Care and Group Insurance segments. These amounts exceeded 10 percent of our total revenue from external customers in each of 2017, 2016 and 2015.

[4] Fees and other revenue include administrative services contract member co-payments and plan sponsor reimbursements related to our home delivery and specialty pharmacy operations of $130 million, $128 million and $112 million for 2017, 2016 and 2015, respectively (net of pharmaceutical and processing costs of $1.4 billion for 2017 and 1.3 billion for each of 2016 and 2015).

Segment Information - Reconciliation of Revenue from External Customers to Total Revenues (Details) - USD ($) $ in Millions		3 Months Ended								12 Months Ended		
		Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Reconciliation of revenue from external customers to total revenues [Abstract]												
Revenue from external customers	[1], [2], [3]									$ 59,824	$ 62,159	$ 59,485
Net investment income	[2]									950	910	917
Net realized capital gains (losses)										(239)	86	(65)
Total revenue		$ 14,853	$ 14,994	$ 15,523	$ 15,165	$ 15,727	$ 15,782	$ 15,952	$ 15,694	60,535	63,155	$ 60,337
Long-lived assets, within the United States		$ 576				$ 579				$ 576	$ 579	

[1] (1) All within the U.S., except approximately $634 million, $642 million and $1.3 billion in 2017, 2016 and 2015, respectively, which were derived from foreign customers.

[2] (1) Total Assets by segment are not disclosed as this information is not reviewed by the chief executive officer.

[3] (2) Revenue from the U.S. federal government was approximately $20.8 billion, $20.5 billion and $17.8 billion in 2017, 2016 and 2015, respectively, in the Health Care and Group Insurance segments. These amounts exceeded 10 percent of our total revenue from external customers in each of 2017, 2016 and 2015.

Discontinued Products (Details) - USD ($) $ in Millions		12 Months Ended						
		Dec. 31, 2017		Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 1993
Reserve For Discontinued Products [Roll Forward]									
Reduction of reserve for anticipated future losses on discontinued products	[1]	$ 109.0		$ 128.0	$ 0.0				
Reduction of reserve for anticipated future losses on discontinued products, after tax		71.0		84.0					
Assets:									
Investments						$ 20,073.0	$ 24,879.0		
Total assets						55,151.0	69,146.0		
Liabilities:									
Future policy benefits						5,763.0	5,929.0		
Total liabilities						39,314.0	51,203.0		
Mortgage loans investment portfolio						$ 567.0			$ 5,400.0
Mortgage loans investment portfolio percentages (in hundredths)						20.59%			37.00%
Real Estate investment portfolio						$ 113.0			$ 500.0
Real Estate investment portfolio percentages (in hundredths)						4.10%			4.00%
Expected Runoff Of Single Premium Annuities						$ 1,771.0	1,942.0	$ 2,112.0	
Expected Runoff Of Guaranteed Investment Contracts Liabilities						9.0	9.0	10.0	
Actual Runoff Of Single Premium Annuities						2,165.0	2,326.0	2,494.0	
Actual Runoff Of Guaranteed Investment Contracts Liabilities						0.0	0.0	0.0	
Scheduled Contract Maturities, Settlements And Benefit Payments		323.0		364.0	356.0				
Discontinued Products [Member]									
Reserve For Discontinued Products [Roll Forward]									
Reserve, beginning of period	[1]	962.0	[2]	1,067.0	1,015.0				
Operating income (loss)		29.0		(34.0)	(9.0)				
Net realized capital gains		72.0		57.0	61.0				
Reduction of reserve for anticipated future losses on discontinued products		(109.0)		(128.0)	0.0				
Reserve, end of period	[1]	954.0	[2]	962.0	[2] 1,067.0				
Assets:									
Investments	[2]					2,754.0	2,929.0		
Other Assets	[2]					71.0	104.0		

Receivable from continuing products	[2], [3]					474.0		554.0	
Total assets	[2]					3,299.0		3,587.0	
Liabilities:									
Future policy benefits	[2]					2,165.0		2,326.0	
Reserve for anticipated future losses on discontinued products	[1]	962.0	[2]	1,067.0	$ 1,015.0	954.0	[2]	962.0	[2] $ 1,067.0
Current and deferred income tax liabilities	[2]					22.0		42.0	
Other Liabilities	[2], [4]					158.0		257.0	
Total liabilities						3,299.0	[3]	3,587.0	[2]
Debt And Equity Securities Available For Sale [Member]									
Assets:									
Investments						17,020.0		21,742.0	
Debt And Equity Securities Available For Sale [Member] | Discontinued Products [Member]									
Assets:									
Investments	[2]					1,623.0		1,913.0	
Mortgage Loans [Member]									
Assets:									
Investments						1,496.0		1,511.0	
Mortgage Loans [Member] | Discontinued Products [Member]									
Assets:									
Investments	[2]					567.0		370.0	
Other Investments [Member]									
Assets:									
Investments						1,557.0		1,626.0	
Other Investments [Member] | Discontinued Products [Member]									
Assets:									
Investments	[2]					564.0		$ 646.0	
Single Premium Annuities And Guaranteed Investment Contracts Liabilities [Member]									
Liabilities:									
2018						328.0			
2019						312.0			
2020						297.0			
2021						281.0			
2022						266.0			
Thereafter						3,240.0			

Discontinued Products Reserve Balance [Member]		
Liabilities:		
2018		55.0
2019		54.0
2020		52.0
2021		50.0
2022		48.0
Thereafter		$ 695.0
Before Income Tax Expense (Benefit) [Member]		
Reserve For Discontinued Products [Roll Forward]		
Reduction of reserve for anticipated future losses on discontinued products	$ 109.0	$ 128.0

[1] (1) In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earnings and pre-tax adjusted earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:•During the year ended December 31, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance, and absence management business. The transaction was accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of Aetna's business operations.•During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory redemption of the $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemption of $750 million aggregate principal amount of our outstanding senior notes due 2020.•During the year ended December 31, 2017, we recorded an expense for estimated future guaranty fund assessments related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of our business operations.•We recorded transaction-related costs during the year ended December 31, 2017 related to our proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primarily related to the Humana Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agreement, the termination of our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP Consolidated Statements of Income in general and administrative expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior to the mandatory redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-tax adjusted earnings. The negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption (the “Other 2016 Senior Notes”) was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the Humana Merger Agreement, the interest expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings. •Restructuring costs for 2017 include severance costs associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early retirement program, severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments which require us to make payments to suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume commitments as a result of our reduced participation on the ACA’s individual Public

Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense management and cost control initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.•In 1993, we discontinued the sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the year ended December 31, 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for anticipated future losses on discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating results of these discontinued products, which are credited or charged to the reserve and do not affect our operating results.•In 2015, we received proceeds net of legal costs, in connection with a litigation settlement. These net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

[2] Assets supporting the discontinued products are distinguished from assets supporting continuing products.

[3] At the time of discontinuance, a receivable from Large Case Pensions' continuing products was established on the discontinued products balance sheet. This receivable represented the net present value of anticipated cash shortfalls in the discontinued products, which will be funded from continuing products. Interest on the receivable is accrued at the discount rate that was used to calculate the reserve. The offsetting payable, on which interest is similarly accrued, is reflected in continuing products. Interest on the payable generally offsets investment income on the assets available to fund the shortfall. These amounts are eliminated in consolidation.

[4] Net unrealized capital gains on the available-for-sale debt securities are included in other liabilities and are not reflected in consolidated shareholders' equity.

Quarterly Financial Data (Details) - USD ($) $ / shares in Units, $ in Millions	3 Months Ended								12 Months Ended		
	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Quarterly Financial Information Disclosure [Abstract]											
Total revenue	$ 14,853	$ 14,994	$ 15,523	$ 15,165	$ 15,727	$ 15,782	$ 15,952	$ 15,694	$ 60,535	$ 63,155	$ 60,337
Income before income taxes	526	1,274	1,820	(628)	275	1,073	1,354	1,289	2,992 [1]	3,991 [1]	4,236 [1]
Income taxes	(272)	(426)	(637)	249	(147)	(476)	(561)	(551)	(1,087)	(1,735)	(1,841)
Net income including non-controlling interests	254	848	1,183	(379)	128	597	793	738	1,905	2,256	2,395
Less: Net income (loss) attributable to non-controlling interests	10	10	(20)	2	(11)	(7)	2	1	1	(15)	5
Net income attributable to the Aetna	$ 244	$ 838	$ 1,203	$ (381)	$ 139	$ 604	$ 791	$ 737	$ 1,904	$ 2,271	$ 2,390
Basic EPS (in dollars per share)	$ 0.75 [2]	$ 2.54 [2]	$ 3.62 [2]	$ (1.11) [2]	$ 0.40 [2]	$ 1.72 [2]	$ 2.25 [2]	$ 2.10 [2]	$ 5.71	$ 6.46	$ 6.84
Diluted EPS (in dollars per share)	0.74 [2]	2.52 [2]	3.60 [2]	(1.11) [2]	0.39 [2]	1.70 [2]	2.23 [2]	2.09 [2]	5.68	6.41	$ 6.78
Dividends Amount Per Share	$ 0.500	$ 0.500	$ 0.500	$ 0.500	$ 0.250	$ 0.250	$ 0.250	$ 0.250	$ 0.500	$ 0.250	

[1] (1) In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earnings and pre-tax adjusted earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:•During the year ended December 31, 2017, we sold a substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance, and absence management business. The transaction was accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a significant portion of which has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of insurance protection provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years for the retrospective reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of Aetna's business operations.•During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory redemption of the $10.2 billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemption of $750 million aggregate principal amount of our outstanding senior notes due 2020.•During the year ended December 31, 2017, we recorded an expense for estimated future guaranty fund assessments related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or servicing of products for customers and is not directly related to the core performance of our business operations.•We recorded transaction-related costs during the year ended December 31, 2017 related to our proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primarily related to the Humana Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agreement, the termination of our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP Consolidated Statements of Income in general and administrative expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior to the mandatory redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-tax adjusted earnings. The negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption (the “Other 2016 Senior Notes”) was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the Humana Merger Agreement, the interest expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings. •Restructuring costs for 2017 include severance costs associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early retirement program, severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments which require us to make payments to suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume commitments as a result of our reduced participation on the ACA’s individual Public Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense management and cost control initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.•In 1993, we discontinued the sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the year ended December 31, 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for anticipated future losses on discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating

results of these discontinued products, which are credited or charged to the reserve and do not affect our operating results.•In 2015, we received proceeds net of legal costs, in connection with a litigation settlement. These net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

[2] Calculation of net income (loss) attributable to Aetna per share is based on weighted average shares outstanding during each quarter and, accordingly, the sum may not equal the total for the year.

Schedule I: Financial Information of Aetna Inc. (Parent Company) (Details) - USD ($) $ / shares in Units, shares in Millions, $ in Millions		3 Months Ended								12 Months Ended				
		Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2017	De 2
Loss on early extinguishment of long-term debt										$ 246.0	$ 0.0	$ 0.0		
Current assets: [Abstract]														
Cash and cash equivalents		$ 4,076.0			$ 17,996.0	$ 17,996.0			$ 2,524.0	17,996.0	2,524.0	1,420.0	$ 4,076.0	$ 17,
Investments													2,280.0	3,0
Other receivables													2,831.0	2,2
Income taxes receivable													365.0	44.
Other current assets													2,488.0	2,2
Total current assets													15,523.0	28,
Long-term Investments													17,793.0	21,
Other long-term assets													1,684.0	1,4
Total assets													55,151.0	69,
Current liabilities [Abstract]														
Accrued expenses and other current liabilities													4,997.0	5,7
Long-term Debt, Current Maturities													999.0	1,6
Total current liabilities													16,837.0	18,
Long-term debt, less current portion													8,160.0	19,
Other long-term liabilities													1,597.0	1,0
Total liabilities													39,314.0	51,
Shareholders' equity [Abstract]														
Common stock ($.01 par value; 2.5 billion shares authorized and 326.8 million shares issued and outstanding in 2017; 2.5 billion shares authorized and 351.7 million shares issued and outstanding in 2016) and additional paid-in capital													4,706.0	4,7
Retained earnings													12,118.0	14,
Accumulated other comprehensive loss													(1,244.0)	(1,
Total Aetna shareholders' equity		15,580.0			17,881.0	17,881.0				17,881.0	17,881.0		15,580.0	17,
Non-controlling interests													257.0	62.
Total equity													15,837.0	17,
Total liabilities and equity													$ 55,151.0	$ 69,
Common Stock, Par or Stated Value Per Share													$ 0.01	$ 0
Common Stock, Shares Authorized													2,500.0	2,5
Common Stock, Shares, Issued													326.8	35
Income Statement [Abstract]														
Other revenue	[1]									5,930.0	5,861.0	5,696.0		
Net Investment Income	[2]									950.0	910.0	917.0		
Realized Investment Gains (Losses)										(239.0)	86.0	(65.0)		

Total revenue	14,853.0	$ 14,994.0	$ 15,523.0	15,165.0	15,727.0	$ 15,782.0	$ 15,952.0	15,694.0	60,535.0	63,155.0	60,337.0	
Operating Expenses									12,064.0	12,085.0	11,644.0	
Interest Expense	[2]								442.0	604.0	369.0	
Income (Loss) from Continuing Operations before Equity Method Investments, Income Taxes, Noncontrolling Interest	526.0	1,274.0	1,820.0	(628.0)	275.0	1,073.0	1,354.0	1,289.0	2,992.0	[3] 3,991.0	[3] 4,236.0	[3]
Income taxes	272.0	426.0	637.0	$ (249.0)	147.0	476.0	561.0	551.0	$ 1,087.0	1,735.0	1,841.0	
Statement of Stockholders' Equity [Abstract]												
Balance at beginning of period (in shares)				351.7					351.7			
Balance at beginning of period				$ 17,881.0					$ 17,881.0			
Noncontrolling Interest, Period Increase (Decrease)									194.0	12.0	(9.0)	
Less: Net income (loss) attributable to non-controlling interests	10.0	10.0	(20.0)	2.0	(11.0)	(7.0)	2.0	1.0	1.0	(15.0)	5.0	
Net income including non-controlling interests	254.0	848.0	1,183.0	(379.0)	128.0	597.0	793.0	738.0	1,905.0	2,256.0	2,395.0	
Comprehensive income:												
Net income attributable to the Aetna	$ 244.0	838.0	1,203.0	(381.0)	$ 139.0	604.0	791.0	737.0	1,904.0	2,271.0	2,390.0	
Other comprehensive income:												
Other comprehensive income (loss)									308.0	(222.0)	(219.0)	
Comprehensive income attributable to Aetna									2,212.0	2,049.0	2,171.0	
Common shares issued for benefit plans, including tax benefits									$ (10.0)	69.0	105.0	
Stock Issued During Period, Value, Stock Options Exercised											0.0	
Repurchases of common shares (in shares)									(10.4)			
Repurchases of common shares									$ (3,845.0)		(296.0)	
Dividends declared									$ (658.0)	$ (351.0)	(349.0)	
Balance at end of period (in shares)	326.8				351.7				326.8	351.7		
Balance at end of period	$ 15,580.0				$ 17,881.0				$ 15,580.0	$ 17,881.0		
Cash flows from operating activities: [Abstract]												
Net income attributable to the Aetna	244.0	$ 838.0	$ 1,203.0	(381.0)	139.0	$ 604.0	$ 791.0	737.0	1,904.0	2,271.0	2,390.0	
Adjustments to reconcile net income to net cash used for operating activities:												
Equity in earnings of affiliates									(105.0)	(6.0)	(31.0)	
Stock-based compensation expense									187.0	191.0	181.0	
Net realized capital (gains) losses									239.0	(86.0)	65.0	
Net change in other assets and other liabilities									1,445.0	(669.0)	(646.0)	
Net cash provided by operating activities									(464.0)	3,719.0	3,866.0	

Net cash provided by (used for) operating activities [Abstract]						
Proceeds from sales and maturities of investments				12,144.0	14,741.0	12,299.0
Proceeds from Divestiture of Businesses, Net of Cash Divested				1,390.0	0.0	0.0
Proceeds from Divestiture of Businesses				1,450.0		
Net cash provided by (used for) investing activities				2,730.0	(381.0)	(1,027.0)
Cash flows from financing activities: [Abstract]						
Net repayment of long-term debt				(12,734.0)	0.0	(229.0)
Issuance of long-term debt				988.0	12,886.0	0.0
Net (repayment) issuance of short-term debt				0.0	0.0	(500.0)
Common shares issued under benefit plans, net				(180.0)	(139.0)	(143.0)
Stock-based compensation tax benefits				0.0	0.0	53.0
Common shares repurchased				(3,845.0)	0.0	(296.0)
Net payment on interest rate derivatives				0.0	(274.0)	(25.0)
Dividends paid to shareholders				(583.0)	(351.0)	(349.0)
Net cash provided by (used for) financing activities				(16,186.0)	12,134.0	(1,735.0)
Net increase (decrease) in cash and cash equivalents				(13,920.0)	15,472.0	1,104.0
Cash and cash equivalents, beginning of period		$ 17,996.0	$ 2,524.0	17,996.0	2,524.0	1,420.0
Cash and cash equivalents, end of period	$ 4,076.0	$ 17,996.0		4,076.0	17,996.0	2,524.0
Supplemental Cash Flow Information [Abstract]						
Interest Paid				453.0	541.0	338.0
Amortization of other acquired intangible assets	[3]			272.0	247.0	255.0
Cash Dividends Paid to Parent Company by Consolidated Subsidiaries				$ 4,300.0	$ 2,900.0	$ 2,200.0
Common Stock [Member]						
Statement of Stockholders' Equity [Abstract]						
Balance at beginning of period (in shares)		351.7	349.5	351.7	349.5	349.8
Noncontrolling Interest, Period Increase (Decrease)				$ 0.0	$ 0.0	$ 0.0
Comprehensive income:						
Net income attributable to the Aetna				0.0	0.0	0.0
Other comprehensive income:						
Other comprehensive income (loss)				$ 0.0	$ 0.0	$ 0.0
Common shares issued for benefit plans, including tax benefits (in shares)				2.1	2.2	2.7
Repurchases of common shares (in shares)				27.0		(3.0)

Dividends, Stock					$ 0.0	$ 0.0	$ 0.0		
Balance at end of period (in shares)	326.8		351.7		326.8	351.7	349.5		
Cash flows from operating activities: [Abstract]									
Net income attributable to the Aetna					$ 0.0	$ 0.0	$ 0.0		
Common Stock Including Additional Paid in Capital [Member]									
Shareholders' equity [Abstract]									
Total Aetna shareholders' equity	$ 4,706.0	$ 4,716.0	$ 4,716.0	$ 4,647.0	4,716.0	4,647.0	4,542.0	$ 4,706.0	$ 4,7
Statement of Stockholders' Equity [Abstract]									
Balance at beginning of period		4,716.0		4,647.0	4,716.0	4,647.0	4,542.0		
Noncontrolling Interest, Period Increase (Decrease)					0.0	0.0	0.0		
Comprehensive income:									
Net income attributable to the Aetna					0.0				
Other comprehensive income:									
Common shares issued for benefit plans, including tax benefits					(10.0)	69.0	105.0		
Repurchases of common shares					0.0		0.0		
Balance at end of period	4,706.0		4,716.0		4,706.0	4,716.0	4,647.0		
Cash flows from operating activities: [Abstract]									
Net income attributable to the Aetna					0.0				
Parent [Member]									
Shareholders' equity [Abstract]									
Total Aetna shareholders' equity	15,580.0	17,881.0	17,881.0	16,114.0	17,881.0	16,114.0	14,483.0	15,580.0	17,
Statement of Stockholders' Equity [Abstract]									
Balance at beginning of period		17,881.0		16,114.0	17,881.0	16,114.0	14,483.0		
Noncontrolling Interest, Period Increase (Decrease)					0.0	0.0	0.0		
Comprehensive income:									
Net income attributable to the Aetna					1,904.0	2,271.0	2,390.0		
Other comprehensive income:									
Other comprehensive income (loss)					308.0	(222.0)	(219.0)		
Common shares issued for benefit plans, including tax benefits					(10.0)	69.0	105.0		
Repurchases of common shares					(3,845.0)		(296.0)		
Dividends declared					(658.0)	(351.0)	(349.0)		
Balance at end of period	15,580.0		17,881.0		15,580.0	17,881.0	16,114.0		
Cash flows from operating activities: [Abstract]									

Net income attributable to the Aetna					1,904.0	2,271.0	2,390.0			
Noncontrolling Interest [Member]										
Shareholders' equity [Abstract]										
Non-controlling interests								257.0	62.	
Statement of Stockholders' Equity [Abstract]										
Noncontrolling Interest, Period Increase (Decrease)					194.0	12.0	(9.0)			
Less: Net income (loss) attributable to non-controlling interests					1.0	(15.0)	5.0			
Other comprehensive income:										
Other comprehensive income (loss)					0.0	0.0	0.0			
Stock Issued During Period, Value, Stock Options Exercised					0.0	0.0				
Repurchases of common shares					0.0		0.0			
Dividends declared					0.0	0.0	0.0			
Retained Earnings [Member]										
Shareholders' equity [Abstract]										
Total Aetna shareholders' equity	12,118.0		14,717.0	14,717.0	12,797.0	14,717.0	12,797.0	11,052.0	12,118.0	14,
Statement of Stockholders' Equity [Abstract]										
Balance at beginning of period			14,717.0		12,797.0	14,717.0	12,797.0	11,052.0		
Noncontrolling Interest, Period Increase (Decrease)						0.0	0.0	0.0		
Comprehensive income:										
Net income attributable to the Aetna						1,904.0	2,271.0	2,390.0		
Other comprehensive income:										
Repurchases of common shares						(3,845.0)		(296.0)		
Dividends declared						(658.0)	(351.0)	(349.0)		
Balance at end of period	12,118.0			14,717.0		12,118.0	14,717.0	12,797.0		
Cash flows from operating activities: [Abstract]										
Net income attributable to the Aetna						1,904.0	2,271.0	2,390.0		
Accumulated Other Comprehensive Loss [Member]										
Shareholders' equity [Abstract]										
Total Aetna shareholders' equity	(1,244.0)		(1,552.0)	(1,552.0)	(1,330.0)	(1,552.0)	(1,330.0)	(1,111.0)	(1,244.0)	(1,
Statement of Stockholders' Equity [Abstract]										
Balance at beginning of period			(1,552.0)		(1,330.0)	(1,552.0)	(1,330.0)	(1,111.0)		
Noncontrolling Interest, Period Increase (Decrease)						0.0	0.0	0.0		
Comprehensive income:										

Net income attributable to the Aetna					0.0				
Other comprehensive income:									
Other comprehensive income (loss)					308.0	(222.0)	(219.0)		
Balance at end of period	(1,244.0)		(1,552.0)		(1,244.0)	(1,552.0)	(1,330.0)		
Cash flows from operating activities: [Abstract]									
Net income attributable to the Aetna					0.0				
Parent Company [Member]									
Loss on early extinguishment of long-term debt					246.0	0.0	0.0		
Current assets: [Abstract]									
Cash and cash equivalents	1,981.0	14,972.0	14,972.0	176.0	14,972.0	176.0	18.0	1,981.0	14,
Investments								0.0	4.0
Income taxes receivable								184.0	48.
Other current assets								56.0	10
Total current assets								2,221.0	15,
Investment in affiliates								23,192.0	23,
Deferred income taxes								162.0	28
Other long-term assets								350.0	10
Total assets								25,925.0	38,
Current liabilities [Abstract]									
Accrued expenses and other current liabilities								977.0	79
Long-term Debt, Current Maturities								999.0	1,2
Total current liabilities								1,976.0	2,0
Long-term debt, less current portion								7,513.0	18,
Employee benefit liabilities								531.0	54
Other long-term liabilities								68.0	46.
Total liabilities								10,088.0	20,
Shareholders' equity [Abstract]									
Common stock ($.01 par value; 2.5 billion shares authorized and 326.8 million shares issued and outstanding in 2017; 2.5 billion shares authorized and 351.7 million shares issued and outstanding in 2016) and additional paid-in capital								4,706.0	4,7
Retained earnings								12,118.0	14,
Accumulated other comprehensive loss								(1,244.0)	(1,
Total Aetna shareholders' equity	$ 15,580.0	$ 17,881.0	$ 17,881.0		17,881.0	17,881.0		15,580.0	17,
Non-controlling interests								257.0	62.
Total equity								15,837.0	17,
Total liabilities and equity								$ 25,925.0	$ 38,
Common Stock, Par or Stated Value Per Share								$ 0.01	$ 0
Common Stock, Shares Authorized								2,500.0	2,5
Common Stock, Shares, Issued								326.8	35

Goodwill and Other Acquired Intangible Assets					$ 11,800.0	$ 12,
Income Statement [Abstract]						
Other revenue	[4]		0.0	0.0	110.0	
Net Investment Income			18.0	31.0	0.0	
Realized Investment Gains (Losses)			(336.0)	(6.0)	0.0	
Total revenue			(318.0)	25.0	110.0	
Operating Expenses			1,282.0	289.0	183.0	
Interest Expense			422.0	578.0	343.0	
Total Expenses			1,950.0	867.0	526.0	
Income (Loss) from Continuing Operations before Equity Method Investments, Income Taxes, Noncontrolling Interest			(2,268.0)	(842.0)	(416.0)	
Income taxes			$ (759.0)	(249.0)	(93.0)	
Statement of Stockholders' Equity [Abstract]						
Balance at beginning of period (in shares)		351.7	351.7			
Balance at beginning of period		$ 17,881.0	$ 17,881.0			
Noncontrolling Interest, Period Increase (Decrease)			194.0	12.0	(9.0)	
Net income including non-controlling interests			1,905.0	2,256.0	2,395.0	
Comprehensive income:						
Net income attributable to the Aetna			1,904.0	2,271.0	2,390.0	
Other comprehensive income:						
Other comprehensive income (loss)			308.0	(222.0)	(219.0)	
Comprehensive income attributable to Aetna			2,212.0	2,049.0	2,171.0	
Common shares issued for benefit plans, including tax benefits			(10.0)	69.0	105.0	
Repurchases of common shares			(3,845.0)		(296.0)	
Dividends declared			$ (658.0)	$ (351.0)	(349.0)	
Balance at end of period (in shares)	326.8	351.7	326.8	351.7		
Balance at end of period	$ 15,580.0	$ 17,881.0	$ 15,580.0	$ 17,881.0		
Cash flows from operating activities: [Abstract]						
Net income attributable to the Aetna			1,904.0	2,271.0	2,390.0	
Adjustments to reconcile net income to net cash used for operating activities:						
Equity in earnings of affiliates	[5], [6]		(3,413.0)	(2,864.0)	(2,713.0)	
Stock-based compensation expense			187.0	191.0	181.0	
Net realized capital (gains) losses			336.0	6.0	0.0	
Net change in other assets and other liabilities			(72.0)	328.0	(239.0)	

Net cash provided by operating activities				(812.0)	(68.0)	(381.0)
Net cash provided by (used for) operating activities [Abstract]						
Proceeds from sales and maturities of investments				4.0	0.0	66.0
Dividends Received From Affiliates Net				3,721.0	2,742.0	1,733.0
Proceeds from Divestiture of Businesses, Net of Cash Divested				67.0		
Proceeds from Divestiture of Businesses					0.0	0.0
Net cash provided by (used for) investing activities				3,792.0	2,742.0	1,799.0
Cash flows from financing activities: [Abstract]						
Net repayment of long-term debt				(12,351.0)	0.0	0.0
Issuance of long-term debt				988.0	12,886.0	0.0
Net (repayment) issuance of short-term debt				0.0	0.0	(500.0)
Common shares issued under benefit plans, net				(180.0)	(139.0)	(143.0)
Stock-based compensation tax benefits				0.0	0.0	53.0
Common shares repurchased				(3,845.0)	0.0	(296.0)
Net payment on interest rate derivatives				0.0	(274.0)	(25.0)
Dividends paid to shareholders				(583.0)	(351.0)	(349.0)
Net cash provided by (used for) financing activities				(15,971.0)	12,122.0	(1,260.0)
Net increase (decrease) in cash and cash equivalents				(12,991.0)	14,796.0	158.0
Cash and cash equivalents, beginning of period		$ 14,972.0	$ 176.0	14,972.0	176.0	18.0
Cash and cash equivalents, end of period	$ 1,981.0		$ 14,972.0	1,981.0	14,972.0	176.0
Supplemental Cash Flow Information [Abstract]						
Interest Paid				409.0	485.0	276.0
Proceeds from Income Tax Refunds				733.0	252.0	282.0
Amortization of other acquired intangible assets				$ 171.0	$ 161.0	$ 166.0
Parent Company [Member] | Common Stock [Member]						
Statement of Stockholders' Equity [Abstract]						
Balance at beginning of period (in shares)		351.7	349.5	351.7	349.5	349.8
Other comprehensive income:						
Common shares issued for benefit plans, including tax benefits (in shares)				2.1	2.2	2.7
Repurchases of common shares (in shares)				(27.0)		(3.0)
Balance at end of period (in shares)	326.8		351.7	326.8	351.7	349.5
Parent Company [Member] |						

Common Stock Including Additional Paid in Capital [Member]									
Shareholders' equity [Abstract]									
Total Aetna shareholders' equity	$ 4,706.0	$ 4,716.0	$ 4,716.0	$ 4,647.0	$ 4,716.0	$ 4,647.0	$ 4,542.0	4,706.0	4,7
Statement of Stockholders' Equity [Abstract]									
Balance at beginning of period		4,716.0		4,647.0	4,716.0	4,647.0	4,542.0		
Noncontrolling Interest, Period Increase (Decrease)					0.0	0.0	0.0		
Other comprehensive income:									
Common shares issued for benefit plans, including tax benefits					(10.0)	69.0	105.0		
Repurchases of common shares					0.0	0.0	0.0		
Balance at end of period	4,706.0		4,716.0		4,706.0	4,716.0	4,647.0		
Parent Company [Member] | Parent [Member]									
Shareholders' equity [Abstract]									
Total Aetna shareholders' equity	15,580.0	17,881.0	17,881.0	16,114.0	17,881.0	16,114.0	14,483.0	15,580.0	17,
Statement of Stockholders' Equity [Abstract]									
Balance at beginning of period		17,881.0		16,114.0	17,881.0	16,114.0	14,483.0		
Noncontrolling Interest, Period Increase (Decrease)					0.0	0.0	0.0		
Comprehensive income:									
Net income attributable to the Aetna					1,904.0	2,271.0	2,390.0		
Other comprehensive income:									
Other comprehensive income (loss)					308.0	(222.0)	(219.0)		
Common shares issued for benefit plans, including tax benefits					(10.0)	69.0	105.0		
Repurchases of common shares					(3,845.0)		(296.0)		
Dividends declared					(658.0)	(351.0)	(349.0)		
Balance at end of period	15,580.0		17,881.0		15,580.0	17,881.0	16,114.0		
Cash flows from operating activities: [Abstract]									
Net income attributable to the Aetna					1,904.0	2,271.0	2,390.0		
Parent Company [Member] | Noncontrolling Interest [Member]									
Shareholders' equity [Abstract]									
Non-controlling interests								257.0	62.
Statement of Stockholders' Equity [Abstract]									
Noncontrolling Interest, Period Increase (Decrease)					194.0	12.0	(9.0)		
Less: Net income (loss)									

attributable to non-controlling interests					1.0	(15.0)	5.0			
Other comprehensive income:										
Other comprehensive income (loss)					0.0	0.0	0.0			
Stock Issued During Period, Value, Stock Options Exercised					0.0	0.0	0.0			
Repurchases of common shares					0.0		0.0			
Dividends declared					0.0	0.0	0.0			
Parent Company [Member] | Retained Earnings [Member]										
Shareholders' equity [Abstract]										
Total Aetna shareholders' equity	12,118.0		14,717.0	14,717.0	12,797.0	14,717.0	12,797.0	11,052.0	12,118.0	14,
Statement of Stockholders' Equity [Abstract]										
Balance at beginning of period			14,717.0		12,797.0	14,717.0	12,797.0	11,052.0		
Noncontrolling Interest, Period Increase (Decrease)						0.0	0.0	0.0		
Comprehensive income:										
Net income attributable to the Aetna						1,904.0	2,271.0	2,390.0		
Other comprehensive income:										
Repurchases of common shares						(3,845.0)		(296.0)		
Dividends declared						(658.0)	(351.0)	(349.0)		
Balance at end of period	12,118.0			14,717.0		12,118.0	14,717.0	12,797.0		
Cash flows from operating activities: [Abstract]										
Net income attributable to the Aetna						1,904.0	2,271.0	2,390.0		
Parent Company [Member] | Accumulated Other Comprehensive Loss [Member]										
Shareholders' equity [Abstract]										
Total Aetna shareholders' equity	(1,244.0)		(1,552.0)	(1,552.0)	(1,330.0)	(1,552.0)	(1,330.0)	(1,111.0)	$ (1,244.0)	$ (1,
Statement of Stockholders' Equity [Abstract]										
Balance at beginning of period			$ (1,552.0)		$ (1,330.0)	(1,552.0)	(1,330.0)	(1,111.0)		
Other comprehensive income:										
Other comprehensive income (loss)						308.0	(222.0)	(219.0)		
Balance at end of period	$ (1,244.0)			$ (1,552.0)		(1,244.0)	(1,552.0)	(1,330.0)		
Net Unrealized Gains (Losses) Previously Impaired Securities [Member]										
Other comprehensive income:										
Other comprehensive income (loss)	[7]					(11.0)	(3.0)	(16.0)		
Net Unrealized Gains										

(Losses) Previously Impaired Securities [Member] | Parent Company [Member]			
Other comprehensive income:			
Other comprehensive income (loss)	(11.0)	(3.0)	(16.0)
Net Unrealized Gains (Losses) All Other Securities [Member]			
Other comprehensive income:			
Other comprehensive income (loss)	29.0	(15.0)	(256.0)
Net Unrealized Gains (Losses) All Other Securities [Member] | Parent Company [Member]			
Other comprehensive income:			
Other comprehensive income (loss)	29.0	(15.0)	(256.0)
Derivatives [Member]			
Other comprehensive income:			
Other comprehensive income (loss)	231.0	(161.0)	(13.0)
Derivatives [Member] | Parent Company [Member]			
Other comprehensive income:			
Other comprehensive income (loss)	231.0	(161.0)	(13.0)
Pension and OPEB Plan [Member]			
Other comprehensive income:			
Other comprehensive income (loss)	59.0	(43.0)	66.0
Pension and OPEB Plan [Member] | Parent Company [Member]			
Other comprehensive income:			
Other comprehensive income (loss)	$ 59.0	$ (43.0)	$ 66.0

[1] Fees and other revenue include administrative services contract member co-payments and plan sponsor reimbursements related to our home delivery and specialty pha million, $128 million and $112 million for 2017, 2016 and 2015, respectively (net of pharmaceutical and processing costs of $1.4 billion for 2017 and 1.3 billion for e

[2] (1) Total Assets by segment are not disclosed as this information is not reviewed by the chief executive officer.

[3] (1) In addition to net realized capital gains and losses and amortization of other acquired intangible assets, the following other items are excluded from adjusted earning earnings because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:•During the year ended Decemb substantial portion of our Group Insurance segment consisting of our domestic group life insurance, group disability insurance, and absence management business. The accomplished through an indemnity reinsurance arrangement. The sale is expected to result in an after-tax gain of approximately $710 million ($1.1 billion pre-tax), a si has been deferred and will be amortized into earnings: (i) over the remaining contract period (estimated to be approximately 3 years) in proportion to the amount of ins provided for the prospective reinsurance portion of the gain; and (ii) as we recover amounts due from HLAIC over a period estimated to be approximately 30 years fo reinsurance portion of the gain. The gain recognized does not directly relate to the underwriting or servicing of products for customers and is not directly related to the Aetna's business operations.•During the year ended December 31, 2017, we incurred losses on the early extinguishment of long-term debt due to (a) the mandatory re billion aggregate principal amount of the Special Mandatory Redemption Notes following the termination of the Humana Merger Agreement and (b) the early redemptio aggregate principal amount of our outstanding senior notes due 2020.•During the year ended December 31, 2017, we recorded an expense for estimated future guarar related to Penn Treaty, which was placed in rehabilitation in 2009 and placed in liquidation in March 2017. This expense does not directly relate to the underwriting or customers and is not directly related to the core performance of our business operations.•We recorded transaction-related costs during the year ended December 31, proposed acquisition by CVS Health. We also recorded transaction and integration-related costs during the years ended December 31, 2017, 2016 and 2015 primaril Transaction. Transaction costs include costs associated with the transactions contemplated by the CVS Merger Agreement, the termination of the Humana Merger Agr our agreement to sell certain assets to Molina and advisory, legal and other professional fees which are reflected in our GAAP Consolidated Statements of Income in g expenses. Transaction costs also include the negative cost of carry associated with the debt financing that we obtained in June 2016 for the Humana Transaction. Prior redemption of the Special Mandatory Redemption Notes, the negative cost of carry associated with these senior notes was excluded from adjusted earnings and pre-t

negative cost of carry associated with the $2.8 billion aggregate principal amount of our senior notes issued in June 2016 that are not subject to mandatory redemption Notes") was excluded from adjusted earnings and pre-tax adjusted earnings through the date of the termination of the Humana Merger Agreement. The components o are reflected in our GAAP Consolidated Statements of Income in interest expense and net investment income. Subsequent to the termination of the Humana Merger A expense and net investment income associated with the Other 2016 Senior Notes were no longer excluded from adjusted earnings and pre-tax adjusted earnings. •Res include severance costs associated with our expense management and cost control initiatives. Restructuring costs for 2016 include costs related to our voluntary early r severance and real estate consolidation costs associated with our expense management and cost control initiatives and an accrual for minimum volume commitments wh payments to suppliers if the level of medical membership subject to the agreements falls below specified levels. We did not expect to meet these minimum volume comm reduced participation on the ACA's individual Public Exchanges in 2017. Restructuring costs for 2015 include severance costs associated with our expense managem initiatives. The 2017, 2016 and 2015 restructuring costs are reflected in the GAAP Consolidated Statements of Income in general and administrative expenses.•In 199 sale of fully guaranteed large case pensions products and established a reserve for anticipated future losses on these products, which we review quarterly. During the y 2017 and December 31, 2016, we reduced the reserve for anticipated future losses on discontinued products. We believe excluding any changes in the reserve for ant discontinued products from adjusted earnings provides more useful information as to our continuing products and is consistent with the treatment of the operating result products, which are credited or charged to the reserve and do not affect our operating results.•In 2015, we received proceeds net of legal costs, in connection with a li net proceeds were recorded in fees and other revenue in our GAAP Consolidated Statements of Income.

[4] (1) In the year ended December 31, 2015, other revenue includes litigation-related proceeds, net of legal costs. Refer to Note 18 "Segment Information" included in F Annual Report on Form 10-K for additional information.

[5] (1) Includes after-tax amortization of other acquired intangible assets of $171 million, $161 million and $166 million for the years ended December 31, 2017, 2016 an

[6] (2) Includes after-tax amortization of other acquired intangible assets of $171 million, $161 million and $166 million for the years ended December 31, 2017, 2016 an

[7] Represents specifically identified unrealized gains on the non-credit related component of impaired debt securities that we do not intend to sell and subsequent changes previously impaired security.

Directors and Executive Officers of CVS Health Corporation

CVS Health Corporation
One CVS Drive
Woonsocket, Rhode Island 02895

CVS Health Executive Officers

1) Larry J. Merlo, President and Chief Executive Officer, CVS Health
2) David M. Denton, Executive Vice President and Chief Financial Officer, CVS Health
3) Thomas M. Moriarty, Executive Vice President, Chief Policy and External Affairs Officer, and General Counsel, CVS Health
4) Colleen M. McIntosh, Senior Vice President, Corporate Secretary and Assistant General Counsel
5) Jonathan C. Roberts, Executive Vice President and Chief Operating Officer, CVS Health
6) Troyen Brennan, M.D., Executive Vice President and Chief Medical Officer, CVS Health
7) Eva Boratto, Executive Vice President, Controller and Chief Accounting Officer

CVS Health Directors

1) Richard M. Bracken
2) C. David Brown II
3) Alecia A. DeCoudreaux
4) Nancy-Ann M. DeParle
5) David W. Dorman (Chairman)
6) Anne M. Finucane
7) Larry J. Merlo[1]
8) Jean-Pierre Millon
9) Mary L. Schapiro
10) Richard J. Swift
11) William C. Weldon
12) Tony L. White

[1] Also an executive officer of CVS Health.

Directors and Executive Officers of CVS Pharmacy, Inc.

CVS Pharmacy, Inc.
One CVS Drive
Woonsocket, Rhode Island 02895

CVS Pharmacy, Inc. (a Rhode Island corporation)

(CVS Pharmacy is a Direct Wholly-Owned Subsidiary of CVS Health Corporation and will be the Direct Parent of Aetna Inc. After Closing)

CVS Pharmacy Executive Officers

1) Carol A. DeNale, President and Treasurer

2) Thomas S. Moffatt, Vice President, Secretary and Assistant General Counsel

CVS Pharmacy Directors

1) Carol A. DeNale

2) Thomas S. Moffatt