Express Scripts Holding Co.
Form 10-K
February 14, 2017
Table of Contents

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

FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, 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: 1-35490
EXPRESS SCRIPTS HOLDING COMPANY
(Exact name of registrant as specified in its charter)

Delaware	45-2884094
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Express Way, St. Louis, MO	63121
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (314) 996-0900
Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of each exchange on which registered
Common Stock $0.01 par value	Nasdaq Global Select Market

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 x 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 x
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 x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The aggregate market value of Registrant's voting stock held by non-affiliates as of June 30, 2016, was $47,641,763,395 based on 628,519,306 shares held on such date by non-affiliates and a closing sale price for the Common Stock on such date of $75.80 as reported on the Nasdaq Global Select Market. Solely for purposes of this computation, the Registrant has assumed that all directors and executive officers of the Registrant are affiliates of the Registrant. The Registrant has no non-voting common equity.

Common stock outstanding as of January 31, 2017: 605,720,000 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference portions of the definitive proxy statement for the Registrant's 2017 Annual Meeting of Stockholders, which is expected to be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended December 31, 2016.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Information included in or incorporated by reference in this Annual Report on Form 10-K, other filings with the Securities and Exchange Commission (the "SEC") and our press releases or other public statements, contains or may contain forward-looking statements. Please refer to a discussion of our forward-looking statements and associated risks in "Part I — Item 1 — Business — Forward-Looking Statements and Associated Risks" and "Part I — Item 1A — Risk F in this Annual Report on Form 10-K.

PART I

THE COMPANY

Item 1 — Business

Industry Overview

Prescription drugs play a significant role in healthcare today and constitute the first line of treatment for many medical conditions. For many, prescription drugs provide the hope of improved health and quality of life.

Total medical costs for employers continue to outpace the rate of overall inflation, in particular, the increase in high cost drugs to treat complex conditions such as cancer, hepatitis and multiple sclerosis. National health expenditures as a percentage of gross domestic product are expected to increase to 20% in 2025 from 18% in 2016 according to the Centers for Medicare & Medicaid Services ("CMS"). With increasing cost pressures being exerted on health benefit providers such as managed care organizations, health insurers, employers and unions, there is an increasing role for pharmacy benefit management ("PBM") companies to develop innovative strategies to put medicine within reach of patients by making better healthcare more affordable and accessible.

PBM companies typically combine retail pharmacy claims processing and network management, formulary management, utilization management and home delivery pharmacy services to develop an integrated product offering to manage the prescription drug benefit for payors. Some PBMs also offer specialty medication services that deliver a more effective solution than many retail pharmacies in providing treatments for diseases that rely upon high-cost injectable, infused, oral or inhaled drugs. Some PBMs have also broadened their service offerings to include medication adherence programs, outcomes research, drug therapy management programs, sophisticated data analysis and other distribution services.

Company Overview

We are the largest stand-alone PBM company in the United States, offering a full range of services to our clients, which include managed care organizations, health insurers, third-party administrators, employers, union-sponsored benefit plans, workers' compensation plans, government health programs, providers, clinics, hospitals and others. We put medicine within reach of patients while helping health benefit providers improve access to prescription drugs and make them more affordable. We can improve patient outcomes and help control the cost of the drug benefit by:

- providing products and solutions that focus on improving patient outcomes and assist in controlling costs;
- evaluating drugs for efficacy, value and price to assist clients in selecting a cost-effective formulary;
- offering cost-effective home delivery pharmacy and specialty services that result in cost savings for plan sponsors and better care for members;
- leveraging purchasing volume to deliver discounts to health benefit providers; and
- promoting the use of generics and lower-cost brands.

We work with clients, manufacturers, pharmacists and physicians to improve members' health outcomes and satisfaction, increase efficiency in drug distribution and manage costs in the pharmacy benefit. We believe our clients can achieve the best financial and health outcomes when they use our comprehensive set of solutions to manage drug spend. For example, our management toward greater use of generic drugs and lower-cost brand drugs has resulted in significant reductions in spending for our insured consumers and their employers.

We have two business segments based on the products and services we offer: PBM and Other Business Operations. See further description of our segments within "Part I — Item 1 — Business — Segment Information."

Our revenues are generated primarily from the delivery of prescription drugs through our contracted network of retail pharmacies, our home delivery pharmacies and our specialty pharmacies. Revenues from the delivery of prescription drugs to our members represented 98.3% of our revenues in 2016, 98.0% in 2015 and 98.4% in 2014. Revenues from services, such as

2

Table of Contents

the fees associated with the administration of retail pharmacy networks contracted by certain clients, informed decision counseling services and specialty pharmacy services, accounted for the remainder of our revenues. Prescription drugs are dispensed to members of the health plans we serve primarily through networks of retail pharmacies under non-exclusive contracts with us and through home delivery fulfillment pharmacies, specialty drug pharmacies and fertility pharmacies we operate. More than 69,000 retail pharmacies, which represent over 98% of all United States retail pharmacies, participated in one or more of our networks as of December 31, 2016. The top ten retail pharmacy chains in the United States represent approximately 66% of the total number of stores in our largest network.

Express Scripts, Inc. ("ESI") was incorporated in Missouri in September 1986, and was reincorporated in Delaware in March 1992. Aristotle Holding, Inc. was incorporated in Delaware in July 2011. On April 2, 2012, ESI consummated a merger (the "Merger") with Medco Health Solutions, Inc. ("Medco") and both ESI and Medco became wholly-owned subsidiaries of Aristotle Holding, Inc. Aristotle Holding, Inc. was renamed Express Scripts Holding Company (the "Company" or "Express Scripts") concurrently with the consummation of the Merger. When we use the terms "Express Scripts," the "Company," "we," "us" or "our" in this Annual Report on Form 10-K, we mean Express Scripts Holding Compan and its subsidiaries on a consolidated basis, unless we state or the context implies otherwise.

Our principal executive offices are located at One Express Way, Saint Louis, Missouri, 63121. Our telephone number is 314.996.0900 and our website is www.express-scripts.com. Information included on our website is not part of this annual report.

Products and Services

Pharmacy Benefit Management Services

Overview. Our core PBM services involve management of prescription drug utilization to drive high quality, cost-effective pharmaceutical care. We consult with clients to assist in the selection of plan design features that balance clients' requirements for cost control with member choice and convenience. We focus our solutions to enable better decisions in four important and interrelated areas: benefit choices, drug choices, pharmacy choices and health choices. As a result, we believe we deliver healthier outcomes, higher member satisfaction and a more affordable prescription drug benefit. During 2016, 96.2% of our revenues were derived from our PBM operations, compared to 97.3% and 97.5% during 2015 and 2014, respectively.

Clinical Solutions. We offer innovative clinical programs to drive better health outcomes at lower cost. Our physician connectivity program facilitates well-informed prescribing by delivering benefit and formulary evaluation and medication history, both electronically and in real-time, as physicians write prescriptions. RationalMed® evaluates medical, pharmacy and laboratory data to detect critical patient health and safety issues which are then addressed through timely notification to physicians, pharmacies, patients and case managers. ScreenRx® uses proprietary predictive models to detect patients at risk for nonadherence and proactively addresses the problem through interventions tailored specifically for that patient. ExpressAlliance® offers patient care coordination services that enable patient-authorized healthcare professionals to share a common view of a patient's health record and coordinate patient outreach and counseling. Personalized medicine programs combine the latest advances in pharmacogenomics testing with patient and physician outreach to help providers understand which drugs or dosages work best for individual patients, empowering them to make more informed and cost-effective decisions that improve patient care and safety.

Express Scripts SafeGuardRx℠. We offer a suite of solutions targeting the medication classes that pose a significant budgetary threat to our clients. Our solutions focus on keeping our clients ahead of the cost curve while providing patients the care and access they need. These solutions include (but are not limited to): Inflammatory Conditions Care Value Program; Diabetes Care Value Program℠; Hepatitis Cure Value Program®; Cholesterol Care Value Program®; Oncology Care Value Program℠; Market Events Protection Program℠; and Inflation Protection Program. These solutions are offered throughout our core PBM services.

Through innovative programs such as SafeGuardRx, which combines utilization management controls with formulary management, the specialized care model of the Therapeutic Resource Center® and comprehensive guarantees, we are changing the market in key specialty categories. Our programs covering oncology and inflammatory conditions in particular have introduced a value-based contracting approach, with payments now tied to a product's effectiveness at

the indication level rather than a single uniform reimbursement across multiple indications with varying degrees of product effectiveness.

Specialized Pharmacy Care. At the center of Express Scripts' condition-specific approach to care are Therapeutic Resource Center services, which are pharmacy practices that specialize in caring for members with the most complex and costly conditions, including cardiovascular disease, diabetes, cancer, HIV, asthma, depression and other rare and specialty conditions. Therapeutic Resource Center services are designed to optimize the safe and appropriate dispensing of therapeutic

Table of Contents

agents, minimize waste and improve clinical and financial outcomes. Through our Therapeutic Resource Center services, specialist pharmacists provide the expert, personalized care patients increasingly demand.

Home Delivery Pharmacy Services. We dispense prescription drugs from our four high-volume automated dispensing home delivery pharmacies and one non-automated dispensing home delivery pharmacy. In addition to the order processing that occurs at these home delivery pharmacies, we operate several non-dispensing order processing facilities and patient contact centers. Our pharmacies provide patients with convenient access to maintenance medications and enable us to manage our clients' drug costs through operating efficiencies and economies of scale as well as provide greater safety and accuracy. Through our home delivery pharmacies, we are directly involved with the prescriber and patient and, as a result, our research shows we are generally able to achieve a higher level of generic substitutions, therapeutic interventions and better adherence than is achieved through the retail pharmacy networks.

Specialty Pharmacy Services. Specialty medications are used primarily for the treatment of complex diseases. These medications are broadly characterized to include those with frequent dosing adjustments, intensive clinical monitoring, the need for patient training, specialized product administration requirements and/or medications limited to certain specialty pharmacy networks by manufacturers. Through a unique combination of assets and capabilities, we provide an enhanced level of care and therapy management for patients taking specialty medications, increased visibility and improved outcomes for payors, as well as custom programs for biopharmaceutical manufacturers.

Our subsidiary Accredo Health Group ("Accredo") is focused on dispensing injectable, infused, oral or inhaled drugs that require a higher level of clinical service and support compared to what is typically available from traditional pharmacies. Accredo is able to achieve healthier outcomes for patients and reduced waste for clients through a disease-centric organization, specialty trained clinicians, a nationwide footprint, a network of in-home nursing services, reimbursement and patient assistance programs, and biopharmaceutical services.

Our subsidiary Freedom Fertility is a leading specialty pharmacy focused on the needs of fertility patients and providers. Through Freedom Fertility, we also provide insurance assistance and patient education and support.

We also provide medical benefit management services, which enable greater oversight of our clients' specialty spending billed through the medical benefit and ultimately make specialty drugs more affordable and accessible. Through our medical benefit management services, we offer a wide range of tools that span both the medical and pharmacy benefit in order to optimize the use of specialty medications through channel, network and utilization management. Our medical benefit management services tools include guaranteed savings programs, ensuring the safe and appropriate use of high-cost specialty drugs, redirecting patients and medications to the lowest-cost and most appropriate channel, verifying claims are paid at the contracted rate, improving opportunities to achieve rebates and, where clinically appropriate, moving drug coverage from medical to pharmacy benefit and to lower-cost sites of care.

Retail Network Pharmacy Administration. We contract with retail pharmacies to provide prescription drugs to members of the pharmacy benefit plans we manage. In the United States, Puerto Rico and the Virgin Islands, we negotiate with pharmacies to discount the prices at which they provide drugs to members and manage national and regional networks responsive to client preferences related to cost containment, convenience of access for members and network performance. We also manage networks of pharmacies customized for or under direct contract with specific clients and have contracted with pharmacy provider networks to comply with CMS access requirements for the federal Medicare Part D Prescription Drug Program ("Medicare Part D").

All retail pharmacies in our pharmacy networks communicate with us online and in real time to process prescription drug claims. When a member of a plan presents his or her identification card at a network pharmacy, the network pharmacist sends certain specified member, prescriber and prescription information in an industry-standard format through our systems, which process the claim and send a response back to the pharmacy with relevant information to process the prescription.

Benefit Design Consultation. We consult with our clients on how best to structure and leverage the pharmacy benefit to meet plan objectives for access, safety and affordability. We also assist our clients to determine the scope and conditions of coverage and offering incentives for members and their providers and encourage adoption of programs that drive safer, more effective and more affordable use of prescription drugs.

Drug Utilization Review. Our electronic claims processing system enables us to implement sophisticated intervention programs to manage prescription drug utilization. The system can alert the pharmacist to drug safety concerns, generic

substitution, therapeutic intervention opportunities and formulary adherence issues, and can also administer prior authorization, step therapy protocol programs and drug quantity management at the time a claim is submitted for processing. Our claims processing system also generates a database of drug utilization information that can be accessed at the time a prescription is

Table of Contents

dispensed, on a retrospective basis to analyze utilization trends and prescribing patterns for more intensive management of the drug benefit, and on a prospective basis to help support pharmacists in drug therapy management decisions.

Drug Formulary Management. Formularies are lists of drugs to which benefit design is applied. In combination with the benefit design, the formulary may be used to communicate plan preferences and to determine whether a particular drug is covered. If covered, the formulary will determine to what extent it is covered. Our formulary management services support clients in choosing and maintaining formularies that best meet plan objectives for access, safety and affordability, and assist patients and physicians in choosing clinically appropriate, cost-effective drugs.

We administer specific formularies on behalf of our clients, including standard formularies developed and offered by Express Scripts and custom formularies for which we play a more limited role. The majority of our clients select standard formularies, governed by our National Pharmacy & Therapeutics Committee ("National P&T Committee"), a panel composed of independent physicians and pharmacists in active clinical practice, representing a variety of specialties and practice settings and typically with major academic affiliations. Most clients choose formularies designed to be used with financial incentives, such as three-tier co-payments, which drive preferential selection of plan-preferred generics and branded drugs over their non-formulary alternatives. Some clients select closed formularies, in which coverage is available only for those drugs listed on the formulary.

Our standard formularies are governed by decisions of our National P&T Committee. In developing these formularies, the foremost consideration is the safety and effectiveness of the drugs being evaluated in relation to available alternatives. In making formulary recommendations, the National P&T Committee considers the drug's safety and efficacy, without any information on or consideration of the cost of the drug, including any discount or rebate arrangement we might negotiate with the manufacturer. This process is designed to ensure the clinical recommendation is not affected by our financial arrangements. We fully comply with the National P&T Committee's clinical recommendations regarding drugs that must be included or excluded from the formulary based on their assessment of safety and efficacy. Where the National P&T Committee is indifferent as to whether a particular drug must be included or excluded from the formulary, the drugs are evaluated on an economic basis in relation to alternatives to determine the optimal composition of the formulary.

Our formulary management also includes formulary compliance services. Through these formulary compliance services, we alert patients, physicians and pharmacies to opportunities to use formulary-preferred generics and branded medications that are clinically appropriate and more cost-effective given the formulary and plan design. We always defer to the prescribing physician as to the appropriateness of the formulary-preferred alternatives for a patient.

Medicare, Medicaid and Health Insurance Marketplace ("Public Exchange") Offerings. We support our clients by providing several Medicare program options: the Retiree Drug Subsidy ("RDS") program, which is offered by CMS to reimburse municipalities, unions and private employers for a portion of their eligible expenses for retiree prescription drug benefits; the Employer-Sponsored Group Waiver Plan ("EGWP"), a group-enrolled Medicare Part D option for employers and labor groups; and the "PBM inside" service that offers drug-only and integrated medical and Medicare drug benefits to a number of Medicare plan sponsors (i.e., health plans serving Medicare). As a PBM supporting Medicare plan sponsors, we provide prescription adjudication services in addition to a suite of required programmatic offerings such as a Medication Therapy Management program, an Explanation of Benefits for members using prescription services and a variety of member communications related to the prescription benefit. We also offer an individual prescription drug plan to beneficiaries in all 34 Medicare regions across the United States, as well as Puerto Rico.

Our revenues include premiums associated with these risk-based Medicare Part D prescription drug plan ("PDP") product offerings. The products involve underwriting the benefit, charging enrollees applicable premiums, providing covered prescription drugs and administering the benefit as filed with CMS. Our insurance company subsidiaries operate under various contracts with CMS. We provide two Medicare Part D PDP options for beneficiaries: a standard Medicare Part D benefit plan as mandated by statute and, for an additional premium, a benefit plan with enhanced coverage that exceeds the standard Medicare Part D benefit plan. We also offer numerous customized benefit plan designs to employer group retiree plans within our Medicare Part D PDP product offerings.

Our member website supports pre-enrollment and post-enrollment activities on behalf of our Medicare Part D PDP product offerings serving multiple clients. Prospective Medicare Part D participants and their caregivers can use the pre-enrollment site's Plan Compare tool to accurately project costs for medications. The post-enrollment site allows members who have signed up to receive a Medicare Part D benefit from either Express Scripts or one of our Medicare plan sponsor clients to securely manage all aspects of their prescription program.

We support health plans serving Medicaid populations by offering a pharmacy drug benefit. This business is driven by state requirements and we earn revenues based on claim-related activity. Common services include transitioning members'

Table of Contents

access to drugs as plan offerings change, generating data to states through encounter files and coordinating benefits between states and other payors. Medicaid populations are expected to grow in states choosing to expand Medicaid eligibility.

We also support health plans serving insured Public Exchange members. This business is driven by both federal and state requirements and we earn revenues based on claim-related activity. We offer pharmacy benefit solutions that can be leveraged in plan design to align with any exchange strategy to achieve desired cost and clinical objectives.

Administration of a Group Purchasing Organization. We operate a group purchasing organization ("GPO") for the purchase of generic pharmaceuticals and related goods and services from pharmaceutical manufacturers and suppliers. We also provide various administrative services to GPO participants, including negotiation and management of the GPO purchasing contracts.

Consumer Health and Drug Information. We empower member decision-making through online and mobile tools that help guide members in making informed drug, pharmacy and health choices.

Our digital solutions provide easy access and clear, simple functionality. The Express Scripts Member Website (www.express-scripts.com) and mobile app are designed to help keep members' medication information instantly available on their computers or mobile devices. When members use self-service tools, it typically results in lower administrative costs, better drug therapy adherence, reduced waste and fewer doctor visits, leading to savings for both clients and members. Information included on our website and mobile app are not part of this annual report.

Other Business Operations Services

Overview. Through our Other Business Operations segment, two subsidiaries service patients through multiple paths: CuraScript Specialty Distribution and United BioSource Corporation ("UBC"). During 2016, 3.8% of our revenues were derived from Other Business Operations services, compared to 2.7% and 2.5% during 2015 and 2014, respectively.

Provider Services. CuraScript Specialty Distribution is a specialty distributor of pharmaceuticals and medical supplies (including injectable and infusible pharmaceuticals and medications to treat specialty and rare/orphan diseases) directly to healthcare providers, clinics and hospitals in the United States for office or clinic administration. CuraScript Specialty Distribution also operates Matrix GPO, a GPO focused on the purchase of products and services, including specialty pharmaceuticals, for practitioners, which is uniquely positioned to support the needs of its membership. Through our CuraScript Specialty Distribution business we provide distribution services primarily to office and clinic-based physicians who treat patients with chronic diseases and regularly order costly specialty pharmaceuticals. CuraScript Specialty Distribution provides competitive pricing on pharmaceuticals and medical supplies and operates three distribution centers and ships most products overnight within the United States, as well as providing distribution capabilities to Puerto Rico and Guam. CuraScript Specialty Distribution is a contracted supplier with most major group purchasing organizations and leverages our distribution platform to operate as a third-party logistics provider for several pharmaceutical companies.

Pharmaceutical Services. UBC is a leading provider of pharmaceutical support services, partnering with life science companies to make medicine and medical products safer and more accessible. UBC's diverse suite of services helps bridge the gap between development and delivery and builds brand loyalty through patient access and adherence. Developing a drug, taking it through commercialization and demonstrating its post-launch value and safety is a complex journey. UBC has aligned Express Scripts' expertise and industry insight to help manufacturers make informed decisions early in the product journey that ultimately optimize care and improve patient outcomes. UBC also partners with pharmaceutical manufacturers to design and operationalize patient access centers that assist patients and prescribers with navigating prescription drug coverage and pharmacy options through patient access programs, including patient assistance programs, reimbursement, alternate funding and compliance services.

UBC offers consulting services, including design, implementation and project management, for pharmaceutical and biotechnology manufacturers to collect evidence to guide the safe, effective and affordable use of medicines. UBC is a well-known provider in addressing the complex needs of both specialty and non-specialty products as they move from clinical development through the regulatory assessment process into the commercial marketplace. UBC is uniquely positioned to meet the increasingly challenging requirements of safe and appropriate use of these medications while simultaneously addressing burdens of product access, affordability and long-term patient adherence.

Segment Information

We report segments on the basis of the products and services we offer and have determined we have two reportable segments: PBM and Other Business Operations.

Table of Contents

Our PBM segment primarily consists of the following products and services:

- clinical solutions
- Express Scripts SafeGuardRx
- specialized pharmacy care
- home delivery pharmacy services
- specialty pharmacy services
- retail network pharmacy administration
- benefit design consultation
- drug utilization review
- drug formulary management
- Medicare, Medicaid and Public Exchange offerings
- administration of a group purchasing organization
- consumer health and drug information

Our Other Business Operations segment primarily consists of the following products and services:

- provider services
- pharmaceutical services

See “Part I — Item 1 — Products and Services” of this Annual Report on Form 10-K for further description of our products and services. See Note 10 - Segment information to our consolidated financial statements included in “Part II — Item 8” of this Annual Report on Form 10-K for further description of our segments.

Suppliers

We maintain inventory of brand name and generic pharmaceuticals in our home delivery and specialty pharmacies. Our specialty pharmacies also carry biopharmaceutical products, including pharmaceuticals for the treatment of rare or chronic diseases, to meet the needs of our patients. If a drug is not in our inventory, we can generally obtain it from a supplier within one business day. We purchase pharmaceuticals either directly from manufacturers or through authorized wholesalers. For the year ended December 31, 2016, approximately 55% of our pharmaceutical purchases (by dollar value) were through one wholesaler and we believe alternative sources are readily available. Generic pharmaceuticals are generally purchased directly from manufacturers.

Clients

We are a provider of services to managed care organizations, health insurers, third-party administrators, employers, union-sponsored benefit plans, workers’ compensation plans, government health programs, providers, clinics, hospitals and others.

Express Scripts provides pharmacy network services and home delivery and specialty pharmacy services to the United States Department of Defense (“DoD”). The DoD’s TRICARE Pharmacy Program is the military healthcare program serving active-duty service members, National Guard and Reserve members, and retirees, as well as their dependents. Under our DoD contract, we provide to the DoD online claims adjudication, home delivery services, specialty pharmacy clinical services, claims processing and contact center support and other services critical to managing pharmacy trend.

In December 2009, ESI completed the purchase of 100% of the shares and equity interests of certain subsidiaries of Anthem that provide pharmacy benefit management services (“NextRx”). Simultaneous with the purchase, ESI entered into a 10-year contract under which we provide pharmacy benefits management services to members of the affiliated health plans of Anthem. Subsequent to this acquisition, we integrated NextRx’s PBM clients into our existing systems and operations.

Refer to Note 10 - Segment information to our consolidated financial statements included in “Part II — Item 8” of this Annual Report on Form 10-K for a description of client concentration, including clients that represent more than 10% of consolidated revenues, which note is incorporated by reference herein.

Table of Contents

Medicare Prescription Drug Coverage

We support clients by providing several Medicare Part D program options: the RDS program, which is offered by CMS to reimburse municipalities, unions and private employers for a portion of their eligible expenses for retiree prescription drug benefits; an EGWP offering, the “PBM inside” service that offers drug-only and integrated medical and Medicare Part D drug benefits to a number of Medicare Part D sponsors; and our own risk-based Medicare Part D PDP product offerings.

Mergers and Acquisitions

We regularly review potential acquisitions and affiliation opportunities. We believe available cash resources, bank financing or the issuance of debt or equity could be used to finance future acquisitions or affiliations. There can be no assurance we will enter into new acquisitions or establish new affiliations in 2017 or thereafter.

Company Operations

General. As of December 31, 2016, our United States PBM segment operated four high-volume automated dispensing home delivery pharmacies, one non-automated dispensing home delivery pharmacy, several non-dispensing order processing centers, patient contact centers, specialty drug pharmacies and fertility pharmacies, and one non-dispensing home delivery pharmacy maintained for business continuity purposes.

We also provide a home delivery service in Canada which dispenses maintenance prescription medications from four regional dispensing pharmacy locations. We provide a full range of integrated PBM services to insurers, third-party administrators, plan sponsors and the public sector at our Canadian facilities. These services facilitate better health decisions and lower costs and include health claims adjudication and processing services, benefit design consultation, drug utilization review, formulary management and medical and drug data analysis services.

Sales and Account Management. Our sales and account management teams market and sell PBM solutions and are supported by client service representatives, clinical pharmacy managers, and benefit analysis consultants. These teams work with clients to develop innovative strategies to put medicine within reach of patients while helping health benefit providers improve access to prescription drugs and make them more affordable. In addition, sales personnel dedicated to our Other Business Operations segment use direct marketing to generate new customers and solidify existing customer relationships.

Supply Chain. Our supply chain contracting and strategy teams negotiate and manage pharmacy network contracts, pharmaceutical and wholesaler purchasing contracts and manufacturer rebate contracts. As our clients continue to experience increased cost trends, our supply chain teams are working to combat these price increases by developing new innovative solutions through SafeGuardRx to deliver savings to our clients. In addition, our Formulary Consulting team, which consists of pharmacists and financial analysts, provides services to our clients in support of formulary decisions, benefit design consultation and utilization management programs.

Clinical Support. Our staff of highly trained healthcare professionals provides clinical support for our PBM services and more specialized care for patients with chronic and complex conditions. We operate condition-specific Therapeutic Resource Center facilities staffed with specialist pharmacists, nurses and other clinicians who provide personal and specialized patient care.

Our clinical solutions staff of pharmacists and physicians provides clinical development and operational support for our PBM services. These healthcare professionals are responsible for a wide range of activities including identifying emerging medication-related safety issues and contacting physicians, clients, and patients (as appropriate); providing drug information services; managing formulary; and developing utilization management, safety (concurrent and retrospective drug utilization review) and other clinical interventions.

Our research & analytics team conducts timely, rigorous and objective research that supports evidence-based pharmacy benefit management and evaluates the clinical, economic and member impact of pharmacy benefits. The formation of predictive models and other analytical tools supports the development and improvement of our products and services. The team also produces the Express Scripts Drug Trend Report which examines trends in pharmaceutical utilization and cost, the factors triggering those trends and new solutions our clients can implement to lower their pharmacy spend while improving the health of their members.

Information Technology. Our information technology team supports our pharmacy claims processing systems, specialty pharmacy systems and other management information systems essential to our operations. We continually

seek opportunities to optimize our IT solutions by consolidating and upgrading our IT platforms.

Table of Contents

Uninterrupted point-of-sale electronic retail pharmacy claims processing is a significant operational requirement for our business. Claims in the United States are processed through systems managed and operated domestically by internal resources and an outsourced vendor. Canadian claims are processed through systems maintained and operated by a third party in Canada and managed by us. We believe we have substantial capacity for growth in our United States and Canadian claims processing facilities.

We leverage outsourced vendor services to provide certain disaster recovery services for systems located at our data centers. For systems not covered by a third-party vendor arrangement, such as our specialty pharmacy data centers, our corporate disaster recovery organization manages internal recovery services.

Competition

There are a number of other PBMs in the United States with which we compete. Some of these are independent PBMs, such as MedImpact and Navitus Health Solutions. Others are owned by managed care organizations such as Aetna Inc., Humana, OptumRx (owned by UnitedHealth Group) and Prime Therapeutics (owned by a collection of Blue Cross Blue Shield Plans). Some are owned by retail pharmacies, such as CVS Caremark (owned by CVS Health) and Envision Rx (owned by Rite Aid). Wal-Mart Stores, Inc. engages in certain activities competitive with PBMs. We also compete against adjudicators, such as Argus. With the emergence of alternative benefit models through Private Exchanges, the competitive landscape also includes brokers, health plans and consultants. Some of these competitors may have greater financial, marketing and technological resources than we do and new market entrants may increase competitiveness as barriers to entry are relatively low. In addition, the health care industry has undergone periods of substantial consolidation and may continue to consolidate in the future. We believe the primary competitive factors in the industry include the ability to contract with retail pharmacies to ensure our retail pharmacy networks meet the needs of our clients and their members, the ability to negotiate discounts and rebates on prescription drugs with drug manufacturers, the ability to navigate the complexities of governmental reimbursed business, including Medicare, Medicaid and the Public Exchanges, the ability to manage cost and quality of specialty drugs, the ability to utilize the information we obtain about drug utilization patterns and consumer behavior to reduce costs for our clients and members, and the level of service we provide.

Government Regulation and Compliance

Many aspects of our business are regulated by federal and state laws, rules and regulations. Accordingly, we maintain a comprehensive compliance program and we believe we operate our business in substantial compliance with all existing legal requirements material to the operation of our businesses. There are, however, significant uncertainties involving the application of various legal requirements, the violation of which could result in, among other things, sanctions. See “Part I — Item 1A — Risk Factors” for additional detail.

Federal Healthcare Reform. The Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (“Health Reform Laws”), targets many aspects of the United States healthcare system, including, but not limited to, enforcement mechanisms and rules related to healthcare fraud and abuse enforcement activities, health plan coverage mandates, rules and obligations for health insurance providers, certain PBM transparency requirements related to the healthcare insurance exchanges and healthcare coverage for Americans in general. The Health Reform Laws impact our business in a variety of ways and long-term impacts remain unclear with respect to the implementation of certain components of the Health Reform Laws and related regulatory guidance. Known impacts include an increase in utilization of the pharmacy benefit by a newly enrolled population with an unknown risk profile, compliance obligations stemming from increased state and federal government involvement in the healthcare marketplace, shifting claims liability from plan sponsors to third-party administrators for certain women’s preventive benefits, data reporting obligations to support health plan issuers and insurers operating in the healthcare exchanges and general market reforms prohibiting the use of many factors traditionally used to establish premiums and adjustments implemented by health plan sponsors and health insurance providers.

Medicare Part D. We participate in various ways in Medicare Part D created under the Medicare Modernization Act (“MMA”), and its related regulations and sub-regulatory program guidance (the “Medicare Part D Rules”) issued by CMS. Through our licensed insurance subsidiaries we sponsor Medicare Part D product offerings, Medicare prescription drug coverage and services to Medicare Part D beneficiaries. Through our core PBM business, we also provide Medicare Part D-related products and services to other Medicare Part D sponsors, Medicare Advantage Prescription

Drug Plans and other employers and clients offering Medicare Part D benefits to Medicare Part D eligible beneficiaries.

Medicare Part B and Medicaid. We participate in the Medicare Part B program, which covers certain costs for services provided by Medicare participating physicians and suppliers and for durable medical equipment. We also participate in many state Medicaid programs directly or indirectly through our clients who are Medicaid managed care contractors. We also perform certain Medicaid subrogation services for clients, which are regulated by federal and state laws.

Table of Contents

Anti-Kickback and Referral Laws. Subject to certain exceptions and "safe harbors," the federal anti-kickback statute generally prohibits, among other things, knowingly and willfully paying, receiving or offering any payment or other remuneration to induce a person to purchase, lease, order or arrange for (or recommend purchasing, leasing, ordering or arranging) items (including prescription drugs) or services reimbursable in whole or in part under Medicare, Medicaid or another federal healthcare program. Several states also have similar laws, some of which apply similar anti-kickback prohibitions to items or services reimbursable by non-governmental payors. Sanctions for violating these federal and state anti-kickback laws may include criminal and civil fines and exclusion from participation in the federal and state healthcare programs.

The federal anti-kickback statute has been interpreted broadly by courts, the Office of Inspector General ("OIG") within the Department of Health and Human Services ("HHS"), and various administrative bodies. Because of the federal statute's broad scope, federal regulations establish certain "safe harbors" from liability. A practice that does not fall within a safe harbor is not necessarily unlawful, but may be subject to scrutiny and challenge. Anti-kickback laws have been cited as a partial basis, along with state consumer protection laws described below, for investigations and multi-state settlements relating to financial incentives provided by drug manufacturers to pharmacies in connection with "product conversion" programs. Other anti-kickback laws may be applicable, such as the Public Contracts Anti-Kickback Act, the ERISA Health Plan Anti-Kickback Statute, the federal "Stark Law" and various state anti-kickback restrictions.

Federal Civil Monetary Penalties Law. The federal civil monetary penalty statute provides for civil monetary penalties against any person who gives something of value to a Medicare or Medicaid program beneficiary which the person knows or should know is likely to influence the beneficiary's selection of a particular provider for Medicare or Medicaid items or services. Under this law, our wholly-owned home delivery pharmacies, specialty pharmacies and home health providers are restricted from offering certain items of value to influence a Medicare or Medicaid patient's use of services. The Health Reform Laws also include several civil monetary provisions, such as penalties for the failure to report and return a known overpayment and failure to grant timely access to the OIG under certain circumstances.

Prompt Pay Laws. Under Medicare Part D and certain state laws, some of which also govern the Public Exchanges, PBMs and many of our health plan clients, we may be obligated to pay retail pharmacy providers within established time periods that may be shorter than existing contracted terms and/or via electronic transfer instead of by check. Changes that require faster payment may have a negative impact on our cash flow from operations.

False Claims Act and Related Criminal Provisions. The federal False Claims Act (the "False Claims Act") imposes civil penalties for knowingly making or causing to be made false claims or false records or statements with respect to governmental programs, such as Medicare and Medicaid, to obtain reimbursement or for failure to return overpayments. Private individuals may bring qui tam or "whistle blower" suits against providers under the False Claims Act, which authorizes the payment of a portion of any recovery to the individual bringing suit. The Health Reform Laws also amended the federal anti-kickback laws to state any claim submitted to a federal or state healthcare program which violates the anti-kickback laws is also a false claim under the False Claims Act. The False Claims Act generally provides for the imposition of civil penalties and for treble damages, resulting in the possibility of substantial financial liabilities. Criminal statutes similar to the False Claims Act provide that if a corporation is convicted of presenting a claim or making a statement it knows to be false, fictitious or fraudulent to any federal agency, the corporation may be fined. Conviction under these statutes may also result in exclusion from participation in federal and state healthcare programs. Many states have also enacted laws similar to the False Claims Act, some of which may include criminal penalties, substantial fines and treble damages.

Government Procurement Regulations. As described above, we have a contract with the DoD, which subjects us to all of the applicable Federal Acquisition Regulations ("FAR") and DoD FAR Supplement, which govern federal government contracts. Further, there are other federal and state laws applicable to our DoD arrangement and other clients that may be subject to government procurement regulations. In addition, certain of our clients participate as contracting carriers in the Federal Employees Health Benefits Program administered by the Office of Personnel Management, which includes various PBM standards.

ERISA Regulation. The Employee Retirement Income Security Act of 1974 ("ERISA") regulates certain aspects of employee pension and health benefit plans, including self-funded corporate health plans, with which we have agreements to provide PBM services. We believe the conduct of our business is not generally subject to the fiduciary obligations of ERISA. However, there can be no assurance the United States Department of Labor (the "DOL"), which is the agency that enforces ERISA, would not in the future assert the fiduciary obligations imposed by ERISA apply to certain aspects of our operations or courts would not reach such a ruling in private ERISA litigation.

In addition to its fiduciary provisions, federal law related to ERISA health plans 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

Table of Contents

provisions of ERISA are similar, but not identical, to the healthcare anti-kickback statutes described above, although ERISA lacks the statutory and regulatory "safe harbor" exceptions incorporated into the healthcare statutes. Like the healthcare anti-kickback laws, the corresponding provisions of ERISA are broadly written and their application to particular cases is often uncertain.

Employee benefit plans subject to ERISA are subject to certain rules, published by the DOL, including certain reporting requirements for direct and indirect compensation received by plan service providers such as PBMs. However, a DOL frequently asked questions document stated discount and rebate revenue paid to PBMs by drug manufacturers generally need not be reported on a plan's Form 5500 as indirect compensation. Self-funded plans which are part of Section 125 "cafeteria plans" are also currently exempt from such compensation disclosure. At this time, we are unable to predict whether the DOL will issue additional regulations or which additional regulations, if any, may be proposed in formal rulemaking by the DOL.

State Fiduciary Legislation. From time to time, legislation is considered that would purport to declare a PBM a fiduciary with respect to its clients. While the validity of such laws is questionable and we do not believe any such laws are currently in effect, we cannot predict what effect, if any, such statutes, if enacted, may have on our business and financial results.

Consumer Protection Laws. Most states have consumer protection laws that have been the basis for investigations and multi-state settlements relating to financial incentives provided by drug manufacturers to retail pharmacies in connection with product conversion programs. Such statutes have also been cited as the basis for claims against PBMs either in civil litigation or pursuant to investigations by state Attorneys General.

Network Access Legislation. A majority of states now have some form of legislation affecting our ability, or our clients' ability, to limit access to a pharmacy provider network or remove a provider from the network. Such legislation may require us or our clients to admit any retail pharmacy willing to meet the plan's price and other terms for network participation ("any willing provider" legislation) or may provide that a provider may not be removed from a network except in compliance with certain procedures ("due process" legislation). We have not been materially affected by these statutes.

Certain states have enacted legislation prohibiting certain PBM clients from imposing additional co-payments, deductibles, limitation on benefits, or other conditions ("Conditions") on covered individuals utilizing a retail pharmacy when the same Conditions are not otherwise imposed on covered individuals utilizing home delivery pharmacies. However, the legislation requires the retail pharmacy to agree to the same reimbursement amounts and terms and conditions as are imposed on the home delivery pharmacies. An increase in the number of prescriptions filled at retail pharmacies may have a negative impact on the number of prescriptions filled through home delivery. We anticipate additional states will consider similar legislation and we cannot predict which states will adopt such legislation or what effect it will have, if any.

Legislation Affecting Plan Design. Some states have enacted legislation that prohibits managed care plan sponsors from implementing certain restrictive benefit plan design features, and many states have introduced legislation to regulate various aspects of managed care plans, including provisions relating to the pharmacy benefit. For example, some states, under so-called "freedom of choice" legislation, provide members of the plan may not be required to use network providers, but must instead be provided with benefits even if they choose to use non-network providers. Some states have also enacted legislation, which, as described above, can negatively impact the use of cost-saving network configurations for plan sponsors. Other states have enacted legislation purporting to prohibit health plans from offering members financial incentives for use of home delivery pharmacies. Medicare and some states have issued guidance and regulations which limit our ability to fill or refill prescriptions electronically submitted by a physician to our home delivery pharmacy without first obtaining consent from the patient. Such restrictions generate additional costs and limit our ability to maximize efficiencies which could otherwise be gained through the electronic prescription and automatic refill processes. Legislation has been introduced in some states to prohibit or restrict therapeutic intervention, or to require coverage of all Food and Drug Administration ("FDA") approved drugs. Other states mandate coverage of certain benefits or conditions, and require health plan coverage of specific drugs if deemed medically necessary by the prescribing physician. States are also standardizing the process for, and restricting the use of, utilization management rules and shortening the time frames within which prescription drug prior authorization

determinations must be made. Such legislation generally does not apply to us directly, but may apply to certain of our clients, such as managed care organizations and health insurers. If such legislation were to become widely adopted and broad in scope, it could have the effect of limiting the economic benefits achievable through pharmacy benefit management.

Legislation and Regulation Affecting Drug Prices. Some states have adopted so-called “most favored nation” legislation providing a pharmacy participating in the state Medicaid program must give the state the best price the pharmacy makes available to any third-party plan. Such legislation may adversely affect our ability to negotiate discounts in the future from network pharmacies.

Table of Contents

Some states have enacted statutes regulating the use of Maximum Allowable Cost ("MAC") pricing. These statutes, referred to as "MAC Transparency Laws," generally require PBMs to disclose specific information related to MAC pricing to pharmacies and provide certain appeal rights for pharmacies. MAC Transparency Laws also restrict the application of MAC and may require operational changes to maintain compliance with the law. Some states have also enacted laws regulating pharmacy pricing and protecting the profitability of pharmacies for dispensing certain drugs. These laws have the potential to negatively impact Express Scripts in a number of ways, including, but not limited to, increasing administrative burden and decreasing flexibility in setting and managing pricing, including MAC pricing.

The federal Medicaid rebate program requires participating drug manufacturers to provide rebates on all drugs reimbursed through state Medicaid programs, including through Medicaid managed care organizations. Manufacturers of brand name products must provide a rebate equivalent to the greater of (a) 23.1% of the average manufacturer price ("AMP") paid by retail community pharmacies or by wholesalers for certain drugs distributed to retail community pharmacies, or (b) the difference between AMP and the "best price" available to essentially any customer other than the Medicaid program and certain other government programs, with certain exceptions. We negotiate rebates with drug manufacturers and, in certain circumstances, sell services to drug manufacturers. Investigations have been commenced by certain governmental entities which call into question whether a drug's "best price" was properly calculated and reported with respect to rebates paid by the manufacturers to the Medicaid programs. We are not responsible for such calculations, reports or payments. There can be no assurance, however, that our ability to negotiate rebates with, or sell services to, drug manufacturers will not be materially adversely affected by such investigations or regulations in the future.

Regulation of Financial Risk Plans. Fee-for-service prescription drug plans generally are not subject to financial regulation by the states. However, if a PBM offers to provide prescription drug coverage on a capitated basis or otherwise accepts material financial risk in providing the benefit, various state and federal laws may regulate the PBM or its subsidiaries. Such laws may require, among other things, the party at risk establish reserves or otherwise demonstrate financial responsibility. Laws that may apply in such cases include insurance laws, managed care organization laws and limited prepaid health service plan laws. These may apply, for example, to our subsidiary insurance businesses which sponsor risk-based Medicare Part D PDP product offerings or commercial "wrap" Employer Group Waiver Plan ("EGWP") products pursuant to contracts with CMS. Our insurance subsidiaries are required to be licensed insurance companies, and are, therefore, regulated by various state departments of insurance. As such, to maintain licensure as an insurance company, these licensed subsidiaries are required to adhere to state insurance requirements related to, for example, enterprise risk management, beneficiary protections, asset management and financial reserves.

Pharmacy Regulation. Our home delivery and specialty pharmacies are licensed to do business as a pharmacy in the states in which they are located. Most of the states into which we deliver pharmaceuticals have laws that require out-of-state home delivery pharmacies to register with, or be licensed by, the board of pharmacy or similar regulatory body in the state. These states generally permit the pharmacy to follow the laws of the state in which the home delivery service is located, although some states require compliance with certain laws in that state. We believe we have registered each of our pharmacies in every state in which such registration is required and we comply in all material respects with all required laws and regulations. In addition, our pharmacists and nurses are licensed in those states where we believe their activity requires it. Our various pharmacy facilities also maintain certain Medicare and state Medicaid provider numbers as pharmacies providing services under these programs. Participation in these programs requires our pharmacies to comply with the applicable Medicare and Medicaid provider rules and regulations, and exposes the pharmacies to various changes the federal and state governments may impose regarding reimbursement methodologies and amounts to be paid to participating providers under these programs. In addition, several of our pharmacy facilities are participating providers under Medicare Part D and, as a condition to becoming a participating provider under Medicare Part D, the pharmacies are required to adhere to certain requirements applicable to Medicare Part D.

Other statutes and regulations affect our home delivery and specialty pharmacy operations, including the federal and state anti-kickback laws and the federal civil monetary penalty law described above. Federal and state statutes and regulations govern the labeling, packaging, advertising, adulteration and security of prescription drugs and the

dispensing of controlled substances. The Federal Trade Commission requires mail order sellers of goods generally to engage in truthful advertising, to stock a reasonable supply of the product to be sold, to fill mail orders within thirty days and to provide clients with refunds when appropriate. The United States Postal Service also has significant statutory authority to restrict the delivery of drugs and medicines through the mail.

Other Licensure Laws. Many states have licensure or registration laws governing PBMs and certain types of managed care organizations and insurance companies, including, but not limited to, preferred provider organizations, third-party administrators and companies that provide utilization review services. The scope of these laws differs from state to state, and the application of such laws to the activities of PBMs and insurance companies is often unclear. We have registered under such laws in those states in which we have concluded such registration is required either due to our various PBM services or the

Table of Contents

activities of our licensed insurance subsidiaries. Moreover, we have received full accreditation for Utilization Review Accreditation Commission Pharmacy Benefit Management version 2.2 Standards, which includes quality standards for drug utilization management. In addition, accreditation agencies' requirements for managed care organizations such as the National Committee on Quality Assurance and Medicare Part D regulations for Medicare Part D and Medicare Advantage Prescription Drug Plans may affect the services we provide to such organizations.

Legislation regulating PBM activities in a comprehensive manner has been and continues to be considered in a number of states. In the past, certain organizations, such as the National Association of Insurance Commissioners ("NAIC"), an organization of state insurance regulators, have considered proposals to regulate PBMs and/or certain PBM activities, such as formulary development and utilization management. While the actions of the NAIC would not have the force of law, they may influence states to adopt model legislation that such organizations promulgate. Certain states have adopted PBM registration and/or disclosure laws and we have registered under such laws and are complying with applicable disclosure requirements. In addition to registration laws, some states have adopted legislation mandating disclosure of various aspects of our financial practices, including those concerning pharmaceutical company revenue, as well as prescribing processes for prescription switching programs and client and provider audit terms. Other states are considering similar legislation, and as more states consider these bills it will be difficult to manage the distinct requirements of each.

Antitrust. The antitrust laws generally prohibit competitors from fixing prices, dividing markets and boycotting competitors, regardless of the size or market power of the companies involved. Further, antitrust laws generally prohibit other conduct found to restrain competition unreasonably, such as certain attempts to tie or bundle services together and certain exclusive dealing arrangements.

FDA Regulations. The Health Reform Laws provide a regulatory approval pathway for biosimilars (alternatively known as generics) for biological products and provide an innovator biological product will be granted an exclusivity period of 12 years. At this time, we are unable to fully evaluate the impact of the regulatory changes regarding biosimilars on our business and financial results.

Our clinical research activities are also subject to a number of complex and stringent regulations. We offer services relating to the conduct of clinical trials and the preparation of marketing applications and are required to comply with applicable regulatory requirements governing, among other things, the design, conduct, performance, monitoring, auditing, recording, analysis and reporting of these trials. In the United States, the FDA governs these activities pursuant to the agency's Good Clinical Practice and Clinical Trial regulations.

HIPAA and Other Data Privacy and Security Legislation. Many of our activities involve the receipt or use of confidential health and other personal information. In addition, we use aggregated and de-identified data for our own research and analysis purposes and, in some cases, provide access to such data to pharmaceutical manufacturers and third-party data aggregators. Various federal and state laws, including the Health Insurance Portability and Accountability Act of 1996 and the regulations issued thereunder (collectively "HIPAA"), regulate and restrict the use, disclosure and security of certain personal information, including health information, and similar legislation is proposed from time to time in various states.

The privacy regulations included as part of HIPAA impose restrictions on the use and disclosure of individually identifiable health information by certain entities. The HIPAA security regulations provide controls related to the access to and disclosure of protected health information when it is maintained or transmitted electronically. Other HIPAA requirements relate to (i) electronic transaction standards and code sets for processing of pharmacy claims, (ii) privacy and security requirements vis-à-vis business associates, (iii) breach analysis and notification requirements, (iv) limits on how information is used and disclosed for marketing and fundraising purposes, and (v) limits on the use of a patient's health information without his or her permission. As with many other companies subject to HIPAA and related laws, these laws may have significant operational and legal consequences for our business. In addition, UBC is subject to various European data protection laws, including the General Data Protection Regulation (GDPR), and is currently preparing for compliance in anticipation of the GDPR's May 25, 2018 effective date.

We believe we are in compliance in all material respects with HIPAA and other state privacy laws. To date, no patient privacy laws have been adopted that materially impact our ability to provide PBM and pharmacy services, but there can be no assurance federal or state governments will not enact legislation, impose restrictions or adopt interpretations

of existing laws that could have a material adverse effect on our business and financial results.

Environmental and Safety Regulations. We are required to comply with certain federal, state and local laws and regulations regarding environmental protection, employee safety, and public health. Any failure to comply with these regulations could result in fines or other sanctions by governmental bodies or entities.

Table of Contents

Other Business Operations Services. Many of the laws and regulations cited above with respect to our PBM activities also apply with respect to our various Other Business Operations services, including, without limitation, the federal and state anti-kickback laws, state pharmacy regulations and HIPAA. In addition, as a condition to conducting our wholesale business, we must maintain various permits and licenses with the appropriate state and federal agencies and we are subject to various wholesale distributor laws that regulate the conduct of wholesale distributors, including, but not limited to, maintaining pedigree papers in certain instances.

Service Marks and Trademarks

We, and/or our subsidiaries, own and have registered certain trade and service marks with the United States Patent and Trademark Office. Examples of our marks include, but are not limited to, "EXPRESS SCRIPTS®," "MEDCO®," "ACCREDO®," "CONSUMEROLOGY®," "UBC®," "MY RX CHOICES®," "RATIONALMED®," "SCREENRX®," "EXPRESSALLIANCE®," "EXPRESS SCRIPTS MEDICARE®," "EXPRESS ADVANTAGE NETWORK®," "HEALTH DECISION SCIENCE®," "THERAPEUTIC RESOURCE CENTER®," "CONSTELLATION®," "EXPRESSPATH®," "MEDICUBE®," "ROVER®," "CHOLESTEROL CARE VALUE PROGRAM®," "HEPATITIS CURE VALUE PROGRAM®," "EXPRESS SCRIPTS SAFEGUARDRX℠," "DIABETES CARE VALUE PROGRAM℠," "MARKET EVENTS PROTECTION PROGRAM℠" and "ONCOLOGY CARE VALUE PROGRAM℠."

Insurance

We generally maintain insurance coverage for claims that arise in the normal course of business. Where insurance coverage is not available, or, in our judgment, is not cost-effective, we maintain self-insurance accruals to reduce our exposure to future claims, legal costs, settlements and judgments, once such costs become both probable and estimable. Self-insured losses are accrued based upon estimates of the aggregate liability for the costs of uninsured claims incurred using certain standard insurance industry actuarial assumptions.

There can be no assurance we will be able to maintain certain types of liability insurance coverage in the future or that such insurance coverage, together with our self-insurance accruals, will be adequate to cover potential future claims. A claim, or claims, not covered by insurance or in excess of our insurance coverage could have a material adverse effect on our consolidated results of operations, consolidated financial position and/or consolidated cash flow from operations.

Employees

As of December 31, 2016 and 2015, we employed approximately 25,600 and 25,900 employees, respectively, worldwide. Approximately 8% of the employees are members of collective bargaining agreements at December 31, 2016. Specifically, we employ members of the following unions:

- Service Employees International Union;
- American Federation of State, County and Municipal Employees;
- United Food and Commercial Workers Union;
- United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial & Service Workers International Union, American Federation of Labor – Congress of Industrial Organizations;
- Association of Managed Care Pharmacists;
- International Union of Operating Engineers; and
- Retail, Wholesale and Department Store Union, United Food and Commercial Workers.

Two collective bargaining agreements covering these employees will expire at various dates through December 2017.

Table of Contents

Executive Officers of the Registrant

Our executive officers and their ages as of February 14, 2017 are as follows:

Name	Age	Position
Timothy Wentworth	56	Chief Executive Officer and President
Eric Slusser	56	Executive Vice President and Chief Financial Officer
Christine Houston	54	Executive Vice President and Chief Operations Officer
Martin Akins	50	Senior Vice President, General Counsel and Corporate Secretary
Phyllis Anderson	57	Senior Vice President and Chief Marketing Officer
Steven Miller	59	Senior Vice President and Chief Medical Officer
Everett Neville	52	Senior Vice President, Supply Chain & Specialty
David Queller	48	Senior Vice President, Sales and Account Management
Neal Sample	42	Senior Vice President and Chief Information Officer
Glen Stettin	53	Senior Vice President, Clinical Research and New Solutions and Chief Innovation Officer
Sara Wade	47	Senior Vice President and Chief Human Resources Officer
Christopher McGinnis	45	Vice President, Chief Accounting Officer and Corporate Controller

Mr. Wentworth assumed the role of Chief Executive Officer on May 4, 2016 and has served as President of the Company since February 2014. Mr. Wentworth was elected a director of the Company in June 2015. From April 2012 to February 2014 he served as Senior Vice President and President, Sales and Account Management. Mr. Wentworth joined Express Scripts when the Company merged with Medco in April 2012. At Medco, he served as Group President, National and Key Accounts from October 2008 to April 2012, as Chief Executive Officer of Medco's Accredo Health Group subsidiary from March 2006 to October 2008 and as Group President - National Accounts from August 2003 to March 2006.

Mr. Slusser was named Executive Vice President and Chief Financial Officer of the Company in September 2015. Prior to joining Express Scripts, Mr. Slusser served as Executive Vice President, Chief Financial Officer and Treasurer of Gentiva Health Services, Inc., a provider of home healthcare services, from May 2010 to February 2015 and as Senior Vice President, Finance from October 2009 to May 2010. Mr. Slusser also previously served in various senior roles at Centene Corporation, including Executive Vice President, International Development from May 2009 to October 2009, Executive Vice President and Chief Financial Officer from July 2007 to May 2009, and Treasurer from February 2008 to July 2009. Prior to joining Centene Corporation, Mr. Slusser served as Executive Vice President, Finance, Chief Accounting Officer and Controller of Cardinal Health, Inc. from 2006 to 2007.

Ms. Houston was named Executive Vice President and Chief Operations Officer in December 2016 and previously served as Senior Vice President, Operations from February 2014 to December 2016. From February 2012 to February 2014, she served as Senior Vice President, Pharma and Retail Relations and from January 2009 to February 2012, she served as Vice President/General Manager, Operations. Ms. Houston joined Express Scripts in September 1997 and has served in various leadership positions in Information Technology and Operations.

Mr. Akins was named Senior Vice President and General Counsel in October 2015 and has served as Corporate Secretary since May 2013. Mr. Akins also served as Vice President and Deputy General Counsel from February 2010 to October 2015 and as Vice President and Associate General Counsel from December 2008 to February 2010. Mr. Akins joined the Company in February 2001 as Associate General Counsel. Prior to joining Express Scripts, Mr. Akins was a Shareholder at Polsinelli PC.

Ms. Anderson was named the Company's Chief Marketing Officer in December 2013 and has also served as a Senior Vice President since October 2015. Prior to joining Express Scripts, Ms. Anderson served as Vice President, Marketing at Humana Insurance Company from March 2005 to October 2013. Ms. Anderson also served as Vice President, Strategic Initiatives - Consumer Real Estate at Bank of America and Director, Market Brand and Strategy at Duke Energy Corporation.

Dr. Miller was named Senior Vice President and Chief Medical Officer in October 2007. Dr. Miller joined Express Scripts in April 2005 as Vice President, Research and Product.

Mr. Neville was named Senior Vice President, Supply Chain in March 2015 and assumed the role of Senior Vice President, Supply Chain & Specialty in November 2016. From March 2009 to March 2015 he served as Vice

President, Pharma Strategy and Contracting. Mr. Neville has been with the Company for over 17 years. Prior to joining Express Scripts, Mr.

Table of Contents

Neville served in multiple clinical settings, including hospital and managed care, as a benefit consultant, pharmacist and pharmacy director.

Mr. Queller was named Senior Vice President, Sales and Account Management in July 2014. Prior to joining Express Scripts, he served in a number of senior leadership positions at Aetna, Inc., a healthcare benefits company, including Senior Vice President, National Accounts from January 2013 to June 2014 and President of various national regions from May 2005 to January 2013. Mr. Queller joined Aetna Inc. in October 2000.

Dr. Sample was named Senior Vice President and Chief Information Officer of the Company in February 2016. Prior to joining Express Scripts, Dr. Sample served as President, Enterprise Growth at American Express, a global services, payments and travel company, from August 2014 to February 2016, as Chief Information Officer, Enterprise Growth at American Express from April 2012 to August 2014, as Chief Technology Officer, Commerce from May 2011 to April 2012 and as Vice President, Architecture, Technology Product Management at eBay from September 2010 to May 2011. He also served in various roles of increasing responsibility at Yahoo! from 2004 to 2010.

Dr. Stettin was named Chief Innovation Officer in October 2015 and has also served as Senior Vice President, Clinical Research and New Solutions since April 2012. Dr. Stettin joined Express Scripts when the Company merged with Medco in April 2012, where he previously served as Chief Medical Officer from December 2010 to April 2012 and as Senior Vice President from July 2003 to April 2012. After joining Medco in 1995, Dr. Stettin held a number of leadership positions in several functional areas, including product, technology, clinical and operations.

Ms. Wade was named Senior Vice President and Chief Human Resources Officer in December 2010 and previously served as Vice President, Compensation and Benefits from June 2009 to December 2010. Prior to joining Express Scripts, she served at Coca Cola Enterprises as Corporate Vice President, Compensation and Benefits from April 2008 to June 2009 and at Patriot Coal Corporation as Senior Vice President, Human Resources from November 2007 to April 2008.

Mr. McGinnis was named Vice President, Chief Accounting Officer, and Controller in September 2015. Previously, Mr. McGinnis served as Vice President, Finance and Investor Relations from August 2014 to August 2015, as Vice President, Legal and Business Development from April 2012 to July 2014, and as Assistant General Counsel from April 2010 to April 2012. Prior to joining Express Scripts in March 2008, Mr. McGinnis held various accounting, finance, legal and business development roles.

Available Information

We make available through our website (www.express-scripts.com) access to our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, all amendments to those reports (when applicable) and other filings with the SEC. Such access is free of charge and is available as soon as reasonably practicable after such information is filed with the SEC. In addition, the SEC maintains an Internet site (www.sec.gov) containing reports, proxy and information statements, and other information regarding issuers filing electronically with the SEC (which includes us). Information included on our website is not part of this annual report.

Forward-Looking Statements and Associated Risks

Information we have included or incorporated by reference in this Annual Report on Form 10-K, and information which may be contained in our other filings with the Securities and Exchange Commission (the “SEC”) and our press releases or other public statements, contains or may contain forward-looking statements. These forward-looking statements include, among other things, statements of our plans, objectives, expectations (financial or otherwise) or intentions.

Our forward-looking statements involve risks and uncertainties. Our actual results may differ significantly from those projected or suggested in any forward-looking statements. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Any number of factors could cause our actual results to differ materially from those contemplated by any forward-looking statements, including, but not limited to, the risks associated with the following:

- our ability to remain profitable in a very competitive marketplace depends upon our continued ability to attract and retain clients while maintaining our margins, differentiate our products and services from those of our competitors, and develop and cross-sell new products and services to our existing clients

- our failure to anticipate and appropriately adapt to changes or trends within the rapidly changing healthcare industry

Table of Contents

- changes in applicable laws, rules or regulations, or their interpretation or enforcement, or the enactment of new laws, rules or regulations, which apply to our business practices (past, present or future) or require us to spend significant resources for compliance
- a failure in the security or stability of our technology infrastructure, or the infrastructure of one or more of our key vendors
- our failure to execute on, or other issues arising under, certain key client contracts
- significant changes within the pharmacy provider marketplace, including the loss of or adverse change in our relationship with one or more key pharmacy providers
- changes to the healthcare industry designed to manage healthcare costs or alter healthcare financing practices or changes to government policies in general
- a significant failure or disruption in service within our operations or the operations of our vendors
- changes relating to Medicare Part D, our failure to comply with CMS regulatory requirements, our failure to comply with CMS contractual requirements applicable to us as a Medicare Part D PDP sponsor or our failure to otherwise execute on our strategies related to Medicare Part D
- our failure to effectively execute on strategic transactions or successfully integrate the business operations or achieve the anticipated benefits from any acquired businesses
- a failure to adequately protect confidential health information received and used in our business operations
- the termination, loss, or an unfavorable modification, of our relationship with one or more key pharmaceutical manufacturers, or the significant reduction in payments made or discounts provided by pharmaceutical manufacturers
- results in pending and future litigation, investigations or other proceedings which could subject us to significant monetary damages or penalties and/or require us to change our business practices, or the costs incurred in connection with such proceedings
- our failure to attract and retain talented employees, or to manage succession and retention for our Chief Executive Officer or other key executives
- changes in drug pricing or industry pricing benchmarks
- the impact of our debt service obligations on the availability of funds for other business purposes, the terms of and our required compliance with covenants relating to our indebtedness and our access to the credit markets in general
- the delay, reduction, suspension or cancellation of government spending or appropriations relating to our business
- general economic conditions
- other risks described from time to time in our filings with the SEC

You should carefully consider these and other relevant factors, including those risk factors in “Part I — Item 1A — Risk Factors” in this Annual Report and any other information included or incorporated by reference in this Report, and information which may be contained in our other filings with the SEC, when reviewing any forward-looking statement. We note these factors for investors as permitted under the Private Securities Litigation Reform Act of 1995. Investors should understand it is impossible to predict or identify all such factors or risks. As such, you should not consider either foregoing lists, or the risks identified in our SEC filings, to be a complete discussion of all potential risks or uncertainties.

Item 1A — Risk Factors

We operate in a very competitive industry, which could compress our margins and impair our ability to attract and retain clients. Our failure to effectively differentiate our products and services from those of our competitors could magnify the impact of the competitive environment.

We operate in a highly competitive environment and an industry subject to significant market pressures brought about by customer demands, legislative and regulatory developments and other market factors. We must remain competitive to attract new clients and retain and cross-sell additional products and services to our existing clients. Strong competition in the PBM marketplace has generated greater client demand for lower pricing, increased revenue sharing and enhanced product and

Table of Contents

service offerings. These competitive factors have historically applied pressure on our operating margins and caused many PBMs, including us, to reduce the prices charged for core products and services while sharing a greater portion of the formulary fees and related revenues received from pharmaceutical manufacturers with clients. We cannot assume positive trends will offset these pressures in the future. Our inability to maintain positive trends, or failure to identify and implement new ways to mitigate pricing pressures, could negatively impact our ability to attract or retain clients or sell additional services, which could negatively impact our margins and have a material adverse effect on our business and results of operations.

In addition, our clients are well informed and organized and can easily move between our competitors and us as our client contracts generally have terms of three years. Many clients work through knowledgeable consultants and our larger clients typically seek competing bids from our competitors prior to contract expiration. 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, which could materially and adversely affect our business and results of operations.

To succeed in the highly competitive PBM marketplace, it is imperative we maintain a strong reputation as well as differentiate our business offerings by innovating and delivering products and services that demonstrate enhanced value to our clients, particularly in response to market changes from public policy. The negative reputational impact of a significant event, including a failure to execute on client contracts or to successfully operate the complex structure of our business or otherwise innovate and deliver products and services that demonstrate greater value to our clients, could, therefore, affect our ability to grow and retain profitable clients, which could have a material adverse effect on our business and results of operations.

The delivery of healthcare-related products and services is an evolving and rapidly changing industry. Our failure to anticipate or appropriately adapt to changes or trends within the industry could have a negative impact on our ability to compete and adversely affect our business and results of operations.

We have designed our business model to compete within the current industry structure. Our client contracts generally have terms of three years and our pharmaceutical manufacturer and retail contracts are typically non-exclusive and terminable on relatively short notice by either party. Any significant shifts in the structure of the PBM industry or the healthcare products and services industry in general could alter the industry dynamics and adversely affect our ability to attract or retain clients. Such industry shifts could result from, among other things:

- a large intra- or inter-industry merger or industry consolidation;
- strategic alliances;
- a new entrant (including foreign entities or governments);
- a new or alternative business model;
- changes in the United States Postal Service or the consolidation of shipping carriers;
- an increased ability of consultants to influence the market;
- increased drug acquisition cost or unexpected changes to drug pricing trend;
- changes in the generic drug market or the failure of new generic drugs to come to market;
- rapid technological shifts;
- the impact or unintended consequences of the Health Reform Laws, or significant changes or material amendment thereof; or
- a general decrease in drug utilization.

Our failure to anticipate or appropriately adapt to changes in the industry could negatively impact our competitive position and adversely affect our business and results of operations.

In addition, the healthcare industry has undergone periods of substantial consolidation and may continue to consolidate in the future. If one or more of our clients is acquired, and the acquiring entity is not a client, then we may be unable to retain all or a portion of the acquired business. If such consolidation activity, individually or in the aggregate, is material, it could have a material adverse effect on our business and results of operations.

Table of Contents

Changes in our regulatory environment or failure to comply with applicable laws could require us to make significant changes to our business operations, spend significant resources or result in the imposition of fines or penalties.

Numerous state and federal laws, rules and regulations affect our business and operations and include, among other things, the following:

- healthcare fraud and abuse laws and regulations, which prohibit certain types of payments and referrals as well as false claims made in connection with health benefit programs;
- ERISA and related regulations, which regulate many aspects of healthcare plan arrangements;
- state legislation regulating PBMs or imposing fiduciary status on PBMs;
- consumer protection and unfair trade practice laws and regulations;
- network pharmacy access laws, including "any willing provider" legislation, which affect aspects of our pharmacy network contracts;
- wholesale distributor laws;
- legislation imposing benefit plan design restrictions and requirements, which limit how our clients can design their drug benefit plans;
- various licensure laws, such as managed care and third-party administrator licensure laws;
- drug pricing legislation, including "most favored nation" pricing;
- pharmacy laws and regulations, including laws and regulations regarding delivery channels;
- FDA laws and regulations, including laws and regulations regarding biosimilars;
- laws and regulations regarding formularies and drug lists, including without limitation laws and regulations regarding the development, administration and review of formularies;
- state insurance regulations applicable to our insurance subsidiaries;
- information privacy and security laws and regulations, including those under the HIPAA omnibus rule;
- Medicare prescription drug program participation requirements including coverage standards and beneficiary protections;
- other Medicare and Medicaid reimbursement regulations, including subrogation;
- the Health Reform Laws, including regulations applicable to clients operating qualified health plans through the state and federal marketplace;
- federal laws related to our Department of Defense contract;
- federal antitrust laws;
- the Foreign Corrupt Practices Act;
- environmental and health and safety laws and regulations, including without limitation laws and regulations regarding hazardous materials and laws and regulations enacted by the Occupational Safety and Health Administration;
- international laws; and
- labor laws and regulations with respect to our employees and contractors.

See "Part I — Item 1 — Business — Government Regulation and Compliance" for more detailed description of certain items listed above.

We believe we operate our business in substantial compliance with all existing material legal requirements. However, significant uncertainties exist regarding the application of many of these laws, rules and regulations to our business. From time to time, state and federal law enforcement agencies and regulatory agencies have initiated investigations or litigation involving certain aspects of our business or our competitors' businesses and, consequently, we cannot provide any assurance that one or more of these agencies will not interpret or apply these legal requirements in a manner adverse to our business, or, if there is an enforcement action brought against us, that our interpretation would prevail. In addition, there are numerous proposed new laws, rules and regulations as well as proposed revisions to existing laws, rules and regulations at the federal and state levels, including significant changes to the Health Reform Laws, many of which could materially affect aspects of our business or adversely affect our results of operations. We are unable to predict whether additional federal or state legislation or regulatory

19

Table of Contents

initiatives relating to the matters described above or to our business or the healthcare industry in general will be enacted in the future or what effect, if any, such legislation or regulations may have on us. Due to these uncertainties, we may be required to spend significant resources in connection with any such investigation or litigation or to comply with new or existing laws and regulations.

In addition, the laws, rules and regulations to which we are subject, including those related to our financial statements and financial disclosure, are complex and require significant resources to remain compliant. Any substantial non-compliance with such legal and regulatory requirements could result in significant fines and penalties or a restatement of our financial statements, which could adversely affect our business and results of operations.

Various governmental agencies have conducted investigations and audits into certain PBM business practices. Many of these investigations and audits have resulted in other PBMs agreeing to civil penalties, including the payment of money and corporate integrity agreements. We cannot predict what effect, if any, such governmental investigations and audits may ultimately have on us or on the PBM industry in general (see “Part I — Item 3 — Legal Proceedings”). However, we may experience additional government scrutiny and audit activity which may result in the payment or offset of prior reimbursement from the government.

From time to time, legislation is considered that would purport to declare a PBM a fiduciary with respect to its clients. While the validity of such laws is questionable and we do not believe any such laws are currently in effect, we cannot predict what effect, if any, such statutes, if enacted, may have on our business and financial results.

Our ability to conduct operations depends on the security and stability of our technology infrastructure as well as the effectiveness of, and our ability to execute, business continuity plans across our operations. A failure in the security of our technology infrastructure or a significant disruption in service within our operations could materially adversely affect our business and results of operations.

We maintain, and are dependent on, a technology infrastructure platform essential for many aspects of our business operations. We have many different information systems and it is imperative we securely store and transmit confidential data, including personal health information, while maintaining the integrity of our confidential information. Any failure to protect against a security breach or a disruption in service could negatively impact our reputation and materially adversely impact our business operations and results of operations. Our technology infrastructure platform requires significant resources to maintain and enhance systems to keep pace with rapid technological change as well as evolving industry and regulatory standards. Emerging and advanced security threats, including coordinated attacks, require additional layers of security which may disrupt or impact efficiency of operations. From time to time, we may obtain significant portions of our systems-related or other services or facilities from independent third parties, which may make our operations vulnerable to such third parties’ failure to adequately perform or protect against a security breach or service disruption. In the event our vendors or we experience:

- a malfunction in business processes
- security breaches (including cyber attacks)
- failure to maintain effective and up-to-date information systems or
- otherwise experience unauthorized or non-compliant actions by any individual

we could incur disruptions to our business operations or negative impacts to patient safety, customer and member disputes, damage to our reputation, exposures to risk of loss, litigation or regulatory violations, increased administrative expenses or other adverse consequences.

We operate dispensing pharmacies, call centers, data centers and corporate facilities that depend on the security and stability of our technology infrastructure. Our technology infrastructure could be disrupted by any number of events including a general failure of the technology, security breach, malfunction of business process or a disaster or other catastrophic event. Such disruptions could, temporarily or indefinitely, significantly reduce, or partially or totally eliminate our ability to process and dispense prescriptions and provide products and services to our clients and members. Any such service disruption at these facilities or to this infrastructure or our failure to implement adequate business continuity and disaster recovery strategies could have a material adverse effect on our business and results of operations.

A substantial portion of our business is concentrated in certain significant client contracts. The termination or renegotiation of a significant client contract or our failure to execute on or other issues arising under, such contracts or

conditions or trends impacting certain of our key clients could adversely affect our business and results of operations.
As described in greater detail in the description of our business in Item 1 above (see “Part I — Item 1 — Business — Clients”), we have contracts with Anthem, Inc. (“Anthem”) and the United States Department of Defense (“DoD”). These two clients collectively represented 29% of our revenues during both 2016 and 2015.

Table of Contents

If one or more of our large clients either terminates or does not renew a contract for any reason or if the provisions of a contract with a large client are modified, renewed or otherwise changed with terms less favorable to us and if we are not able to replace lost business or revenue by generating new business that is comparably profitable to us or by executing other corporate strategies, our results of operations could be materially adversely affected and we could experience a negative reaction in the investment community resulting in stock price declines or other adverse effects.

Anthem has filed a lawsuit against us setting forth certain allegations and claims for relief with respect to our pharmacy benefit management agreement with Anthem (see Part I - Item 3 - Legal Proceedings). While we believe Anthem's lawsuit is without merit, litigation and the potential outcome cannot be accurately or effectively predicted and at this time we are unable to provide a timetable or an estimate as to the potential outcome of this matter, which could result in a material adverse effect on our business and results of operations. Regardless of the outcome of the Anthem litigation, this lawsuit and the claims alleged in the lawsuit may adversely affect our relationship with Anthem and our ability to renew our pharmacy benefit management agreement with Anthem, which terminates in accordance with its terms at the end of 2019. Anthem may choose not to renew its contract or, if we do enter into a new contract with Anthem, it would likely be on terms less favorable to us than our current contract. Anthem's decision whether to enter into a new contract with us, the terms of any new contract and the impact of non-renewal or new contract terms on our business will depend on a number of factors that we cannot currently anticipate or control, and could result in a material adverse effect on our business and results of operations.

In addition, if certain of our key clients are negatively impacted by business conditions or other economic trends, or if such clients are acquired, consolidated or otherwise fail to successfully maintain or grow their business, our business and results of operations could be adversely impacted.

If significant changes occur within the pharmacy provider marketplace, or if other issues arise with respect to our pharmacy networks, including the loss of or adverse change in our relationship with one or more key pharmacy providers, our business and financial results could be impaired.

More than 69,000 retail pharmacies, which represent over 98% of all United States retail pharmacies, participated in one or more of our networks at December 31, 2016. The ten largest retail pharmacy chains represent approximately 66% of the total number of stores in our largest network. In certain geographic areas of the United States, our networks may be comprised of higher concentrations of one or more large pharmacy chains. Contracts with retail pharmacies are generally non-exclusive and are terminable on relatively short notice by either party. If one or more of the larger pharmacy chains terminates its relationship with us, or is able to renegotiate terms that are substantially less favorable to us, our members' access to retail pharmacies and/or our business could be materially adversely affected. In addition, the entry of one or more large pharmacy chains into the PBM business in addition to the current pharmacy chain competitors, the consolidation of existing pharmacy chains or increased leverage or market share by the largest pharmacy providers, could increase the likelihood of negative changes in our relationship with such pharmacies. Changes in the overall composition of our pharmacy networks, or reduced pharmacy access under our networks, could have a negative impact on our claims volume and/or our competitiveness in the marketplace, which could cause us to fall short of certain guarantees in our contracts with clients or otherwise impair our business or results of operations.

Changes to government policies, including policies designed to manage healthcare costs or other healthcare financing practices could adversely impact our business and results of operations.

From time to time, certain legislative and/or regulatory proposals are made which seek to manage the healthcare industry, including managing prescription drug cost, regulating drug distribution and managing health records. Such proposals include, but are not limited to, "single-payer" government funded healthcare, changes in reimbursement rates, restrictions on access or therapeutic substitution, limits on more efficient delivery channels, taxes on goods and services, price controls on prescription drugs, incentivizing the use of electronic health records, regulating the use of maximum allowable cost pricing and other significant healthcare reform proposals. In addition, changes to government policies not specifically targeted to the healthcare industry, such as an increase in the corporate tax rate or government spending cuts, could have significant impacts on the PBM marketplace. We are unable to predict whether any such policies or proposals will be enacted, or the specific terms thereof. Certain of these policies or proposals could, if enacted, adversely impact our business and results of operations.

A significant disruption in service within our operations or among our key suppliers or other third parties could materially adversely affect our business and results of operations.

Our business is dependent on a number of different operations, products and processes, many of which involve third parties. A disruption in our business operations could result from, among other things, contamination of drugs or a failure to maintain appropriate shipment and storage conditions (such as temperature), an error in mail order processing, the unavailability of services or products (including drugs) provided by suppliers, pharmaceutical manufacturers, vendors or shipping carriers, labor disruptions, or unanticipated disruptions at our mail order facilities, call centers, data centers or

Table of Contents

corporate facilities. Such disruptions or our failure to implement adequate business continuity and disaster recovery strategies could, temporarily or indefinitely, significantly reduce, or partially or totally eliminate our ability to process and dispense prescriptions and provide products and services to our clients and members, which could have a material adverse effect on our business and results of operations.

Regulatory changes relating to Medicare Part D, our failure to comply with CMS regulatory requirements, our failure to comply with CMS contractual requirements applicable to us as a Medicare Part D sponsor or our failure to otherwise execute on our strategies related to Medicare Part D, could adversely impact our business and our results of operations.

Certain of our subsidiaries have been approved to function as a Medicare Part D sponsor for the purpose of making Medicare Part D EGWPs available for eligible clients and certain of our subsidiaries have been approved by CMS to participate in Medicare Part D as national Medicare Part D sponsors that provide direct services to Medicare Part D eligible members. Accordingly, certain subsidiaries are required to comply with federal Medicare Part D laws and regulations and are also required to be licensed as insurers or may otherwise be subject to aspects of state laws regulating the business of insurance. The administration of Medicare Part D is complex and any failure to effectively execute the provisions of Medicare Part D may have an adverse effect on our business and our results of operations. We also provide other products and services in support of our clients' Medicare Part D plans or federal Retiree Drug Subsidy plans. We have made, and may be required to make further, substantial investments in the personnel and technology necessary to administer our Medicare Part D strategy and operations. There are many uncertainties about the financial and regulatory risks of participating in Medicare Part D, and we can give no assurance these risks will not materially adversely impact our business and results of operations. The receipt of federal funds made available through Medicare Part D by our affiliates, our clients or us is subject to compliance with, among others, the Medicare regulations and established laws and regulations governing the federal government's payment for healthcare goods and services, including the anti-kickback laws and the federal False Claims Act. If we do not comply with material contractual or regulatory obligations, including, for example, during CMS audits or client audits in cases where we provide PBM services to client Medicare Part D sponsors, recoupment, monetary penalties and/or applicable sanctions, including suspension of enrollment and marketing or debarment from participation in Medicare programs, could be imposed. Further, the adoption or promulgation of new or more complex regulatory requirements or changes in the interpretation of existing regulatory requirements, in each case, associated with Medicare may require us to incur significant compliance-related costs which could adversely impact our business and our results of operations. In addition, due to the availability of Medicare Part D, some of our employer clients may stop providing pharmacy benefit coverage to retirees, instead allowing retirees to choose their own Medicare Part D plans, which could cause a reduction in utilization for our services. Extensive competition among Medicare Part D plans could also result in the loss of Medicare members by our managed care customers, which would cause a decline in our membership base. Further, certain of our Medicare Part D product offerings require premium payment from members for the ongoing benefit, as well as amounts due from CMS, and as a result of demographics and the potential magnitude and timing of settlement for amounts due from CMS, these accounts receivable are subject to billing and realization risk in excess of what is experienced in the core PBM business.

We have historically engaged in strategic transactions, including the acquisition of other companies or businesses, and may engage in similar transactions in the future. Our failure to effectively execute on such transactions or to integrate any acquired businesses could adversely impact our business and results of operations. The acquisition and integration of any such business typically generates significant transaction costs, requires significant resources and management attention and might not generate the anticipated benefits.

We have historically engaged in strategic transactions, including the acquisition of other companies and businesses. These transactions typically involve the integration of core business operations and technology infrastructure platforms that require significant resources and management attention and, among other things, risk client service disruption. Strategic transactions, including the pursuit of such transactions, often require us to incur significant up-front costs. These costs are typically non-recurring expenses related to the assessment, due diligence, negotiation and execution of the transaction. We may also incur additional costs to retain key employees as well as transaction fees and costs related to executing our integration plans. A failure or significant delay in the integration process could

have a material adverse effect on our client service or our business and results of operations. In addition, such transactions may yield higher operating costs, greater customer attrition or more significant business disruption than anticipated. Further, even if the integration is successful, there can be no assurance a transaction will result in the realization of the expected benefits of synergies, cost savings, innovation and operational efficiencies, or that any realized benefits will be achieved within the anticipated time frame or an otherwise reasonable period of time.

Table of Contents

Our business operations involve the substantial receipt and use of confidential health information concerning individuals, and a failure to adequately protect such information could have a material adverse effect on our business and results of operations.

Most of our activities involve the receipt or use of protected health information concerning individuals. We also use aggregated and anonymized data for research and analysis purposes, and in some cases, provide access to such data to pharmaceutical manufacturers and third-party data aggregators and analysts. There is substantial regulation at the federal and state levels addressing the use, disclosure and security of patient identifiable health information. At the federal level, HIPAA imposes extensive requirements governing the transmission, use and disclosure of health information by all participants in the health care industry, including physicians, hospitals, insurers and other payors. Failure to comply with standards issued pursuant to federal or state statutes or regulations may result in criminal penalties and civil sanctions. In addition to these regulations, future regulations and legislation that severely restrict or prohibit our use of patient 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 protected health information, 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.

If we lose our relationship with one or more key pharmaceutical manufacturers, or if the payments made or discounts provided by pharmaceutical manufacturers decline, our business and results of operations could be adversely affected.

We maintain contractual relationships with numerous pharmaceutical manufacturers, which provide us with, among other things:

- discounts for drugs we purchase to be dispensed from our home delivery pharmacies;
- rebates based on distributions of drugs from our home delivery pharmacies and through pharmacies in our retail networks;
- administrative fees for managing rebate programs, including the development and maintenance of formularies that include the particular manufacturer's products; and
- access to limited distribution specialty pharmaceuticals.

The consolidation of pharmaceutical manufacturers, the termination or material alteration of our contractual relationships, or our failure to renew such contracts on favorable terms could have a material adverse effect on our business and results of operations. In addition, formulary fee programs have been the subject of debate in federal and state legislatures and various other public and governmental forums. Adoption of new laws, rules or regulations or changes in, or new interpretations of, existing laws, rules or regulations, relating to any of these programs could materially adversely affect our business and results of operations.

Pending and future litigation, investigations or other proceedings could subject us to significant monetary damages or penalties and/or require us to change our business practices, which could have a material adverse effect on our business and results of operations.

We are subject to risks relating to pending and future litigation, enforcement action, regulatory proceedings, government inquiries and investigations and other similar actions in connection with our business operations, including without limitation the dispensing of pharmaceutical products by our specialty and home delivery pharmacies, services rendered in connection with our disease management offerings, our pharmaceutical services operations, pharmacy benefit management services and mergers and acquisitions and other strategic activity. These proceedings seek unspecified monetary damages and/or equitable relief. While we believe these pending proceedings are without merit and intend to contest them vigorously, we cannot predict with certainty the outcome of any such proceedings. If one or more of these proceedings or any future proceeding has an unfavorable outcome, we cannot provide any assurance it would not have a material adverse effect on our business and results of operations, including our ability to attract and retain clients as a result of any negative reputational impact of such an outcome. Further, while certain costs are covered by insurance, we may incur uninsured costs that are material to our financial performance in the defense of such proceedings. See Part I - Item 3 - Legal Proceedings for a description of pending proceedings.

Commercial liability insurance coverage continues to be difficult to obtain for companies in our business sector, due to the volatility in premiums and/or retention requirements dictated by insurance carriers. We have established certain self-insurance accruals to cover anticipated losses within our retained liability for previously reported claims and the cost to defend these claims. However, there can be no assurance such accruals will cover actual losses or that general, professional, managed care errors and omissions, and/or other liability insurance coverage will be reasonably available in the future or such insurance coverage, together with our self-insurance accruals, will be adequate to cover future claims. A claim, or claims, in excess of our insurance coverage could have a material adverse effect on our business and results of operations.

Table of Contents

We face significant competition in attracting and retaining talented employees. Further, managing succession and retention for 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 a qualified and experienced workforce 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, including the role of Chief Executive Officer, 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.

Changes in drug pricing or industry pricing benchmarks could materially impact our financial performance.

Contracts in the prescription drug industry, including our contracts with retail pharmacy networks and with PBM and specialty pharmacy clients, generally use “average wholesale price” or “AWP,” which is published by a third party, as a benchmark to establish pricing for prescription drugs. In the event AWP is no longer published by third parties, we adopt other pricing benchmarks for establishing prices within the industry or future changes in drug prices substantially deviate from our expectations, we can give no assurance the short- or long-term impact of such changes to industry pricing benchmarks or drug prices will not have a material adverse effect on our business and results of operations.

Legislation and other regulations affecting drug prices are described in more detail under “Part I — Item 1 — Business — Government Regulation and Compliance — Legislation and Regulation Affecting Drug Prices” above.

Our debt service obligations reduce the funds available for other business purposes, and the terms and covenants relating to our indebtedness could adversely impact our financial performance and liquidity. Our inability to access the credit markets for any reason could have a material adverse effect on our business and results of operations.

We currently have debt outstanding, including indebtedness of ESI and Medco guaranteed by us. Our debt service obligations reduce the funds available for other business purposes. Increases in interest rates on variable rate indebtedness would increase our interest expense and could materially adversely affect our financial results. At December 31, 2016, we had $2,775.0 million of gross obligations under our credit agreement which were subject to variable rates of interest. A hypothetical increase in interest rates of 1% would result in an increase in annual interest expense of approximately $27.8 million (pre-tax), assuming obligations subject to variable interest rates remained constant.

We are subject to risks normally associated with debt financing, such as the insufficiency of cash flow to meet required debt service payment obligations and the inability to refinance existing indebtedness. In addition, certain of our debt instruments contain covenants which include limitations or qualifications on our ability to incur additional indebtedness, initiate or permit liens on assets, and engage in mergers, consolidations or disposals. The covenants under our credit agreement also include, among other things, a maximum leverage ratio. If we fail to satisfy one or more of these debt covenants, we would be in default and may be required to repay such debt with capital from other sources or otherwise not be able to draw down against our revolving credit facility. Under such circumstances, other sources of capital may not be available to us, or be available only on unattractive terms. Our inability to refinance existing indebtedness or otherwise access the credit markets for any reason, whether due to market conditions or otherwise, could have a material adverse effect on our business and results of operations. See Note 5 - Financing to our consolidated financial statements included in “Part II — Item 8” of this Annual Report on Form 10-K.

A delay, reduction, suspension or cancellation of government spending or appropriations could have a material adverse effect on our business and results of operations.

Certain of our revenues are ultimately sourced from government spending and appropriated funds. The failure to provide for continued appropriations or regular ongoing scheduled payments to us could have a material adverse effect on our business and results of operations.

24

Table of Contents

We face risks associated with general economic conditions.

The state of the economy and various economic factors, including inflation, can have a significant impact on our business and results of operations. An unfavorable or uncertain economic environment could significantly and adversely affect our businesses and profitability and generate the following risks to our business:

- clients, employers and other benefit providers served by us and our clients may reduce or slow the growth of their workforce or covered membership, or may elect to discontinue or diminish provided benefits, which could reduce the number of members we serve;
- consumers may be less willing or able to incur healthcare related expenses, whether due to personal economic circumstances, reduction in the level of the healthcare benefit provided to the consumer or otherwise, which would result in lower than anticipated utilization of our services;
- our clients, or potential clients, may increase demands and expectations with respect to pricing, rebates or service levels (including with respect to performance guarantees), which could impact our margins or our ability to obtain new clients or retain existing clients; and
- our clients, or potential clients, may be less willing to purchase additional products and services from us, which could negatively impact our financial performance.

Unfavorable and uncertain economic conditions may also cause disruptions in the credit markets, which could increase our cost of borrowing or make credit unavailable on acceptable terms to the extent we need additional funds. Such developments may adversely affect our business and results of operations.

Item 1B — Unresolved Staff Comments

There are no unresolved written comments received from the SEC Staff 180 days or more before the end of our fiscal year relating to our periodic or current reports under the Securities Exchange Act of 1934.

Item 2 — Properties

We operate our PBM and Other Business Operations segments out of leased and owned facilities throughout the United States, Canada and Europe. As of December 31, 2016, we owned or leased the following:

	PBM	Other Business Operations
Domestic	92	15
Foreign	7	5

Our existing facilities comprise approximately 5.7 million square feet in aggregate.

Our St. Louis, Missouri facility houses our corporate headquarters and accommodates our executive and corporate functions. Our PBM home delivery pharmacy operations consist of eight order processing pharmacies located throughout the United States, as well as eight contact centers and five mail order dispensing pharmacies. We also have seven specialty pharmacy home delivery pharmacies and 36 specialty branch pharmacies. We believe our facilities generally have been well maintained, are in good operating condition and have adequate capacity to meet our current business needs.

Item 3 – Legal Proceedings

We and/or our subsidiaries are defendants in a number of lawsuits. We cannot ascertain with any certainty at this time the monetary damages or injunctive relief that any of the plaintiffs may recover. We also cannot provide any assurance the outcome of any of these matters, or some number of them in the aggregate, will not be materially adverse to our financial condition, results of operations, cash flows or business prospects. In addition, the expenses of defending these cases may have a material adverse effect on our financial results. See further discussion at Note 9 - Commitments and contingencies to our consolidated financial statements included in “Part II — Item 8” of this Annual Report on Form 10-K.

These matters are:

- Jerry Beeman, et al. v. Caremark, et al. (United States District Court for the Central District of California, Case No.021327) (filed December 2002). A complaint was filed against Express Scripts (for the purposes of this Item 3, “ESI”), NextRX LLC f/k/a Anthem Prescription Management LLC, Medco Health Solutions, Inc. (for purposes of this Item 3, “Medco”) and several other pharmacy benefit management companies by several California pharmacies as a

putative class action, alleging rights to sue as a private attorney general under California law. Plaintiffs allege ESI

25

Table of Contents

and the other defendants failed to comply with statutory obligations under California Civil Code Section 2527 to provide California clients with the results of a bi-annual survey of retail drug prices, and seek money damages. In July 2004, the case was dismissed with prejudice due to lack of standing. In June 2006, the United States Court of Appeals for the Ninth Circuit reversed the district court's opinion on standing and remanded the case. The defendants then filed a motion to dismiss on first amendment constitutionality grounds and following the district court's denial of the motion, defendants appealed to the Ninth Circuit. In March 2014, following a determination by the California Supreme Court that California Civil Code Section 2527 does not infringe upon state constitutional free speech protections, the Ninth Circuit remanded the case to the district court for further proceedings. Defendants' objections based on plaintiffs' lack of standing and the unconstitutionality of the California law due to defendants' first amendment rights were rejected by the courts and appeals were exhausted. Plaintiffs also filed a motion for class certification in 2007 that was not fully briefed until August 2016. On August 26, 2016, defendants filed a motion to deny class certification. On November 14, 2016, the district court denied plaintiffs' motion for class certification, holding that the proposed class representatives and counsel were inadequate to represent a class.

In re: PBM Antitrust Litigation (United States District Court for the Eastern District of Pennsylvania). The following two cases involving the Company were transferred to the United States District Court for the Eastern District of Pennsylvania before the Judicial Panel on Multi-District Litigation in August 2006: (i) Brady Enterprises, Inc., et al. v. Merck & Co., Inc. and Medco Health Solutions, Inc. (United States District Court for the Eastern District of Pennsylvania) (filed August 2013); and (ii) North Jackson Pharmacy, Inc., et al. v. Medco Health Solutions, Inc., et al. (United States District Court for the Northern District of Alabama), consolidated with North Jackson Pharmacy, Inc., et al. v. Express Scripts, Inc., et al. (United States District Court for the Northern District of Alabama) (filed in October 2003). The Brady case, filed against Merck and Medco, was filed by plaintiffs seeking class certification of retail pharmacies and included allegations that defendants conspired with, acted as the common agents for, and used the combined bargaining power of plan sponsors to restrain competition in the market for the dispensing and sale of prescription drugs by engaging in various forms of anticompetitive conduct including, among other things, setting artificially low pharmacy reimbursement rates. The North Jackson case alleges that certain of ESI's and Medco's business practices violate the Sherman Antitrust Act and plaintiffs seek unspecified monetary damages, including treble damages and injunctive relief, on behalf of independent pharmacies within the United States. The North Jackson plaintiffs' motion for class certification against ESI and Medco was granted in March 2006. Following oral arguments on ESI's motion to decertify the class in 2007, the case remained dormant until April 2011, when it was reassigned to a new judge who ordered supplemental briefing. Oral argument of all defendants' class certification motions was heard in January 2012. On January 18, 2017, the court entered an order denying class certification in the Brady case and decertifying the class against ESI and Medco in the North Jackson case. On January 30, 2017, the Brady plaintiffs filed a motion requesting reconsideration of the court's denial of class certification. The Company filed a memorandum of law in opposition to the Brady plaintiffs' motion for reconsideration on February 13, 2017.

Anthem Litigation

- Anthem, Inc. v. Express Scripts, Inc. (United States District Court for the Southern District of New York) (filed March 21, 2016). Anthem, Inc. (for purposes of this Item 3, "Anthem") filed this lawsuit alleging various breach of contract claims against ESI relating to the parties' rights and obligations under the periodic pricing review section of the pharmacy benefit management agreement between the parties, including allegations that ESI failed to negotiate new pricing concessions in good faith, as well as various alleged service issues. Anthem requests the court enter declaratory judgment that ESI is required to provide Anthem competitive benchmark pricing, that Anthem can terminate the agreement, and that ESI is required to provide Anthem with post-termination services at competitive benchmark pricing for one year following any termination by Anthem. Anthem claims it is entitled to $13,000.0 million in additional pricing concessions over the remaining term of the agreement as well as $1,800.0 million for one year following any contract termination by Anthem, and $150.0 million in damages for service issues (for purposes of this Item 3, "Anthem's Allegations"). On April 19, 2016, in response to Anthem's complaint, ESI filed its answer denying Anthem's Allegations in their entirety and asserting affirmative defenses and counterclaims against Anthem. Among other things, ESI counterclaims that: (1) Anthem breached the agreement by failing to negotiate in good faith with respect to its own proposed new pricing terms; (2) Anthem breached the implied covenant of good faith and fair

dealing under the agreement by disregarding the terms of the transaction in which it negotiated and accepted a $4,675.0 million cash payment in 2009; (3) ESI is entitled to a declaratory judgment that Anthem does not have a contractual right to any change in pricing under the agreement, that ESI has no contractual obligation to ensure that Anthem is receiving any specific level of pricing, and that ESI's sole obligation is to negotiate in good faith over any pricing terms proposed by Anthem; (4) ESI is entitled to a declaratory judgment regarding the timing of when the periodic pricing review ripened under the agreement, such that the process begins on the dates provided in the agreement; (5) ESI is entitled to a declaratory judgment that Anthem does not have the right to terminate the agreement; and (6) in the alternative, Anthem has been unjustly enriched by the $4,675.0 million payment. Anthem

Table of Contents

filed a motion to dismiss two counts of ESI's amended counterclaims (items 2 and 6 as described above) on July 8, 2016, and the Company filed a brief in opposition on August 5, 2016, which has been fully briefed.

Anthem-related Securities Class Action Litigation

Melbourne Municipal Firefighters' Pension Trust Fund v. Express Scripts Holding Company, George Paz, Timothy Wentworth, Eric Slusser, David Queller, and James Havel (United States District Court for the Southern District of New York) (filed May 4, 2016). Plaintiff filed this putative securities class action complaint on behalf of all persons or entities that purchased or otherwise acquired the Company's publicly traded common stock between February 24, 2015 and March 21, 2016 (for purposes of this Item 3, "Securities Action"). Plaintiff adopts many of Anthem's Allegations in support of its claims that the Company and certain of its current and former officers violated Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 by carrying out a scheme to defraud the investing public, including but not limited to engaging in the following alleged activities: deceiving the investing public, causing plaintiff and class members to purchase the Company's stock at artificially inflated prices, making untrue statements of material fact and/or omitting to state material facts, and engaging in acts, practices, and a course of business that operated as a scheme to defraud the investing public into paying inflated prices for the Company's stock. Plaintiff seeks compensatory damages in favor of Plaintiff and other class members, attorneys' fees and costs, and equitable relief. On July 27, 2016, the court appointed the Teachers Insurance and Annuity Association of America as the lead plaintiff (for purposes of this Item 3, "Lead Plaintiff"). On August 15, 2016, the Company filed a motion to transfer venue to the Circuit Court of St. Louis County, Missouri, which was fully briefed as of September 8, 2016. Lead Plaintiff filed an amended class action complaint on October 14, 2016. The Company filed a motion to dismiss the amended class action complaint on December 7, 2016, on the grounds that Plaintiffs fail to allege scienter and fail to allege any actionable misstatements or omissions and plaintiffs filed a reply in opposition on February 7, 2017. On January 17, 2017, the Company filed a motion before the Judicial Panel on Multidistrict Litigation to transfer this case, along with the Anthem-related Shareholder Derivative Litigation and Anthem-related ERISA litigation discussed below to the United States District Court for the Eastern District of Missouri for consolidated or coordinated proceedings.

Anthem-related Shareholder Derivative Litigation

Missouri State Action (Circuit Court of St. Louis County, State of Missouri). The following three cases have been consolidated in Missouri state court: Abraham Neufeld, derivatively on behalf of nominal defendant Express Scripts Holding Company v. George Paz, Timothy Wentworth, Eric Slusser, David Queller, James M. Havel, Maura C. Breen, William J. DeLaney, Elder Granger, Nicholas J. LaHowchic, Thomas P. Mac Mahon, Frank Mergenthaler, Woodrow A. Myers, Jr., Roderick A. Palmore, William L. Roper, Seymour Sternberg, Gary Benanav, and Express Scripts Holding Company (filed June 6, 2016); Robert Jessup, derivatively on behalf of Express Scripts Holding Company v. Timothy Wentworth, Eric Slusser, David Queller, James M. Havel, Christopher A. McGinnis, Christopher K. Knibb, George Paz, Thomas P. Mac Mahon, Maura C. Breen, Woodrow A. Myers, Jr., William A. Roper, Roderick A. Palmore, Gary G. Benanav, Elder Granger, Seymour Sternberg, Nicholas J. LaHowchic, Frank Mergenthaler, William J. DeLaney, and Express Scripts Holding Company (filed June 29, 2016); and Richard Weisglas, derivatively on behalf of Express Scripts Holding Company v. Express Scripts Holding Company, George Paz, Maura C. Breen, Gary G. Benanav, William J. DeLaney, Elder Granger, Nicholas J. LaHowchic, Thomas P. Mac Mahon, Frank Mergenthaler, Woodrow A. Myers, Jr., Roderick A. Palmore, William L. Roper, Seymour Sternberg, Timothy Wentworth, Eric Slusser, David Queller, and James M. Havel (filed August 4, 2016). These cases were consolidated on December 21, 2016, and Plaintiffs have not yet filed a consolidated complaint or designated an operative complaint. Plaintiffs filed these stockholder derivative lawsuits alleging certain current and former officers and directors of the Company breached fiduciary duties and were unjustly enriched. Plaintiffs adopt many of Anthem's Allegations in support of their claims that the individual defendants breached fiduciary duties of loyalty, good faith, candor, and due care, which caused the Company to issue false and misleading statements regarding the Company's relationship with Anthem. Plaintiffs seek damages on behalf of the Company from the individual defendants, equitable relief, and attorneys' fees and costs.

- M. Scott Brewer, James E. Brown, Sr., Marcus Estlack, Keith McClanahan, Jeremy Jeffers, Glenn Jeffries, William Waterkotte, Andrew Wiseman, Denzil Malone and Gary R. Reed, in their capacities as Trustees for the Carpenters

Pension Fund of West Virginia, derivatively on behalf of Express Scripts Holding Company v. Maura C. Breen, William J. DeLaney, Elder Granger, Nicholas J. LaHowchic, Thomas P. Mac Mahon, Frank Mergenthaler, Woodrow A. Myers, Jr., Roderick A. Palmore, George Paz, William L. Roper, Seymour Sternberg, Christopher A. McGinnis, David Queller, Eric R. Slusser, Timothy Wentworth, Gary G. Benanav, James M. Havel, Christopher K. Knibb, and Express Scripts Holding Company (United States District Court for the Southern District of New York) (filed September 26, 2016). Plaintiffs filed this stockholder derivative lawsuit alleging certain current and former officers and directors of the Company breached fiduciary duties and were unjustly enriched. Plaintiffs adopt many of

Table of Contents

Anthem's Allegations in support of their claims that individual defendants breached fiduciary duties of loyalty, good faith, fair dealing, and candor, which caused the Company to issue false and misleading statements regarding the Company's relationship with Anthem and unjustly enriched individual defendants. Plaintiffs also assert a claim for corporate waste alleging the Company paid improper compensation, bonuses and other benefits to executives who breached their fiduciary duties to stockholders. Plaintiffs seek damages on behalf of the Company from the individual defendants, an accounting by the individual defendants for all damages, profits, special benefits and unjust enrichment, imposition of a constructive trust, judgment directing the Company to take all necessary actions to reform and improve its corporate governance and internal control procedures, punitive damages, and an award of attorneys' fees and costs.

- Randy Green v. George Paz, Timothy Wentworth, Eric Slusser, David Queller, James Havel, Maura Breen, William DeLaney, Elder Granger, Nicholas LaHowchic, Thomas Mac Mahon, Frank Mergenthaler, Woodrow Myers, Roderick Palmore, William Roper, Seymour Sternberg, and Express Scripts Holding Company (United States District Court for the Eastern District of Missouri) (filed December 7, 2016). Plaintiff filed this stockholder derivative lawsuit alleging certain current and former officers and directors of the Company breached fiduciary duties and were unjustly enriched. Plaintiff adopts many of Anthem's Allegations in support of his claims that individual defendants breached fiduciary duties of loyalty, good faith, fair dealing, and candor, which caused the Company to issue false and misleading statements regarding the Company's relationship with Anthem and for contribution to and indemnification of the Company in connection with all claims that have been, are, or may in the future be asserted against the Company because of the individual defendants' wrongdoing.

Anthem-related ERISA Litigation

- In re Express Scripts/Anthem ERISA Litigation (United States District Court for the Southern District of New York) (consolidated the following cases on August 1, 2016: John Doe One and John Doe Two v. Express Scripts, Inc., filed May 6, 2016, and Karen Burnett, Brendan Farrell, and Robert Shullich v. Express Scripts, Inc. and Anthem, Inc., filed June 24, 2016). On September 30, 2016, Plaintiffs filed a First Amended Consolidated Class Action Complaint on behalf of health plan beneficiaries who are enrolled in health care plans that are insured or administered by Anthem. Plaintiffs adopt many of Anthem's Allegations in support of its claims that the Company and Anthem breached fiduciary duties and otherwise violated their legal obligations under ERISA by failing to provide Anthem's plan participants the benefit of competitive benchmark pricing, that ESI engaged in mail fraud, wire fraud and other racketeering activity through its invoicing system with Anthem, that ESI breached its contract with Anthem, that plaintiffs are entitled to equitable relief under theories including unjust enrichment, that ESI violated unfair and deceptive trade practices statutes, that Anthem breached the covenant of good faith and fair dealing implied in health plans, and that ESI violated the anti-discrimination provisions of the Affordable Care Act. Plaintiffs seek compensatory damages, declaratory relief, equitable relief and attorneys' fees and costs. On November 30, 2016, ESI filed a motion to dismiss Plaintiffs' First Amended Consolidated Class Action Complaint, and Anthem filed its motion to dismiss same on December 1, 2016.

Other Matters

- United States ex. rel. Steve Greenfield, et al. v. Medco Health Solutions, Inc., Accredo Health Group, Inc., and Hemophilia Health Services, Inc. (United States District Court for the District of New Jersey) (unsealed February 2013). This qui tam case was filed under seal in January 2012 and the government declined to intervene. The complaint alleges that defendants, including Medco and Accredo Health Group, Inc. (for purposes of this Item 3, "Accredo") violated the federal False Claims Act, the Anti-Kickback Statute, and various state and local false claims statutes by making charitable contributions to non-profit organizations supporting hemophilia patients that were allegedly improper rewards or inducements for referrals of hemophilia patients to Accredo's pharmacy services. The complaint further alleges that Accredo gave gifts to patients and/or their families that were in excess of the "nominal" gifts allegedly allowed under the Civil Monetary Penalty Statute and were allegedly improper rewards or inducements for the use of Accredo's pharmacy services. The complaint seeks monetary damages and civil monetary penalties on behalf of the federal government, as well as costs and expenses. In December 2013, the court granted defendants' motion to dismiss relating to Greenfield's federal claims and declined to exercise jurisdiction over his state law claims. In January 2014, Greenfield filed an amended complaint in which he asserts claims similar to those previously pled,

but alleges that Accredo gave gifts to patients and/or their families in violation of the federal Anti-Kickback Statute as opposed to the Civil Monetary Penalty Statute. In September 2014, the court granted in part, and denied in part, defendants' motion to dismiss. Greenfield filed a further amended complaint in October 2014, and the Company filed an answer and affirmative defenses in November 2014. On May 6, 2016, the parties cross-filed motions for summary judgment and on December 22, 2016, the district court entered an order granting the Company's motion for summary judgment and denying plaintiff's motion for summary judgment. On January 17, 2017, Greenfield filed a notice of appeal.

Table of Contents

- United States of America ex. rel. Shane Lager v. CSL Behring, LLC, CSL Limited, Accredo Health, Inc., and Coram LLC (United States District Court for the Eastern District of Missouri) (unsealed February 2015). This is a qui tam lawsuit in which the United States government has declined to intervene against any of the defendants. Lager, the qui tam relator, served a complaint on the Company on June 23, 2015. Lager alleges claims under the federal False Claims Act. The allegations asserted primarily concern an alleged conspiracy among the defendants to inflate the published average wholesale price ("AWP") of certain drugs and submit them for payment by the federal government. Lager generally alleges that Accredo was aware of the alleged AWP inflation and submitted false claims to the government by failing to disclose the alleged AWP inflation to their government health care program clients in violation of the federal False Claims Act. The complaint seeks monetary damages, as well as costs and expenses. On August 21, 2015, the Company filed a motion to dismiss the complaint under the public disclosure bar, for failure to state a claim and on January 20, 2016, the district court granted the Company's motion, as well as motions filed by the other defendants, and the case was dismissed with prejudice. Lager appealed the district court's ruling to the United States Court of Appeals for the Eighth Circuit. Lager filed his appellant's brief on April 18, 2016 and Accredo filed its brief on June 17, 2016. Oral argument was heard on December 15, 2016, and we await the court's ruling.
- On February 27, 2014, the Company received a subpoena duces tecum from the United States Department of Justice, District of Rhode Island, pursuant to 18 U.S.C. Section 24(a), requesting information regarding the Company's contractual arrangements with Pfizer, Bayer EMD Serono and biogen idec concerning the following drugs: Betaseron, Rebif and Avonex. The Company intends to cooperate with the inquiry and is not able to predict with certainty the timing or outcome of this matter.
- On March 31, 2014, the Company received a subpoena duces tecum from the Attorney General of New Jersey, requesting information regarding ESI's and Medco's arrangements with Astra Zeneca concerning the drug Nexium. The Company intends to cooperate with the inquiry and is not able to predict with certainty the timing or outcome of this matter.
- On April 8, 2014, the Company received a subpoena from the United States Department of Labor, Employee Benefits Security Administration requesting information regarding ESI's and Medco's client relationships from 2009 to the present. The Company intends to cooperate with the inquiry and is not able to predict with certainty the timing or outcome of this matter.
- On August 15, 2016, the Company received a civil investigative demand from the United States Attorney's Office for the Southern District of New York, requesting information regarding the Company's relationships with pharmaceutical manufacturers and prescription drug plan clients, and payments made to and from those entities. The Company intends to cooperate with the inquiry and is not able to predict with certainty the timing or outcome of this matter.
- On September 12, 2016, the Company received a subpoena duces tecum from the Department of Justice and United States Attorney's Office for the District of Massachusetts requesting information regarding relationships between pharmaceutical manufacturers, independent 501(c)(3) charitable foundations providing cost-sharing assistance to federal health care program beneficiaries, and specialty pharmacies. The Company intends to cooperate with the inquiry and is not able to predict with certainty the timing or outcome of this matter.

Investigations under the federal False Claims Act and most state false claims acts may be initiated by the applicable government investigative body or by a qui tam relator's filing a complaint under court seal. If a qui tam relator's complaint remained under seal, applicable law would restrict our ability to disclose such a fact.

In addition to the foregoing matters, in the ordinary course of our business, there have arisen various legal proceedings, investigations or claims now pending against us or our subsidiaries. The effect of these actions on future financial results is not subject to reasonable estimation because the proceedings are in early stages and/or considerable uncertainty exists about the outcomes. Where insurance coverage is not available for such claims, or in our judgment, is not cost-effective, we maintain self-insurance accruals to reduce our exposure to future claims, legal costs, settlements and judgments related to uninsured claims. Our self-insured accruals are based upon estimates of the aggregate liability of the cost of uninsured claims incurred and the retained portion of insured claims using certain actuarial assumptions followed in the insurance industry and our experience. It is not possible to predict with certainty the outcome of these claims, and we can give no assurance that any losses in excess of our insurance and any self-insurance accruals will not be material.

Item 4 — Mine Safety Disclosures
Not applicable.

Table of Contents

PART II

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

Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Market Information. Our common stock is traded on the Nasdaq Global Select Market ("Nasdaq") under the symbol "ESRX." The high and low prices, as reported by the Nasdaq, are set forth below for the periods indicated.

	Fiscal Year 2016		Fiscal Year 2015	
Common Stock	High	Low	High	Low
First Quarter	$87.87	$65.55	$88.83	$79.01
Second Quarter	77.26	66.89	92.46	83.41
Third Quarter	80.02	68.70	94.61	68.06
Fourth Quarter	77.50	64.46	89.20	79.66

Holders. As of February 1, 2017, there were 46,425 stockholders of record of our common stock. We estimate there are approximately 599,574 beneficial owners of our common stock.

Dividends. The Board of Directors has not declared any cash dividends on our common stock since our initial public offering and does not currently intend to declare any cash dividends.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The following is a summary of our stock repurchasing activity during the three months ended December 31, 2016 (share data in millions):

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of a publicly announced program	Maximum number of shares that may yet be purchased under the program	
10/1/2016 - 10/31/2016	0.8	$66.82	0.8	25.2	
11/1/2016 - 11/30/2016	11.0	72.78	11.0	14.2	
12/1/2016 - 12/31/2016	—	—	—	79.2	(1)
Fourth Quarter 2016 Total	11.8	$72.38	11.8		

(1) Increase in number of shares that may yet be purchased under the program is due to approval by the Board of Directors in December 2016 to increase the authorized number of shares by an additional 65.0 million shares.

The repurchases disclosed in this table were made pursuant to the share repurchase program, originally announced in 2013. In December 2016, the Board of Directors of the Company approved an increase in the authorized number of shares that may be repurchased under the share repurchase program, originally announced in 2013, by an additional 65.0 million shares, for a total authorization of 330.0 million shares (including shares previously purchased) of our common stock, as adjusted for any subsequent stock split, stock dividend or similar transaction. As of December 31, 2016, there were 79.2 million shares remaining under the share repurchase program. Additional share repurchases, if any, will be made through open market purchases, Rule 10b5-1 plans, accelerated share repurchases, privately negotiated transactions or other transactions in such amounts and at such times as we deem appropriate based upon prevailing market and business conditions and other factors.

Table of Contents

Item 6 — Selected Financial Data

The following selected financial data should be read in conjunction with our consolidated financial statements, including the related notes, and "Part II — Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations." Results for the years ended December 31, 2013 and 2012 reflect the discontinued operations of our acute infusion therapies line of business, various portions of our United BioSource ("UBC") line of business, Europa Apotheek Venlo B.V. ("EAV") and our European operations.

(in millions, except per share data)	2016	2015	2014	2013	2012[1]
Statement of Operations Data (for the Year Ended December 31):					
Revenues[2]	$100,287.5	$101,751.8	$100,887.1	$104,098.8	$93,714.3
Cost of revenues[2]	91,667.0	93,349.9	92,962.0	95,966.4	86,402.4
Gross profit	8,620.5	8,401.9	7,925.1	8,132.4	7,311.9
Selling, general and administrative	3,532.7	4,062.6	4,322.7	4,580.7	4,518.0
Operating income	5,087.8	4,339.3	3,602.4	3,551.7	2,793.9
Other expense, net	(660.7)	(475.5)	(536.2)	(521.4)	(593.5)
Income before income taxes	4,427.1	3,863.8	3,066.2	3,030.3	2,200.4
Provision for income taxes[3]	999.5	1,364.3	1,031.2	1,104.0	838.0
Net income from continuing operations	3,427.6	2,499.5	2,035.0	1,926.3	1,362.4
Net loss from discontinued operations, net of tax[4]	—	—	—	(53.6)	(32.3)
Net income	3,427.6	2,499.5	2,035.0	1,872.7	1,330.1
Less: Net income attributable to non-controlling interest	23.2	23.1	27.4	28.1	17.2
Net income attributable to Express Scripts	$3,404.4	$2,476.4	$2,007.6	$1,844.6	$1,312.9
Weighted-average shares outstanding:					
Basic:	626.9	689.0	750.3	808.6	731.3
Diluted:	631.4	695.3	759.1	821.6	747.3
Basic earnings (loss) per share:					
Continuing operations attributable to Express Scripts	$5.43	$3.59	$2.68	$2.35	$1.84
Discontinued operations attributable to Express Scripts[4]	—	—	—	(0.07)	(0.04)
Net earnings attributable to Express Scripts	5.43	3.59	2.68	2.28	1.80
Diluted earnings (loss) per share:					
Continuing operations attributable to Express Scripts	$5.39	$3.56	$2.64	$2.31	$1.80
Discontinued operations attributable to Express Scripts[4]	—	—	—	(0.07)	(0.04)
Net earnings attributable to Express Scripts	5.39	3.56	2.64	2.25	1.76
Amounts attributable to Express Scripts:					
Income from continuing operations, net of tax	$3,404.4	$2,476.4	$2,007.6	$1,898.2	$1,345.2
Net loss from discontinued operations, net of tax[4]	—	—	—	(53.6)	(32.3)
Net income attributable to Express Scripts	$3,404.4	$2,476.4	$2,007.6	$1,844.6	$1,312.9
Balance Sheet Data (as of December 31):					
Cash and cash equivalents	$3,077.2	$3,186.3	$1,832.6	$1,991.4	$2,793.1
Working capital deficit	(4,064.7)	(5,095.8)	(6,444.5)	(4,738.4)	(2,296.3)
Total assets	51,744.9	53,243.3	53,748.3	53,495.6	58,041.2
Debt:					
Short-term debt	722.3	1,646.4	2,551.0	1,578.5	930.7
Long-term debt	14,846.0	13,946.3	10,966.4	12,315.9	14,914.3
Capital lease obligation	27.0	38.5	28.4	42.0	—

Stockholders' equity	16,243.8	17,380.5	20,064.0	21,844.8	23,395.7

31

Table of Contents

(in millions, except per share data)	2016	2015	2014	2013	2012[1]
Cash Flow Data (for the Year Ended December 31):					
Cash flows provided by operating activities—continuing operations	$4,919.4	$4,848.3	$4,549.0	$4,768.9	$4,751.1
Cash flows used in investing activities—continuing operations	(351.9)	(268.5)	(411.9)	(70.0)	(10,428.7)
Cash flows (used in) provided by financing activities—continuing operations	(4,677.8)	(3,217.0)	(4,289.7)	(5,494.8)	2,850.4
Other Data (for the Year Ended December 31):					
Network claims—continuing operations[5][6]	887.4	922.2	933.6	1,065.3	1,020.7
Home delivery, specialty and other claims—continuing operations[5][7]	120.2	121.6	128.5	141.2	128.7
Total claims—continuing operations[5]	1,007.6	1,043.8	1,062.1	1,206.5	1,149.4
Adjusted network claims—continuing operations[5][6][8]	1,056.5	1,085.8	1,073.8	1,065.3	1,020.7
Adjusted home delivery, specialty and other claims—continuing operations[5][7][8]	351.1	355.8	376.2	412.7	374.6
Total adjusted claims—continuing operations[5][8]	1,407.6	1,441.6	1,450.0	1,478.0	1,395.3
EBITDA[9]	$7,219.2	$6,675.3	$5,817.9	$5,970.6	$4,648.1

(1) Includes the results of Medco Health Solutions, Inc. ("Medco") since its acquisition effective April 2, 2012.

(2) Includes retail pharmacy co-payments of $8,569.2 million, $9,170.0 million, $10,272.7 million, $12,620.3 million and $11,668.6 million for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

(3) During 2016, we resolved the tax treatment of our 2012 disposition of PolyMedica Corporation (Liberty). Accordingly, we recognized a net tax benefit of approximately $511.0 million, which also impacted our effective tax rate.

(4) Primarily consists of the results of operations from the discontinued operations of our acute infusion therapies line of business, various portions of our UBC line of business, EAV and our European operations. Our acute infusion therapies line of business was classified as a discontinued operation in 2013. Portions of UBC, EAV and our European operations were classified as discontinued operations in 2012.

(5) Prior to the acquisition of Medco, Express Scripts, Inc. ("ESI") and Medco used slightly different methodologies to report claims; however, we believe the differences between the claims reported by ESI and Medco would not be material had the same methodology applied. We have since combined these two approaches into one methodology. This change was made prospectively beginning April 2, 2012. We have not restated the number of claims in prior periods, because the differences are not material.

(6) Excludes manual claims and drug formulary only claims where we only administer the client's formulary.

(7) Includes home delivery, specialty and other claims including: (a) drugs we distribute to other PBMs' clients under limited distribution contracts with pharmaceutical manufacturers; (b) Freedom Fertility claims; and (c) drugs distributed through patient assistance programs.

(8) The Company revised its methodology for reporting adjusted network claims for the year ending December 31, 2016. The change was made retrospectively for the years ending December 31, 2015 and 2014. Due to the migration of claims data to one consolidated platform following the acquisition of Medco, we are unable to calculate the adjusted number of claims under the revised methodology for the years ending December 31, 2013 and 2012. The revised methodology includes an adjustment to reflect non-specialty network claims filled through our 90-day programs. These claims are now multiplied by three, as these claims, on average, typically cover a time period three times longer than other network claims. Home delivery claims are also multiplied by three, consistent with prior practice, as home delivery claims typically cover a time period three times longer than unadjusted network claims. All other network and specialty claims are counted as one claim.

(9) EBITDA is presented as attributable to Express Scripts, excluding non-controlling interest representing the share allocated to members of our consolidated affiliates. EBITDA is a financial measure that is not calculated or

presented in accordance with U.S. generally accepted accounting principles ("GAAP"), and should be considered in addition to, but not as a substitute for, or superior to, financial measures prepared in accordance with GAAP. The Company believes that EBITDA provides management and investors with useful information about the earnings impact of certain expenses and is useful for (i) comparison of our earnings to those of other companies; (ii) a better understanding of the Company's ongoing core performance; (iii) planning and forecasting for future periods; and (iv) assessing period-to-period performance trends. EBITDA also provides a useful basis for assessing the Company's ability to fund both its operating activities and reinvestments into the business, as well as service indebtedness. Management assesses the Company's operating performance using EBITDA in order to better isolate the impact of certain expenses that may not be comparable between periods or indicative of the ongoing performance of our core operations.

Table of Contents

Provided below is a reconciliation of each of EBITDA from continuing operations attributable to Express Scripts ("EBITDA") and adjusted EBITDA from continuing operations attributable to Express Scripts ("Adjusted EBITDA") to net income attributable to Express Scripts, which is the most directly comparable measure calculated under GAAP:

EBITDA

	Year Ended December 31,				
(in millions, except per claim data)	2016	2015	2014	2013	2012[1]
Net income attributable to Express Scripts	$3,404.4	$2,476.4	$2,007.6	$1,844.6	$1,312.9
Net loss from discontinued operations, net of tax[2]	—	—	—	53.6	32.3
Net income from continuing operations	3,404.4	2,476.4	2,007.6	1,898.2	1,345.2
Provision for income taxes	999.5	1,364.3	1,031.2	1,104.0	838.0
Depreciation and amortization[3]	2,154.6	2,359.1	2,242.9	2,447.0	1,871.4
Other expense (income), net	660.7	475.5	536.2	521.4	593.5
EBITDA[4]	7,219.2	6,675.3	5,817.9	5,970.6	4,648.1
Adjustments to EBITDA					
Other compensation costs[5]	41.2	—	—	—	—
Transaction and integration costs[3]	—	311.6	984.6	693.6	755.1
Legal settlement	—	60.0	—	—	—
Adjusted EBITDA[4]	7,260.4	7,046.9	6,802.5	6,664.2	5,403.2
Adjusted EBITDA per adjusted claim[6]	$5.16	$4.89	$4.69	$4.51	$3.87

(1) Includes the results of Medco since its acquisition effective April 2, 2012.

(2) Primarily consists of the results of operations from the discontinued operations of our acute infusion therapies line of business, various portions of our UBC line of business, EAV and our European operations. Our acute infusion therapies line of business was classified as a discontinued operation in 2013. Portions of UBC, EAV and our European operations were classified as discontinued operations in 2012.

(3) Depreciation and amortization for the year ended December 31, 2016 includes an additional $105.6 million related to our decision to amortize our pharmacy benefit management agreement with Anthem over 10 years as opposed to 15 years. See Note 4 - Goodwill and other intangible assets to our consolidated financial statements for additional details. Depreciation and amortization presented above includes $205.2 million, $92.1 million, and $31.6 million for the years ended December 31, 2015, 2014, and 2013 respectively, of depreciation related to the integration of Medco which is not included in transaction and integration costs.

(4) EBITDA and adjusted EBITDA are presented as attributable to Express Scripts, excluding non-controlling interest representing the share allocated to members of our consolidated affiliates. EBITDA and adjusted EBITDA are financial measures that are not calculated or presented in accordance with GAAP and should be considered in addition to, but not as a substitute for, or superior to, financial measures prepared in accordance with GAAP. The Company believes that EBITDA and adjusted EBITDA provide management and investors with useful information about the earnings impact of certain expenses and are useful for (i) comparison of our earnings to those of other companies; (ii) a better understanding of the Company's ongoing core performance; (iii) planning and forecasting for future periods; and (iv) assessing period-to-period performance trends. EBITDA and adjusted EBITDA also provide a useful basis for assessing the Company's ability to fund both its operating activities and reinvestments into the business, as well as service indebtedness. Management assesses the Company's operating performance using EBITDA and adjusted EBITDA in order to better isolate the impact of certain expenses that may not be comparable between periods or indicative of the ongoing performance of our core operations.

(5) In October 2016, we recognized a previously disclosed net tax benefit of approximately $511.0 million related to the disposition of PolyMedica Corporation (Liberty). Following receipt of the tax benefit proceeds, the Board of Directors authorized the use of $41.2 million, or approximately 8% of the PolyMedica Corporation (Liberty) tax benefit proceeds to reward employees for the significant contribution this multi-year effort provided the Company and its shareholders. This special, one-time, payment is excluded from our fourth quarter and full year 2016 adjusted SG&A, which impacts adjusted EBITDA and adjusted earnings per diluted share.

(6)

Adjusted EBITDA per adjusted claim is calculated by dividing adjusted EBITDA by the adjusted claim volume for the period. Adjusted EBITDA per adjusted claim is a financial measure that is not calculated or presented in accordance with GAAP, and should be considered in addition to, but not as a substitute for, or superior to, financial measures prepared in accordance with GAAP. The Company believes that adjusted EBITDA per adjusted claim provides management and investors with useful information about the earnings and performance of the Company on a per unit basis.

Table of Contents

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

OVERVIEW

As the largest stand-alone pharmacy benefit management ("PBM") company in the United States, we provide a full range of services to our clients, which include managed care organizations, health insurers, third-party administrators, employers, union-sponsored benefit plans, workers' compensation plans, government health programs, providers, clinics, hospitals and others. We report segments on the basis of the products and services we offer and have determined we have two reportable segments: PBM and Other Business Operations. Our integrated PBM services include clinical solutions, Express Scripts SafeGuardRx, specialized pharmacy care, home delivery pharmacy services, specialty pharmacy services, retail network pharmacy administration, benefit design consultation, drug utilization review, drug formulary management, Medicare, Medicaid and Public Exchange offerings, administration of a group purchasing organization and consumer health and drug information.

Through our Other Business Operations segment, we provide distribution services of specialty pharmaceuticals and medical supplies to providers, clients and hospitals and provide consulting services for pharmaceutical and biotechnology manufacturers to collect scientific evidence to guide the safe, effective and affordable use of medicines.

Revenues generated by our segments can be classified as either tangible product revenues or service revenues. We earn tangible product revenues from the sale of prescription drugs by retail pharmacies in our retail pharmacy networks and from dispensing prescription drugs from our home delivery and specialty pharmacies. Service revenues include administrative fees associated with the administration of retail pharmacy networks contracted by certain clients, informed decision counseling services and certain specialty pharmacy services. Tangible product revenues generated by our PBM and Other Business Operations segments represented 98.3% of revenues for the year ended December 31, 2016, as compared to 98.0% and 98.4% for the years ended December 31, 2015 and 2014, respectively.

EXECUTIVE SUMMARY AND TREND FACTORS AFFECTING THE BUSINESS

We operate in a dynamic environment influenced by a number of marketplace forces including healthcare reform, increased regulation, macroeconomic factors and competition. We recognize continued consolidation within the broad healthcare sector could shift claims volume within the PBM industry, although the direction and degree of any impact remain unclear. Over the years, our claims volume has been impacted by certain in-group attrition and client losses. We also recognize that as the regulatory environment evolves, it may be necessary to make significant investments in order to prepare for and adapt to regulatory changes. We continue to execute our successful business model, which emphasizes the alignment of our financial interests with those of our clients and patients through greater use of generics and lower-cost brands delivered through home delivery, specialty and retail pharmacies. We also continue to benefit from better management of ingredient costs through renegotiation of supplier contracts, increased competition among generic manufacturers and a higher generic fill rate (85.3% in 2016 compared to 84.4% in 2015 and 82.9% in 2014). We have achieved higher generic fill rates as we continue to provide our clients with additional tools designed to proactively manage total drug spend by increasing lower cost alternatives. We expect these ongoing positive trends in our business will continue to offset the negative factors described above.

Revenues related to a large client were realized in the second quarters of each of 2016, 2015 and 2014 due to the structure of the contract. Quarterly performance trends may vary from historical periods as a result of variability, including timing, of our contractual revenue streams.

On March 21, 2016, Anthem filed a lawsuit setting forth certain allegations and claims for relief with respect to our pharmacy benefit management agreement with Anthem (see Part I - Item 3 - Legal Proceedings). We are confident in the strength of our legal position and believe that we have consistently acted in good faith and in accordance with the terms of the agreement and have a number of valid defenses to the claims asserted. We further believe Anthem's lawsuit is without merit. However, litigation and the potential outcome cannot be accurately or effectively predicted and at this time we are unable to provide a timetable or an estimate as to the potential outcome of this matter, which could result in a material adverse effect on our business and results of operations.

Notwithstanding our pending litigation, we continue to focus on providing exceptional service to Anthem and its clients with a view to helping Anthem grow its business and strengthening our business relationship. Our contract with Anthem expires at the end of 2019. Anthem may choose not to renew its contract or, if we do enter into a new contract with Anthem, it would likely be on terms less favorable to us than our current contract. Anthem's decision

whether to enter into a new contract with us, the terms of any new contract and the impact of non-renewal or new contract terms on our business will depend on a number of factors that we cannot currently anticipate or control, and could result in a material adverse effect on our business and results of operations.

Table of Contents

In addition, when we executed our agreement with Anthem in 2009, we considered the overall structure of the agreement and the nature of our relationship with Anthem, including the complexity of the service level required, and attributed a reasonable likelihood of renewal at the end of its term in 2019. Accordingly, we amortized the agreement using a modified pattern of benefit over an estimated useful life of 15 years. However, due to the sequence of recent events regarding our discussions with Anthem, culminating in the filing of the lawsuit on March 21, 2016, we felt it prudent to consider the increased likelihood of either non-renewal or renewal on substantially different terms such that, beginning in March 2016, we began amortizing our agreement with Anthem over the remaining term of the contract (i.e., using a life of 10 years from the time the agreement was executed in 2009). Previously, we amortized the agreement over 15 years. Therefore, the intangible asset amortization associated with the Anthem agreement will run through the remaining term of the contract at the end of 2019, reducing the previous amortization period by 5 years. This change increased intangible asset amortization by $105.6 million for 2016 and by approximately $126.7 million per year beginning in 2017 relative to the previous amortization schedule.

RESULTS OF OPERATIONS

We report segments on the basis of the products and services we offer and have determined we have two reportable segments: PBM and Other Business Operations. Our PBM segment includes our integrated PBM operations and specialty pharmacy operations. Our Other Business Operations segment includes United BioSource (“UBC”) and our specialty distribution operations.

Our core PBM services involve management of prescription drug utilization to drive high quality, cost effective pharmaceutical care. Throughout the contract life cycle and upon renewal, we consult with clients to assist in the selection of plan design features that balance clients’ requirements for cost control with member choice and convenience. We focus our solutions to enable better decisions in four important and interrelated areas: benefit choices, drug choices, pharmacy choices and health choices. We offer innovative clinical programs to drive better health outcomes at lower cost. We consult with our clients on how to best structure and leverage the pharmacy benefit to meet plan objectives for access, safety and affordability.

Throughout the description below, we refer to better management of supply chain. Management of supply chain includes negotiating pharmacy network contracts, pharmaceutical and wholesaler purchasing contracts, as well as manufacturer rebate contracts. Our comprehensive set of solutions, including better management of supply chain, has the ability to reduce the rate of increase of our clients’ prescription drug spend and ultimately reduce our revenues while having a favorable impact on our gross profit.

Throughout the description below, we refer to the impact of generic fill rates. Generally, higher generic fill rates reduce PBM revenues, as generic drugs are generally priced lower than branded drugs. However, as ingredient cost on generic drugs is incrementally lower than the price charged, higher generic fill rates generally have a favorable impact on our gross profit. The home delivery generic fill rate is currently lower than the network generic fill rate as fewer generic substitutions are available among maintenance medications (e.g., therapies for chronic conditions) commonly dispensed from home delivery pharmacies as compared to acute medications, which are primarily dispensed by pharmacies in our retail networks.

To better reflect utilization patterns that have developed over time as we align our products and services to deliver greater value through both the network and home delivery channels, the Company has revised its methodology for reporting adjusted network claims for the year ending December 31, 2016. The change was made retrospectively for the years ending December 31, 2015 and 2014. The revised methodology includes an adjustment to reflect non-specialty network claims filled through our 90-day programs. These claims are now multiplied by three, as these claims, on average, typically cover a time period three times longer than other network claims. Home delivery claims are also multiplied by three, consistent with prior practice, as home delivery claims typically cover a time period three times longer than unadjusted network claims. All other network and specialty claims are counted as one claim.

Table of Contents

PBM OPERATING INCOME

	Year Ended December 31,		
(in millions)	2016	2015	2014
Product revenues:			
Network revenues[1]	$51,402.5	$56,472.6	$58,468.6
Home delivery and specialty revenues[2]	43,685.6	40,830.1	38,633.0
Service revenues	1,421.4	1,657.6	1,278.0
Total PBM revenues	96,509.5	98,960.3	98,379.6
Cost of PBM revenues[1]	88,001.3	90,760.4	90,630.8
PBM gross profit	8,508.2	8,199.9	7,748.8
PBM SG&A	3,428.2	3,937.7	4,202.4
PBM operating income	$5,080.0	$4,262.2	$3,546.4
Claims			
Network	887.4	922.2	933.6
Home delivery and specialty[2]	119.7	121.0	127.7
Total PBM claims	1,007.1	1,043.2	1,061.3
Adjusted network[3]	1,056.5	1,085.8	1,073.8
Adjusted home delivery and specialty[2][3]	350.6	355.2	375.4
Total adjusted PBM claims[3]	1,407.1	1,441.0	1,449.2

(1) Includes retail pharmacy co-payments of $8,569.2 million, $9,170.0 million and $10,272.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

(2) Includes home delivery and specialty claims including drugs we distribute to other PBMs' clients under limited distribution contracts with pharmaceutical manufacturers and Freedom Fertility claims.

(3) Adjusted network claims are calculated based on a revised methodology, which has been applied retrospectively through the year ending December 31, 2014. The revised methodology includes an adjustment to reflect non-specialty network claims filled through our 90-day programs. These claims are now multiplied by three, as these claims, on average, typically cover a time period three times longer than other network claims. Home delivery claims are also multiplied by three, consistent with prior practice, as home delivery claims typically cover a time period three times longer than unadjusted network claims. All other network and specialty claims are counted as one claim.

PBM RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2016 vs. 2015

Network pharmacy revenues decreased $5,070.1 million, or 9.0%, in 2016 from 2015. This decrease relates primarily to the expected roll off of certain clients, better management of supply chain, lower claims volume from other existing clients and an increase in the network generic fill rate, partially offset by inflation on branded drugs. Our network generic fill rate increased to 86.0% of network claims in 2016 as compared to 85.1% in 2015.

Home delivery and specialty revenues increased $2,855.5 million, or 7.0%, in 2016 from 2015. This increase relates primarily to inflation on branded drugs, partially offset by lower claims volume and an increase in the home delivery generic fill rate. Our home delivery generic fill rate increased to 80.8% of home delivery claims in 2016 as compared to 79.5% in 2015.

Cost of PBM revenues decreased $2,759.1 million, or 3.0%, in 2016 from 2015. This decrease relates primarily to the expected roll off of certain clients, better management of supply chain, lower claims volume from other existing clients and an increase in the aggregate generic fill rate (85.3% for the year ended December 31, 2016 as compared to 84.4% for the year ended December 31, 2015), partially offset by inflation on branded drugs.

PBM gross profit increased $308.3 million, or 3.8%, in 2016 from 2015. This increase is primarily due to $218.0 million of transaction and integration costs incurred during 2015 as compared to no such costs for 2016, as well as better management of supply chain and cost savings from the increase in the aggregate generic fill rate. This increase is partially offset by the realization of $106.6 million of revenues related to a client contract for the year ended December 31, 2016 as compared to $141.7 million for the year ended December 31, 2015 and by lower claims volume.

Selling, general and administrative expense ("SG&A") for our PBM segment decreased $509.5 million, or 12.9%, in 2016 from 2015. This decrease relates primarily to $298.8 million of transaction and integration costs, $108.1 million of additional depreciation and amortization costs (related to certain retired assets) and a $60.0 million legal settlement incurred

Table of Contents

during 2015 as compared to no such costs for 2016. This decrease is also due to a decrease in incentive compensation of $62.0 million, which is net of $41.2 million of other compensation costs incurred during 2016.

PBM operating income increased $817.8 million, or 19.2%, in 2016 from 2015, based on the various factors described above.

PBM RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2015 vs. 2014

Network revenues decreased $1,996.0 million, or 3.4%, in 2015 from 2014. This decrease relates primarily to lower claims volume as well as an increase in the generic fill rate, partially offset by inflation on branded drugs. Our network generic fill rate increased to 85.1% of total network claims in 2015 as compared to 83.7% in 2014.

Home delivery and specialty revenues increased $2,197.1 million, or 5.7%, in 2015 from 2014. This increase relates primarily to inflation on branded drugs, partially offset by lower claims volume and an increase in the home delivery generic fill rate. Our home delivery generic fill rate increased to 79.5% of home delivery claims in 2015 as compared to 77.2% in 2014.

Cost of PBM revenues increased $129.6 million in 2015 from 2014. This increase is primarily due to inflation on branded drugs, partially offset by lower claims volume, better management of ingredient costs and the impact of an increased aggregate generic fill rate (84.4% for the year ended December 31, 2015 as compared to 82.9% for the year ended December 31, 2014).

PBM gross profit increased $451.1 million, or 5.8%, in 2015 from 2014. This increase is primarily due to $218.0 million of transaction and integration costs for 2015 as compared to $462.3 million for 2014. Additionally, this increase is due to the realization of $141.7 million of revenues related to a client contract for the year ended December 31, 2015 as compared to $129.4 million for the year ended December 31, 2014. This increase is also due to better management of ingredient costs and formulary, as well as cost savings from the increase in the aggregate generic fill rate, partially offset by lower claims volume.

SG&A decreased $264.7 million, or 6.3%, in 2015 from 2014. This decrease relates primarily to $298.8 million of transaction and integration costs for 2015 compared to $614.4 million for 2014. This decrease is partially offset by $60.0 million related to a legal settlement for the year ended December 31, 2015.

PBM operating income increased $715.8 million, or 20.2%, in 2015 from 2014, based on the various factors described above.

OTHER BUSINESS OPERATIONS OPERATING INCOME

	Year Ended December 31,		
(in millions)	2016	2015	2014
Product revenues	$3,538.4	$2,453.7	$2,203.5
Service revenues	239.6	337.8	304.0
Total Other Business Operations revenues	3,778.0	2,791.5	2,507.5
Cost of Other Business Operations revenues	3,665.7	2,589.5	2,331.2
Other Business Operations gross profit	112.3	202.0	176.3
Other Business Operations SG&A	104.5	124.9	120.3
Other Business Operations operating income	$7.8	$77.1	$56.0
Claims			
Other[1]	0.5	0.6	0.8
Total adjusted Other Business Operations claims[1]	0.5	0.6	0.8

(1) Includes claims related to drugs distributed through patient assistance programs.

OTHER BUSINESS OPERATIONS RESULTS OF OPERATIONS

Other Business Operations product revenues increased $1,084.7 million, or 44.2%, in 2016 from 2015. This increase is primarily driven from an increase in volume across the non-claims producing lines of business.

Other Business Operations service revenues decreased $98.2 million, or 29.1%, in 2016 from 2015. This decrease is primarily driven by an out-of-period adjustment due to an overstatement of prior period revenues of $86.1 million in 2016. We recognized the cumulative effect of this out-of-period adjustment within our consolidated statement of operations in the fourth

37

Table of Contents

quarter of 2016. If we had presented this out-of-period adjustment within prior years, the correction would have decreased revenue by $70.5 million during 2015 and $19.7 million for 2014 and increased revenue by $4.1 million for 2013 through 2012. We considered these adjustments to be immaterial to prior periods results of operations.

Other Business Operations operating income decreased $69.3 million, or 89.9%, in 2016 from 2015. This decrease is due primarily to the out-of-period adjustment described above of $86.1 million to both revenues and operating income in 2016, offset by an increase in volume across the non-claims producing lines of business.

Other Business Operations revenues and operating income increased $284.0 million and $21.1 million, or 11.3% and 37.7%, respectively, in 2015 from 2014. This increase relates to an increase in volume across the non-claims producing lines of business.

OTHER (EXPENSE) INCOME, NET

Net other expense increased $185.2 million, or 38.9%, in 2016 from 2015. This increase is primarily due to $142.7 million of costs related to the early repayment of debt and increased interest expense related to the 2015 credit agreement (as defined below), the issuance of $2,000.0 million of senior notes in February 2016 and the issuance of $4,000.0 million of senior notes in July 2016. This increase is partially offset by decreased interest expense related to the repayment of debt during the years ended December 31, 2016 and 2015.

Net other expense decreased $60.7 million, or 11.3%, in 2015 from 2014, primarily due to $71.5 million of redemption costs incurred in 2014 for the early redemption of our 3.500% senior notes due 2016 and decreased interest expense related to the repayment of various senior notes and the 2011 term loan (as defined below) during the years ended December 31, 2015 and 2014. This decrease is partially offset by increased interest expense related to the 2015 credit agreement and the issuance of $2,500.0 million of senior notes in June 2014.

PROVISION FOR INCOME TAXES

Our effective tax rate from operations attributable to Express Scripts was 22.6% for the year ended December 31, 2016, compared to 35.3% and 33.6% for 2015 and 2014, respectively.

During 2016, we recognized a net discrete benefit of $633.9 million primarily attributable to changes in our unrecognized tax benefits as a result of our realization of the previously unrecognized PolyMedica Corporation (Liberty) tax benefit, various state audit settlements, lapses in statutes of limitations, and deferred tax implications of newly enacted state laws and filing methodologies. During 2015, we recognized a net discrete benefit of $79.2 million primarily attributable to changes in our unrecognized tax benefits as a result of various state audit settlements and lapses in statutes of limitations. We believe it is reasonably possible our unrecognized tax benefits could decrease by approximately $84.8 million within the next twelve months due to the conclusion of various examinations as well as lapses in various statutes of limitations.

During 2016, we resolved the tax treatment of our 2012 disposition of PolyMedica Corporation (Liberty). Accordingly, we recognized a net tax benefit of approximately $511.0 million, which impacted our effective tax rate. We received the majority of the cash related to the net tax benefit in the fourth quarter of 2016.

NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST

Net income attributable to non-controlling interest represents the share of net income allocated to members in our consolidated affiliates. Changes in these amounts are directly impacted by profitability of our consolidated affiliates.

NET INCOME AND EARNINGS PER SHARE ATTRIBUTABLE TO EXPRESS SCRIPTS

Net income attributable to Express Scripts increased $928.0 million, or 37.5%, for the year ended December 31, 2016 from 2015. This increase is due to increased operating income and reduced tax expense (primarily due to the approximate$511.0 million net tax benefit related to the disposition of PolyMedica Corporation (Liberty) discussed above). Net income attributable to Express Scripts increased $468.8 million, or 23.4%, for the year ended December 31, 2015 from 2014.

Basic and diluted earnings per share attributable to Express Scripts increased 51.3% and 51.4%, respectively, for the year ended December 31, 2016 from 2015. These increases are primarily due to reduced shares outstanding (a total of 252.0 million shares held in treasury on December 31, 2016, compared to 177.6 million shares held in treasury on December 31, 2015) as well as increased operating income and reduced tax expense based on the various factors described above. Basic and diluted earnings per share attributable to Express Scripts increased 34.0% and 34.8%, respectively, for the year ended

38

Table of Contents

December 31, 2015 from 2014. These increases are primarily due to reduced shares outstanding (a total of 177.6 million shares held in treasury on December 31, 2015, compared to 122.5 million shares held in treasury on December 31, 2014) due to treasury share repurchases under our share repurchase program, as well as increased operating income.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING CASH FLOW AND CAPITAL EXPENDITURES

Net cash provided by operating activities in 2016 increased $71.1 million to $4,919.4 million. Changes in net cash provided by operating activities were impacted by the following factors:

- Net income increased $928.1 million in 2016 from 2015 due to increased operating income as well as reduced tax expense as a result of resolving the tax treatment of our 2012 disposition of PolyMedica Corporation (Liberty).
- Depreciation and amortization expense decreased $204.5 million in 2016 from 2015.
- Deferred income tax increased $35.3 million in 2016 from 2015 primarily due to increases in accruals and decreases in reserves.
- Changes in working capital resulted in cash outflows of $236.2 million in 2016 compared to cash inflows of $381.0 million from the same period in 2015.

Net cash provided by operating activities in 2015 increased $299.3 million to $4,848.3 million. Changes in net cash provided by operating activities were impacted by the following factors:

- Net income increased $464.5 million in 2015 from 2014.
- Depreciation and amortization expense increased $116.2 million in 2015 from 2014.
- Deferred income tax increased $31.6 million in 2015 from 2014 primarily due to increases in accruals and decreases in stock option activity and reserves.
- Changes in working capital resulted in cash inflows of $381.0 million in 2015 compared to cash inflows of $598.9 million from the same period in 2014.

In 2016, net cash used in investing activities increased $83.4 million to $351.9 million. Capital expenditures for purchases of property and equipment increased $34.5 million in 2016 compared to 2015. We intend to continue to invest in infrastructure and technology, which we believe will provide efficiencies in operations, facilitate growth and enhance the service we provide to our clients. Anticipated capital expenditures will be funded primarily from operating cash flow or, to the extent necessary, with borrowings under our available credit sources, described below.

In 2015, net cash used in investing activities decreased $143.4 million to $268.5 million. Capital expenditures for purchases of property and equipment decreased $140.7 million in 2015 compared to 2014.

In 2016, net cash used in financing activities increased $1,460.8 million to $4,677.8 million. Cash inflows for 2016 include $5,986.8 million related to the issuance of the February 2016 Senior Notes and the July 2016 Senior Notes (defined below) compared to inflows during the same period of 2015 of $5,500.0 million related to the 2015 credit agreement (as defined below). Cash outflows for 2016 include $5,932.5 million related to the repayment of debt and $4,746.9 million of treasury share repurchases, compared to outflows during the same period of 2015 of $3,390.8 million related to the repayment of debt and $5,500.0 million of treasury share repurchases.

In 2015, net cash used in financing activities decreased $1,072.7 million to $3,217.0 million. Cash inflows for 2015 include $5,500.0 million related to the 2015 credit agreement (as defined below), compared to inflows during the same period of 2014 of $2,490.1 million related to the issuance of senior notes in June 2014. Cash outflows for 2015 include $5,500.0 million for treasury share repurchases and $3,390.8 million related to the repayment of debt, compared to outflows during the same period of 2014 of $4,493.0 million for treasury share repurchases and $2,834.3 million related to the repayment of debt.

At December 31, 2016, our available sources of capital include a $2,000.0 million 2015 revolving facility (as defined below), a $150.0 million uncommitted revolving credit facility (as described below) and a $130.0 million uncommitted revolving credit facility (as described below), none of which had amounts outstanding at December 31, 2016.

Our current maturities of long-term debt at December 31, 2016, excluding unamortized discounts, premiums and financing costs, include $500.0 million of senior notes, as well as $225.0 million of term loan payments.

As of December 31, 2016 and 2015, we have an outstanding receivable balance of approximately $95.3 million and $170.5 million, respectively, from the state of Illinois. We have not recorded a reserve against this receivable, as it is associated with a state, which continues to make payments. We believe the full receivable balance will be realized.

Table of Contents

We anticipate our current cash balances, cash flows from operations and our available credit sources will be sufficient to meet our cash needs and make scheduled payments for our contractual obligations and current capital commitments over the next 12 months. However, if needs arise, we may decide to secure external capital to provide additional liquidity. New sources of liquidity may include additional lines of credit, term loans, or issuances of notes or common stock, all of which are allowable, with certain limitations, under our credit agreements and other debt instruments. While our ability to secure debt financing in the short term at rates favorable to us may be moderated due to various factors, including existing debt levels, market conditions or other factors, we believe our liquidity options described above are sufficient to meet our cash flow needs.

ACQUISITIONS AND RELATED TRANSACTIONS

We regularly review potential acquisitions and affiliation opportunities. We believe available cash resources, bank financing or the issuance of debt or equity could be used to finance future acquisitions or affiliations. There can be no assurance we will enter into new acquisitions or establish new affiliations in the future.

SHARE REPURCHASE PROGRAM

In April 2015, we entered into an agreement to repurchase shares of our common stock for an aggregate purchase price of $5,500.0 million under an accelerated share repurchase agreement (the “2015 ASR Agreement”). We recorded an increase to treasury stock of $4,675.0 million and a decrease to additional paid-in capital of $825.0 million in the consolidated balance sheet at December 31, 2015. In January 2016, we settled the 2015 ASR Agreement and received 9.1 million additional shares, resulting in a total of 64.2 million shares received under the 2015 ASR Agreement. The $825.0 million that had previously been recorded in additional paid-in capital in respect of the 2015 ASR Agreement was reclassified to treasury stock upon settlement of the 2015 ASR Agreement.

In February 2016, we entered into an accelerated share repurchase agreement (the “2016 ASR Agreement”) to repurchase shares of our common stock for an initial payment of $2,800.0 million. We initially recorded an increase to treasury stock of $2,240.0 million and a decrease to additional paid-in capital of $560.0 million. In August 2016, we settled the 2016 ASR Agreement and received 6.2 million additional shares, resulting in a total of 38.3 million shares received under the 2016 ASR Agreement. The $560.0 million recorded in additional paid-in capital was reclassified to treasury stock upon settlement of the 2016 ASR Agreement in August 2016. See Note 7 - Common stock to our consolidated financial statements for additional details.

Including the shares received under the 2016 ASR Agreement and 2015 ASR Agreement, we repurchased 74.4 million, 55.1 million and 62.1 million shares for $5,571.9 million, $4,675.0 million and $4,642.9 million during the years ended December 31, 2016, 2015 and 2014, respectively. In December 2016, the Board of Directors of the Company approved an increase in the authorized number of shares that may be repurchased under our share repurchase program, originally announced in 2013, by an additional 65.0 million shares, for a total authorization of 330.0 million shares (including shares previously purchased) of our common stock, as adjusted for any subsequent stock split, stock dividend or similar transaction. As of December 31, 2016, there were 79.2 million shares remaining under our share repurchase program. Additional share repurchases, if any, will be made through open market purchases, Rule 10b5-1 plans, accelerated share repurchases, privately negotiated transactions or other transactions in such amounts and at such times as we deem appropriate based upon prevailing market and business conditions and other factors.

SENIOR NOTES

The below description reflects our financing activity for the years ended December 31, 2016 and 2015. See Note 5 - Financing to our consolidated financial statements for a complete summary of outstanding senior notes.

In February 2016, we issued senior notes (the “February 2016 Senior Notes”) consisting of:

- $500.0 million aggregate principal amount of 3.300% senior notes due February 2021
- $1,500.0 million aggregate principal amount of 4.500% senior notes due February 2026

We used the net proceeds from the sale of the February 2016 Senior Notes to complete a tender offer and follow-on redemption of $1,500.0 million aggregate principal amount of our 3.125% senior notes due May 2016 (which were fully redeemed in April 2016), to enter into an accelerated share repurchase agreement and for other general corporate purposes.

In July 2016, we issued senior notes (the “July 2016 Senior Notes”) consisting of:

- $1,000.0 million aggregate principal amount of 3.000% senior notes due July 2023
- $1,500.0 million aggregate principal amount of 3.400% senior notes due March 2027

Table of Contents

- $1,500.0 million aggregate principal amount of 4.800% senior notes due July 2046

We used the net proceeds from the sale of the July 2016 Senior Notes to repay a portion of our 2015 two-year term loan, to complete a tender offer and follow-on redemption for our 2.650% senior notes due February 2017, to complete a tender offer for a portion of each of our 7.125% senior notes due March 2018, our 7.250% senior notes due June 2019 and our 6.125% senior notes due November 2041 and we used the remaining proceeds for general corporate purposes.

In 2015, $1,000.0 million aggregate principal amount of 2.100% senior notes due 2015 and $500.0 million aggregate principal amount of 2.750% senior notes due 2015 matured and were repaid.

BANK CREDIT FACILITIES

In April 2015, we entered into a credit agreement (the "2015 credit agreement") providing for a five-year $2,000.0 million revolving credit facility (the "2015 revolving facility"), a two-year $2,500.0 million term loan (the "2015 two-year term loan") and a five-year $3,000.0 million term loan (the "2015 five-year term loan"). At December 31, 2016, no amounts were drawn under the 2015 revolving facility. In 2015, we repaid $500.0 million under the 2015 two-year term loan. In 2016, we repaid the remaining $2,000.0 million principal under the 2015 two-year term loan. We make quarterly principal payments on the 2015 five-year term loan. At December 31, 2016, $225.0 million of the 2015 credit agreement, and a proportionate amount of unamortized financing costs, was considered current maturities of long-term debt.

We have two additional credit agreements, each providing for an uncommitted revolving credit facility: $150.0 million executed August 2015 and amended May 2016 with a termination date of May 2017, and $130.0 million executed December 2014 and amended October 2015 and April 2016 with a termination date of April 2017. As of December 31, 2016, no amounts were drawn under either facility.

In August 2011, we entered into a credit agreement providing for a five-year $4,000.0 million term loan facility (the "2011 term loan") and a $1,500.0 million revolving loan facility (the "2011 revolving facility"). In April 2015, we repaid $1,105.3 million outstanding under the 2011 term loan and terminated the commitments under the 2011 revolving facility.

Our bank financing arrangements and senior notes contain certain customary covenants that restrict our ability to incur additional indebtedness, create or permit liens on assets and engage in mergers or consolidations. The covenants related to bank financing arrangements also include, among other things, a maximum leverage ratio. The 7.125% senior notes due March 2018 issued by Medco are also subject to an interest rate adjustment in the event of a downgrade in our credit ratings to below investment grade. At December 31, 2016, we were in compliance with all covenants associated with our debt instruments. See Note 5 - Financing to our consolidated financial statements for more information.

Table of Contents

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Following is a schedule of the current maturities of our long-term debt, future minimum lease payments and purchase commitments (in millions) as of December 31, 2016:

	Payments Due by Period				
	Total	2017	2018-2019	2020-2021	Thereafter
Long-term debt[1]	$21,161.3	$1,311.9	$4,808.6	$4,006.2	$11,034.6
Future minimum operating lease payments	272.6	59.3	92.5	61.5	59.3
Future minimum capital lease payments	27.5	12.1	15.3	0.1	—
Purchase commitments[2]	205.3	157.1	46.7	1.5	—
Total contractual cash obligations	$21,666.7	$1,540.4	$4,963.1	$4,069.3	$11,093.9

(1) Excludes the interest expense on our 2015 revolving facility, which requires us to pay interest at LIBOR plus a margin and for which our interest payments fluctuate with changes in LIBOR and in the margin over LIBOR we are required to pay (see Note 5 - Financing to our consolidated financial statements). No amounts were outstanding on our 2015 revolving facility as of December 31, 2016. Interest payments on our senior notes are fixed, and are included in these amounts.

(2) Consists of required future purchase commitments for materials, supplies, services and fixed assets in the normal course of business. We do not expect potential payments under these provisions to materially affect our results of operations or financial condition. This conclusion is based upon reasonably likely outcomes derived by reference to experience and current business plans.

The gross liability for uncertain tax positions which could result in future payments is $466.7 million and $506.8 million as of December 31, 2016 and 2015, respectively. We are not able to provide a reasonably reliable estimate of the timing of future payments relating to the noncurrent obligations. Our net long-term deferred tax liability is $3,603.3 million and $4,069.8 million as of December 31, 2016 and 2015, respectively. Scheduling payments for deferred tax liabilities could be misleading since future settlements of these amounts are not the sole determining factor of cash taxes to be paid in future periods.

IMPACT OF INFLATION

Most of our contracts provide we bill clients based on a generally recognized price index for pharmaceuticals and accordingly, the rate of inflation with respect to prescription drugs and our efforts to manage the impact of inflation for our clients can affect our revenues and cost of revenues.

OTHER MATTERS

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The guidance addresses the classification of cash flow related to (1) debt prepayment or extinguishment costs, (2) settlement of zero-coupon debt instruments or other debt instruments with coupon rates that are insignificant in relation to the effective interest rate of the borrowing, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance, including bank-owned life insurance, (6) distributions received from equity method investees and (7) beneficial interests in securitization transactions. The guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The guidance will generally be applied retrospectively and is effective for financial statements issued for annual reporting periods beginning after December 15, 2017. In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash. This guidance requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance will be applied retrospectively and is effective for financial statements issued for annual reporting periods beginning after December 15, 2017. We are currently evaluating the impact of these standards on our consolidated statement of cash flows.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which amends Accounting Standards Codification (“ASC”) Topic 718, Compensation - Stock Compensation. The new standard simplifies the accounting for stock-based compensation, including amendments on how both taxes related to

stock-based compensation and cash payments made to taxing authorities are recorded, changing the threshold to qualify for equity classification and allowing an entity-wide accounting policy election to either estimate the number of awards that are expected

Table of Contents

to vest or account for forfeitures as they occur. We reported net excess tax benefits of $11.2 million, $58.0 million and $93.6 million for the years ended 2016, 2015 and 2014, respectively. The fiscal 2016, 2015 and 2014 amounts of excess tax benefits are not necessarily indicative of future amounts that may arise in years following implementation of this standard due to unpredictable events including, but not limited to, the future price of our common stock, stock award exercise activity and forfeiture rate fluctuations. Excess tax benefits were historically recorded in additional paid-in capital and will be recognized as income tax expense on the consolidated statement of operations as of the effective date of the standard. The remaining amendments to this standard, as noted above, are not expected to have a material impact on our consolidated financial statements, including our statement of cash flows. We will adopt the standard beginning in the first quarter of 2017.

In February 2016, the FASB issued ASU 2016-02, Leases (ASC Topic 842), which supersedes ASC Topic 840, Leases. This ASU is intended to increase transparency and comparability of organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new guidance is effective for financial statements issued for annual reporting periods beginning after December 15, 2018, and early application is permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC Topic 606), which supersedes ASC Topic 605, Revenue Recognition. The new standard requires companies to recognize revenues upon transfer of goods or services to customers in amounts that reflect the consideration which the company expects to receive in exchange for those goods or services. In July 2015, the FASB delayed the effective date of the standard by one year. The new guidance is effective for financial statements issued for annual reporting periods beginning after December 15, 2017, and early application is not permitted before the original effective date of annual reporting periods beginning after December 15, 2016. We have substantially completed evaluation of our PBM segment and have determined adoption of the new standard will not have a significant impact on our PBM segment. We continue to evaluate the impact of this standard on our Other Business Operations segment and expect to complete our evaluation by mid-2017. We anticipate full retrospective application upon adoption.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates and assumptions are based upon a combination of historical information and various other assumptions believed to be reasonable under the particular circumstances. Actual results may differ from our estimates. The accounting policies described below represent those policies management believes most impact our consolidated financial statements, are important for an understanding of our results of operations or require management to make difficult, subjective or complex judgments. This should be read in conjunction with Note 1 - Summary of significant accounting policies and with the other notes to our consolidated financial statements.

GOODWILL AND INTANGIBLE ASSETS

ACCOUNTING POLICY

Goodwill and intangible asset balances arise primarily from the allocation of the purchase price of businesses acquired based on the fair market value of assets acquired and liabilities assumed on the date of the acquisition. Goodwill is evaluated for impairment annually during the fourth quarter or when events or circumstances occur indicating goodwill might be impaired. We determine reporting units for the purpose of evaluating goodwill valuation based on component parts of our business one level below the segment level. Our reporting units represent businesses for which discrete financial information is available and reviewed regularly by segment management.

Goodwill impairment testing guidance provides an option to first assess qualitative factors to determine whether it is more likely than not the fair value of a reporting unit is less than its carrying amount. If we perform a qualitative assessment, we consider various events and circumstances when evaluating whether it is more likely than not the fair value of a reporting unit is less than its carrying amount and whether the first step of the goodwill impairment test (“Step 1”) is necessary. In 2016, we performed a qualitative assessment for approximately 99% of our goodwill as of December 31, 2016.

If we perform Step 1, the measurement of possible impairment would be based on a comparison of the fair value of each reporting unit to the carrying value of the reporting unit's net assets. Impairment losses, if any, would be determined based on the fair value of the individual assets and liabilities of the reporting unit, using discount rates that reflect the inherent risk of the underlying business. We would record an impairment charge to the extent the carrying value of goodwill exceeds the implied fair value of goodwill resulting from this calculation. This valuation process involves assumptions based upon management's best estimates and judgments, which approximate the market conditions experienced for our reporting units at

Table of Contents

the time the impairment assessment is made. Actual results may differ from these estimates due to the inherent uncertainty involved in such estimates. In 2016, we performed Step 1 for approximately 1% of our goodwill as of December 31, 2016.

As of December 31, 2016, we do not believe any reporting units are at risk of failing Step 1. No goodwill impairment charges were recorded for any of our reporting units for 2016, 2015 or 2014.

Other intangible assets include, but are not limited to, customer contracts and relationships and trade names. Customer contracts and relationships are valued at fair market value when acquired using the income method and amortized over the estimated useful life. Trade names, excluding legacy Express Scripts, Inc. ("ESI") trade names which have an indefinite life, are valued at fair market value when acquired using the income method and amortized over the estimated useful life.

FACTORS AFFECTING ESTIMATE

The fair values of reporting units, asset groups or acquired businesses are measured based on market prices, when available. When market prices are not available, we estimate fair value using the income approach and/or the market approach. The income approach uses cash flow projections which require inputs and assumptions that reflect current market conditions as well as management judgment. We base our fair values on projected financial information which we believe to be reasonable. However, actual results may differ from those projections and those differences may be material.

The key assumptions included in our income approach include, but are not limited to, earnings growth rates, discount rates and inflation rates. Assessment of these factors could be impacted by internal factors and/or external economic conditions. We performed various sensitivity analyses on the key assumptions, which did not indicate any potential impairment.

ACCOUNTS RECEIVABLE RESERVES

ACCOUNTING POLICY

The accounts receivable balance primarily includes amounts due from clients, third-party payors and members. We provide an allowance for doubtful accounts equal to estimated uncollectible receivables. These estimates are based on the current status of each customer's receivable balance. We provide a contractual allowance for certain receivables from third-party payors based on our collection experience. We provide an estimated reserve for customer discounts and claims adjustments issued to customers in the form of client credits.

FACTORS AFFECTING ESTIMATE

We record allowances for doubtful accounts, contractual allowances and estimated reserves based on a variety of factors including the length of time the receivables are past due, the financial health of the customer and experience. Our estimate could be impacted by changes in economic and market conditions as well as changes to our customers' financial condition. We record reserves for clients based on known adjustments to adjudicated claims and historical discounts issued as a percentage of revenue.

SELF-INSURANCE ACCRUALS

ACCOUNTING POLICY

We record self-insurance accruals based on estimates of the aggregate liability to defend and pay claims within our self-insured retentions net of anticipated insurance recovery for those claims that are insured. Accruals are estimated based upon our experience with such claims and by applying certain standard insurance industry actuarial assumptions. The majority of these claims are legal claims and our liability estimate is primarily related to the cost to defend these claims. We do not accrue for settlements, judgments, monetary fines or penalties until such amounts are probable and estimable. Under authoritative FASB guidance, if the range of possible loss is broad, and no amount within the range is more likely than any other, the liability accrual is based on the low end of the range.

FACTORS AFFECTING ESTIMATE

Self-insurance accruals are based on management's estimates of the costs to defend and pay legal claims. We do not have significant experience with certain types of cases and claim outcomes can vary significantly. As such, differences between actual costs and management's estimates could be significant. Changes to assumptions used in the development of these accruals can affect net income in a given period. In addition, changes in the legal environment and the number and nature of claims could impact our estimate.

44

Table of Contents

INCOME TAXES

ACCOUNTING POLICY

Deferred tax assets and liabilities are recorded based on temporary differences between the financial statement basis and the tax basis of assets and liabilities using presently enacted tax rates. We evaluate tax positions to determine whether the benefits of tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position.

FACTORS AFFECTING ESTIMATE

The factors that could impact our estimates of uncertain tax positions include the likelihood of being sustained upon audit based on the technical merits of the tax position and the assumed interest and penalties associated with uncertain tax positions.

OTHER ACCOUNTING POLICIES

We consider the following information about revenue recognition policies important for an understanding of our results of operations:

PRESCRIPTION DRUG REVENUES

Revenues from the sale of prescription drugs by retail pharmacies are recognized when the claim is processed. When we independently have a contractual obligation to pay our network pharmacy providers for benefits provided to our clients' members, we act as a principal in the arrangement and we include the total prescription price (ingredient cost plus dispensing fee) we have contracted with these clients as revenue, including member co-payments to pharmacies. Revenues from dispensing prescriptions from our home delivery and specialty pharmacies are recorded when prescriptions are shipped. These revenues include the co-payment received from members of the health plans we serve. At the time of shipment, we have performed substantially all of our obligations under the customer contracts and do not experience a significant level of reshipments or returns.

When we merely administer a client's network pharmacy contracts to which we are not a party and under which we do not assume credit risk, we earn an administrative fee for collecting payments from the client and remitting the corresponding amount to the pharmacies in the client's network. In these transactions, drug ingredient cost is not included in our revenues or in our cost of revenues.

REBATES AND ADMINISTRATIVE FEES

Gross rebates and administrative fees earned for the administration of our rebate programs, performed in conjunction with claims processing services provided to clients, are recorded as a reduction of cost of revenues and the portion of the rebate payable to customers is treated as a reduction of revenues.

When we earn rebates and administrative fees in conjunction with formulary management services, but do not process the underlying claims, we record rebates received from manufacturers, net of the portion payable to customers, in revenues.

MEDICARE PRESCRIPTION DRUG PROGRAM

Our revenues include premiums associated with our Medicare Part D prescription drug plan ("PDP") risk-based product offerings. These products involve prescription drug dispensing for beneficiaries enrolled in Medicare Part D plans sponsored by us pursuant to our contracts with the Centers for Medicare & Medicaid Services ("CMS"). In addition to Medicare Part D PDP premiums, there are certain co-payments and deductibles due from members based on prescription orders by those members, some of which are subsidized by CMS in cases of low-income membership. Our cost of revenues includes the cost of drugs dispensed by our home delivery pharmacies or retail network for members covered under our Medicare Part D PDP product offerings and is recorded at cost as incurred.

Table of Contents

SPECIALTY DRUG REVENUES

We operate specialty pharmacies, which dispense medications for the treatment of complex and potentially life threatening diseases. Many of the products are covered under a medical benefit which results in a more complicated adjudication process and coverage review, often involving primary, secondary or tertiary coverage. As a result, certain revenues are estimated based on historical collection rates. Amounts received from our clients may be greater than or less than originally estimated. Differences may affect the amount and timing of revenues for any period if actual pricing varies from estimates. Allowances for returns are estimated based on historical return trends. The discounts, contractual allowances, allowances for returns and any differences between estimates and actual amounts do not have a material effect on our consolidated financial statements.

Item 7A — Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates related to variable rate debt outstanding under the 2015 credit agreement. Our earnings are subject to change as a result of movements in market interest rates. At December 31, 2016, we had $2,775.0 million of gross obligations under our 2015 credit agreement which were subject to variable rates of interest. A hypothetical increase in interest rates of 1% would result in an increase in annual interest expense of approximately $27.8 million (pre-tax), assuming obligations subject to variable interest rates remained constant.

Table of Contents

Item 8 — Consolidated Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Express Scripts Holding Company:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Express Scripts Holding Company and its subsidiaries at December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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/ PricewaterhouseCoopers LLP

St. Louis, Missouri

February 14, 2017

Table of Contents

EXPRESS SCRIPTS HOLDING COMPANY
CONSOLIDATED BALANCE SHEET

(in millions)	December 31, 2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$3,077.2	$3,186.3
Receivables, net	7,062.1	6,721.3
Inventories	1,959.0	2,023.1
Prepaid expenses and other current assets	265.1	128.8
Total current assets	12,363.4	12,059.5
Property and equipment, net	1,273.6	1,291.3
Goodwill	29,277.8	29,277.3
Other intangible assets, net	8,636.9	10,469.7
Other assets	193.2	145.5
Total assets	$51,744.9	$53,243.3
Liabilities and stockholders' equity		
Current liabilities:		
Claims and rebates payable	$8,836.9	$9,397.7
Accounts payable	3,875.7	3,451.8
Accrued expenses	2,993.2	2,659.4
Current maturities of long-term debt	722.3	1,646.4
Total current liabilities	16,428.1	17,155.3
Long-term debt	14,846.0	13,946.3
Deferred taxes	3,603.3	4,069.8
Other liabilities	623.7	691.4
Total liabilities	35,501.1	35,862.8
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, 15.0 shares authorized, $0.01 par value per share; and no shares issued and outstanding	—	—
Common stock, 2,985.0 shares authorized, $0.01 par value per share; shares issued: 857.5 and 854.5, respectively; shares outstanding: 605.5 and 676.9, respectively	8.6	8.5
Additional paid-in capital	23,233.6	22,204.7
Accumulated other comprehensive loss	(12.3)	(14.0)
Retained earnings	11,801.2	8,396.8
	35,031.1	30,596.0
Common stock in treasury at cost, 252.0 and 177.6 shares, respectively	(18,795.1)	(13,223.2)
Total Express Scripts stockholders' equity	16,236.0	17,372.8
Non-controlling interest	7.8	7.7
Total stockholders' equity	16,243.8	17,380.5
Total liabilities and stockholders' equity	$51,744.9	$53,243.3

See accompanying Notes to Consolidated Financial Statements

Table of Contents

EXPRESS SCRIPTS HOLDING COMPANY
CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31,		
(in millions, except per share data)	2016	2015	2014
Revenues[1]	$100,287.5	$101,751.8	$100,887.1
Cost of revenues[1]	91,667.0	93,349.9	92,962.0
Gross profit	8,620.5	8,401.9	7,925.1
Selling, general and administrative	3,532.7	4,062.6	4,322.7
Operating income	5,087.8	4,339.3	3,602.4
Other (expense) income:			
Interest income and other	34.1	24.8	46.7
Interest expense and other	(694.8)	(500.3)	(582.9)
	(660.7)	(475.5)	(536.2)
Income before income taxes	4,427.1	3,863.8	3,066.2
Provision for income taxes	999.5	1,364.3	1,031.2
Net income	3,427.6	2,499.5	2,035.0
Less: Net income attributable to non-controlling interest	23.2	23.1	27.4
Net income attributable to Express Scripts	$3,404.4	$2,476.4	$2,007.6
Weighted-average number of common shares outstanding during the period:			
Basic	626.9	689.0	750.3
Diluted	631.4	695.3	759.1
Earnings per share:			
Basic	5.43	3.59	2.68
Diluted	5.39	3.56	2.64

(1) Includes retail pharmacy co-payments of $8,569.2 million, $9,170.0 million and $10,272.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

See accompanying Notes to Consolidated Financial Statements

Table of Contents

EXPRESS SCRIPTS HOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31,		
(in millions)	2016	2015	2014
Net income	$3,427.6	$2,499.5	$2,035.0
Other comprehensive income (loss):			
Foreign currency translation adjustment	1.7	(16.1)	(9.6)
Comprehensive income	3,429.3	2,483.4	2,025.4
Less: Comprehensive income attributable to non-controlling interest	23.2	23.1	27.4
Comprehensive income attributable to Express Scripts	$3,406.1	$2,460.3	$1,998.0

See accompanying Notes to Consolidated Financial Statements

Table of Contents

EXPRESS SCRIPTS HOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in millions)	Number of Shares Common Stock	Amount Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Treasury Stock	Non-controlling interest	Total
Balance at December 31, 2013	834.0	$8.3	$21,809.9	$ 11.7	$3,912.8	$(3,905.3)	$ 7.4	$21,844.8
Net income	—	—	—	—	2,007.6	—	27.4	2,035.0
Other comprehensive loss	—	—	—	(9.6)	—	—	—	(9.6)
Treasury stock acquired	—	—	149.9	—	—	(4,642.9)	—	(4,493.0)
Common stock issued under employee plans, net of forfeitures and stock redeemed for taxes	14.6	0.2	(35.4)	—	—	—	—	(35.2)
Amortization of unearned compensation under employee plans	—	—	111.0	—	—	—	—	111.0
Exercise of stock options	—	—	542.4	—	—	—	—	542.4
Tax benefit relating to employee stock compensation	—	—	93.6	—	—	—	—	93.6
Distributions to non-controlling interest	—	—	—	—	—	—	(25.0)	(25.0)
Balance at December 31, 2014	848.6	$8.5	$22,671.4	$ 2.1	$5,920.4	$(8,548.2)	$ 9.8	$20,064.0
Net income	—	—	—	—	2,476.4	—	23.1	2,499.5
Other comprehensive loss	—	—	—	(16.1)	—	—	—	(16.1)
Treasury stock acquired	—	—	(825.0)	—	—	(4,675.0)	—	(5,500.0)
Common stock issued under employee plans, net of forfeitures and stock redeemed for taxes	5.9	—	(30.0)	—	—	—	—	(30.0)
Amortization of unearned compensation under employee plans	—	—	117.1	—	—	—	—	117.1
Exercise of stock options	—	—	213.2	—	—	—	—	213.2
Tax benefit relating to employee stock compensation	—	—	58.0	—	—	—	—	58.0
Distributions to non-controlling interest	—	—	—	—	—	—	(25.2)	(25.2)
Balance at December 31, 2015	854.5	$8.5	$22,204.7	$ (14.0)	$8,396.8	$(13,223.2)	$ 7.7	$17,380.5
Net income	—	—	—	—	3,404.4	—	23.2	3,427.6
Other comprehensive income	—	—	—	1.7	—	—	—	1.7
Treasury stock acquired	—	—	825.0	—	—	(5,571.9)	—	(4,746.9)
Common stock issued under employee plans, net of forfeitures and stock redeemed	3.0	0.1	(9.8)	—	—	—	—	(9.7)

for taxes								
Amortization of unearned compensation under employee plans	—	—	107.0	—	—	—	—	107.0
Exercise of stock options	—	—	95.5	—	—	—	—	95.5
Tax benefit relating to employee stock compensation	—	—	11.2	—	—	—	—	11.2
Distributions to non-controlling interest	—	—	—	—	—	—	(23.1)	(23.1)
Balance at December 31, 2016	857.5	$8.6	$23,233.6	$ (12.3)	$11,801.2	$(18,795.1)	$ 7.8	$16,243.8

See accompanying Notes to Consolidated Financial Statements

Table of Contents

EXPRESS SCRIPTS HOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
(in millions)	2016	2015	2014
Cash flows from operating activities:			
Net income	$3,427.6	$2,499.5	$2,035.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,154.6	2,359.1	2,242.9
Deferred income taxes	(497.4)	(462.1)	(430.5)
Employee stock-based compensation expense	107.0	117.1	111.0
Other, net	(36.2)	(46.3)	(8.3)
Changes in operating assets and liabilities			
Accounts receivable	(374.0)	(770.3)	(2,042.4)
Inventories			