

**“Bringing Transformational Change to Health Care”  
Remarks as Prepared for Larry Merlo  
President and CEO, CVS Health  
Town Hall Los Angeles -- September 20, 2018**

Kim [*McCleary Blue, President of THLA*], thank you for the introduction. And thank you all for having me. I am truly honored to be here today.

Town Hall Los Angeles is one of our country’s great public forums.

When you come to a forum like this – to listen, question, discuss, engage, agree, disagree – you add to the civic health of this community and our country.

At CVS Health, we appreciate that. We understand the importance of civic and community health.

In fact, our company’s purpose is helping people on their path to better health. That purpose serves as an important guidepost for making business decisions, but it is also why our more than 240,000 colleagues come to work every day. It inspires the way we approach our work and everything we do on behalf of our patients, customers, clients and communities.

Here in Los Angeles and across California, for example, we are proud to collaborate with many local community partners who share our commitment to improving public health, and I’m pleased that representatives from several of those organizations could be here with us today. Let me thank you for the important work you do.

Over the past decade CVS Health has delivered purpose-driven innovations that have enhanced the health of patients and the work of physicians, hospitals and other providers.

If you look across the health care landscape, there are many ways in which care delivery is changing before our eyes; CVS Health is excited to be in the vanguard of that change. We deliver quality health care to patients in more ways and in more settings than anyone else.

For example, online and mail-order pharmacy has existed for many years, and CVS Health dispenses millions of prescriptions this way for patients each week. But our delivery model goes well beyond that foundation.

Whether it’s providing in-person infusion services at a patient’s home, placing a prescription refill through our mobile app to be picked up at any of our nearly 10,000 locations, or having your physician send a script electronically to be delivered directly to your doorstep; we offer the diversity of delivery options that patients need and value.

Delivery is just one example of meeting customer needs. There are also our patient care services and clinical programs that are helping people on their path to better health.

Now we are setting out on an even more ambitious journey – to lead the change that is needed more broadly in American health care through the combination of CVS Health and Aetna. That’s where I’ll focus my remarks today.

What we propose is bold, disruptive, and truly unique. It’s also achievable, with the right engagement at the community level.

In bringing together the capabilities of two leading health care organizations, we will establish an innovative health care model that is easier to use, less expensive and puts people at the center of their care.

As I will explain, our new company will drive three necessary changes in health care:

- **First, we will be local.** With a presence in communities across the country, we will be able to engage people with the care they need, when they need it.
- **Second, we will make it simple.** Through our combination of data, information, and expertise, we will make an often complicated and confusing system easier for all.
- **Third, we will improve health.** This will remain CVS Health’s northstar, and with the added capabilities of one of the nation’s leading health benefits companies, we will be uniquely positioned to personalize health care, help people achieve better health at a lower cost, and access care when they need it.

What I will describe is a vision for how to make health care work better for millions more Americans. I hope you’ll come to share that vision through the discussion we’ll have here today.

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We all know that change isn’t easy. In health care, even more so.

A couple months ago, I participated in a Q&A session with Bernard Tyson, who is chairman and CEO of Kaiser Permanente here in California.

The first question we were asked was ... “What are you ornery about?”

Bernard and I laughed, because we’re probably the two least ornery CEOs on the planet. But we understood where the question was coming from.

There are a lot of challenges facing health care in this country. Many have existed for far too long and create frustration for far too many.

At CVS Health, we see the same problems you do, but from a unique vantage point...through the millions of interactions we have every day with patients, caregivers, physicians and businesses. And because we are an organization where innovation is in our DNA, we see the opportunities for improvement.

Now that doesn't mean that America's health care system doesn't have its strengths.

It continues to have the best doctors and health care facilities in the world.

People from all corners of the world come to U.S. research hospitals for treatment.

And yet, health care in this country can work better. Every one of us here has many reasons to believe that.

So let me spend a few minutes telling you what we at CVS Health want to do about it.

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The biggest barrier to fulfilling America's true health care potential is the system itself.

It's built neither for the present, nor the future. Instead, it's designed around how health care was delivered for much of the last century, and not around the patient.

It's an episodic, fee-for-service, fragmented model.

It's confusing, hard to navigate, and places a significant, growing, and unsustainable cost burden on consumers.

It doesn't focus on preventing disease or helping people manage chronic illness. It doesn't track, incentivize, or reward good performance and healthy outcomes. It doesn't meet people where they are, give them the information they need, or help them connect the dots of care.

In the end, it doesn't put consumers at the center of their own care, where they really need to be.

And that's why we are bringing CVS Health and Aetna together as one company.

In our new health care model, we provide people access to more affordable care when, where and how they need it. Care will be coordinated among the health care providers, caregivers and their health care teams, leveraging the connectivity CVS will provide.

Here's how we will bring this new health care model to life.

**First, we will improve access to health care by making it local.**

Would it surprise you to know that nearly 70 percent of Americans live within three miles of a CVS Pharmacy<sup>1</sup>?

You can walk right in and see the pharmacist to get information about your prescription. You can see a nurse practitioner at one of our 1,100 MinuteClinics for chronic condition monitoring or a lab test, with the results sent to your primary care doctor. You might need to have your eyes examined or your glasses updated with a new prescription. Our optical centers inside select CVS Pharmacy locations can do that for you.

We can help fill care gaps between visits to the doctor, serving as a complement to traditional primary care. We recognize the integral role that physicians play in people's lives, as well as the importance of patients having a physician-led medical home. In fact, about half of the people who walk into a MinuteClinic don't have a primary care physician, and we make every effort to help them find one.

It's one of the reasons we've formed alliances with more than 75 major health systems across the country – including here at Cedars-Sinai and UCLA Health, as well as Providence Saint Joseph Medical Center in Burbank, and the Veterans Affairs Health Care System in Palo Alto.

Research shows that when people have regular access to primary care, it makes a big, long-term difference in their health.<sup>2</sup>

Our combined company will be able to offer many options to access care – whether in the community at retail pharmacies and clinics, in the home, or through digital tools.

## **Second, we will simplify the consumer health care experience.**

Today care delivery is fragmented.

Patients carry medical records with them to the different doctors who treat them. It is frustrating for both the patient and the caregiver. And it makes it difficult to get the full range of coordinated care they need.

Think about a senior citizen coming out of the hospital, feeling good enough to be discharged, but with a care plan in hand and not sure where to start.

The current system fails these patients every day. Especially the most vulnerable among us, who might live alone, can't prepare a meal, or may not be able to drive.

In fact, 20 percent of people on Medicare who leave the hospital are readmitted. And half of those readmissions ... and all the costs and pain that come with them ... can be avoided. Preventable readmissions cost the U.S. health care system an estimated \$25 billion each year – money that could be invested in other important priorities such as infrastructure, education, and job training.<sup>3</sup>

By extending our new health care model more broadly in the marketplace, patients will benefit from earlier interventions and better connected care leading to improved health outcomes.

Think again about that senior leaving the hospital, knowing that the care plan prescribed by her doctor is being seamlessly coordinated by CVS and her caregiver.

By fully integrating Aetna's medical information and analytics with CVS Health's pharmacy data and our 10,000 community locations, we can enable more effective treatment of the whole patient.

It is better informed, better connected, better coordinated health care. Our teams can help all along the way, with the doctor, the home care provider, and the caregiver.

And all of this is enabled by bringing together CVS Health and Aetna.

**Third, we will help people achieve better health at a lower cost.**

When you look at how America's health care system stacks up with the rest of the world, we spend far more on health care than any other nation.

In 2017 ... the United States is estimated to have spent 17 percent of GDP on health care – equal to more than \$3 trillion or about \$10,000 per person. The next closest countries are between 11 and 12 percent.<sup>4</sup> That's an additional \$2,000 per person spent on health care in the U.S. compared to our nearest competitors.

And yet the performance of our health care system, compared to other high-income countries, is one of the worst.

The Commonwealth Fund, in its annual "Mirror, Mirror" report, recently ranked the U.S. "last in health care system performance" among the 11 countries it studied.

That included ...

Last in access. Last in equity of care regardless of income. Last in health care outcomes. And next to last in administrative efficiency.

The U.S. health care system doesn't deliver the value it should.

The combination of CVS Health and Aetna will make a difference, and better management of chronic disease is one big way we'll do that.

These are the diseases that people live with every day. High blood pressure, high cholesterol, high blood sugar. About 60 percent of Americans have at least one. And they're very expensive, accounting for 86 percent of health care spending.<sup>5</sup>

At CVS Health, we're already working to transform care for one the most challenging chronic diseases ... diabetes.

Right now, more than 30 million Americans have diabetes. And another 84 million people are at risk of developing the disease.<sup>6</sup> Even at the onset, it is a complex condition to monitor and manage. And as a person lives with the disease for 10 or 20 years, it starts to be associated with obesity, cardiovascular disease, kidney disease, and even cancer. Think about this: even if only half of those 84 million Americans who are pre-diabetic go on to develop the disease, medical spending in the U.S. will increase by more than \$400 billion.<sup>7</sup>

We have a program called “Transform Diabetes Care.” The goal is to help improve the health of diabetes patients and lower their costs. Right now we’re doing this through better management of anti-diabetic drugs.

For participants who had uncontrolled diabetes, we helped lower what’s called their A1C levels by one point and maintained that over a six-month period.

What does that add up to?

A one-point drop in A1C levels can mean up to \$2,800 in savings per year. If we were able to do that for just a tenth of the diabetes population in America ... it could mean nearly \$10 billion in savings for our health care system.<sup>8</sup>

Again, this is how we’re helping manage diabetes care with the tools we have right now.

Imagine what we’ll be able to do when CVS Health and Aetna come together.

We’ll have a community presence – with stores, pharmacists and retail clinic nurses – and a much more complete picture of a person’s whole health.

We’ll know better who is at risk of developing diabetes and provide them with preventative counseling.

For those who are already diabetic, we’ll be there more frequently when they pick up their medicines – to talk with them face-to-face not just about managing their medications, but also how to lose weight and eat better.

We’ll also be able to expand the use of digital tools. We will help patients monitor key indicators, such as blood glucose levels, and send them texts when results look concerning.

And we’ll be able to do all of this – not in an ad hoc or fragmented way – but seamlessly with patients, their doctors and the many other players it takes to coordinate diabetes care.

I hope you can see why we’re so excited about our two companies coming together and the difference we’ll be able to make.

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How will CVS Health and Aetna deliver on this vision of a better health care model that helps people achieve their best health?

The most important ingredient for successfully bringing two entities together is company culture.

That's where CVS Health and Aetna have a very strong start.

We're both driven by purpose.

It's why at CVS Health we decided to stop selling tobacco products. It cost our company \$2 billion in annual sales revenue. But it was worth every penny.

Following our action, cigarette sales fell across all retailers in markets where we had a significant presence – and CVS customers were 38% more likely to stop buying tobacco products.<sup>9</sup> Becoming tobacco-free also opened up new doors for business growth.

Our commitment to helping people lead tobacco-free lives continues with our “Be The First” initiative, which aims to help deliver the nation's first tobacco-free generation. As part of that nationwide effort, here in Los Angeles we're partnering with the LA Trust, the LA Unified School District, and the Motion Picture Television Fund, among others, on tobacco prevention and cessation programs.

Purpose is why both Aetna and CVS Health have stepped up to help tackle the opioid crisis.

Aetna was the first national insurer to waive co-pays for the drug that reverses opioid overdoses. And in 48 states, CVS Health has started dispensing the same drug with no individual prescription needed. Our companies also took the step to strengthen management of opioid prescriptions for temporary pain or after a dental procedure.

As a result of these efforts ... we've seen a nearly 72 percent drop in covered opioid prescriptions that go beyond a seven-day supply.

Here in California, we have also donated 21 safe medication disposal units to local police departments, and installed an additional 62 units in our stores, collecting more than 15,000 pounds of prescription drugs for safe disposal to date.

And united in our purpose, we will be able to do more to tackle the social determinants of health.

About 60 percent of life expectancy is driven by behavioral, social and environmental factors – including things like family, education, housing, and access to fresh food.<sup>10</sup>

When you are constantly worried about putting food on the table, or where you are going to live, you can't possibly live healthy.

Aetna's strategy is to invest in communities and help people in their homes. CVS Health, through our community presence, is proud of our work in this area, too.

And we plan to build on it with our successful Project Health events. The goal of this nationwide program is to help people live healthier lives through free, preventive health screenings, as well as support in the diagnosis, treatment, and management of chronic diseases.

CVS Health has been holding Project Health events in Los Angeles since 2007, providing more than \$26 million worth of free medical services during that time. This year's campaign launched here in LA just last week, and runs through December 16.

Looking ahead, we plan work closely with Aetna and our local communities to provide even more new preventive health screenings in communities that are identified as high-risk for certain health challenges, and to ensure that newly diagnosed patients receive the follow-up care they need.

There is a genuine excitement among the employees of both companies in fulfilling the vision we share and our commitment to better health.

(PAUSE)

We all feel the problems with American health care.

We feel it in our pocketbooks. We feel it in the pain that comes with disease that's unnecessary or poorly managed. We feel the frustration of a system that wasn't built for the consumer.

But we have to believe that health care can work better, that millions more of us can get a better chance at achieving our best health. To make that vision a reality, change is necessary.

By bringing together CVS Health and Aetna, we will lead that change. We will challenge and disrupt the status quo, and help create a better, more effective and more affordable health care system.

We will be local. We will make it simple. We will improve health.

And we can't wait to get started.

Thank you very much.

## Endnotes

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<sup>1</sup> CEO letter, 2018 CVS Health annual report. Accessed at

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<sup>2</sup> “Contribution of Primary Care to Health Systems and Health,” Milbank Quarterly. Accessed at

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<sup>3</sup> NEHI, “Preventing Hospital Readmissions: A \$25 Billion Opportunity.” Accessed at

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<sup>4</sup> “OECD Health Statistics 2018,” Organisation for Economic Co-operation and Development. Accessed at

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<sup>5</sup> “Health and Economic Costs of Chronic Diseases,” U.S. Centers for Disease Control and Prevention. Accessed at

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<sup>6</sup> “Cost of Diabetes,” American Diabetes Association. Accessed at <http://www.diabetes.org/advocacy/news-events/cost-of-diabetes.html>

<sup>7</sup> Assumes average medical expenditures of about \$9,600 per diabetic patient, as estimated by the American Diabetes Association. Accessed at <http://www.diabetes.org/advocacy/news-events/cost-of-diabetes.html>

<sup>8</sup> “Transform Diabetes Care,” CVS Health Payor Solutions. Accessed at

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<sup>9</sup> “CVS Health Research Institute Study Confirms that the Company's Tobacco Removal Decision Reduced Cigarette Purchases Nationwide.” Accessed at <https://cvshhealth.com/newsroom/press-releases/cvs-health-research-institute-study-confirms-companys-tobacco-removal>.

<sup>10</sup> “Beyond Health Care: The Role of Social Determinants in Promoting Health and Health Equity,” Kaiser Family Foundation. Accessed at <https://www.kff.org/disparities-policy/issue-brief/beyond-health-care-the-role-of-social-determinants-in-promoting-health-and-health-equity/>.