

## 2016 Public Policy Principles

At CVS Health, our purpose is helping people on their path to better health. Every action we take and every decision we make is viewed through this lens. It is a focus and approach that provides multiple points of care and extends across all our business units—our pharmacy benefit management program; our retail, mail, specialty and long term care pharmacies; our Medicare Part D plan and our MinuteClinics.

As a leader in the front lines of health care, we provide solutions that enhance quality of care and patient adherence to their medications, offer access to lower cost and high quality sites of care, provide specialty solutions for patients with complex conditions, and employ industry leading purchasing strategies that leverage the Company's scale to negotiate discounts with drug manufacturers to lower drug costs and improve health outcomes. We are committed to working with federal and state policymakers to advance public policy principles that enhance access to care, lower overall health care costs and improve health outcomes for patients.

### Solutions for Cost, Quality and Access Challenges

We support health care that is affordable, yet easier to access and simpler to manage, in order to help improve the health of individuals while ensuring the long-term sustainability of both public and private health insurance plans.

#### Managing the Rising Cost of Drugs

Millions of people depend on us for the prescriptions they need to stay healthy, at prices they can afford. Through our Pharmacy Benefit Manager (PBM), CVS Caremark applies a variety of solutions to help patients avoid unnecessarily expensive medications, mitigate the impact of rising drug costs, improve patient outcomes and lower overall healthcare system costs. Our programs are successful as shown by the drop in overall prescription drug trend to 5 percent last year versus 12 percent in 2014.

PBMs administer prescription drug benefits to more than 266 million Americans on behalf of a variety of plan sponsors – including health plans, employers, unions, and government programs like Medicare Part D and Medicaid— and are projected to save plan sponsor clients and members \$654 billion on drug costs over the next decade.<sup>1</sup> PBMs design plan features that encourage the use of cost effective generics over more expensive branded products, which helps consumers and plans save money on prescription drugs without compromising clinical efficacy. PBMs also offer the plans clinically based programs that help improve patient adherence to medications, which helps lower costly hospital readmissions and reduce aggregate health care system costs.

We support policies that preserve the ability to design uniquely tailored plans, including the use of clinically appropriate and cost-effective formularies and pharmacy network designs – while taking care to balance the need for appropriate and convenient pharmacy access for consumers.

#### Maintaining a Competitive Marketplace

In order to keep prescription costs from rising, pharmacy benefit managers need the ability to negotiate discounts from drug manufactures, which is contingent on maintaining a competitive bidding environment. When manufacturers do not know the amount of rebates their competitors will offer, they are motivated to offer deep discounts on the list price of their drugs in order to secure placement on one of our formularies.

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<sup>1</sup> PCMA, Visante, Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers, February 2016

We believe that enacting policies that accelerate market competition and approval of generics and biosimilars is key in enabling us to secure better discounts and constrain overall health care costs. We also support policies that promote the use of comparative effectiveness research to differentiate high-volume drugs from those that are simply too expensive.

### **Delivering High Quality Care in New and Innovative Ways**

The role of pharmacy care in the health care system has changed dramatically over the past decade. With the drive towards greater accessibility, lower cost while maintaining quality, pharmacy has consistently been one of the most accessible points along the health care continuum. This changing role is important given the shortage of primary care physicians will grow to more than 50,000 by 2025, making it increasingly difficult for patients to have timely access to a doctor.<sup>2</sup>

Pharmacists, nurses and nurse practitioners have a long history of collaboration with physicians and have already demonstrated improved patient outcome and increased cost efficiency. That is why CVS Health supports policies that extend the role of pharmacists and nurse practitioners to relieve demands on the health system and appropriately compensate for such services.

#### **Role of the Pharmacist**

Health does not “happen” during visits to the doctor. Health is defined by how patients care for themselves between visits to their physician. Retail pharmacies are well-positioned to support patients *and* providers in this regard.

Patients with chronic conditions generally see their primary care provider several times a year and visit their local pharmacy up to nine times a month. There are over 9,600 CVS Pharmacies nationwide. We have multiple touch points with the consumer that uniquely positions us to meet patients where they are and when they need access to care.

While 15 states provide Medicaid compensation for direct patient care by pharmacists—including medication management, smoking cessation services, and immunization services—many more states do not. Medicare covers the dispensing of prescription drugs but Medicare Part B does not pay for the patient services provided by a pharmacist. CVS Health supports changes in policy to create cost-effective healthcare by increasing access to and reimbursement for pharmacist care.

#### **Care Delivery in Lower Cost Settings**

MinuteClinic is the largest provider of retail clinics with more than 1,100 locations in 33 states and the District of Columbia. By creating a health care delivery model that responds to patient demand, MinuteClinic makes access to high-quality medical treatment easier for more Americans while lowering costs and maintaining quality.

In order to collaborate more closely with providers along the continuum and extend care, we support policies for greater coordinated care, telehealth and facilitated sharing of information between retail clinics and primary care providers. We also support policies that allow health care professionals to fully maximize their training and use evidence-based standards of clinical treatment and preserve retail medical clinics' ability to be housed in pharmacies. It is essential for policy makers to support approaches that improve outcomes while lowering costs.

Another such approach is infusion services in the home versus in a medical setting. In a published study conducted by the CVS Health Research Institute, home infusion care improves patient outcomes, patient satisfaction and quality of life while reducing overall costs. The average savings is between \$2,000 to \$3,000 per treatment compared to similar care administered in medical facilities. Home infusion services are a rapidly growing delivery model in the health care system with rising rates of chronic and acute conditions that require intravenous therapy. Coram, a division of CVS Health, is a leader in the home infusion industry. Coram provides care to over 100,000 patients annually through a national network of more than 83 locations including over 73 ambulatory infusion suites.

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<sup>2</sup> Petterson S et al. “Projecting US Primary Care Physician Workforce Needs: 2010-2025.” *Annals of Family Medicine*, Vol. 10, No. 6, 503-509; 2012.

While many commercial health plans provide comprehensive coverage for home infusion services, Medicare has limited reimbursement for this type of care. At CVS Health, we are urging Congress to implement a comprehensive home infusion benefit for Medicare beneficiaries.

### **Improving Health through Integration, Coordination and Personalization**

CVS Health supports policies that encourage integrated and coordinated care that uses modern information technology and digital techniques to deliver high-quality, personalized care to individual patient. We work with federal, state and local government policymakers to encourage the more widespread use of electronic medical records and mobile and digital apps as part of a suite of strategies that enable more personalized, coordinated care. In order to collaborate more closely with providers along the care continuum and extend care, CVS Health supports policies for greater coordinated care through the use of telemedicine and sharing of information between retail clinics and primary care physicians.

### **Care to Patients with Greatest Need**

Residents of nursing homes and other long-term care (LTC) settings are among the most medically-complex and seriously-ill patients. Omnicare's LTC pharmacies not only dispense prescription drugs to LTC residents, but also provide medication management and other specialized services aimed at achieving clinically-optimal and cost-effective drug therapy. As baby boomers age, the U.S. population over 85 will grow by nearly 90 percent over the next 20 years. Seniors' needs for medications and optimal drug therapy will correspondingly grow.

CVS Health supports public policies that spur quality improvement, help foster cost-effective and clinically-appropriate drug regimens and ensure that patients have timely access to their medications.

## **Helping to Ensure that Medications Are Used as Intended**

### **Keeping People Healthy by Improving Medication Adherence**

When people take their medications as prescribed they stay on their path to better health, and staying on that path helps prevent hospitalizations and complications, which can result in as much as \$300 billion in overall health care savings each year in avoided costs.

Improving adherence to medication is one of the best ways to manage chronic conditions. At CVS Health, we have an ambitious goal: to increase medication adherence by five to fifteen percent by 2017. Our Vulnerable Patient Index allows us to predict which patients are at the highest risk of non-adherence and to work with them and their doctor to keep them on their medication. And as part of this, our Pharmacy Advisor program offers one-on-one personalized counseling to patients and has delivered over 13.9 million interventions, increased adherence by 4 percent and reduced gaps in care by 7 percent. As we continue to work to increase adherence, we advocate for public policy that allows for innovation and personalized care programs to help patients stay adherent to medications.

### **Mitigating Opioid Abuse**

Prescription drug abuse has reached epidemic proportions in our country. According to the Centers for Disease Control and Prevention, 44 people die in the United States each day from an overdose of prescription painkillers<sup>1</sup>, while even more become addicted. As a pharmacy innovator, CVS Health is providing cutting edge solutions to help mitigate prescription drug abuse. By partnering with other stakeholders in the drug supply chain including prescribers, health plans, government, and law enforcement entities, CVS Health is working to ensure medications are used and disposed of properly to create safer communities.

We are committed to being a part of the solution by advancing legislation and promoting advances in technology. Specifically, CVS Pharmacy has worked with policy-makers to expand the availability of naloxone, a safe and effective way to reverse an opioid overdose. As of last year, non-prescription naloxone is available through a physician-approved protocol established at CVS Pharmacy locations in 15 states. We plan to expand our naloxone program to 20 additional states in 2016.

In addition, CVS Health supports the utilization of prescription drug monitoring programs (PDMPs), statewide electronic databases that gather information from pharmacies on dispensed prescriptions for controlled substances, and the use of ePrescribing, a technology framework that allows prescribers to send prescriptions directly to the pharmacy electronically. When prescribers have access to PDMPs and ePrescribing technology, they are better positioned to determine whether the patient is at risk for abuse and prevent unnecessary prescriptions from being written in the first place.

While our pharmacists and nurse practitioners play a pivotal role in the fight against prescription drug abuse, we cannot do it alone. CVS Health will continue to play a leadership role in developing solutions to help mitigate prescription drug abuse while working closely with state and federal policy-makers, the Administration, our patients and other partners in the drug supply chain system to support efforts that address this public health challenge.

### **Reducing Access to and Use of Tobacco to Improve Public Health and Reduce Health Care Costs**

Smoking is the leading cause of premature disease and death in the United States with more than 480,000 deaths annually. We recognize that tobacco use is inconsistent with our purpose of helping people on their path to better health. Our own actions as a company to eliminate the sale of tobacco products in our retail stores showed that we could have an impact on smoking rates nationally, but there was more that we can do. We are committed to helping people lead tobacco-free lives which includes investment in smoking cessation and youth tobacco-prevention programs.

In 2016, we announced "*Be The First*," a five-year, \$50 million commitment to tobacco education, advocacy, tobacco control and healthy behavior programming delivered through the nation's leading anti-tobacco and youth organizations. Given the scope and scale of our company, CVS Health can bring significant resources to the public health community and work collaboratively with them to ensure we are helping those who smoke quit and prevent those who don't smoke from starting.

### **Supporting Opportunities for Veterans and Diverse Populations**

The backbone of CVS Health is our 240,000 colleagues who help people on their path to better health. Every day, we serve millions of customers of all ages and all walks of life. Our diverse workforce and programs to reflect our customers as well as the communities we serve. From our Project Health initiative, which has provided more than \$81 million worth of free health screenings to people in underserved neighborhoods, to its strong employee resource groups, CVS Health is a model for community involvement and diversity initiatives.

CVS Health has 12 employee resource groups with 40 chapters nationwide. They are available to all employees, including hourly workers. This includes groups based on early career ethnicity, gender, generation, military status, disability, working families, analytics and the LGBT community. The company also has a blended groups focusing on Blacks/Latinos and a Portuguese & Latino group, as well as a Health & Wellness group.

CVS Health is committed to hiring veterans throughout the country. Through internal colleague engagement and external support of the Hiring our Heroes program, we have emerged as a corporate leader in support of providing employment to veterans and military families nationwide. In addition, MinuteClinic is developing a pilot program with the Veteran's Administration on a veteran's health pilot in California. The pilot leverages local MinuteClinic sites to provide expanded access to common health care services for veterans served by the VA Palo Alto Health Care System (VAPAHCS).

Our public-private partnerships on initiatives such as diversity and veterans issues have earned CVS Health a 100% score on the 2015 Corporate Equality Index.

### **Reforming the Corporate Tax Code to Encourage Investment in the United States**

CVS Health supports broad tax reform that would encourage U.S. companies to invest in the United States. This can be achieved by simplifying the federal tax code to lower the maximum corporate tax rate, while eliminating certain targeted

deductions and tax credits. In 2015, our federal effective tax rate was over 35%. When combined with the ACA-related excise tax, we paid just over \$3 billion dollars in federal income tax – which is 1% of the total corporate tax revenues paid to the US Treasury. *(These percentages of income are typically far above those being paid by multinational companies.)*

As one of America's leading health care companies, lowering the corporate tax rate could significantly and sustainably enhance CVS Health's ability to increase our investment in human capital so we can continue to do more for our customers, colleagues, suppliers and the communities where we operate.