

**“Transforming American Health Care: A More Local, Simple and Affordable Model”
Remarks as Prepared for Larry Merlo
President and CEO, CVS Health
National Press Club Headliners Luncheon
January 14, 2019**

Thank you so much for the opportunity to join you today. It’s great to be back at the National Press Club and the Headliners Luncheon.

The world – and Washington – has changed a lot since I last spoke with you in 2014. But here is what hasn’t changed. First, health care remains a significant concern for most Americans. It’s too complex, too expensive and care is too fragmented. And second, CVS Health continues to bring bold approaches to address these consumer pain points while improving the health of our communities.

It is always interesting to talk about health care at the start of a new year ... because so many people make resolutions to improve their health. It says a lot about what’s important to us and what we want to change on a personal level. But as someone who has made – and broken – resolutions, I know how hard it can be to stay on track. It isn’t always easy for people to figure out what their next best action should be. Hold that thought, because I’ll come back to that in a few minutes.

Let me ask you to think bigger for just a moment. What if you could improve not just your own health, but the health of your community? What would be important to you and your neighbors? What would you want to change most?

It takes courage to think big and bold. We are fortunate to live in a country that has accomplished much since our founding – with moments and movements that have ignited change for the greater good.

I believe we are experiencing this kind of inflection point with health care – facing an opportunity to fundamentally transform the way the system works, making it better for consumers and building much healthier communities.

At CVS Health, this is our focus for 2019 and beyond. Why? Because we can, and because we feel it is our responsibility. With Aetna joining CVS Health, we have the blend of business assets and a new business model that will allow us to bring real, meaningful change to the marketplace.

Consider this: There are communities where your zip code matters more than your genetic code when it comes to health.

- Babies born in several counties around Washington, D.C. – including Montgomery County in Maryland, and Arlington and Fairfax Counties in Virginia – can expect to live six to seven years longer than babies born in here in the District.
- There are neighborhoods in Atlanta, simply on opposite sides of an interstate, where life expectancy differs by a decade.

- And in Boston, life expectancy can vary by more than three decades. The life expectancy for residents of the Roxbury neighborhood is 58.9 years – shorter than the life expectancy in many developing countries.

What are the underlying differences in these neighborhoods? We call them “social determinants” of health. Sixty percent of life expectancy is driven by social and environmental factors like family, education, housing and access to fresh foodⁱ. Health starts at the community level. And that’s where we feel we can make a real difference.

Our company has long focused on ways to bring effective tools, resources and solutions to our communities to improve health care for individuals and their families. Now we are taking that commitment to the next level.

Today, I’m pleased to announce – through the CVS Health and Aetna Foundations – our new “Building Healthier Communities” initiative. It’s a five-year, \$100 million commitment to support critical programs and partnerships with local and national nonprofit organizations.

This effort means more free health screenings, and more funding to tackle public health challenges, including tobacco and opioid use. It means more investments to address the social determinants of health I just mentioned. We will bring the energy and enthusiasm of CVS Health colleagues to deliver more volunteer hours to important community initiatives. And for national and local nonprofit partners, we will bring data, know-how and actions that make health care better at the community level.

Our company’s purpose is helping people on their path to better health. At CVS Health, we have a sense of urgency about the need to bring real change to health care ... because the current system isn’t working, and worse, it is not sustainable. The commitment I have just announced is just one of many ways we intend to tackle this problem.

It is a fact that the U.S. not only spends more money on health care than many other countries, but it also fares worse on several measures of public healthⁱⁱ.

The system was built around how health care was delivered for much of the twentieth century. It emphasizes one-off, episodic treatments for patients instead of preventing or managing disease, or tackling the root causes of poor health like access to healthy food or affordable care.

It pays physicians for services regardless of results, instead of incentivizing healthy patient outcomes.

People are left to navigate a complex health care system on their own. Each year, up to \$300 billion of health care spending is due to ineffective coordination of medications and overall disjointed care for patientsⁱⁱⁱ.

It is a waste of time, money and effort. But unlike other industries, here there is also a human cost.

At CVS Health, we understand the challenges facing the health care system. One-third of America interacts with our company every year – that includes 5 million people who visit our retail stores daily in nearly 10,000 communities across the country. More than 22 million medical members rely on us to help them make decisions about their health care and their health spending.

We know how much human interactions matter. We know the importance of having a physical presence in our communities and being able to build trust with people on a personal level.

What's clear to us is that it will take more than incremental steps to fix what is broken in the health care system. That's why we've brought together CVS Health and Aetna to establish an innovative health care model that will create an entirely new consumer experience and lead to much healthier communities.

As the new "Front Door to Health Care," our combined company will engage consumers with the care they need, when and where they need it – giving them human connections with pharmacists, nurse practitioners and others who can walk shoulder to shoulder down the path to better health, along with digital options for those who prefer to access care in the palm of their hand.

To deliver on this vision we are building a consumer-centric approach to health care that offers a better experience, which in turn will drive better patient engagement with programs and services, improving their health and delivering better outcomes that end up reducing health care costs.

It's big. It's bold. But it is not the first time CVS Health has moved to transform the industry.

Let me take you back to 2014, when I was last here. I spoke about how CVS was the first pharmacy chain to stop selling tobacco products.

Following our action, cigarette sales fell across all retailers in markets where we had a significant presence. The average smoker in these markets purchased five fewer cigarette packs and, in total, approximately 95 million fewer packs were sold^{iv}. Bold move, big result.

Here's another consumer pain point: the cost of medications. We have implemented technology to make drug prices more transparent to both prescribers and patients. We found that when doctors (with access to real-time prescription benefit information for CVS Caremark members) could see a lower-cost preferred alternative medication available ... 40% of the time they prescribed the lower cost medication, saving an average of \$120 to \$130 per script^v. That's meaningful cost reduction for the member's wallet.

Now we have set our sights on how to transform a system that accounts for nearly 18% of our country's GDP.

In today's health care system, consumers are burdened with how to figure it out on their own. They need people they trust, who are accessible and knowledgeable, to help bring everything together and make sense of it.

Here is how our vision for a better, consumer-centric health care model will change this.

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

Communities across America aren't all the same – how we strengthen health care at the community level shouldn't be either.

We are piloting concept stores that offer health care services and products. These concept stores will enable us to meet a range of basic health care needs, including monitoring for chronic conditions, lab tests, eye exams and hearing tests. And we'll be able to do all of this – not in a fragmented way – but seamlessly with patients, their doctors, and the many other players in the health care system it takes to coordinate care.

There is our new “Building Healthier Communities” initiative that I shared with you earlier that will put \$100 million in towns across the country to support a range of programs and partnerships with local and national nonprofit organizations.

In addition, we have pledged a minimum \$10 million in value of volunteer hours each year, with our colleagues offering their time and expertise to build healthier, sustainable communities where they live and work.

Employment is another social determinant of health, and we are especially proud of our participation in the U.S. Department of Defense SkillsBridge initiative that provides career training to help service men and women transition from military life to private sector civilian careers. Following classroom training and a 12-week internship at one of our CVS Pharmacy locations, they are eligible to apply for positions in any one of our stores, upon completion of their military service.

Beyond our Skillsbridge participation, we also opened our Talent Connect Center in Fort Bragg, North Carolina, and in the first year of operation 50 percent of those completing the curriculum and training were hired by CVS Health. Through a combination of efforts, since 2015 the company has hired more than 12,500 people with military experience and more than 3,400 military spouses.

(PAUSE)

One area that we've been working hard to address is the opioid epidemic. In 2017, more than 49,000 deaths were attributed to opioid overdose^{vi}. Both CVS Health and Aetna have been leading the way to help address this devastating crisis.

Aetna was the first national insurer to waive co-pays for naloxone, the drug that reverses opioid overdoses. In 48 states, CVS Health is dispensing the same drug with no individual prescription needed.

Both companies also took the step to strengthen management of opioid prescriptions for temporary pain or after a dental procedure. As a result, at CVS Health, we've seen a nearly 72 percent drop in covered opioid prescriptions that go beyond a seven-day supply^{vii}.

And working in partnership with local law-enforcement, CVS Health has donated medication disposal units across the country and will have more than 2,700 in place by the end of this year. To date these units have collected more than 436,000 pounds of unused medications that could otherwise be diverted, abused or contaminate the water supply if disposed of improperly^{viii}.

Battling the opioid epidemic is just one more example of how we're investing in communities and making a difference by making health care more local.

The second way we will bring to life our vision for a better health care model is by simplifying the consumer health care experience.

Remember the New Year's resolution that you may have already abandoned?

Through a number of new initiatives, we will help consumers identify their next best action to improve their health. We will do this through frequent in-person interactions and expanded use of digital tools, including wearables. It's about empowering patients to better manage their health and wellness, with a little help. For example, through real-time monitoring of key health indicators, such as blood glucose levels, we can quickly send a text or make a phone call to the patient should data look concerning.

We're also developing new cost-reduction programs to improve medication adherence, avoid hospital readmissions and take advantage of alternatives to unnecessary emergency room visits. This will include timelier and more comprehensive medication reviews, as well as expanded services and hours at select MinuteClinic locations.

And we're working hard to help ensure smoother and easier transitions between health care settings and the home. That means doing even more to make sure people have the durable medical equipment they need to heal and enjoy a high quality of life at home.

How does all this come together in a simplified consumer experience? Let's make it human through a consumer I'll call Diane. She's newly diagnosed with diabetes and leaves the doctor's office with a care plan. It has instructions for a new medication she'll need to take, a lab prescription for blood work to measure her blood sugar levels, and instructions for dietary modifications to help her lose weight.

But does Diane know how to execute her care plan effectively? Her doctor has warned her that if she doesn't get her blood sugar under control, her risk increases significantly for diabetes-related complications like damage to her heart and kidneys.

Fortunately, although Diane might see her physician four or five times a year, she is likely to see her pharmacist as many as 18 to 24 times in the same year. This is where the combination of CVS Health and Aetna can make a difference – through a local physical presence in Diane's community, regular one-on-one interaction with health care professionals she knows and trusts, and access to tools and information that help her down the path to better health.

The third way we'll transform our health care system is to help people achieve better health at a lower cost.

One of the biggest challenges in health care is how to better manage chronic diseases that people live with every day, such as high blood pressure, high cholesterol and high blood sugar. About 60 percent of Americans have at least one of these chronic diseases^{ix}, and they account for nearly 90 percent of the \$3.5 trillion in total U.S. health care spending.^x

Helping people make better decisions about their own health and wellness is key to improving health outcomes and lowering costs. Even though more than 30 percent of covered workers are now enrolled in consumer-driven health plans – compared to just 4 percent a decade ago^{xi} – many people don't really know how to use the tools and information available to actually be better consumers.

Technology is critical, but technology alone is not enough. Consumers rely on the professionals they trust in their communities to help them understand their benefits and to make informed health care decisions.

With access to both health and pharmacy data, we'll even be able to help some people avoid developing chronic diseases in the first place. We'll have the ability to predict who is at-risk and to provide those consumers with preventative counseling in a convenient, local, personalized setting.

Pharmacists will play a critical role in this. From their position in the heart of thousands of communities, they serve as trusted providers. They help their patients save money on the prescriptions they need. They advise millions of people on their health care needs and deliver crucial interventions. They help patients become more adherent to their medication regimens and with closing gaps in care through screenings.

Increasingly, pharmacists are moving out from behind the counter and providing a wide range of services – from administering immunizations to delivering point-of-care testing for chronic conditions. We are working with government at all levels to allow pharmacists to provide these types of services and others that will make a difference on quality and cost – with a local, human touch.

CVS Health is positioned to lead the change needed to transform American health care. We've taken bold actions before – and delivered. As a socially responsible company, we understand that we have a role to play in helping to solve important societal problems in meaningful, sustainable ways.

We put our businesses and resources to work – not just at a global or national level, but in tangible ways that make a difference in our communities and people's lives.

We believe our new, consumer-focused health care model will take more people down the path to better health in a way that's more local, affordable, and easier to use. We will make the most out of our scale, assets, expertise and relationships, including:

- Our 45,000 clinical professionals across the company;
- Our network of more than 1.3 million physicians and 5,700 hospital systems;
- Our access to world-class data and analytics capabilities that will help us develop new ways to engage consumers in their total health and wellness;
- And our new \$100 million commitment to support critical programs and partnerships with key nonprofit organizations, enabling us to tackle public health challenges and address the social determinants of health in an even more robust way.

Bringing all of this together, with a powerful company purpose, gives me optimism. There is no more pressing issue, in my mind, than fixing what is broken with the U.S. health care system. We welcome the opportunity to work with others in the market, and with those in the public sector, to drive earlier interventions, more connected care, better health outcomes and lower medical costs – all centered on the consumer.

Ultimately, we're aspiring to deliver better health care which in turn creates better communities and a better world.

Thank you again for the opportunity to speak with you. Now I'm happy to answer your questions.

ⁱ <https://www.healthaffairs.org/doi/10.1377/hblog20171025.721263/full/>

ⁱⁱ <https://www.commonwealthfund.org/publications/fund-reports/2017/jul/mirror-mirror-2017-international-comparison-reflects-flaws-and>

ⁱⁱⁱ https://www.nehi.net/bendthecurve/sup/documents/Medication_Adherence_Brief.pdf

^{iv} <https://cvshealth.com/newsroom/press-releases/cvs-health-marks-first-anniversary-tobacco-removal-new-data-decision%E2%80%99s>

^v <https://payorsolutions.cvshealth.com/insights/real-time-prescription-benefits-in-action>

^{vi} <https://www.drugabuse.gov/related-topics/trends-statistics/overdose-death-rates>

^{vii} <https://cvshealth.com/newsroom/press-releases/cvs-health-highlights-latest-accomplishments-opioid-abuse-prevention>

^{viii} <https://cvshealth.com/newsroom/press-releases/cvs-health-highlights-latest-accomplishments-opioid-abuse-prevention>

^{ix} <https://www.cdc.gov/chronicdisease/about/index.htm>

^x <https://www.cdc.gov/chronicdisease/about/costs/index.htm#ref1>

^{xi} Mercer, 2017 National Survey of Employer-Sponsored Health Plans