



## **CVS Health Statement Regarding Direct and Indirect Remuneration (DIR)**

**WOONSOCKET, R.I. (February 2, 2017)** – CVS Health (NYSE: CVS) today released the following statement regarding Direct and Indirect Remuneration.

The Direct and Indirect Remuneration (DIR) pay-for-performance network program is an important component of the Medicare Part D program created by CMS to help beneficiaries receive higher quality care at a lower cost. It ensures optimal pharmacy performance by driving better clinical performance. Performance network fees being charged to pharmacies are allowed under CMS regulation, and are fully disclosed as part of the annual bid process. CVS Health is not profiting from this program; a change in DIR pay-for-performance networks would not be material to our profitability.

DIR pay-for-performance network fees paid by pharmacies are directly passed to Medicare Part D plan sponsors and are used to lower beneficiary premiums. These fees apply to all participating network pharmacies, including CVS Pharmacy and CVS Specialty. Under Medicare Part D, DIR is fully disclosed to CMS and factored into CMS's calculation of final Medicare payments to Part D plans. In fact, the DIR reports expressly recognize a plan sponsor's ability to make retroactive pharmacy payment adjustments based on performance in the DIR reporting.

Congress and CMS over the last 10+ years have incorporated pay-for-performance methodologies into Medicare fee-for-service payment systems. Additionally, Medicare Advantage (MA) plans have pay-for-performance components. Part D plans have mirrored these types of pay-for-performance methodologies, which drive clinical and network performance, because the plans pay the pharmacies directly.

CVS Health's profitability would not be materially affected by a change in DIR pay-for-performance networks. If the DIR construct was removed unilaterally, which we view as highly unlikely given Congress and CMS's movement toward value-based care, all Part D plans would be impacted in the same way. Furthermore, we believe that would lead to higher premiums for beneficiaries across the industry. Congress is supportive of pay-for-performance programs and this is an important tool for the Medicare Part D program to provide higher quality care for beneficiaries at a lower cost.

### **About CVS Health**

CVS Health is a pharmacy innovation company helping people on their path to better health.

Through its more than 9,600 retail pharmacies, more than 1,100 walk-in medical clinics, a leading pharmacy benefits manager with more than 80 million plan members, a dedicated senior pharmacy care business serving more than one million patients per year, and expanding specialty pharmacy services, the Company enables people, businesses and communities to manage health in more affordable and effective ways. This unique integrated model increases access to quality care, delivers better health outcomes and lowers overall health care costs. Find more information about how CVS Health is shaping the future of health at <https://www.cvshealth.com>.

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