

# THE ECONOMIC CLUB

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O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring Larry Merlo,  
President and Chief Executive Officer, CVS Health**

**October 15, 2018**

“We look at today’s health care system as one that is episodic, it’s fee for service, it’s a fragmented model. It’s confusing. It’s difficult to navigate for many. It doesn’t meet people where they are, give them the information they need, or help them connect what we refer to as the dots of care. So, in the end, it doesn’t put consumers at the center of their own care, which is where they really need to be because consumer-driven health care is increasingly becoming the norm.”

“Health care is not a commodity. And it can’t function effectively with the one-size-fits-all approach. So, in creating a more affordable, effective, and better health care system, I would argue that we need disruptive innovation from within the health care system itself. And the combination of CVS Health and Aetna is designed to do just that.”

“[*We’ve got*] health care continuing to grow at an unsustainable rate. Left unchanged, we’re headed to 20 percent of GDP. And think about the challenges that that’s creating in terms of funding infrastructure, funding education. You hear that whether it’s in state governments [*and*] here in D.C. You certainly hear it within employers... Our belief, for the reasons that I mentioned, is that there is consumerism entering health care. Health care is local. We have an opportunity to make it simple.”

“When you look at Aetna... they have a tremendous amount of information about the members that they serve. Aetna likes to describe it as, we have all this information, and we have the next best action for the members that we serve. But think about this for a minute: How does that get executed?... We can now use the CVS assets [*to help*] deliver that intervention through ways that we engage or talk to our customers.”

“[*In 2014*] we were selling \$1.5 billion worth of tobacco products... We had a lot of healthy discussion [*on eliminating tobacco sales*] and decided that we’re not going to make that up in one year, maybe not even two years. But it was going to be a barrier to the future growth of the company and the strategy that we were pursuing... The day we announced it, the stock went down 7 percent... It did open new doors. And it did enable the strategic direction of the company to come to life. As I look back four years ago, it was absolutely the right decision.”

“[*The opioid crisis*] is a problem that we should all be concerned with. It doesn’t discriminate anymore... It’s in the suburbs. It’s in rural America... One of the things that we began to do was working with the medical community in... [*limiting*] the quantity that is being dispensed to that patient to not more than a seven-day supply... This year alone we have seen more than a 70 percent reduction in the number of opioid prescriptions being dispensed for more than a seven-day quantity.”

“We’ve got a health care system that needs help... We’re on the forefront of this transformation... Health care is a \$3.5 trillion industry. And there can be more than one successful model out there. Health care is going to continue to grow. Think about the fact that there are 10,000 Baby Boomers turning 65 every day. That’s going to go on for another 12 years. Once we hit that age, we take three times the number of medications as the younger population. So, we have not reached the pinnacle of costs associated with health care, or the demand for health care. The good news is we’re in an industry that’s going to continue to grow. We’re on the forefront of innovation that can bring meaningful change and solutions to what ails health care.”

