

STATE SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (the “Agreement”) is entered into between the State of California (“the State”) and CVS Pharmacy, Inc. (“CVS”), collectively, “the Parties.”

II. PREAMBLE

As a preamble to this Agreement, the Parties agree to the following:

A. At all relevant times, CVS, a Rhode Island corporation, with its principal place of business in Woonsocket, Rhode Island, and its subsidiaries, (collectively “CVS”), operated a chain of retail pharmacies throughout the United States.

B. On April 6, 2018, Azam Rahimi (the “Rahimi Relator”) filed a *qui tam* action in the United States District Court for the Southern District of New York captioned *United States of America, et al., ex rel. Rahimi v. CVS*, Case No. 18-CV-3047 (S.D.N.Y. 2018).¹

On January 1, 2019, Wayne Wu (the “Wu Relator”) filed a *qui tam* action in the United States District Court for the Southern District of New York captioned *United States of America, et al., ex rel. Wu v. CVS*, Case No. 19-CV-11244 (S.D.N.Y. 2019).²

¹ Plaintiff States: CA, CO, CT, DE, FL, GA, HI, IL, IN, IA, LA, MA, MD, MI, MN, MT, NV, NJ, NM, NY, NC, OK, RI, TN, TX, VA, WA, and D.C

² Plaintiff States: CA, CA Dept. of Insurance

On May 1, 2019, Nicholas Zimmiski (the “Zimmiski Relator”) filed a *qui tam* action in the United States District Court for the Southern District of New York captioned *United States of America, et al., ex rel. Zimmiski v. CVS*, Case No. 19-CV-1550 (S.D.N.Y. 2019).³

On September 10, 2019, Sergiu Strango (the “Strango Relator”) filed a *qui tam* action in the United States District Court for the Southern District of New York captioned *United States of America, et al., ex rel. Strango v. CVS*, Case No. 19-CV-8454 (S.D.N.Y. 2019).⁴

On December 6, 2019, RJA, LLP (the “RJA Relator”) filed a *qui tam* action in the United States District Court for the Southern District of New York captioned *United States of America, et al., ex rel. RJA v. CVS*, Case No. 20-CV-3047 (S.D.N.Y. 2019).⁵

These *qui tam* actions will be referred to collectively as the “Civil Actions.”

C. CVS has entered into a separate Stipulation and Order of Settlement and Dismissal (the “Stipulation”) with the “United States of America” (the “United States”) as that term is defined in the Stipulation.

D. The State alleges that CVS caused claims for payment to be submitted to the State’s Medicaid Program (42 U.S.C. Chapter 7 Subchapter XIX), including “managed care entities” as defined by 42 U.S.C. § 1396u-2.

E. The State alleges that it has certain civil and administrative causes of action against CVS for engaging in the following conduct (the “Covered Conduct”):

From January 2010 through December 2020 (the Covered Period”), CVS violated the FCA and state law by knowingly submitting, or causing to be submitted, false claims to

³ Plaintiff States: AK, CA, CO, CT, DE, D.C., FL, GA, HI, IL, IN, IA, LA, MD, MA, MN, MT, NV, NJ, NM, NC, NY, OK, RI, TN, TX, VT, VA, WA, Doe States

⁴ Plaintiff States: CA, CO, CT, DE, D.C., FL, GA, HI, IL, IN, IA, LA, MD, MA, MN, MT, NV, NH, NJ, NM, NC, NY, OK, RI, TN, TX, VT, VA, WA, PR, D.C., City of Chicago, Doe States 1-21

⁵ Plaintiff States: CA, CO, CT, DE, FL, GA, HI, IL, IN, IA, LA, MD, MA, MN, MT, NV, NJ, NM, NC, NY, OK, RI, TN, VT, VA, WA, PR, VI, Broward County, City of Chicago, Allegheny County, Miami-Dade County, City of New York, and City of Philadelphia)

Government healthcare programs Medicaid, (collectively, “GHPs”), for reimbursement for insulin pens⁶ where CVS: (i) dispensed more insulin to GHP beneficiaries than was specified by their prescriptions and refilled GHP beneficiary prescriptions substantially before GHP beneficiaries needed the refills; (ii) falsely under-reported the days-of-supply for the insulin refills (*i.e.*, the number of days that the dispensed quantity of insulin should last if used according to the prescriber’s directions for use), which often prevented Pharmacy Benefit Managers (“PBMs”) from detecting that the refills were premature; and (iii) failed to comply with applicable rules when refilling insulin prescriptions requiring pharmacies to calculate refill dates using the actual days-of-supply dispensed. As a result of these false claims, GHPs reimbursed CVS for more insulin than CVS was authorized to dispense and for more insulin than GHP beneficiaries needed pursuant to their prescriptions.

F. CVS admits, acknowledges, and accepts responsibility for the following conduct (the “Admitted Conduct”):

Insulin “pens” are a common way for diabetic patients to self-administer insulin. Manufacturers have offered insulin pens in tamper-evident cartons containing between two and five pens and with labeling approved by the U.S. Food and Drug Administration (the “FDA”). Insulin pens frequently have been marketed in carton sizes containing five 300 unit/ 3 mL pens. In the five-pen boxes, each pen typically consists of a syringe, which contains 300 units (3 mL) of insulin solution, inside a hard plastic case. A box of five pens typically contains 1500 units (15 mL) of insulin solution.

The FDA classifies the insulin pens relevant here as prescription drug products. Pharmacies can dispense such pens to patients only with valid prescriptions from licensed prescribers. Valid insulin prescriptions must set forth the “directions for use,” which typically designate both how much insulin to administer (*e.g.*, 10 units) and the frequency and/or timing of when to administer it (*e.g.*, once a day at bedtime).

When CVS sought reimbursement for insulin pens from GHP health plans, it was required to report, among other data fields, the quantity dispensed and the days-of-supply. In pharmacy billing, “quantity dispensed” refers to the amount of medication dispensed to a patient when they fill their prescription, and “days-of-supply” refers to the total number of days a dispensed quantity of medication is expected to last if taken as directed by the prescriber. Typically, to calculate days-of-supply, a pharmacist divides the total quantity of medication being dispensed to a particular patient by that patient’s “daily dose,” *i.e.*, the quantity of medication that the prescriber directs the patient to use each day.

⁶ A list of the types of insulin pens relevant to this Stipulation, by brand names and by national drug codes, is attached as Exhibit A hereto.

GHP plans, or pharmacy benefit managers (“PBMs”) working on their behalf, typically set limits on the days-of-supply that a pharmacy can dispense when filling prescriptions. For insulin pens, a 30-day or 90-day supply is a common limit. In addition, GHPs and PBMs typically deny reimbursement for prematurely refilled prescriptions—refills dispensed before the beneficiary would have consumed a substantial portion of the previously-dispensed quantity of medication if they had followed the prescriber’s directions for use. To prevent premature refills of medication, GHPs and PBMs generally have required pharmacies to report accurate days-of-supply data.

PBMs have established varying rules to address reimbursement when dispensing medications in the smallest commercially-available container exceeds days-of-supply limitations. During the Covered Period, some PBMs required the pharmacy to reach out and obtain an override permitting the pharmacy to dispense and seek reimbursement for a quantity of medication that exceeded the applicable days-of-supply limit. For those PBMs, the pharmacy was required to re-submit the claim and report the accurate total days-of-supply dispensed if an override was approved. Other PBMs permitted a pharmacy to report the GHP’s maximum allowed days-of-supply even though a quantity amounting to a higher days-of-supply was actually dispensed, but these PBMs generally still required the pharmacy to adhere to appropriate refill intervals for patients that were to be based on the actual days-of-supply dispensed.

Because insulin pens generally have been marketed in cartons containing five pens, dispensing a full carton of insulin pens to a GHP beneficiary may exceed applicable days-of-supply limits.⁷

During much of the Covered Period, many CVS pharmacies did not break open insulin pen cartons when dispensing insulin pens. As a result, at times, CVS pharmacies dispensed amounts of insulin that exceeded applicable days-of-supply limits. When a claim for reimbursement was rejected for exceeding the limit, some CVS pharmacies did not obtain overrides and re-submit the claim listing the actual days-of-supply dispensed as required by some PBMs. Instead, CVS pharmacies often reported the maximum days-of-supply allowed under the beneficiary’s insurance plan for insulin pens when re-submitting the claim, which was lower than the actual days-of-supply dispensed. While certain PBMs allowed this practice because the carton was the smallest commercially-available container for the medication, many of these CVS pharmacies at times did not adhere to the appropriate refill intervals for patients that were to be based on the actual days-of-supply dispensed.

⁷ In November 2019, the FDA approved revisions to the labeling for insulin pens to emphasize the agency’s recommendation for dispensing insulin pens to a single patient in their original sealed carton. The FDA strongly encouraged the manufacturers of insulin pens to consider developing smaller carton sizes to better accommodate variable insulin doses and needs. The FDA approved the first single-pen carton size for an insulin product on June 11, 2020.

During much of the Covered Period, CVS customers with insulin-pen prescriptions who enrolled in CVS' optional auto-refill program received automatic prompts notifying them that their refilled prescriptions were available to be picked up. CVS' auto-refill logic calculated prescription refill dates based on the days-of-supply data recorded by pharmacy staff and sent customers refill notifications based on those dates. When pharmacy staff recorded days-of-supply numbers that were lower than the actual days-of-supply dispensed, the system would at times calculate refill dates for patients that were premature. As a result, some CVS pharmacies dispensed insulin pen refills to GHP beneficiaries before the beneficiaries needed more insulin and before the GHP plan or PBM would have approved such refills for reimbursement.

At times during the Covered Period, GHPs and the payors working on their behalf paid CVS substantial amounts for insulin pen refills that were ineligible for reimbursement, and CVS pharmacies dispensed more insulin to GHP beneficiaries than they needed.

G. With the exception of Paragraph F above, this Agreement is neither an admission of facts or liability by CVS nor a concession by the State that its allegations are not well founded.

H. The Parties mutually desire to reach a full and final settlement as set forth below.

III. TERMS AND CONDITIONS

NOW, THEREFORE, in reliance on the representations contained herein and in consideration of the mutual promises, covenants and obligations set forth in this Agreement, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. CVS agrees to pay to the United States and the Medicaid Participating States (as defined in sub-paragraph (c) and subject to the non-participating state deduction provision of sub-paragraph (d) below), collectively, the sum of \$36,500,000, plus accrued interest (the "Settlement Amount"). The Settlement Amount shall constitute a debt immediately due and owing to the United States and the Medicaid Participating States on the "effective date" of the Stipulation, as defined therein and subject to the terms of this Agreement. The debt shall forever be discharged by payments to the United States and the Medicaid Participating States under the following terms and conditions:

(a) CVS paid to the United States the sum of \$24,446,240, plus accrued interest pursuant to the terms of the Stipulation.

(b) The total Medicaid recovery for the Covered Conduct is \$25,108,472.38 consisting of \$12,050,232.38 for the states pursuant to this Agreement and \$13,058,240.00 for the United States pursuant to the Stipulation. CVS shall pay to the Medicaid Participating States the sum of \$12,050,232.38 plus accrued interest on that amount of 4.25% compounding annually⁸ commencing on November 26, 2025 and continuing to and include the day payment is made under this Agreement (the “Medicaid State Settlement Amount”), subject to the non-participating state deduction provision of sub-paragraph (d) below (the “Medicaid Participating State Settlement Amount”), no later than seven (7) business days after the expiration of the 60-day opt-in period for Medicaid Participating States described in sub-paragraph (c) below. The Medicaid Participating State Settlement Amount shall be paid and immediately deposited by electronic funds transfer to the New York State Attorney General’s National Global Settlement Account pursuant to written instructions from the state negotiating team (the “State Team”), which written instructions shall be delivered to counsel for CVS. This electronic funds transfer shall constitute tender and negotiation of the State Amount as defined in Paragraph III. 1. (d) below.

(c) CVS shall execute a State Settlement Agreement with any State that executes such an Agreement in the form to which CVS and the State Team have agreed, or in a form otherwise agreed to by CVS and an individual State. The State shall constitute a Medicaid Participating State provided this Agreement is fully executed by the State and delivered to CVS’s attorneys within 60 days of receiving this Agreement. CVS’s offer to resolve this matter with the State shall become

⁸ The Parties agree that the payable interest shall be calculated according to the following formula: $\text{Principal} * ((1 + 0.0425)^{(\text{Days of interest} / 365)} - 1)$.

null and void absent written agreement between counsel for CVS and the State Team to extend the 60-day period.

(d) The total portion of the amount paid by CVS in settlement for the Covered Conduct for the State is \$2,751,144.39, consisting of a portion paid to the State under this Agreement and another portion paid to the United States as part of the Stipulation. The amount allocated to the State under this Agreement is the sum of \$1,600,068.74 plus applicable interest (the “State Amount”), of which \$800,034.37 is restitution. If the State does not execute this Agreement within 60 days of receiving this Agreement, the State Amount shall be deducted from the Medicaid State Settlement Amount and shall not be paid by CVS absent written agreement between counsel for CVS and the State Team to extend the time period for executing this Agreement.

2. Contingent upon receipt of the State Amount, the State agrees to dismiss with prejudice any state law claims which the State has the authority to dismiss currently pending against CVS in State or Federal Courts for the Covered Conduct including any supplemental state law claims asserted in the Civil Actions. Contingent upon receipt of the State Amount, the State, if served with the Civil Actions and otherwise liable to pay a relator’s share, agrees to pay the Relators the amount of \$312,013.41 plus applicable interest. This amount is to be paid through the State Team and has been addressed via side letters with the Relators in the Civil Actions.

3. Subject to the exceptions in Paragraph 4 below, in consideration of the obligations of CVS set forth in this Agreement, and conditioned upon tender and negotiation of the State Amount, the State agrees to release CVS, its predecessors and current and former parents, divisions, subsidiaries, affiliates, successors, transferees, heirs, and assigns (collectively, the “Defendant Released Entities”), from any civil or administrative monetary cause of action that the

State has for any claims submitted or caused to be submitted to the State's Medicaid Program for the Covered Conduct.

4. Notwithstanding the releases given in Paragraph 3 of this Agreement, or any other term of this Agreement, the following claims and rights of the State are specifically reserved and are not released:

- (a) any criminal, civil, or administrative liability arising under state revenue codes;
- (b) any criminal liability;
- (c) any civil or administrative liability that any person or entity, including the CVS Released Entities, has or may have to the State or to individual consumers or state program payors under any statute, regulation, or rule not expressly covered by the release in Paragraph 3 above, including, but not limited to, any and all of the following claims: (i) claims involving unlawful or illegal conduct based on State or federal antitrust violations; and (ii) claims involving unfair and/or deceptive acts and practices and/or violations of consumer protection laws;
- (d) any liability to the State for any conduct other than the Covered Conduct;
- (e) any liability based upon obligations created by this Agreement;
- (f) except as explicitly stated in this Agreement, any administrative liability or right, including exclusion from the State's Medicaid Program;
- (g) any liability for expressed or implied warranty claims or other claims for defective or deficient products and services, including quality of goods and services;
- (h) any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct;
- (i) any liability for failure to deliver goods or services due; or

(j) any liability of individuals.

5. CVS waives and shall not assert any defenses it may have to criminal prosecution or administrative action for the Covered Conduct, which defenses may be based in whole or in part on a contention, under the Double Jeopardy Clause of the Fifth Amendment of the U.S. Constitution or the Excessive Fines Clause of the Eighth Amendment of the U.S. Constitution, that this Agreement bars a remedy sought in such criminal prosecution or administrative action.

6. In consideration of the obligations of the State set forth in this Agreement, the CVS Released Entities waive and discharge the State and any of its agencies, departments, and personnel including, but not limited to, officials, employees, and agents, whether current or former in their official and individual capacities from any causes of action (including attorneys' fees, costs, and expenses of every kind and however denominated) which the CVS Released Entities have against the State and any of its agencies, departments, and personnel as previously referenced arising from the State's investigation and prosecution of the Covered Conduct.

7. The amount that CVS must pay to the State pursuant to Paragraph III.1. above will not be decreased as a result of the denial of any claims for payment now being withheld from payment by the State's Medicaid Program, or any other state program payor, for the Covered Conduct; and CVS agrees not to resubmit to the State's Medicaid Program or any other state program payor, any previously denied claims, which denials were based on the Covered Conduct, and agrees to withdraw the appeal of, or not to appeal or cause the appeal of, any such denials of claims.

8. CVS shall not seek payment for any claims for reimbursement to the State's Medicaid Program covered by this Agreement from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third-party payors.

9. CVS expressly warrants that it has reviewed its financial condition and that it is currently solvent, meaning that a fair valuation of its property (exclusive of exempt property) exceeds the sum of its debts.

10. The Parties each represent that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

11. CVS agrees to cooperate fully and truthfully with any State investigation of individuals or entities not released in this Agreement. Upon reasonable notice of such an investigation, CVS shall encourage, and agrees not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals and of CVS. Upon request, CVS agrees to furnish to the State complete and unredacted copies of all non-privileged, non-work-product documents including, but not limited to, reports, memoranda of interviews, and records in its possession, custody or control, concerning any investigation of the Covered Conduct that it has undertaken, or that has been performed by another on its behalf.

12. Except as expressly provided to the contrary in this Agreement, each Party to this Agreement shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

13. Except as otherwise stated in this Agreement, this Agreement is intended to be for the benefit of the Parties only, and the Parties do not release any liability as to any other person or entity.

14. Nothing in this Agreement constitutes an agreement by the State concerning the characterization of the amounts paid hereunder for purposes of the State's revenue code.

15. In addition to all other payments and responsibilities under this Agreement, CVS agrees to pay the State Team's reasonable expenses and fees, including travel costs, consultant expenses, and administrative fees. CVS will pay this amount by separate check made payable to the National Association of Medicaid Fraud Control Units, after the Medicaid Participating States execute their respective Agreements and cooperate in providing any required tax forms and/or payment instructions, or as otherwise agreed by the Parties.

16. This Agreement is governed by the laws of the State and venue for addressing and resolving any and all disputes relating to this Agreement shall be the state courts of appropriate jurisdiction of the State.

17. The undersigned CVS signatories represent and warrant that they are authorized as a result of appropriate corporate action to execute this Agreement. The undersigned State signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement on behalf of the State through their respective agencies and departments.

18. The Effective Date of this Agreement shall be the date of signature of the last signatory to this Agreement. The facsimile, email or other electronically delivered signatures of

the parties shall be deemed to constitute acceptable binding signatures for purposes of this Agreement, and facsimile or electronic copies shall be deemed to constitute duplicate originals.

19. This Agreement shall be binding on all successors, transferees, heirs, and assigns of the Parties.

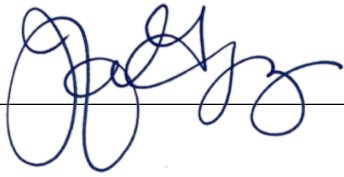
20. This Agreement constitutes the complete agreement between the Parties with respect to this matter and shall not be amended except by written consent of the Parties.

21. This Agreement may be executed in counterparts, each of which shall constitute an original, and all of which shall constitute one and the same Agreement.

22. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by the Parties to this Agreement and shall not, therefore, be construed against any of the Parties for that reason. The recitals in Section I (Parties) and Section II (Preamble) are agreed to by the Parties. The headings of this Agreement are not binding and are for reference only and do not limit, expand, or otherwise affect the contents or meaning of this Agreement.

STATE OF CALIFORNIA

By:



Dated: April 9, 2026

Jennifer S. Gregory
Supervising Deputy Attorney General
California Department of Justice
Office of the Attorney General
Division of Medi-Cal Fraud and Elder Abuse
Civil Section

CVS Pharmacy, Inc.

By: Andrea K. Zollett Dated: 4/28/26

Andrea K. Zollett
Name

Senior Vice President & Chief Litigation Officer
Title

CVS Pharmacy, Inc.
Organization

By: [Signature] Dated: 05/01/26

CVS Pharmacy, Inc.
Counsel to