

SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the United States Department of Justice (United States) and on behalf of the Office of Inspector General (OIG-HHS) of the Department of Health and Human Services (HHS); the State of California, acting through the California Department of Justice, Office of the Attorney General, Division of Medi-Cal Fraud and Elder Abuse (California); CVS Pharmacy, Inc. (CVS); and Nicholas Zimmiski (Relator). The United States, California, CVS, and Relator are collectively referred to herein as “the Parties.”

RECITALS

A. CVS is a Rhode Island corporation that, directly or through its subsidiaries, provides pharmacy services in several states, including the State of California. CVS’s headquarters is located at One CVS Drive, Woonsocket, Rhode Island 02895.

B. On June 18, 2019, Relator filed a complaint in the United States District Court for the Eastern District of California captioned *U.S., et al. ex rel. Zimmiski v. CVS Health Corporation*, 2:19-cv-1118 DC AC, alleging violations of the Federal False Claims Act (31 U.S.C. § 3729 *et seq.*), the California False Claims Act (Cal. Gov. Code § 12650 *et seq.*) and other state False Claims Acts (the “Relator Action”).

C. The United States and California contend that CVS submitted or caused to be submitted claims for payment to California’s Medicaid Program, 42 U.S.C. §§ 1396-1396w-5 (“Medi-Cal”). The United States and California contend that engaging in the Covered Conduct and causing the submission of false or fraudulent claims to the above-referenced program give rise to civil liability under the False Claims Act, 31 U.S.C. §§ 3729-3733, Cal. Gov. Code § 12650-12656, and common law.

D. The United States and California contend that they have certain civil claims against CVS arising from the following conduct: Between January 1, 2010, and April 30, 2021, CVS knowingly and falsely certified and submitted for reimbursement through the electronic claims submission and reimbursement process claims for prescription drugs, identified with a “*” on the Medi-Cal List of Contract Drugs (“Code 1 drugs”), when those prescriptions did not meet the Code 1 drug restrictions and documentation requirements imposed by California law for reimbursement, including without limitation Cal. Code Regs., tit. 22, §§ 51313.3(b), 51476(a) and 51476(c)(2). The conduct described in this Paragraph shall be referred to herein as the “Covered Conduct.”

E. This Agreement is neither an admission of liability by CVS nor a concession by the United States or California that their claims are not well founded. CVS denies the allegations of the United States and California stated in Paragraph D.

F. Relator claims entitlement under 31 U.S.C. § 3730(d) and Cal. Gov. Code § 12652(g) to a share of the proceeds of this Agreement and to his respective reasonable expenses, attorneys’ fees and costs.

G. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. CVS shall pay collectively to the United States and California the total sum of \$18,282,280.08, of which \$10,736,118 is restitution, plus accrued interest at the rate of 4.3% per annum from September 12, 2025, and continuing until and including the day of payment (the “Settlement Amount”), as follows:

a. CVS shall pay to the United States the sum of \$8,105,858.32, of which \$4,760,174.81 is restitution, plus any applicable interest as referenced herein (the “Federal Settlement Amount”), by electronic funds transfer pursuant to written instructions to be provided by the Office of the United States Attorney for the Eastern District of California, no later than the later of fourteen (14) business days after the Effective Date of this Agreement or ten (10) business days after receiving the above-referenced written instructions. If payment is not timely received, CVS shall also pay the interest on the Settlement Amount at a rate of 10% in addition to the 4.3% noted above (14.3%) from the date payment was due through the date payment is received.

b. CVS shall pay to California the sum of \$10,176,421.76, of which \$5,975,943.19 is restitution, plus any applicable interest as referenced herein (the “California Settlement Amount”), by electronic funds transfer pursuant to written instructions to be provided by California, no later than the later of fourteen (14) business days after the Effective Date of this Agreement or ten (10) business days after receiving the above-referenced written instructions. If payment is not timely received, CVS shall also pay California interest on the California Settlement

Amount at a rate of 10% in addition to the 4.3% noted above (14.3%) from the day payment was due through the date payment is received.

c. CVS shall provide proof of payment of the California Settlement Amount to the United States no later than thirty days after such payment is made, by sending a wire transfer confirmation, receipt, or bank statement to the U.S. Attorney's Office for the Eastern District of California, 501 I Street, Suite 10-100, Sacramento, CA 95814.

2. Conditioned upon the United States and California receiving the Settlement Amount from CVS and as soon as feasible after receipt:

a. The United States shall pay Relator by electronic funds transfer \$1,459,054.49, plus Relator's pro rata portion of any interest paid to the United States by CVS.

b. California shall pay Relator \$1,831,755.92, plus Relator's pro rata portion of any interest paid to California by CVS.

3. Subject to the exceptions in Paragraph 6 (concerning reserved claims) below, and conditioned upon CVS's full payment of the Federal Settlement Amount and applicable accrued interest, the United States releases CVS, including its parents, subsidiaries and corporate predecessors, successors and assigns, from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; or the common law theories of payment by mistake, unjust enrichment, and fraud.

4. Subject to the exceptions in Paragraph 6 (concerning reserved claims) below, and conditioned upon CVS's full payment of the California Settlement Amount and applicable accrued interest, California releases CVS, including its parents, subsidiaries and corporate predecessors, successors and assigns, from any civil or administrative monetary claim California has for the Covered Conduct under California's False Claims Act, Cal. Gov. Code §§ 12651(a)(1)-(3), and 12528(d), or the common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

5. Except as otherwise expressly provided in a separate settlement agreement between Relator and CVS, and conditioned upon CVS's full payment of the Settlement Amount, Relator, for himself and for his heirs, successors, attorneys, agents, and assigns, releases CVS, including its parents, subsidiaries and corporate predecessors, successors and assigns, from any civil monetary claim he has on behalf of the United States under the False Claims Act, 31 U.S.C. §§ 3729-3733, from any civil monetary claim he has on behalf of California under California's False Claims Act, Cal. Gov. Code § 12651(a), from any civil monetary claim he has on behalf of any other State under any other State's False Claims Act, and from any and all claims, claims for relief, actions, rights, causes of action, suited debts, obligations, liabilities, demands, losses, damages (including treble damages and civil penalties), punitive damages, costs and expenses of any kind, character or nature whatsoever, known or unknown, fixed or contingent, in law or in equity, in contract or tort, or under any state or federal statute or regulation arising in any way out of or connected in any way with the facts, claims and circumstances alleged in the

Relator Action or from any past activities and actions of CVS, including its parents, subsidiaries and corporate predecessors, successors and assigns.

6. Notwithstanding the releases given in Paragraphs 3 and 4 of this Agreement, or any other term of this Agreement, the following claims of the United States and California are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code) or under state revenue codes;
- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability or enforcement right, including mandatory or permissive exclusion from Federal health care programs or any state health care program;
- d. Any liability to the United States (or its agencies) or California (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals except as expressly provided herein;
- g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;
- h. Any liability for failure to deliver goods or services due;
- i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct; and

j. Any civil or administrative liability that any person or entity, including any released entity, has or may have to the State of California or to individual consumers or state program payers under any statute, regulation or rule not expressly covered by the release in Paragraph 4 above.

7. Relator and his heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B) and Cal. Gov. Code § 12652(e)(2)(B). Conditioned upon Relator's receipt of the payments described in Paragraph 2, Relator and his heirs, successors, attorneys, agents, and assigns fully and finally release, waive, and forever discharge the United States and California, and their respective agencies, officers, agents, employees, and servants, from any claims arising from the filing of the Relator Action or under 31 U.S.C. § 3730 or Cal. Gov. Code § 12652, and from any claims to a share of the proceeds of this Agreement and the Relator Action.

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

9. CVS, together with all present and former affiliates, parents, subsidiaries, divisions and subdivisions, fully and finally release the United States and California, the

United States' and California's agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that CVS has asserted, could have asserted, or may assert in the future against the United States, California, and the United States' and California's agencies, officers, agents, employees, and servants, related to the Covered Conduct, the Relator Action, and the United States' and California's investigation and prosecution thereof. CVS hereby expressly waives all rights it may have by virtue of Section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO
CLAIMS WHICH THE CREDITOR DOES NOT KNOW
OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT
THE TIME OF EXECUTING THE RELEASE, WHICH IF
KNOWN BY HIM OR HER MUST HAVE
MATERIALLY AFFECTED HIS OR HER
SETTLEMENT WITH THE DEBTOR.

CVS's releases herein shall be effective whether or not they release claims that are currently known, unknown, foreseen or unforeseen.

10. CVS fully and finally releases Relator from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that CVS has asserted, could have asserted, or may assert in the future against Relator, related to the Covered Conduct, the Relator Action, and Relator's investigation and prosecution thereof.

11. The Settlement Amount shall not be decreased as a result of the denial of claims for payment now being withheld from payment by any Medicare contractor (e.g., Medicare Administrative Contractor, fiscal intermediary, carrier), TRICARE, FEHBP Carrier, the United States Department of Veterans Affairs, Medi-Cal, or any state payer,

related to the Covered Conduct; and CVS agrees not to resubmit to any Medicare contractor, TRICARE, FEHBP Carrier, the United States Department of Veterans Affairs, Medi-Cal, or any state payer any previously denied claims related to the Covered Conduct, agrees not to appeal any such denials of claims, and agrees to withdraw any such pending appeals.

12. CVS agrees to the following:

a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47; and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. §§ 1395-1395kkk-1 and 1396-1396w-5; and the regulations and official program directives promulgated thereunder) incurred by or on behalf of CVS, or its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' and California's audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) CVS's investigation, defense, and corrective actions undertaken in response to the United States' and California's audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorney's fees);
- (4) the negotiation and performance of this Agreement;
- (5) the payment CVS makes to the United States and California pursuant to this Agreement, and any payments

that CVS may make to Relator under the terms of a separate agreement or agreements, including payments for costs and attorneys' fees

are unallowable costs for government contracting purposes and under the Medicare Program, Medicaid Program, TRICARE Program, and Federal Employees Health Benefits Program (FEHBP) (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs shall be separately determined and accounted for by CVS, and CVS shall not charge such Unallowable Costs directly or indirectly to any contracts with the United States or any State Medicaid program, or seek payment for such Unallowable Costs through any cost report, cost statement, information statement, or payment request submitted by CVS or any of its subsidiaries or affiliates to the Medicare, Medicaid, TRICARE, VA or FEHBP Programs.

c. Treatment of Unallowable Costs Previously Submitted for Payment: CVS further agrees that within 90 days of the Effective Date of this Agreement it shall identify to applicable Medicare and TRICARE fiscal intermediaries, carriers, and/or contractors, and Medicaid, VA and FEHBP fiscal agents, any Unallowable Costs (as defined in this Paragraph) included in payments previously sought from the United States, or any State Medicaid program, including, but not limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by CVS or

any of its subsidiaries or affiliates, and shall request, and agree, that such cost reports, cost statements, information reports, or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the Unallowable Costs. CVS agrees that the United States and California, at a minimum, shall be entitled to recoup from CVS any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously submitted cost reports, information reports, cost statements, or requests for payment.

Any payments due after the adjustments have been made shall be paid to the United States or California pursuant to the direction of the Department of Justice and/or the affected agencies. The United States and California reserve their respective rights to disagree with any calculations submitted by CVS or any of its subsidiaries or affiliates on the effect of inclusion of Unallowable Costs (as defined in this Paragraph) on CVS or any of its subsidiaries or affiliates' cost reports, cost statements, or information reports.

d. Nothing in this Agreement shall constitute a waiver of the rights of the United States or California to audit, examine, or re-examine CVS's books and records to determine that no Unallowable Costs have been claimed in accordance with the provisions of this paragraph.

13. This Agreement is intended to be for the benefit of the Parties only. The Parties do not release any claims against any other person or entity, except to the extent provided for in Paragraph 14 (waiver for beneficiaries paragraph), below.

14. CVS agrees that it waives and shall not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third-party payors based upon the claims defined as Covered Conduct.

15. Upon receipt of the payment described in Paragraph 1 above, the United States, California, and Relator shall file in the Relator Action a Stipulation of Dismissal (“Dismissal”) pursuant to Fed. R. Civ. P. 41(a)(1) as follows:

a. with respect to the Covered Conduct, the Dismissal shall be with prejudice as to the United States, California, and Relator;

b. with respect to all conduct other than Covered Conduct, the Dismissal shall be without prejudice as to the United States, California, and the other named governmental plaintiffs;

c. with respect to all conduct other than Covered Conduct, the Dismissal shall be with prejudice as to Relator;

16. CVS and Relator consent to the United States’ and California’s disclosure of this Agreement and information about this Agreement to the public.

17. Unless otherwise stated in this Agreement, each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

18. CVS and Relator warrant that they have been represented by, and have sought and obtained the advice of, independent legal counsel with regard to the nature, purpose, and effect of this Agreement. The Agreement was negotiated by the Parties and

their respective counsel, each of whom had the opportunity to participate in the drafting thereof. CVS and Relator hereby declare that the terms of this Agreement have been completely read, fully understood, and voluntarily accepted following opportunity for review by legal counsel of their choice.

19. Each of the Parties and each signatory to this Agreement warrants and represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion whatsoever, after having been apprised of all relevant information and data by its legal counsel. Each of the Parties further warrants and represents that no other Party or its representative has made any promise, representation or warranty, express or implied, except as expressly set forth in this Agreement, and that no Party has relied on any inducements, promises, or representations made by any Party to this Agreement, or its representatives, or any other person, except as expressly set forth herein or, as to CVS and Relator, in the separate agreement (1) between Relator and CVS concerning retaliation and discrimination; and (2) between Relator and CVS concerning expenses and attorney's fees and costs.

20. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Eastern District of California. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

21. This Agreement constitutes the complete agreement between the Parties except for the separate agreement (1) between Relator and CVS concerning retaliation and discrimination; and (2) between Relator and CVS concerning expenses and attorney's fees and costs. This Agreement may not be amended except by written consent of the Parties.

22. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

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

24. This Agreement is binding on CVS's successors, transferees, heirs, and assigns.

25. This Agreement is binding on Relator's successors, transferees, heirs, and assigns.

26. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date). Facsimiles and electronic transmissions of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

///
///
///
///
///
///
///
///

THE UNITED STATES OF AMERICA

ERIC GRANT
United States Attorney
Eastern District of California

DATED: 10/31/2025 BY:


Catherine J. Swann
Assistant United States Attorney
United States Attorney's Office
Eastern District of California

DATED: 10/31/25

BY:

SUSAN
GILLIN

Digitally signed by SUSAN
GILLIN
Date: 2025.10.31 12:18:49
-04'00'

Susan E. Gillin
Assistant Inspector General for Legal Affairs
Office of Counsel to the Inspector General
Office of Inspector General
United States Department of Health and Human
Services

STATE OF CALIFORNIA

ROB BONTA
Attorney General of the State of California

DATED: 10/23/2025

BY:

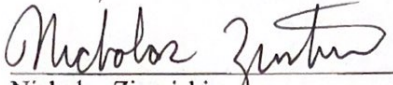

Emmanuel R. Salazar
Supervising Deputy Attorney General
Division of Medi-Cal Fraud and Elder-Abuse
Office of the Attorney General
California Department of Justice

CVS PHARMACY, INC.

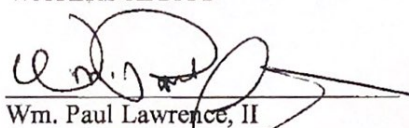
DATED: October 22, 2025 BY: Andrea H. Zollett
Andrea Zollett
Senior Vice President & Chief Litigation Counsel
For CVS Pharmacy, Inc.

DATED: 10/22/2025 BY: Holly Conley
Holly Conley
Williams & Connolly LLP
Counsel for CVS Pharmacy, Inc.

Relator NICHOLAS ZIMNISKI

DATED: 10/22/2025 BY: 
Nicholas Zimniski

WATERS KRAUS

DATED: 10/22/2025 BY: 
Wm. Paul Lawrence, II
Counsel for Relator Nicholas Zimniski