Louisiana Sheriffs Pension and Relief Fund v. CVS Health Corporation, et al.

COURT: United States District Court for the Southern District of New York
CASE NUMBER: 1:24-cv-05303-MMG
CLASS PERIOD: 11/02/2022 - 10/17/2024
CASE LEADERS: Salvatore J. Graziano, Katherine M. Sinderson
CASE TEAM: Jonathan G. D'Errico, Prachi Patel

BLB&G represents plaintiffs Louisiana Sheriffs' Pension & Relief Fund, Southeastern Pennsylvania Transportation Authority, and City of Miami Fire Fighters' and Police Officers' Retirement Trust (collectively, the "Pension Funds") in this securities class action brought on behalf of investors that purchased CVS Health Corporation ("CVS" or "the Company") common stock during the Class Period. The action asserts claims against CVS and certain of its executives for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934.

CVS is one of the nation's largest Medicare Advantage providers. Throughout the Class Period, Defendants assured investors that: (i) CVS was committed to "responsible" artificial intelligence ("AI") technology and that the Company complied with Medicare Advantage regulations; (ii) the success of CVS's Medicare Advantage business was attributable to macroeconomic sources or its unique offerings to beneficiaries; and (iii) CVS's earnings guidance fully accounted for its current performance and known trends.

Plaintiffs allege that CVS secretly employed AI algorithms to target and reject expensive requests for post-acute care at a massive scale. Plaintiffs further allege that CVS's algorithms illegally denied claims based on cost, rather than medical necessity, to generate massive savings. As a result, CVS's illegal algorithms painted a falsely rosy picture of CVS's Health Care Benefits segment and CVS's financial health. Further, Plaintiffs allege that Defendants concealed that CVS's guidance was based on stale data that did not account for its use of illicit algorithms.

In mid-2023, Defendants' scheme began to collapse amidst a congressional investigation and new government regulations. As Defendants phased out CVS's illicit algorithms, CVS was forced to provide the medically necessary care required under longstanding regulations. As a result, the rate at which CVS's beneficiaries utilized CVS's medical services increased, causing CVS's medical costs to also rise.

Plaintiffs allege that the truth was revealed in 2024, as Defendants could no longer rely on CVS's illegal algorithms and misleading guidance to prop up the Company's performance. On May 1, 2024, CVS announced disastrous financial results for Q1 2024 that substantially lowered CVS's 2024 guidance, including cutting diluted EPS guidance and reducing cash flow from operations guidance by $1.5 billion. CVS disclosed that its earnings shortfall was "primarily due to a decline in the Health Care Benefits segment's operating results, reflecting utilization pressure in the Company's Medicare business." In response, CVS's stock declined by about 16.8% to a closing price of $57.31 per share.

On October 17, 2024, a U.S. Senate subcommittee released its findings that CVS willfully disregarded Medicare Advantage rules and deployed cost-driven algorithms to deny Medicare Advantage claims in order to generate savings. Shortly after the Senate report was published, CVS announced that Defendant Karen Lynch, CVS's then

CEO, had stepped down. The Senate's revelation caused the price of CVS stock to decline by over 5% to a closing price of $60.34 on October 18, 2024.

On December 5, 2024, the Honorable Margaret M. Garnett appointed the Pension Funds as Lead Plaintiffs and BLB&G as Co-Lead Counsel. The Pension Funds filed an Amended Complaint on March 4, 2025. Defendants' motion to dismiss is due May 9, 2025.

Case Documents

- March 4, 2025 - Amended Consolidated Complaint for Violations of the Federal Securities Laws