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Arxcel Celebrates 10 Years!

Arxcel celebrates this milestone with our clients, colleagues and friends. Our success has been tied to our mission to help our clients maintain the highest quality prescription benefits at the best price.

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The ArxExaminer

Examining issues and trends in the prescription benefits industry

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CVS/Caremark merger solution met with skepticism

This March, CVS Corporation and Caremark Rx, Inc. announced that they have formally closed their transformative merger of equals, creating the nation's premier integrated pharmacy services provider. The combined company, renamed CVS/Caremark Corporation unifies the nation's largest pharmacy chain with a leading pharmaceutical services company.

Analysts wonder whether the merged entity will use its purchasing clout to benefit consumers.

"Caremark and CVS combined have the power to negotiate better prices from the drug manufacturers. The question is: Will they pass those savings on to consumers?" said Hussain Mooraj, life sciences research director at AMR Research in Boston.

The National Community Pharmacists Association, which represents 24,000 pharmacies, originally backed the merger but has since back-tracked, claiming that the CVS/Caremark powerhouse could hinder patient choice and squeeze out independent and family pharmacies.

"If you're a payer for healthcare, you've got to wonder if you're going to be getting as good a deal with CVS" as with other stores, said Harvard Medical School healthcare policy professor Richard Frank. "I'd think twice about doing business with them."



Pharmacy-benefit managers are drug industry middlemen who negotiate prices and supply drugs to large groups of beneficiaries such as health plans, employers, and unions. Traditionally, they have worked to cut the cost of drugs supplied by chains like CVS.

Some industry observers said the merger is a response to the recent move by Wal-Mart Stores Inc. to supply low-cost generic drugs. While generics are less expensive than name brands--Wal-Mart will fill many generic prescriptions for \$4--they often have higher profit margins for the retailer than the brand-name equivalent drug.

Caremark's shareholders in March approved the \$27-billion takeover bid, which was offered amid shareholder protests that the price was not as high as an earlier offer by Express Scripts. Both firms have seen their share prices slump amid shareholder unrest.

The companies said the merger will add to earnings in the first full year after the deal closes and they expect combined annual revenues of \$75 billion.

"Everyone has a PBM, everyone needs a PBM consultant."