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Moody's compares PBMs, backs CVS Caremark

NEW YORK

Moody's Investor's Service maintained a positive view of the largest U.S. pharmacy benefits managers Tuesday, saying it has the highest opinion of CVS Caremark Corp.

Moody's holds investment-grade "Baa" ratings of the credit of CVS Caremark, Medco Health Solutions Inc., and Express Scripts Inc. It said all three companies will benefit from introductions of new generic drugs and from concerns about rising health care costs, but lower membership in commercial health plans could hurt all three companies.

The firm said it has the highest opinion of CVS Caremark because its retail business provides diversity. CVS Caremark, based in Woonsocket, R.I., is the second-largest drugstore chain in the U.S., with about 7,100 stores. The combination of a pharmacy benefit manager and a drugstore chain gives the company a unique business model, allowing it to save money by buying drugs in large quantities. It can also encourage pharmacy benefit members to go to CVS stores.

Moody's said Medco focuses on patients, and it could provide a greater variety of services than its competitors. The firm noted that the Franklin Lakes, N.J., company recently lost a \$3 billion-per-year benefits contract with the Federal Employee Health Benefits Program. Caremark will handle the mail-order and specialty benefit starting Jan. 1. It already handles the retail pharmacy part of that contract.

Moody's said Express Scripts, St. Louis, may have the greatest financial flexibility of the three.

In afternoon trading, CVS Caremark shares gained 31 cents to \$37.56 and Medco shares rose 51 cents to \$57.28. Shares of Express Scripts picked up 72 cents to \$56.97.



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