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## Caremark Investors Accept Bid From CVS

By Tomoeh Murakami Tse  
Washington Post Staff Writer  
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Shareholders of Caremark Rx yesterday voted to accept a \$27 billion acquisition offer from CVS, a deal that would create a prescription drugs distribution giant.

The approval ended a drawn-out bidding process that pitted Express Scripts, a primary competitor of Caremark, against CVS, the nation's second-largest drugstore chain. Although some Caremark shareholders were dissatisfied with management for supporting the lower CVS bid, increased regulatory scrutiny with the Express deal ultimately killed its chances, analysts said.

Caremark and CVS officials said yesterday that their deal, which has already been approved by the Federal Trade Commission, would close quickly. CVS shareholders approved the offer Thursday.

The merger would create a company with \$80 billion in annual revenue and more than 6,200 retail stores in 43 states, including 240 in this region. Analysts said CVS/Caremark, as the company is to be called, would be the largest private-sector buyer of prescription drugs, filling or managing more than 1 billion prescriptions a year.


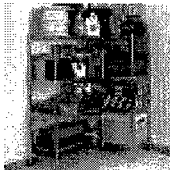
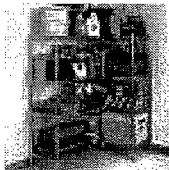
Caremark is a pharmacy-benefit manager, or PBM, that operates drug programs for companies, managed-care groups and health benefits programs. It sets consumers' co-payments, negotiates discounts with manufacturers of drugs, distributes them by mail order or contracts with pharmacies. Caremark, Express Scripts and Medco Health Solutions Inc. dominate the field.

The Caremark-CVS merger comes as the health-care industry is expanding to meet the needs of aging baby boomers and is growing increasingly competitive as new players enter the market. For example, Wal-Mart last year began offering hundreds of generic drugs for \$4 per prescription.


In announcing the merger last fall, Caremark chief executive Edwin M. Crawford and CVS chief

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But he questioned whether any cost savings will get passed to consumers. "This kind of merger doesn't naturally lead to lower consumer costs even if the merged company can buy drugs more cheaply," said Hayes, president of Medicare Rights Center in New York.

In the end, Morningstar analyst Brandon Troegle said, it all depends on how services are negotiated between the merged company and employers who provide the health benefits.

"Whether it's attractive to them, whether they're able to sell them on this product, that's ultimately where the success of this lies," he said. "We know who won Caremark, but who ultimately wins out on this combination is less clear."

Shares of CVS closed down 1 percent, at \$32.94. Caremark shares fell 0.6 percent, to \$62.38.

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