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JUNE 20, 2011, 5:48 P.M ET

Calpers Picks CVS Caremark To Administer Prescription Benefits

Article

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DOW JONES NEWSWIRES

The U.S.'s largest public pension fund said Monday it picked CVS Caremark Corp. (CVS) to administer prescription-drug benefits to more than 346,000 of its members in a contract worth about \$565 million in yearly drug spending.

The deal marks another competitive win for CVS Caremark, which in the past years has struggled with the integration of the CVS drugstore chain with the Caremark PBM company since their merger in 2007.

The California Public Employees' Retirement System, popularly known as Calpers, said CVS would administer prescription-drug benefits to members in three of its preferred provider organization programs. Ann Boynton, a Calpers benefit-programs official, said in release that it was "confident that Caremark will meet the needs" of Calpers members.

CVS is succeeding Medco Health Solutions Inc. (MHS) in the Calpers contract. In March, Calpers told Medco that it wouldn't renew its contract when it expires at the end of the year. CVS's three-year contract begins Jan. 1.

In May, CVS beat Medco for another three-year contract to provide mail-order-drug services for the Federal Employee Program, which generates about \$3 billion in annual revenue.

The CVS contract with Calpers comes amid a trial in a long-running whistle-blower lawsuit alleging the company defrauded Calpers while overseeing the pension fund's drug plan from 2003 to 2006. Boynton said Monday that "neither Calpers nor any of our officers or employees are party to the action," adding that Calpers carefully considered it throughout contract negotiations.

Messages left with CVS and Medco seeking comment weren't immediately returned.

CVS shares were down 5 cents at \$37.44 in after-hours trading.

-By Joan E. Solsman, Dow Jones Newswires; 212-416-2291; joan.solsman@dowjones.com

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