



Action Alert

CVS Caremark and Walgreens Announce New PBM Network Agreement. Situation Highlights Importance of Renegotiating Contracts to Protect Against Potential Network Disruptions.

Summary

CVS Caremark and Walgreens announced last Friday, June 18, 2010 that they have reached an agreement on terms under which Walgreens will continue to participate in the CVS Caremark PBM network. The announcement came following a two week dispute between the companies which began when Walgreens released a statement on June 7, 2010 saying that it would no longer participate in the CVS PBM network as a result of disagreements concerning reimbursement rates.

What This Means for Your Company

Financial executives, in their ongoing quest to help their companies control current and future health care costs, need to be aware of and ensure against any issues disrupting their employees' pharmacy benefits. A disruption to your employees' PBM network poses a number of significant issues, such as logistical problems with converting prescriptions as well as medication compliance. These issues will be particularly acute in areas that do not offer a wide variety of pharmacies, as employees who rely on the major pharmacy in their area will be left without viable alternatives if their pharmacy is no longer part of the PBM network.

Although a network disruption was averted in this situation, it highlights the potential for disruptions in the future. Financial and benefits executives should use this situation to assess how their employees would be affected by a disruption to their PBM network, and negotiate with their PBM provider to protect against network disruptions.

Next Steps

- Determine which pharmacies in your network are the heaviest utilized
- Assess how employees would be impacted if one of these pharmacies was no longer in your network
- Is your PBM contract up for renewal this year?
 - Yes: negotiate provision in contract to protect against network disruptions
 - No: either wait to address this issue if you don't feel that it poses a substantial risk for your company, or contact your PBM provider to renegotiate your current contract in light of this recent development

About Optimum Group, LLC

Optimum Group LLC specializes in helping clients optimize health plan costs without shifting costs to employees or cutting benefits. We work with senior executives to deliver hard-dollar cost savings quickly and maintain savings year after year.

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Call
800-334-8048

Optimum Group, LLC
 245 Park Avenue - 24th Floor
 New York, New York 10167
 P: 212-652-1000
 F: 212-652-1001
www.optimumgroup.com

Boston
 P: 617-712-1000
 F: 617-712-1099

Atlanta
 P: 404-267-4000
 F: 404-267-4099