



Express Scripts and Medco Health Solutions Merger Agreement

The Richards Group, *arming you with the facts* - On Thursday, June 21st, two of the nation's leading Pharmacy Benefit Management (PBM) companies entered into a definitive merger agreement. Express Scripts, Inc. and Medco Health Solutions, Inc. announced the combined companies will blend their collective expertise to accelerate the solutions required to make prescription drugs safer and more affordable for more than 100 million Americans. Express Scripts and Medco both state the merger is expected to generate greater cost savings for plan sponsors, while closing gaps in care to achieve greater adherence through combined clinical and behavioral approaches.

Comments from The Richards Group and their resources:

- For both PBMs, it will remain business as usual for now.
- We do not anticipate regulatory approval until Q2 2012.
- FTC approval could be a challenge as drug manufacturers and retail pharmacies could put a lot of pressure on the FTC to not approve the deal.
- Express Scripts has a proven track record with previous large mergers (such as Wellpoint). These past mergers didn't impact existing clients and Express Scripts expects the same result with this merger.
- Express Scripts and Medco merger will represent 30% of overall pharmacy benefit business, which gains the combined company greater leverage, increased purchasing power and lower pharmacy reimbursement rates.
- We expect a new sense of urgency for Walgreens in their contract negotiation with Express Scripts.
- Medco had recent market share losses accounting for 20-25% of their business which could have driven their decision to sell.
- We anticipate the merger will create opportunities within the combined organization to eliminate redundant expenses, enhance combined clinical approaches, and produce a unique offering no other vendor could emulate.

More than ever in this changing pharmacy benefit landscape; employers need to have expert pharmacy benefit consultants on their side to guide them through industry changes such as this significant merger. The Richards Group knows not only the current state of pharmacy benefits, but what is emerging in 2012 and beyond. We will continue to closely monitor this situation and look out for the best interest of our clients, providing essential protection from any manipulation that could occur as the two organizations begin to merge contractual language, pricing methodologies and programs.