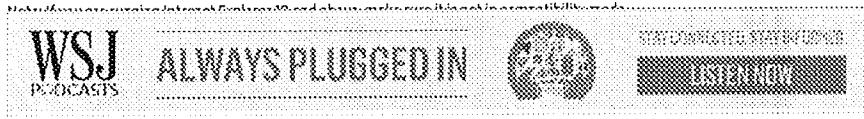


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| BUSINESS

Walgreens, UnitedHealth Form Pharmacy Partnership

Drugstore to offer pricing advantages to members of insurer's drug-benefits manager

The deal between Walgreens and UnitedHealth could ease speculation about a tie-up between Walgreens and a pharmacy-benefits manager. *PHOTO: ASSOCIATED PRESS*

By **JOSEPH WALKER**

Updated March 17, 2016 10:02 p.m. ET

Two of the largest players in the U.S. pharmaceutical supply-chain, Walgreens Boots Alliance Inc. and UnitedHealth Group Inc.'s OptumRx, formed a partnership aimed at helping them capture a greater share of the prescription drug market.

Under the deal, OptumRx, which manages prescription drug insurance for more than 66 million Americans, will charge its customers, including employers and insurers, less for certain drugs if patients fill their prescriptions at Walgreens stores, instead of other pharmacies. The offering will apply to 90-day prescriptions for medications that patients take for chronic conditions, sometimes called maintenance drugs.

"It's a partnership aimed at improving costs," OptumRx Chief Executive Mark Thierer said in an interview.

The tie-up further alters the pharmaceutical supply-chain landscape, which has undergone intense consolidation in recent years as pharmacy benefit managers have struck deals to consolidate market share. Last year, OptumRx merged with Catamaran Corp., in a \$12.8 billion deal. Walgreens' proposed \$9.4 billion purchase of Rite Aid Corp., a retail pharmacy chain that also owns a small PBM, is undergoing regulatory review by the Federal Trade Commission.

It also damped anticipation that Express Scripts Holding Co., the largest PBM, might forge a new partnership or even merge with Walgreens, which now seems unlikely in the near-term, analysts said.

UnitedHealth's OptumRx will charge its customers less for some prescriptions filled at Walgreens stores instead of other pharmacies. *PHOTO: MICHAEL NAGLE/BLOOMBERG NEWS*

"There are not a lot of players left, so Express Scripts is left standing when the music stopped," said Adam Fein of Philadelphia-based Pembroke Consulting, who tracks drug distribution.

Shares of Express Scripts fell 3.5% to \$67.59 through the close of regular trading Thursday. Walgreens shares rose 1.5% to \$83.30.

The new arrangement, set to begin next year, allows OptumRx, which also operates a mail-order pharmacy, to offer the same lower drug prices it currently offers through mail-order at Walgreens stores, the companies said. Mail-order is a cheaper and more profitable distribution channel for pharmacy benefit managers like OptumRx, but hasn't always been popular with patients. Offering the same price at both mail-order pharmacies and retail pharmacies is a model pioneered by CVS Health Corp., a rival

pharmacy chain and PBM, that is credited with helping the company take market share from competitors in recent years.

The partnership also includes greater data-sharing between OptumRx and Walgreens. OptumRx's customers, which include large employers and health-insurers, will have to opt-in to the program to receive the better prices, Mr. Thierer said. Patients who sign up for the program will receive insurance cards co-branded with the Walgreens and OptumRx logos, he said.

In exchange for OptumRx agreeing to encourage patients who prefer brick-and-mortar pharmacies to use Walgreens, the pharmacy chain has agreed to accept lower reimbursement for drugs from OptumRx, Mr. Thierer said.

Walgreens, the nation's largest drugstore chain, should benefit from increased foot traffic to its stores in addition to higher prescription dispensing volumes, said Mr. Fein. CVS has been "enormously successful" in using its PBM business to drive traffic to its retail locations, Mr. Fein said in an interview.

—Joshua Jamerson contributed to this article.

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