

How Mergers Will Affect Pharmacists

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Two transformational multibillion-dollar deals in the healthcare and pharmacy industries have been in the works for months—the \$69 billion CVS-Aetna merger and the \$52 billion Cigna-Express Scripts merger—despite concerns that more consolidation will mean higher costs and fewer choices for patients.

Pharmacists, particularly independents, could also be affected, experts say.

The Cigna-Express Scripts merger has gotten a go-ahead from the Department of Justice, but DOJ has not ruled on the CVS-Aetna merger at press time. However, Reg Blackburn, managing director of The Braff Group, a leading mergers and acquisitions firm specializing in healthcare services, expects the CVS-Aetna merger to go through. Both deals have shareholder backing.

“I think it’s part of an overall trend,” Blackburn says. “There used to be really large, medium, and small players with a lot of gray in between. What has evolved throughout healthcare is this gap where there are really larger players getting larger and very few players in the middle, and if they are in the middle, they are getting acquired or struggling.”

Effects on Pharmacists

Frederick S. Mayer, RPh, MPH, FACA, and CEO of Pharmacists Planning Services Inc., is no fan of mergers. He fears that they could result in loss of pharmacy jobs due to closures of independent pharmacies that can no longer compete. Chain pharmacists could also have less job security as locations may close. Mayer also says consolidation could lead to higher prices, lower quality, and less choice for consumers.

“Pharmacists know how medications react and interact in the body. They are the experts regarding medication choice and side effects. They trained eight years for their PharmD, and now they are counting, pouring, and typing due to mergers,” says Mayer, who adds that pharmacists in larger settings don’t have adequate time for patient counseling. “Over the past 10 years, mergers have resulted in poorer choices of medication for consumers and patients.”

“[Independent] pharmacies are getting less and less, and going out of business,” says Mayer, who notes there used to be 59 independent pharmacies in Marin County, CA, where he ran his pharmacy for decades before retiring. “Today there are three independent pharmacies. The chains are buying up all the pharmacies. [Independents] can’t stay in business.”

Stephen Schondelmeyer, PharmD, PhD, a professor of pharmaceutical economics and head of the Department of Pharmaceutical Care and Health Systems, University of Minnesota College of Pharmacy, agrees. “Chains that are in one of these vertically integrated systems have guaranteed volume without competition on price,” he says. “The independents in those systems may have seen an even faster loss of volume out there. They could be shut out.”

Marketplace Shifts

Perry Cohen, CEO of The Pharmacy Group, says the potential merger of CVS-Aetna and the potential merger of Cigna-Express Scripts are examples of a growing trend: Companies responding to the need for new care models for healthcare services. “The marketplace needs new care models and wants to embrace these companies that get ahead of the curve,” says Cohen.

Cohen says current care models are “healthcare professional driven, expensive, and inefficient,” adding they are “not a sustainable model going forward.” That’s why some of the biggest players are changing their strategies, and he gave the following examples:

- CVS is trying to become a total healthcare provider with the Aetna merger.
- United Healthcare is using numerous strategies, including buying a large physician practice, DaVita Medical Group, for \$4.9 billion through its OptumCare direct-to-patient healthcare subsidiary.
- Amazon is acquiring PillPack, an online pharmacy that delivers medications in premade dose packaging. “Amazon has 100 million users in the United States. They are trying to get those 100 million to buy their prescription drugs through Amazon,” he says.
- New care models will leverage technology to allow most care to happen in the patient’s home with the aid of telehealth, mail, Amazon deliveries of dose packages, or small in-home dispensing kiosks that combine the medication with patient engagement through a WiFi connection to the pharmacy, Cohen predicts. He says when he talks about pharmacy careers with students, he explains there are now jobs that didn’t exist in the business 20 years ago, particularly involving managed care and mail order.

More Mergers Coming

Blackburn expects to see more vertical mergers and acquisitions, like the CVS-Aetna and Cigna-Express Scripts deals, and horizontal mergers and acquisitions, like the failed attempt by supermarket chain Albertsons to buy Rite Aid and its EnvisionRX PBM business. That proposed \$24 billion deal collapsed in August because it was opposed by shareholders.

“The horizontal is being driven a lot by the reimbursement pressure,” Blackburn said. “The vertical is much more strategic around the control of the overall person’s healthcare.”

While the Rite Aid and Albertsons deal may have fallen apart, Blackburn expects that what is left of Rite Aid may eventually be absorbed by another chain. After attempts to sell its stores to Walgreens were stopped in June 2017 by federal antitrust issues, Rite Aid later transferred 1,932 stores and three distribution centers to Walgreens in March for about \$4.4 billion

“From a government perspective, there are many, many pharmacies out there. Every Walmart, Target, Kroger’s, they all have pharmacies,” Blackburn says.

Other companies are making deals as well, like Fred’s Inc., which operates approximately 600 general merchandise and pharmacy stores, including 13 franchised locations. The company scrambled after its plan to become the third-largest drug store chain by buying 865 Rite-Aid stores, as part of the original Walgreens-Rite Aid deal that was scrapped.

Since then, Fred’s has been selling off pieces of the company. In June, it closed on a \$40 million deal to sell assets from its specialty pharmacy unit to Advanced Care Scripts Inc. an affiliate of CVS Health. On September 10, Fred’s agreed to sell patient prescription files and pharmacy inventory of 185 stores in 10 Southeastern states to Walgreens for \$165 million plus an amount equal to the value of the related pharmacy inventory.

Fred’s will continue to operate 162 pharmacies, but the company announced 80 layoffs and it’s unclear how many pharmacy jobs Walgreens will pick up.

Mayer, Cohen, and Schondelmeyer are members of the *Drug Topics* Editorial Advisory Board.