



Action Alert

Aetna and CVS Caremark Agree to 12-Year Contract for Pharmacy Benefit Management (PBM) Services. Aetna to Retain its PBM while CVS Caremark will Administer Benefits for Aetna PBM Members.

Summary

Aetna announced on July 27, 2010, that it has awarded CVS Caremark with a 12-year contract to administer approximately \$9.5 billion in annual drug spend to 9.7 million of its members, effective as of January 1, 2011. Aetna will retain its PBM and will continue to manage clinical programs, protocols and oversight of its pharmacy benefits business, while outsourcing the following functions to CVS Caremark:

- Administration of Aetna's retail pharmacy network and management of pharmacy customer and member service functions
- Management of purchasing, inventory management, and prescriptions fulfillment for Aetna's mail order and specialty pharmacy operations

Aetna maintains that this arrangement will lead to enhanced clinical capabilities, improved pricing and products, and improved customer service and member experience.

What This Means for Your Company

Since Aetna has pledged to improve quality for members while lowering cost, financial and human resource executives who utilize Aetna as their PBM vendor should ensure that these benefits are realized by their employees starting in 2011 when the contract goes into effect. By entering into this contract, Aetna gains access to CVS Caremark's deeper drug discounts, which as Aetna has presented the arrangement, will be passed along to employers in the form of lower costs. As prescription drug costs have become a larger share of total healthcare spending in recent years, even savings of a couple percentage points can translate into significant savings that go right to your organization's bottom line.

Next Steps

If Aetna is currently your organization's PBM vendor and is effectively managing the cost and delivery of benefits, this announcement should be seen as a chance to improve upon the value your organization receives. Employers should primarily use this as an opportunity to review their contract to ensure that they are reaping the benefits from the Aetna and CVS Caremark agreement. In addition, it is important to consider whether other areas such as prior authorizations and drug utilization reviews will be impacted as a result of this arrangement. As always, we recommend that employers utilize service level agreements and performance guarantees to ensure that vendors are held accountable for the assurances they make and favorable outcomes can be achieved for your

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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