Analysis of Proposed Consent Order to Aid Public Comment
In the Matter of CVS Caremark Corporation, File No. 1123210

The Federal Trade Commission has accepted, subject to final approval, a consent agreement from CVS Caremark Corporation ("CVSC").

The proposed consent order has been placed on the public record for thirty (30) days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty (30) days, the Commission will again review the agreement and the comments received, and will decide whether it should withdraw from the agreement and take appropriate action or make final the agreement's proposed order.

CVSC is a pharmacy services company that, among other things, markets and sells Medicare drug plans and Medicare Part D drugs. CVSC currently owns multiple subsidiaries, including RxAmerica, that offer Medicare Part D prescription drug plans. Medicare Part D is a prescription drug benefit for consumers with Medicare coverage, primarily seniors and persons with disabilities. To obtain Part D benefits, beneficiaries must enroll in a Medicare drug plan administered by an insurer or other private company approved by the Centers for Medicare & Medicaid Services ("CMS"). Beneficiaries can shop for a Medicare drug plan by looking up plan benefits and drug costs on a provider's website, by going onto CMS' Medicare website and using the web-based tool known as Plan Finder, or by visiting other third-party websites where such information is posted. Once enrolled, beneficiaries generally have cost sharing obligations until the total cost of their drugs reaches what is known as the coverage gap or "donut hole," at which point the beneficiary pays the full cost of the drugs.

The Commission's complaint alleges that CVSC, through its subsidiary RxAmerica, violated Section 5 of the FTC Act by misrepresenting that the prices of covered Medicare Part D prescription drugs, as posted on Plan Finder and on the websites of RxAmerica and other third parties from approximately 2007 until the end of 2008, were accurate estimates of the prices that beneficiaries would pay for those drugs at CVS and Walgreens. Rather, the prices charged to RxAmerica beneficiaries who purchased their covered Part D generic drugs from CVS Pharmacy or Walgreens during the relevant time period were significantly higher – in some cases as much as ten times higher – than the prices posted on those websites. As a result of this pricing discrepancy, many RxAmerica beneficiaries using CVS Pharmacy and Walgreens stores ran through their benefits coverage at faster rates than they would have based on the posted prices. Many beneficiaries, therefore, unexpectedly entered the donut hole and became responsible for the total cost of their prescription drugs, with no opportunity to change plans until the next calendar year.

To remedy the violations charged and to prevent CVSC from engaging in the future in practices similar to those alleged in the complaint, the proposed order contains injunctive provisions and a consumer redress program.

Section I of the proposed order prohibits CVSC from misrepresenting the price or cost of Medicare Part D prescription drugs, or other prices or costs associated with Medicare Part D prescription drug plans.

Section II of the proposed order requires CVSC, within five (5) days of the date the order becomes final, to pay the Commission $5 million for consumer redress and administrative costs. This provision specifies that the Commission may apply any remaining funds after redress is completed for such other equitable relief as it determines to be reasonably related to CVSC's practices alleged in the complaint. Any remaining funds not used for such equitable relief shall be deposited into the United States Treasury as disgorgement. Section III of the proposed consent order requires CVSC to produce certain information necessary for the Commission to administer consumer redress.

Sections IV through VIII of the proposed order are reporting and compliance provisions. Section IV requires CVSC to retain documents relating to its compliance with the order for a five (5) year period. Section V requires dissemination of the order now and in the future to all current and future subsidiaries, current and future principals, officers, directors, and managers, and to persons with responsibilities relating to the subject matter of the order. It also requires CVSC to secure a signed and dated statement acknowledging receipt of the order from all persons who receive a copy of the order pursuant to Section V. Section VI ensures notification to the Commission of changes in corporate status. Section VII mandates that CVSC submit a compliance report to the Commission within sixty (60) days, and periodically thereafter as requested. Section VIII is a provision "sunsetting" the order after twenty (20) years, with certain exceptions.

The purpose of this analysis is to facilitate public comment on the proposed order. It is not intended to constitute an official interpretation of the complaint or the proposed order, or to modify the proposed order's terms in any way.