

CVS, Express Scripts cut ties with Valeant-linked pharmacy

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The nation's two largest pharmacy benefit providers said Thursday they are severing ties with a mail-order pharmacy affiliated with embattled drugmaker Valeant Pharmaceuticals after a review of the pharmacy's business practices.

The news sent Valeant shares plummeting and intensified questions about the Canadian drugmaker's arrangements with Philidor RX Services.

CVS Health Corp., the nation's second-largest pharmacy benefit provider, terminated its business with Philidor because it didn't comply with terms of a provider agreement, a spokesman for the Woonsocket, Rhode Island, company said. As a result, patients with CVS pharmacy benefits will no longer be able to receive prescriptions filled by Philidor, spokesman Mike DeAngelis said in an emailed statement.

Separately, a spokesman for industry leader Express Scripts said the company is "in the process" of removing Philidor from its network. St. Louis-based Express Scripts Holding Co. also said it is reviewing similar "captive pharmacy" situations, in which a pharmacy gets most of its business from one drugmaker.

A woman reached by telephone at Philidor's Phoenix offices could not immediately provide comment Thursday evening.

Valeant uses pharmacies like Philidor to help deliver its drugs more

quickly to patients through the mail. But analyst reports and news stories in the past week have questioned the Canadian drugmaker's financial relationship with the pharmacy. Short seller researcher firm Citron has accused Valeant of using Philidor to create a network of "phantom pharmacies" to beef up its sales picture.

On Monday, Valeant said it was creating a special board committee to examine issues surrounding Philidor, including why the company was denied a permit last year to operate in California. The state's pharmacy board cited, among other reasons, false statements about Philidor's ownership and operations.

A week earlier, Valeant's CEO Michael Pearson disclosed that his company had invested \$100 million in Philidor late last year, with an option to buy the [pharmacy](#).

Valeant has also been criticized for its focus on buying drug developers, hiking prices on the products it acquires and slashing spending on research into new drugs.

It recently revealed that federal prosecutors have subpoenaed documents tied to its drug pricing and other policies.

Shares of Valeant Pharmaceuticals International Inc. fell \$14.75, or 13.2 percent, to \$96.75 in afterhours trading Thursday evening.

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