US pharmacy giant buys rival for $29.1 billion

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Pharmacy benefits manager Express Scripts said Thursday it had reached a deal to buy its competitor Medco Health Systems for $29.1 billion, ahead of looming changes in the US healthcare system.

Pharmacy benefits managers, or PBMs, work with employers and health insurers to obtain cheaper prescription drugs by pushing pharmaceutical companies to give discounts on their often-pricey medicines.

The merger, if approved by regulators, would be a big step to consolidating the PBM industry at a time when President Barack Obama's healthcare reform initiative is poised to provide insurance to millions of Americans.

"The cost and quality of healthcare is a great concern to all Americans; this is the right deal at the right time for the right reasons," Express Scripts chief executive George Paz said in a statement.

Shares of Medco surged 14 percent on the New York Stock Exhange by midday, while Express Scripts stock was up 5.1 percent.

Under the terms of the deal, Medco shareholders would receive $71.36 in cash and Express Scripts stock for each of their shares, a premium of 28 percent to the closing price of Medco shares on Wednesday, the statement said.

The merger, which was unanimously approved by the boards of both companies, would leave Express Scripts shareholders with ownership of 59 percent of the combined firm.

If approved by shareholders and regulators, including antitrust authorities, the deal is expected to close in the first half of 2012.

Founded in 1986 and based in St. Louis, Missouri, Express Scripts reported profits of $334 million in the second quarter of 2011 on revenues of $11.36 billion.

Medco, based in Franklin Lakes, New Jersey, had profits of $342 million on revenues of $17 billion in the same quarter.

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