

## Statement of Commissioner Terrell McSweeney Regarding the Walgreens/Rite Aid Transaction

I disagree with allowing Walgreens' acquisition of 1,932 Rite Aid stores to move forward without further investigation.<sup>1</sup> It is important for antitrust agencies to fully examine each transaction with the potential to reduce competition, especially given the trend towards consolidation across a number of U.S. industries.

Today, there are just three national drugstore chains in the United States: CVS, Walgreens, and Rite Aid. Rite Aid is already the smallest of the three – with roughly half the store count of CVS and Walgreens. This transaction would make Rite Aid's presence much more regional, leaving it with just over one-quarter the store count of either CVS or Walgreens. Rite Aid's footprint across much of the United States would be eliminated.

A substantial reduction in Rite Aid's geographic footprint would leave two or fewer major pharmacy chains in a number of regions where Walgreens and Rite Aid formerly competed. I am concerned that the transaction will leave some communities with fewer pharmacy options and could lead to higher drug prices and a deterioration in non-price aspects of competition.

One possible factor that could put upward pressure on prices is the transaction's potential impact on Rite Aid's costs. In particular, I am concerned that the transaction could reduce Rite Aid's long-term ability to obtain low generic drug prices and thus put upward pressure on drug prices generally. Rite Aid's CEO himself has said that "generic purchasing is a very big part of our business."<sup>2</sup> A Rite Aid with roughly 2,000 fewer stores could face higher generic drug acquisition costs in the future.<sup>3</sup> The fact that Rite Aid, itself, felt it necessary to secure a contractual option to purchase generic drugs through an affiliate of Walgreens for a period of ten years following the transaction<sup>4</sup> only highlights this concern for me. While the ten-year supply agreement might protect, and potentially even lower, Rite Aid's generic drug acquisition costs in the short run, I do not understand how this will solve the issue from a competition perspective.

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<sup>1</sup> See Walgreens Press Release, Walgreens Boots Alliance Secures Regulatory Clearance for Purchase of Stores and

The agreement is unlikely to fundamentally preserve Rite Aid's current underlying purchasing scale – it merely props that scale up for a limited period of time.

While I am disappointed that the transaction will move forward, I would like to recognize and thank the FTC staff for its extremely hard work investigating this transaction as well as the previous proposed Walgreens-Rite Aid merger. That deal would have involved the outright acquisition of Rite Aid by Walgreens<sup>5</sup> – a far worse outcome in my mind. The parties abandoned their original transaction in June 2017. At the time, Rite Aid publicly stated that “[b]ased on FTC feedback, [Walgreens] and Rite Aid believed the merger would not be consummated.”<sup>6</sup>

The parties' new deal – particularly following its restructuring to leave hundreds more stores with Rite Aid – is better than the previous one. Many of the most obvious harms to competition have been addressed. Nevertheless, I am concerned that even the revised current Walgreens-Rite Aid deal continues to raise significant competition issues.

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