

Blog Post

CVS Completes Acquisition of Aetna

November 27, 2018

In a [filing](#) with the Securities and Exchange Commission on November 26, CVS Health Corporation announced that it has received all of the regulatory approvals necessary to complete its acquisition of Aetna and that the transaction will close on or before November 28. The announcement follows the recent approvals of the deal received from California and New York regulators. CVS previously received approval for the deal from the United States Department of Justice Antitrust Division in October, conditioned upon CVS's agreement to divest Aetna's Medicare Part D business to Wellcare. CVS has already begun steps to satisfy that requirement.

Accordingly, the final pieces of the deal began to come together on November 15, when the California Department of Managed Care announced that it would approve the transaction. The approval, however, came with a number of conditions. In addition to the requirement that CVS divest Aetna's Medicare Part D business, California regulators also insisted upon a commitment by CVS to invest \$240 million into California's healthcare infrastructure, as well as a commitment that CVS would not raise insurance premiums to pay for the acquisition and to "keep premium rate increases to a minimum" going forward. CVS also agreed that all pharmacies and medical clinics owned by CVS (including its "Minute Clinics") will continue to contract with other health plans, in addition to Aetna, in the normal course of business for at least the next five years.

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Subsequently, New York Financial Services Superintendent, Maria Vullo, who had been an outspoken opponent of the transaction, also granted approval of the deal. In a decision announced on November 26, Superintendent Vullo announced that “disapproval is not necessary to protect the interests of the people of New York,” and for that reason – also subject to conditions – she would approve the merger. In announcing her decision, Superintendent Vullo stated that the Department of Financial Services “listened to the concerns of the public and obtained significant commitments from CVS and Aetna to address those concerns, ensuring that the companies hold to their promises of reduced costs and improved health care for New Yorkers, not pass on the costs of the acquisition to New Yorkers, enhance data privacy, and not act in an anticompetitive manner going forward.” New York also insisted that CVS support healthcare initiatives in New York, obtaining a commitment that CVS would invest \$40 million, over a three year period, in programs that would support healthcare education in the state and, like California, also required CVS not to grant any preferential pricing to any Aetna-affiliated health insurer in the state.

With the approval of the CVS/Aetna and Cigna/Express Scripts transactions during the last quarter of 2018, 2019 will likely be a year of dynamic change for the healthcare, insurance and pharmacy benefit manager markets. Stay tuned.

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