



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

June 18, 2018

**Via email: (tfarber@lockelord.com)**

Tim Farber, Esq.  
Locke Lord, LLP  
111 South Wacker Drive  
Chicago, IL 60606

**Re: Proposed Acquisition of Control of Aetna Life Insurance Company, Aetna Insurance Company of Connecticut, Aetna Health and Life Insurance Company, Aetna Health Inc. (a Connecticut corporation) and Aetna Better Health Inc. (a Connecticut corporation) Subsidiaries of Aetna Inc. (the "Domestic Insurers") by CVS Health Corporation  
Docket # EX 18-03**

Dear Attorney Farber:

The Connecticut Insurance Department ("Department") has completed its review of your responses to the Department's letter of April 4, 2018 concerning the proposed acquisition of control referenced above which was received on May 14, 2018. We thank you for the completeness of your responses and have a few additional items for which we are requesting information or clarification, as set forth below, to complete the filing. Please provide in hard copy and on a thumb drive amended and restated clean and black lined versions of the Form A rather than standalone amendments. This should include any new exhibits resulting from the amendments and restatements. You should also reflect any amendments to the Application resulting from any discussions with the Department which you may have subsequent to this letter being issued.

### **ITEM 1. INSURER AND METHOD OF ACQUISITION**

1. We are in receipt of your letter dated May 17, 2018 which included confidential tables setting forth items to the Disclosure Schedules to the Agreement and Plan of Merger dated as of December 3, 2017 (Exhibit 1 to the Form A). Please coordinate with the Department a date and time for an in-camera review of the documents along with the Hart Scott Rodino filing (as filed with the U.S. Department of Justice).

### **ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

1. Please provide charts in the following format for officers and directors for Aetna, Inc. on a post-acquisition basis.

Directors

Name	Title
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Officers

Name	Title

2. Your June 8, 2018 letter updated the Form A Application for an announcement of officer/director changes at CVS Health and the proposed combined company. While the updated list provided with the letter was clear with respect to the positions Karen Lynch will hold following consummation of the proposed acquisition, it is unclear as to Shawn Guertin. Will Mr. Guertin remain in his current position(s) at Aetna, Inc.?

**ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

1. On page 2 of your responses you state that "[t]he combined entity will generate \$8-9 billion of cash, which will be used to service debt after the payment of the shareholder dividend." You also state that "[w]e anticipate reaching a leverage ratio of the mid 3x by the end of the second year following the acquisition close date." Please confirm that this is what was conveyed to the rating agencies. In addition, please provide potential rating agency actions should CVS Health not achieve these deleveraging goals. Please continue to provide any future changes and the reasons for such changes to the ratings by all applicable rating agencies.

**ITEM 5. FUTURE PLANS OF INSURER**

1. Your response to question 1 of Item 5 referenced the CVS Health Corporation Corporate Governance Guidelines provided as Exhibit 6. Those guidelines were amended on January 25, 2018. What were the changes to the guidelines and what prompted such changes?

2. As the lead state regulator for Aetna, Connecticut has the responsibility to obtain a thorough understanding of Aetna using a variety of tools including, but not limited to, supervisory colleges, ORSA, annual meetings, various required regulatory filings and comprehensive examinations. The Department has determined that Aetna currently has a strong governance and Enterprise Risk Management (ERM) process in place.

Management expertise is engrained throughout the organization providing insurance expertise in key areas. Please provide details regarding CVS Health's intention around changes in the following areas:

- Key management roles;
- ERM - including any changes in risk appetite;
- Products; and
- Corporate Governance Structure.

3. If appropriate, please provide an integration planning update.

4. On page 8 of your responses you state that "shorter-term savings will also include ... the streamlining of redundant functions. CVS Health has not yet determined the number of any employee reductions in these areas." What corporate area redundant functions have you already identified?

5. Concerning your response to question 14 of Item 5, please provide changes in Aetna's healthcare platform as it exists today when compared to the new platform you state will be offered post-closing.

6. Concerning your response to question 15 of Item 5, provide the "employee categories" in which retention payments are being contemplated.

#### **ITEM 14. OTHER INFORMATION**

1. On page 13 of your responses you state that "[o]ver the last ten years, retail medical clinics have become a fixture of the modern health care system due to the benefits they offer compared to traditional health care providers, including longer hours, more convenient locations, and lower prices." Based on this statement, please respond to the following:

- As MinuteClinics and urgent care/walk-in clinics are already available today, prior to this proposed acquisition, how will the new combined company continue to shift the site of care, for additional members, away from Emergency Rooms and traditional office settings to these types of facilities?
- The statement eludes that the future savings identified, as a result of the shift of site of care, may have already taken place in our health care system over the last ten years. Please explain where the additional purported savings are to come from due to this future shift of the site of care.

2. If a future member of the new combined company goes to a MinuteClinic and cannot be helped, they will need to go to an urgent care center and/or their primary care physician. In this circumstance, would this actually increase cost to the health care system?

3. The Department is fully aware that Aetna currently performs significant chronic disease management and the Department believes that CVS Health does the same. How will chronic care management change under the new combined company to generate the level of new savings in the health care system that has been projected in the Form A Application.
4. What is each company presently lacking concerning data and data analytics that the new combined company will have immediately following the closing of the proposed acquisition and into the near future?
5. What will the new combined company do to increase medication adherence that both companies, as current separate entities, are not presently doing?
6. Please explain the types of post-discharge support CVS Health and Aetna, as separate entities, are presently performing and describe how, if at all, this will be changed by the new combined company post-closing.
7. On page 8 of your responses you state the combined company will better be able manage medical costs through a number of actions including "better coordination of care across providers, including physicians and pharmacists." How will the combined company achieve better coordination of care across providers beyond what is presently being done by CVS Health and Aetna as separate entities?
8. Please comment on a statement made by Mr. Andrew Asher, CFO of WellCare quoted in a May 1, 2018 article by David Hood of SNL Financial which stated; "Asher said during the company's first-quarter earnings call that WellCare has only had 'quasi-constructive' discussions 'about the future and the assurances that will be necessary for large customers such as ourselves'".

If you have any questions, or would like to discuss, please let me know.

Sincerely,



Jared T. Kosky  
Counsel, Connecticut Insurance Department

cc: Kathy Belfi, CID  
Lynn Hein, CID  
Paul Lombardo, CID