



Attorneys & Counselors

111 South Wacker Drive  
Chicago, IL 60606  
Telephone: 312-443-0700  
Fax: 312-443-0336  
www.lockelord.com

Tim Farber  
Direct Telephone: 312-443-0532  
Direct Fax: 312-896-6552  
tfarber@lockelord.com

July 3, 2018

**VIA EMAIL AND FedEx**

Jared T. Kosky  
Counsel  
State of Connecticut Insurance Department  
153 Market Street, 7th Floor  
Hartford, CT 06103

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 Mr. Kosky:

On behalf of CVS Health Corporation, (the "Applicant"), enclosed please find the response to your June 18, 2018 letter on the Form A filing in the above captioned matter. An original and five copies of the response will be sent to your attention by FedEx along with a Flash Drive.

As discussed, after you have had a chance to complete your review we would be happy to provide an Amended and Restated Form A and very much appreciate your feedback.

Thank you again for your consideration in this matter. If you require any additional information, please contact the undersigned by email at [tfarber@lockelord.com](mailto:tfarber@lockelord.com) or by phone at (312) 443-0532.

Very truly yours,

LOCKE LORD LLP

A handwritten signature in blue ink that reads "Tim Farber".

Tim Farber

Enclosures

**CVS Health Response to June 18, 2018 Connecticut Insurance Department Requests  
on Form A for Proposed Acquisition of Aetna Inc.**

**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).

**Response:** We remain available at your convenience to allow Connecticut to do an in-camera review. Mr. Farber spoke to a representative of the Department and is arranging such a review.

**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.

**Response:** All of the directors of Aetna Inc. will resign at the time of the closing. Three of those directors, Mark T. Bertolini and two others who are to be determined, will join the Board of Directors of CVS Health Corporation. At the time of the closing the following individuals are expected to be named the directors of Aetna Inc.: Karen S. Lynch, Shawn M. Guertin and Harold L. Paz, M.D. Ms. Lynch will become Chair of the Board of Aetna Inc. In terms of the officers of Aetna Inc., each of the individuals who are currently officers will remain officers of Aetna Inc. post-closing, except for Mark T. Bertolini (who will join the CVS Health Corporation Board, as described above) and Thomas J. Sabatino, Jr., who is expected to leave the company. Integration planning is on-going, and thus, the exact titles of the officers have yet to be determined. The principal executive officers of Aetna Inc. are expected to be Karen S. Lynch (Chair and President), Shawn M. Guertin (Executive Vice President and Treasurer) and Harold L. Paz, M.D. (Executive Vice President and Secretary). We will inform the Department of the exact titles of each of the officers when that information becomes available.

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.?

**Response:** Yes, Mr. Guertin will remain a principal executive officer of Aetna Inc. and will also be named a director of Aetna Inc., as provided in the response to Item 3, Question 1. He will become Executive Vice President and Chief Financial Officer of CVS Health Corporation at the time of the closing. As discussed above, his exact title(s) for Aetna Inc. post-closing are yet to be determined, but he is expected to be Executive Vice President and Treasurer at a minimum.

#### 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.

**Response:** Yes, CVS Health confirms that the above information was provided to the rating agencies. CVS Health has also stated to the rating agencies that it would not increase the shareholder dividend or begin the repurchase of shares until CVS Health is in the low 3x leveraged. We have also stated that we anticipate being at approximately 3.5x within two full years of the acquisition.

The rating agencies do not comment regarding their potential actions if CVS Health were to not achieve its deleveraging goals, as there are many factors that go into the rating. However, our public statements provide that we will suspend shareholder dividend increases and share repurchase until we reach a ratio of low 3x. That is a commitment to both the market and the rating agencies. If the timeline turns out to be longer, the commitment still remains.

#### 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?

**Response:** The changes to the Corporate Governance Guidelines were the result of a comprehensive review of substantially all of the Company’s principal governance documents, including the Certificate of Incorporation and all amendments (“Company Charter”), the Amended and Restated By-laws (“By-laws”), the Corporate Governance Guidelines (“Guidelines”), each of the Committee Charters. Following that review, the Nominating and Corporate Governance Committee recommended a number of changes to the Company Charter, the By-laws, the Guidelines, its own Charter, and the other Committee Charters.

The purpose of the changes to the Guidelines and the Committee Charters were to clarify and conform the language in the various documents, and to reflect certain leading practices that the Company had adopted but had not reflected in its Guidelines. (The Company also went through a benchmarking exercise, comparing its Guidelines to other companies’ guidelines and recommended some additional provisions.) The Nominating and Corporate Governance Committee recommended the changes to the Guidelines and the Board approved them in January 2018. The various Committees approved their Charters on various dates.

As an example of a changes to the Guidelines, CVS Health Corporation has always had annual election of all directors, and adopted a majority vote standard for uncontested directors elections in 2007, but those practices were not reflected in the Company's Corporate Governance Guidelines. They are now in the Guidelines at page 2. In addition, stock ownership guidelines for executive officers had been in place since 2005, and are now reflected in the Guidelines at Section 10. CVS Health's related persons transactions policy, recoupment policy and confidential stockholder voting policy are now reflected in the Guidelines at Sections 15, 16 and 17, respectively.

The changes to the Company Charter and By-laws were to simplify the Company Charter (consolidating the various amendments that were roughly 60 to 70 pages long into a single 15-page document) and to adopt a reduction in the ownership threshold required for stockholders to call special meetings from 25% of shares outstanding to 15%. Those amendments were completed following our annual meeting in June, because stockholder approval was required for the Company Charter amendment.

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;

**Response:** CVS Health intends to maintain Aetna's insurance expertise and personnel by maintaining employee and key management roles.

- ERM – including any changes in risk appetite;

**Response:** We do not intend to make changes to the ERM process. This will be expanded to include the entire enterprise post-closing. In addition, no changes are intended for the risk appetite.

- Products; and

**Response:** The integration planning process is ongoing and there are no specific changes at this time to products. Any changes would be made in compliance with applicable laws, including review by the required Departments of Insurance.

- Corporate Governance Structure.

**Response:** There are no anticipated changes to the corporate governance structure.

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

**Response:** CVS Health and Aetna continue to plan the integration of their businesses in order to achieve the substantial savings and other consumer benefits from the proposed transaction as quickly as feasible following its closing.

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?

**Response:** In assessing likely cost savings and other efficiencies from the proposed transaction, CVS Health identified the following areas for streamlining of redundant functions: (1) corporate functions, such as finance, human resources, and investor relations; (2) pharmacy benefit management (PBM) operations; and (3) standalone Medicare Part D operations.<sup>1</sup> Because CVS Health’s integration planning efforts are ongoing, CVS Health has not yet made final determinations about the corporate functions it will streamline upon closing the transaction.

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.

**Response:** The “platform” referenced in CVS Health’s response to Question 14 of Item 5 is the enhanced set of products and services that the combined company will be able to offer consumers by combining the companies’ respective areas of expertise – that is, CVS Health’s retail pharmacy, pharmacy benefit management, retail health clinics, specialty pharmacy, long-term care pharmacy and infusion services, and Aetna’s medical benefits, medical provider relations, and analytics capabilities. The new platform will be the result of the integration of CVS Health and Aetna, rather than particular changes to the companies’ preexisting businesses.

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

**Response:** The three employee categories in which retention payments are authorized under the Merger Agreement are “key staff critical for successful close,” “staff required to maintain operations until initial integration is complete,” and “key talent required to drive future performance during integration.”

#### **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

---

<sup>1</sup> See CVS Health Corp., CVS Health + Aetna: Revolutionizing the Consumer Health Care Experience, at 16, <http://investors.cvshealth.com/~media/Files/C/ CVS-IR-v3/AET%20transaction/ CVS-Aetna%20Investor%20Presentation.pdf>.

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.

**Response:** The combined company, through greater coordination of medical and pharmacy services, will augment use of retail medical clinics. CVS Health expects to increase the use of lower-cost, clinically-appropriate sites of care, including retail medical clinics, while decreasing the unnecessary use of higher-cost sites of care, such as hospitals and emergency rooms. A substantial portion of emergency room visits, including in particular those with lower-acuity conditions, can be avoided through increased awareness and use of retail medical clinics. Better data integration, made possible by the combination, will increase awareness and appropriate use.

CVS Health views its MinuteClinics as an important complement to the services offered by primary care physicians. MinuteClinics make every effort to assure that patients have a primary care physician. In the past year, MinuteClinic has made about 3.5 million physician referrals for the approximately 50 percent of MinuteClinic patients who did not have a primary care physician at the time of their visit.

CVS Health plans to reduce unnecessary emergency room visits or other higher-cost sites of care in several ways. Better data will lead to more frequent interactions with patients and increased patient awareness of retail medical clinics and their capabilities. This will make patients more likely to seek care at these lower-cost sites of care when the need arises rather than going to emergency rooms unnecessarily. CVS Health will offer permissible financial incentives for seeking care at these lower-cost sites when appropriate, which may lower client premiums as well as patients’ out-of-pocket costs. With more complete data, CVS Health will analyze the times and geographies in which unnecessary emergency room visits occur most often, and may extend the hours of its MinuteClinics accordingly so that patients will have increased access during these times. Today, many unnecessary emergency room visits for low-acuity conditions occur at times when primary care physicians’ offices are closed (*e.g.*, on nights and weekends). Extending clinic hours will complement primary care physician services and reduce unnecessary emergency room admissions during these off-times. CVS Health is also considering building new MinuteClinics in underserved areas to increase patient access and expanding the low-acuity conditions that can be treated in MinuteClinics to cover more of those that are unnecessarily treated in higher-cost emergency rooms today.

While many patients have benefitted from the use of retail medical clinics, the full savings from their use have not yet been achieved. There continue to be substantial numbers of unnecessary emergency room visits each year for lower-acuity conditions that could have been appropriately treated at retail medical clinics. With the proposed transaction, CVS Health will be able to help a greater number of patients obtain lower-cost, clinically-appropriate care at such clinics.

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?

**Response:** If the medical staff at a MinuteClinic is unable to treat a patient – because, for example, the patient has a condition that MinuteClinic does not typically treat – the patient will not incur any costs. If the patient is in need of emergency medical treatment and MinuteClinic is unable to treat the patient, MinuteClinic staff will either direct the patient to the nearest emergency room or urgent-care center or call 911 to request emergency medical assistance, as appropriate. MinuteClinic also makes frequent referrals to primary care physicians.

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.

**Response:** Patients with at least one chronic condition – such as diabetes, heart disease, or cancer – account for more than 80 percent of all hospital admissions and more than 90 percent of all prescriptions filled.<sup>2</sup> The combined company will be better able to manage patients with chronic conditions by providing them: (1) greater access to care through convenient, lower-cost sites of care; (2) increased patient engagement to supplement physician office visits; (3) better coordination of care across providers, including physicians and pharmacists; and (4) better coordinated post-discharge support to increase medication adherence and reduce hospital readmissions.

The combined company will be better able to manage medical costs for patients with chronic conditions than CVS Health and Aetna can independently. Without the full integration of the businesses made possible through the merger, neither party has sufficient financial incentives to invest in, nor the data necessary for the successful implementation of, the programs and capabilities that the combined company will have to reduce medical costs for patients with chronic conditions. For example, by combining CVS Health pharmacy and Aetna medical information, CVS pharmacists will be able to provide information from physicians to patients at the pharmacy counter and give patients tools to more effectively manage their chronic conditions, which will keep patients on track with their care plan in between physician visits and

---

<sup>2</sup> See Testimony of Thomas M. Moriarty, EVP, Chief Policy and External Affairs Officer and General Counsel, CVS Health, Hearing on “Competition in the Pharmaceutical Supply Chain: the Proposed Merger of CVS Health and Aetna,” before Subcommittee on Regulatory Reform, Commercial and Antitrust Law of U.S. House of Rep. Committee on the Judiciary, Feb. 27, 2018, at 2, <https://judiciary.house.gov/wp-content/uploads/2018/02/Moriarty-REVISED-Testimony.pdf>.

thereby improve patient care. The companies independently lack the appropriate incentives and data to effectively pursue this type of increased patient engagement; the combined company will have both.

There are many areas in need of improved chronic care management. One key area, diabetes, alone represents approximately \$245 billion in annual medical costs. The combined company will be uniquely situated to help the 30 million Americans suffering from diabetes better manage their condition. With the combined company's pharmacy, medical, and data assets, it will be able to deliver preventative counseling for pre-diabetics, provide more frequent engagement and counseling once a diabetic is diagnosed, and more effectively deploy digital tools such as remote monitoring of blood glucose levels that make it more convenient for patients to manage their care. The combined CVS Health-Aetna will have the data and financial incentives to effectively pursue such programs.

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?

**Response:** Currently, CVS Health retail pharmacies (as well as other retail pharmacies in the United States) lack access to medical records data. The combined company expects to make the investment needed to add electronic medical records to its retail pharmacies, which will facilitate interventions that will improve care and lower overall health system costs.

In addition, CVS Caremark, CVS Health's PBM business, currently has very limited access to medical records. Integrating medical and pharmacy data will substantially improve PBM services and lead to significant cost savings.

5. What will the new combined company do to increase medication adherence that both companies, as current separate entities, are not presently doing?

**Response:** Studies have shown that greater medication adherence for chronic disease alone could save up to \$300 billion in unnecessary medical costs each year and more importantly save tens of thousands of lives.<sup>3</sup> The combined company will use its combined pharmacy and medical data to identify patients with chronic conditions and others to whom the company can apply its proven medication adherence solutions, resulting in substantial reductions in medical spend for non-adherent members. CVS Health's existing adherence programs include, among others: (1) Maintenance Choice<sup>®</sup>, which allows CVS Caremark plan members with chronic conditions to choose to fill 90-day prescriptions through either mail order pharmacies or at any CVS retail pharmacy location; (2) Pharmacy Advisor<sup>®</sup>, which involves personalized interactions by CVS pharmacists to promote adherence by patients with chronic conditions; and (3) ScriptSync<sup>®</sup>, which allows patients with multiple maintenance medications to pick up all of their eligible

---

<sup>3</sup> See Testimony of Thomas M. Moriarty, EVP, Chief Policy and External Affairs Officer and General Counsel, CVS Health, Hearing on "Competition in the Pharmaceutical Supply Chain: the Proposed Merger of CVS Health and Aetna," before Subcommittee on Regulatory Reform, Commercial and Antitrust Law of U.S. House of Rep. Committee on the Judiciary, Feb. 27, 2018, at 2, <https://judiciary.house.gov/wp-content/uploads/2018/02/Moriarty-REVISED-Testimony.pdf>.

prescriptions at the same time in a monthly visit to a CVS pharmacy. The combined company will be able to increase the number of patients benefitting from these programs and will be better positioned to innovate or develop new programs.

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.

**Response:** According to analysis conducted by CVS Health, approximately 14 percent of patients are readmitted within 30 days of an inpatient stay. Two-thirds of those readmissions relate to medication issues, including adverse drug reactions and non-adherence. CVS Health expects to reduce these readmissions by implementing post-discharge medication reconciliation programs for high-risk members. Studies have shown that such programs reduce readmissions by up to 50 percent. Combining the medical data from Aetna with CVS Health pharmacies and community presence will allow the combined company to identify and engage with the high-risk members that would benefit most from the medication reconciliation program.

CVS Health currently seeks to provide post-discharge support to patients through several offerings. First, Caremark offers a Hospital Readmission Prevention & Medication Reconciliation Program to health plan clients. Through this program, pharmacists conduct telephonic post-discharge medication reconciliations for patients identified by the health plan client as at-risk for readmission. A client decides whether to enroll in this program, and at this time, no client is enrolled in this program, despite encouraging results in an early pilot. Second, for patients requiring infused therapy post-discharge, Coram nurses provide a variety of services, including discharge planning, transition coaching, education, and comprehensive in-home medication reconciliations; these services include risk scoring and intervention strategies tailored to impact the most vulnerable patients. Third, CVS Pharmacy has partnered with certain health systems to offer bedside delivery of medications at discharge.

Aetna generally provides post-acute discharge support for its commercial plans as follows. Aetna begins the discharge planning process at the onset of admission by assuring that the care team at the facility, the member's family and, most importantly, the member are aware of the expected post discharge goals and settings. Aetna then connects the discharge plan of care to the appropriate services, such as skilled nursing facilities, rehabilitation facilities, or home health care. Once the member is discharged, Aetna engages its care management nurses face-to-face with the member in the facility or subsequently in his or her home to ensure that the discharge plan is followed. Importantly, these efforts focus on medication reconciliation, physician follow-up, and safety in the home. Aetna also engages community resources, such as meals, when appropriate, to assist with post-discharge needs. Aetna does not anticipate any changes to its discharge support model as a result of the transaction.

We expect the post-discharge support to continue and as noted above, we expect the combined entity to be in an even better position to provide such support.

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?

**Response:** The addition of medical records data to retail pharmacies – likely only through the type of integration achieved in a merger – will allow the combined company to close gaps in care and make the health care system less fragmented. As discussed above, by combining CVS Health pharmacy and Aetna medical information, CVS pharmacists will be able to provide information from physicians to patients at the pharmacy counter and give patients tools to more effectively manage their chronic conditions, which will keep patients on track with their care plan between physician visits and thereby improve their care. This is the type of pharmacist-patient interaction leading to improved coordination of care that will be achievable under the proposed transaction.

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.’”

**Response:** Following its acquisition of Aetna, CVS Health will continue its long-standing efforts to win and maintain the business of health plans, including WellCare. Health plans are a critical part of CVS Health’s commercial success, and retention of these customers is key to the success of the combination.