



CVS, Aetna merger: What it means for you

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U.S. retail pharmacy CVS Health (NYSE:CVS) reached a \$69 billion deal to buy Aetna (NYSE:AET), one of the nation's largest health insurance companies, which provides coverage for more than 46 million Americans.

Aetna counts 23.1 million medical members, 14.5 million dental members and 15.2 million pharmacy benefit managers as customers, according to the company's website. CVS is a pharmacy benefit manager with more than 9,700 location and \$40 billion in specialty drug revenue.

If the deal passes regulatory scrutiny, what will happen to the tens of millions of Americans who rely on Aetna for health coverage?

"It's a vertical merger—meaning CVS and Aetna don't compete on much, so it's about synergies from integration rather than getting rid of a competitor—so [it] shouldn't affect Aetna's health-insured much, other than perhaps cheaper scripts or [over the counter] treatments bought at CVS," Ilya Shapiro, senior fellow in constitutional studies at the Cato Institute and editor-in-chief of the Cato Supreme Court Review, told FOX Business.

CVS expects the deal to save a potential \$750 million in the second full-year after it passes, the company said in a presentation.

Mike Newshel, an analyst who covers Aetna for Evercore ISI, agreed that over the near-term, customers would likely experience little change. Over the long-term, there may be gradual modifications as CVS tries to get more patients into its clinics.

"Ultimately, [the] idea would likely be for the CVS store to serve like a retail doorway to the healthcare system to control costs better – so over time [Aetna] members could be incentivized or nudged into accessing the healthcare system via the CVS infrastructure," he told FOX Business.

Pharmacy benefit managers, like CVS, are charged with negotiating drug prices between makers and consumers. Experts believe the acquisition of Aetna would give CVS better leverage in pricing discussions, which would be particularly valuable at a time when companies are inundated with public pressure to reduce costs.

CVS and Aetna announced the \$69 billion deal on Sunday, valuing the insurance giant at \$207 per share.

At the open of the trading session on Monday, Aetna shares were trading more than 1.7% higher, while CVS was down more than 4%.