

Aetna, Humana call off \$34 billion deal

February 14 2017, by Tom Murphy



In this Tuesday, Aug. 19, 2014, file photo, a pedestrian walks past a sign for Aetna Inc., at the company headquarters in Hartford, Conn. Aetna and Humana are calling off a \$34 billion deal to combine the two major health insurers after a federal judge, citing antitrust concerns, shot down the deal. (AP Photo/Jessica Hill, File)

Major health insurers Aetna and Humana called off their \$34 billion combination after a federal judge, citing concerns about prices and benefits, rejected the deal.

The announcement Tuesday comes several days after another federal judge shot down a tie-up between two other massive insurers. Blue Cross-Blue Shield carrier Anthem Inc. is attempting to buy Cigna Corp. for \$48 billion. Anthem is appealing that decision.

Aetna, the nation's third largest insurer, had announced its bid for Humana in 2015. The deal would have given Aetna the opportunity to significantly expand its presence in Medicare Advantage coverage, which involves privately run versions of the federal Medicare program for people who are over 65 or disabled.

But Aetna's attempt to gobble up the nation's fifth largest health insurer brought in the Department of Justice, which sued last summer to block that deal and the Anthem-Cigna combination.

Regulators worried, in particular, about how the Aetna-Humana deal would affect consumer choices and competition in the fast-growing market for Medicare Advantage plans.

U.S. District Judge John Bates wrote in the decision last month that neither new competition nor plans to shed some of the combined company's businesses would be enough to ease antitrust concerns. Federal regulation would likely be "insufficient to prevent the merged firm from raising prices or reducing benefits," Bates ruled.

Aetna Chairman and CEO Mark Bertolini said in a company release Tuesday that "the current environment makes it too challenging to continue pursuing the transaction."

Humana is entitled to a \$1 billion breakup fee, which would amount to about \$630 million after taxes. The Louisville, Kentucky, insurer says it will announce its 2017 forecast and provide an update on its strategic plan after markets close Tuesday.

The two deals blocked in federal courts would have melded the nation's five largest insurers into three, with UnitedHealth Group Inc. currently the biggest.

The insurers have argued that growing through acquisitions would allow them to better negotiate prices with pharmaceutical companies, hospitals and doctor groups that also are merging and growing larger. They also expect to cut expenses and add more customers, which helps them spread out the cost of investing in technology to manage and improve care.

Insurers have also said that combining would help them stabilize their business on the Affordable Care Act's public insurance exchanges.

But the American Medical Association said last week, after the Anthem-Cigna deal was shot down, that a merger would have created a health care behemoth too large to regulate and with too much control over the lives of consumers.

Shares of Hartford, Connecticut-based Aetna Inc. climbed \$1.46 to \$123.51 late Tuesday morning, while broader indexes slipped. Humana Inc. was down 61 cents to \$206.09.

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