

## COVENTRY HEALTH CARE AND AETNA MERGE



In the current economy many businesses are feeling the strain of less in the way of revenues and more in the way of expenses. When it comes to making more happen with less there are a variety of different options available to companies. They can cut back on their operating expenses. They can change vendors to one that charges less for a similar product. They can reduce the salaries of their management teams or they can layoff workers. But, those things do not always work when it comes to cutting the costs. As companies flag it creates an interesting situation from a strategic point of view. It allows companies that were less badly impacted by the economy to buy up flagging competitors and expand their own empires. While these kinds of acquisitions can result in stronger companies they also have a negative impact on the workforce for the companies. Take for example the recently announced merger of Coventry Health Care and Aetna. For those of you who are not familiar with the acquisition here is a look at the [official announcement](#). "Aetna (NYSE: AET) and Coventry Health Care, Inc. (NYSE: CVH) today announced that they have entered into a definitive agreement pursuant to which Aetna will acquire Coventry in a transaction valued at \$7.3 billion, including the assumption of Coventry debt.(1) Coventry is a diversified managed health care company that offers a full portfolio of risk and fee-based products, including Medicare Advantage and Medicare Part D programs, Medicaid managed care plans, group and individual health insurance, coverage for specialty services such as workers' compensation, and network rental services. The acquisition is projected to add nearly 4 million medical members and 1.5 million Medicare Part D members to Aetna's membership. On a pro forma basis, the transaction increases Aetna's share of revenues from Government business to over 30 percent from 23 percent currently. " For the current moment the company has not said how many workers are set to be impacted by this kind of a merger, but when all is said and done the workers will no doubt feel some kind of an impact in terms of job losses. There will be some redundancy that will cut back on the number of staffers, though for not there is no hard number. For now the tone is one that is optimistic about the cost savings that the merger will create, Joseph M. Zubretsky, Aetna's senior executive vice president and CFO, [said](#), "This acquisition is in keeping with Aetna's disciplined approach to deploying capital. Coventry's diversified business will enhance and balance Aetna's core Commercial and Government businesses, while its strong local provider relationships will create additional marketing opportunities for our Accountable Care Solutions and provider technology businesses. The transaction also will create a significant synergy opportunity to further Aetna's efforts to increase our operating efficiency. We expect synergies from the transaction to be \$400 million annually in 2015," said Zubretsky. "These cost efficiencies will support our efforts to drive costs out of the system and offer products at a lower price point in the marketplace."

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