USA Today

Aetna, Humana CEOs say deal bolsters Medicare, Medicaid businesses

Jayne O'Donnell and Laura Ungar, USAToday 1:56 p.m. EDT July 3, 2015

The CEOs of Aetna and Humana say the $37 billion merger they announced Friday will help consumers because of the two companies' complementary strengths in technology and relationships with health care providers.

The combined company's government business — Medicare, Medicaid and Tricare — will be based in Louisville and will be the biggest part of the company, totaling about 56% of the combined companies' projected 2015 operating revenue of about $115 billion.

Aetna CEO Mark Bertolini, who will be CEO of the combined company, says the deal will make insurance plans simpler for consumers now that the Affordable Care Act has prompted the "retailization" of insurance.

The CEOs said the deal made sense in the rapidly changing health care market, especially since Aetna and Humana have what they called "complementary customers," with Humana handling a growing Medicare Advantage business and Aetna handling a large and diverse commercial business.

They said they plan to increase their use of technology to connect with health care providers as the industry moves from a "fee-for-service" reimbursement model — where doctors make more money the more procedures and tests they do — to one more based on overall quality of care that measures results using more analytics. The combined company will also provide economy-of-scale advantages in the marketplace, the CEOs said.

Insurers and health care providers were negotiating pricing with each other before the law "to each other's own specific advantage" and are now working together to provide a product that's more affordable and simpler for the consumer, says Bertolini.

While the law was an "action forcing event," Bertolini said both Humana and Aetna were making investments before Obamacare took effect to simplify relationships with health care providers and improve technology.

The city of Louisville, where Humana is based, has been bracing for the deal's effect on jobs. Bertolini, who recently raised the minimum wage for Aetna employees to $16 an hour and lowered workers' out-of-pocket insurance costs, says he's incorporated those benefits into financial projections for those currently working for Humana.

"I can assure you that the presence in Louisville will be more robust than ever."

Humana CEO Bruce Broussard was also bullish: "I think Louisville will be a net beneficiary as a result of this transaction," he said Broussard.

But he added that it's "way too early" to talk about exactly how the new arrangement will affect specific jobs and departments.

"We like the Louisville community, and we're going to invest in the community going forward," Bertolini said.

But everyone will benefit from the deal, he said.

"You need to have enough power and enough presence at the local market level to be able to create relationships and efficiencies that are to consumers' advantages," says Bertolini. That requires "larger organizations, more capital, more technology and more intellectual property. That's what's driving the consolidation."

Not everyone was as bullish on consumers' prospects. Greg McBride, chief financial analyst at Bankrate.com, said that consolidation should be looked at skeptically.

"The continued consolidation among the biggest players — regardless of industry or how it is sold to the public — is not a benefit to consumers. Oligopolies and monopolies result in fewer choices, higher prices, and poor service. Ask anyone that's ever been stuck on hold with their cable TV company," he said. "These mergers do, however, ultimately benefit investors and management of the companies."