

CVS and Aetna reportedly in talks for \$60 billion merger

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On Thursday, the *Wall Street Journal* reported that the CVS pharmacy chain is in talks to acquire health insurance giant Aetna, in a massive deal worth as much as \$60 billion. The merger, if successful, would likely be the largest merger of 2017.

The deal, the first of its kind in the health care industry, would represent an unprecedented step towards a vertically integrated monopolization of the provision of health care in the United States.

However, CVS was already a significant player in the insurance industry through its pharmacy benefits management (PBM) business, which contracts with insurance companies to provide prescription drug coverage to policyholders. A majority of CVS's revenue comes through this side of the business. A potential snag in the proposed merger is the fact that CVS already has a PBM contract with Anthem, a rival insurance company.

CVS's proposed acquisition is reportedly in response to the anticipated entry of Amazon into the prescription drug market. While Amazon has made no official announcements, the *St. Louis Dispatch* has reported that the online retail giant has won regulatory approval to sell pharmaceuticals in 12 states.

Amazon, whose CEO, Jeff Bezos, was recently named the richest person in the world, is increasingly setting the standard for cost-cutting and the super-exploitation of the working class as it expands into segments of the retail market, as older brick-and-mortar retail chains struggle to compete. Earlier this year, Amazon announced it had acquired the grocery chain Whole Foods for \$13.7 billion, while indicating that it planned on laying off staff to cut labor costs.

Over the past few days, Walmart has begun operating robotic stocking machines at 50 retail locations nationwide in an attempt to compete with Amazon,

which operates tens of thousands of similar machines at its fulfillment centers, where online orders are processed and sent out for delivery. Over the summer, Walmart also announced plans for an Uber-style delivery service in which it will pay employees to deliver online orders on their daily commutes.

Aetna, for its part, would be entering into the merger after suffering a series of reversals of fortune. Its own proposal in 2015 to acquire rival insurance company Humana for \$37 billion, which would have been the largest merger in the history of the insurance industry, eventually fell apart after regulatory concerns. At the beginning of the year, fresh off the collapse of the Humana merger, and after its widely publicized decision to pull out of the Obamacare state health insurance exchanges, the company posted a \$381 million first-quarter loss.

What this merger will mean in practice in terms of the business model of the combined entity is not yet clear. However, one financial analyst quoted by Bloomberg News envisioned a scenario "that CVS expands its MinuteClinics or creates mini urgent centers in CVS stores to direct patients to these lower cost settings via copay differentials."

In other words, this could result in the further penetration by CVS into the urgent care clinics which have proliferated throughout the United States as a cheaper, bare-bones alternative to receiving health care in traditional settings such as hospitals and internal medicine practices, which are increasingly unaffordable for tens of millions of Americans.

Wall Street responded positively to the initial *Wall Street Journal* report, with Aetna's stock climbing sharply on Thursday before falling slightly on Friday to \$173 per share, somewhat below the reported \$200 per share reportedly offered by CVS. Most financial

analysts praised the deal, calling it “revolutionary” and a necessary step forward for the health care industry. However, there was some skepticism as to whether the deal would ultimately materialize, and some analysts questioned whether CVS was making an overly hasty and risky move in response to the expected competition from Amazon.

The rumored merger between CVS and Aetna comes in the midst of a record-setting wave of mergers and acquisitions by American corporations. The Institute for Mergers, Acquisitions and Alliances forecasts that over 17,000 mergers will take place by the end of the year in North America, totaling more than \$1.5 trillion in combined value.

The enormous growth in spending on mergers and acquisitions, which create no new productive capital, and in general are used to slash costs and cut jobs, is the outgrowth of the massive rise in financial parasitism in the aftermath of the 2008 economic crisis, aided and abetted by years of cheap money policies of the Federal Reserve and other major central banks.



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