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BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF IOWA

In the matter of the)
application for)
acquisition of control of)
AETNA BETTER HEALTH OF)
IOWA, INC., and AETNA)
HEALTH OF IOWA, INC.,) PUBLIC HEARING
by)
CVS HEALTH CORPORATION)
and CVS PHARMACY, INC.,)
)
-----)

COPY

The above-entitled matter came on for
public hearing commencing at 9:30 a.m.,
October 24, 2018, at the Iowa Insurance
Division, Two Ruan Center, Fourth Floor,
Des Moines, Iowa.

BEFORE: DOUG OMMEN, Iowa Insurance Commissioner

Reported by: Kristi L. Miller

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1 A P P E A R A N C E S C O N I N U E D

2

3 Also Present:

- 4 Jim Armstrong, Deputy Commissioner, IID
5 Kim Cross, Chief Examiner, IID
6 Sonya Sellmeyer, Consumer Advocate, IID
7 Chance McElhaney, Communications Director, IID
8 Eric Konz, IID
9 Florence Crisp, CVS Health
10 Gregory Martino, Aetna
11 Ann Frohman, Aetna
12 Michelle Matiski, Aetna
13 Larry Lewis, Aetna
14 Mike St. Clair, CVS
15 Scott Sundstrom, Wellmark
16 Brian Lombardi, Bank of America
17 Kristi Traynor, Attorney General's Office
18 Ryan Lynch, Reorg
19 Courtney Gordon, LS2 Group
20 Ed Roberts, CT Financial News
21 David Pickering, Pentwater Capital
22 Kiva Garen, Surveyor Capital

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I N D E X

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Mr. Hunter	Florence Crisp	49
Mr. Whitmer	Gregory Martino	57

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1 THE COMMISSIONER: We are on the
2 record. This is a matter on the record and so
3 I will begin with some opening comments and
4 then we can proceed with the business.

5 I am Commissioner Doug Ommen,
6 and my role in this proceeding is to serve as a
7 presiding officer and decision-maker.

8 I'll briefly explain the
9 administrative process to any of you who are
10 attending who may be unfamiliar with it.

11 The notice of hearing in the
12 matter of the Joint Application of CVS Health
13 Corporation and CVS Pharmacy, Inc., for the
14 acquisition of control through the purchase of
15 Aetna Better Health of Iowa, Inc., and Aetna
16 Health of Iowa, Inc., was issued previously in
17 conformance with Chapter 17A requirements.

18 The notice included but was not
19 limited to the following information: The date
20 and time, location, nature, the nature of the
21 hearing, our legal authority, and the issues
22 presented, as well as the statutes and rules
23 involved.

24 Today's proceeding is an
25 administrative contested case proceeding which

1 will be conducted under the Iowa Administrative
2 Procedures Act, Iowa Code Chapter 17A, and the
3 Insurance Division's Implementing Rules
4 relative to this proceeding found in Iowa
5 Administrative Code, Volume 191, Chapter 3.

6 Iowa administrative hearings are
7 generally less formal than district court
8 hearings. As the presiding officer and
9 commissioner, I will conduct the hearing and
10 rule on evidentiary issues and any motions
11 submitted. In addition, I will issue any
12 orders and rulings necessary to ensure the
13 orderly conduct of the hearing.

14 The hearing will be conducted
15 along the following lines: The parties will be
16 given a few minutes to make opening statements
17 if they wish. The parties will then present
18 their cases. Witnesses will be sworn or
19 affirmed by the court reporter and will be
20 subject to examination and cross-examination.

21 Members of the public are
22 entitled to participate in this process. At
23 this time I haven't been notified there are any
24 members of the public here, but should there
25 be, we want to make sure that they are given

1 the opportunity to be heard.

2 If there is anyone who does wish
3 to appear, they will be allowed to attend and
4 give whatever testimony or comment they wish.
5 The receptionist has been advised to escort any
6 member of the public to the hearing room as
7 soon as they arrive.

8 I may limit questioning in a
9 manner consistent with the law, and when all
10 parties and witnesses have been heard, the
11 parties will be given an opportunity for final
12 arguments.

13 Please keep in mind that
14 irrelevant, immaterial, or unduly repetitious
15 evidence will be excluded. Because the rules
16 of evidence are more relaxed in administrative
17 cases, relevant evidence will generally be
18 admitted subject to objection. All objections
19 must be timely and stated on the record.

20 Documentary evidence may be
21 received through copies of excerpts if the
22 originals are not available. I may take
23 official notice of all facts of which judicial
24 notice may be taken and other facts within the
25 specialized knowledge of the division.

1 The division's experience,
2 technical competence, and specialized knowledge
3 may be used in evaluating the evidence
4 presented.

5 Because the division is the
6 primary officer in this hearing, I serving as
7 commissioner, and therefore my decision will be
8 the final agency action for purposes of Iowa
9 Code Chapter 17A.

10 If anyone has a question as we
11 go along, please raise your hand. We will then
12 go off the record and address your query and I
13 will make a determination as to whether or not
14 it needs to be on the record.

15 We may take a short break every
16 30 to 45 minutes, should it go that long, or so
17 if it runs so that the court reporter and all
18 parties have a chance to review their notes and
19 collect thoughts.

20 For witnesses, please speak
21 slowly and clearly so the court reporter who
22 sits here to my left can accurately pick up our
23 testimony. Nodding or shaking your head or
24 giving a nonresponsive answer is unacceptable,
25 and if we have a problem with that, I will ask

1 someone to come forward and ask you to restate
2 your answer.

3 Also, please wait to answer a
4 question until the full question has been
5 presented to you. It's very difficult for a
6 court reporter to capture testimony when the
7 person asking the question and the person
8 seeking to answer is speaking simultaneously.

9 If the court reporter cannot
10 hear you or otherwise capture -- is unable to
11 capture your testimony, she may ask you to
12 repeat your answer.

13 All right. With those -- that
14 background instruction, I think we're ready to
15 proceed. I would like to go ahead and rule on
16 several pro hac vice applications, but before
17 we do that, let's go ahead and do entries of
18 appearance for the benefit of the record. So
19 let's go ahead and begin here to my left.

20 MR. DICKINSON: Mark Dickinson
21 of Nyemaster Goode. I'm here today as local
22 counsel for CVS, the applicant, and I am the
23 sponsor of the motions pro hoc vice for
24 Mr. Farber and Mr. Whitmer.

25 THE COMMISSIONER: It's good to

1 see you again. Let's go ahead and
2 continue with -- recognizing there's some
3 motions pending, let's continue with entries of
4 appearance.

5 MR. FARBER: I am Tim Farber.
6 I'm from the outside law firm of Locke Lord,
7 and I also represent CVS, the applicant.

8 THE COMMISSIONER: Good to meet
9 you, Mr. Farber.

10 MR. WHITMER: Good morning. My
11 name is Steven Whitmer. I'm with the firm
12 Locke Lord as well and also represent CVS
13 Health.

14 MS. CRISP: My name is Florence
15 Crisp, in-house counsel to CVS Health.

16 MR. MARTINO: Gregory Martino
17 with Aetna.

18 MR. McDERMOTT: I'm Matt
19 McDermott with the Belin Law Firm. I'm local
20 counsel for Aetna, and I am sponsor of the
21 pro hac vice motion of Dan Krane.

22 MR. KRANE: Hi. Dan Krane from
23 Drinker, Biddle & Reath, outside counsel to
24 Aetna.

25 THE COMMISSIONER: All right.

1 Given we can't handle the entries with regards
2 to those that are appearing pro hac vice or
3 seeking that, I will go ahead and take those
4 issues up and order that the application pro
5 hac vice be approved and that you are
6 authorized to appear on behalf of your
7 respective clients today.

8 And that would include those
9 that were mentioned, and I have in front of me
10 Mr. Whitmer, Mr. Farber, and Mr. Krane. So
11 those -- you are authorized to appear in
12 today's proceedings.

13 Again, thank you very much for
14 being here. There are others here also, so I'd
15 like to continue through the entries of
16 appearance.

17 To my right here is
18 Mr. Armstrong with the division. So if you
19 would proceed, and we'll go around the table,
20 just again for the benefit of the record.

21 MR. ARMSTRONG: Jim Armstrong
22 with the insurance division.

23 MS. CROSS: Kim Cross, insurance
24 division.

25 MR. HUNTER: John Hunter, Brown

1 Winick Law Firm, representing the insurance
2 division.

3 MS. HIBBS: Maggie Hibbs, Brown
4 Winick Law Firm, representing the insurance
5 division.

6 MR. LYNCH: Ryan Lynch. I'm a
7 reporter at Reorg.

8 MS. GORDON: Courtney Gordon
9 with LS2 Group, just observing.

10 MR. KONZ: Eric Konz, Iowa
11 Insurance Division.

12 MR. McELHANEY: Chance
13 McElhaney, Iowa Insurance Division.

14 THE COMMISSIONER: And I know in
15 the back of the room there are some others
16 assembled. If you're here on behalf of any
17 particular party that is involved in this
18 proceeding, I'll give you the opportunity to
19 make your entry of appearance.

20 If you're here simply to
21 spectate, you don't need to do that. So among
22 those of you in the back of the room, would you
23 like to be a part of the record?

24 MS. FROHMAN: Ann Frohman on
25 behalf of Aetna.

1 THE COMMISSIONER: Good morning.

2 MS. MATISKI: Michelle Matiski,
3 in-house counsel with Aetna.

4 THE COMMISSIONER: Good morning
5 to both of you. All right. Again, seeing none
6 others, I know there are others here in the
7 room and, again, as the proceeding -- as we
8 move forward, if you would like to be
9 recognized, we will do that at that time.

10 So let's go ahead and proceed
11 with your evidence, please.

12 MR. DICKINSON: At this time I
13 would like to recognize Steve Whitmer, who will
14 conduct the direct examination of the two
15 witnesses on behalf of CVS.

16 THE COMMISSIONER: You may
17 proceed.

18 MR. WHITMER: Thank you,
19 Commissioner. Obviously we are here today to
20 address the CVS-Aetna transaction.

21 You'll be hearing from two
22 witnesses. First, Florence Crisp, who is
23 sitting to my left, who serves as the senior
24 legal counsel for CVS Health. And just to her
25 left is Gregory Martino, who serves as the

1 assistant vice president for state government
2 relations for Aetna.

3 The witnesses will be focusing
4 today, after providing a little bit of
5 background on the transaction and their role in
6 the transaction will be focusing on how all six
7 of the factors set forth in Iowa Code Section
8 521A.3(4)(a)(1-6), they will be addressing each
9 of those factors here for you today.

10 As a preliminary matter, we have
11 two sets of documents that we are going to
12 request be moved into evidence today. We have
13 two disks, thumb drives. One of them contains
14 our collective hearing submissions in a
15 confidential format, and the second contains
16 our submissions in a nonconfidential or public
17 format.

18 The information on the disks
19 have been coordinated between us and counsel
20 for the department, and they contain the Form A
21 that has been submitted in this matter and also
22 the affidavits of Ms. Crisp and Mr. Martino
23 with respect to this matter. All this
24 information is on there.

25 We respectfully request at this

1 time that both the thumb drives be admitted
2 into evidence with the confidentiality
3 restrictions being recognized as well.

4 THE COMMISSIONER: All right.
5 Do you -- have the thumb drives been marked as
6 exhibits?

7 MR. WHITMER: They have been
8 marked as Iowa Public Form A and Confidential
9 Regulatory -- Regulator Only Iowa Form A, and
10 we can submit them to the court reporter for
11 formal marking.

12 THE COMMISSIONER: Let's go
13 ahead and have them marked.

14 (Exhibits A-B were marked for
15 identification by the reporter.)

16 THE COMMISSIONER: They have
17 been identified. Are there any objections to
18 the receipt of these two exhibits?

19 Hearing no objection, the
20 exhibits will be received. I think they're
21 currently again marked as Confidential
22 Regulator Only Iowa Form A and Iowa Public
23 Form A. So these two exhibits are received
24 into evidence.

25 During your questioning of your

1 witnesses, will you be referring to documents
2 on this? Because clearly I don't have a
3 computer in front of me, so unless you're
4 prepared to make them available to me visually,
5 you're going to have to help me here because
6 normally what I have is I have a very large
7 stack of papers in these proceedings, so this
8 is my first electronic exhibit having been
9 received.

10 I'm not against it, but I hope
11 you'll be able to elicit some information from
12 your witnesses that will prevent me from
13 needing to go get my computer right now.

14 MR. WHITMER: We will,
15 Commissioner. We will definitely do that.

16 THE COMMISSIONER: All right.
17 With that, who will be your first witness?

18 MR. WHITMER: Our first witness
19 we'd like to call is Florence Crisp.

20 THE COMMISSIONER: All right.
21 She will need to be sworn. Would you please
22 swear the witness.

23 FLORENCE CRISP,
24 called as a witness, having been first duly
25 sworn, testified as follows:

1 THE COMMISSIONER: You may
2 proceed.

3 MR. WHITMER: Thank you.

4 DIRECT EXAMINATION

5 BY MR. WHITMER:

6 Q. Ms. Crisp, what is your current
7 position?

8 A. My name is Florence Crisp, and I'm
9 senior legal counsel for CVS Health
10 Corporation.

11 Q. I'd like to start with a little bit of
12 information about your education. Can you give
13 us a little background there?

14 A. I graduated from law school in 1998
15 from Yale Law School. Following law school I
16 clerked for a federal court judge in the court
17 of appeals. Then I practiced at a New York law
18 firm as an associate in the litigation
19 department.

20 When my family relocated to the
21 Rhode Island area, I joined the law firm of
22 Edwards, Angell, Palmer & Dodge first as a
23 litigation associate and then as a partner.
24 And then in the summer of 2012 I joined CVS
25 Health in their legal department.

1 Q. Could you describe for us what your
2 role and responsibilities have been at CVS?

3 A. I have two primary areas of
4 responsibility. One is around managing
5 commercial litigation for the company and the
6 other is around a variety of regulatory issues.

7 That includes health care
8 regulatory issues that impact our retail
9 business. I also manage antitrust issues
10 including regulatory filings when the company
11 has significant transactions.

12 Q. We're here today to talk about CVS
13 Health and Aetna. I'd like to start with CVS
14 Health.

15 Could you give us a little bit
16 of background information on the company?

17 A. CVS Health is a pharmacy innovation
18 company that has been on a journey from being
19 known as a retailer to a health care company,
20 and we really think about our business in three
21 primary buckets.

22 The first bucket is those
23 businesses where we provide care directly to
24 patients. The second is Caremark, our pharmacy
25 benefit manager. And then the third is the

1 insurance company that we currently own which
2 is SilverScript Insurance Company, which
3 provides Medicare Part D coverage, standalone
4 Part D coverage for Medicare enrollees.

5 Q. I'd like to address each of those
6 three categories that you just identified.
7 Let's start with your first category, "where we
8 provide care."

9 Now, you've explained in your
10 affidavit -- we'll get to that in a minute --
11 that there are five separate businesses
12 underneath this category of "where we provide
13 care."

14 First is CVS Pharmacy. What can
15 you tell us about that?

16 A. So CVS Pharmacy is probably what we're
17 most commonly recognized for. We have 9,800
18 pharmacies across the country where our
19 pharmacists not only dispense medication, but
20 also through face-to-face counseling and other
21 communications with patients address gaps in
22 care, improve medication adherence and
23 medication literacy and also help patients
24 manage the cost of their drugs.

25 Q. Second is the MinuteClinic. What is

1 that?

2 A. The MinuteClinic is a retail health
3 care clinic. We have approximately 1,100
4 across the country.

5 MinuteClinics provide acute
6 care for lower acuity conditions such as health
7 care screenings and minor illnesses. It's
8 really a supplement to primary care physicians.

9 Q. The third is CVS Specialty. Could you
10 explain that to us?

11 A. So CVS Specialty dispenses what I
12 refer to as specialty medications. Those tend
13 to be very expensive or drugs that require a
14 higher touch, whether it be a cold chain or
15 some other type of unique or atypical delivery
16 mechanism for patients who have more complex
17 conditions.

18 Q. Fourth is Coram. Would you explain
19 that to us.

20 A. Coram is a company that dispenses
21 infused medications, and most of these
22 interactions are actually home infusions, so
23 more convenient than the inpatient infusions.

24 Q. Fifth and finally is Omnicare. What
25 is that?

1 A. Omnicare provides pharmacy services to
2 long-term care facilities to address the needs
3 of the aging population.

4 Q. So let's move on now to the second
5 category, which is your pharmacy benefit
6 manager also known as a PBM, called CVS
7 Caremark.

8 Could you provide a little bit
9 of description for us?

10 A. Caremark provides the full range of
11 pharmacy benefit management services to its
12 clients, which includes employers, health plans
13 and government entities.

14 And that includes, you know,
15 development of formularies for the plans to
16 consider, prescription drug claim adjudication,
17 and a variety of different clinical programs to
18 help manage drug spend as well as keep the
19 members of those clients healthy.

20 Q. And then third and finally is the
21 category of our insurance, SilverScript.
22 What's that?

23 A. So as I mentioned before, SilverScript
24 is a standalone Part D drug plan. It's been
25 offering Part D coverage since that program was

1 initiated back in the mid 2000s and provides
2 just the drug coverage to Medicare enrollees.

3 Q. Now that you've provided background
4 information on CVS, I'd like to talk more
5 specifically about this transaction we're here
6 today to discuss.

7 Could you provide just a brief
8 description of the transaction?

9 A. Sure. Well, the companies entered
10 into a merger agreement back in December of
11 2017. Pursuant to that agreement, the current
12 structure of Aetna, Incorporated, where you
13 have Aetna, Inc., is the public company and
14 then a variety of domestic insurers and
15 subsidiaries, including the two at issue here,
16 that structure will largely remain in place.

17 What will change is that rather
18 than public shareholders owning Aetna, Inc.,
19 CVS Pharmacy, Inc., will own Aetna, Inc., and
20 then CVS Pharmacy is owned by CVS Health, which
21 is a public company.

22 So the Aetna structure as it
23 exists will really be lifted and shifted over
24 into the CVS Health family of companies and
25 continue to operate largely as it does today.

1 Q. So with respect to this transaction,
2 could you just give us a few points about the
3 merger agreement it gave rise to?

4 A. Sure. With the merger agreement CVS
5 Health will pay approximately 69 billion to the
6 Aetna shareholders. The consideration is a
7 combination of cash and CVS stock that each
8 shareholder will receive.

9 Q. And when is the closing expected to
10 take place?

11 A. The latter half of this year.

12 Q. I'd like to talk more specifically
13 about your role and involvement in this
14 transaction.

15 Could you explain that to us?

16 A. Well, prior to the execution of the
17 merger agreement, so approximately this time
18 last year I was involved in the due diligence
19 that led up to the signing of the merger
20 agreement.

21 Once it was signed, then my
22 role really shifted to the regulatory review
23 process at both the federal level with the
24 Hart-Scott-Rodino filing to the Department of
25 Justice and then also the various Forms A that

1 were filed across the country with respect --
2 with various departments of insurance. And
3 since then have been involved in meetings with
4 regulators and responding to requests.

5 Q. I'd like to now talk about the Form A
6 that has been submitted with respect to this
7 matter.

8 Could you tell us a little bit
9 about that?

10 A. Certainly. So the Form A, I believe,
11 was submitted on or about January 16th here in
12 Iowa and pertains to two domestic insurers that
13 are part of the Aetna family of companies.

14 Q. Okay. Now, that Form A is set forth
15 in both of the exhibits that have been
16 presented to the commissioner here today; is
17 that your understanding?

18 A. That is.

19 Q. And before we come back and talk a
20 little bit more about that, I'd like to talk
21 about where we are currently at with respect to
22 other states around the country.

23 What can you tell us about that?

24 A. We have received -- so we've filed
25 Forms A or similar types of applications in

1 28 states.

2 We've received approvals from
3 20 of those states, and then we have 8 pending,
4 and that includes here, the pending review here
5 in Iowa.

6 Q. Can you confirm for us that proper
7 notice has been given with respect to this
8 hearing today?

9 A. Yes. CVS Health received that notice
10 and provided it to the domestic insurers.

11 Q. Now, also on the two thumb drives that
12 have been submitted to the commissioner are
13 copies of your affidavit in this matter.

14 You have a copy of that in front
15 of you have as well?

16 A. I do.

17 MR. WHITMER: I'd like to --
18 Commissioner, if I could hand a copy to you as
19 well.

20 THE COMMISSIONER: Sure.

21 Q. Ms. Crisp, what is the document
22 sitting in front of you?

23 A. This is the affidavit that I prepared
24 and signed in connection with the application.

25 Q. Okay. And that is, in fact -- that

1 was your signature on the final page of the
2 affidavit?

3 A. Yes, the one that you handed to the
4 commissioner.

5 Q. Okay. And has anything -- before you
6 signed the affidavit, did you review it
7 carefully to confirm its accuracy?

8 A. I did.

9 Q. And has anything changed that would
10 require you to revise your affidavit from the
11 time it was signed until today?

12 A. No.

13 Q. Okay. That document has already been
14 submitted into evidence, but I'd like to
15 address some of the substance of that affidavit
16 here today.

17 First of all, in preparing your
18 affidavit did you have the opportunity to
19 review the Iowa statute that we're here talking
20 about today?

21 A. Yes, I did.

22 Q. Okay. And specifically Iowa Code
23 Section 521A.3(4)(a)(1-6)?

24 A. Yes.

25 Q. And did you have the opportunity to

1 evaluate how those six factors apply to the
2 transaction and whether, in fact, all six of
3 them were met?

4 A. I did.

5 Q. And you're prepared to testify today
6 on all six of those factors?

7 A. Yes, I am.

8 Q. Let's start with Requirement Number 1,
9 which considers whether the domestic insurers
10 will continue to satisfy the requirements for
11 issuance of their licenses here in the state of
12 Iowa.

13 First of all, let's identify,
14 we're here talking about two domestic insurers
15 here today; is that right?

16 A. That's correct.

17 Q. Could you identify them for us?

18 A. Yes. It's Aetna Better Health of Iowa
19 and Aetna Health of Iowa.

20 Q. And can you establish for us that the
21 current licenses have been met with respect to
22 both of those domestic insurers?

23 A. Yes. I reviewed documentation from
24 the department reflecting that those licenses
25 are currently in effect. They both hold HMO

1 licenses.

2 Q. And do those licenses confirm that the
3 domestic insurers currently satisfy the minimum
4 requirements for licensure in the state?

5 A. Yes, they do.

6 Q. And can you confirm for us that those
7 licenses will remain intact post-transaction?

8 A. Yes, I can. First, CVS Health has no
9 plans that would materially impact the domestic
10 insurers' ability to continue to meet those
11 requirements for licensure.

12 And, second, CVS Health and
13 Aetna have very robust and proactive compliance
14 departments that will ensure that the domestic
15 insurers continue to meet quality assurance
16 standards and operate with high levels of
17 business integrity.

18 Q. Now, those issues are identified and
19 discussed in your affidavit; is that correct?

20 A. That's correct.

21 Q. Based on what's in your affidavit and
22 the information you provided here today for us,
23 can you confirm that Requirement 1 has been
24 met?

25 A. Yes, I can.

1 Q. Let's move forward then to
2 Requirement 2, which considers whether this
3 transaction will substantially lessen
4 competition in insurance in Iowa.

5 You reviewed that issue as well?

6 A. I did.

7 Q. First of all, I'd like to get a little
8 bit of background on the analysis that you
9 present in your affidavit on this issue.

10 Let's start with, where did you
11 get the information?

12 A. We obtained data from SNL Financial,
13 which obtains data directly from the NAIC.

14 Q. What company's data did you consider
15 for this analysis?

16 A. We looked at the data provided by
17 SNL Financial with respect to CVS Health and
18 its affiliates and Aetna and its affiliates.

19 Q. In evaluating that, how many total
20 lines of insurance did you evaluate?

21 A. So we identified five lines of
22 insurance where the CVS Health companies and
23 the Aetna companies report coverage or offer
24 coverage in Iowa to review.

25 Q. So just to be clear, how is it that

1 you identified those five and not any other
2 ones?

3 A. Well, there were other lines where
4 Aetna offers coverage, but CVS does not hold a
5 license to offer the coverage, and so therefore
6 we did not review those because there was no
7 overlap.

8 Q. Now, you also did not consider certain
9 other lines of business reported by Aetna. Why
10 is that?

11 A. Well, those are ones where CVS Health
12 does not hold a license to offer the coverage
13 and so there's no overlap.

14 Q. So then let's talk about the five
15 lines that you evaluated in your analysis.
16 Let's talk, first of all, about four of them.

17 Those four are Medicare
18 Title XVIII, other health, dental, and Title
19 XVIII Medicare. With respect to those four
20 lines, are there any competitive concerns?

21 A. There are no competitive concerns
22 there because there would be no increase in the
23 share under any of those four because for each
24 of those four either CVS or Aetna reported
25 zero percent share.

1 Q. And do those four lines qualify for a
2 statutory exemption here?

3 A. Yes, they do.

4 Q. Let's move on to the fifth line. For
5 that one, which is Medicare supplement located
6 in the health only blank, is there any
7 competition concern there?

8 A. There's no competition concern. Both
9 companies do report some premiums, but they're
10 very, very small.

11 CVS reports, I believe, 26,000
12 in premium and Aetna approximately 14,000.
13 So the increase is, I believe, .01 percent
14 increase, so a very tiny increase which, based
15 on my understanding, would be entitled to an
16 exemption.

17 Q. The statutory exemption here in Iowa?

18 A. Statutory exemption, yes.

19 Q. You addressed the five lines, but I'd
20 also like to give you an opportunity to talk a
21 little bit about Medicare Part D.

22 A. Yes. So both companies currently do
23 offer Medicare Part D coverage, and while we
24 did not believe that there was a competitive
25 concern there, Aetna has entered into an

1 agreement to sell its standalone Part D
2 business to WellCare.

3 This is documented in a consent
4 order that the parties have agreed to with the
5 Department of Justice. And, therefore, to the
6 extent that there were any concerns with
7 respect to the overlap in the Medicare Part D
8 context, those concerns are addressed by the
9 divestiture by Aetna of its Part D business.

10 Q. So there are no competition concerns
11 on Part D either?

12 A. No.

13 Q. Having addressed the five lines and
14 Medicare Part D, can you confirm for us that
15 there are no concerns with respect to Factor
16 Number 2?

17 A. Yes, I can.

18 Q. Let's move forward then to Requirement
19 Number 3. This considers the financial
20 condition of the applicant and whether it will
21 jeopardize the financial stability of the
22 domestic insurers or prejudice the interests of
23 the domestic insurers' policyholders.

24 With respect to that factor,
25 what can you tell us first about CVS Health's

1 financial strength?

2 A. CVS is financially very sound. In
3 2017 we reported net revenues of 185 billion
4 and net income of 6.6 billion.

5 Q. Now, there will be a certain amount of
6 debt with respect to this transaction; correct?

7 A. That is correct.

8 Q. Can you explain to us who is going to
9 bear that debt?

10 A. That debt is the obligation of CVS
11 Health at the parent level. It is not the
12 obligation of any domestic insurer, and no
13 domestic insurer is obligated with respect to
14 the paydown of that debt.

15 Q. I'd like to now ask you a little bit
16 about the financial strength of the two
17 domestic insurers that you've been talking
18 about.

19 What can you tell us about them?

20 A. They are also financially sound.
21 Aetna Health of Iowa reported capital and
22 surplus of 38.5 million in its last report.
23 And Aetna Better Health reported a capital and
24 surplus of 1.1 million.

25 Q. Based on that information and the

1 additional facts that you set forth in your
2 affidavit, can you confirm for us that that
3 requirement, Number 3, has also been satisfied?

4 A. Yes, I can.

5 Q. Let's move forward then to
6 Requirement 4. This considers whether the
7 applicants have any plans or proposals with
8 regard to the domestic insurers that are unfair
9 or unreasonable to the domestic insurers'
10 policyholders or that are not in the public
11 interest.

12 First of all, can you confirm
13 for us that the applicants have no plans to
14 cause the domestic insurers to declare any
15 extraordinary dividends?

16 A. I can.

17 Q. And also that the applicants have no
18 plans to liquidate the domestic insurers?

19 A. That's correct.

20 Q. Also they have no plans to make any
21 material change to the domestic insurers'
22 business?

23 A. That is correct.

24 Q. Tell us a little bit about why you
25 believe this requirement has been met here.

1 A. Well, not only do we believe that this
2 is, you know, not something that would
3 prejudice, but we think by combining the
4 financial strength of CVS as well as the
5 innovative ideas of bringing these two
6 companies together, it is really something that
7 is in the interest of the insurance-buying
8 population.

9 Q. Will the domestic insurers continue
10 post-transaction to maintain their separate
11 corporate existences?

12 A. They will.

13 Q. Tell us, will there be any material
14 changes in the board of directors or senior
15 management for either of the domestic insurers?

16 A. There will not be any changes at the
17 domestic insurer level. The only changes that
18 would be made is if individuals chose to resign
19 following the close of the transaction.

20 Q. As we are considering Requirement 4,
21 I'd like to give you an opportunity to identify
22 any benefits that you would see with respect to
23 the combined organization. I'd like to have
24 you address four of them. They're in your
25 affidavit. I'd like to give you a chance to

1 address each of them.

2 First of all, you said there's
3 the improvement of the quality and coordination
4 of care. Can you explain that?

5 A. I think one of the key values that we
6 see of this transaction is really bringing
7 together the pharmacy data and pharmacy profile
8 of patients with their medical profile and
9 their medical claims.

10 Currently those two bodies of
11 information about patients are not as fully
12 integrated as we feel they should be, and we
13 feel by bringing them together we're going to
14 be able to provide a much better coordination
15 of care and have a holistic view of the patient
16 that we then will be able to ensure that all
17 providers can see when they're coming up with a
18 care plan for their patient.

19 Q. Second, you've explained that this
20 transaction will result in lower costs,
21 clinically tailored and more convenient sites.
22 Could you explain that?

23 A. Well, I think one of the keys we see
24 here is that, you know, trying to shift the
25 health care system from one that is focused on

1 patients when they're broken to one that
2 focuses on keeping them healthy, and a lot of
3 that is trying to find more convenient ways for
4 patients to access care before they've reached
5 an acute episode.

6 And so by helping identify
7 opportunities to shift sites of care to sites
8 that are more convenient and, frankly, less
9 expensive, we think they'll be a great benefit
10 to patients.

11 Q. Third, you explained that this
12 transaction should improve the continuity of
13 care. Would you explain that?

14 A. Again, this goes back to that
15 integration of the data, of pharmacy data and
16 medical data in order to ensure that over the
17 lifetime of the patient that information is
18 seen holistically and we can identify risk
19 points using that data more effectively.

20 Aetna's got very robust
21 analytics capabilities, and this will
22 supplement the effectiveness of those
23 capabilities to identify, you know, risk points
24 in a patient's life where interventions could
25 be effective at keeping the patient healthy or

1 helping them when they do face a critical point
2 in their health care.

3 Q. Fourth and finally, you explain in
4 your affidavit that this transaction is
5 expected to contain costs.

6 What does that mean?

7 A. We really see that on two fronts. One
8 is, you know, we do believe that as a result of
9 the transaction we'll be able to lower certain
10 costs and realize approximately 750 million in
11 cost savings after the end of the second year
12 post-transaction, and that will be annual.

13 But, more importantly, we do
14 think that by focusing on delivering more
15 convenient and less expensive care to patients
16 that patients will see a reduction in their own
17 costs.

18 Rather than paying a co-pay for
19 an emergency room visit, it may be getting that
20 patient into a lower cost site of care earlier
21 to avoid the acute situation that might lead
22 them to the emergency room.

23 Q. And then lastly, could you tell us a
24 little bit about the transaction negotiations
25 that gave rise to this deal?

1 A. Certainly. Very robust negotiations.
2 Both sides had retained a number of external
3 advisors, both law firms and financial
4 advisors, and a lot of back and forth of arm's
5 length negotiations with respect to the merger
6 agreement that was entered into.

7 Q. What can you tell us about any
8 stockholder or board votes?

9 A. So the merger agreement obviously was
10 conditioned on approval by both boards of
11 directors. Both boards of directors voted
12 unanimously to approve the transaction.

13 It was also conditioned on
14 shareholder approval. There was overwhelming
15 approval. I believe on the Aetna side
16 97 percent of the shareholders who were voting
17 voted to approve it.

18 On the CVS side the
19 shareholders were voting to issue the
20 additional stock necessary, and 98 percent of
21 the shareholders who voted voted in favor of
22 issuing that stock.

23 Q. So based on those facts and the
24 information that you provide in your affidavit,
25 can you confirm for us that Requirement 4 has

1 been met with respect to this transaction?

2 A. Yes, I can.

3 Q. Let's jump forward then to
4 Requirement 5. This considers the competence,
5 experience, and integrity of those who will
6 control the domestic insurers post-transaction.

7 Let's start with talking about,
8 who will the makeup be of the new board of
9 directors?

10 A. So this is speaking with respect to
11 CVS Health Corporation, the ultimate parent
12 company. We currently have a board of
13 directors of twelve members.

14 That's going to be expanded
15 upon the close to add four additional seats,
16 and those seats will be occupied by the current
17 Aetna CEO and chairman, Mark Bertolini, and
18 then three other Aetna board members,
19 Mr. Farah, Mr. Ludwig, and Mr. Aguirre.

20 Q. And is there any other changes that
21 you want to talk about with respect to
22 Ms. Lynch, Mr. Denton, or anyone else?

23 A. Yes. With respect to the senior or
24 the executive officers of CVS Health, Karen
25 Lynch, who is currently the president of Aetna,

1 Inc., will remain in that role and she'll lead
2 the Aetna business unit reporting directly to
3 our CEO.

4 And the other changes that will
5 be happening at the close, our current CFO is
6 resigning, and Eva Boratto will take that role.
7 And then James Clark will step into the role of
8 controller and chief accounting officer.

9 Q. I'd like to talk more specifically
10 about certain of these individuals, and let's
11 start with the current directors of CVS Health,
12 and there are twelve of them. Mr. Bracken,
13 Mr. Brown, Ms. DeCoudreaux, Ms. De Parle,
14 Mr. Dorman, Ms. Finucane, Mr. Merlo,
15 Mr. Millon, Ms. Schapiro, Mr. Swift,
16 Mr. Weldon, and Mr. White.

17 First of all, what's your
18 familiarity with respect to those twelve
19 individuals?

20 A. With some of them I've worked
21 extensively with them. With others I've
22 reviewed their biographical -- well, with all
23 I've reviewed their biographical affidavits
24 that were submitted with the application.

25 Q. And based on your knowledge of working

1 with certain of these individuals and reviewing
2 the affidavits of all of them, what can you
3 tell us about their competence, experience, and
4 integrity?

5 A. These are individuals of, you know,
6 very high degrees of competence. They have
7 substantial experience, years and years, and
8 have operated with very high levels of
9 integrity.

10 Q. Shifting over now to the executive
11 officers of CVS Health, there are nine of them.
12 All of them are addressed in your affidavit,
13 but I want to give you an opportunity to
14 address them briefly here.

15 Mr. Merlo, Mr. Denton,
16 Mr. Moriarty, Ms. McIntosh, Mr. Roberts, Doctor
17 Brennan, Ms. Boratto, Derica Rice, and
18 Mr. Hourican.

19 What's your familiarity with
20 those nine executive officers?

21 A. I've had the opportunity to work with
22 all of them extensively, and I've also reviewed
23 their biographical affidavits.

24 Q. And based on that information and that
25 review, what can you tell us about these nine

1 individuals?

2 A. They are also individuals of
3 substantial experience, very competent, and who
4 have operated at high levels of integrity.

5 Q. Moving over now to CVS Pharmacy, there
6 are two individuals that serve both as the
7 directors and the executive officers,
8 Ms. DeNale and Mr. Moffatt.

9 What can you tell us about those
10 two individuals?

11 A. I've worked extensively with both of
12 them as well and have reviewed their
13 affidavits, and based on that review as well as
14 my experience working with them, I can
15 certainly attest that they have high degrees
16 of -- they operate with high degrees of
17 integrity, they have extensive experience, and
18 are extremely competent.

19 Q. Now moving over to discuss the
20 domestic insurers, first of all, let's talk
21 about Aetna Better Health of Iowa, Inc.
22 There are three directors, okay, Ms. Bacon,
23 Ms. Brubaker, and Ms. Grant.

24 What do you know about those
25 three?

1 A. I have reviewed their affidavits.

2 Q. Having done so, what can you tell us?

3 A. They certainly have a record of
4 operating with high levels of integrity,
5 substantial years of experience, and extremely
6 competent in their roles.

7 Q. Okay. The seven executive officers of
8 Aetna Better Health of Iowa, they're in your
9 affidavit. Ms. Brubaker, Mr. Maroney,
10 Mr. Kessler, Ms. Bacon, Mr. Chronister,
11 Mr. Casey, and Mr. Olson.

12 What can you tell us about those
13 seven?

14 A. Again, I've reviewed their affidavits,
15 and based on that review it's clear that they
16 are individuals with high levels of competence
17 who have substantial experience and who operate
18 with high levels of integrity.

19 Q. And then, finally, with respect to
20 Aetna Health of Iowa, there are three
21 directors, Mr. Christensen, Mr. D'Antonio, and
22 Mr. Sloma.

23 Have you reviewed the
24 biographical affidavits for those individuals,
25 and if so, what can you tell us?

1 A. Yes, I did. From that review, it's
2 clear that they also have significant expertise
3 and experience, they operate with high levels
4 of integrity, and are very competent.

5 Q. And then, lastly, with respect to the
6 executive officers of Aetna Health of Iowa,
7 there's six of them. Mr. D'Antonio,
8 Mr. Maroney, Mr. Lee, Mr. Reinecke, Mr. Casey,
9 and Mr. Chronister.

10 What can you tell us about them?

11 A. I've reviewed their biographical
12 affidavits, had the opportunity to work with at
13 least Mr. Lee on that list, and based on my
14 interactions as well as my review of the
15 affidavits, it's clear that they are very
16 competent, have substantial experience, and
17 operate with high levels of integrity.

18 Q. Based on that information, can you
19 confirm for us that Requirement 5 is met here?

20 A. Yes, I can.

21 Q. Then, finally, let's talk about
22 Requirement 6, the last requirement. And this
23 considers whether the transaction is likely to
24 be hazardous or prejudicial to the
25 insurance-buying public.

1 Has that requirement been met
2 here? And if so, can you explain why?

3 A. Yes, I think based on all of the
4 information that I've talked about already,
5 which is detailed in more detail in my
6 affidavit, we firmly believe that this is not
7 hazardous, but instead in the interest of the
8 insurance-buying public.

9 And I think the only additional
10 thing I would note is that CVS Health has a
11 long record of successful integration of new
12 companies, and so we are looking forward to
13 continuing that record with this transaction
14 here.

15 Q. So based on that information and
16 what's set forth in your affidavit, has
17 Requirement 6 been met?

18 A. Yes, it has.

19 Q. Before you complete your testimony
20 here today, are there any final comments that
21 you would like to provide to the commissioner
22 or to the department with respect to this
23 transaction?

24 A. Well, I'd just like to take an
25 opportunity to thank the department, thank the

1 commissioner. I know this is a hefty
2 application, and we really appreciate the time
3 and resources that went into reviewing it.

4 We are very excited about this
5 transaction. We do believe it has the
6 potential to transform health care. We think
7 health care needs transformation and needs
8 innovation, and we think that this is the best
9 path forward there.

10 So with that, we respectfully
11 request that you approve the application.

12 MR. WHITMER: Thank you,
13 Ms. Crisp.

14 Commissioner, I have no further
15 questions, but I want to make the witness
16 available to you or to your team that would
17 like to ask any questions of her.

18 THE COMMISSIONER: Thank you,
19 Ms. Crisp, for your testimony. Are there any
20 questions from the division?

21 MR. ARMSTRONG: Yes, there is.

22 THE COMMISSIONER: Please
23 proceed.

24 MR. ARMSTRONG: Ms. Crisp, how
25 does CVS plan to repay the debt without passing

1 the cost along to the Iowa policyholders?

2 MS. CRISP: I would be happy to
3 address that. So -- and we provided this
4 information to the rating agencies and others.

5 CVS Health currently generates
6 substantial cash flow that we currently use
7 either to buy back shares in the market or to
8 increase our shareholder dividend.

9 We have announced that we are
10 going to suspend share repurchases, and that
11 was typically in the 5 to \$6 billion a year
12 range for CVS.

13 So we're going to suspend share
14 repurchases and suspend any shareholder
15 dividend increases for our public shareholders
16 until we have returned to an adjusted debt --
17 to an adjusted ratio of the mid 3's, three
18 times, which is in line with where we have been
19 historically.

20 MR. ARMSTRONG: Okay. And
21 none of the cost of that or interest payments
22 on the debt will be passed along to Iowa
23 policyholders?

24 MS. CRISP: No.

25 MR. ARMSTRONG: Okay. If this

1 transaction is approved, CVS will be regulated
2 as an insurance holding company here in Iowa.

3 Does CVS understand that and
4 will it cooperate with the Iowa regulators?

5 MS. CRISP: Yes.

6 MR. ARMSTRONG: Okay, thank you.
7 And my last question, are there any contracts
8 to this transaction that we have not been made
9 aware of?

10 MS. CRISP: No.

11 MR. ARMSTRONG: Okay.

12 MR. HUNTER: Just a few
13 questions.

14 THE COMMISSIONER: Go ahead.

15 CROSS-EXAMINATION

16 BY MR. HUNTER:

17 Q. Did you assist in the preparation of
18 the Form A statement that was filed with the
19 department?

20 A. Yes, I did.

21 Q. And were you familiar with the
22 application and its contents thereof when it
23 was submitted?

24 A. Yes.

25 Q. And are the facts contained in the

1 Form A statement true to the best of your
2 knowledge, information, and belief?

3 A. Yes.

4 Q. Do the statements contained in the
5 application as amended, restated, and
6 supplemented remain true today, to the best of
7 your knowledge?

8 A. Yes.

9 Q. When the application filed -- when the
10 applicant filed the Form A statement that is
11 subject to today's proceedings, did you ensure
12 that you had become aware of any facts, acts,
13 or circumstances that could impact the
14 statements made therein?

15 A. Yes.

16 Q. Are there any material facts omitted
17 from the Form A as amended, restated, or
18 supplemented that you'd like to add?

19 A. No.

20 Q. Are there any misleading statements
21 in the Form A as amended, restated, and
22 supplemented?

23 A. No.

24 Q. Have there been any material changes
25 to the facts, statements, or representations in

1 the Form A since the most recent amendment or
2 restatement?

3 A. No.

4 MR. HUNTER: That's all.

5 MS. CROSS: I have one
6 additional question.

7 THE COMMISSIONER: Yes.

8 MS. CROSS: You had mentioned in
9 your testimony that the Form A was submitted on
10 January 16 of 2018; correct?

11 MS. CRISP: That's -- it was on
12 or about. I know that that's --

13 MS. CROSS: Correct. And
14 Mr. Hunter was referencing subsequent amended,
15 restated, and/or supplemented.

16 MS. CRISP: Yes.

17 MS. CROSS: Can you provide some
18 additional clarity as to when that was last
19 amended, restated --

20 MS. CRISP: I believe --

21 MS. CROSS: -- or supplemented?

22 MS. CRISP: Yes. I believe it
23 was October 18th.

24 MS. CROSS: Approximately.

25 MS. CRISP: It was within the

1 last week or so, is what I could say.

2 MS. CROSS: Understood.

3 MS. CRISP: I don't recall the
4 precise date, but I believe Mr. Farber can
5 provide that momentarily.

6 MR. FARBER: Yeah. I think the
7 latest --

8 MS. CRISP: Oh, I believe it was
9 the 19th. I've got it in my affidavit.

10 MR. FARBER: I believe the 22nd.

11 MS. CROSS: I just wanted to
12 clarify for the record.

13 MS. CRISP: I appreciate that,
14 yes. My responses were based on the amended
15 and restated version, yes.

16 THE COMMISSIONER: Ms. Crisp,
17 you mentioned earlier about the increase in
18 efficiencies associated with this change and I
19 heard you testify about the need for
20 transformation in the delivery of health care,
21 and I certainly understand and appreciate all
22 of that.

23 We also regulate Caremark,
24 which is the PBM, and so one of my questions
25 really relates to, how do you see this merger

1 impacting that part of the business, or how is
2 it that you've made efforts to really sort of
3 address some concerns that may be out there in
4 the industry in that part of the business of
5 health care?

6 MS. CRISP: Well, I think
7 largely, you know, we've been in a long-term
8 relationship, PBM relationship with Aetna and
9 so things, I think, will not -- there will not
10 be change in terms of -- we'll continue to
11 service Aetna as its PBM and continue to work
12 with Aetna to provide, you know, the services
13 to Aetna's clients with respect to prescription
14 drug coverage as well.

15 We do think there's an
16 opportunity for greater integration of the
17 pharmacy data and the medical data and are
18 looking forward to exploring how best to, you
19 know, integrate that. We are not gun-jumping
20 now, so, you know, what those plans will look
21 like will really come to fruition after the
22 close, but we are excited to explore those
23 opportunities.

24 THE COMMISSIONER: And, again,
25 this may be far afield from today's proceeding,

1 but, I mean, do you see the PBM business at
2 Caremark changing, you know, in terms of -- not
3 just in terms of this trans -- basically this
4 merger, but just beyond that?

5 MS. CRISP: You know, I think
6 we're always trying to evolve to meet the needs
7 of our clients, and we service, you know,
8 health plans, employers, as well as government
9 entities, so we'll continue to work with our
10 clients to address the rising health care
11 costs.

12 Our business has evolved over
13 time. You know, I think one example is we were
14 one of the first to start offering a plan for
15 our clients where they could give rebates to
16 their members at the point of sale, and so we
17 will continue to evolve products in the market
18 to address the desires and concerns of our
19 clients.

20 THE COMMISSIONER: And the last
21 question I have with regards to the Department
22 of Justice. And I heard you describe that
23 there is a settlement that is awaiting court
24 approval. Do you have any idea as to the
25 timing of that final approval?

1 MS. CRISP: We expect it to
2 be -- and I will say I'm not the expert on the
3 mechanics of all this, but we expect it to be
4 pretty straightforward based on both the
5 Department of Justice and CVS and Aetna
6 submitted this as, you know, a consent order,
7 so we expect it to come shortly.

8 THE COMMISSIONER: I also saw in
9 your affidavit a reference to state attorneys
10 general, and what --

11 MS. CRISP: Several state
12 attorneys general did join that consent order,
13 yes.

14 THE COMMISSIONER: All right.
15 So I guess in regards to that question, are
16 there any outside procedural issues associated
17 with state AG involvement, or is it all wrapped
18 into the Department of Justice review?

19 MS. CRISP: It's all wrapped
20 into the review.

21 THE COMMISSIONER: Thank you. I
22 have no further questions.

23 MS. CRISP: Thank you.

24 MS. CROSS: I have one
25 additional question, if I may.

1 You indicated that you're in the
2 process of divesting the Medicare Part D
3 business to WellCare.

4 Do you have a sense of when that
5 divestiture will be complete?

6 MS. CRISP: Well, so Aetna is
7 selling its business to WellCare.

8 MS. CROSS: Right.

9 MS. CRISP: That divestiture is
10 conditioned on the closing of this transaction.

11 MS. CROSS: Okay.

12 MS. CRISP: In order to minimize
13 any impact on members, if that transaction
14 moves forward, Aetna will service those members
15 through a transition services agreement through
16 the next plan year.

17 Medicaid is on, you know, an
18 annual cycle with annual enrollment in the fall
19 and then the plan year starting in January.
20 And so they'll continue to service the plan
21 members throughout the 2019 plan year.

22 THE COMMISSIONER: Any further
23 questions of this witness?

24 Seeing none, thank you,

25 Ms. Crisp --

1 MS. CRISP: Thank you.

2 THE COMMISSIONER: -- for your
3 testimony. And you may call your next witness.

4 MR. WHITMER: Thank you,
5 Commissioner. Our second and final witness
6 we're calling is Gregory Martino. I guess he
7 can be sworn in at this time.

8 THE COMMISSIONER: He will need
9 to be sworn.

10 GREGORY MARTINO,
11 called as a witness, having been first duly
12 sworn, testified as follows:

13 DIRECT EXAMINATION

14 BY MR. WHITMER:

15 Q. Mr. Martino, could you state your full
16 name for the record?

17 A. My name is Gregory Martino.

18 Q. And what is your current title with
19 Aetna?

20 A. I work for Aetna, Inc., and I'm
21 currently assistant vice president for state
22 government relations.

23 Q. What are your responsibilities at
24 Aetna in that role?

25 A. My responsibilities at Aetna really

1 are engaged in regulatory matters, some
2 legislative matters, but primarily regulatory
3 matters dealing with insurance departments
4 across the country, dealing with regulatory
5 approval, a number of different matters,
6 including mergers and acquisitions.

7 I've been involved in both the
8 Coventry and Humana acquisitions that were
9 proposed and completed. And obviously now I
10 have the pleasure of working on the CVS
11 transaction.

12 Q. Let's talk a bit about your industry
13 roles before you came to your role at Aetna.
14 What can you tell us about that?

15 A. Prior to joining Aetna in 2000,
16 approximately 2000, I actually served with the
17 Pennsylvania Insurance Department for a number
18 of years in a number of different capacities.

19 I served as deputy insurance
20 commissioner for company regulation, which
21 deals with rates and forms and dealing with the
22 overseeing of the market there.

23 I also was deputy insurance
24 commissioner for consumer services and market
25 conduct and also had the pleasure of serving as

1 the acting insurance commissioner in
2 Pennsylvania for six months.

3 Q. Let's talk about this transaction.
4 What has your role been here?

5 A. I've been involved in this just prior
6 to the transaction being publicly announced on
7 December 3rd. Since that time, since
8 December 3rd, the public announcement,
9 virtually all of my time has been spent on the
10 transaction.

11 I've been engaged in working
12 with CVS on preparing the Form A's, been
13 engaged with CVS in regulatory outreach and
14 education to commissioners and staff, through
15 insurance departments across the country
16 regarding this transaction.

17 I also have worked on the
18 hearings that have occurred to date, and I've
19 testified in a number of those hearings.

20 Q. We've heard some background
21 information on CVS. Why don't you take this
22 opportunity to give some background information
23 on Aetna.

24 A. Sure. Aetna, as you know, is a large
25 national insurance company. It really is a

1 diversified company providing health care
2 benefits serving approximately 46 million
3 members, with the ultimate goal of helping
4 members achieve better health and providing
5 them with the information and resources to
6 provide a better health care system.

7 Q. Now, we've already heard a little bit
8 from Ms. Crisp about the two domestic insurers
9 here, but I'd like to give you an opportunity
10 to talk about it as well.

11 Let's start with Aetna Better
12 Health of Iowa. What can you tell us?

13 A. Aetna Better Health of Iowa is an HMO
14 licensed in the state of Iowa. It was licensed
15 in April of 2015. Currently it has no
16 membership on it, but it is, in fact, being
17 held and the license is being maintained for
18 future opportunities.

19 Q. What about Aetna Health of Iowa, Inc.,
20 what can you tell us about that domestic
21 insurer?

22 A. Aetna Health of Iowa has been around
23 for a number of years. It was licensed in
24 1985, I believe February of 1985, and has been
25 an HMO operating in the state of Iowa with

1 approximately 44,000 members.

2 Q. Sir, you also prepared an affidavit
3 with respect to this matter; is that right?

4 A. Yes, I did.

5 Q. Is that your affidavit right there?

6 A. Yes, it is.

7 Q. Okay. If you turn to the last page,
8 just confirm for us, is that, in fact, your
9 signature?

10 A. Yes, it is.

11 Q. Okay. And before you signed the
12 affidavit, did you carefully review it to make
13 sure that all the information contained therein
14 was true and accurate?

15 A. Yes, I did.

16 Q. And has anything changed since the
17 time you signed that affidavit which would
18 require you to modify it in any way as we sit
19 here today?

20 A. No.

21 MR. WHITMER: Commissioner, I
22 would ask for the opportunity to hand up a copy
23 of Mr. Martino's affidavit.

24 THE COMMISSIONER: Thank you.

25 And I assume this is also found in both the

1 confidential and public Form A document that
2 previously was received?

3 MR. WHITMER: It is.

4 THE COMMISSIONER: All right.

5 MR. WHITMER: It is on both of
6 the thumb drives.

7 THE COMMISSIONER: All right.

8 Thank you.

9 Q. Mr. Martino, you've also taken the
10 opportunity, as set forth in your affidavit, to
11 address certain of the six factors that
12 Ms. Crisp discussed here today; is that right?

13 A. Yes.

14 Q. I'm not going to have you address all
15 of them, but I want to give you the opportunity
16 to address some of them.

17 Let's start with Requirement
18 Number 1, which talks about whether the
19 domestic insurers will continue to satisfy
20 licensure requirements in the state.

21 First of all, have both -- do
22 both of the domestic insurers currently have
23 appropriate licensure?

24 A. Yes, they do. I've reviewed various
25 documentation that demonstrates that they

1 currently are licensed, both entities are
2 licensed in the state of Iowa as HMOs.

3 Q. And can you confirm for us that
4 post-transaction both of the entities will
5 continue to have appropriate licenses here in
6 the state of Iowa?

7 A. Yes, I believe they will continue to
8 meet the requirements to hold those licenses.

9 Q. Based on your testimony and the
10 testimony of Ms. Crisp, can you confirm that
11 Requirement 1 has been met here?

12 A. Yes, I can.

13 Q. With respect to Requirement 2, that's
14 already been addressed by Ms. Crisp and her
15 submission, so we're going to skip 2 and move
16 to 3.

17 Requirement 3 considers the
18 financial condition of the applicant and
19 whether it will jeopardize the financial
20 stability of these two domestic insurers we've
21 been discussing.

22 What can you tell us about the
23 domestic insurers' financial strength?

24 A. Certainly. Well, Ms. Crisp addressed
25 the large holding company of CVS. I will

1 comment on the two HMOs licensed in Iowa.

2 Both Aetna Better Health and
3 Aetna Health, Inc., are very well financially
4 sound with capital and surplus, Aetna Better
5 Health having approximately \$1.1 million and
6 Aetna Health of Iowa having approximately
7 \$38.5 million.

8 Q. And based on the information you
9 provided both in your affidavit and here today
10 and what Ms. Crisp has provided, can you
11 confirm for us that that third requirement has
12 been met?

13 A. Yes, I can.

14 Q. Jumping forward then to Requirement 4,
15 it considers whether the applicants have any
16 plans or proposals with respect to the domestic
17 insurers that are unfair or unreasonable.

18 Can you tell us your expectation
19 or understanding with respect to the domestic
20 insurer businesses post-transaction?

21 A. Post-transaction I believe they will
22 continue to meet the statutory requirements,
23 they will not have any issues and concerns.

24 I am not aware of any plans to
25 change the operations, the management, the

1 senior team of those individuals, except for
2 those individuals replaced through resignation.

3 Q. Can you tell us just a bit about the
4 transaction negotiations from Aetna's
5 perspective?

6 A. Certainly. Transactions were
7 negotiated at arm's length. We, Aetna had
8 hired independent and separate financial
9 advisors to review the documentation and review
10 all the paperwork.

11 In addition to that, we had
12 separate lawyers, independent lawyers prepare
13 and review all the documentation also.

14 Q. And what can you tell us about any
15 board of directors or shareholder votes?

16 A. The board of directors for Aetna did
17 approve, unanimously approve the transaction.
18 In addition to that, the shareholders
19 overwhelmingly approved with over 97 percent
20 approving the transaction.

21 Q. Sir, can you confirm for us based on
22 your information and what you've heard here
23 today that Requirement 4 has been met?

24 A. Yes, I can.

25 Q. Let's jump forward to Requirement 5.

1 First of all, let's talk about the competence,
2 experience, and integrity of the domestic
3 insurers.

4 Let's start with Aetna Better
5 Health of Iowa. You've already heard about
6 three of the individuals who are the directors,
7 Ms. Bacon, Ms. Brubaker, and Ms. Grant.

8 What do you know about those
9 individuals and what can you tell us?

10 A. I've had the pleasure of working with
11 them over and over a number of years and also
12 reviewed their biographical affidavits and can
13 tell you that those are individuals of high
14 competence, many, many years of experience, and
15 they have very strong, strong integrity.

16 Q. What's your knowledge of the seven
17 executive officers of Aetna Better Health of
18 Iowa? Again, Ms. Brubaker, Mr. Maroney,
19 Mr. Kessler, Ms. Bacon, Mr. Chronister,
20 Mr. Casey, and Mr. Olson.

21 Do you know those individuals?

22 A. I know those individuals also. I have
23 had years of working with them. I have also
24 reviewed the biographical affidavits for each
25 of those, and I can tell you all of those

1 individuals are also individuals of high
2 integrity, strong, many years of experience and
3 also have highly competent backgrounds.

4 Q. And jumping over to the other domestic
5 insurer, Aetna Health of Iowa, there are three
6 directors, Mr. Christensen, Mr. D'Antonio, and
7 Mr. Sloma.

8 Do you know those three
9 individuals?

10 A. Yes, I do. I also have had the
11 pleasure of working with them over the years
12 and have reviewed their biographic affidavits.

13 Q. What can you tell us about them?

14 A. Again, those are individuals that are
15 highly competent, years of experience, strong
16 experience, positive experience, and also have
17 very strong integrity.

18 Q. And then, finally, let's talk about
19 the executive officers of Aetna Health of Iowa.
20 There are six of them. Mr. D'Antonio,
21 Mr. Maroney, Mr. Lee, Mr. Reinecke, Mr. Casey,
22 and Mr. Chronister.

23 What do you know about those six
24 individuals and what can you tell us about
25 them?

1 A. Sure. I'd continue to say that I've
2 worked with all of those and have also reviewed
3 their biographical affidavits.

4 Based on my years of experience
5 working with them and reviewing the
6 biographical affidavits, these are individuals
7 of high competency, years of experience, and
8 high integrity.

9 Q. So you can confirm for us that
10 Requirement 5 has been met here?

11 A. Yes, I can.

12 Q. Then, finally, Requirement 6, again
13 considering whether the transaction is likely
14 to be hazardous or prejudicial to the
15 insurance-buying public.

16 Has that requirement been met,
17 and if so, why?

18 A. Yes, it has been met. My affidavit
19 discusses a lot of this. I really would just
20 say that Aetna for years has been trying to
21 transform the health care system and health
22 care.

23 And one of the areas that we
24 really recognize as critical in all of this is
25 really community based, being involved in the

1 to be a great opportunity. It's really a great
2 opportunity for the enrollees here and the
3 future enrollees in Iowa.

4 As health care is being
5 transformed and we really begin to look and
6 focus on a localized delivery system with
7 Aetna, I think it will be a huge improvement
8 for folks. Thank you.

9 MR. WHITMER: Thank you,
10 Mr. Martino.

11 Commissioner, I want to turn it
12 back to you and the department for any
13 questions you may have.

14 THE COMMISSIONER: Thank you,
15 Mr. Whitmer. Do you have any questions?

16 MR. ARMSTRONG: Just one. Are
17 there any contracts to this transaction that we
18 have not been made aware of?

19 MR. MARTINO: No, I'm not aware
20 of any.

21 MR. ARMSTRONG: Okay. Thank
22 you.

23 MR. HUNTER: No questions.

24 THE COMMISSIONER: Any questions
25 from anyone else who has appeared today?

1 Seeing none, I have no
2 questions. Thank you, Mr. Whitmer, and
3 Mr. Martino for your testimony.

4 Any further witnesses?

5 MR. WHITMER: We have no further
6 witnesses. I will turn it back to you.

7 THE COMMISSIONER: All right,
8 thank you. Is there any other evidence to be
9 offered with regards to the parties that are
10 party to the transaction?

11 MR. WHITMER: Nothing further
12 from CVS. Mr. Krane?

13 MR. KRANE: Nothing further from
14 Aetna.

15 THE COMMISSIONER: Thank you
16 very much. All right. At this time I'll take
17 any public comments that may be offered. So is
18 there anyone in attendance that wishes to offer
19 additional testimony for consideration with
20 regards to this acquisition?

21 Seeing none, I have received a
22 letter from UnityPoint Health signed and
23 received on -- excuse me -- dated August the
24 30th and received on September the 10th of
25 2018.

1 I would like that marked as an
2 exhibit and received as evidence. I would be
3 happy to offer that for anyone's review if
4 you'd like. I'm not going to read it into the
5 record. It's a one-page letter and is
6 favorable for the acquisition.

7 I do want to give you at least
8 the opportunity to review it should you have
9 any additional comments with regard to that
10 comment.

11 MR. WHITMER: No objection.
12 Thank you.

13 (Exhibit C was marked for
14 identification by the reporter.)

15 THE COMMISSIONER: All right.
16 I'll make one last call for any public comment
17 or for any other interested party that may be
18 in attendance.

19 All right. With that and the
20 evidence that has been received, it is
21 voluminous, so it will give me plenty of
22 reading opportunity over the next couple of
23 days, but I will go ahead and close the record
24 at this point.

25 It depends, of course, on the

1 information that's been received in terms of
2 timing, but I do intend to move forward fairly
3 expeditiously in my decision-making.

4 I do have a little bit of a
5 question with regards to the DOJ decision. I'm
6 reluctant to entirely close the record and
7 foreclose any additional comment until such
8 time as that is concluded.

9 I mean, how is it that you would
10 wish to give me notice of the finality of that
11 decision?

12 MS. CRISP: Well, the deal --
13 the divestiture is not conditioned on the final
14 approval. It will be authorized to -- Aetna
15 will be authorized to move forward with the
16 transaction with WellCare prior to -- at least
17 as I understand it. And, Michelle, if you want
18 to supplement here, please do.

19 But my understanding is that it
20 is not -- there's not a barrier to moving
21 forward with the WellCare transaction.

22 In terms of the court approval,
23 we anticipate that there is a step that's
24 necessary that should happen within the next
25 week or so, and then we'll be able to move

1 forward.

2 THE COMMISSIONER: All right.

3 So the divestiture is something that you say
4 will not need to wait clearly until court
5 approval; is that fair?

6 MS. CRISP: My understanding.
7 Michelle, is that correct?

8 MS. MATISKI: That is correct.
9 And the court approval actually will not occur
10 until after we close.

11 We'll close the main
12 transaction, the acquisition of Aetna by CVS,
13 and then as soon as we possibly can, like
14 immediately after that we can close the sale to
15 WellCare.

16 THE COMMISSIONER: All right.
17 In light of all of that, I am going to keep --
18 I'll keep the record open for another three
19 days to allow -- I don't in any way suggest
20 that that means that's going to delay my review
21 of the record and the evidence that's been
22 received, but I would like to keep it open
23 until -- when I say three days, I really mean
24 until Friday at 5:00, Friday at 5:00 p.m.,
25 given the information that has been made public

1 today with regards to that DOJ decision and the
2 issue with regards to the other transaction
3 that will be appropriate for obtaining the DOJ
4 settlement.

5 But I want to make sure all
6 parties have the opportunity to comment on that
7 should they -- I don't think it's really that
8 material to what I have in front of me today,
9 but given the fact that this is a public
10 proceeding and there is information that came
11 out during the course of this proceeding, I do
12 want others to have the opportunity should they
13 wish to comment.

14 So that record will be held open
15 until 5:00 p.m. on Friday, but, as I mentioned,
16 I'll move forward with my review and begin
17 nearing a timely decision on this Form A
18 request.

19 So with that, is there anything
20 further from any of the parties in attendance?

21 Seeing none, we are off the
22 record. Thank you so much for coming today.

23 THE TRANSCRIPT OF PROCEEDINGS is
24 now complete. When transcribed, the original
25 of the transcript of proceedings shall be given

1 to Insurance Commissioner Doug Ommen. The
2 original exhibits shall be distributed as
3 follows: Exhibits A-C were retained by
4 Insurance Commissioner Doug Ommen at the time
5 of the hearing.

6 (Proceedings concluded at 10:35 a.m.)

7 (UNLESS OTHERWISE DIRECTED BY
8 COUNSEL OR THE PARTIES HERETO, THE STENOGRAPHIC
9 NOTES FOR THE FOREGOING PROCEEDINGS SHALL BE
10 DESTROYED AFTER A PERIOD OF 3 YEARS FROM THE
11 DATE OF TAKING OF SAID PROCEEDINGS.)

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C E R T I F I C A T E

I, the undersigned, shorthand reporter, a Notary Public of the State of Iowa, do hereby certify that I acted as the shorthand reporter in the foregoing matter at the time and place indicated herein; that I took in shorthand the proceedings had at said time and place; that said shorthand notes were reduced to print under my supervision and direction by means of computer-aided transcription, and that the foregoing pages are a full and correct transcript of the shorthand notes so taken.

I further certify that I am neither attorney nor counsel for, or related to or employed by any of the parties in the foregoing matter, and further that I am not a relative or employee of any attorney or counsel employed by the parties hereto, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 26th day of October, 2018.



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