

# 2015 News that Shaped Healthcare

## *Big moves & mergers garner attention, scrutiny*

### The Hertel Report

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#### **Aetna & Humana**

The merger of Aetna and Humana created a new national No. 3 carrier with a significant footprint in the Medicaid and Medicare Advantage (MA) markets. The deal is expected to result in Aetna-Humana claiming at least 50 percent of the MA market in 39 counties across the nation. The impact in Arizona is minimal since the companies' MA and commercial footprints are complementary.

#### **Anthem & Cigna**

A \$48 billion deal was set in motion in July for Anthem to purchase Cigna but the insurance giants must first pass federal regulatory hurdles. A House Judiciary subcommittee announced in September it would investigate the impact of several pending mergers, including Anthem-Cigna and Aetna-Humana, on competition. Anthem is a member of the national Blue Cross Blue Shield Association, but unless the company explores other BC mergers, the deal will have little consequence in Arizona. Neither Anthem nor Cigna runs a Medicaid plan in the state.

#### **Centene & Health Net**

Centene's purchase of Health Net in July was a boost for the Medicare leader. The deal increased the company's national membership to more than 10 million. In Arizona, It enabled Centene to obtain an AHCCCS acute care plan and representation in the Health Insurance Marketplace (HIM) and commercial market.

#### **Dignity Health**

The Arizona hospital system partnered with Kindred to open Dignity Health East Valley Rehabilitation Hospital in Chandler. Dignity Health, as the controlling entity, also entered into a joint venture with Arizona Spine & Joint Hospital. The deal is a partnership between Dignity Health, physicians, National Surgical Hospitals and United Surgical Partners, Inc. Dignity Health, in a joint venture with Adeptus Health, opened Dignity Health Arizona General Hospital in Laveen and a new freestanding emergency room in Chandler.

#### **Pfizer & Allergan**

Prescription drug behemoth Pfizer merged with Botox maker Allergan in October and will move its headquarters from the U.S. to Ireland. Analysts report the move will allow Pfizer to cut its tax rate from 25 percent to 17-18 percent in Ireland, but tax law experts say it's not an inversion because Pfizer's 56 percent ownership falls below the 60% threshold. The deal's reported cost was \$160 billion and the new company will be known as Pfizer PLC.

#### **Tenet**

The Texas-based hospital system took a majority position in a deal with Dignity Health and Ascension to purchase Carondelet Health Network in Southern Arizona.

#### **University of Arizona & Banner Health**

The University of Arizona Health Network merged with Banner Health to create the Banner-University Medical Division securing its position as Arizona's largest employer. As part of the deal, Tucson's sole academic medical center will be rebuilt through a three-year project beginning in 2016. The deal also gave Banner ownership of its health plan line of business, including University Family Care, the health system's first AHCCCS plan.

#### **Walgreens & Rite Aid**

The drugstore landscape could be dominated by two choices if Walgreens completes its \$17.2 billion purchase of Rite Aid. The deal would create the largest pharmacy chain in the U.S. with 13,000 locations. Arizona currently has 244 Walgreens locations.

## Partnerships in the News

Also this year, several new partnerships were established in Arizona. Highlights include:

### **Southern Arizona Hospital Alliance**

Five independent, nonprofit hospitals in Arizona joined together this summer to form the Southern Arizona Hospital Alliance. The hospitals include Tucson Medical Center, Benson Hospital, Copper Queen Community Hospital, Mount Graham Regional Medical Center and Northern Cochise Community Hospital in Willcox.

### **The Arizona Health Collaborative**

The Arizona Health Collaborative was established this year. The network of 18 urban and rural health systems throughout Arizona generates more than \$2.77 billion in net patient revenue. The group's goal is to help hospitals collaborate to create sustainable healthcare organizations.

### **Health System Alliance of Arizona**

After exiting from the Arizona Hospital and Healthcare Association several years ago, Banner Health, Dignity Healthcare, HonorHealth and Tenet Healthcare Corp. joined forces in December to create their own advocacy organization, the Health System Alliance of Arizona.

### **CORE Institute Specialty Hospital**

The CORE Institute joined with Surgical Care Affiliates and local independent physicians to open The CORE Institute Specialty Hospital in Phoenix. The hospital will have a staff of surgeons specializing in a variety of orthopedic specialty procedures including hip and knee replacements.

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