

# What Does CVS-Aetna Have in Store for Hospitals?

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Twelve years after launching the retail health insurgency with the purchase of the start-up [MinuteClinic](#), CVS Health is upping the ante. In the biggest deal of 2017, CVS Health [acquired Aetna](#) in December. At this point, all predictions about how this merger will impact hospitals and health systems are conjecture.

However, hospital leaders would be wise to consider the ramifications. How far might the combined CVS Health-Aetna company push into your organization's inpatient and outpatient business in five to 10 years?



## **A GOLIATH IN THE WINGS**

To date, retail health clinics have had limited, if any, impact on most hospitals' revenue streams. But health systems have never seen competition from an organization the size and scale of the soon-to-be CVS Health-Aetna.

Consider this: In 2016, CVS Health and Aetna had combined revenues of \$240 billion. In comparison, a typical independent community hospital accrues revenue of \$100 million to \$500 million per year, while the average regional health system generates \$3 billion to \$5 billion in annual revenue.

Even the largest health systems only bring in a fraction of what CVS Health and Aetna make. For instance, the merger of Catholic Health Initiatives and Dignity Health will create the largest hospital system in the country, not including Kaiser Permanente. Yet the combined annual revenue of these two systems — at \$28 billion — is less than one-eighth the intake of CVS Health-Aetna.

The healthcare industry is in the midst of an arms race, which will likely continue for the foreseeable future. Strategic growth requires resources to maintain a strong competitive position, and a combined CVS Health-Aetna simply has more available resources than any provider organization that chooses to compete against it.

## THE RACE TO CONVENIENCE

CVS Health has hinted that the company plans to expand the scope of services offered in MinuteClinics beyond immunizations, ear infections, and other basic primary care. There is likely a limit to what can be done in these locations. These clinics won't ever replace hospital emergency departments, but they could continue to chip away at urgent care and primary care volumes.

CVS Health also intends to offer chronic care management. A [press release](#) describes the creation of "community-based health hubs" that take advantage of conveniently located clinics and telehealth technology to help Aetna members prevent and manage disease.

A population health model like this could pull away the complex patients that health systems traditionally attract. In this scenario, CVS Health would also have significant influence over where Aetna members are sent for secondary and tertiary care. The company may develop narrow networks with a select number of group practices and hospitals.

## COMPETING TO PARTNER

Proactive hospital leaders might consider two strategies against this potential threat. One is to continue to improve access to urgent and primary care, while lowering prices. Convenience and affordability in these spaces will be key drivers of patient choice.

However, competing head-to-head with a \$240 billion company that is unencumbered by the status quo healthcare model will be difficult. CVS Health is financially able to take on major risks in the name of re-invention, as the Aetna acquisition illustrates.

A second strategy is partnership. More than 50 healthcare providers have already formed [clinical affiliations](#) with CVS Health. As part of these collaborations, the healthcare organization shares a medical director with the local MinuteClinic(s), while both provider and clinic agree to exchange or integrate patient medical records to ensure continuity of care.

How these clinical affiliations will change as the CVS Health-Aetna merger unfolds is unknown. If the company is able to gain considerable ground, then hospital partners may have to make additional concessions. On the other hand, hospitals that enter any partnership from a position of market strength, in the form of scale, efficiency, or access, will have more say at the negotiating table. ●