

**Mark T. Bertolini**  
Chairman & CEO

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July 5, 2016

Ryan M. Kantor, Esq.  
Assistant Chief, Litigation I Section  
Department of Justice Antitrust Division  
Suite 4100, Liberty Square Building  
450 Fifth Street, NW  
Washington, DC 20530

Dear Ryan,

We are responding to your June 28 request that Aetna provide information to the Department of Justice (“DOJ”) concerning Aetna’s participation on the public exchanges created by the Affordable Care Act (“ACA”) as well as the likely consequences were the DOJ to challenge the transaction thereby forcing Aetna into litigation, and ultimately were the DOJ's challenge to result in Aetna's acquisition of Humana not closing.

At the outset, it is important to note that Aetna has been a steadfast and strong supporter of the developing public exchange business and the Administration's efforts to expand healthcare to all Americans. The President asked us to take a long-term view when this law went into effect, and, unlike many others, we have stayed the course and worked constructively to make the public exchange market work. The acquisition of Humana puts Aetna in a significantly better position to continue and expand its support.

Unfortunately, a challenge by the DOJ to that acquisition and/or the DOJ successfully blocking the transaction would have a negative financial impact on Aetna and would impair Aetna's ability to continue its support, leaving Aetna with no choice but to take actions to steward its financial health. These contemplated actions would include the actions discussed below.

Although we remain supportive of the Administration’s efforts to expand coverage, we must also face market realities. Our customers expect us to keep their insurance products affordable and continually improving, and our shareholders expect that we will generate a market return on invested capital for them. We have been operating on the public exchanges since the beginning of 2014 at a substantial loss. And although we have been working to improve our operations over the last 2 ½ years, we are challenged to get to break even this year and it will be some time before we recoup our investment (including a return on invested capital in the exchange business). As we add new territories, given the additional startup costs of each new territory, we will incur additional losses. Our ability to withstand these losses is dependent on our achieving anticipated synergies in the Humana acquisition.

As many market observers have noted, the exchanges have succeeded in reducing the ranks of the uninsured, but they face significant uncertainty as to their economic viability over time, due to lower than initially expected enrollment, a population that is older and sicker than initially projected, an inadequate risk mechanism, and other regulatory issues and uncertainties. Making our position in the exchanges tenable means we need to price and design our coverage in a way that appeals to exchange beneficiaries while also managing the risk and generating a market return on the capital invested. This business is sustainable only if we have the financial capacity to take on unexpected changes in the public exchange environment and to use capital to invest in new markets.

We have consistently indicated to our investors that the public exchanges and the ACA small group business remain risks to our achieving our financial projections since these markets face significant hurdles as outlined above. Should the deal be blocked the challenges will be exacerbated as we are facing significant unrecoverable costs including carrying costs of the debt required to finance the deal that are projected to be (b)(4) from now to the end of the year, and significant unrecoverable transaction and integration costs. We currently plan to cover the above costs, as well as invest in capabilities, improve benefits, pass savings through to members and customers and expand our business using the more than (b)(4) a year in synergies we expect to obtain through the transaction. If we are unable to close the transaction we will need to recover those costs plus a (b)(4) breakup fee and an estimated (b)(4) in litigation expenses if the DOJ sues to enjoin the transaction. At our last Board meeting in June we discussed these issues. The Board has asked us to put in place contingency planning to mitigate the impact of a failed merger, including any required changes in our businesses and investment strategy. In addition, as part of our normal Board Audit Committee review process, we were asked by the Audit Committee of the Board in April to prepare a review of the performance of our public exchange business. This is scheduled to be presented to the Audit Committee on July 22.

Our analysis to date makes clear that if the deal were challenged and/or blocked we would need to take immediate actions to mitigate public exchange and ACA small group losses. Specifically, if the DOJ sues to enjoin the transaction, we will immediately take action to reduce our 2017 exchange footprint. We currently plan, as part of our strategy following the acquisition, to expand from 15 states in 2016 to 20 states in 2017. However, if we are in the midst of litigation over the Humana transaction, given the risks described above, we will not be able to expand to the five additional states. In addition, we would also withdraw from at least five additional states where generating a market return would take too long for us to justify, given the costs associated with a potential break-up of the transaction. In other words, instead of expanding to 20 states next year, we would reduce our presence to no more than 10 states. We also would not be in a position to provide assistance to failing cooperative exchanges as we did in Iowa recently.

Finally, based on our analysis to date, we believe it is very likely that we would need to leave the public exchange business entirely and plan for additional business efficiencies should our deal ultimately be blocked. By contrast, if the deal proceeds without the diverted time and energy associated with litigation, we would explore how to devote a portion of the additional synergies (which are larger than we had planned for when announcing the deal) to supporting even more public exchange coverage over the next few years.

The reality is that our continued ability to participate in the public exchanges under the ACA is ultimately dependent on our ability to continue to invest in the market development of exchange plans in terms of both startup costs and losses. As outlined above, those investment decisions cannot help but be impacted by a failed merger with Humana.

We would welcome the opportunity to provide any further clarification you may need.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark T. Bertolini', with a stylized flourish at the end.

Mark T. Bertolini

cc: Peter J. Mucchetti, Esq.  
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