



Department of Justice

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TUESDAY, MARCH 27, 2012
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JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN HUMANA INC.'S ACQUISITION OF ARCADIAN MANAGEMENT SERVICES INC.

Divestitures and Additional Relief in Arizona, Arkansas, Louisiana, Oklahoma and Texas Preserve Competition for Medicare Advantage Plans Sold to Medicare Beneficiaries

WASHINGTON — The Department of Justice today announced that it will require Humana Inc. and Arcadian Management Services Inc. to divest assets relating to Arcadian's Medicare Advantage business in parts of five states in order for Humana to proceed with its acquisition of Arcadian. The department is requiring divestitures of health plans in 51 counties and parishes in Arizona, Arkansas, Louisiana, Oklahoma and Texas. The department said that the transaction, as originally proposed, would likely have resulted in higher prices, fewer choices and lower quality Medicare Advantage plans purchased by Medicare beneficiaries.

The department's Antitrust Division filed a civil lawsuit today in the U.S. District Court in Washington, D.C., to block the proposed acquisition. At the same time, the department filed a proposed settlement that, if approved by the court, would resolve the lawsuit and the department's competitive concerns.

"Protecting competition in health care has been and continues to be a top priority of the Antitrust Division," said Acting Assistant Attorney General Sharis A. Pozen in charge of the Department of Justice's Antitrust Division. "These divestitures preserve competition so that Medicare beneficiaries, primarily senior citizens, in Arizona, Arkansas, Louisiana, Oklahoma and Texas, benefit from lower prices, better quality services and more innovative products for their health care needs."

Individuals eligible for Medicare, primarily senior citizens, may elect to enroll in a privately provided Medicare Advantage plan instead of traditional Medicare. In establishing the Medicare Advantage program, Congress intended that vigorous competition among private Medicare Advantage insurers would lead insurers to offer seniors a rich set of affordable benefits, provide a wide array of health-insurance choices, and be responsive to the demands of seniors. Approximately 71,000 people are enrolled in Medicare Advantage plans in these 51 counties and parishes, accounting for more than \$700 million in annual commerce.

According to the complaint, the original transaction would have eliminated competition between Humana and Arcadian, two of the few significant sellers of Medicare Advantage plans in 45 of the counties and parishes, allowing Humana to increase prices and reduce the quality of

Medicare Advantage plans sold to seniors there. The original deal would have created a combined company controlling between 40 and 100 percent of the Medicare Advantage health insurance market in these counties and parishes.

Under the proposed settlement, Humana must promptly divest the Medicare Advantage plans in the 51 counties and parishes to one or more acquirers approved by the department that has the intent and capability to be an effective competitor. The department is requiring divestitures of health plans in five additional counties and one additional parish to facilitate the divestiture of the plans in the other 45 counties and parishes and make those plans more administrable. Under the terms of the proposed settlement, current enrollees of Humana and Arcadian's Medicare Advantage plans will continue to have substantially the same access to providers, including doctors, hospitals and other medical services, after the divestitures as before the divestitures were required. The proposed settlement contains provisions that ensure the buyers of the divested Medicare Advantage plans will have contracts with substantially all of the health care providers included in the Humana and Arcadian plans at substantially the same rates. The department said the requirements are important because to compete effectively, a health insurer needs a network of health care providers at competitive rates.

Humana Inc., a leading health insurer in the United States, is a Delaware corporation headquartered in Louisville, Ky. In 2010, Humana reported revenues of approximately \$33.6 billion.

Arcadian Management Services Inc., with approximately 62,000 Medicare Advantage members in 15 states, is a Delaware corporation headquartered in Oakland, Calif. In 2010, Arcadian had revenues of \$622 million.

The proposed settlement, along with the department's competitive impact statement, will be published in the Federal Register, as required by the Antitrust Procedures and Penalties Act. Any person may submit written comments concerning the proposed settlement within 60 days of its publication to Joshua H. Soven, Chief, Litigation I Section, Antitrust Division, U.S. Department of Justice, 450 Fifth St., N.W., Suite 4100, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the court may enter the settlement upon a finding that it is in the public interest.

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