Cigna to Buy Express Scripts in $67 Billion Deal

Health insurer Cigna Corp. announced today, March 8, 2018, that it would purchase Express Scripts Holding Co., a pharmacy benefits manager (PBM) for $67 billion in cash and stock, including $15 billion assumed for Express Scripts' debt.

This announcement is the latest in a trend of merging health care companies and follows the December 2017 announcement of the Aetna Inc.-CVS Health merger.

What the Deal Means for the Health Care Industry
Similar to the Aetna-CVS merger, the Cigna-Express Scripts deal is a vertical merger. A vertical merger, according to Investopedia, occurs when two companies that perform separate functions within an industry merge.

The companies stated that the deal will save $600 million in administrative efficiencies, allow them to cut costs as they better coordinate pharmacy and medical claims, and could also increase their leverage in price negotiations with drugmakers. Health care industry experts have said in the past that coordination between insurers and PBMs could lower costs overall.

How this Deal Compares to Competitors' Deals
Express Scripts is the largest U.S. PBM and is responsible for the drug plans of more than 80 million Americans. Its major competitors are CVS Health and OptumRx, which is owned by the insurance giant UnitedHealth Group.

As previously mentioned, CVS Health recently merged with Aetna, a move that could not only improve efficiency for both companies, but also increase bargaining power with hospitals and other suppliers.

On March 6, 2018, UnitedHealthcare, the parent company of UnitedHealth Group, announced its new policy where it will share the millions of dollars in discounts it gets from drug companies with its customers. The policy was made in response to growing frustration over increasing drug prices.

The Cigna-Express Scripts merger also narrows Amazon's entry into the health care world, as industry experts often cited Cigna as Amazon's prime target for entry into the industry.

As demonstrated by the mergers and policymaking, industry giants are taking measures to increase their efficiencies and combat rising health care costs.

What's next?
As with the Aetna-CVS deal, the Cigna-Express Scripts deal must be approved by federal regulators for it to stand. The fate of the merger depends on whether the government believes it will save money for consumers.

As such, its fate remains unknown. Brokers, employers and health care consumers should continue to monitor the news to keep up with the latest developments.

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