

April 29, 2016

Commissioner Dave Jones
California Department of Insurance (CDI)
300 Capitol Mall, Suite 1600
Sacramento, CA 95814

ADDENDUM: Additional comments regarding the proposed merger of Aetna and Humana

Dear Commissioner Jones:

Thank you for convening the public hearing this past Wednesday, to investigate the ramifications of the impending merger between Aetna and Humana. As an organization committed to racial and economic justice, The Greenlining Institute's concerns regarding the lack consideration for diversity and inclusion between these two companies were universally shared by all organizations that testified, both in favor and against the merger. As such, we urge that you include in your analysis and recommendations for this merger the following provisions:

- **Aetna commit to matching or exceeding the supplier diversity requirements that align with the California Public Utilities Commission General Order 156 in five years¹**
 - By instituting this standard, which has been proven to increase supplier diversity, thus improving job opportunities for communities of color and other historically marginalized groups, Aetna can reverse its abysmal supplier diversity trend, which significantly decreased from 2013-2014.
- **Create a comprehensive strategy to recruit, train, and hire a diverse workforce that exceeds the current levels of workforce, executive management, and board of director diversity**
 - As an anchor institution, Aetna must prop up the communities it depends on by building a pipeline to employment for communities of color and other underserved groups.
- **Freeze premium rate increases for 5 years**
 - In order to ensure access and affordability, Aetna should commit to freezing premium rate increases for 5 years, especially given the expected savings and "efficiencies" that executives from both companies guaranteed by virtue of this merger.
- **Expand philanthropic investments to support upstream, preventive health services through the establishment of a 501(c)3 foundation**
 - Aetna and Humana have the opportunity to improve health outcomes beyond increasing access to health coverage. By establish a health foundation devoted to improving community health, reducing health disparities, and building sustainable communities, this merger can address the needs of underserved communities across California for years to come. This would mirror the same process that lead to the

¹ Accessed from <http://www.cpuc.ca.gov/General.aspx?id=1722>



establishment of the California Endowment and the California Healthcare Foundation.

We urge you to ensure that this merger prioritize the needs of underserved communities of color, who are the engine of California's future. Reducing health disparities and promoting health equity must Aetna's primary focus.

If you have any questions, please reach out to us at any time. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Orson Aguilar'.

Orson Aguilar
President
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A handwritten signature in black ink, appearing to read 'Anthony Galace'.

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Cc: The Honorable Jim Wood
The Honorable Ed Hernandez, O.D.
Members of the Assembly Health Committee
Members of the Senate Health Committee
Mark Bertolini, CEO, Aetna Inc.
Bruce D. Broussard, CEO and President, Humana Inc.



April 25, 2016

Commissioner Dave Jones
California Department of Insurance (CDI)
300 Capitol Mall, Suite 1600
Sacramento, CA 95814

RE: Proposed merger between Aetna and Humana – OPPOSE

Dear Commissioner Jones:

The Greenlining Institute writes to express our opposition to the proposed merger between Aetna and Humana due to the lack of consideration for the needs of communities of color, who comprise a majority of our state's population. Greenlining strives to uplift the needs of communities of color who face some of the most challenging barriers to good health and economic stability. This proposed merger threatens to perpetuate systemic inequities by increasing the costs to consumers at unreasonable rates, and decreasing competition and options for patients most in need.² Greenlining urges CDI to reject this merger unless the needs of communities of color are addressed.

In order to most effectively meet the needs of their consumers, Aetna must also adopt best practices to combat the economic, and health disparities that disproportionately affect communities of color. Aetna can prove its commitment to California by investing its vast and expanding resources to improving health outcomes beyond increasing access to coverage, and by acknowledging the importance of health equity as a central tenet in its operations. The following areas outline our concerns regarding this merger.

I. AETNA MUST PRIORITIZE TRANSPARENT AND EQUITABLE ACCESS TO HEALTH COVERAGE

Communities of color comprise over 60 percent of California's population; moreover, Latino, Asian, and African-Americans account for 86 percent of the state's remaining uninsured.^{3,4} Similarly, 25 percent of Californians reported speaking English "not at all" or "not well."⁵ These populations represent the most at-risk patients in the state, and were the primary targets of expanded health coverage through the Affordable Care Act (ACA). However, Aetna's departure from the Covered California Marketplace in 2013 exemplifies their unwillingness to participate in efforts to address the needs of California's most vulnerable and chronically at-risk patients.⁶

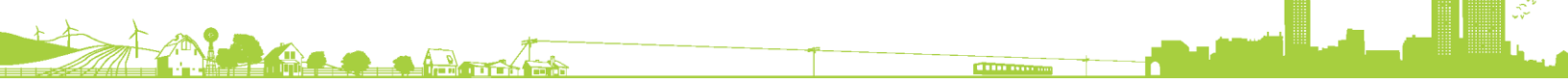
² DMHC Press Release (July 2015). *DMHC Declares Premium Rate Increase by Aetna Unreasonable*. Department of Managed Health Care. Retrieved from <http://www.dmhc.ca.gov/Portals/0/AbouttheDMHC/NewsRoom/2015/pr071615.pdf>

³ Accessed from <http://quickfacts.census.gov/qfd/states/06000.html>

⁴ Lucia, L.; Dietz, M.; Jacobs, K.; Chen, X.; Kominski, G. (2015). *Which Californians will Lack Health Insurance Under the Affordable Care Act?*. UCLA Center for Health Policy Research & UC Berkeley Labor Center. Retrieved from <http://healthpolicy.ucla.edu/publications/Documents/PDF/2015/uninsuredbrief-jan2015.pdf>

⁵ Accessed from <https://www.census.gov/prod/2013pubs/acs-22.pdf>

⁶ Terhune, C. (June 2013). *Aetna to Exit a Key Market in California*. Los Angeles Times. Retrieved from <http://articles.latimes.com/2013/jun/19/business/la-fi-aetna-health-insurance-20130619>

A decorative graphic at the top of the page showing a rural landscape with wind turbines, a barn, and a train on the left, and a city skyline with skyscrapers on the right.

Considering the increase in Aetna’s stock value since the passage of the ACA, further expansion its market influence must be met with deep skepticism.⁷ CDI must not allow this merger to proceed without adequate reassurances addressing the needs of communities of color and non-English speaking consumers. Should Aetna acquire Humana without strong measures requiring expanded outreach and engagement with vulnerable populations, then this merger will have a detrimental impact on the health of California’s patient population. Aetna must first prove that it will meaningfully prioritize the needs of underserved communities of color across the state.

Greenlining recommends that Aetna formulate a comprehensive statewide strategy to ensure adequate provider networks in regions with barriers to health care, increase workforce diversity, and improve cultural competency. Furthermore, Aetna must ensure that the most vulnerable regions are allowed access to affordable coverage – especially considering these communities oftentimes have the highest concentration of people of color.

II. AETNA MUST REFLECT CALIFORNIA’S POPULATION AT ALL LEVELS, SPECIFICALLY AMONG ITS BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Aetna must acknowledge the dire need for greater diversity at all levels, specifically among executive and board-level management. Despite the “Racial & Ethnic Equality” initiative described on its website, we question Aetna’s commitment to this cause considering only 14 percent of executive positions, and 15 percent of its board of directors are people of color.^{8,9,10} Aetna cannot address the needs of this state unless it reflects California’s populations at all levels, particularly its leadership.

Furthermore, Aetna needs to commit to training, recruiting, and hiring a diverse workforce that also reflects California. Currently, only 31 percent of Aetna’s employees are people of color.¹¹ As a state comprised of a majority people of color, Aetna must provide concrete assurances that it will allow these job opportunities to be available to communities of color. Building a diverse workforce will provide good-paying, high-quality jobs for Californians, and in turn, will strengthen the state’s economy. If Aetna elects to perpetuate the same institutional biases in selecting its key workforce, then consumers should expect this merger to continue to reflect an out-of-touch organization that does not seek to improve health outcomes in California.

CDI must push Aetna to recognize the importance of racial equity, not just in terms of improving health outcomes, but also in creating a diverse and inclusive leadership structure. Ultimately, Aetna must display the initiative towards fulfilling its own promise of ensuring fairness and equality – anything less would be cause for rejection of this merger.

⁷ Diamond, D. (July 2015). *Aetna Buys Humana For \$37 Billion, But Deal Doesn’t Add Up*. Forbes. Retrieved from <http://www.forbes.com/sites/dandiamond/2015/07/03/aetna-buys-humana-for-34-billion-but-deal-doesnt-add-up/#4f3b8ed17b32>

⁸ Accessed at <https://www.aetna.com/about-us/diversity-inclusion/workplace-diversity.html>

⁹ Accessed at <https://www.aetna.com/about-us/aetna-leadership.html>

¹⁰ Accessed at <https://www.aetna.com/about-us/corporate-governance/board-of-directors.html>

¹¹ Accessed at <https://www.aetna.com/about-us/diversity-inclusion/workplace-diversity.html>

III. AETNA MUST COMMIT TO BUILDING ITS SUPPLIER DIVERSITY NETWORK

Supplier diversity promotes economic development in diverse communities, and generates a better return on investment by increasing competition and diversity in the supply chain. As an anchor institution seeking to expand its influence over the market, Aetna has an obligation to prop up the communities it depends on. Specifically, Aetna must commit to building its network with small, minority-owned businesses, which are a key engine of economic development for communities of color. An inclusive procurement process needs to be a central requirement of this proposal.

From 2013-2014, Aetna took a significant step backwards by decreasing its investments in diverse suppliers by over \$1.1 million, resulting in an overall decrease from 0.77 percent diverse spending in 2013 to 0.07 percent in 2014.¹² During this time span, Aetna ceased its partnerships with African-American small businesses, and also terminated its contracts with Women Business Enterprises (WBE).¹³ Even more disappointing, Aetna did not partner with any Disabled Veteran Business Enterprises (DVBE), Lesbian, Gay, Bisexual, Transgender Business Enterprises (LGBTBE), or Multi-Certified Business Enterprises in 2013 or 2014.¹⁴ Given that California represents the largest market for diverse businesses, this record is embarrassing and unacceptable.

Building a diverse supplier network creates opportunities for marginalized groups who are disproportionately affected by poor economic conditions; however, Aetna's divestment from diverse businesses signifies an appalling disregard for the economic stability of underserved populations. Moreover, Aetna's partnerships with Minority Business Enterprises (MBE) in California is lackluster at best. In order to prove its commitment to California, Aetna must develop a clear strategy for building its network of diverse suppliers. By partnering with diverse businesses, and particularly MBEs, Aetna can contribute to decreasing economic, health, and racial inequities across the state.

CDI must hold Aetna accountable by setting clear benchmarks, and mandating stringent guidelines for increasing supplier diversity. This merger represents a prime opportunity to leverage Aetna's expanded resources in order to create a fairer, more equitable supplier network, which will benefit California's network of minority-owned businesses. Disregarding this vital aspect of this merger will further marginalize diverse businesses, and decrease opportunities for economic stabilities for communities of color.

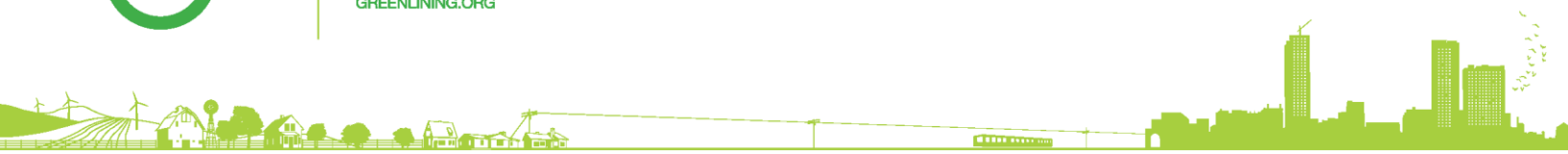
IV. AETNA MUST INCREASE PHILANTHROPY AND PUBLIC BENEFIT INVESTMENTS IN UNDERSERVED COMMUNITIES

Greenlining strongly urges CDI to require that Aetna invest significant resources towards upstream, preventive health improvements in underserved communities. Aetna must pledge its commitment to investing in vital community health resources such as affordable housing, environmental

¹² California Department of Insurance. (2015). *2015 Insurer Supplier Diversity Survey – AETNA LIFE INSURANCE COMPANY*. Retrieved from <http://www.insurance.ca.gov/diversity/10-isds/2015/upload/ISD-2015-Aetna-Life-Insurance-Company.pdf>

¹³ Ibid.

¹⁴ Ibid.



improvements, jobs and workforce development, grants to community-based organizations, and other strategies that target the root cause of poor health.

Aetna must recognize its obligation to holistically improving health outcomes for all Californians, not just by providing access to health coverage. Should this merger proceed, Aetna's expanded capacity will allow for greater spending towards public health services that reduce health disparities and promote health equity.

We cannot support this merger unless Aetna is required to invest more in communities through grant dollars, workforce development, diversity initiatives, and supplier diversity investments. We urge CDI to consider what type of future this merger will leave for young people of color in California.

V. CONCLUSION

If this merger proceeds without a clear commitment to improving health and economic outcomes for communities of color, then California will continue to suffer from systemic barriers that have led to such blatant health and wealth disparities. If Aetna is truly committed to serving California's growing communities of color, Greenlining urges Aetna to establish robust partnerships with consumers and health equity advocates across the state in order to institutionalize diversity and inclusion as core principles. Furthermore, Aetna must engage with minority-owned businesses in order to most effectively assess and address the needs of underserved communities of color throughout California.

If you have any questions, please feel free to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Orson Aguilar'.

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