



## Q4-2011 HEALTH PLAN INDUSTRY UPDATE

### M&A Update

As 2011 came to a close, it is fair to say that there were two very prevalent trends throughout the year in terms of consolidation and investment activity throughout the health plan sector. The first being that Medicare Advantage is back, and with a vengeance. Humana, United, CIGNA, WellPoint, and even private equity group TA Associates all made substantial acquisitions during the year. The other emerging trend is the diversification from traditional insurance. With major health plans acquiring TPAs, specialty clinics, home care providers, and IT companies, the year saw significant deal flow outside of just the standard Medicare, Medicaid, and Commercial areas.

### NOTEWORTHY TRANSACTIONS

Month	Acquirer	Target Acquired	Details
December 2011	Humana, Inc.	Anvita, Inc.	Humana, Inc. announced its acquisition of Anvita, Inc., a provider of analytic solutions and clinical insights into a series of health care service providers including, but not limited to, health plans, PBMs, disease management companies, and health record monitoring companies. Anvita, based in San Diego, CA, was formerly known as SafeMed, Inc. No financial terms of the transaction were disclosed.
December 2011	CIGNA Corporation	FirstAssist Insurance Services	CIGNA Corporation has completed the acquisition of FirstAssist Insurance Services from Barclay Private Equity. FirstAssist specializes in protecting customers against unexpected events with specific products for travel, health, employment, and more. The Company had approximately \$240 million in revenues for 2010, and the deal was valued at over \$100 million. No further details were disclosed.
December 2011	Blue Cross Blue Shield of Florida	Highmark Medicare Services	Through its subsidiary Diversified Service Options, Blue Cross Blue Shield of Florida has announced the acquisition of Highmark Medicare Services. Highmark holds contracts that covers jurisdictions in NJ, PA, MD, DE, and DC, and greatly increases BCBS' government operations and will allow for significant reductions in overhead and greater all around efficiencies. No financial terms of the transaction were disclosed.
November 2011	Humana, Inc.	SeniorBridge Family Companies, Inc.	Humana, Inc. has announced the acquisition of SeniorBridge Family Companies, Inc., a provider of senior home care services based out of New York, NY. Focusing on in-home care for chronic care seniors, the acquisition of SeniorBridge continues to show Humana's efforts to diversify from their historic focus on health insurance, primarily Medicare Advantage. SeniorBridge has expected revenues of \$72 million for 2011, however no further financial details were disclosed for the transaction.
November 2011	UnitedHealth Group, Inc.	XLHealth Corporation	UnitedHealth Group, Inc. has announced that it has agreed to acquire XLHealth Corporation. XLHealth owns and operates Medicare Advantage plans for unique chronically-ill patients, and also provides programs and services for such patients. Goldman Sachs Group, Merchant Banking Division was a primary owner of XLHealth. Financial terms of the transaction were not disclosed, however the deal is expected to close in the first half of 2012 and has already received clearance under the Hart Scott Rodino Act.
November 2011	TA Associates	Senior Whole Health, LLC	TA Associates has announced that it has agreed to acquire Senior Whole Health, LLC, a Cambridge, MA based provider of Special Needs Plans for Medicare and Medicaid dual-eligible members. TA acquired the Company from a consortium of private equity and venture capital groups including Flexpoint Ford, New Capital Partners, and Noro-Moseley Partners. The transaction is expected to close in early 2012 and has received early Hart Scott Rodino clearance. No financial terms of the transaction were disclosed.
October 2011	CIGNA Corporation	HealthSpring, Inc.	CIGNA Corporation announced that it has entered into a definitive agreement to acquire HealthSpring, Inc., one of the largest Medicare Advantage providers in the nation, for approximately \$4.2 billion. The deal is an aggressive move into the MA market by CIGNA, which has very limited presence in the sector to date, and involves the retention of top HealthSpring executives to lead CIGNA's senior and Medicare segments. The transaction is valued at 6.2x EBITDA and 0.6x revenues, and is expected to close during the first half of 2012 and as of November 21 it has received early clearance of any potential antitrust concerns under the Hart Scott Rodino Act.
October 2011	Coventry Health Care, Inc.	Children's Mercy's Family Health Partners, Inc.	Coventry Health Care, Inc. has agreed to acquire Children's Mercy's Family Health Partners, Inc. Family Health Partners is not-for-profit Medicaid health plan owned by Children's Mercy in Kansas City. The acquisition boosts Coventry's membership to nearly 900,000 Medicaid recipients across 10 states, and also adds approximately \$450 million in annual revenues. The deal is expected to close in the first quarter of 2012 and received antitrust clearance on December 5. No further financial terms of the transaction were announced.
October 2011	Aetna, Inc.	PayFlex Systems USA, Inc.	Aetna, Inc. has completed its acquisition of PayFlex Systems USA, Inc. from Oak Investment Partners as well as other investors for \$202 million. PayFlex provides employers with benefit administration services and solutions, and is located in Nebraska. Further financial details of the transaction were not disclosed, however the deal will be neutral to Aetna's earnings.
October 2011	Aetna, Inc.	Continental Life Insurance Co., division of Genworth, Inc.	Aetna, Inc. has completed the acquisition of the Medicare supplement business unit, Continental Life Insurance Co., of Genworth, Inc. for approximately \$290 million. The Medigap business, based in TN, generated over \$300 million in premiums for 2010 and provides coverage for approximately 145,000 enrollees. All Continental Life management will be retained following the closing of the transaction.