

COVENTRY HEALTH CARE INC

Form 425

August 20, 2012

Filed by Aetna Inc.  
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Subject Company: Coventry Health Care, Inc.  
(Commission File No.: 1-16477)

The following communication was distributed by Aetna:

#### Coventry Key Themes

Aetna's competitive strategy is built on a diversified set of core and emerging businesses that enable us to pursue profitable growth across a range of opportunities and lead the transformation of the \$2.2 trillion healthcare industry. The acquisition of Coventry will complement our strategy:

- On a pro-forma basis, Coventry will add nearly 4 million medical members to Aetna plus 1.5 million Medicare Part D members, and will build upon our core Government and Commercial businesses. Adding Coventry will enhance our presence in important local geographies – particularly in the Mid-Atlantic and Midwest – and provide the opportunity to grow membership further in areas where we do not overlap.
- Coventry will increase our presence in Government business. On a pro forma basis, Government business would represent over 30 percent of Aetna's 2012 projected revenue, up from 23 percent currently. Coventry's strength in individual Medicare Advantage and Medicare Part D programs will complement our group Medicare Advantage business. The combination of Coventry and Aetna also will substantially increase our Medicaid footprint, creating more opportunity to participate in the expansion of Medicaid and to pursue high acuity populations as they move into managed care. Our pro forma Medicaid footprint will cover 14 states (4 new states) where over 1/3 of all Medicaid and dual eligibles (individuals who qualify for Medicare and Medicaid) reside.
- Coventry has strong local hospital and physician relationships and presence in geographies where we want to improve our network, introduce our new Accountable Care Solutions model and create additional marketing opportunities for our provider solutions technology suite (Medicity/iNexx/ActiveHealth).
- Coventry has an intense local focus, particularly in the small group and individual businesses, where it operates with the kind of low cost structure and affordable products, that will further assist us with competing successfully in the new world of consumer exchanges in 2014 and beyond.
- The transaction will create a significant opportunity to increase Aetna's operating efficiency by spreading operating costs across a larger membership base. Aetna already has committed to reducing our operating expense ratio to improve our competitive position; acquiring Coventry will provide additional opportunity to find administrative cost savings, as well as network and medical management savings. These cost "synergies" will enable us to offer all our customers – particularly consumers in the new exchange marketplace – more affordable products and services.

- Once the transaction is completed, our larger capital base will enhance our ability to continue to invest in innovative products and services, technologies, and the capabilities we need to lead the transformation of the health care system.

Supporting points:

- Coventry will add nearly 4 million individual, small group, large group and Government medical members, plus 1.5 million Medicare Part D members.
  - o Aetna's total medical membership will increase to almost 22 million members in both Commercial and Government businesses on a pro forma basis.
  - o New membership will be in existing and important local geographies – particularly in the Mid-Atlantic and Midwest.
- Coventry will add meaningful Government business, which balances our overall portfolio.
  - o With Coventry, our Government business would represent over 30 percent of Aetna's 2012 projected pro forma revenue, up from 23 percent currently.
  - o Coventry also will improve our Medicare footprint; Coventry's growing individual Medicare Advantage franchise will complement Aetna's group Medicare Advantage business and enhance our Medicare Part D membership. Medicare Advantage membership will increase by 50 percent, and Medicare PDP membership will increase by over 300 percent.
  - o Coventry will substantially increase our Medicaid footprint, tripling our pro forma Medicaid risk membership and adding 4 new states. The pro forma Medicaid footprint will cover 14 states where over 1/3 of all Medicaid and dual eligibles reside, which will position Aetna to more effectively serve the dual eligibles opportunity in the fast-growing Government sector.
- Coventry will improve our local relationships and networks.
  - o Coventry's strong relationships with local hospitals and physician groups will improve our network and competitive position, and provide marketing opportunities for our industry leading provider solutions technology suite (Medicity/iNexx/ActiveHealth).
    - o Coventry will provide an opportunity for growth in our local rental network business.
    - o Coventry's local presence will provide opportunities for membership growth in areas where we do not overlap.
- Coventry will enhance Aetna's capabilities and readiness for 2014 and beyond.
  - o Coventry's intense local focus, with significant individual and small group membership, a low-cost operating model and affordable products will complement Aetna's health information technology capabilities and accelerate our readiness for the consumer exchanges.
    - o Coventry's low-cost platform is expected to enhance our ability to offer affordable products.
- Create synergy opportunities from the integration of \$400 million annually in 2015.
  - o Coventry will give Aetna the potential to produce administrative cost savings, and network and medical management savings. These savings will benefit our customers and members as we can offer more affordable options.

- o The transaction will further Aetna's existing efforts to reduce our operating expense ratio by spreading fixed costs across a larger membership base.
- Increases Aetna's capital base for disciplined investments; adds a low-cost structure
- o Adding Coventry to Aetna's capital base will enhance our ability to continue to acquire new capabilities and businesses and to invest in innovative technologies and new ways to do business to lead the transformation of the U.S. health care industry.

#### Financials:

- The transaction is valued at \$7.3 billion, including the assumption of \$1.6 billion of Coventry debt.
  - o Coventry stockholders will receive \$42.08 per Coventry share based on the closing price of Aetna common shares on Friday, August 17, 2012.
    - o Approximately 65 percent in cash, 35 percent in Aetna stock.
  - o Coventry stockholders will receive \$27.30 in cash and 0.3885 Aetna common shares for each Coventry share.
    - o Also assuming \$1.6 billion of Coventry debt.
- Transaction is projected to be modestly accretive to Aetna's operating earnings per share in 2013, \$0.45 accretive in 2014 and \$0.90 accretive in 2015, excluding transaction and integration costs.
  - o Projected to be \$0.90 accretive to operating EPS in 2015.
  - o Expect low double-digit returns on invested capital in 2015.
- Transaction is expected to close in mid-2013, subject to customary closing conditions, including:
  - o Coventry stockholder approval.
- o Expiration of the federal Hart-Scott-Rodino antitrust waiting period and customary approvals of state departments of insurance and other regulators.

#### Important Information For Investors And Stockholders

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. Aetna Inc. ("Aetna") will file with the Securities and Exchange Commission ("SEC") a registration statement on Form S-4 containing a proxy statement/prospectus and Coventry Health Care, Inc. ("Coventry") will file with the SEC a proxy statement/prospectus, and each of Aetna and Coventry will file other documents with respect to the proposed acquisition of Coventry and a definitive proxy statement/prospectus will be mailed to stockholders of Coventry. **INVESTORS AND SECURITY HOLDERS OF COVENTRY ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Investors and security holders will be able to obtain free copies of the registration statement and the proxy statement/prospectus (when available) and other documents filed with the SEC by Aetna or Coventry through the website maintained by the SEC at <http://www.sec.gov>. Copies of the documents filed with the SEC by Aetna will be available free of charge on Aetna's internet website at <http://www.aetna.com> or by contacting Aetna's Investor Relations Department at 860-273-8204. Copies of the documents filed with the SEC by Coventry will be available free of charge on Coventry's internet website at <http://www.cvty.com> or by contacting Coventry's Investor Relations Department at 301-581-5717.

Aetna, Coventry, their respective directors and certain of their executive officers may be considered participants in the solicitation of proxies in connection with the proposed transaction. Information about the directors and executive officers of Coventry is set forth in its Annual Report on Form 10-K for the year ended December 31, 2011, which was filed with the SEC on February 28, 2012, its proxy statement for its 2012 annual meeting of stockholders, which was

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filed with the SEC on April 6, 2012, and its Current Report on Form 8-K, which was filed with the SEC on May 31, 2012. Information about the directors and executive officers of Aetna is set forth in its Annual Report on Form 10-K for the year ended December 31, 2011 (“Aetna’s Annual Report”), which was filed with the SEC on February 24, 2012, its proxy statement for its 2012 annual meeting of stockholders, which was filed with the SEC on April 9, 2012 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 (“Aetna’s Second Quarter 10-Q”) which was filed with the SEC on July 31, 2012. Other information regarding the participants in the proxy solicitations and a description of their direct



membership growth due to regulatory review or other regulatory restrictions, the difficult economy and/or significant competition, especially in key geographic areas where membership is concentrated, including successful protests of business awarded to us; adverse changes in size, product mix or medical cost experience of membership; Aetna's ability to diversify its sources of revenue and earnings; adverse program, pricing or funding actions by federal or state government payors, including curtailment or elimination of the Centers for Medicare & Medicaid Services' star rating bonus payments; the ability to reduce administrative expenses while maintaining targeted levels of service and operating performance; the ability to successfully implement Aetna's agreement with CVS Caremark Corporation on a timely basis and in a cost-efficient manner and to achieve projected operating efficiencies for the agreement; Aetna's ability to integrate, simplify, and enhance its existing information technology systems and platforms to keep pace with changing customer and regulatory needs; the success of Aetna's health information technology initiatives; Aetna's ability to successfully integrate its businesses (including Medicity, Prodigy Health Group, PayFlex, and Genworth Financial Inc.'s Medicare Supplement business and other businesses Aetna may acquire in the future, including Coventry) and implement multiple strategic and operational initiatives simultaneously; managing executive succession and key talent retention, recruitment and development; the outcome of various litigation and regulatory matters, including guaranty fund assessments and litigation concerning, and ongoing reviews by various regulatory authorities of, certain of Aetna's payment practices with respect to out-of-network providers and/or life insurance policies; reputational issues arising from its social media activities, data security breaches, other cybersecurity risks or other causes; the ability to develop and maintain relations with providers while taking actions to reduce medical costs and/or expand the services Aetna offers; Aetna's ability to maintain its relationships with third party brokers, consultants and agents who sell Aetna's products; increases in medical costs or Group Insurance claims resulting from any epidemics, acts of terrorism or other extreme events; and a downgrade in Aetna's financial ratings. For more discussion of important risk factors that may materially affect Aetna, please see the risk factors contained in Aetna's Annual Report and Aetna's

Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (Aetna's "First Quarter 10-Q") and Aetna's Second Quarter 10-Q (together with Aetna's First Quarter 10-Q, Aetna's "Quarterly Reports"), each on file with the SEC. You also should read Aetna's Annual Report and Aetna's Quarterly Reports for a discussion of Aetna's historical results of operations and financial condition.

Statements in this document regarding Coventry that are forward-looking, including but not limited to the anticipated benefits of the transaction to Coventry, the projected closing date, the closing of the transaction, and the projected membership additions to Aetna, are based on Coventry's management's estimates, assumptions and projections, and are subject to significant uncertainties and risks, many of which are beyond the control of Coventry's management, including but not limited to: the failure to receive, on a timely basis or otherwise, the required approvals by Coventry's stockholders and government or regulatory agencies; the risk that a condition to closing of the proposed transaction may not be satisfied; Coventry's and Aetna's ability to consummate the proposed transaction; the possibility that the anticipated benefits and synergies from the proposed transaction cannot be fully realized or may take longer to realize than expected; the failure by Aetna to obtain the necessary financing in connection with the proposed transaction; the possibility that costs or difficulties related to the integration of Coventry's and Aetna's operations will be greater than expected; operating costs and business disruption may be greater than expected; the ability of Coventry to retain and hire key personnel and maintain relationships with providers or other business partners pending the consummation of the proposed transaction; and the implementation of health care reform legislation. Among the risk factors that may materially affect Coventry's business, operations or financial condition are the ability to accurately estimate and control future health care costs; the ability to increase premiums to offset increases in the Coventry's health care costs; general economic conditions and disruptions in the financial markets; changes in legal requirements from recently enacted federal or state laws or regulations, court decisions, or government investigations or proceedings; guaranty fund assessments under state insurance guaranty association law; changes in government funding and various other risks associated with Coventry's participation in Medicare and Medicaid programs; Coventry's ability to effectively implement and manage its Kentucky Medicaid program, including the implementation of appropriate risk adjustment revenue and management of the associated medical cost and the effect on its MLR; a reduction in the number of members in its health plans; its ability to acquire additional managed care businesses and to successfully integrate acquired businesses into its operations; its ability to attract new members or to increase or maintain premium rates; the non-renewal or termination of its government contracts, unsuccessful bids for business with government agencies or renewal of government contracts on less than favorable terms; failure of independent agents and brokers to continue to market its products to employers; a failure to obtain cost-effective agreements with a sufficient number of providers that could result in higher medical costs and a decrease in membership; negative publicity regarding the managed health care industry generally or Coventry in particular; a failure to effectively protect, maintain, and develop its information technology systems; compromises of its data security; periodic reviews, audits and investigations under its contracts with federal and state government agencies; litigation, including litigation based on new or evolving legal theories; volatility in its stock price and trading volume; Coventry's indebtedness, which imposes certain restrictions on its business and operations; an inability to generate sufficient cash to service its indebtedness; Coventry's ability to receive cash from its regulated subsidiaries; and an impairment of Coventry's intangible assets. For a further discussion of risks and uncertainties, please see the risk factors described in Coventry's Annual Report on Form 10-K for the year ended December 31, 2011 ("Coventry Annual Report"), Coventry's Quarterly Report for the quarter ending March 31, 2012 ("Coventry First Quarter 10-Q"), and Coventry's Quarterly Report for the quarter ending June 30, 2012 (together with Coventry's First Quarter 10-Q, "Coventry Quarterly Reports"), each on file with the SEC. You should also read the Coventry Annual Report and the Coventry Quarterly Reports for a discussion of Coventry's historical results of operations and financial condition. Except to the extent required by applicable law, Coventry does not intend to update any such forward looking statements.

No assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do occur, what impact they will have on the results of operations, financial condition or cash flows of Aetna or Coventry. Neither Aetna nor Coventry assumes any duty to update or revise forward-looking

statements, whether as a result of new information, future events or otherwise, as of any future date.