

December 14, 2021

Mary Watanabe  
Director  
California Department of Managed Health Care  
980 9th Street, Suite 500  
Sacramento, CA 95814-2725

Dear Ms. Watanabe:

I submitted a report on October 12, 2021, titled “Competitive Effects Analysis of Centene’s Proposed Acquisition of Magellan Health.” In this report, among other recommendations, I recommended that either Centene or Magellan be required to divest its EAP business in California, including its contracts with providers for EAPs and its contracts with its customers for EAPs.

Experts for the parties responded to my report in a written submission on October 25, 2021. In response to questions that I raised to the parties following their submission, the parties opted to provide additional information on November 16, 2021. Among other information, in the submission of November 16, 2021, the parties opted to provide information about the customers of certain sellers of EAP services in California.

I reviewed this additional information and undertook my own research into whether these sellers of EAP services would likely be able to compete with Centene and Magellan in the supply of EAP services to those customers with a state-wide footprint in California. Based on the available information for my report of October 12, 2021, there appeared to be only a small number of sellers of EAP services with state-wide provider networks, specifically Centene, Magellan, and Humana.

Based on the additional information provided by the parties and my follow-on research, it appears that Aetna and United/Optum also supply EAP services to customers with a state-wide footprint. The parties cited Aetna’s recent winning bids for Walmart and IBM as evidence of Aetna’s ability to compete for customers that require state-wide provider networks.

My follow-on research confirmed that Walmart has 280 stores located throughout California.<sup>1</sup> According to Walmart’s benefits brochure, Aetna’s EAP program, Resources for Living, is the only EAP provider.<sup>2</sup> There are approximately 100,000 Walmart associates in California,<sup>3</sup> and according to the benefits program, these associates are all automatically enrolled in Aetna’s EAP program.<sup>4</sup> Additionally, IBM has approximately 40 office locations across California.<sup>5</sup>

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<sup>1</sup> “Walmart Store Directory”, <https://www.walmart.com/store/directory/ca>. See also “Map of Walmart Stores in California”, <https://www.allstays.com/c/walmart-california-locations-map.htm>.

<sup>2</sup> “2022 Associate Benefits Book”, <https://one.walmart.com/content/dam/themepage/pdfs/AssociateBenefitsBook-2022.pdf>.

<sup>3</sup> “Location Facts”, <https://corporate.walmart.com/our-story/locations/united-states/california>.

<sup>4</sup> “2022 Associate Benefits Book”, p. 140 (“If you are a U.S. associate, you, your household family members, and your benefit-eligible dependents are automatically enrolled in RFL as of your first day of employment.”).

<sup>5</sup> “Browse IBM locations in California”, <https://www.indeed.com/cmp/IBM/locations/CA>.

The parties also cited United/Optum's customers as evidence that United/Optum would be able to compete for customers that require state-wide provider networks. Based on my follow-on research, Wells Fargo, an Optum customer, is headquartered in San Francisco, has 892 branches located throughout California.<sup>6</sup>

Consequently, the merger of Magellan and Centene would be a 5-to-4 merger of sellers of EAP services to customers with state-wide footprints. Post-acquisition, the four sellers of EAP services to customers with state-wide footprints would be Centene-Magellan, Aetna, Humana, and United/Optum. Accordingly, I no longer recommend that Magellan or Centene be required to divest its EAP business in California.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Haas-Wilson", with a long horizontal flourish extending to the right.

Deborah Haas-Wilson  
Marilyn Carlson Nelson Professor of Economics at Smith College

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<sup>6</sup> "ATM and Banking Locations", <https://www.wellsfargo.com/locator/#ca>.