

Aetna at Crossroads: Can Karen Lynch Lead the Company Back to Health?

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The case describes how CVS Health CEO Karen Lynch took swift action after a 39% decline in operating income of its insurance division Aetna and a 9% drop in CVS Health's net income. Lynch responded by making leadership changes that included the exit of Aetna's President Brian Kane and assuming direct oversight of Aetna alongside CFO Tom Cowhey, drawing on her prior experience. The case focuses on the factors contributing to Aetna's financial difficulties, such as Medicaid redeterminations, risk adjustment accruals, increased service utilization, and a decline in Medicare Advantage star ratings. The case also discusses Lynch's strategic response, which included a \$2 bn cost-saving initiative and plans to open new Oak Street Health clinics, emphasizing cost control and investment in growth areas. It touches upon the leadership challenge of balancing decisive action with the risk of disrupting stability, timing, leadership transitions, and the need to reassure shareholders.

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