

AETNA INC /PA/  
Form 10-Q  
July 31, 2009

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-16095

Aetna Inc.  
(Exact name of registrant as specified in its charter)

Pennsylvania	23-2229683
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
151 Farmington Avenue, Hartford, CT	06156
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(860) 273-0123

Former name, former address and former fiscal year, if changed since last report:  
N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every

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Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).   
Yes  No

There were 436.5 million shares of the registrant's voting common stock with a par value of \$ .01 per share outstanding at June 30, 2009.

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Aetna Inc.  
Form 10-Q  
For the Quarterly Period Ended June 30, 2009

Unless the context otherwise requires, references to the terms “we,” “our” or “us” used throughout this Quarterly Report on Form 10-Q (except the Report of Independent Registered Public Accounting Firm on page 24), refer to Aetna Inc. (a Pennsylvania corporation) (“Aetna”) and its subsidiaries (collectively, the “Company”).

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## Part I Financial Information

## Item 1. Financial Statements

Consolidated Statements of Income  
(Unaudited)

(Millions, except per common share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Revenue:</b>				
Health care premiums	\$ 7,030.5	\$ 6,288.9	\$ 14,022.7	\$ 12,542.4
Other premiums	475.9	473.3	961.0	948.5
Fees and other revenue (1)	892.4	829.3	1,785.4	1,654.6
Net investment income	258.8	258.7	508.0	501.9
Net realized capital gains (losses)	13.2	(22.1)	8.4	(80.6)
<b>Total revenue</b>	<b>8,670.8</b>	<b>7,828.1</b>	<b>17,285.5</b>	<b>15,566.8</b>
<b>Benefits and expenses:</b>				
Health care costs (2)	6,102.4	5,153.3	11,906.6	10,239.5
Current and future benefits	503.8	500.8	1,007.1	1,009.7
<b>Operating expenses:</b>				
Selling expenses	303.8	275.6	626.3	579.4
General and administrative expenses	1,160.2	1,122.4	2,390.0	2,219.5
<b>Total operating expenses</b>	<b>1,464.0</b>	<b>1,398.0</b>	<b>3,016.3</b>	<b>2,798.9</b>
Interest expense	60.7	56.6	122.2	111.0
Amortization of other acquired intangible assets	24.5	27.3	49.0	55.1
Reduction of reserve for anticipated future losses on discontinued products	-	(43.8)	-	(43.8)
<b>Total benefits and expenses</b>	<b>8,155.4</b>	<b>7,092.2</b>	<b>16,101.2</b>	<b>14,170.4</b>
<b>Income before income taxes</b>	<b>515.4</b>	<b>735.9</b>	<b>1,184.3</b>	<b>1,396.4</b>
<b>Income taxes (benefits):</b>				
Current	167.7	247.3	376.0	487.9
Deferred	1.1	8.1	23.9	(3.6)
<b>Total income taxes</b>	<b>168.8</b>	<b>255.4</b>	<b>399.9</b>	<b>484.3</b>
<b>Net income</b>	<b>\$ 346.6</b>	<b>\$ 480.5</b>	<b>\$ 784.4</b>	<b>\$ 912.1</b>
<b>Earnings per common share:</b>				
Basic	\$ .78	\$ 1.00	\$ 1.75	\$ 1.87
Diluted	\$ .77	\$ .97	\$ 1.72	\$ 1.82

(1) Fees and other revenue include administrative services contract member co-payments and plan sponsor reimbursements related to our mail order and specialty pharmacy operations of \$22.3 million and \$37.1 million (net of pharmaceutical and processing costs of \$408.9 million and \$806.8 million) for the three and six months ended June 30, 2009, respectively, and \$16.3 million and \$29.9 million (net of pharmaceutical and processing costs of \$398.8 million and \$777.4 million) for the three and six months ended June 30, 2008, respectively.

(2) Health care costs have been reduced by Insured member co-payment revenue related to our mail order and specialty pharmacy operations of \$30.0 million and \$60.0 million for the three and six months ended June 30, 2009, respectively, and \$28.3 million and \$56.4 million for the three and six months ended June 30, 2008,

respectively.

Refer to accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

## Consolidated Balance Sheets

(Millions)	(Unaudited)	
	At June 30, 2009	At December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,207.5	\$ 1,179.5
Investments	2,198.6	706.0
Premiums receivable, net	820.9	616.4
Other receivables, net	704.5	554.3
Accrued investment income	196.7	193.6
Collateral received under securities loan agreements	582.3	749.6
Income taxes receivable	193.3	164.9
Deferred income taxes	438.4	301.5
Other current assets	575.5	452.6
Total current assets	6,917.7	4,918.4
Long-term investments	15,617.2	16,163.4
Reinsurance recoverables	995.8	1,010.3
Goodwill	5,089.4	5,085.6
Other acquired intangible assets, net	618.4	667.4
Property and equipment, net	509.5	467.5
Deferred income taxes	405.6	778.7
Other long-term assets	795.7	841.3
Separate Accounts assets	5,813.3	5,919.9
Total assets	\$ 36,762.6	\$ 35,852.5
Liabilities and shareholders' equity:		
Current liabilities:		
Health care costs payable	\$ 2,765.2	\$ 2,393.2
Future policy benefits	736.2	759.7
Unpaid claims	561.3	559.8
Unearned premiums	301.4	238.6
Policyholders' funds	803.4	754.4