

AETNA INC /PA/  
Form 10-Q  
November 03, 2010

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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 September 30, 2010

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every 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  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)  Smaller reporting company

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 400.1 million shares of the registrant’s voting common stock with a par value of \$.01 per share outstanding at September 30, 2010.

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Aetna Inc.  
Form 10-Q  
For the Quarterly Period Ended September 30, 2010

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 25), 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 September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>Revenue:</b>				
Health care premiums	\$ 6,908.9	\$ 7,092.8	\$ 20,719.2	\$ 21,115.5
Other premiums	448.9	471.4	1,384.1	1,432.4
Fees and other revenue (1)	853.2	876.8	2,626.0	2,662.2
Net investment income	248.2	263.4	777.1	771.4
Net realized capital gains	79.6	18.0	199.7	26.4
<b>Total revenue</b>	<b>8,538.8</b>	<b>8,722.4</b>	<b>25,706.1</b>	<b>26,007.9</b>
<b>Benefits and expenses:</b>				
Health care costs (2)	5,649.3	6,069.6	16,998.9	17,976.2
Current and future benefits	480.9	514.5	1,488.6	1,521.6
<b>Operating expenses:</b>				
Selling expenses	304.8	312.2	928.8	938.5
General and administrative expenses	1,249.3	1,263.3	3,700.6	3,653.3
<b>Total operating expenses</b>	<b>1,554.1</b>	<b>1,575.5</b>	<b>4,629.4</b>	<b>4,591.8</b>
Interest expense	63.9	60.6	185.5	182.8
Amortization of other acquired intangible assets	23.4	23.9	72.0	72.9
<b>Total benefits and expenses</b>	<b>7,771.6</b>	<b>8,244.1</b>	<b>23,374.4</b>	<b>24,345.3</b>
<b>Income before income taxes</b>	<b>767.2</b>	<b>478.3</b>	<b>2,331.7</b>	<b>1,662.6</b>
<b>Income taxes:</b>				
Current	103.4	203.0	558.3	579.0
Deferred	166.2	(50.9 )	222.2	(27.0 )
<b>Total income taxes</b>	<b>269.6</b>	<b>152.1</b>	<b>780.5</b>	<b>552.0</b>
<b>Net income</b>	<b>\$ 497.6</b>	<b>\$ 326.2</b>	<b>\$ 1,551.2</b>	<b>\$ 1,110.6</b>
<b>Earnings per common share:</b>				
Basic	\$ 1.21	\$ .75	\$ 3.67	\$ 2.50
Diluted	\$ 1.19	\$ .73	\$ 3.61	\$ 2.46

(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 \$60.5 million (net of pharmaceutical and processing costs of \$360.3 million and \$1.1 billion) for the three and nine months ended September 30, 2010, respectively, and \$27.4 million and \$64.5 million (net of pharmaceutical and processing costs of \$401.8 million and \$1.2 billion) for the three and nine months ended September 30, 2009, respectively.

(2) Health care costs have been reduced by Insured member co-payments related to our mail order and specialty pharmacy operations of \$36.2 million and \$113.7 million for the three and nine months ended September 30, 2010, respectively, and \$31.0 million and \$91.0 million for the three and nine months ended September 30, 2009, respectively.

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

Consolidated Balance Sheets

(Millions)	(Unaudited) At September 30, 2010	At December 31, 2009
Assets:		
Current assets:		
Cash and cash equivalents	\$1,795.5	\$1,203.6
Investments		