

AETNA INC /PA/  
Form 10-Q  
April 26, 2007

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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 March 31, 2007

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**

(State or other jurisdiction of incorporation or organization)

**23-2229683**

(I.R.S. Employer Identification No.)

**151 Farmington Avenue, Hartford, CT**

(Address of principal executive offices)

**06156**

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 512.3 million shares of voting common stock with a par value of \$.01 per share outstanding at March 31, 2007.

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**Aetna Inc.**  
**Form 10-Q**  
**For the Quarterly Period Ended March 31, 2007**

*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 18), 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)**

<b>(Millions, except per common share data)</b>	<b>For the Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Revenue:		
Health care premiums	\$ 5,178.5	\$ 4,726.1
Other premiums	495.4	502.1
Fees and other revenue *	732.8	690.9
Net investment income	294.5	298.0
Net realized capital (losses) gains	(1.2)	17.6
Total revenue	6,700.0	6,234.7
Benefits and expenses:		
Health care costs **	4,177.1	3,786.2
Current and future benefits	590.4	600.7
Operating expenses:		
Selling expenses	269.8	243.5
General and administrative expenses	934.7	953.6
Total operating expenses	1,204.5	1,197.1
Interest expense	42.3	33.5
Amortization of other acquired intangible assets	21.8	19.9
Total benefits and expenses	6,036.1	5,637.4
Income from continuing operations before income taxes	663.9	597.3
Income taxes (benefits):		
Current	232.5	227.2
Deferred	(3.2)	(15.5)
Total income taxes	229.3	211.7
Income from continuing operations	434.6	385.6
Discontinued operations, net of tax (Note 15)	-	16.1
Net income	\$ 434.6	\$ 401.7
Earnings per common share:		
Basic:		
Income from continuing operations	\$ .84	\$ .68
Discontinued operations, net of tax	-	.03
Net income	\$ .84	\$ .71
Diluted:		
Income from continuing operations	\$ .81	\$ .65
Discontinued operations, net of tax	-	.03
Net income	\$ .81	\$ .68

\* Fees and other revenue include administrative service contract member co-payment revenue and plan sponsor reimbursements related to our mail order and specialty pharmacy operations of \$11.1 million and \$8.2 million (net of pharmaceutical and processing costs of \$350.7 million and \$328.7 million) for the three months ended March 31, 2007 and 2006, respectively.

\*\* Health care costs have been reduced by insured member co-payment revenue related to our mail order and specialty pharmacy operations of \$25.4 million and \$22.5 million for the three months ended March 31, 2007 and 2006, respectively.

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

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**Consolidated Balance Sheets**