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Bank of America Merrill Lynch

**2011 HEALTH CARE CONFERENCE**

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## Cautionary Statement; Additional Information

Certain information in this presentation is forward-looking, including our financial and non-financial projections (including operating earnings per share growth; operating earnings per share targets; synergy, sales volume and other opportunities relating to the pending acquisition of Prodigy Health Group ("PHG"); the impact of the pending PHG acquisition on our 2011 and 2012 financial results; 2011 operating earnings per share and its components; 2011 cash flow to parent and its components; and the expected timing of the closing and financing of the pending PHG acquisition) and our estimates and views regarding our business and the environment in which we operate our business. Forward-looking information is based on management's estimates, assumptions and projections, and is subject to significant uncertainties and other factors, many of which are beyond Aetna's control. Important risk factors could cause actual future results and other future events to differ materially from those currently estimated by management, particularly the implementation of health care reform legislation and changes in Aetna's future cash requirements, capital requirements, results of operations, financial condition and/or cash flows. Health care reform will significantly impact our business operations and financial results, including our medical benefit ratios. Components of the legislation will be phased in over the next seven years, and we will be required to dedicate material resources and incur material expenses during that time to implement health care reform. Many significant parts of the legislation, including medical loss ratios, require further guidance and clarification both at the federal level and in the form of regulations and actions by state legislatures to implement the law. As a result, many of the impacts of health care reform will not be known for the next several years. Other important risk factors include adverse and less predictable economic conditions in the U.S. and abroad (including unanticipated levels of or rate of increase in the unemployment rate); adverse changes in health care reform and/or other federal or state government policies or regulations as a result of health care reform, changes in health care reform or otherwise (including legislative, judicial or regulatory measures that would affect our business model, restrict funding for various aspects of health care reform, limit our ability to price for the risk we assume and/or reflect reasonable costs or profits in our pricing, such as mandated minimum medical benefit ratios, eliminate or reduce ERISA pre-emption of state laws (increasing our potential litigation exposure) or mandate coverage of certain health benefits); our ability to differentiate our products and solutions from those offered by our competitors, and demonstrate that our products lead to access to better quality of care by our members; unanticipated increases in medical costs (including increased intensity or medical utilization as a result of the H1N1 or other flu, increased COBRA participation rates or otherwise; changes in membership mix to higher cost or lower-premium products or membership-adverse selection; changes in medical cost estimates due to the necessary extensive judgment that is used in the medical cost estimation process, the considerable variability inherent in such estimates, and the sensitivity of such estimates to changes in medical claims payment patterns and changes in medical cost trends; increases resulting from unfavorable changes in contracting or re-contracting with providers, and increased pharmacy costs); failure to achieve and/or delays in achieving desired rate increases and/or profitable membership growth due to regulatory restrictions, the difficult economy and/or significant competition, especially in key geographic areas where membership is concentrated; adverse changes in size, product mix or medical cost experience of membership; our ability to diversify our sources of revenue and earnings; adverse program, pricing or funding actions by federal or state government payors; the ability to successfully implement our agreement with CVS Caremark Corporation on a timely basis and in a cost-efficient manner and to achieve projected operating efficiencies for the agreement; our ability to integrate, simplify, and enhance our existing information technology systems and platforms to keep pace with changing customer and regulatory needs; the success of our health information technology initiatives; the ability to successfully integrate our businesses (including Medicity and other acquired businesses) and implement multiple strategic and operational initiatives simultaneously; managing executive succession and key talent retention, recruitment and development; the ability to reduce administrative expenses while maintaining targeted levels of service and operating performance; the outcome of various litigation and regulatory matters, including the sanctions imposed on us by CMS, the CMS risk adjustment audits of certain of our Medicare contracts, guaranty fund assessments and litigation concerning, and ongoing reviews by various regulatory authorities of, certain of our payment practices with respect to out-of-network providers; reputational issues arising from data security breaches or other means; the ability to improve relations with providers while taking actions to reduce medical costs and/or expand the services we offer; our ability to maintain our relationships with third party brokers, consultants and agents who sell our products; increases in medical costs or Group Insurance claims resulting from any epidemics, acts of terrorism or other extreme events; and a downgrade in our financial ratings. Additional risk factors relating to the pending PHG transaction include, but are not limited to: the ability to successfully develop and integrate PHG's business operations in a timely and cost-efficient manner (including obtaining the required regulatory approvals on a timely basis to close the transaction); the ability to realize projected revenue; the ability to retain current customers of PHG and current provider networks and grow PHG's customer and provider network base in the future; retention of key personnel of PHG; and adverse government regulation or review or enhanced government enforcement. For more discussion of important risk factors that may materially affect Aetna, please see the risk factors contained in Aetna's 2010 Annual Report on Form 10-K on file with the Securities and Exchange Commission (the "SEC"). You also should read Aetna's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, on file with the SEC for a discussion of Aetna's historical results of operations and financial condition.



# The Aetna Way

We put the people who use our services at the center of everything we do, and we live by a core set of values

The Aetna Way outlines the values that serve as the foundation for our culture, strategy and how we run our business





# Aetna's Strategy to Create Shareholder Value

Low Double-Digit Operating EPS Growth Target Over Time<sup>(1)</sup>

## Deploy Capital to Enhance Shareholder Value

- Dividend
- Reinvest in the business
- Disciplined M&A
- Share repurchases

## Advance the Core US Business

### Advance the Core

- Retain and grow membership
- Medical management
- Lower cost

## Deploy Capital to Enhance Shareholder Value

## Emerging Business Growth

### Emerging Business Growth

- Build leadership internationally
- HIT investments
- Diversify revenue and earnings



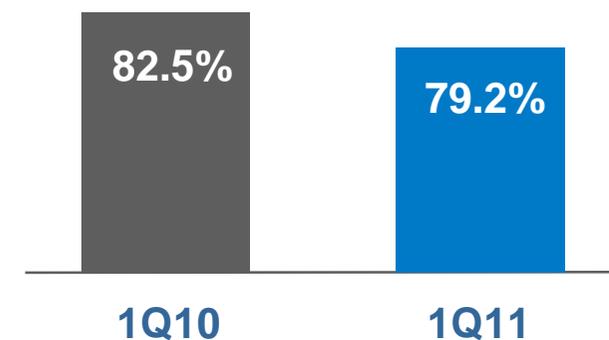
# Quarterly Performance

## Strong fundamental performance in 1Q11

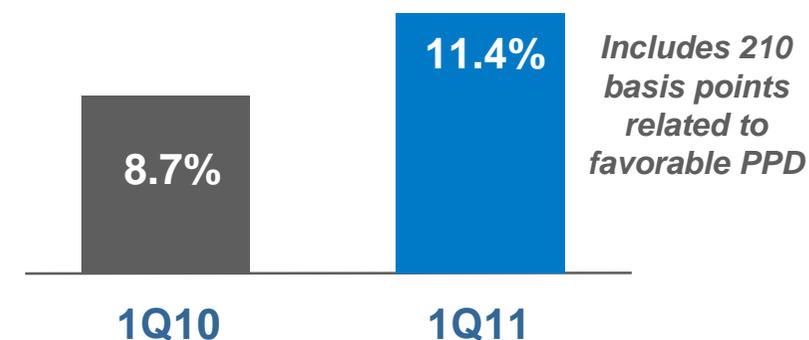
### Key 1Q Accomplishments

- Continued strong performance
- Operating EPS of \$1.43<sup>(2)</sup> including
  - \$0.29 favorable prior period reserve development
  - Higher commercial underwriting margin
  - Offset by lower commercial insured member months

### Total MBR



### Total Pretax Operating Margin<sup>(2)</sup>





# Prodigy Health Group Acquisition

**Nation's largest independent third party administrator**



- Offers basic coverage at a lower cost
- Synergy opportunity with network discounts and PBM pricing
- Provides a significant incremental sales volume opportunity
- Complements ACO and hospital vertical strategy
- Purchase price of ~\$600 million
- Projected to be neutral to Aetna's operating EPS in 2011 and modestly accretive to 2012 results, as financed
- ~600,000 medical members, ~450,000 pharmacy members
- Customer base of middle-sized companies (200-2,000 FTEs), including businesses, hospitals, labor unions and governments

**Extends Aetna's capabilities into the third-party administrator business, an increasingly attractive option for some employers**



## Vitality Re II Transaction

**\$150M of additional collateralized reinsurance protection to Aetna**

### Capital Efficiency

- Same structure as the Vitality Re transaction
- Another step in Aetna's long-term capital management strategy
- Improves capital efficiency, provides catastrophic risk protection and reduces Aetna's cost of capital

### Financial Flexibility

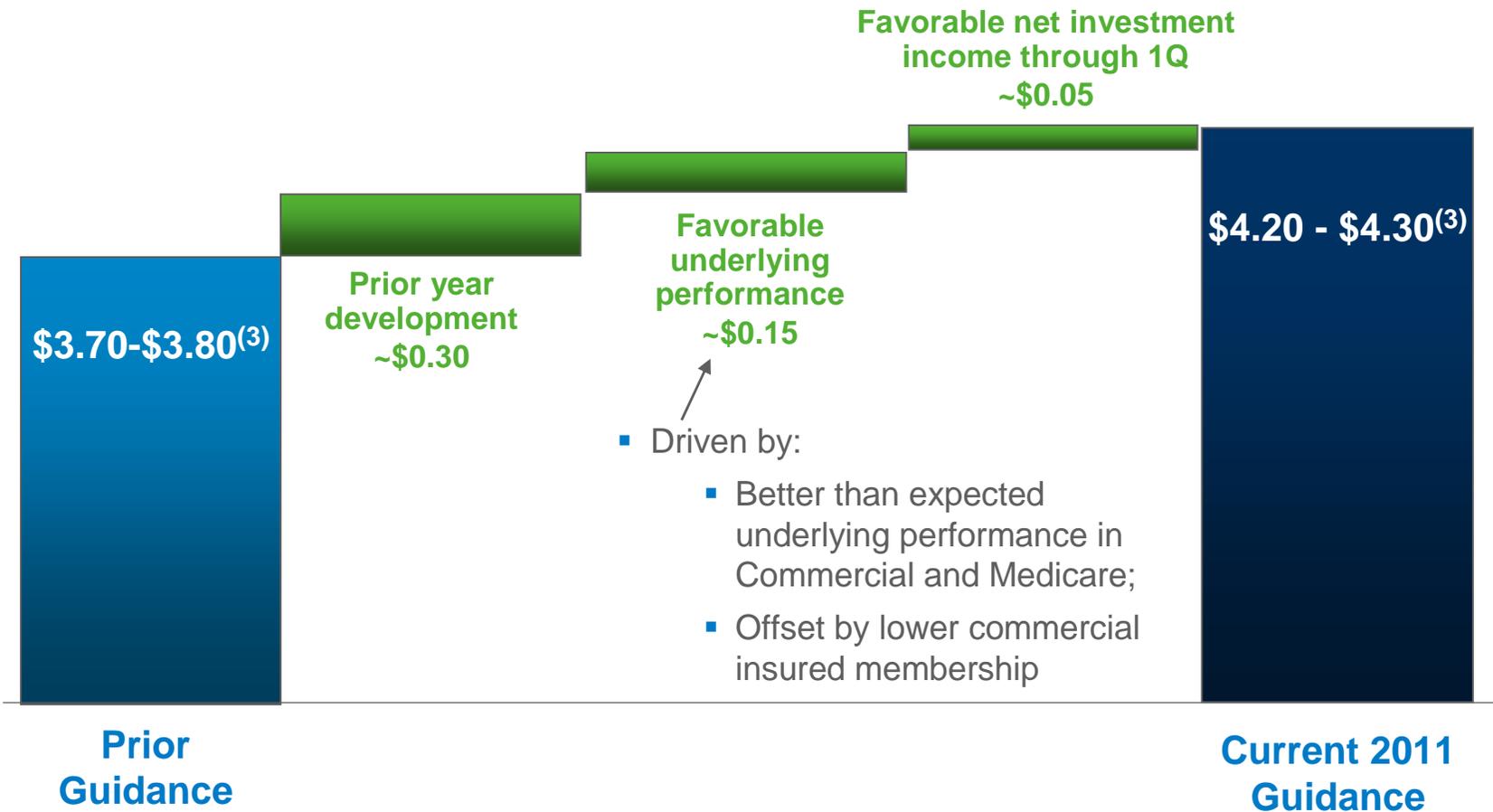
- **Combined with the previous Vitality Re transaction, frees \$300M of statutory capital for general corporate uses in 2011**
- Does *not* change Risk Based Capital (RBC) or debt-to-capital ratios
- Non-recourse to Aetna

**Enhancing shareholder value through a strong focus on capital management**



# 2011 EPS Outlook

## 2011 Operating EPS Outlook



Footnotes found on last slide of presentation



## Strong Capital Position

### 2011 Projected Cash Flow to Parent

Cash at 1/1/11	\$550M
Subsidiary Dividends	~2,400
Medicity	(~500)
Prodigy	(~600)
Dividend & Other Net Uses	<u>(~550)</u>
<b>Projected Cash at 12/31/11</b>	<b><u>\$100M</u></b>
<b><i>Available for Acquisitions, Share Repurchases &amp; Other Uses</i></b>	<b><u>~\$1,200M</u></b>

### 3/31/11 Balance Sheet

- 28.3% debt-to-capital ratio
- Repurchased 6.7 million shares for \$250M in 1Q
- Acquired Medicity for ~\$500M in cash
- Repaid \$450M of debt in 1Q

### Cash Flow Available to Parent

- Subsidiary Dividends ~\$700M in 1Q
- Projected Full Year Subsidiary Dividends ~\$2.4B
- 2011 dividends benefit \$300M from Vitality Re and Vitality Re II transactions
- Expect to close Prodigy in 2H11, using available resources



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Q&A Session



## Footnotes

- (1) We believe Aetna's core business and capital deployment can generate operating earnings per share growth of 10% or more on average from 2010 through 2013.
- (2) 2011 operating earnings per share exclude net realized capital gains and losses from net income. First quarter 2011 and 2010 pretax operating margins are based on operating earnings excluding interest expense, income taxes and amortization of other acquired intangible assets. Management uses these measures to assess business performance and to make decisions regarding Aetna's operations and allocation of resources among Aetna's businesses. For a reconciliation of financial measures calculated under U.S. generally accepted accounting principles ("GAAP"), refer to our First Quarter 2011 Financial Supplement available via Aetna's Investor Information link at [www.aetna.com/investor](http://www.aetna.com/investor).
- (3) Projected operating earnings per share exclude any future net realized capital gains or losses and other items, if any, from net income. Aetna is not able to project the amount of future net realized capital gains or losses and therefore cannot reconcile projected operating earnings to projected net income or to a projected change in net income in any period. Although the excluded items may recur, management believes that operating earnings and operating earnings per share provide a more useful comparison of Aetna's underlying business performance from period to period. Net realized capital gains and losses arise from various types of transactions, primarily in the course of managing a portfolio of assets that support the payment of liabilities. In addition, management uses operating earnings to assess business performance and to make decisions regarding Aetna's operations and allocation of resources among Aetna's businesses. Operating earnings is also the measure reported to the Chief Executive Officer for these purposes.