

First Quarter 2014

Financial Supplement

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This document is supplemental to our first quarter 2014 earnings press release issued on April 24, 2014 and should be read in conjunction therewith and in conjunction with our Quarterly Report of Form 10-Q for the quarter ended March 31, 2014 when filed with the U.S. Securities and Exchange Commission. Please direct questions with respect to this material to Tom Cowhey, Head of Investor Relations at 860-273-2402 or CowheyT@aetna.com.

Financial Highlights

(Millions, except per common share data)	Three Months Ended March 31,				
	2014		2013		Change
<u>Operating Earnings</u> ⁽¹⁾					
Business Segments:					
Health Care	\$	719.0	\$	513.2	40.1 %
Group Insurance		41.2		31.9	29.2 %
Large Case Pensions		4.8		6.2	(22.6) %
Total - Business Segments		765.0		551.3	38.8 %
Corporate Financing ⁽²⁾		(43.0)		(34.8)	(23.6) %
Operating Earnings	\$	722.0	\$	516.5	39.8 %
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Operating earnings per common share	\$	1.98	\$	1.56	26.9 %
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Net income ⁽³⁾ (GAAP measure)	\$	665.5	\$	490.1	35.8 %
Net income per common share ⁽³⁾ (GAAP measure)		1.82		1.48	23.0 %
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Weighted average common shares - diluted		365.0		330.7	10.4 %
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<u>Operating Margin</u>					
Pretax operating margin ⁽¹⁾		9.5 %		9.0 %	.5 pts.
After-tax net income margin (GAAP Measure)		4.8 %		5.1 %	(.3) pts.
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<u>Operating Revenue by Segment</u> ⁽¹⁾					
Health Care	\$	13,218.3	\$	8,794.7	50.3 %
Group Insurance		612.0		581.3	5.3 %
Large Case Pensions		136.0		130.7	4.1 %
Operating revenue	\$	13,966.3	\$	9,506.7	46.9 %
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<u>Operating Expense Ratios:</u>					
Operating expense ratio ⁽¹⁾		17.8 %		18.0 %	(.2) pts.
Total company expense ratio (GAAP measure)		17.5 %		18.2 %	(.7) pts.

Health Care and Group Insurance Statistics

	Three Months Ended March 31,				
(Millions)	2014		2013		Change
<u>Health Care</u>					
Premiums					
Commercial	\$	6,814.6	\$	5,214.0	30.7 %
Government ⁽⁴⁾		5,097.1		2,571.8	98.2 %
Health Care	\$	11,911.7	\$	7,785.8	53.0 %
Health Care Costs					
Commercial	\$	5,257.5	\$	4,115.1	27.8 %
Government ⁽⁴⁾		4,318.8		2,264.4	90.7 %
Health Care	\$	9,576.3	\$	6,379.5	50.1 %
Medical Benefit Ratios ("MBR")					
Commercial		77.2 %		78.9 %	(1.7) pts.
Government ⁽⁴⁾		84.7 %		88.0 %	(3.3) pts.
Health Care		80.4 %		81.9 %	(1.5) pts.
<u>Group Insurance</u>					
Benefit ratio		87.3 %		91.2 %	(3.9) pts.
	March 31,	December 31,	September 30,	June 30,	March 31,
	2014	2013	2013	2013	2013
Days Claims Payable ⁽⁵⁾	47.1	45.0	45.5	45.3	45.1

Refer to page 12 for an explanation of footnotes and definitions of terms used.

Health Care Membership

	March 31, 2014			December 31, 2013			March 31, 2013		
(Thousands)	Insured	ASC	Total	Insured	ASC	Total	Insured	ASC	Total
<u>Products</u>									
Medical:									
Commercial	6,046	13,180	19,226	6,045	12,776	18,821	4,580	11,629	16,209
Medicare Advantage	1,101	-	1,101	968	-	968	628	-	628
Medicare Supplement	417	-	417	386	-	386	313	-	313
Medicaid	1,280	695	1,975	1,216	799	2,015	287	858	1,145
Total Medical	8,844	13,875	22,719	8,615	13,575	22,190	5,808	12,487	18,295
Consumer-Directed Health Plans ⁽⁶⁾			<u>3,528</u>			<u>3,254</u>			<u>2,994</u>
Dental:									
Total Dental	5,842	8,723	14,565	5,472	8,673	14,145	4,792	8,686	13,478
Pharmacy Benefit Management Services:									
Commercial			10,525			10,191			8,469
Medicare PDP (stand-alone)			1,632			2,166			572
Medicare Advantage PDP			725			588			252
Medicaid			1,301			1,214			585
Total Pharmacy Benefit Management Services			14,183			14,159			9,878
<u>Regions</u>									
Northeast	2,311	2,860	5,171	2,267	2,814	5,081	1,778	2,639	4,417
Southeast	1,990	3,109	5,099	1,906	3,013	4,919	1,180	2,762	3,942
Mid-America	2,223	2,811	5,034	2,071	2,795	4,866	810	2,257	3,067
West	1,954	4,213	6,167	2,010	4,088	6,098	1,718	3,997	5,715
Other	366	882	1,248	361	865	1,226	322	832	1,154
Total Medical	8,844	13,875	22,719	8,615	13,575	22,190	5,808	12,487	18,295
Percent of Total	38.9%	61.1%	100.0%	38.8%	61.2%	100.0%	31.7%	68.3%	100.0%

Statements of Net Income (Loss) by Segment

(Millions)	Health Care	Group Insurance	Large Case Pensions	Total Business Segments	Corporate Financing ⁽²⁾	Consolidated
Three Months Ended March 31, 2014						
Operating revenue:						
Premiums	\$ 11,911.7	\$ 517.7	\$ 43.9	\$ 12,473.3	\$ -	\$ 12,473.3
Fees and other revenue	1,219.7	26.7	2.4	1,248.8	-	1,248.8
Net investment income	86.9	67.6	89.7	244.2	-	244.2
Operating revenue (excludes net realized capital gains (losses))	13,218.3	612.0	136.0	13,966.3	-	13,966.3
Benefits and expenses:						
Health care costs	9,576.3	-	-	9,576.3	-	9,576.3
Current and future benefits	-	451.8	126.9	578.7	-	578.7
Operating expenses:						
Selling expenses	374.3	28.5	-	402.8	-	402.8
General and administrative expenses (benefits), excluding other items ⁽⁷⁾	2,023.7	79.6	3.0	2,106.3	(19.4)	2,086.9
Total operating expenses (benefits)	2,398.0	108.1	3.0	2,509.1	(19.4)	2,489.7
Interest expense	-	-	-	-	85.6	85.6
Total benefits and expenses	11,974.3	559.9	129.9	12,664.1	66.2	12,730.3
Operating earnings before income taxes (benefits)	1,244.0	52.1	6.1	1,302.2	(66.2)	1,236.0
Less: Income taxes (benefits)	523.0	10.9	(.6)	533.3	(23.2)	510.1
Less: Income attributable to non-controlling interests	2.0	-	1.9	3.9	-	3.9
Operating earnings (loss) ⁽¹⁾	719.0	41.2	4.8	765.0	(43.0)	722.0
Integration-related costs, net of tax ⁽⁷⁾	(41.9)	-	-	(41.9)	-	(41.9)
Loss on early extinguishment of long-term debt, net of tax ⁽⁷⁾	-	-	-	-	(59.7)	(59.7)
Release of litigation-related reserve, net of tax ⁽⁷⁾	67.0	-	-	67.0	-	67.0
Amortization of other acquired intangible assets, net of tax	(39.7)	(.7)	-	(40.4)	-	(40.4)
Net realized capital gains (losses), net of tax	17.3	1.9	(.7)	18.5	-	18.5
Net income (loss) ⁽³⁾ (GAAP measure)	\$ 721.7	\$ 42.4	\$ 4.1	\$ 768.2	\$ (102.7)	\$ 665.5
Three Months Ended March 31, 2013						
Operating revenue:						
Premiums	\$ 7,785.8	\$ 478.6	\$ 42.7	\$ 8,307.1	\$ -	\$ 8,307.1
Fees and other revenue	937.4	26.7	2.3	966.4	-	966.4
Net investment income, excluding an other item ⁽⁷⁾	71.5	76.0	85.7	233.2	-	233.2
Operating revenue (excludes net realized capital gains (losses) and an other item) ⁽⁷⁾	8,794.7	581.3	130.7	9,506.7	-	9,506.7
Benefits and expenses:						
Health care costs	6,379.5	-	-	6,379.5	-	6,379.5
Current and future benefits	-	436.3	123.0	559.3	-	559.3
Operating expenses:						
Selling expenses	270.0	27.2	-	297.2	-	297.2
General and administrative expenses (benefits), excluding an other item ⁽⁷⁾	1,350.0	74.1	3.2	1,427.3	(9.6)	1,417.7
Total operating expenses (benefits)	1,620.0	101.3	3.2	1,724.5	(9.6)	1,714.9
Interest expense, excluding an other item ⁽⁷⁾	-	-	-	-	63.1	63.1
Total benefits and expenses	7,999.5	537.6	126.2	8,663.3	53.5	8,716.8
Operating earnings (loss) before income taxes (benefits)	795.2	43.7	4.5	843.4	(53.5)	789.9
Less: Income taxes (benefits)	282.4	10.6	(1.7)	291.3	(18.7)	272.6
Less: (Loss) income attributable to non-controlling interests	(.4)	1.2	-	.8	-	.8
Operating earnings (loss) ⁽¹⁾	513.2	31.9	6.2	551.3	(34.8)	516.5
Transaction and integration-related costs, net of tax ⁽⁷⁾	(14.8)	-	-	(14.8)	(9.8)	(24.6)
Amortization of other acquired intangible assets, net of tax	(20.4)	(.7)	-	(21.1)	-	(21.1)
Net realized capital gains (losses), net of tax	16.7	3.6	(1.0)	19.3	-	19.3
Net income (loss) ⁽⁴⁾ (GAAP measure)	\$ 494.7	\$ 34.8	\$ 5.2	\$ 534.7	\$ (44.6)	\$ 490.1

Refer to page 12 for an explanation of footnotes and definitions of terms used.

Balance Sheets

(Millions)	March 31, 2014			December 31, 2013		
	Health Care and Group Insurance	Large Case Pensions	Consolidated	Health Care and Group Insurance	Large Case Pensions	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,909.1	\$ 165.0	\$ 2,074.1	\$ 1,310.2	\$ 102.1	\$ 1,412.3
Investments	1,792.6	417.2	2,209.8	1,644.1	419.7	2,063.8
Premiums receivable, net	1,700.2	-	1,700.2	1,331.2	-	1,331.2
Other receivables, net	1,784.2	24.8	1,809.0	1,743.0	37.8	1,780.8
Accrued investment income	152.1	60.5	212.6	149.6	61.5	211.1
Collateral received under securities loan agreements	430.6	290.1	720.7	426.6	366.0	792.6
Income taxes receivable	-	-	-	65.4	3.8	69.2
Deferred income taxes	419.3	30.5	449.8	486.9	34.6	521.5
Other current assets	2,232.2	6.4	2,238.6	1,530.0	6.4	1,536.4
Total current assets	10,420.3	994.5	11,414.8	8,687.0	1,031.9	9,718.9
Long-term investments	15,240.4	6,050.0	21,290.4	14,932.0	6,003.0	20,935.0
Reinsurance recoverables	767.9	8.6	776.5	774.0	8.7	782.7
Goodwill	10,227.5	-	10,227.5	10,227.5	-	10,227.5
Other acquired intangible assets, net	2,031.9	-	2,031.9	2,094.1	-	2,094.1
Property and equipment, net	688.8	15.3	704.1	706.4	15.5	721.9
Other long-term assets	1,494.1	-	1,494.1	1,419.2	-	1,419.2
Separate Accounts assets	-	4,179.7	4,179.7	-	3,972.5	3,972.5
Total assets	\$ 40,870.9	\$ 11,248.1	\$ 52,119.0	\$ 38,840.2	\$ 11,031.6	\$ 49,871.8
Liabilities and shareholders' equity						
Current liabilities:						
Health care costs payable	\$ 5,007.2	\$ -	\$ 5,007.2	\$ 4,547.4	\$ -	\$ 4,547.4
Future policy benefits	129.0	600.4	729.4	126.8	607.6	734.4
Unpaid claims	724.9	1.2	726.1	704.2	1.2	705.4
Unearned premiums	567.9	5.4	573.3	458.5	.2	458.7
Policyholders' funds	1,889.0	36.7	1,925.7	1,685.0	42.3	1,727.3
Collateral payable under securities loan and repurchase agreement	586.8	290.2	877.0	426.6	366.0	792.6
Current portion of long-term debt	620.2	-	620.2	387.3	-	387.3
Income taxes payable	297.1	(10.5)	286.6	-	-	-
Accrued expenses and other current liabilities	3,700.1	135.6	3,835.7	3,128.9	98.0	3,226.9
Total current liabilities	13,522.2	1,059.0	14,581.2	11,464.7	1,115.3	12,580.0
Future policy benefits	1,723.3	4,885.7	6,609.0	1,729.7	4,927.1	6,656.8
Unpaid claims	1,630.3	-	1,630.3	1,619.3	-	1,619.3
Policyholders' funds	438.8	745.3	1,184.1	456.9	731.1	1,188.0
Long-term debt, less current portion	7,618.4	-	7,618.4	7,865.3	-	7,865.3
Deferred income taxes	1,024.5	(83.6)	940.9	979.6	(115.4)	864.2
Other long-term liabilities	833.0	181.4	1,014.4	900.6	146.9	1,047.5
Separate Accounts liabilities	-	4,179.7	4,179.7	-	3,972.5	3,972.5
Total liabilities	26,790.5	10,967.5	37,758.0	25,016.1	10,777.5	35,793.6
Total Aetna shareholders' equity	14,023.0	280.6	14,303.6	13,771.4	254.1	14,025.5
Non-controlling interests	57.4	-	57.4	52.7	-	52.7
Total equity	14,080.4	280.6	14,361.0	13,824.1	254.1	14,078.2
Total liabilities and shareholders' equity	\$ 40,870.9	\$ 11,248.1	\$ 52,119.0	\$ 38,840.2	\$ 11,031.6	\$ 49,871.8

Refer to page 12 for an explanation of footnotes and definitions of terms used.

Condensed Statements of Cash Flows

(Millions)	Three Months Ended					
	March 31, 2014			March 31, 2013		
	Health Care and Group Insurance	Large Case Pensions	Consolidated	Health Care and Group Insurance	Large Case Pensions	Consolidated
Cash flows from operating activities:						
Net income including non-controlling interest	\$ 663.4	\$ 6.0	\$ 669.4	\$ 485.7	\$ 5.2	\$ 490.9
Adjustments to reconcile net income to net cash provided by (used for) operating activities:						
Net realized capital (gains) losses	(29.6)	1.1	(28.5)	(31.8)	1.5	(30.3)
Depreciation and amortization	154.7	-	154.7	108.6	-	108.6
Debt fair value amortization	(15.1)	-	(15.1)	-	-	-
Equity in earnings of affiliates, net	(3.1)	(17.5)	(20.6)	(2.4)	(15.9)	(18.3)
Stock-based compensation expense	38.8	-	38.8	24.5	-	24.5
Amortization of net investment premium	17.9	.4	18.3	7.4	2.1	9.5
Loss on early extinguishment of long-term debt	91.9	-	91.9	-	-	-
Changes in assets and liabilities:						
Accrued investment income	(2.5)	1.0	(1.5)	1.2	1.7	2.9
Premiums due and other receivables	(343.3)	6.3	(337.0)	(413.1)	(.4)	(413.5)
Income taxes	421.2	(.9)	420.3	192.1	(2.2)	189.9
Other assets and other liabilities	(59.5)	(11.1)	(70.6)	(101.2)	(2.3)	(103.5)
Health care and insurance liabilities	572.6	(71.2)	501.4	342.6	(62.4)	280.2
Other, net	1.3	(.6)	.7	3.8	(.9)	2.9
Net cash provided by (used for) operating activities	1,508.7	(86.5)	1,422.2	617.4	(73.6)	543.8
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	1,637.1	582.5	2,219.6	1,984.7	726.3	2,711.0
Cost of investments purchased	(1,951.0)	(428.6)	(2,379.6)	(1,824.0)	(669.6)	(2,493.6)
Additions to property, equipment and software	(93.8)	-	(93.8)	(86.1)	-	(86.1)
Other, net	-	-	-	2.5	-	2.5
Net cash (used for) provided by investing activities	(407.7)	153.9	(253.8)	77.1	56.7	133.8
Cash flows from financing activities:						
Repayment of long-term debt	(839.7)	-	(839.7)	-	-	-
Issuance of long-term debt	741.9	-	741.9	-	-	-
Net issuance of short-term debt	-	-	-	99.9	-	99.9
Deposits and interest credited for investment contracts	-	1.1	1.1	-	1.2	1.2
Withdrawals of investment contracts	-	(1.0)	(1.0)	-	(4.1)	(4.1)
Common shares issued under benefit plans, net	(17.0)	-	(17.0)	37.8	-	37.8
Stock-based compensation tax benefits	13.9	-	13.9	55.0	-	55.0
Proceeds from repurchase agreements	156.2	-	156.2	-	-	-
Common shares repurchased	(465.0)	-	(465.0)	(184.1)	-	(184.1)
Dividends paid to shareholders	(81.6)	-	(81.6)	(65.5)	-	(65.5)
Collateral on interest rate swaps	(16.7)	-	(16.7)	9.2	-	9.2
Contributions, non-controlling interests	1.3	-	1.3	21.7	-	21.7
Intersegment loan	3.7	(3.7)	-	-	-	-
Other, net	.9	(.9)	-	(.3)	.3	-
Net cash used for financing activities	(502.1)	(4.5)	(506.6)	(26.3)	(2.6)	(28.9)
Net increase (decrease) in cash and cash equivalents	598.9	62.9	661.8	668.2	(19.5)	648.7
Cash and cash equivalents, beginning of period	1,310.2	102.1	1,412.3	2,464.0	115.2	2,579.2
Cash and cash equivalents, end of period	\$ 1,909.1	\$ 165.0	\$ 2,074.1	\$ 3,132.2	\$ 95.7	\$ 3,227.9

Refer to page 12 for an explanation of footnotes and definitions of terms used.

Investment Portfolio
At March 31, 2014

(Millions)	Supporting Non-Experience-Rated Products				Supporting Experience-Rated and Discontinued Products in Large Case Pensions		Total Portfolio	
	Health Care and Group Insurance	Large Case Pensions	Total	Percent	Total	Percent	Total	Percent
Debt and equity securities:								
Debt securities:								
U.S. government securities	\$ 1,168.4	\$ 54.0	\$ 1,222.4	6.0%	\$ 179.7	3.6%	\$ 1,402.1	5.5%
States, municipalities and political subdivisions	4,002.9	48.6	4,051.5	19.7%	135.1	2.7%	4,186.6	16.4%
U.S. corporate securities	5,282.3	843.0	6,125.3	29.8%	2,116.9	41.9%	8,242.2	32.2%
Foreign securities	2,337.5	344.7	2,682.2	13.1%	803.0	15.9%	3,485.2	13.6%
Residential mortgage-backed securities	838.8	95.1	933.9	4.6%	29.2	.6%	963.1	3.8%
Commercial mortgage-backed securities	1,085.8	106.8	1,192.6	5.8%	277.7	5.5%	1,470.3	5.7%
Other asset-backed securities	257.6	37.4	295.0	1.4%	48.7	1.0%	343.7	1.3%
Redeemable preferred securities	22.0	6.9	28.9	.1%	37.6	.7%	66.5	.3%
Total debt securities	14,995.3	1,536.5	16,531.8	80.5%	3,627.9	71.9%	20,159.7	78.8%
Equity securities	37.1	-	37.1	.2%	23.4	.5%	60.5	.3%
Total debt and equity securities	15,032.4	1,536.5	16,568.9	80.7%	3,651.3	72.4%	20,220.2	79.1%
Mortgage loans	973.9	4.2	978.1	4.8%	569.5	11.3%	1,547.6	6.0%
Other investments:								
Real estate	169.6	1.5	171.1	.8%	77.9	1.6%	249.0	1.0%
Hedge funds	293.2	-	293.2	1.4%	380.6	7.5%	673.8	2.6%
Private equity	188.4	3.3	191.7	.9%	233.6	4.6%	425.3	1.7%
Other	375.5	3.5	379.0	1.9%	5.3	.1%	384.3	1.5%
Total other investments	1,026.7	8.3	1,035.0	5.0%	697.4	13.8%	1,732.4	6.8%
Total investments	17,033.0	1,549.0	18,582.0	90.5%	4,918.2	97.5%	23,500.2	91.9%
Cash and cash equivalents	1,909.1	37.6	1,946.7	9.5%	127.4	2.5%	2,074.1	8.1%
Total investments, cash and cash equivalents	\$ 18,942.1	\$ 1,586.6	\$ 20,528.7		\$ 5,045.6		\$ 25,574.3	
Average credit quality	A+	A-	A		A-		A	
Average duration (years) ⁽⁸⁾	4.1	6.2	4.3		6.9		4.7	

Refer to page 12 for an explanation of footnotes and definitions of terms used.

Roll Forward of Health Care Costs Payable

(Millions)	Three Months Ended		
	March 31, 2014	March 31, 2013	March 31, 2012
Health care costs payable, beginning of period	\$ 4,547.4	\$ 2,992.5	\$ 2,675.5
Less: reinsurance recoverables	8.5	3.8	3.3
Health care costs payable, beginning of period, net	4,538.9	2,988.7	2,672.2
Add: Components of incurred health care costs:			
Current year	10,112.1	6,704.5	6,026.7
Prior years *	(535.8)	(325.0)	(169.2)
Total incurred health care costs	9,576.3	6,379.5	5,857.5
Less: Claims paid			
Current year	5,754.9	4,052.5	3,685.7
Prior years	3,360.3	2,118.6	2,018.5
Total claims paid	9,115.2	6,171.1	5,704.2
Disposition of business	-	(42.3)	-
Health care costs payable, end of period, net	5,000.0	3,154.8	2,825.5
Add: reinsurance recoverables	7.2	6.0	3.6
Health care costs payable, end of period	\$ 5,007.2	\$ 3,160.8	\$ 2,829.1
Health care costs payable:			
Incurred but not reported claims	\$ 4,790.1	\$ 2,893.5	\$ 2,570.1
Other claims	217.1	267.3	259.0
Total health care costs payable	\$ 5,007.2	\$ 3,160.8	\$ 2,829.1

* Negative amounts reported for incurred health care costs related to prior years result from claims being settled for less than originally estimated. The May 7, 2013 (the "Acquisition Date") acquisition of Coventry Health Care, Inc. ("Coventry") significantly impacts the year-over-year comparability of prior years' development.

Refer to page 12 for an explanation of footnotes and definitions of terms used.

Reconciliations of Certain Reported Amounts to the Most Directly Comparable GAAP Measure

(Millions, except per common share data)	Three Months Ended	
	March 31, 2014	March 31, 2013
Summary of Results		
Operating earnings	\$ 722.0	\$ 516.5
Transaction and integration-related costs, net of tax ⁽⁷⁾	(41.9)	(24.6)
Loss on early extinguishment of long-term debt, net of tax ⁽⁷⁾	(59.7)	-
Release of litigation-related reserve, net of tax ⁽⁷⁾	67.0	-
Amortization of other acquired intangible assets, net of tax	(40.4)	(21.1)
Net realized capital gains, net of tax	18.5	19.3
Net income ⁽³⁾ (GAAP measure)	\$ 665.5	\$ 490.1
Weighted average common shares - diluted	365.0	330.7
Summary of Results Per Common Share		
Operating earnings	\$ 1.98	\$ 1.56
Transaction and integration-related costs, net of tax ⁽⁷⁾	(.12)	(.08)
Loss on early extinguishment of long-term debt, net of tax ⁽⁷⁾	(.16)	-
Release of litigation-related reserve, net of tax ⁽⁷⁾	.18	-
Amortization of other acquired intangible assets, net of tax	(.11)	(.06)
Net realized capital gains, net of tax	.05	.06
Net income ⁽³⁾ (GAAP measure)	\$ 1.82	\$ 1.48
Health Care, Group Insurance and Corporate Financing Operating Cash Flows as a Percentage of Operating Earnings		
Net cash provided by operating activities: Health Care, Group Insurance and Corporate Financing	(A) \$ 1,508.7	\$ 617.4
Operating earnings: Health Care, Group Insurance and Corporate Financing	(B)	510.3
Transaction and integration-related costs, net of tax ⁽⁷⁾	(41.9)	(24.6)
Loss on early extinguishment of long-term debt, net of tax ⁽⁷⁾	(59.7)	-
Release of litigation-related reserve, net of tax ⁽⁷⁾	67.0	-
Amortization of other acquired intangible assets, net of tax	(40.4)	(21.1)
Net realized capital gains, net of tax	19.2	20.3
Net income: Health Care, Group Insurance and Corporate Financing ⁽³⁾ (GAAP measure)	(C) \$ 661.4	\$ 484.9
Operating cash flow as a percentage of operating earnings	(A)/(B)	210.4%
Operating cash flow as a percentage of net income ⁽³⁾ (GAAP measure)	(A)/(C)	228.1%

Refer to page 12 for an explanation of footnotes and definitions of terms used.

Reconciliations of Certain Reported Amounts to the Most Directly Comparable GAAP Measure (continued)

(Millions)	Three Months Ended	
	March 31, 2014	March 31, 2013
<u>Health Care</u>		
Operating revenue (excludes net realized capital gains and an other item)	\$ 13,218.3	\$ 8,794.7
Interest income on proceeds of transaction-related debt ⁽⁷⁾	-	1.9
Net realized capital gains	26.7	26.3
Total revenue (GAAP measure)	\$ 13,245.0	\$ 8,822.9
<u>Group Insurance</u>		
Reconciliation of Revenue		
Operating revenue (excludes net realized capital gains)	\$ 612.0	\$ 581.3
Net realized capital gains	2.9	5.5
Total revenue (GAAP measure)	\$ 614.9	\$ 586.8
<u>Large Case Pensions</u>		
Reconciliation of Revenue		
Operating revenue (excludes net realized capital losses)	\$ 136.0	\$ 130.7
Net realized capital losses	(1.1)	(1.5)
Total revenue (GAAP measure)	\$ 134.9	\$ 129.2
<u>Total Company</u>		
Reconciliation of Revenue		
Operating revenue (excludes net realized capital gains and an other item)	(A) \$ 13,966.3	\$ 9,506.7
Interest income on proceeds of transaction-related debt ⁽⁷⁾	-	1.9
Net realized capital gains	28.5	30.3
Total revenue (GAAP measure)	(B) \$ 13,994.8	\$ 9,538.9
Reconciliation of Operating Expenses		
Operating expenses, including Corporate Financing	(C) \$ 2,489.7	\$ 1,714.9
Transaction and integration-related costs ⁽⁷⁾	63.7	24.3
Release of litigation-related reserve ⁽⁷⁾	(103.0)	-
Total operating expenses (GAAP measure)	(D) \$ 2,450.4	\$ 1,739.2
<u>Operating Expense Ratios:</u>		
Operating expense ratio ⁽¹⁾	(C)/(A)	17.8 %
Total company expense ratio (GAAP measure)	(D)/(B)	17.5 %

Reconciliations of Certain Reported Amounts to the Most Directly Comparable GAAP Measure (continued)

		Three Months Ended	
		March 31,	March 31,
(Millions)		2014	2013
Reconciliation to Income Before Income Taxes			
Operating earnings before income taxes, excluding interest expense	(A)	\$ 1,321.6	\$ 853.0
Interest expense *		(85.6)	(63.1)
Transaction and integration-related costs ⁽⁷⁾		(63.7)	(37.1)
Loss on early extinguishment of long-term debt ⁽⁷⁾		(91.9)	-
Release of litigation-related reserve ⁽⁷⁾		103.0	-
Amortization of other acquired intangible assets		(62.2)	(32.4)
Net realized capital gains		28.5	30.3
Income before income taxes (GAAP measure)		\$ 1,149.7	\$ 750.7
Reconciliation to Net Income			
Operating earnings, excluding interest expense, net of tax		\$ 777.6	\$ 557.5
Interest expense, net of tax *		(55.6)	(41.0)
Transaction and integration-related costs, net of tax ⁽⁷⁾		(41.9)	(24.6)
Loss on early extinguishment of long-term debt, net of tax ⁽⁷⁾		(59.7)	-
Release of litigation-related reserve, net of tax ⁽⁷⁾		67.0	-
Amortization of other acquired intangible assets, net of tax		(40.4)	(21.1)
Net realized capital gains, net of tax		18.5	19.3
Net income ⁽⁴⁾ (GAAP measure)	(B)	\$ 665.5	\$ 490.1
Reconciliation of Revenue			
Operating revenue (excludes net realized capital gains and an other item)	(C)	\$ 13,966.3	\$ 9,506.7
Interest income on proceeds of transaction-related debt ⁽⁷⁾		-	1.9
Net realized capital gains		28.5	30.3
Total revenue (GAAP measure)	(D)	\$ 13,994.8	\$ 9,538.9

* Interest expense of \$41.0 million (\$63.1 million pretax) for the quarter ended March 31, 2013 excludes the negative cost of carry on transaction-related debt, which was issued in connection with the acquisition of Coventry. Those costs are presented within transaction and integration-related costs prior to the closing of the acquisition of Coventry, which occurred on the Acquisition Date. After the Acquisition Date, the interest expense associated with the transaction-related debt is included in interest expense.

Operating Margin

Pretax operating margin ⁽¹⁾	(A)/(C)	9.5 %	9.0 %
After-tax net income margin (GAAP measure)	(B)/(D)	4.8 %	5.1 %

Refer to page 12 for an explanation of footnotes and definitions of terms used.

Footnotes

- (1) In order to provide a comparison that we believe provides useful information regarding our underlying performance, from period to period, all operating earnings, operating earnings per share, operating revenue and operating expense metrics exclude from net income amortization of other acquired intangible assets, net realized capital gains and losses and Other Items, if any, as applicable. See note (7) listed below for an explanation of our Other Items. In addition, pretax operating margins exclude interest expense and income taxes. Operating revenue excludes net realized capital gains and losses and certain Other Items and general and administrative expenses exclude certain Other Items. Management uses these measures to assess business performance and to make decisions regarding Aetna's operations and the allocation of resources among Aetna's businesses. Non-GAAP financial measures we disclose, such as operating earnings, operating earnings per share, operating revenue, operating expenses, pretax operating margins and our operating expense ratio, should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP. For a reconciliation to financial measures calculated under U.S. generally accepted accounting principles ("GAAP"), refer to pages 9 -11.
- (2) Our Corporate Financing segment is not a business segment. It is added to our business segments to reconcile to our consolidated results. The net income of the Corporate Financing segment includes interest expense on our outstanding debt and the financing components of our pension and other postretirement benefit plan expenses (benefits). The operating earnings of the Corporate Financing segment excludes Other Items, if any. We continue to allocate the operating component of our pension expense (i.e., the service cost and prior service cost) to our business segments.
- (3) Net Income refers to net income attributable to Aetna reported in the GAAP Consolidated Statements of Income. Unless otherwise indicated, all references in this Financial Supplement to operating earnings, operating earnings per share, net income and net income per share are based upon net income attributable to Aetna, which excludes amounts attributable to non-controlling interests.
- (4) Our Government MBR is the combined MBR of our Medicare and Medicaid businesses.
- (5) Days claims payable at June 30, 2013 and March 31, 2013 are adjusted to exclude the timing impact related to acquisitions and dispositions during each respective period.
- (6) Represents members in consumer-directed health plans included in Commercial medical membership.
- (7) For the periods covered in this Financial Supplement, in addition to amortization of other acquired intangible assets and net realized capital gains and losses, if any, the following items are excluded from operating earnings, operating expenses and operating revenue, as applicable, because we believe they neither relate to the ordinary course of our business nor reflect our underlying business performance:
- We incurred transaction and integration-related costs of \$41.9 million (\$63.7 million pretax) and \$24.6 million (\$37.1 million pretax) during the three months ended March 31, 2014 and 2013, respectively, related to the acquisition of Coventry. Transaction costs include advisory, legal and other professional fees which are not deductible for tax purposes and are reflected in our GAAP Consolidated Statements of Income in general and administrative expenses. Transaction costs also include transaction-related payments as well as expenses related to the negative cost of carry associated with the permanent financing that we obtained in November 2012 for the Coventry acquisition. Prior to the Acquisition Date, the negative cost of carry was excluded from operating earnings and operating earnings per share. The components of the negative cost of carry are reflected in our GAAP Consolidated Statements of Income in interest expense, net investment income, and general and administrative expenses. On and after the Acquisition Date, the interest expense and general and administrative expenses associated with the permanent financing are no longer excluded from operating earnings or operating earnings per share.
 - In the first quarter of 2014, we incurred a loss on the early extinguishment of long-term debt of \$59.7 million (\$91.9 million pretax) related to the redemption of our 6.0% senior notes due 2016.
 - In the fourth quarter of 2012, we recorded a charge of \$78.0 million (\$120.0 million pretax) related to the settlement of purported class action litigation regarding Aetna's payment practices related to out-of-network health care providers. That charge included the estimated cost of legal fees of plaintiffs' counsel and the costs of administering the settlement. In the first quarter of 2014, we exercised our right to terminate the settlement agreement. As a result, we released the reserve established in connection with the settlement agreement, net of amounts due to the settlement administrator, which reduced first quarter 2014 other general and administrative expenses by \$67.0 million (\$103.0 million pretax).
- (8) Represents the average duration of our debt securities, mortgage loans and cash and cash equivalents at March 31, 2014, excluding equity and equity-like investments that have no duration.

Definitions

Administrative Services Contracts ("ASC") include all medical and dental products offered on an employer-funded basis. Under employer-funded plans, the plan sponsor assumes all or a majority of health care cost, utilization or other risk.

Benefit Ratios are calculated by dividing benefit costs by premiums. Various product level versions of this metric are provided and are calculated using this base formula. For example, the Total Medical Benefit Ratio is calculated by dividing health care costs by health care premiums.

Commercial includes all medical, dental and other health care products except Medicare, Medicaid and Medicare Supplement.

Days Claims Payable is calculated by dividing the health care costs payable at each quarter end by the health care costs per day in each respective quarter.

Insured includes all medical, dental and other health care products for which we assume all or a majority of health care cost, utilization or other risk.

Operating Earnings exclude amortization of other acquired intangible assets, net realized capital gains and losses and Other Items, if any, from net income, as described in note (1) above.

Operating Expense Ratios are calculated by dividing operating expenses, excluding Other Items, if any, by operating revenue.

Operating Revenue excludes net realized capital gains and losses and Other Items, if any, from total revenue, as described in note (1) above.

Other Items are items that are excluded from GAAP net income because they neither relate to the ordinary course of our business nor reflect our underlying business performance. See note (7) above for an explanation of our Other Items.

Pretax Operating Margins are calculated by dividing pretax operating earnings, excluding interest expense by operating revenue.

Insured Funding is the portion of our business where we assume all or a majority of the risk for medical and dental costs.

Selling Expenses are comprised of broker commissions, the variable component of our internal sales force compensation and premium taxes.

Balance Sheet Terms

Future Policy Benefits consist primarily of reserves for limited payment pension and annuity contracts in the Large Case Pension business and long-duration group paid-up life and long-term care insurance contracts in the Group Insurance business.

Health Care Costs Payable consist principally of unpaid fee-for-service claims, capitation costs and other amounts due to health care providers pursuant to insured arrangements.

Policyholders' Funds consist primarily of reserves for pension and annuity investment contracts in the Large Case Pension business and customer funds associated with group life and health contracts in the Health Care and Group Insurance business.

Separate Accounts assets and liabilities generally represent funds maintained to meet specific objectives of contract holders who bear the investment risk.

Unpaid Claims consist primarily of reserves associated with certain short-duration group disability and term life insurance contracts in the Group Insurance business.