AETNA INC /PA/
Form 424B5
June 07, 2006

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PROSPECTUS SUPPLEMENT
(To Prospectus Dated December 5, 2005)

$2,000,000,000
AETNA INC.
$450,000,000 5.750% Senior Notes Due 2011
$750,000,000 6.000% Senior Notes Due 2016
$800,000,000 6.625% Senior Notes Due 2036

We are offering $450,000,000 of our 5.750% senior notes due 2011 (the 2011 Notes), $750,000,000 of our 6.000% senior notes due 2016 (the 2016 Notes) and $800,000,000 of our 6.625% senior notes due 2036 (the 2036 Notes and, together with the 2011 Notes and the 2016 Notes, the Notes).

The 2011 Notes will bear interest at a rate of 5.750% per year, the 2016 Notes will bear interest at a rate of 6.000% per year and the 2036 Notes will bear interest at a rate of 6.625% per year. Interest on each series of the Notes is payable on June 15 and December 15 of each year, beginning on December 15, 2006. The 2011 Notes will mature on June 15, 2011, the 2016 Notes will mature on June 15, 2016, and the 2036 Notes will mature on June 15, 2036. We may redeem the Notes at any time, in whole or in part, at the redemption prices described in this prospectus supplement.

The Notes will be senior obligations of our company and will rank equally with all of our other existing and future unsecured senior indebtedness.

Investing in the Notes involves risks. See Forward-Looking Information/Risk Factors in our 2005 Aetna Annual Report, Financial Report to Shareholders incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per 2011 Note	Per 2016 Note	Per 2036 Note	Total
Public Offering Price[(1)]	99.891%	99.405%	99.804%	$ 1,993,479,000
Underwriting Discount	0.600%	0.650%	0.875%	$ 14,575,000
Proceeds to Aetna Inc. (before expenses)	99.291%	98.755%	98.929%	$ 1,978,904,000

(1) Plus accrued interest, if any, from June 9, 2006 to the date of delivery.

The underwriters expect to deliver the Notes to purchasers on or about June 9, 2006.

Joint Book-Running Managers

Citigroup	**Goldman, Sachs & Co.**	**JPMorgan**
(2011 Notes)	***(2016 Notes)***	***(2036 Notes)***
Credit Suisse	**Banc of America Securities LLC**	**Deutsche Bank Securities**
UBS Investment Bank	**Morgan Stanley**	**Wachovia Securities**

Co-Managers

Barclays Capital	**BNY Capital Markets, Inc.**	**Fifth Third Securities, Inc.**
LaSalle Capital Markets	**Lazard Capital Markets**	**NatCity Investments, Inc.**
PNC Capital Markets LLC	**RBS Greenwich Capital**	**Piper Jaffray**

June 6, 2006

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered	Maximum Aggregate Offering Price	Amount Of Registration Fee(1)
5.750% Senior Notes due 2011	$450,000,000	99.891%	$48,098
6.000% Senior Notes due 2016	$750,000,000	99.405%	$79,773
6.625% Senior Notes due 2036	$800,000,000	99.804%	$85,432
Total			$213,303

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus and in any free writing prospectus filed by the Company with the Securities and Exchange Commission. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on the prospectus supplement. We and the underwriters have not authorized anyone to provide you with information that is different. This prospectus supplement and the accompanying prospectus may only be used where it is legal to sell these securities. The information in this prospectus supplement and the accompanying prospectus may only be accurate as of the date of this prospectus supplement, the accompanying prospectus or the information incorporated by reference herein or therein, and the information in any free writing prospectus may only be accurate as of the date of such free writing prospectus. Our business, financial condition, results of operations and/or prospects may have changed since those dates.

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In this prospectus supplement and the accompanying prospectus, all references to Aetna, the Company, we, us our refer to Aetna Inc. and its consolidated subsidiaries, unless the context otherwise requires. The underwriters refers to the financial institutions named on the front cover of this prospectus supplement.

We are offering the Notes globally for sale in those jurisdictions in the United States, Europe, Asia and elsewhere where it is lawful to make such offers. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons who receive this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See Underwriting.

THE OFFERING

The offering terms of the Notes are summarized below solely for your convenience. This summary is not a complete description of the Notes. You should read the full text and more specific details contained elsewhere in this prospectus supplement and the accompanying prospectus. For a more detailed description of the Notes, see the discussion under the caption Description of the Notes beginning on page S-9 of this prospectus supplement.

Issuer	Aetna Inc.
Notes Offered	\$450,000,000 aggregate principal amount of 5.750% senior notes due 2011 (the 2011 Notes), \$750,000,000 aggregate principal amount of 6.000 % senior notes due 2016 Notes (the 2016 Notes) and \$800,000,000 aggregate principal amount of 6.625% senior notes due 2036 (the 2036 Notes and, together with the 2011 Notes and the 2016 Notes, the Notes).
Maturity	The 2011 Notes will mature on June 15, 2011, the 2016 Notes will mature on June 15, 2016 and the 2036 Notes will mature on June 15, 2036.
Interest Payment Dates	June 15 and December 15, beginning December 15, 2006.
Optional Redemption	We may redeem the Notes at any time, in whole or in part, at the redemption prices described in this prospectus supplement. We are not required to establish a sinking fund to retire or repay the Notes.
Ranking	The Notes will be our senior unsecured and unsubordinated obligations and will rank equally with all of our existing and future senior unsecured indebtedness and senior to all of our subordinated indebtedness. See Description of the Notes.
Use of Proceeds	We will use the estimated \$1,977.7 million in net proceeds, after deducting underwriting discounts and estimated offering expenses, from this offering to redeem outstanding debt, to repay outstanding commercial paper and for general corporate purposes, including share repurchases. See Use of Proceeds.
Covenants	The indenture for the Notes contains limitations on liens on common stock of our Principal Subsidiaries (as defined in the indenture) and limits our ability to consolidate with or merge with or into any other person (other than in a merger or consolidation in which we are the surviving person) or sell our property or assets as, or substantially as, an entirety to any person. These covenants are subject to important qualifications and limitations. See Description of Debt Securities Limitations on Liens on Common Stock of Principal Subsidiaries and Consolidation, Merger and Sale of Assets in the accompanying prospectus.
Minimum Denominations	The Notes will be issued and may be transferred only in minimum denominations of \$2,000 and multiples of \$1,000 in excess thereof.

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Risk Factors	For a discussion of factors you should carefully consider before deciding to purchase the Notes, see Forward-Looking Information/Risk Factors in our Aetna 2005 Annual Report, Financial Report to Shareholders (the 2005 Annual Report), incorporated by reference in, and filed with the Securities and Exchange Commission (the SEC) as an exhibit to, our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as updated in any subsequent filings with the SEC that are incorporated by reference in this prospectus supplement or the accompanying prospectus.

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THE COMPANY

We are one of the nation s leading diversified health care benefits companies, serving approximately 28.3 million people as of March 31, 2006, with information and resources to help them make better informed decisions about their health care. As of March 31, 2006, we served approximately 15.4 million medical members, 13.3 million dental members, 10.2 million pharmacy members and 13.1 million group insurance members. At March 31, 2006, we also had over 735,000 health care professionals, including hospitals and pharmacies, participating in our networks nationwide. We offer a broad range of traditional and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, group life, long-term care and disability plans, and medical management capabilities. We offer these products on both an insured and employer-funded basis. We offer our products in all 50 states, and our customers include employer groups, individuals, college students, part-time and hourly workers, health plans and government-sponsored plans. We also have a large case pensions business that manages a variety of discontinued and other retirement products (including pension and annuity products) primarily for tax qualified pension plans of large customers.

Our principal executive offices are located at 151 Farmington Avenue, Hartford, Connecticut 06156, and our telephone number is (860) 273-0123. Internet users can obtain information about Aetna and its services at http://www.aetna.com. This text is not an active link, and our website and the information contained on that site, or connected to that site, is not incorporated into this prospectus supplement.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which interested persons can electronically access our filings with the SEC, including the registration statement containing this prospectus supplement (including the exhibits and schedules thereto).

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC prior to the termination of the offering under this prospectus supplement will automatically update and supersede this information. We incorporate by reference the documents listed below and all documents we file with the SEC pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), prior to the termination of the offering under this prospectus supplement:

(a) Our Current Reports on Form 8-K filed on May 9, 2006 and May 18, 2006;

(b) Our Quarterly Report on Form 10-Q for the three months ended March 31, 2006; and

(c) Our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

You may request a free copy of these filings by writing or telephoning the office of the Corporate Secretary, Aetna Inc., 151 Farmington Avenue, RE4K, Hartford, Connecticut 06156, Telephone: (860) 273-4970.

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CAPITALIZATION

The following table shows our capitalization on a consolidated basis as of March 31, 2006 (unaudited) and as adjusted for the sale of $2,000 million aggregate principal amount of Notes offered by this prospectus supplement and the application of the net proceeds from that sale.

(In millions)	Actual	As Adjusted
Short-term debt:		
Commercial paper program(1)	$ 453.4	$
Bridge loan(2)	7.0	7.0
Total short-term debt	$ 460.4	$ 7.0
Long term debt:		
Senior notes, 7.875% due 2011(3)	$ 448.1	$ 448.1
Senior notes, 8.50% due 2041(3)(4)	707.6	
Senior notes, 5.750% due 2011(7)		449.5
Senior notes, 6.000% due 2016(7)		745.5
Senior notes, 6.625% due 2036(7)		798.4
Total long term debt	$ 1,155.7	$ 2,441.5
Shareholders Equity:		
Common stock and additional paid-in capital ($.01 par value; 2.9 billion shares authorized, 567.0 million shares issued and outstanding)	$ 2,381.9	$ 2,381.9
Retained earnings(8)	8,125.4	8,117.4
Accumulated other comprehensive (loss) income	(54.3)	(54.3)
Total shareholders equity	10,453.0	10,445.0
Total Capitalization	$ 12,069.1	$ 12,893.5

(1) We maintain, and may issue short-term debt securities under, a commercial paper program that is supported by an unsecured $1 billion five year revolving credit agreement. The revolving credit agreement permits the aggregate commitments under the agreement to be expanded to a maximum of $1.35 billion upon our agreement with one or more financial institutions.

(2) Certain of our subsidiaries entered into a $45 million one year variable funding credit program with a bank to provide short-term liquidity to those subsidiaries. Borrowings under this program are secured by certain assets of those subsidiaries.

(3) At March 31, 2006, the components of our senior notes were as follows:

(In millions)	7.875% Senior Notes due 2011	8.50% Senior Notes due 2041(4)

Senior notes	$	450.0	$	700.0
Cumulative fair values of sold interest rate swaps(5)				7.6
Unamortized debt discount(6)		(1.9)		
Total senior notes	$	448.1	$	707.6

(4) All of the 8.50% senior notes will be redeemed on June 19, 2006.

(5) In December 2002, we entered into an interest rate swap agreement to convert the fixed rate of 8.50% on $200 million of our 8.50% senior notes due 2041 to a variable rate of interest of three month LIBOR plus 2.54%. In December 2001, we entered into an interest rate swap agreement to convert the fixed rate of 8.50% on $350 million of our 8.50% senior notes due 2041 to a variable rate of interest of three month LIBOR plus 1.595%. Based on the terms of these interest rate swap agreements, they qualified as fair value hedges. In

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May 2005, we sold both of these interest rate swap agreements. At the time of the sale of these interest rate swap agreements, the cumulative fair value adjustment to the 8.50% senior notes due 2041 on our balance sheet was a gain of approximately $7.8 million. As a result of the sale, the cumulative fair value adjustment will be amortized as a reduction of interest expense over the remaining life of the 8.50% senior notes due 2041.

(6) Our 7.875% senior notes due 2011 were issued at a discount to their par value, which is expensed over the life of the 7.875% senior notes due 2011.

(7) The Notes offered by this prospectus supplement are being issued at a discount to their par value. This discount will be expensed over the lives of the respective Notes. The par value of the Notes and their respective original discounts are as follows:

(In millions)	5.750% Senior Notes due 2011	6.000% Senior Notes due 2016	6.625% Senior Notes due 2036
Par value	$ 450.0	$ 750.0	$ 800.0
Unamortized debt discount	(.5)	(4.5)	(1.6)
Total senior notes	$ 449.5	$ 745.5	$ 798.4

(8) On May 18, 2006, we announced our intention to redeem our 8.50% senior notes due 2041 on June 19, 2006. In connection with this redemption, we will write-off related debt issuance costs and recognize the deferred gain from the interest rate swaps that hedged these notes (see note (5) above), resulting in an $8.0 million after-tax non cash charge. See our Current Report on Form 8-K filed on May 18, 2006, incorporated into this prospectus supplement by reference, for additional information. This charge has been reflected as an adjustment to Retained Earnings in the table above.

At June 5, 2006, we had approximately $450 million of short-term debt outstanding.

Our pro forma ratio of earnings to fixed charges after giving effect to the sale of the Notes offered by this prospectus supplement and the application of the net proceeds from that sale for the three month period ended March 31, 2006 would be 12.06x (compared to the historical ratio of 13.74x) and for the year ended December 31, 2005 would be 12.25x (compared to the historical ratio of 14.82x). See Exhibit 12.1 to our Quarterly Report on Form 10-Q for the three months ended March 31, 2006, incorporated into this prospectus supplement by reference, for our historical ratios of earnings to fixed charges.

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USE OF PROCEEDS

Our net proceeds from this offering are estimated to be approximately $1,977.7 million after deducting underwriting discounts and estimated offering expenses. We will use these net proceeds to redeem the entire $700 million aggregate principal amount of our 8.50% senior notes due 2041, to repay outstanding commercial paper borrowings, which amounted to approximately $450 million as of June 5, 2006, and for general corporate purposes, including share repurchases. As of June 5, 2006, our commercial paper borrowings had an effective weighted average interest rate of 5.144%. Certain of the underwriters participating in this offering are dealers in our commercial paper program, and may receive proceeds from this offering as a result of their ownership of some of our commercial paper. See Underwriting.

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SELECTED FINANCIAL INFORMATION

The following table sets forth our selected consolidated financial data for the five years ended December 31, 2005 and the three-month periods ended March 31, 2006 and March 31, 2005. The financial data for the three-month periods ended March 31, 2006 and March 31, 2005 is derived from our unaudited financial statements. The unaudited financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations during that period and as of that date. Operating results for the three months ended March 31, 2006 are not necessarily indicative of those to be expected for the full fiscal year.

The following information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006 and our 2005 Annual Report, each filed with the SEC and incorporated by reference in this prospectus supplement. See Where You Can Find More Information in this prospectus supplement.

	Three Months Ended March 31,		Years Ended December 31,				
	2006	**2005(1)**	**2005(1)**	**2004(1)**	**2003(1)**	**2002(1)**	**2001(1)**
				(In millions)			
INCOME STATEMENT DATA:							
Total revenue	$ 6,234.7	$ 5,426.9	$ 22,491.9	$ 19,904.1	$ 17,976.4	$ 19,878.7	$ 25,190.8
Health care costs	3,786.2	3,048.5	13,107.9	11,637.7	10,135.8	12,452.8	17,938.8
Current and future benefits	600.7	615.3	2,364.5	2,191.5	2,090.8	2,245.5	2,458.3
Operating expenses	1,197.1	1,116.2	4,452.7	4,167.7	4,217.4	4,281.8	4,531.8
Interest expense	33.5	27.2	122.8	104.7	102.9	119.5	142.8
Amortization of goodwill and other acquired intangible assets	19.9	10.7	57.4	42.5	50.8	130.8	416.6
Reductions of reserve for future anticipated losses on discontinued products			(66.7)			(8.3)	(94.5)
Severance and facilities charges						161.0	192.5
Total benefits and expenses	5,637.4	4,817.9	20,038.6	18,144.1	16,597.7	19,383.1	25,586.3
Income (loss) from continuing operations before income taxes	597.3	609.0	2,453.3	1,760.0	1,378.7	495.6	(395.5)
Income taxes (benefits)	211.7	219.7	880.0	635.2	485.8	134.4	(93.1)

Income (loss) from continuing operations	$ 385.6	$ 389.3	$ 1,573.3	$ 1,124.8	$ 892.9	$ 361.2	$ (302.4)
BALANCE SHEET DATA (AT PERIOD END):							
Total assets	$ 45,662.4	$ 42,132.6	$ 44,433.3	$ 42,214.1	$ 41,018.2	$ 40,127.1	$ 43,284.6
Debt:							
Short-term	$ 460.4	$	$	$	$	$	$ 109.7
Long-term	1,155.7	1,601.4	1,605.7	1,609.7	1,613.7	1,633.2	1,591.3
Total debt	$ 1,616.1	$ 1,601.4	$ 1,605.7	$ 1,609.7	$ 1,613.7	$ 1,633.2	$ 1,701.0
Shareholders equity	$ 10,453.0	$ 9,124.0	$ 10,188.7	$ 9,161.8	$ 7,992.0	$ 7,059.6	$ 9,978.2

(1) Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 Revised, *Share-Based Payments,* applying the modified-retrospective approach. Accordingly, all prior period financial information was adjusted to reflect our stock-based compensation activity since 1995.

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DESCRIPTION OF THE NOTES

Each series of Notes offered by this prospectus supplement is a series of senior debt securities as described in the accompanying prospectus. This description supplements the description of the general terms and provisions of the debt securities found in the accompanying prospectus.

Capitalized terms used and not otherwise defined below or elsewhere in this prospectus supplement or the accompanying prospectus are used with the respective meanings given thereto in the Senior Indenture dated as of March 2, 2001 between Aetna Inc. and U.S. Bank National Association, successor in interest to State Street Bank and Trust Company (the Senior Indenture). Any reference to the Notes contained in this prospectus supplement refers to the 5.750% Senior Notes due 2011 (the 2011 Notes), the 6.000% Senior Notes due 2016 (the 2016 Notes) and the 6.625% Senior Notes due 2036 (the 2036 Notes) unless the context indicates otherwise.

The Senior Indenture does not restrict our ability to incur additional indebtedness, other than certain indebtedness secured by liens on common stock of our Principal Subsidiaries (as defined in the Senior Indenture). The Senior Indenture contains negative covenants that apply to us; however, the limitation on liens and the limitation on consolidation, merger and sale of assets contain important exceptions. See Description of the Debt Securities Limitations on Liens on Common Stock of Principal Subsidiaries and Consolidation, Merger and Sale of Assets in the accompanying prospectus.

General

The 2011 Notes initially will be limited to $450,000,000 aggregate principal amount. The 2016 Notes initially will be limited to $750,000,000 aggregate principal amount. The 2036 Notes initially will be limited to $800,000,000 aggregate principal amount. We may, without the consent of the holders of the Notes, increase such principal amounts in the future, on the same terms and conditions (except that the issue price and the issue date may vary) and with the same CUSIP numbers as the 2011 Notes, the 2016 Notes or the 2036 Notes being offered by this prospectus supplement. The Notes will be our senior unsecured general obligations, and rank on a parity with all of our existing and future unsecured and unsubordinated indebtedness.

Principal of, and premium, if any, and interest on the Notes will be payable, and transfers of the Notes will be registrable, at our office or agency in the Borough of Manhattan, The City of New York. Transfers of the Notes will also be registrable at any of our other offices or agencies that we may maintain for that purpose. In addition, payment of interest may be made, at our option, by check mailed to the address of the person entitled thereto as shown on the security register. The Notes are to be in denominations of $2,000 or any multiple of $1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, except for any tax or other governmental charge that may be imposed in connection therewith.

Interest; Maturity; No Sinking Fund

Each Note will bear interest from June 9, 2006, payable semiannually on June 15 and December 15 of each year, commencing December 15, 2006, to the person in whose name the Note is registered, subject to certain exceptions as provided in the Senior Indenture, at the close of business on the May 31 or November 30, as the case may be, immediately preceding such June 15 or December 15. The 2011 Notes will bear interest at a rate of 5.750% per year, the 2016 Notes will bear interest at a rate of 6.000% per year and the 2036 Notes will bear interest at a rate of 6.625% per year. The 2011 Notes will mature on June 15, 2011, the 2016 Notes will mature on June 15, 2016 and the 2036 Notes will mature on June 15, 2036. The Notes are not subject to any sinking fund provision. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

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Optional Redemption

The Notes will be redeemable at any time, in whole or in part, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes being redeemed, or

- the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed from the redemption date to the maturity date discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus:
  - in the case of the 2011 Notes, 15 basis points,

  - in the case of the 2016 Notes, 20 basis points, and

  - in the case of the 2036 Notes, 25 basis points,

plus, in each case, any interest accrued but not paid to the date of redemption.

The Treasury Rate means, with respect to any redemption date for any portion of the Notes,

- the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the maturity date for a series of Notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate shall be interpolated or extrapolated from those yields on a straight line basis, rounding to the nearest month), or

- if the release referred to in the previous bullet (or any successor release) is not published during the week preceding the calculation date or does not contain the yields referred to above, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

The Treasury Rate will be calculated on the third Business Day preceding the redemption date.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity co