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Aetna, Inc., Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Our first question will come from Joshua Raskin with Barclays Capital.

Joshua Raskin - Barclays Capital

A question just on cost trends; it sounds like the fourth quarter came in towards the high end of that 7.5 plus or minus 50 basis points, let's call that 8%, seems consistent with the outlook for 2009; we've heard from some of your competitors that cost in the fourth quarter might have been slightly better than expected. Just curious, what you're seeing in terms of the pressure upwards. And then, any further comments on the negative development in the third quarter, anything you saw as the claims developed further that helped corroborate that or any other evidence on it?

Joseph Zubretsky

With respect to the medical cost trend in the fourth quarter, we experienced higher than expected outpatient utilization, both in the number of services provided and their unit costs; so a higher level of service. We also had higher than expected physician costs, but a lot of preventive care, which actually in the long-term should be positive with healthcare trend. Also, if you look at our CDHP numbers, where we have 1.4 million CDHP members this year versus 900,000 last year, the seasonality trend is more backloaded now with respect to those numbers. So, that all contributed to our increased medical trend in the fourth quarter. We fully contemplated this in outlook for 2009. So, the revised view of the 2008 baseline and our revised view of trend is clearly included in our outlook for 2009.

Joshua Raskin - Barclays Capital

The PPD in the third quarter, any more color on that, it didn't sound like there was a lot of information around that last quarter, maybe where it came from?

Joseph Zubretsky

We appear to have captured it in the third quarter, mostly off of the second, and as we said prior period development was not material in the fourth quarter.

Operator

We'll move to our next question which will come from John Rex with J.P. Morgan.

John Rex - J.P. Morgan

I was wondering if you could just speak on your expectations on Medicare Advantage member growth. I think you said that that's going to be growing significantly faster; what areas, retail areas versus group areas, and a general view on that, and also, where it stood as of January 1, 2009, in terms of enrollment.

Mark T. Bertolini

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