

# Health insurance

[Health & Medicine](#), [Disease](#)



Aetna, Inc. is an American health insurance company, which is the direct descendant of Aetna (Fire) Insurance Company, of Hartford, Connecticut. In 1850 Aetna began operation of an Annuity Fund and the company would soon to be known as Aetna Life Insurance Company. In 1899 Aetna became one of the first publicly held insurance companies to enter the health insurance field. Since then Aetna has become committed to providing access to cost-effective health care of the highest possible standard, to protect people against health-related risks and enable them to achieve both good health and financial security.

Aetna has provided such products and services for 150 years, and has the ability to be a leader in building a strong and effective system of health care by cooperating with health care professionals and public officials. Aetna, Inc. provides a range of traditional and consumer directed health care insurance products and related services, including medical, pharmaceutical, dental, behavioral health, group life, long-term care, and disability plans, and medical management capabilities. Aetna is a member of the Fortune 100.

#### Aetna Mission & Values

Our company's mission, values and goals are expressed through The Aetna Way. The Aetna Way, comprising the elements below, encompasses our shared sense of purpose and provides clarity as we pursue our operational and strategic goals:

- Why We Exist: The Aetna Mission
- What We Believe In: Our Values
- What We're Trying to Achieve
- How We Run Our Business

Why We Exist: The Aetna Mission Aetna is dedicated to helping people achieve health and financial security by providing easy access to safe, cost-

effective, high-quality health care and protecting their finances against health-related risks.

Building on our 150-year heritage, Aetna will be a leader cooperating with doctors and hospitals, employers, patients, public officials and others to build a stronger, more effective health care system. What We Believe In: Our Values At Aetna, we put the people who use our services at the center of everything we do and live by a core set of values: • Integrity • Quality Service and Value • Excellence and Accountability • Employee Engagement What We're Trying to Achieve

We seek to achieve superior customer satisfaction through innovative products, comprehensive health and related benefits choices, effective service and easy-to-understand information. Our goals are: • To give individuals and families affordable coverage choices, helpful service and information so they get the financial protection and health care they need - from prevention through chronic and critical care. • To respect and work effectively with doctors and hospitals by establishing efficient processes and providing prompt claims payments and useful information that helps them provide safe, cost-effective, high-quality health care. To provide employers advice, cost-effective benefits choices and programs that improve the health status and productivity of their work forces. • To partner with brokers and consultants through responsive service, timely information and attractive commissions so they may effectively advise employers on their benefits choices. • To offer employees an engaging and diverse work environment that permits them to satisfy their professional ambitions, take pride in their contributions and share in Aetna's success. • To be a leading corporate

citizen, improving the quality of life in communities where we live and work. To award shareholders a superior return on their investment in our company. How We Run Our Business Based on our values, which guide our day-to-day activities, we adhere to specific business practices that help us fulfill our mission, reach our goals, and achieve profitable growth.

- Plans: We build and monitor business plans, taking corrective actions on negative variances.
- Products: We develop and accurately price innovative products.
- Networks: We develop and manage networks of doctors and hospitals to support multiple product and funding choices.
- Access to Care: We provide our members access to cost-effective high-quality health care while accurately predicating and managing medical costs.
- Claims and Billing: We achieve timely and accurate claims payments and premium billing and collection.
- Productivity: We pursue continuous productive and process improvement.
- Service: We work together effectively cross the organization to give our customers quality service.
- Information: We provide objective information to help our members make informed decisions about their financial and health care needs.
- Integrity: Achieve financial and operational integrity through clear, prompt and reliable information that accurately reflects our financial and operational performance.
- Rewards: We appreciate effort but we recognize and reward employees for achieving business results.
- Satisfaction: We deliver superior customer satisfaction.

Porters Five Forces of Competition framework views the profitability of an industry as determined by the five forces of competitive pressure. As described below, only high competitive rivalry detracts from the

attractiveness of the health insurance industry for firms currently in the business. Threat of Entry (Low)

Entry into the health insurance industry is blocked by high economies of scale, high capital requirements, and high government and legal barriers. Economies of scale are needed to establish a collection and claims payment network large enough to provide a reasonable selection of providers for patients and also allow the insurance company to have a wide geographic coverage. Moreover, a large client base is needed to facilitate risk management. Health insurance companies need to have enough patients covered so that they have large enough proportion premiums from healthy patients to cover the costs of taking care of sick patients.

There are also large capital requirement because health insurance companies are required by law to have a certain amount of reserves available to pay claims at all times. Health insurance companies are also required by law to pay out 50-65% of their premiums in medical cost coverage. These government and legal barriers not only determine a large portion of the financing the health insurance companies, they also determine who can operate a health insurance company through licensing. Supplier Power (Low)

Suppliers to the health insurance industry include providers, hospitals, and medical device/pharmaceutical companies. Most suppliers have low price sensitivity due to intense competition to get on a health insurance companies provider list or formulary. Since most people cannot afford medical care without health insurance, health insurance companies provide a product that is critical for a patient to be able to access a supplier's service

or product. Additionally, the size of the health insurance company relative to their suppliers tends to be large.

Because of their size, health insurance companies purchase health care from hospitals and doctors at a much lower cost than individual patients. Health insurance companies also have bargaining power because suppliers are unlikely to have the capital or skills required to integrate vertically. Hospitals and providers operate in a low margin business that is always strapped for capital, and pharmaceutical companies don't have the claims processing networks needed in order to provide health insurance. Buyer Power (Low) Buyers of health insurance include individuals, employers, and linked groups of people like AARP.

Buyers tend to have high price sensitivity because health care is a large portion of a buyers total cost, especially employers. Additionally, products from health insurance companies are not well differentiated. However, buyers have extremely low bargaining power due to their lack of size relative to health insurance companies, information asymmetry, and inability to vertically integrate. Not only can health insurance companies better negotiate with providers/hospitals for discounted health care rates, but health insurance companies also have far superior knowledge of costs.

Doctors and hospitals don't routinely display the prices they charge to patients, but health insurance companies have this information through their contractual relationships with providers. Threat of Substitutes (Low) There are few substitutes for health insurance. Currently, the main choices buyers have are to have health insurance to cover their medical expenses or pay for health care costs themselves. The high price of medical care, especially for <https://assignbuster.com/health-insurance/>

chronic medical conditions and emergency services, makes being a self-pay patient an unattractive option.

Therefore, currently 84% of the US population has either private or government health insurance. However, new substitutes to health insurance are being developed. Cerner, a healthcare IT company, has started to offer claims processing services to customers of its IT products. Competitive Rivalry (High) Industry competition is high for several reasons. The industry has a low concentration with the four largest companies in the health insurance business (Wellpoint, UnitedHealth Group, Aetna, and Health Care Service Corp. accounting for only 25% of the group health insurance premiums written. Additionally, diversity among competitors is low because health insurance companies are heavily regulated. There are strict regulations on how health insurance companies can structure themselves and what type of products they can or are required to offer. About Aetna Aetna is one of the nation's leading diversified health care benefits companies, serving approximately 36.1 million people with information and resources to help them make better informed decisions about their health care.

Aetna offers a broad range of traditional and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, group life and disability plans, and medical management capabilities and health care management services for Medicaid plans. Our customers include employer groups, individuals, college students, part-time and hourly workers, health plans, governmental units, government-sponsored plans, labor groups and expatriates. For more information, see

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www. etna. com and Aetna's Annual Report at www. aetna. com/2009annualreport. Aetna Aetna (NYSE: AET) has long been a leading health care-oriented insurance company, dedicated to providing people with the means to achieve financial security and peace of mind. By offering employee benefits and long-term care insurance as well as health care, disability, group life, dental, and pharmacy insurance, Aetna uses information and resources to help their members make informed decisions about the types of health care they need.

The Aetna insurance company serves both employer and individual markets. Aetna provides benefits to employers in all states, with products and services tailored to employers of sizes, from smaller companies to large national employers. In some markets Aetna also provides products and services to individuals and Medicare beneficiaries. Aetna is committed to providing access to cost-effective health care of the highest possible standard, to protect people against health-related risks and enable them to achieve both good health and financial security.

Aetna has provided such products and services for 150 years, and has the ability to be a leader in building a strong and effective system of health care by cooperating with health care professionals and public officials. The primary goal of Aetna is to provide innovative products and uncomplicated information that gives its customers the tools they need to make the best possible insurance choices to safeguard their health and financial security.

Two types of health care and dental plans are offered: a risk basis plan where the company assumes most or all of the risk of costs, and an employer-funded basis plan, where the plan is sponsored via an <https://assignbuster.com/health-insurance/>



administrative services contract. In the latter situation, it is the plan sponsor rather than the company that assumes the risk. By having a variety of choices, Aetna ensures its clients can find an insurance product to match their needs. Another option that Aetna offers its clients is group insurance.

Most Group Life products provide renewable term coverage in fixed amounts, or amounts which are related to individual wage levels. Group Disability Insurance consists of income-replacement benefits for both short and long-term disability. Long Term Care Insurance provides for long-term custodial care expenses in a nursing home, adult day-care facility or at home. Aetna also offers Large Case Pensions, which include several retirement products, including annuities and pensions, for defined benefit and contribution plans.

These provide a variety of options, including experience-rated and both guaranteed and non-guaranteed products. Currently, however, new business is not sought. Aetna provides fully-insured, self-funded (ASO) health care products, including Aetna Global Benefits, Medicare+Choice, Pharmacy, Vision, POS, PPO and HMO. Aetna was the first national health insurance company to offer consumer-directed health plans, and continues to be an industry pioneer with products in the Aetna HealthFundA® range.

This collection of consumer-directed plans includes Aetna PharmacyFundA®, Aetna DentalFundA®, and a program for the reimbursement of long-term care premiums. Additionally, Aetna is able to offer integrated HealthFund products. As of March 31, 2006, Aetna provided medical coverage for more than 15 million members. Aetna also provides dental coverage for more than 13 million members. Aetna's™ Group Insurance business provides a competitive range of asset protection and income-replacement products, <https://assignbuster.com/health-insurance/>

including Short Term and Long Term Disability, Managed Disability, Long Term Care, Group Life, and Accidental Death & Personal Loss.

As a leader in this field, Aetna provides these services for more than 13 million members. Aetna also offers a wide range of employee benefit plans, despite the rising cost of these plans. Aetna offers employee benefit and insurance products and services that help keep costs low while maintaining a consistently high standard of health care. Services include disease management and patient safety programs, case management plans, and integrated medical, pharmaceutical, dental, disability, and behavioral health information. Aetna, Inc. is a diversified health-care benefits and insurance company that provides a wide range of both traditional and consumer-directed health-related products and services. Aetna, Inc. is a direct descendent of the Aetna Insurance Company of Hartford, Connecticut. As such, Aetna has been in the insurance business for more than 150 years. In 1996, Aetna merged with U. S. Healthcare. In the twenty-first century, Aetna has earned a 100% score on the Human Rights Campaign Corporate Equality Index three years running, and remains committed to providing excellent health care and insurance benefits in America.