

Health insurers dip modestly on reform update

TOM MURPHY - AP Business Writer - Associated Press

Shares of major health insurers fell modestly Tuesday, as investors digested a White House explanation of how several elements of health care reform will unfold later this year.

Shares of companies like WellPoint Inc. and UnitedHealth Group Inc. posted frequent wide swings last year at least partially due to the latest word out of Washington, where Congress was engaged in an intense debate over a reform bill that was ultimately passed in March.

On Tuesday, President Barack Obama, Health and Human Services Secretary Kathleen Sebelius and other administration officials marked the first 90 days since the bill's passage by talking up several elements that will start for most health plans renewing on or after September 23.

They include previously announced restrictions for insurers like a guarantee to cover children with pre-existing health problems, a ban on lifetime benefit maximums and the phasing out of annual coverage limits.

Health care stocks showed little reaction. Stifel Nicolaus analyst Tom Carroll said investors mostly see announcements or presentations like Tuesday's as "more of the same."

He also noted that insurance stocks already have been discounted for worst-case scenarios on reform, and they are selling relatively cheap when their price-to-earnings ratios are compared to historic levels.

Several parts of reform have yet to be finalized, and some of those details might stir investor reaction. These include more information on planned minimums for medical-loss ratios, which are the percentage of premiums an insurer pays in medical claims.

Analysts and investors want to know what will be counted in calculating these minimums, which are scheduled to start next year, and whether they will be phased in for individual and small-group coverage.

"I think that is the key industry catalyst that the market is waiting for," Carroll said.

On Tuesday, the Standard & Poor's 500 index fell 1.6 percent. Big health insurers fell both deeper and less than that mark.

WellPoint shares dropped \$1.52, or 2.8 percent, to close at \$53.72. UnitedHealth slid 51 cents to \$30.64. Aetna Inc. dropped 71 cents, or 2.4 percent, to \$29.20. Cigna Corp. fell \$1, or 2.8 percent, to \$34.21. Humana Inc. fell 85 cents to \$48.41.

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