Earnings Preview: Humana reports 2Q earnings

The Associated Press

Health insurer Humana Inc. reports second-quarter results on Monday before the market opens.

WHAT TO WATCH FOR: Analysts will look for signs of improvement in Humana's commercial sector, which has struggled amid the sluggish economy as employer-sponsored insurance enrollments declined. Humana posted slightly higher pretax earnings from its commercial segment in the first quarter, due to a bump in claims reserves that offset lower commercial membership.

Overall, the Louisville-based health insurer had a strong opening quarter of 2010, reporting a 26 percent climb in profit, paced by its vast government segment. Leading the way was its expanding Medicare Advantage plans, which are government-sponsored, privately run programs for seniors that offer comprehensive health coverage. Humana's Medicare Advantage membership at the end of the first quarter was up nearly 20 percent from a year earlier.

While Humana previously raised its estimate for Medicare Advantage membership for the full year, it expects a decline in stand-alone Medicare prescription drug plan membership.

Wedbush analyst Sarah James predicted a "positive" second quarter for Humana and increased her full-year estimate for the company to $5.65 per share from $5.61 per share, at the high end of her range of expected earnings for Humana.

"Despite the potential for earnings upside, we continue to expect the group to remain pressured by health care reform until regulations are released this fall," she wrote.

WHY IT MATTERS: Humana is one of the biggest Medicare Advantage plan providers, a segment that has been a consistent pacesetter for the company's solid earnings in its government segment.

WHAT'S EXPECTED: Analysts surveyed by Thomson Reuters expect, on average, earnings of $1.63 per share on revenue of $8.61 billion in the second quarter.

LAST YEAR'S QUARTER: Humana's second-quarter profit in 2009 rose more than 30 percent to $281.8 million, or $1.67 per share, compared to the same quarter in 2008. The company attributed the higher earnings in part to lower claim expenses in its Medicare drug plans and a double-digit increase in Medicare Advantage membership.

Revenue jumped about 8 percent in last year's quarter to about $7.9 billion.

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