

Earnings Preview: UnitedHealth reports 2Q earnings

The Associated Press

Managed care company UnitedHealth Group Inc. reports second-quarter results July 20 before the market opens.

WHAT TO WATCH FOR: The Minnetonka, Minn., insurer started 2010 strong. It reported a 21 percent year-over-year profit jump in the first quarter and said it had trimmed the percentage of premium revenue it spends on medical bills for its commercial insurance, a sign that it had its coverage priced correctly.

Analysts also saw signs from UnitedHealth and other insurers that the enrollment losses that have plagued insurers for several quarters may be easing.

"Investors will be looking for continued favorable trends from the first quarter," Stifel Nicolaus analyst Tom Carroll said.

However, a continuation of those trends won't automatically push the stock higher. Some investors remain worried about the impact of health care reform on the managed care sector. Insurance stocks have jumped and fallen for more than a year following reform developments.

For instance, UnitedHealth's share price dipped initially in April even though it trumped Wall Street expectations for the first quarter.

Some analysts said investors may have worried that UnitedHealth did too good of a job trimming to 79 percent its medical-loss ratio, or MLR, which measures the percentage of premiums spent on medical costs.

Starting next year, reform will require minimum MLRs of 80 percent for individual and small group health insurance and 85 percent for large group coverage. Analysts have said that some investors may worry about what an insurer will have to do to raise that percentage if it falls too far below it.

WHY IT MATTERS: UnitedHealth is the largest publicly traded health insurer based on total revenue and the second-largest based on enrollment, trailing only WellPoint Inc. It is the first big health insurer to release its earnings every quarter, and many analysts and investors see it as a bellwether for the sector.

WellPoint and Aetna Inc. follow later in the month, and both Humana Inc. and Cigna Corp. report results in August.

WHAT'S EXPECTED: Analysts polled by Thomson Reuters expect, on average, earnings of 75 cents per share on \$22.97 billion in revenue for the quarter that

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ended June 30.

LAST YEAR'S QUARTER: UnitedHealth's second-quarter profit in 2009 more than doubled to \$859 million, or 73 cents per share, compared to the same quarter in 2008, when a big legal charge dragged down the insurer's performance.

Revenue rose 7 percent in last year's quarter to \$21.66 billion.

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