Earnings Preview: Humana reports 3Q earnings

The Associated Press

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

WHAT TO WATCH FOR: Lower use of the health care system and slowing commercial enrollment have boosted financial performances for health insurers in the second and third quarters. Earlier this month, UnitedHealth Group Inc. reported a 23 percent jump in third-quarter profit with 9 percent revenue growth.

Susquehanna Financial Group analyst Chris Rigg said he expects medical cost trends to remain low and continue to drive earnings upside with Humana.

The Louisville, Ky., insurer is the second largest provider of Medicare Advantage plans, trailing only UnitedHealth. That segment has been a consistent pacesetter for the company's solid earnings in its government segment.

Medicare Advantage plans are privately run versions of the government's Medicare program. They provide health coverage for the elderly and disabled. Subsidized by the government, the plans offer basic Medicare coverage topped with extras or premiums lower than standard Medicare rates.

Rigg said he expects Humana's Medicare Advantage enrollment to be flat or up modestly in the quarter. Open enrollment for these plans starts Nov. 15, and the analyst will be looking for insight from company officials into how Humana's plans stack up to the competition.

Humana also offers Medicaid and commercial coverage and insurance for military members and their family.

WHY IT MATTTERS: Humana is the fifth-largest publicly traded health insurer based on enrollment.

WHAT'S EXPECTED: Analysts surveyed by Thomson Reuters expect, on average, earnings of $1.66 per share on $8.46 billion in revenue.

LAST YEAR'S QUARTER: Humana said its third-quarter net income jumped 65 percent last year, as strong Medicare Advantage enrollment growth boosted revenue. The insurer earned $301.6 million, or $1.78 per share, in the three months that ended Sept. 30, 2009. Revenue rose 8 percent to $7.72 billion.

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