Health insurer Humana forecasts 2011 earnings drop

The Associated Press

Health insurer Humana Inc. said Thursday it expects its 2011 earnings per share to fall by about a dollar from this year due to its Medicare Advantage program and medical cost trends, among other factors.

Shares of the company slid in early trading.

The Louisville, Ky., insurer expects full-year 2011 earnings to range from $5.35 to $5.55 per share, down from its 2010 expectation of $6.40 to $6.50 per share.

Analysts polled by Thomson Reuters expect, on average, earnings of $6.03 per share next year and $6.91 this year. Analysts typically exclude one-time items from their estimates, while Humana's projections do not.

Humana is the fifth largest publicly traded health insurer based on membership. It offers Medicare Advantage, Medicaid and commercial coverage as well as insurance for military members and their families.

A company spokesman said Humana sets Medicare Advantage projections at a conservative level, which can lead to initial guidance that falls lower than expectations for the previous year. Medicare Advantage plans are privately run versions of the government's Medicare program. Subsidized by the government, the plans offer basic Medicare coverage topped with extras like vision or dental coverage or premiums lower than standard Medicare rates.

The 2011 guidance also reflects medical cost trends in its commercial business that are expected to revert to higher levels and the loss of a South Region contract in 2012 for the Tricare military health insurance program.

"Our 2011 guidance reflects near-term challenges," Chairman and CEO Michael B. McCallister said in a statement. "Longer term, as demographic and reform-related trends expand Medicare and the individual market, our strength in retail sales and our growing emphasis on cross-selling opportunities position us favorably."

The company's 2010 earnings forecast includes a gain of 72 cents per share because leftover medical claims have come in lower than the company expected, a trend several other health insurers also have seen in recent quarters.

In morning trading, Humana shares fell $3.05, or 5.2 percent, to $55.

Source URL (retrieved on *05/22/2013 - 12:42am*):
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