Analyst: Care provider stocks remain volatile

The Associated Press

Some health care stocks remain volatile with the federal government considering a plan to cut spending and raise the nation's borrowing limit, according to a Jefferies analyst.

Analyst Arthur I. Henderson said in a Monday research note that Medicare, the federal program that provides health insurance for the elderly and disabled, "remains in the crosshairs" as Congress and the Obama administration negotiate a plan to trim the federal deficit.

The federal budget deficit is on track to exceed $1 trillion for a third straight year. The huge deficits are putting pressure on federal negotiators to come up with a plan to bring it under control. They face an Aug. 2 deadline for getting an agreement on spending cuts and a measure to boost the nation's borrowing limit.

The national debt has reached the current $14.3 trillion cap, but the Treasury Department is juggling government accounts to free up enough money to prevent the government from defaulting on its obligations until August. Republicans say they will not vote to increase the debt ceiling unless they have significant spending cuts.

Henderson wrote that big disagreements exist on health care issues, and sacrifices likely will be made. He said that until visibility improves on the issue "health care providers and investors will remain on edge."

The analyst recommends that investors focus for now on "large-cap, liquid stocks," like medical lab operator Quest Diagnostics Inc. or pharmacy benefits managers Express Scripts Inc. and Medco Health Solutions Inc. He also recommends focusing on "deep-value stocks" like hospital operator Tenet Healthcare Corp. and home health provider Amedisys Inc.

Shares of Express Scripts fell 46 cents to $55.22 in morning trading while broader trading indexes climbed less than 1 percent. Quest Diagnostics shares climbed 52 cents to $61.08 and Medco was up 7 cents to $55.25.

Tenet shares climbed 4 cents to $6.45, and Amedisys fell 66 cents, or 2.4 percent, to $27.

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