Earnings Preview: Humana to report 2Q results

The Associated Press

Humana Inc. will look to maintain the momentum of its crucial Medicare Advantage business when the health insurer reports second-quarter earnings on Monday, coming just days after a major competitor said its expenses for the popular Medicare program climbed.

WHAT TO WATCH FOR: Whether the company benefited from a lower growth rate in health care use. Some other insurers have posted higher earnings in recent days amid lower-than-expected use of health care by their members.

In its first quarter, Humana said membership in its individual Medicare Advantage offerings rose by 9 percent from the end of 2010. The Louisville-based company also posted enrollment growth in Medicare Advantage plans sold to employers. Those plans are privately run versions of the government's Medicare program, and offer basic Medicare coverage topped with extras.

Wednesday, competitor WellPoint Inc. said some of its Medicare Advantage plans were hurt by a trend in which some healthy members dropped coverage, leaving a greater concentration of people who generate more in claims than they contribute in premiums.

Wells Fargo analyst Peter Costa said in a note to investors that Humana's Medicare Advantage numbers didn't show a decline in enrollment figures released by the government in July, but he cautioned "that may not occur until next month since Humana can allow seniors not paying premiums to remain on their membership until 180 days after they have stopped paying premiums."

Humana expanded its business in recent months with the purchase of Concentra Inc., which provides occupational medicine, urgent care, physical therapy and wellness services.

"We are curious to see any further discussion of the Concentra acquisition with respect to further growth and the relationships with contracting physicians," Costa said.

WHY IT MATTERS: Humana is one of the nation's largest publicly traded health insurers, with about 10.2 million medical members and 7.1 million members in specialty categories such as vision and dental. It's also among the largest providers of Medicare Advantage plans.

Humana also offers Medicaid and commercial coverage as well as insurance for military members and their families.

WHAT'S EXPECTED: Analysts polled by FactSet expect, on average, earnings of

$2.05 per share on $9.28 billion in revenue from Humana.

LAST YEAR'S QUARTER: Humana earned $340.1 million, or $2 per share, in the second quarter of 2010, on revenue of $8.65 billion.

During last year's quarter, Humana recorded a significant write-down of deferred acquisition costs associated with its individual medical product business. The costs included some broker commissions along with underwriting and other policy issuance costs. The write-down amounted to $147.5 million, or 55 cents per share, in the second quarter.

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