

Insurer Aetna reports on 2Q performance Wednesday

The Associated Press

Health insurer Aetna Inc. set high expectations for earnings growth earlier this year, when it hiked its 2011 forecast beyond analyst forecasts, and Wall Street expects good news to come from the second quarter as well.

WHAT TO WATCH FOR: Aetna, based in Hartford, Conn., reports on its second-quarter performance Wednesday along with competitor WellPoint Inc.

Health care utilization has been lower than insurers and industry watchers expected for the past few quarters, and that has helped managed care companies turn in strong performances. Citi analyst Carl McDonald said in a note previewing the quarter that trends have not rebounded.

"It's hard to overstate the magnitude of the earnings upside we believe we should see from the managed care plans in (the second quarter) and over the balance of the year," he wrote.

UnitedHealth Group Inc. said last week its second-quarter earnings rose 13 percent, as enrollment gains helped fuel revenue growth and consumers continued to moderate their health care system use. Many analysts and investors consider the Minnetonka, Minn., insurer a bellwether for the rest of the sector.

Bernstein analyst Ana Gupte said in a separate note she expects Aetna to be among the insurers most likely to beat consensus expectations for the quarter.

In April, Aetna increased its 2011 adjusted earnings guidance to a range of between \$4.20 and \$4.30 per share, up from its previous forecast of \$3.70 to \$3.80 per share.

In the second quarter, federal regulators lifted an enrollment and marketing suspension for Aetna's Medicare products. The insurer said June 13 that it would start selling its Medicare Advantage and Medicare prescription drug products immediately.

Aetna also announced some acquisitions in the second quarter. It said on June 28 that it finished a \$600 million purchase of privately held Prodigy Health Group, which administers self-funded health plans for big companies. It also announced in June plans to buy the Medicare supplement business of Genworth Financial Inc. for about \$290 million.

WHY IT MATTERS: Aetna is the third-largest health insurer, trailing only WellPoint Inc. and UnitedHealth Group Inc. in both enrollment and revenue. Its medical

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enrollment stood at 17.8 million people at the end of March. Health insurance is Aetna's main product, but the company also sells dental, group life and disability coverage.

WHAT'S EXPECTED: Analysts surveyed by FactSet expect, on average, earnings of \$1.07 per share on \$8.25 billion in revenue from Aetna in the second quarter.

LAST YEAR'S QUARTER: Aetna earned \$491 million, or \$1.14 per share, in the second-quarter of 2010, a 42 percent increase from the 2009 quarter, when medical costs rose faster than it expected. Revenue fell about 1 percent in last year's quarter to \$8.54 billion.

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