Earnings Preview: Humana to report 3Q results

The Associated Press

Humana Inc. looks to continue the momentum from its strong profit growth in the first half of the year when the health insurer reports third-quarter earnings before the markets open Monday. Some competitors already have reported earnings that beat Wall Street expectations.

WHAT TO WATCH FOR: Health insurers have benefited from a recent trend in which health care use has grown slower than expected since the companies set premiums. Analysts point to tough economic times as a reason, saying consumers tend to scale back on their use of care after a recession.

Other prominent insurers including Aetna Inc., WellPoint Inc. and UnitedHealth Group Inc. have reported better-than-expected third-quarter earnings and raised their 2011 net income forecasts as well.

Humana posted a 35 percent surge in second-quarter profit, which followed a 22 percent rise in first-quarter profit. The Louisville-based company has reported enrollment gains in its Medicare offerings, spurring the higher profits along with the slower growth in health care use.

Humana is a leading player in the Medicare Advantage business. Those plans are privately run versions of the government's Medicare program, and offer basic Medicare coverage topped with extras. Humana said its individual Medicare Advantage membership rose 10 percent to 1.6 million members at the end of the second quarter.

Citi analyst Carl McDonald said in a recent note that he expects Humana's Medicare membership momentum to continue.

"The market is going to be surprised by the magnitude of Humana's Medicare enrollment growth in 2012," he wrote.

The company has also branched out into health care delivery with its acquisition of health care company Concentra Inc., which provides occupational medicine, urgent care, physical therapy and wellness services from more than 300 medical centers.

WHY IT MATTERS: Humana is one of the nation's largest publicly traded health insurers. It's also among the largest providers of Medicare Advantage plans, which are growing at a faster rate than commercial insurance as baby boomers become eligible for them. Humana's Medicare plans account for slightly more than half of its overall revenue.

WHAT'S EXPECTED: Analysts surveyed by FactSet forecast, on average, earnings of $2.03 per share on $9.26 billion in revenue from Humana.

LAST YEAR'S QUARTER: Humana earned $393.2 million, or $2.32 per share, in the third quarter of 2010, on revenue of $8.42 billion.

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