

# Earnings Preview: WellPoint to report on 3Q Wed

The Associated Press

WellPoint Inc., the largest health insurer based on membership, will report on its third-quarter performance Wednesday before the market opens and could provide investors with a better sense of how 2012 is shaping up for a managed care sector that has enjoyed a strong 2011 so far.

**WHAT TO WATCH FOR:** Health care costs have risen at slower-than-expected rates in recent quarters, helping insurers turn in strong performances.

Analysts say utilization growth tends to slow after a recession, as consumers pull back on their health care spending. Another quarter of slower-than-expected growth will again help performances, but insurers have warned that utilization is poised to recover.

When third-quarter earnings reports start rolling in, investors typically start paying more attention to what companies expect for the new year, as opposed to the performances they just turned in. Shares of WellPoint competitor UnitedHealth Group Inc. slipped earlier this month after it reported better-than-expected results, but executives gave a cautious preview of 2012.

They said high unemployment rates, growing care use and the health care overhaul all will combine to pressure performance.

WellPoint's profit fell 3 percent in the second quarter, as the insurer struggled with an increase in expenses driven mainly by costs for its Medicare Advantage business that came in higher than expected. The company's shares had spent the summer trading higher than \$70, but they plunged along with the broader market in late July and have stayed below \$70 since then.

**WHY IT MATTERS:** WellPoint has 34.2 million people enrolled in its health insurance plans. It runs Blue Cross Blue Shield plans in 14 states, including California, New York and Ohio. The company also is the second-largest insurer based on revenue, trailing only UnitedHealth.

**WHAT'S EXPECTED:** Analysts polled by FactSet expect, on average, earnings of \$1.68 per share on \$15.22 billion in revenue.

**LAST YEAR'S QUARTER:** WellPoint's 2010 third-quarter earnings rose 1 percent to \$739.1 million, or \$1.74 per share, but operating revenue dropped nearly 6 percent to \$14.33 billion partly due to a decline in enrollment for fully insured plans. Those plans bring in more money for insurers than group coverage that they just administer.

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