

UnitedHealth 4Q profit drops, still tops Street 4Q forecasts

January 19 2016, by Tom Murphy



This Tuesday, Oct. 16, 2012, file photo, shows a portion of the UnitedHealth Group Inc.'s campus in Minnetonka, Minn. UnitedHealth Group Inc. reports quarterly financial results on Tuesday, Jan. 19, 2016. (AP Photo/Jim Mone, File)

UnitedHealth Group closed 2015 with a 19 percent drop in fourth-quarter profit, but the nation's largest health insurer still topped Wall Street's expectations thanks in part to growth outside of its core insurance business.

The Minnetonka, Minnesota, [company](#) said Tuesday that operating [earnings](#) from its Optum segment jumped 50 percent in the quarter and now makes up nearly 40 percent of the company's annual total.

Health insurance is UnitedHealth's main business, but it has been leaning more on its Optum segment for growth, especially as it takes financial hits from coverage it sells on the Affordable Care Act's public insurance exchanges. Optum runs the company's pharmacy benefits management business, provides technology services and also operates clinics and doctor's offices.

Operating earnings from Optum climbed to \$1.5 billion from \$1 billion in last year's quarter, while operating earnings from the company's UnitedHealthcare insurance segment dropped 44 percent to \$949 million, from \$1.7 billion.

Strong growth and UnitedHealth's acquisition of pharmacy benefits manager Catamaran in a deal valued at more than \$12 billion stoked Optum results, the company said.

Overall, UnitedHealth earned \$1.22 billion in the final three months of the year, down from \$1.51 billion in the previous year's quarter. Earnings, adjusted for amortization costs, totaled \$1.40 per share.

The average estimate of five analysts surveyed by Zacks Investment Research was for earnings of \$1.37 per share.

Total revenue jumped 30 percent to \$43.6 billion, which surpassed average analyst expectations of \$43.1 billion.

BMO Capital Markets analyst Jennifer Lynch in a research note that better-than-expected medical costs and good administrative expense control helped the company's results.

But struggles on the ACA's insurance exchanges balanced some of the company's gains. UnitedHealth booked a \$245-million charge in the fourth quarter for advanced recognition of losses it expects this year from coverage it sells on the exchanges.

In total, it recorded \$720 million in losses last year tied to its exchange business.

The insurer surprised some investors and analysts in November when its leaders said they were so concerned about the viability of their business on the overhaul's public insurance exchanges that the company might decide to pull out of that market next year.

UnitedHealth had expanded rapidly into the exchanges, saying in October that it would participate in 11 more in 2016. But CEO Stephen Hemsley later said the company should have learned more about the new business before expanding.

The company covers about 700,000 people through its exchange business, a small slice of overall enrollment that tops 46 million.

For 2016, UnitedHealth still expects adjusted full-year earnings to range between \$7.60 and \$7.80 per share, a forecast it laid out last month.

Shares of UnitedHealth Group Inc. climbed 89 cents to \$110.16 more than an hour before markets opened Tuesday and after it detailed results.

The stock price had fallen 7 percent since the beginning of the year, while the Standard & Poor's 500 index has dropped 8 percent.

UnitedHealth Group is the first insurer to report earnings every quarter. The results it released Tuesday bode well for the rest of the sector, Leerink analyst Ana Gupte said in another research note.

© 2016 The Associated Press. All rights reserved.

Citation: UnitedHealth 4Q profit drops, still tops Street 4Q forecasts (2016, January 19) retrieved 25 April 2024 from

<https://medicalxpress.com/news/2016-01-unitedhealth-4q-profit-tops-street.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.