



Insight

Look Who Else Released Their Earnings Reports: Your Insurance Companies

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The general public often has a difficult time understanding earnings of large corporations, especially when those corporations are in the medical field. Our natural inclination between the current economic crisis and the undeniably [high health care costs](#) is that insurance companies shouldn't be making huge profits. And, in many cases they are not. But, that is not what it always looks like on paper.

For a better understanding of what these numbers mean, let's look at the quarterly earnings reports that were released this week by insurance companies across the country.

According to [Bloomberg](#), who compiles the data quarterly, there was an overall decline. WellPoint Inc., the largest US health insurer by enrollment, saw the biggest decline in earnings, dropping 4.8 percent. Now this may not appear to be drastic for those who are seeing other investments fall. However, for an insurance company, this loss precedes WellPoint Inc. leaving health insurance markets for senior citizens. As Medicare Advantage health costs increased this year, WellPoint Inc. and other companies had no choice but to spend more per enrollee.

In this same vein, UnitedHealth Group Inc., the largest US insurer by sales, claimed its quarterly earnings are worse than the fourth quarter of 2011. When asked about the loss in earnings, a spokesman for the company said the new regulations and mandates around the 2010 [health reform bill](#) were eating away at profits.

Upon further consideration, earnings reports are very important. They note trends in profits and losses and allow companies to inform their investors and consumers on how current policy and market forces are affecting their companies. In this case we can see how new health care legislation and regulation are negatively impacting insurance providers, and eventually, consumers.