

UnitedHealth hikes forecast, shares edge to new heights

April 16 2015, by Tom Murphy



In this Tuesday, Oct. 16, 2012, photo, part of the UnitedHealth Group, Inc. campus is shown, in Minnetonka, Minn. UnitedHealth Group Inc. releases quarterly results before market opens Thursday April 16, 2015. (AP Photo/Jim Mone)

UnitedHealth hiked its 2015 forecast after soaring past Wall Street's first-quarter expectations with a performance fueled partially by growth outside health insurance.

The nation's largest [health insurer](#) said Thursday that earnings from its Optum pharmacy benefits management segment combined with strong growth in its core insurance business helped push net income up about 29 percent to \$1.41 billion in the quarter.

Optum also offers data technology services and runs clinics and doctor's offices. Operating earnings from that segment climbed 14 percent to \$742 million, even though it also booked \$42 million in costs tied to the acquisition of another pharmacy benefits manager, Catamaran Corp. UnitedHealth announced that deal, which is valued at more than \$12 billion, last month.

UnitedHealth has expanded internationally in recent years and also has been spreading its focus by expanding the Optum segment.

That's good for the parent company because the Optum business offers growth potential and generally delivers better profitability than the health insurance side, BMO Capital Markets analyst Jennifer Lynch said.

Still, the health insurance side was no drag on the quarter's performance, with its operating earnings soaring 35 percent to \$1.9 billion. The numbers for these segments don't add up to the bottom line the company reports because Optum provides services for the insurance side.

UnitedHealth's Medicare Advantage enrollment climbed more than 7 percent to 3.2 million people, compared with last year. UnitedHealth is the largest provider of Medicare Advantage plans, which are privately run versions of the government's Medicare program for people who are over 65 or disabled.

The company also sold more health insurance to employers and individuals. That includes adding 570,000 people through the health care overhaul's public exchanges, which provide income-based tax credits or

subsidies to help customers buy plans. UnitedHealth expanded its presence on those exchanges this year.

Overall, UnitedHealth earned \$1.46 per share in the quarter that ended March 31. That's up from \$1.10 per share, or \$1.1 billion, in last year's quarter.

Revenue jumped 13 percent to \$35.76 billion.

Analysts expected, on average, earnings of \$1.33 per share on \$34.73 billion in revenue, according to Zacks Investment Research.

UnitedHealth now expects annual earnings of \$6.15 to \$6.30 per share, up from a forecast of \$6 to \$6.25 per share that it made late last year.

Analysts had been forecasting \$6.21 per share for the year, according to FactSet.

UnitedHealth also raised its revenue forecast as the Minneapolis company's first quarter backed up an optimistic vibe that company executives exuded in January, when they said the insurer was carrying momentum into 2015 from a strong finish last year.

Shares of UnitedHealth Group Inc., a component of the Dow Jones industrial average, climbed 3.3 percent, or \$3.89, to \$121.21 in midday trading Thursday, while broader indexes fell slightly. The stock price had already advanced 16 percent so far this year, as of Wednesday, and has more than doubled since the end of 2012, hitting and resetting several all-time high marks along the way.

UnitedHealth is the first insurer to report earnings every quarter, and many analysts and investors see it as a bellwether for other insurers. Competitors Anthem Inc., Aetna Inc. and Humana Inc. all will report

results later this month, and their shares also climbed in Thursday trading.

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