

UnitedHealth tops 3Q expectations, raises forecast

October 16 2014, by Tom Murphy



This Tuesday, Oct. 16, 2012, filephoto, shows a portion of The UnitedHealth Group Inc.'s campus in Minnetonka, Minn. UnitedHealth Group Inc. releases quarterly results before the market opens on Thursday, Oct. 16, 2014. (AP Photo/Jim Mone, File)

UnitedHealth Group's third-quarter earnings inched up 2 percent but that was enough to help the nation's largest health insurer trump Wall Street expectations and raise its 2014 forecast for the first time this year.

The Minneapolis-based insurer said Thursday that health care use continues to remain restrained, due in part to its medical management push. Revenue from its Optum information technology services business segment jumped 21 percent in the quarter.

Its shares rose more than 4 percent in afternoon trading.

Overall, UnitedHealth earned \$1.6 billion, or \$1.63 per share, in the quarter that ended Sept. 30. That compares to earnings of \$1.57 billion, or \$1.53 per share, last year. Revenue climbed 7 percent to \$32.76 billion.

Analysts expected, on average, earnings of \$1.53 per share on \$32.68 billion in revenue, according to Zacks Investment Research.

Health insurance is UnitedHealth's largest business by far, and the insurer covered nearly 45 million people in the third quarter, about 1 percent less than it did in last year's quarter. The company's biggest expense, medical costs, climbed 5 percent to \$23.1 billion in the quarter after soaring 13 percent in last year's quarter.

Investors and analysts have been watching this growth for signs that it might speed up faster than insurers expect, which can affect their pricing and forecasts. UnitedHealth is the first insurer to report earnings every quarter, and many see it as a bellwether for the sector.

Revenue from UnitedHealth's Optum business climbed to \$12 billion in the third quarter.

The insurer now expects full-year, 2014 earnings to range between \$5.60 and \$5.65 per share. That's up from its previous forecast for \$5.50 to \$5.60 per share.

Analysts expect \$5.58 per share.

Shares of UnitedHealth, a component of the Dow Jones industrial average, rose \$3.49, or 4.3 percent, to \$85.66 in late afternoon trading. Its shares had climbed 9 percent so far this year through Wednesday's close and have set several all-time high prices in 2014. It traded as high as \$88.85 in early September.

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Citation: UnitedHealth tops 3Q expectations, raises forecast (2014, October 16) retrieved 16 April 2024 from <https://phys.org/news/2014-10-unitedhealth-tops-3q.html>

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