

# Publicly Traded Health Insurance Companies: Financial Performance Across 2012-2015

5 Slide Series, Volume 34

March 2016

**The Menges Group**

# Overview of Nine Insurance Companies Assessed in This Report

Organization	2015 Revenues (\$ Billions)	Fortune 500 Rank
UnitedHealth Group	\$157.1	14
Anthem	\$79.2	38
Aetna	\$60.3	49
Humana	\$54.3	58
Cigna	\$37.8	90
Centene	\$22.8	186
HealthNet	\$16.2	216
Molina	\$14.2	301
WellCare	\$13.9	234
<b>Total</b>	<b>\$455.8</b>	

- The nine largest publicly traded health insurance companies collectively received more than \$450 billion in revenues during 2015.
- UnitedHealth Group is currently larger than the next two largest organizations combined.
- Impending acquisitions of Cigna by Anthem, and of Humana by Aetna, will create three organizations with more than \$100 billion in annual revenues. With Centene's acquisition of HealthNet, the nine organizations are merging into six.

2015 financial statements show Molina's 2015 revenues to be larger than WellCare; Fortune 500 list for 2015 shows WellCare as being larger than Molina (based on 2014 financial data)

# Aggregated Financial Performance Across Nine Publicly Traded Health Insurance Companies

	2012	2013	2014	2015
<b>Total Dollar Figures (\$ billions)</b>				
Revenue	\$306	\$352	\$399	\$456
Expenses	\$285	\$331	\$374	\$429
Pre-Tax Income	\$20	\$21	\$24	\$27
Taxes	\$7	\$7	\$10	\$12
Net Income	\$13	\$14	\$14	\$15
<b>Percent of Revenue</b>				
Expenses	93.3%	93.9%	93.8%	94.0%
Pre-Tax Income	6.5%	5.9%	6.0%	5.9%
Taxes	2.3%	2.0%	2.5%	2.6%
Net Income	4.3%	3.9%	3.5%	3.3%

These companies' collective financial performance was highly stable on a percentage of revenue basis throughout the four-year timeframe assessed

- Expenses consumed roughly 94% of revenue each year; creating pre-tax income of 6%
- Tax payments were 2.0% - 2.6% of revenue each year
- Net income ranged from 3.3% to 4.3%; this figure decreased slightly each year throughout the four-year timeframe
- The nine companies collectively earned their largest raw dollar net income (\$15 billion) during 2015

# Trends in Aggregated Financial Performance of Nine Publicly Traded Health Insurance Entities, 2012-2015

	Percent Increase Statistics			
	2012-2013	2013-2014	2014-2015	2012-2015
Revenue	15%	13%	14%	49%
Expenses	16%	13%	15%	50%
Pre-Tax Income	4%	16%	11%	33%
Taxes	4%	38%	17%	69%
Net Income	4%	2%	7%	14%

- These companies' collective revenues grew approximately 15% each year from 2012-2015.
- Income tax payments rose sharply – 69% from \$6.9 billion during 2012 to \$11.7 billion during 2015. (This is in addition to payroll taxes.)
- Net income increased each year, by an annual average of roughly 4%.

# Distribution of Financial Outcomes Among the Nine Largest Publicly Traded Health Insurers Show Consistent Favorable Performance and Growth

- Eight of the nine organizations earned a positive net income in each of the four years between 2012-2015; the ninth company had a loss in one year and a positive net income in the other three years.
- Eight of the nine companies increased their overall revenue every year from 2012-2015; the ninth company's revenue increased in two of the three comparison years.
- Five of the nine companies earned a larger net (after-tax) income every year from 2012-2015.

# Summary Findings

- The big health insurance companies have all recently gotten much bigger, even before the current round of major acquisitions takes effect.
- These nine organizations made a consistent and large profit margin on their entire book of business, averaging 6% of revenue across 2012-2015.
- The companies pay considerable income taxes (averaging 2.4% of revenue across the four years); these amounts have grown particularly sharply between 2012 and 2015.
- After tax net income averaged 3.7% of revenue across the four years

# 5 Slide Series Overview

Our 5 Slide Series is a monthly publication whereby we briefly discuss/address a selected topic. This series provides us the opportunity to “see something and say something” outside the confines of our client engagements. We strive to create new information in each edition – through our own data tabulations and/or through conveying our ideas and opinions.

Our website contains all editions of the 5 Slide Series and several of our client reports. To be added to our list to receive these as they are published (or to be removed), please email us at [jmenges@themengessgroup.com](mailto:jmenges@themengessgroup.com) or call 571-312-2360.

Address: 4001 9<sup>th</sup> Street N., Suite 227, Arlington VA 22203

Website: [www.themengessgroup.com](http://www.themengessgroup.com)