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## A COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF SELECT FIVE HEALTH INSURANCE COMPANIES IN USA

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## **INTRODUCTION**

The health insurance sector is influenced by market trends and the political landscape of the country, as exemplified by the recent shift towards value-based healthcare. The objective of value-based care is to deliver high-quality healthcare at reduced costs, leading to the restructuring of health benefits plans with a newfound emphasis on preventive care, departing from the traditional "quantity of care" approach.

Value-based healthcare redirects attention to population management, encourages quality-based performance from care providers, and introduces alternative payment models. These alternative payment models propose compensating for performance and the quality of care, determined by the health outcomes of patients [2,3].

Given the market's volatility and instability, financial analysis becomes essential for understanding companies' performance in terms of value for both investors and consumers. A value-based focus implies a more customer-centric spending trend, which should ideally translate into sales and market expenses.

In-depth scrutiny of a company's financial statements aids in developing a comprehensive understanding of its business performance. Conducting comparisons among companies establishes a baseline for pinpointing factors that impact performance during analysis [1].

## **RESEARCH QUESTIONS**

1. How did the liquidity, profitability, solvency, leverage, and market value ratios compare among five chosen health insurers in the United States?
2. How could the relationship of ratios among five selected health insurers in the USA be assessed using financial indicators?
3. What was the relative financial standing of five selected health insurers in the USA?

**RESEARCH OBJECTIVES**

- 1. To analyze the liquidity, profitability, solvency, leverage, and market value ratios of five chosen health insurers in the United States.
- 2. To examine the correlation of ratios among five selected health insurers in the USA using financial indicators.
- 3. To assess the relative financial standing of five chosen health insurers in the United States.

**RESEARCH METHODOLOGY**

A quantitative and comparative study design was employed, utilizing secondary data sources to conduct financial statement analysis through ratio analysis for five selected health insurance companies over a span of five fiscal years.

Data for this study was gathered from secondary sources. The research adopted a systematic approach to explore key terms relevant to the study. A thorough ratio analysis was conducted using search strings such as "Ratio analysis for health insurance" and "Financial statement analysis + Health insurance + USA."

The searches primarily took place through databases, credible financial analytic platforms, articles, journals, trade platforms, and analyst reports, with a time filter spanning the past five years. The selection of health insurance companies utilized a judgment sampling technique from the top 10 health insurers in the USA, considering parameters such as revenue and membership.

**RESULTS & DISCUSSION**

Evaluating the performance of insurance companies has become crucial as they not only serve as a savings and risk transfer mechanism but also play a role in directing funds from economic surplus units to deficit units in a manner conducive to supporting investment operations in the economy.

Company performance can have an impact on the overall economy, necessitating empirical analysis for measurement. The financial analysis, focusing on business performance, facilitated the comparison of the five selected health insurance companies. The analysis revealed that Centene Corp. demonstrated the highest revenue Compound Annual Growth Rate (CAGR) and held the largest market share.

With respect to Liquidity Ratios, the financial condition of Humana, Inc. and Anthem Inc. in 2020 was superior to that of half of all companies involved in the "Hospital and Medical Service Plans" activity. Both companies exhibited Liquidity ratios higher than the industry average, indicating a lower likelihood of facing financial challenges compared to their peer group.

Solvency ratio analysis indicated that all five selected health insurance companies had comparable solvency ratios, aligning with the industry average. This suggests that these companies were in secure positions and financially robust in terms of their debt and interest payments. It can also be inferred that the solvency ratio in 2020 was marginally affected by the impact of Covid-19.

## **CONCLUSION**

The comprehensive comparative assessment indicates that Humana Inc. holds a superior position compared to the other four selected companies in terms of return on assets, return on equity, efficiency, and Liquidity ratio. Following closely is United Health Group, excelling in valuation, return on assets, return on equity, and leverage.

Meanwhile, Centene Corp. outperforms in terms of the 5-year Compound Annual Growth Rate (CAGR) and leverage. The overall favor tilts towards Humana, making it a more attractive investment opportunity.

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