

Financial Analysis of WellCare

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Overview

For the purpose of these analyses, the types of health insurance discussed will fall into two broad categories: commercial and non commercial. The non commercial policies cover Medicare and Medicaid beneficiaries and are of four basic types:

- 1) Medicare Advantage- where a Medicare beneficiary signs over their Medicare benefits to a private insurance company to be managed by them.
- 2) Medicare Part D- which is a prescription drug program for Medicare beneficiaries mediated by the private insurance companies but paid for, in part, by the Federal Government
- 3) Medicare Supplemental policies which are private policies purchased by traditional Medicare recipients to cover their Medicare deductibles and co-insurance payments.
- 4) Medicaid Managed Care policies- in which a Medicaid recipient has their benefits managed by a private insurance company.

Commercial policies are for people not eligible for Medicare or Medicaid and fall into two basic categories:

- 1) Administrative Service Contracts (ASCs)- where employers self insure by paying for all of the the medical benefits for their employees. The insurance company handles the paperwork, determines payments and provides networks for the contracted employers.
- 2) Insured- where the Health insurance company pays for the benefits.

Health insurance policies are also divided by the different ways in which they cover benefits such as HMOs, PPOs, EPOs, etc... However, these subdivisions aren't addressed much by the financial statement provided by most of the insurance companies, so they won't be discussed here.

WellCare

WellCare, like Centene, issues only non commercial health insurance policies. Unlike Centene, though, WellCare also sells Medicare Advantage and Part D policies in addition to Medicaid Managed care policies.

Since WellCare only deals with non commercial policies they've enjoyed a spectacular increase in revenue since 2000. In 2000 WellCare's total revenue was \$431 million. By 2015 their revenue had increased more than 30 times to \$13.89 billion. At just under \$14 billion in total revenue for 2014, WellCare is the smallest health insurance company in this analysis

Total executive compensation for WellCare was \$15.32 million in 2015 with \$7.79 million going to their CEO Kenneth Burdick.

<http://insiders.morningstar.com/trading/executive-compensation.action?t=WCG>

<http://www1.salary.com/WELLCARE-HEALTH-PLANS-INC-Executive-Salaries.html>

<http://truecostofhealthcare.net/health-insurance-financial-index/>

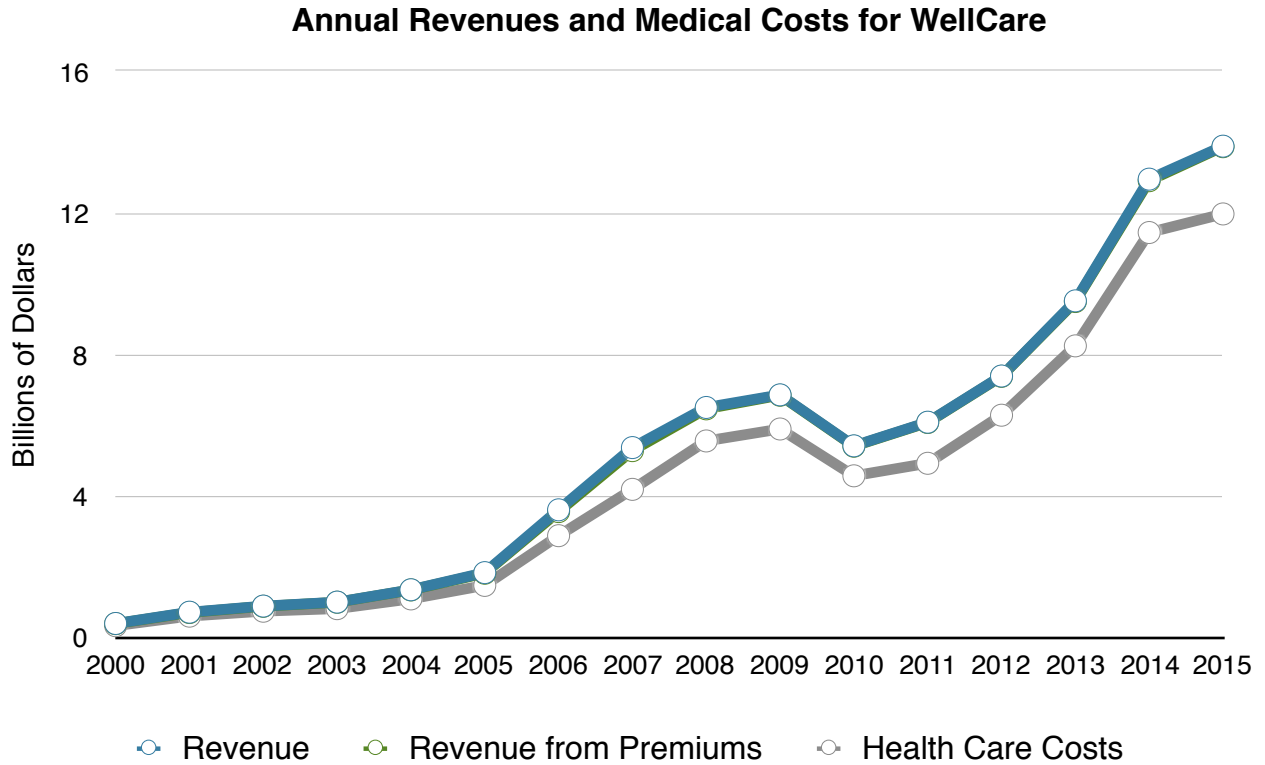


Figure 1: WellCare’s revenue in 2015 was more than 30 times what it was in 2000. This revenue growth illustrates why most private insurance companies have emphasized the non commercial sector of the health insurance business to the exclusion of commercial health insurance policies. Virtually all of WellCare’s revenue comes from premiums.

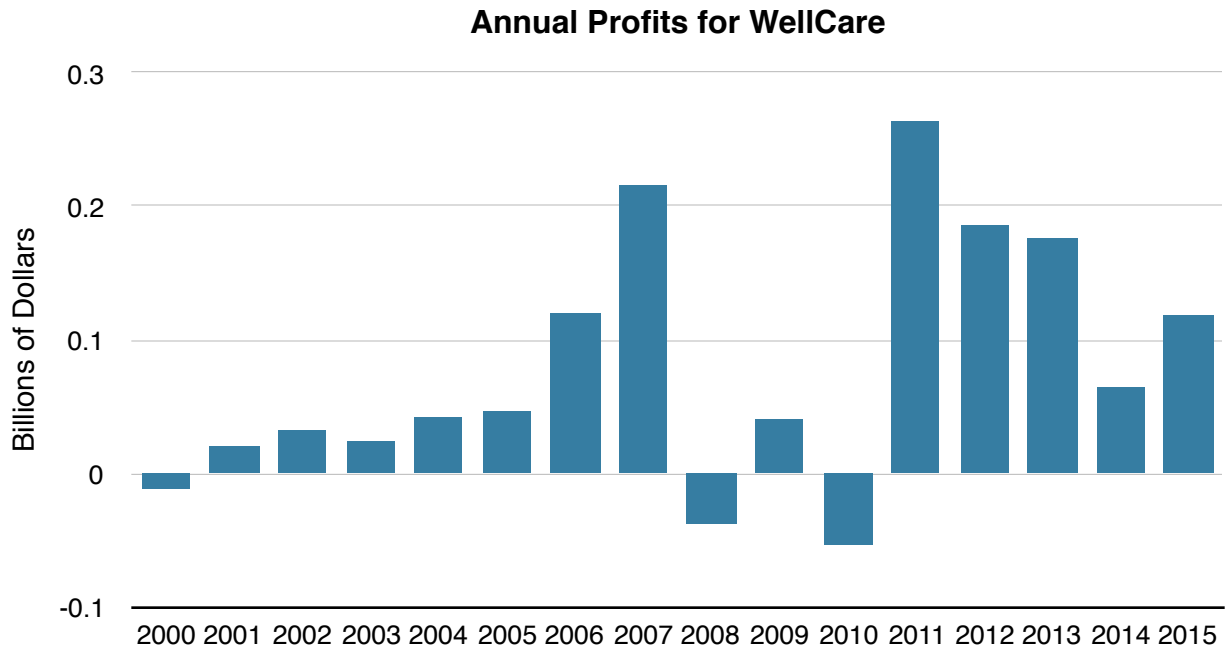


Figure 2: Profits for WellCare have been good most years, though never as exceptional as their growth.

Number of People Covered by WellCare Each Year

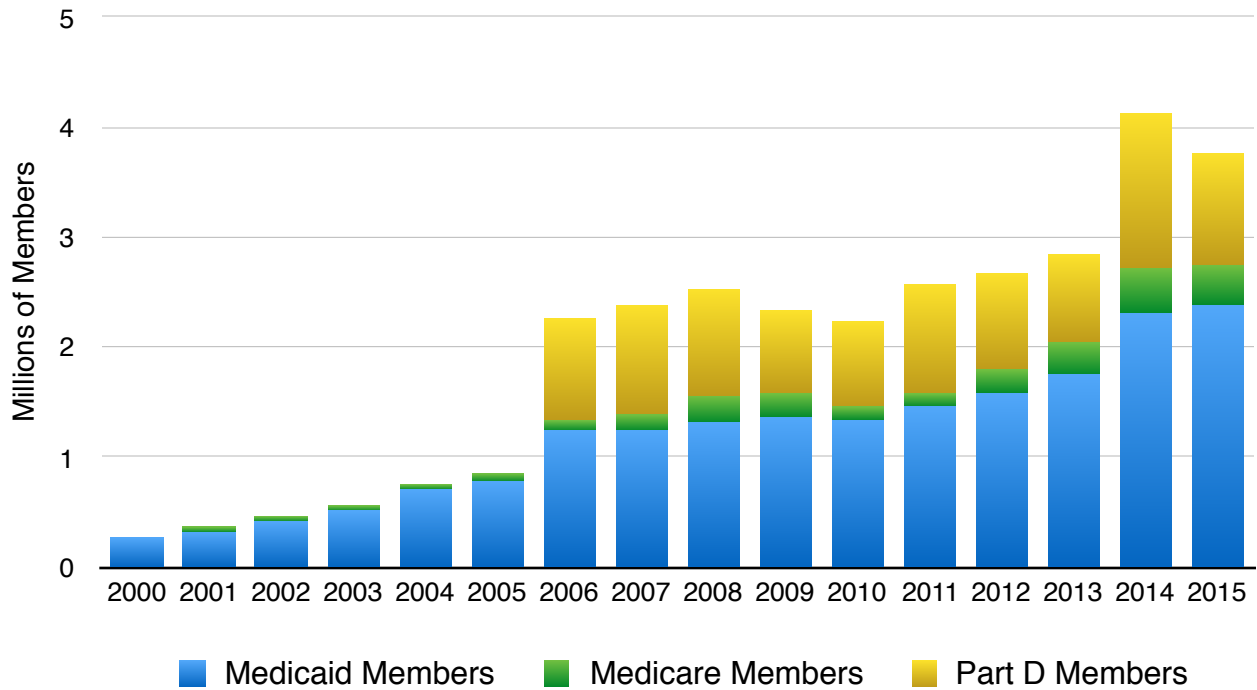


Figure 3: The majority of WellCare’s members are Medicaid beneficiaries and about one third of their policies are for Part D members. Only about ten percent of WellCare’s members have Medicare Advantage policies.

Source of Premium Revenues for WellCare Each Year

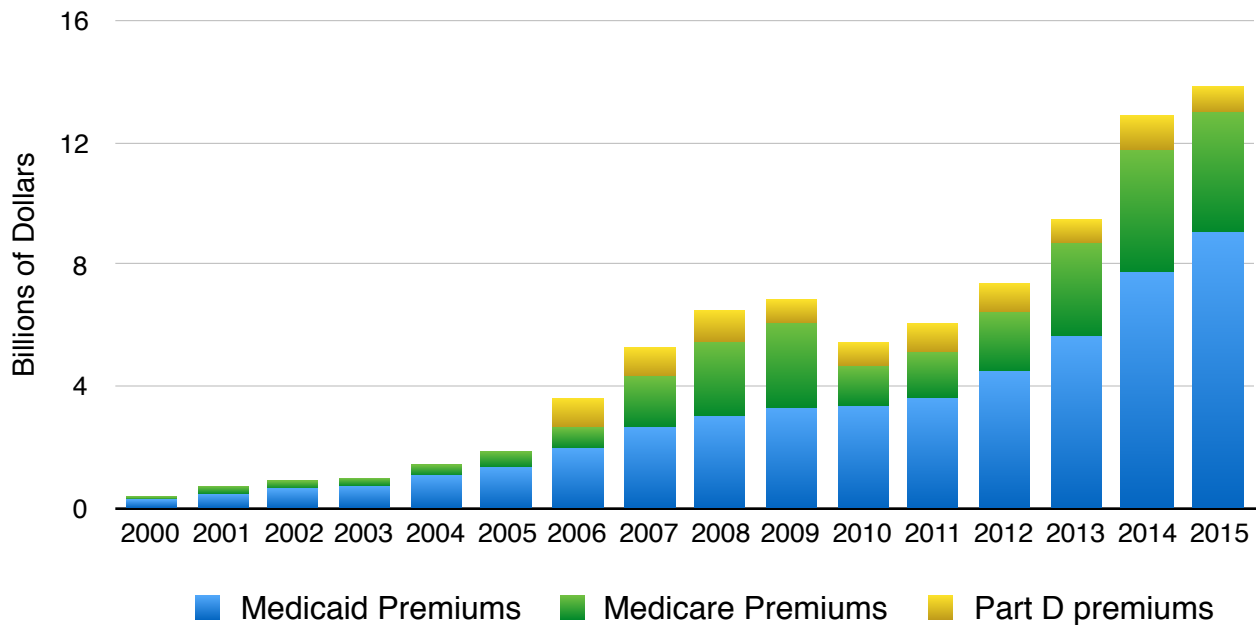


Figure 4: The total number of Medicare Advantage members WellCare has may not be huge, but the premiums they get for these policies illustrate why these policies are so popular with insurance companies.

Allocation of Medical Costs Each Year for WellCare

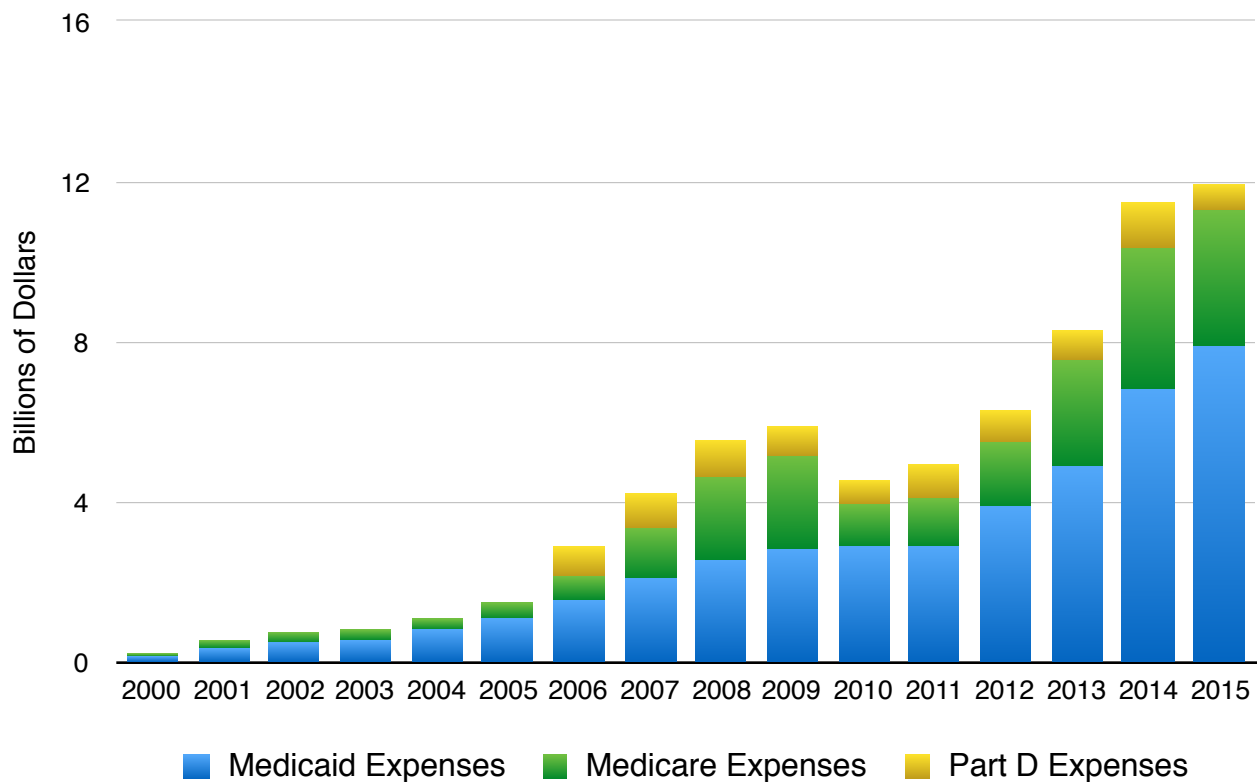


Figure 5: This figure shows that, for non commercial plans, medical expenses for each sub division are proportional to the premium revenues for that division.