Selected Industries Financial Ratios

A publication in its 40th year titled *Almanac of Business and Industrial Financial Ratios* tracks 50 operating and financial factors in nearly 200 industries. 4 measures for 8 industries are highlighted in the graphs below. They reflect tax return data (IRS Form 1120) through June of 2006. In addition, selected 2007 financial data from the nation's *Top 10* for-profit health insurers came from their SEC 10K reports.

The Almanac industries include tax returns for the following:

Industry	Tax Returns	Revenues
Hospitals , Nursing Care	10,498	$76.0B
Outpatient Care Centers	4,453	$24.8B
Engineering	60,986	$133B
Computer Systems Design	62,135	$117.8B
Management Consulting	134,243	$138.7B
Commercial Banking	30,534	$55.4B
Credit Card Issuers	46,735	$28.7B
Investment Banking	5,402	$29.4B

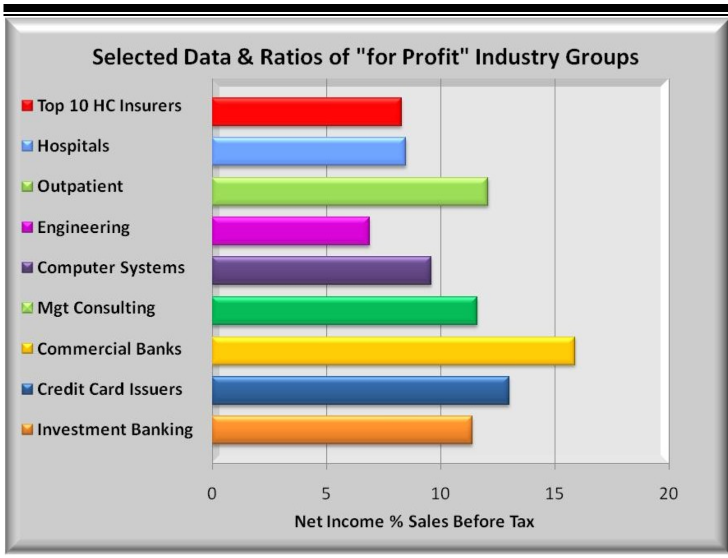
The *Top 10* health insurers had revenues of $242.5B. When comparing net income as a % of sales, these insurers ranked lower than other industries. The top 10 are in red below.

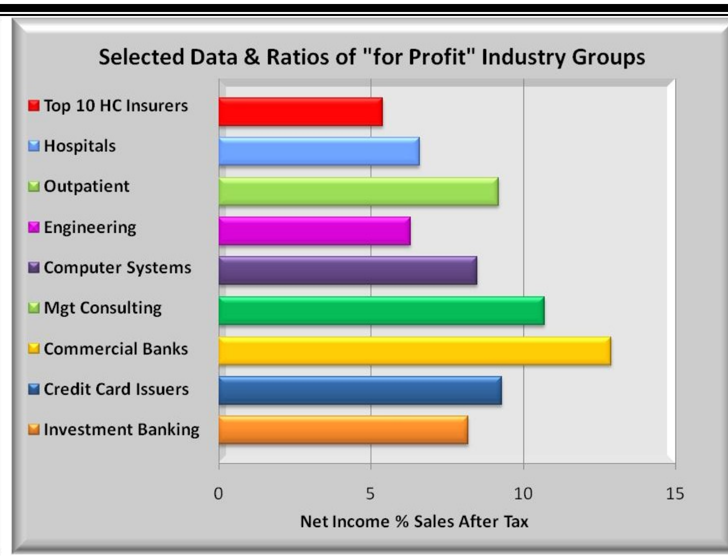
The *Top 10* pay a higher % in taxes so their before tax ratio is slightly better (upper left graph) than after tax ratio (upper right graph.) But is % of sales a proper comparison across industries? Higher revenue industries all tend to have lower Income as a % of sales than do lower revenue industries.

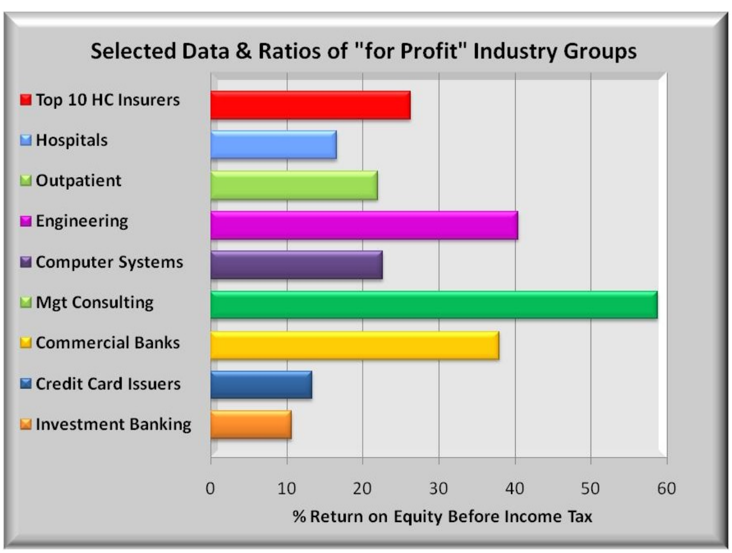
Rather than dividing net income by sales, one can divide net income by equity. Equity is how much shareholders' money is invested in the business. It takes into account loans. And it puts firms of different size on a more equal footing.

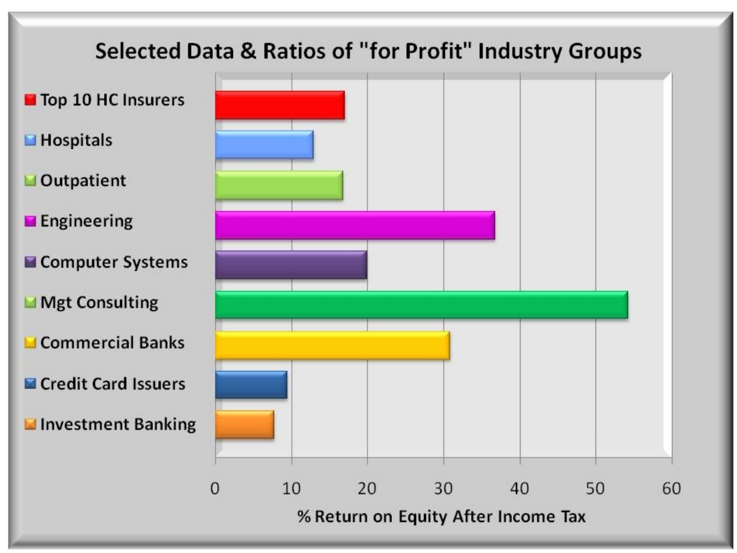
Return on equity or ROE is a recognized way for comparing companies in different industries. The lower two graphs show average ROE for the *Top 10* compared to 8 industries. Though not the highest before/after tax, *Top 10* returns exceed hospitals, outpatient care centers, computer systems design, credit card issuers and investment bankers. Returns trail highly profitable, engineering, management consulting, commercial banking, and physicians and lawyers (not shown).

In summary, health insurers are fairly profitable enterprises as currently structured. But some ask whether at least part of that profitability is derived from questionable denials of claims made by their subscribers.









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