Best Co. downgrades Health Net, CIGNA ratings.

The AP (11/15) reported that on Friday, A.M. Best Co. "downgraded ratings for health insurer Health Net Inc. on lower capitalization and declining earnings. The agency said increasing medical costs and litigation charges have reduced the company's financial flexibility. The downgrades also reflect the company's increasing debt-to-capital ratio." Specifically, Best downgraded Health Net's "financial strength ratings to 'B+' from 'B++.' Both ratings denote 'good' financial strength. Health Net's issuer credit ratings were lowered to 'bbb-' from 'bbb+.'" Meanwhile, shares of Health Net "fell 44 cents, or 4.5 percent, to $9.42 in midday trading."

The Hartford Courant (11/15) adds that A.M. Best "downgraded some Health Net companies while affirming a B+ (good) financial strength rating on Health Net of Connecticut, but with a negative outlook. ... Best downgraded some ratings on Health Net companies in California, Arizona and Oregon. The agency downgraded parent company Health Net Inc.'s credit rating to BB- from BB+ (speculative) and revised the outlook to stable from negative."

Health plan profits declining due to falling membership rates, rising medical costs. AMNews (11/24, Berry) reports, "Health plans' profits are on the decline, and executives at many of those companies say that trend might not reverse itself soon." Some analysts are speculating "that a few plans might put themselves up for sale, leading to further industry consolidation." All "publicly traded health plan saw profits fall in the third quarter, though WellPoint, the largest U.S. plan by membership, did report an increase in earnings per share." Many companies "say they are struggling with declining investment returns, falling membership and rising medical costs." In fact, health plans are "warning investors -- as WellPoint and United HealthGroup did even before third-quarter earnings reports were issued -- not to expect the profit growth of the past." Many insurers "are seeing declines in membership because more workers are losing their jobs and insurance in the weakening economy, analysts said." But, they "are still vowing not to cut premiums to keep membership, and in many cases they have raised prices."