Sector Snap: Home Health Care stocks tumble

The Associated Press

Shares of home health providers fell Thursday as the Securities and Exchange Commission formally opened an investigation into potential medicare billing fraud at Amedisys Inc. and Almost Family Inc.

Amedisys said it received a subpoena for documents relating to a Senate Finance Committee investigation and Almost Family released a similar statement. The SEC move is related to an investigation launched by the Senate Finance Committee in May that included Amedisys, Almost Family, Gentiva Health Services Inc. and LHC Group Inc.

The Senate investigation raised questions about whether the companies increased their number of patient visits out of medical necessity or in order to deliberately trigger higher Medicare reimbursements.

Amedisys fell $7.39, or 17 percent, to $36.59 in morning trading. The stock has traded between $29.71 and $64.28 over the last 52 weeks.

Meanwhile, shares of Almost Family Inc. plunged $5.40, or 15.5 percent, to $29.53 while shares of Gentiva fell $3.98, or 14.7 percent, to $23.03. Shares of LHC fell $3.02, or 10.9 percent to $24.73.

Raymond James analyst John W. Ransom downgraded shares of Amedisys to "Market Perform" from "Outperform," citing the formal investigation. He said an SEC investigation is likely to trigger further concerns surrounding coding and reimbursement for the industry, which could weigh on shares of the group for an extended period of time.

Jefferies & Co. analyst Arthur I. Henderson, meanwhile, reaffirmed a "Buy" rating on Amedisys, saying the possibility of a formal SEC investigation was priced into shares.

"We remain optimistic that this investigative process will be resolved in an immaterial matter," he said, in a note to investors.

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