

# Health Management falls on lawsuit and outlook

The Associated Press

Shares of Health Management Associates Inc. plunged Tuesday on concerns about a lawsuit by a former employee, and the hospital operator's weak outlook for the fourth quarter and 2012.

After the markets closed on Monday, Health Management said it expects a profit of 25 cents to 26 cents per share in the fourth quarter excluding restructuring costs, write-offs of deferred debt issuance costs, and other items. It forecast revenue of about \$1.58 billion. The Naples, Fla., company said admissions at hospitals open at least a year will fall 3.5 to 4 percent, and adjusted admissions will decline 1 to 1.5 percent. Adjusted admissions is a measurement that includes both inpatient admissions and outpatient procedures.

Analysts expect Health Management to report a profit of 19 cents per share in profit and \$1.6 billion in revenue, according to FactSet.

Also on Monday, an analyst for CRT Capital Group wrote about a lawsuit filed by former compliance director Paul Meyer. Meyer sued Health Management for wrongful termination, and filed a whistleblower lawsuit saying the company improperly admitted Medicare patients.

Citi Investment Research analyst Gary Taylor said Meyer may make a credible plaintiff.

"While the series of events appears concerning, the allegations are hard to reconcile with Health Management's average level of one-day stays," he said.

Health Management Associates said it was not aware Meyer had filed a whistleblower lawsuit.

Shares of the company lost 91 cents, or 13 percent, to close Tuesday at \$6.05. Earlier in the day the stock fell as much as 30.9 percent.

The company's fourth-quarter revenue guidance includes \$38 million to \$39 million in health care information technology revenue from Medicare and Medicaid. Taylor said Wall Street estimates don't include the Medicare and Medicaid revenue. If it is excluded from the company's total, its revenue fell about \$46 million short expectations.

Raymond James analyst John Ransom said volumes were weaker than expected.

For 2012, Health Management said it expects adjusted earnings before interest, taxes, depreciation and amortization of \$875 million to \$925 million. It said revenue will be between \$6.3 billion and \$6.5 billion, and admissions at hospitals open at

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Published on Medical Design Technology (<http://www.mdtmag.com>)

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least a year could decline as much as 2 percent, or could be unchanged from 2011.

Analysts expect the company to report adjusted EBITDA of \$905 million on \$6.57 billion in revenue.

The company also announced Tuesday that General Counsel Timothy Parry is leaving the company. Health Management said Parry resigned effective immediately as general counsel and secretary of the company, and he will retire from the company on March 2. Linda Epstein will be acting general counsel.

**Source URL (retrieved on 12/08/2013 - 5:59pm):**

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