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LHC Group, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Our first question comes from the line of Art Henderson, from Jefferies & Co. Please proceed.

Art Henderson – Jefferies & Co.

Hi, good morning. Congratulations on very nice quarter. A couple of quick questions. Keith, could you comment – I know you made – you gave some – a detailed overview on the acquisitions and how you're looking at them. But could you go into a little bit more color? With the Medicare changes that have occurred, is your phone ringing off the hook more now than it was previously with smaller providers struggling under the case-mix reforms? And what areas are you looking at? Are you more rural focused, are you more urban focused? What's your appetite at the moment?

Keith Myers

Yes, thanks Art. Definitely the activity has increased. I think, with the change in reimbursement methodology, it's more complex and it requires more of an investment in infrastructure. And we're finding that some providers that may have been marginally profitable under the old system are making the decision not to make that significant investment and look for a partner to come in and take their agency to the next level. As for rural versus urban focus, I think I would say we no more are less focused in rural areas than we have been in the past. I mean, I think we'll continue to be about 50% rural. The industry is 20% rural, on average. But we tend to focus in bedroom communities outside of urban areas and push out even into rural designations in some, but we haven't changed that part of our strategy at all.

Art Henderson – Jefferies & Co.

Okay. And then when you talked about increased appetite for larger acquisitions, what sort of size are you talking about there?

Keith Myers

Well, I mean, I think – I don't know if we've discussed a limit on size. I think what I'm trying to communicate is that our experience with integrating acquisitions through all of our startup teams, and Johnny can perhaps expand on that a little bit, has been so tremendous. And now with increased confidence in all of our back office systems, I believe we're going to be able to leverage the synergies

in larger acquisitions and our confidence level is quite high. We're just ready to take on bigger deals. I don't know if we have a limit.

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