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Hanger Orthopedic Group, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions)

Your first question comes from the line of Larry Solow with CJS Securities.

Lawrence Solow - CJS Securities

I asked this question last quarter. I'll throw it out to you again. You see any impact at all from the economy and maybe does the Linkia growth, or maybe providers maybe turning more to Linkia because of kind of tightening financial fiscal environment? Would that have any impact?

Thomas F. Kirk

I think there's two sides to this. There's the revenue and the cost side. Our the revenue side, we've not seen any impact. We monitor this closely. We are under-represented as you know, in some of what I will call the classic industrial heartbeat of America in Michigan, etc. But we continue to see the opportunity to use their scale in size to grow our revenue through all those mechanisms that we spoke about. And Linkia, certainly I think, has provided an opportunity for the insurance companies to manage their administrative costs and also Linkia, as you know, provides high quality; it measures customer satisfaction. So, it's just a good deal all the way around. So, from that perspective, as opposed to the economic or the economy perspective, I think Linkia has a good value proposition. So, haven't seen any negatives and we continue to watch that very closely.

The other portion of the economy that I alluded to would be on the cost side. We're recognizing that inflation seems to be going up. And certainly anything to do with energy, although that seems to have mitigated a little bit in the last few days, but we're seeing fuel surcharges and some increases from some of our suppliers on the material side but we're doing our best to manage through those, consolidate our buy wherever we can, and try to use all the tools that our scale will give us in order to manage through that. Nothing disastrous at all as evidenced from our results but it's something that we are looking at everyday, really, Larry.

Lawrence Solow - CJS Securities

Okay, and then in terms of WalkAide, you had spoken that there was some publication expected, I guess, from your earlier results out of Alberta. Is that still scheduled for some time this year?

Thomas F. Kirk

Yes, it is. The inventor has put together some research. He's got several research projects that have concluded. He has submitted those drafts. One is on the physical side; one is on the thing called neuroplasticity, in terms of enhancing brain activity to actually have the brain re-train so it can do the job that the damaged part no longer is capable of providing. They are into magazines. Our understanding that the magazines have made a few comments back and he's cleaning those up. So, we would expect that this year, as you've suggested, that we're going to see those publications out on the market.

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