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HealthSouth Corporation Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question is from Ann Hynes - Leerink Swann.

Ann Hynes - Leerink Swann

So, on the volume growth in the quarter, I was actually surprised, it was so strong. I expected negative just because one, hospital acute care volumes were so weak, and two, you were ramping up. So what were you seeing in your markets that actually produced volume growth?

Jay Grinney

As you know, Ann, we have been focusing on taking market share for the last three years, and in the middle of 2007, we launched our TeamWorks initiative. Clearly we have a lot more hospitals to roll this out to, but we did start to see some of that improvement in the fourth quarter. And as we move into the first quarter, we are very encouraged by the results that we're seeing.

Ann Hynes - Leerink Swann

Okay. And when you look at 2008, you look at your hospitals, they've been positioned to almost shrink volume to meet the criteria for the 75% Rule. And you almost have to change your entire strategy and move now from shrinkage to growth. So, how are you doing that on a hospital-to-hospital basis, and with your team, and it's such a change from the past few years?

Jay Grinney

That is a great observation. From a cultural standpoint, that's probably the biggest challenge that we face because as you correctly point out, the industry over the last three years with the 75% Rule has been shrinking considerably.

We felt very good about the fact that we kept our head above the water, and on a relative basis, did much better than our competitors. But as we go into 2008, clearly our focus at the corporate office and definitely at the hospital level is to grow volumes to bring more patients in and to ensure that we continue to provide high quality care.

We recognized back in early 2007, that either the rule was going to get changed by the end of 2007 or it wasn't, but in either case, focusing on volume growth was going to be paramount to our long-term success. And that's precisely why we then developed this TeamWorks initiative.

I think what's important, and it gets to the heart of your question, what's important to keep in mind, is that this TeamWorks initiative is consultant-enhanced and facilitated, but the product is ours.

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