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## RehabCare Group, Inc. Q4 2007 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Our first question comes from Rob Hawkins, from Stifel Nicolaus. Please state your question.

#### Rob Hawkins – Stifel Nicolaus

Thank you. I have a couple of questions. One is on the insurance true-up. I'm trying to figure out how to look at that. First, do you guys account for that at the corporate level, or is that accounted for, or allocated to the different divisions?

#### Jay Shreiner

It's allocated to the divisions.

#### Rob Hawkins – Stifel Nicolaus

Okay, so that 1.4 million's in there. And I guess in some ways I guess it's hard to look at it for the quarter, but that's probably a decent add back for the year. Is that the right way to look at it to try to truly figure out what your true costs were for insurance?

#### Jay Shreiner

I think, I would look at it on the quarters. We're saying that it's \$0.05 or about \$1.4 million benefit. And we also had \$1.2 million in the third quarter, but that's a one-time, those are one-time savings. When we get into the first quarter we're going to be resuming back to a normal run rate again.

#### Rob Hawkins – Stifel Nicolaus

So can you help me understand the run rate? Or an aspect of it that I don't know if you guys ever talked about. What are the actuaries typically suggesting you book, either as a percentage of revenues or on a whole dollar basis? And I know a lot of this has to do with how good a year you're having. And it seems like this is not only you guys who're being impacted, a lot of other companies are also, are finding that claims are down.

#### Jay Shreiner

Well, the accrual that we book is to an actuarial assessment of what future, what claims will be. We have not disclosed a specific dollar amount for these costs in the past. So, I think if you look at it from

the perspective of that we had \$0.29 reported in the fourth quarter, we're saying that \$0.05 of that relates to this benefit. And we also had a tax adjustment. That's about \$0.01 cent. So we're looking at a normalized fourth quarter of about 23 cents.

**Rob Hawkins – Stifel Nicolaus**

Okay. Alright, fair enough. And then, I guess related to the Contract business. You guys are saying that for the first quarter it looks like you're adding 21 contracts, and last quarter you added 25, is that right? I guess it was a net. Let's see. You added 25 and 46. 25 you canceled for non-payment, 21 clients took elsewhere. Is there a sense of where first quarter net number are going to come out? Or is that 21 number in that number?

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