Hanger Orthopedic Group Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from Adam Feinstein.

Adam Feinstein - Barclays Capital

Okay, great. Good morning, everyone.

Thomas F. Kirk Ph.D

Good morning, Adam. How are you?

Adam Feinstein - Barclays Capital

I am doing well. Very strong quarter, here. Just a few questions, may be just a couple of housekeeping questions. Just wanted to make sure, and I apologize I missed the first couple of minutes. But, did you breakout the pricing relative to the volume in the same store growth number?

George McHenry

We ... same store sales were 6.1. We attribute the pricing to 2% of that and then the balance we split 75% to volume and 25% to mix.

Adam Feinstein - Barclays Capital

Okay. So,... okay, great. And then just on the bad debt side just, do you have a bad debt number for the quarter first?

George McHenry

Sure, bad debt for the quarter was 2.2%.

Adam Feinstein - Barclays Capital

2.2%. And how does that compared to last year, George?

George McHenry

Last year was 2.3% and for the year, we were 2.3% compared with 2.5%.

Adam Feinstein - Barclays Capital

Okay.

George McHenry

So, we... our collections were strong. We've got, actually our reserve went up a bit, even with that lower expense. So we had a very strong year from a collection's standpoint and feel good about that result.

Adam Feinstein - Barclays Capital

Okay. And you made reference to the economy and just clearly a big unknown area, but as you are thinking about bad debt for the coming year, just may be just walk us through a little bit in terms of process. And then just curious in terms of your thoughts, I guess in terms of the past, what's the highest that that number's been?

George McHenry

Well, let me first address your question on the, looking forward into 2009. We, in our ... inherent in our projections that, what with the guidance we just give is about 2.5% bad debt expense. So we were a little conservative in our internal projections, assuming that there could be some pressure on co-pays (ph) going forward.

Now, we think our process helps us in terms of collecting co-pay (ph) and that's where real exposure is as opposed to the 80% that is being paid by the insurance companies or Medicare. And because we collect that before the device is delivered, and which is a process that's pretty similar to what you see when you are in any doctor's office.