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Healthways, Inc. 2008 Guidance Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from Thomas Carroll with Stifel Nicolaus & Company.

Thomas Carroll - Stifel Nicolaus & Company

With respect to the qui tam lawsuit that you mentioned in your press release, I have a two-part question. What does your counsel tell you about the potential timing of when a trial date may be set on that because it looks like it was remanded on December 9, '08, so we're two months into that situation, so maybe some feedback on timing, and then secondly, if you could please size for us what substantial increase in legal fees potentially means to '09 earnings.

Ben R. Leedle

Let me make sure I give a little bit of overview on this. Obviously, there may be some things that you may be asking that we're just not at liberty to give detailed detail, but as you do know, we have discussed this lawsuit in our filings for a good period of time now. The lawsuit was filed over 14 years ago, and the allegations relate to a legacy business line involving the operation of inpatient diabetes treatment centers and hospitals, and a lawsuit does not, it is important to understand, relate to the company's current business or the services provided to current customers. The plaintiff is a terminated employee who is bringing this lawsuit on behalf of the government, and the government investigated the allegations when the lawsuit was originally filed, and the government decided not to intervene and prosecute the case.

As we've discussed in our filings, the case has been remanded back to Nashville for trial, and while a trial date has not yet been set, it is possible that the trial could be scheduled for 2009 or early 2010 as I think we mentioned in our press release, and we do not have specific reserves for this case, and in the event the trial is set for 2009 or even early 2010 or were we to settle this case, we just thought it was appropriate to be clear that such events had not been factored into the guidance that we provided today, and then obviously with respect to the substance of the lawsuit, we just continue to believe that the plaintiff's claims lack merit and that the evidence will show that we conducted our operations in compliance with the applicable laws. I know you're asking for a sizing of this and some timing, but those specifics aren't available, or we'd be out there with that information for you.

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