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## America Service Group Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. (Operator Instructions). Your first question comes from Kevin Campbell – Avondale Partners.

#### Kevin Campbell – Avondale Partners

Good morning, thanks for taking my question. I was hoping you guys could talk a little bit about your guidance and what you're assuming there as it relates to pricing and your typical CPI rate increases. Are you assuming you get the full rate increase for all contracts effective July 1st? Are you hair cutting that to some extent? Obviously given the budget environment would love to hear your thoughts on that.

#### Mike Taylor

Kevin we do anticipate some level of increase in most all of our contracts as they come up for the next contract year. I would say that those expectations are tempered a bit obviously by the overall economic environment. So our estimates of same contract growth if you will would come out less than they have historically. We are anticipating somewhere between 3% and 4% pricing changes on contracts at the moment.

#### Kevin Campbell – Avondale Partners

So you're anticipating 3% to 4% and historically maybe it's been a little bit higher or has it historically it been 3% to 4% and you're expecting it to be a little bit below that?

#### Mike Taylor

No, it has historically been higher in most years. We've seen years where it's been double digits because of the healthcare inflation or change in scope of services. But certainly, this year we don't anticipate nearly as much of that. We've seen kind of mid to high single digits in most of the last five to seven years. So we think three to four is a more conservative view based on the reality of what's happening around us.

#### Kevin Campbell – Avondale Partners

Have you had any negotiations with any state or county customers right now about adjusting your contracts to help them reduce their costs? And if so, what is the benefit that they are willing to offer you to help them lower their costs?

**Mike Taylor**

We've seen things that are very similar to what happens every year, honestly, when we sit down with our clients. They're always looking for more cost-effective ways to provide care in this setting. And oftentimes, historically, when we've had budgetary issues raise their heads with our clients, it has given us an opportunity to sit down with the client and really redo the staffing mix, if you will, to provide care in this setting.

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