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## Healthways Inc. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

Thank you. (Operator Instructions) Your first question comes from Thomas Carroll - Stifel Nicolaus & Co., Inc.

**Thomas Carroll - Stifel Nicolaus & Co., Inc.**

I was wondering in terms of the revenue number you guys put up, it was higher than we were expecting. I wonder if you could give us some clarity on that, so maybe break it into three buckets if you could. You know, core commercial, international and MHS. Was there any MHS contribution in the quarter?

**Mary A. Chaput**

No there was no MHS contribution in the quarter. The international was up slightly, and again we've done comparisons over the fourth quarter I think in my script, and it was actually declined about \$200 thousand and that was related to foreign exchange rates during that period. I'd say that the biggest increase came from the participation in the Silver Sneakers Program, which I think we had consciously estimated a level of membership with that, and I think I would say it exceeded our expectation. And of course we had the new contract starts which we expected. So a little bit offset by attrition, but basically it was a good quarter.

**Thomas Carroll - Stifel Nicolaus & Co., Inc.**

So there's nothing in that revenue number that you consider to be a one time item at all?

**Mary A. Chaput**

No.

**Thomas Carroll - Stifel Nicolaus & Co., Inc.**

The follow up to the revenue question really, and you're hitting on it with the Silver Sneakers comment, is maybe – and this is probably early relative to next year, but how do you think about the changes in the recent Medicare Advantage payment and its potential impact on the Silver Sneakers Program going forward?

**Ben R. Leedle Jr.**

Tom, this is Ben. I think it's a great question and obviously there's some that question the viability overall for Medicare Advantage. I think we kind of look out and say reform will take its shape around Medicare with a high rate of intensity. We expect Medicare Advantage to continue and we do expect the health plans running those programs to be under some degree of pressure over time as the rates get adjusted.

The one thing we've talked about in terms of the Silver Sneakers Program, and again there are solid third party publications around the outcome for those programs and I would leave you with some thoughts about that. One is this is a marketing tool of differentiation for those Medicare Advantage plans to attract Medicare beneficiaries to join their plan. If they're interested in joining the plan because they have these unique programs, they are members that are able to be transported to or get to the fitness center and to participate in a physical activity program which obviously tends to be a group that is attractive to those health plans that they've looked to grow their membership.

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