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Coventry Health Care, Inc., Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). We'll go first to Joshua Raskin - Barclays Capital.

Joshua Raskin - Barclays Capital

First, on the Private-Fee-For-Service business and I don't think it was a complete surprise that you guys were looking to exit some of that business, but two questions on it. What are we waiting for in terms of its final decision in the next couple of days? Is there a specific data-point that you are awaiting? Is it closing April or what have you? What exactly is the transition plan? You are talking about \$3 billion to \$4 billion of potential revenues just walking out of the door; is there a potential for some of that to be reined in through some of your coordinated care plan, and how are you exactly attacking the SG&A and how much of that is variable?

Allen F. Wise

With regard to your first question; a couple of events. I think the filing date with CMS is on Friday, but we have a Board meeting on the 30th which I believe is Thursday; that is a non-scheduled meeting and given the significant revenue and given our '08 results, our Board of Directors at the time of our last meeting thought it warranted an in-person meeting. So, I along with the management group will be meeting with them on the 30th and present to them what our view is. So, step one, I want their ratification on something as important as this is to the company; and step two, there is still a little work continuing, but I think we can't improve on the verbiage that we gave you which is that it's unlikely that there will be much in the way of substantial piece left because of the 10-point hurdle there and because of our fast-performance there.

On the other hand on the network-based business, we have been there a long time; we've been in that business in some of the markets for 50 years. We think it's important and the best way to deliver care for the future. We think we understand how to improve our cost structure. The effort to manage the patients is not rhetoric. It's going to take a lot of work and a lot of time and a lot of resources, but I think that necessity is the mother of invention and we've been talking about this for a long time and that we will be doing what we can to grow that we'll be doing whatever is necessary to manage it better.

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