

# Swine flu boosts HMA visits

## More patients seen in emergency rooms

BY TIM ENGSTROM • TENGSTROM@NEWS-PRESS.COM • OCTOBER 28, 2009

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The busy flu season - including the H1N1 outbreak - boosted emergency room visits to hospitals owned by Naples-based Health Management Associates Inc., but was less of a factor for quarterly admissions growth, executives said Tuesday. On Monday, HMA reported net income of \$25.4 million, or 10 cents per share, in the quarter, up from \$10.8 million, or 6 cents a share, in the same period a year ago.

The results beat consensus Wall Street forecasts by 1 cent per share, but shares tumbled sharply in Tuesday trading. Shares closed at \$6.82, down 66 cents, or 8.8 percent, from Monday's close. The company reported adjusted admissions increased 7 percent, emergency room visits increased 12.9 percent and surgeries declined 0.2 percent. Revenue per adjusted admission fell 1.1 percent.

In a note to investors, Stifel Nicolaus & Co. analyst Robert Hawkins reaffirmed his "Hold" rating on the stock, saying pricing and profitability were weak, pointing to the revenue per adjusted admission.

Executives said the impact of the flu was smaller than company efforts to increase admissions by recruiting doctors and other factors.

"We did have pockets of flu throughout the company in the quarter," chief executive officer Gary Newsome said. "We have seen some influence of the flu, but it is minimal compared to the uptick in volumes."

However, the admissions did shift toward medical care and away from surgical care, reducing revenue per admission, chief financial officer Bob Farnam said. Surgeries carry a higher profit margin.

While tackling the flu season, the hospitals have operated smoothly, Newsome said.

"We have not had any capacity issues at our hospitals and we have not experienced any staffing shortages because of the flu," Newsome said.

HMA operates 54 hospitals, including Lehigh Regional Medical Center in Lehigh Acres and two Physicians Regional campuses in Collier County.

During the quarter HMA signed a non-binding letter of intent to acquire the 492-bed Sparks Health System located in Fort Smith, Ark. That process is still under way, executives said.

Executives repeated a forecast of annual earnings of 45 to 49 cents per share for the year.

In a note to investors, Deutsche Bank-North America analyst Darren Lehrich also said patient volume growth was promising.

"We are encouraged by Health Management's turnaround on the volume front, and we believe these operating metrics suggest real traction is being sustained with regard to recapturing market share and physician support," Lehrich said.

**- The Associated Press contributed to this report.**