

Health Law Week

January 26, 2007

FOCUS Healthcare settles class action

**SECTION:** Pg. 2

**LENGTH:** 133 words

FOCUS Healthcare Management Inc., a subsidiary of **Concentra**, has announced the settlement of a class action **lawsuit** filed in 2004 in state court in Calcasieu Parish, La.

According to the **lawsuit**, FOCUS provided insufficient notice of PPO discounts agreed upon by healthcare providers. **Louisiana** law required a smaller time window for notice to be given.

Under the settlement, FOCUS will pay \$12 million into a fund to provide for the class members. In addition, FOCUS will pay \$250,000 to cover expenses related to the administration of the settlement process.

Source: Health Law Week, 01/26/2007

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Business Wire

January 11, 2007 Thursday 9:04 PM GMT

Concentra Operating Corporation Subsidiary Settles Class Action **Lawsuit** in Louisiana

**LENGTH:** 591 words

**DATELINE:** ADDISON, Texas

Concentra announced today that one of its wholly owned subsidiaries, **FOCUS Healthcare Management, Inc.**, has tentatively settled a class action **lawsuit** in Louisiana. The case, Gunderson, et al. v. F.A. Richard & Associates, Inc., et al., has been pending since 2004 in the state court of Louisiana, Parish of Calcasieu. The company, along with other preferred provider organizations (PPOs), insurance companies and third-party administrators, had been sued by four Louisiana health care providers alleging that the defendants provided legally insufficient notice under Louisiana law of PPO discounts to which the health care providers had contractually agreed. Similar cases were also filed against insurance carriers, PPOs and third-party administrators in the state court trial system and the workers compensation court system. In the settlement, FOCUS has agreed to create a \$12 million settlement fund and to pay an additional \$250,000 to cover actual expenses related to the administration of the settlement of the class action. The parties to the class action have mutually agreed that the settlement represents a compromise of disputed claims and is not an admission of liability for any purposes. The settlement remains subject to final court approval, following notice to class members.

Concentra Operating Corporation, a wholly owned subsidiary of Concentra Inc., is dedicated to improving the quality of life by making healthcare accessible and affordable. Serving the occupational, auto and group healthcare markets, Concentra provides employers, insurers and payors with a series of integrated services that include employment-related injury and occupational healthcare, in-network and out-of-network medical claims review and repricing, access to preferred provider organizations, case management and other cost containment services. Concentra provides its services to approximately 200,000 employer locations and more than 1,000 insurance companies, group health plans, third-party administrators and other healthcare payors. The Company has 310 health centers located in 40 states. It also operates the Beech Street and FOCUS PPO networks.

This press release contains certain forward-looking statements, which the Company is making in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that all forward-looking statements involve risks and uncertainties, and that the Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, changes in nationwide employment and injury rate trends; operational, financing and strategic risks related to the Company's capital structure, acquisitions and growth strategy; the adverse effects of litigation judgments or settlements; interruption in its data processing capabilities; the potential adverse impact of governmental regulation on the Company's operations; competitive pressures; adverse changes in market pricing, demand and other conditions relating to the Company's services; possible fluctuations in quarterly and annual operations; and dependence on key management personnel. Additional factors include those described in the Company's filings with the Securities and Exchange Commission.

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## **Concentra Operating Corporation Subsidiary Settles Class Action Lawsuit in Louisiana**

### ***MarketWatch***

*Last Update: 4:04 PM ET Jan 11, 2007*



ADDISON, Texas, Jan 11, 2007 (BUSINESS WIRE) -- Concentra announced today that one of its wholly owned subsidiaries, FOCUS Healthcare Management, Inc., has tentatively settled a class action lawsuit in Louisiana. The case, Gunderson, et al. v. F.A. Richard & Associates, Inc., et al., has been pending since 2004 in the state court of Louisiana, Parish of Calcasieu. The company, along with other preferred provider organizations (PPOs), insurance companies and third-party administrators, had been sued by four Louisiana health care providers alleging that the defendants provided legally insufficient notice under Louisiana law of PPO discounts to which the health care providers had contractually agreed. Similar cases were also filed against insurance carriers, PPOs and third-party administrators in the state court trial system and the workers compensation court system. In the settlement, FOCUS has agreed to create a \$12 million settlement fund and to pay an additional \$250,000 to cover actual expenses related to the administration of the settlement of the class action. The parties to the class action have mutually agreed that the settlement represents a compromise of disputed claims and is not an admission of liability for any purposes. The settlement remains subject to final court approval, following notice to class members.

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SOURCE: Concentra Operating Corporation

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March 11, 2007

REHABILITATION RESEARCH;

**Concentra Operating Corporation** Reports Fourth Quarter and Year-End Results

**SECTION:** EXPANDED REPORTING; Pg. 89

**LENGTH:** 1527 words

**Concentra Operating Corporation** ("Concentra" or the "Company") announced results for the fourth quarter and year ended December 31, 2006. The Company reported consolidated Adjusted Earnings Before Interest Taxes Depreciation and Amortization ("Adjusted EBITDA") of \$28,620,000 for the quarter compared with \$34,160,000 reported during the same period in 2005. The Company's results for the quarter included \$12,377,000 in expenses associated with the previously announced settlement of a class action **lawsuit** in Louisiana. Concentra computes Adjusted EBITDA in the manner prescribed by its bond indentures, and a reconciliation of Adjusted EBITDA to net income is provided within this press release.

The Company reported Adjusted EBITDA for the full year of \$170,960,000 as compared to \$165,022,000 in the prior year. In addition to expenses related to the class action **lawsuit** settlement, the Company's current year results also included \$3,953,000 in professional and other related expenses related to a potential transaction that was evaluated in the second quarter.

Revenue for the fourth quarter of 2006 increased 10% to \$328,108,000 from \$297,758,000 in the year-earlier period. Fourth quarter revenue reflected growth in all areas of the Company, but most notably in the Company's Health Services and Network Services segments. The Company's results for the fourth quarter are comparable to the year-earlier amounts with respect to Concentra's 2005 acquisition of Beech Street Corporation ("Beech Street"), which was completed on October 3, 2005. In addition, the late October 2005 acquisition of Occupational Health + Rehabilitation Inc ("OH+R") benefited reported growth.

Concentra's gross margin for the quarter increased 12% to \$72,144,000 from \$64,589,000 in the same period last year. Operating income decreased to \$15,577,000 as compared to \$19,529,000 in the fourth quarter of last year primarily due to expenses associated with the settlement of the class action **lawsuit** in Louisiana. Due in part to an increase of \$764,000 in interest expense in the fourth quarter of 2006 and the recognition of a loss of \$6,029,000 in the prior-year period for the early retirement of debt, the Company's loss from continuing operations totaled \$353,000 for the fourth quarter of 2006 versus a loss of \$143,000 in the year-earlier quarter.

As of December 22, 2006, the Company sold its First Notice Systems, Inc. subsidiary ("FNS") for \$50 million in cash, of which Concentra applied approximately \$25 million to the repayment of its senior term indebtedness. Accordingly, the direct revenue and expenses associated with the FNS operations have been aggregated, along with the gain on sale, and are presented as discontinued operations in the Company's financial results for 2006 and 2005. Net income for the fourth quarter, including

discontinued operations, was \$3,362,000 versus \$212,000 in the fourth quarter of 2005.

Concentra's revenue for the year increased 15% to \$1,298,829,000 from \$1,133,347,000 for 2005, while gross profit increased 19% to \$305,347,000 for 2006 from \$256,740,000 for 2005. Operating income declined to \$116,580,000 for 2006 from \$122,303,000 for 2005, as general and administrative expenses increased to \$183,070,000 in 2006 from \$132,439,000 in previous year. Higher general and administrative expenses for 2006 were primarily a result of the settlement of the class action **lawsuit** in Louisiana; increases in non-cash equity compensation expense to \$9,518,000 in 2006 versus \$4,162,000 in 2005; the incurrence of professional and other related expenses related to a potential transaction that was evaluated in the second quarter; and increases related to the acquisitions of OH+R and Beech Street during the fourth quarter of 2005. Additionally, due to an increase of \$10,319,000 in interest expense in 2006, and considering the recognition of a \$19,000,000 income tax benefit in the results for 2005, as well as the prior-year loss of \$6,029,000 on early retirement of debt, income from continuing operations for 2006 was \$28,163,000 versus \$52,276,000 in the prior year. Net income for 2006, including discontinued operations, was \$32,737,000 versus \$53,801,000 for 2005.

"We are pleased to report that 2006 ended on a strong note for Concentra," said Daniel Thomas, President and Chief Executive Officer. "Our two largest segments, Health Services and Network Services, each reported solid revenue growth and gross profit improvements for the fourth quarter and full year. In Health Services, we overcame a slow start to the year and a decrease in the frequency of workers' compensation injuries to report a 2.3% increase in same-center revenue per day for the quarter and a 3.0% increase for the year. We credit this achievement to our efforts to manage our business prudently in the current environment, diversify our business within the division, and take advantage of rate increases in key states.

"For the year, our most significant improvement came in our Network Services segment, which reflected the addition of Beech Street for the full year as well as the addition of two key new group health clients," Thomas said. "I think it is important to note that, while we realized the cost and integration synergies from Beech Street at a pace slightly ahead of our plan, the increase in revenue has come slower than we expected. As we continue to integrate this asset, we expect to see ongoing growth in this area in 2007, accompanied by additional operational and cost efficiencies."

Thomas added, "We are pleased with Concentra's strong performance during 2006 and the positive indications that we witnessed in our operations as the year came to an end. We believe these trends will enhance our growth prospects for 2007 and provide us with an opportunity to expand the reach of our business in the coming years."

On February 8, 2007, the Company announced that it had entered a definitive agreement to sell its Workers' Compensation Managed Care Services businesses to Coventry Health Care, Inc. for total consideration of \$387,500,000. This divestiture comprises Concentra's Workers' Compensation Network Services (through which it provides its provider bill review and re-pricing services, and its FOCUS preferred provider organization), Field Case Management, Telephonic Case Management, Independent Medical Exams, and its Pharmacy Benefit Management business (First Script Network Services). These businesses generated a total of approximately \$323,900,000 of revenue in 2006. Concentra will retain its health centers as well as

its cost containment, claims review, claims re-pricing and network management services provided to group health and auto insurers. Completion of the transaction is subject to closing conditions, as well as regulatory, lender and other customary approvals. Concentra estimates that the transactions will result in net after-tax proceeds of approximately \$265,000,000, of which it currently anticipates that approximately \$255,000,000 will be used to prepay a portion of its senior term indebtedness.

At December 31, 2006, Concentra had \$101,896,000 in unrestricted cash and short-term investments. Operating cash flows for the year ended December 31, 2006, were \$112,145,000 as compared to \$141,799,000 in the prior year, with the decrease in comparative operating cash flows being primarily related to strong collections of accounts receivable in 2005. Concentra's days sales outstanding were 52 at December 31, 2006, versus 51 at the end of last year.

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A public, listen-only simulcast of Concentra's fourth quarter conference call will begin at 9:00 a.m. Eastern Standard Time tomorrow (February 14, 2007) and may be accessed via the Company's web site, [www.concentra.com](http://www.concentra.com). Investors are requested to access the call at least 15 minutes before the scheduled start time in order to complete a brief registration. An online replay using the same link will be available shortly after the conclusion of the live broadcast and will continue through March 14, 2007.

Keywords: Case Management, Occupational Health, Rehabilitation Research, **Concentra Operating Corporation**.

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