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AMEDISYS INC
Form 10-Q
November 14, 2001

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended September 30, 2001

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-24260

AMEDISYS, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

11-3131700

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer Identification No.)

11100 Mead Road, Suite 300, Baton Rouge, LA 70816

(Address of principal executive offices including zip code)

(225) 292-2031

(Registrant's telephone number, including area code)

Indicate by check mark whether the issuer (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes ☒ No ☐

Number of shares of Common Stock outstanding as of September 30, 2001:
5,911,620 shares

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Amedisys, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
as of September 30, 2001 and December 31, 2000
(Dollar Amounts in 000's)

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(Unaudited)
September 30, 2001

CURRENT ASSETS:

Cash and Cash Equivalents	\$	3,
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$2,391 in September 2001 and \$1,385 in December 2000		10,
Prepaid Expenses		
Inventory and Other Current Assets		
Current Assets Held for Sale		

Total Current Assets		15,
----------------------	--	-----

Property and Equipment, net		5,
Other Assets, net		22,
Long-term Assets Held for Sale		

Total Assets	\$	43,
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CURRENT LIABILITIES:

Accounts Payable	\$	1,
Accrued Expenses:		
Payroll and Payroll Taxes		6,
Insurance		1,
Income Taxes		
Other		5,
Notes Payable		9,
Notes Payable to Related Parties		
Current Portion of Long-term Debt		4,
Current Portion of Obligations under Capital Leases		
Deferred Revenue		2,
Current Liabilities Held for Sale		

Total Current Liabilities		32,
---------------------------	--	-----

Long-term Debt		5,
Long-term Medicare Liabilities		1,
Deferred Revenue		2,
Obligations under Capital Leases		
Other Long-term Liabilities		
Long-term Liabilities Held for Sale		

Total Liabilities		42,
-------------------	--	-----

Minority Interest

STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock (5,911,620 Shares in September 2001 and 5,326,126 Shares in December 2000)		
Preferred Stock (350,000 Shares in September 2001 and 390,000 Shares in December 2000)		
Additional Paid-in Capital		16,
Treasury Stock (4,667 Shares of Common Stock in September 2001 and December 2000)		
Retained Earnings (Deficit)		(15,

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Total Stockholders' Equity (Deficit)

Total Liabilities and Stockholders' Equity

\$ 43,

The accompanying notes are an integral part of these consolidated statements.

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Amedisys, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF OPERATIONS for the three and nine months ended September 30, 2001 and 2000 (Unaudited, In 000's, except per share data)

	Three months ended		
	September 30, 2001	September 30, 2000	Sept
Income:			
Service revenue	\$ 29,672	\$ 22,091	\$
Cost of service revenue	13,053	10,366	
Gross margin	16,619	11,725	
General and administrative expenses:			
Salaries and benefits	7,749	7,462	
Other	6,308	5,122	
Total general and administrative expenses	14,057	12,584	
Operating income (loss)	2,562	(859)	
Other income and expense:			
Interest income	49	88	
Interest expense	(704)	(690)	
Other income, net	71	(8)	
Total other expense, net	(584)	(610)	
Income (loss) before income taxes and discontinued operations	1,978	(1,469)	
Income tax expense	0	0	
Income (loss) before discontinued operations	1,978	(1,469)	
(Loss) from discontinued operations, net of income taxes	(456)	(407)	
Gain on sale of discontinued operations net of income taxes	1,056	1,114	
Total discontinued operations	600	707	

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Net income (loss)	\$	2,578	\$	(762)	\$
	=====		=====		=====
Basic weighted average common shares outstanding		5,873		4,955	
Basic income (loss) per common share:					
Income (loss) before discontinued operations	\$	0.34	\$	(0.29)	\$
(Loss) from discontinued operations, net of income taxes		(0.08)		(0.08)	
Gain on sale of discontinued operations, net of income taxes		0.18		0.22	
	-----		-----		-----
Net income (loss)	\$	0.44	\$	(0.15)	\$
	=====		=====		=====
Diluted weighted average common shares outstanding		7,934		4,955	
Diluted income (loss) per common share:					
Income (loss) before discontinued operations	\$	0.25	\$	(0.29)	\$
(Loss) from discontinued operations, net of income taxes		(0.06)		(0.08)	
Gain on sale of discontinued operations, net of income taxes		0.13		0.22	
	-----		-----		-----
Net income (loss)	\$	0.32	\$	(0.15)	\$
	=====		=====		=====

The accompanying notes are an integral part of these consolidated statements.

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Amedisys, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF CASH FLOWS for the nine months ended September 30, 2001 and 2000 (Unaudited, Dollar Amounts in 000's)

		For the September 30, -----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$	3
Adjustments to reconcile net income (loss) to net cash provided by (used in) by operating activities:		
Depreciation and amortization		2

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Provision for bad debts	1
Compensation expense	
(Gain) on sale of discontinued operations	(1)
Impairment of goodwill	
Minority interest	
Deferred revenue	(1)
Changes in assets and liabilities:	
Decrease in cash included in assets held for sale	
(Increase) decrease in accounts receivable	(5)
(Increase) decrease in inventory and other current assets	
(Increase) decrease in other assets	
Increase (decrease) in accounts payable	
Increase in accrued expenses	3

Net cash provided by (used in) operating activities	2

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of property, plant and equipment	
Purchase of property, plant and equipment	(3)
Proceeds from sale of Company operations	1
Cash used in purchase acquisitions	(3)
Minority interest investment in subsidiary	
Partnership distributions	

Net cash provided by (used in) investing activities	(5)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Net borrowings (repayments) on line of credit agreements	6
Proceeds from issuance of notes payable and capital leases	
Payments on notes payable and capital leases	(3)
Increase (decrease) in long-term Medicare liabilities	(4)
Capitalized interest expense	
Proceeds from issuance of stock	

Net cash (used in) financing activities	

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6

CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3
	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash payments for:	
Interest	\$ 2
	=====
Income taxes	\$
	=====

The accompanying notes are an integral part of these consolidated statements.

AMEDISYS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. ORGANIZATION

Amedisys, Inc., a Delaware corporation ("Amedisys" or "the Company"), is a leading multi-state provider of home health care nursing services. The Company operates fifty-five home care nursing offices and one corporate office in the southern and southeastern United States.

In the opinion of management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the Company's financial position at September 30, 2001, the results of operations for the three and nine months ended September 30, 2001 and 2000, and cash flows for the nine months ended September 30, 2001 and 2000. The results of operations for the interim periods are not necessarily indicative of results of operations for the entire year. These interim consolidated financial statements should be read in conjunction with the Company's annual financial statements and related notes in the Company's Form 10-K.

2. RESTATEMENT

The Company has restated the Consolidated Financial Statements for the year ended December 31, 2000 and the quarter ended March 31, 2001 due to a net revenue overstatement for the fourth quarter of 2000 and the first quarter of 2001. The Medicare reimbursement changes effective October 1, 2000 required substantial changes to the Company's software applications, both from an operational and an accounting perspective, including the recording of revenue related to patients receiving therapy services. Under the changed reimbursement system, if a patient, upon initial assessment by the nurse, is expected to require ten or more therapy visits in an episode, the expected reimbursement for that episode is increased ("therapy add-on"). If, upon completion of the episode, the expected therapy utilization of ten or more visits was not met, the provider is not entitled to the therapy add-on. The Company's software did not detect differences between the initial nurse's assessment that called for ten or more visits and the therapist's subsequent evaluation which indicated that fewer than ten visits were necessary. The Company has modified its software and has changed certain processes to detect any discrepancies in assessed therapy need and to more closely monitor the patient's progress as it relates to scheduled therapy services.

3. REVENUE RECOGNITION

Prior to the implementation of the Medicare Prospective Payment System ("PPS") on October 1, 2000, reimbursement for home health care services to patients covered by the Medicare program was based on reimbursement of allowable costs subject to certain limits. Final reimbursement was determined after submission of annual cost reports and audits thereof by the fiscal intermediaries.

Under PPS, the Company is paid by Medicare based on episodes of care. An episode of care is defined as a length of care up to sixty days with multiple continuous episodes allowed. The standard episode payment beginning October 1,

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2000 was established by the Medicare Program at \$2,115 per episode, to be adjusted by a case mix adjuster consisting of eighty (80) home health resource groups ("HHRG") and the applicable geographic wage index. The standard episode payment may be subject to further individual adjustments due to low utilization, intervening events and other factors. The episode payment will be made to providers regardless of the cost to provide care. The services covered by the episode payment include all disciplines of care, in addition to medical supplies, within the scope of the home health benefit. Revenue is recognized for visits during the earnings period at the expected payment amount. Effective October 1, 2001, the standard episode payment was increased, through federal legislation, to \$2,274 per episode.

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4. EARNINGS PER SHARE

Earnings per common share are based on the weighted average number of shares outstanding during the period. For the three and nine months ended September 30, 2000, there was no difference between basic and diluted weighted average common shares outstanding as the effect of stock options (605,086 and 580,108 weighted average outstanding for the three and nine months ended September 30, 2000, respectively), warrants (210,000 and 199,325 weighted average outstanding for the three and nine months ended September 30, 2000, respectively) and preferred shares (390,000 preferred shares convertible into 1,473,913 and 2,040,024 weighted average common shares for the three and nine months ended September 30, 2000, respectively) were anti-dilutive. The following table sets forth the computation of basic and diluted net income (loss) per common share for the three and nine month periods ended September 30, 2001 and 2000 including the results of discontinued operations.

	Three months ended September 30, 2001	In 000's, except per share Three months ended September 30, 2000	Nine en Septe 2
	-----	-----	-----
Basic Net Income (Loss) per Share:			
Net Income (Loss)	\$ 2,578 =====	\$ (762) =====	\$ =====
Weighted Average Number of Shares Outstanding	5,873 =====	4,955 =====	 =====
Net Income (Loss) per Common Share - Basic	\$ 0.44 =====	\$ (0.15) =====	\$ =====
Diluted Net Income (Loss) per Share:			
Net Income (Loss)	\$ 2,578 =====	\$ (762) =====	\$ =====

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Weighted Average Number of Shares Outstanding	5,873	4,955	
Effect of Dilutive Securities:			
Stock Options	635	--	
Warrants	260	--	
Convertible Preferred Shares (350,000 convertible into 1,166,666 Common Shares at September 30, 2001)	1,166	--	
	-----	-----	-----
Average Shares - Diluted	7,934	4,955	
	=====	=====	=====
Net Income (Loss) per Common Share - Diluted	\$ 0.32	\$ (0.15)	\$
	=====	=====	=====

5. MEDICARE REIMBURSEMENT AND REFORM

The Company derived approximately 88% of its revenues from continuing operations from the Medicare system for the nine months ended September 30, 2001 and approximately 91% for the nine months ended September 30, 2000.

On June 28, 2000, HCFA issued the final rules for PPS (as discussed in Note 3), which were effective for all Medicare-certified home health agencies on October 1, 2000. The final regulations establish payments based on episodes of care. An episode is defined as a length of care up to sixty days with multiple continuous episodes allowed under the rule. A standard episode payment has been established at \$2,115 per episode for federal fiscal year 2001, to be adjusted by a case mix adjuster consisting of eighty (80) home health resource groups ("HHRG") and the applicable geographic wage index. The standard episode payment may be subject to further individual adjustments due to low utilization, intervening events and other factors. Providers are allowed to make a request for anticipated payment at the start of care equal to 60% of the expected payment for the initial episode and 50% for each subsequent episode. The remaining balance due to the provider is paid following the submission of the final claim at the end of the episode. In contrast to

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the cost-based reimbursement system whereby providers' reimbursement was limited, among other things, to their actual costs, episode payments are made to providers regardless of the cost to provide care, except with regard to certain outlier provisions. As a result, home health agencies have the opportunity to be profitable under this system.

In December 2000, Congress passed the Benefits Improvement and Protection Act ("BIPA"), which provides additional funding to health care

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providers. BIPA provided for the following: (i) a one-year delay in applying the budgeted 15% reduction on payment limits, (ii) the restoration of a full home health market basket update for episodes ended on or after April 1, 2001, and before October 1, 2001 resulting in an expected increase in revenues of 2.2%, (iii) a 10% increase, effective April 1, 2001 and extending for a period of twenty four months, for home health services provided in a rural area, and (iv) a one-time payment equal to two-months of periodic interim payments ("PIP") (See Note 10).

Effective October 1, 2001, the standard episode payment for federal fiscal year 2002 has been increased to \$2,274 per episode.

6. ACQUISITIONS

Effective March 1, 2001, the Company acquired, through its wholly-owned subsidiary Amedisys Home Health, Inc. of Alabama, certain assets and liabilities of Seton Home Health Services, Inc. ("Seton") from Seton Health Corporation of North Alabama associated with their operations in Mobile and Fairhope, Alabama. The assets acquired consisted primarily of all furniture, fixtures, equipment (except computer equipment and printers) and leasehold improvements; supplies; inventory; lists of present and former patients and mailing lists; vendor lists; employee records; telephone numbers and listings; intangibles and other rights and privileges; leasehold interest in the locations; goodwill and going concern; rights under certain agreements; rights under all contracts including capital leases and non-competition agreements; licenses and permits relating to ownership, development and operations; and rights under Medicare Provider Agreements. The liabilities assumed consisted of accrued but unused vacation and obligations under capital and operating leases. In consideration for the acquired assets and liabilities, the Company paid \$440,000 cash, which represents a purchase price of \$475,000 less the value of accrued vacation obligations. In connection with this acquisition, the Company recorded \$448,000 in goodwill (See Note 12).

Effective April 6, 2001, the Company acquired, through its wholly-owned subsidiary Amedisys Home Health, Inc. of Alabama, certain additional assets and liabilities of Seton Home Health Services, Inc. ("Seton") from Seton Health Corporation of North Alabama associated with their operations in Birmingham, Tuscaloosa, Anniston, Greensboro, and Reform, Alabama. The assets acquired consisted primarily of all furniture, fixtures, equipment (except computer equipment and printers) and leasehold improvements; supplies; inventory; lists of present and former patients and mailing lists; vendor lists; employee records; telephone numbers and listings; intangibles and other rights and privileges; leasehold interest in four of the five locations; goodwill and going concern; rights under certain agreements; rights under all contracts including capital leases and non-competition agreements; licenses and permits relating to ownership, development and operations; and rights under Medicare Provider Agreements. The liabilities assumed consisted of estimated accrued but unused vacation and obligations under capital and operating leases. In consideration for the acquired assets and liabilities, the Company paid \$2,216,000 cash, which represents a purchase price of \$2,325,000 less the estimated value of accrued vacation obligations. In connection with this acquisition, the Company recorded \$2,235,000 in goodwill (See Note 12).

Effective June 11, 2001, the Company acquired from East Cooper Community Hospital, Inc. ("East Cooper") certain assets and liabilities of HealthCalls Professional Home Health Services. The assets consisted primarily of all furniture, fixtures, equipment, leasehold improvements and supplies; inventory; current patient lists of present or former patients, mailing lists, telephone numbers and intangibles and other rights and privileges; leasehold interest in the premises located at the business address; goodwill and going concern; benefits of all amounts previously paid by East Cooper for advertising, design fees, rent services, or interest relating to the business or assets to

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the extent they are to be performed after the closing; rights under certain agreements; licenses and permits relating to ownership, development and operations of the business, including the Medicare Provider Number, rights under the Medicare Provider Agreement, the Medicaid Provider Number and rights under the Medicaid Provider Agreement; technical outlines and records, and any and all know-how and software and other technology, including all contracts, licenses, authorizations and permits; trade secrets, inventions, patents, copyrights, trade names, business names, trademarks, and other intangible assets; copies of medical records of patients who received services from East Cooper to the extent reasonably necessary to transfer the care of such patients; and copies of business records related to the operation of the business. The liabilities assumed consisted of liabilities related to the operation of the business for services provided post-closing. In consideration for

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the acquired assets and liabilities, the Company paid \$750,000 cash. In connection with this acquisition, the Company recorded \$726,000 in goodwill (See Note 12).

7. DISCONTINUED OPERATIONS

During 1999, the Company changed its strategy from providing a variety of alternate site provider health care services to becoming a leader in home health care nursing services. Pursuant to this strategy, the Company launched a restructuring plan to divest its non-home health care nursing divisions. The Company sold its six surgery centers and sold or closed its four infusion locations with the final sale taking place (as described below) in September, 2001.

Effective September 7, 2001, the Company, its wholly-owned subsidiary Amedisys Surgery Centers, L.C., its 56% owned subsidiary Hammond Surgical Care Center, L.C. d/b/a St. Luke's SurgiCenter ("St. Luke's"), and Surgery Center of Hammond, L.L.C. ("Surgery Center") entered into an agreement for the purchase and sale of the operations and assets of St. Luke's, an outpatient surgery center located in Hammond, Louisiana, to Surgery Center. The sales price of \$2,850,000 was paid at closing and distributed in the following manner: \$1,066,000 paid directly to debtors of St. Luke's relating to existing debt obligations, \$1,684,000 paid to St. Luke's, and \$100,000 in cash to be released upon the determination of the value of working capital transferred. Subsequent to the sale, St. Luke's made partnership distributions of \$1,693,000 of which the Company received \$948,000 and the physician investors received \$745,000. The assets sold consisted primarily of patient accounts receivable; contracts, including the Medicare and Medicaid provider agreements; all machinery, equipment, fixtures, computers, computer hardware and software, tools, supplies, furniture, and other tangible personal property; leases; operating data and records including client lists; licenses and permits to the extent transferable; all rights and interest to the name "St. Luke's SurgiCenter"; telephone numbers; supplies, prepaid expenses, and inventory; and other assets. The liabilities assumed include trade accounts payable as of the closing and all obligations relating to the assumed assets arising on or after the effective date. The agreement stipulated a required level of working capital, defined as patient accounts receivable less trade accounts payable, of \$430,000 to be conveyed at closing. Any amount in excess of \$430,000 will be returned to St. Luke's, and any amount less than \$430,000 will be payable by St. Luke's to Surgery Center. The Company and its affiliates had no material relationship with Surgery Center prior to this transaction. In the accompanying Consolidated Statements of

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Operations, the Company recorded a pre-tax gain of \$1,738,000, offset by minority interest expense of \$672,000, resulting in a net pre-tax gain of \$1,066,000 in the quarter ended September 30, 2001.

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Summarized financial information for the discontinued operations is as follows (in 000's):

	For the three months Ended September 30		For the ended S
	2001	2000	2001
Outpatient Surgery Division:			
Service Revenue	\$ 564	\$ 815	\$ 1,846
(Loss) from Discontinued Operations before Provision for Income Taxes	(456)	(4)	(535)
(Loss) from Discontinued Operations Net of Income Taxes	(456)	(4)	(535)
Gain on Sale of Discontinued Operations Before Provision for Income Taxes	1,066	--	1,066
Gain on Sale of Discontinued Operations Net of Income Taxes	1,056	--	1,056
Infusion Therapy Division:			
Service Revenue	\$ --	\$ 478	\$ --
(Loss) from Discontinued Operations before Provision for Income Taxes	--	(404)	(50)
(Loss) from Discontinued Operations Net of Income Taxes	--	(404)	(50)
Gain on Sale of Discontinued Operations Before Provision for Income Taxes	--	1,114	--
Gain on Sale of Discontinued Operations Net of Income Taxes	--	1,114	--
DME / Management Services Divisions:			
Service Revenue	\$ --	\$ --	\$ --
Income from Discontinued Operations before Provision for Income Taxes	--	1	--

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Income from Discontinued Operations Net of Income Taxes	--	1	--
---	----	---	----

Total Discontinued Operations:

Service Revenue	\$ 564	\$ 1,293	\$ 1,846
Income (Loss) from Discontinued Operations before Provision for Income Taxes	(456)	(407)	(585)
Income (Loss) from Discontinued Operations Net of Income Taxes	(456)	(407)	(585)
Gain on Sale of Discontinued Operations Before Provision for Income Taxes	1,066	1,114	1,066
Gain on Sale of Discontinued Operations Net of Income Taxes	1,056	1,114	1,056

Included in the accompanying Consolidated Balance Sheet as of December 31, 2000 are the following assets and liabilities relating to the discontinued operations (in 000's):

	December 31, 2000

Cash	\$ 20
Accounts Receivable	510
Prepaid Expenses	13
Inventory and Other Current Assets	172

Current Assets Held for Sale	\$ 715
	=====
Property	\$ 681
Other Assets	8

Long-term Assets Held for Sale	\$ 689
	=====
Accounts Payable	\$ 190
Accrued Payroll	50
Accrued Other	34
Current Portion of Long-term Debt	192
Current Portion of Obligations under Capital Leases	14

Current Liabilities Held for Sale	\$ 480

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Long-term Debt	\$ 966
Long-term Liabilities Held for Sale	\$ 966

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8. NOTES PAYABLE

Notes payable as of September 30, 2001 consists primarily of an asset-based line of credit with availability, depending on collateral, of up to \$25 million with National Century Financial Enterprises, Inc. ("NCFE") and borrowings under a revolving bank line of credit of up to \$2.5 million. The \$25 million asset-based line of credit, which expires December, 2003, is collateralized by eligible accounts receivable and as of September 30, 2001 and December 31, 2000, had an outstanding balance of \$9,280,000 and \$2,952,000, respectively. There were no amounts available under this line as of September 30, 2001. Eligible receivables are defined as receivables, exclusive of workers' compensation and self-pay, that are aged less than 181 days. The effective interest rate on this line of credit was 11.91% and 15.29% for the nine months ended September 30, 2001 and the year ended December 31, 2000, respectively. The revolving bank line of credit of \$2.5 million bears interest at the Bank One Prime Floating Rate, which was 6.0% and 9.5% at September 30, 2001 and December 31, 2000, respectively. At September 30, 2001, there was \$175,000 drawn on the line of credit with \$2,325,000 available. At December 31, 2000, there were no amounts drawn on the line of credit.

9. LONG-TERM DEBT

Long-term debt consists primarily of a \$7.9 million note payable to NPF Capital, a \$744,000 note payable to CareSouth Home Health Services, Inc. ("CareSouth"), and a \$724,000 note payable to Winter Haven Hospital.

The \$7.9 million note to NPF Capital is payable over a three year term, due in December, 2003, with interest only payments for a six month period ended June, 2001 and monthly payments of principal and interest of \$387,000 for the remainder of the term. In connection with the sale of St. Luke's, the Company made a mandatory accelerated payment of \$1 million on the NPF Capital note. The Company makes monthly principal and interest payments of \$25,000 on the \$744,000 note to CareSouth, which is due July, 2003 and monthly principal and interest payments of \$30,000 on the \$724,000 note to Winter Haven Hospital, which is due November, 2003.

10. AMOUNTS DUE TO AND DUE FROM MEDICARE

Prior to the implementation of PPS, the Company recorded Medicare revenues at the lower of actual costs, the per visit cost limit, or a per beneficiary cost limit on an individual provider basis in accordance with established guidelines. As of September 30, 2001, the Company estimates an aggregate payable to Medicare of \$16.5 million resulting from interim cash receipts in excess of expected reimbursement. In the accompanying Consolidated Balance Sheet as of September 30, 2001, the amounts due to Medicare within one year of \$14.7 million are netted against accounts receivable. The amount payable to Medicare in excess of one year of \$1.8 million is shown as Long-term Medicare

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Liabilities. Of the \$14.7 million netted against accounts receivable, \$7.4 million is attributed to a provision in BIPA whereby a lump-sum payment equal to two months of Periodic Interim Payments ("PIP") was issued to providers. Upon completion of the annual cost reports in March, 2002, the Company will request extended repayment plans for these payments. There can be no assurances, however, that the extended repayment plans will be accepted. Also included in the \$14.7 million is a \$3.2 million overpayment relating to Alliance Home Health, a wholly-owned subsidiary of the Company which filed for bankruptcy protection on September 29, 2000. The BIPA overpayment of \$7.4 million and the Alliance debt of \$3.2 million currently do not have repayment plans and no payments are currently being made.

11. CAPITAL STOCK

In accordance with the terms of conversion of the Company's Series A Preferred Stock as stated in the Series A Preferred Stock Conversion Agreement, eight preferred shareholders converted a total of 360,000 preferred shares into 1,200,000 common shares during 2000. During the first quarter of 2001, two additional preferred shareholders converted a total of 20,000 preferred shares into 66,667 common shares and during the second quarter of 2001, one additional preferred shareholder converted 20,000 preferred shares into 66,667 common shares. The conversion rate for the preferred shares was \$3.33.

12. EFFECT OF NEW FINANCIAL ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standards Statement No. 141, Business Combinations ("SFAS 141") and Financial Accounting Standards Statement No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). SFAS 141 eliminates the pooling-of-interests method of

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accounting for business combinations except for qualifying business combinations that were initiated prior to July 1, 2001. The purchase method of accounting is required to be used for all business combinations initiated after June 30, 2001. SFAS 141 also requires separate recognition of intangible assets that meet certain criteria.

Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment annually, or more frequently if circumstances indicate potential impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. For goodwill and indefinite-lived intangible assets acquired prior to July 1, 2001, goodwill will continue to be amortized through the remainder of 2001 at which time amortization will cease and a transitional goodwill impairment test will be performed. Any impairment charges resulting from the initial application of the new rules will be classified as a cumulative effect of change in accounting principle. The Company will adopt SFAS 142 effective January 1, 2002. Management is currently evaluating the impact of the new accounting standards on existing goodwill and other intangible assets. Included in general and administrative expenses in the accompanying Consolidated Statements of Operations is goodwill amortization expense as follows (in 000's):

3 months ended

9 months ended

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	September 30,		September 30,	
	2001	2000	2001	2000
Goodwill Amortization Expense	\$ 320	\$ 244	\$ 914	\$ 814

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which requires recording the fair value of a liability for an asset retirement obligation in the period incurred. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application permitted. Upon adoption of the standard, the Company will be required to use a cumulative effect approach to recognize transition amounts for any existing retirement obligation liabilities, asset retirement costs and accumulated depreciation. The Company has not determined the transition amounts.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". This new statement also supersedes certain aspects of APB 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", with regard to reporting the effects of a disposal of a segment of a business and will require expected future operating losses from discontinued operations to be reported in discontinued operations in the period incurred rather than as of the measurement date as presently required by APB 40. Additionally, certain dispositions may now qualify for discounted operations treatment. The provisions of this statement are required to be applied for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The Company has not yet determined what effect this statement will have on its financial statements.

13. SUBSEQUENT EVENT

Effective October 1, 2001, the Company terminated its management agreement with CareSouth Home Health Services, Inc. ("CareSouth"). This management agreement, which the Company entered into on November 2, 1998 and amended on September 1, 1999, was for the provision of payroll processing, billing services, and collection services. In connection with this termination, the Company entered into a Software License Agreement ("License Agreement") with CareSouth for the use of a home health care billing and collections software system. The License Agreement, which expires May 1, 2004, provided for a \$2,000,000 cash payment at signing, monthly payments beginning October 1, 2000 of \$178,226 through May, 2004, and a \$1,000,000 cash payment due on or before February 28, 2002. At the expiration of the License Agreement, the Company has the option to acquire the software system for \$1.00, and consequently, the Company intends to account for this lease as a capital lease obligation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. This discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto (the "Notes") appearing in Item 1 and the Consolidated Financial Statements for 2000, Notes, and the related Management's Discussion and Analysis as amended and restated in Form 10-K/A.

GENERAL

Amedisys is a leading multi-regional provider of home health care

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nursing services. The Company operates fifty-five home care nursing offices and one corporate office in the southern and southeastern United States.

During 1999, the Company changed its strategy from providing a variety of alternate site provider health care services to becoming a leader in home health care nursing services. Pursuant to this strategy, the Company launched a restructuring plan to divest its non-home health care nursing divisions. The Company subsequently sold its six surgery centers and sold or closed its four infusion locations.

The Company has systematically reduced its operating costs since 1998 in preparation for PPS. Significant cost reduction measures undertaken by the Company included the consolidation/closure of offices which overlapped service areas, converting its method of nurse pay to a variable or per visit rate rather than a fixed or salary system, utilizing economies of scale, and reducing corporate overhead when possible. Business functions that are not considered part of the core business have been outsourced and management levels have been streamlined.

The Company has positioned its operations to be successful under PPS. The Company has implemented Disease

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State Management programs and clinical protocols as well as supporting technology to monitor and report outcome data, to standardize care, and to ensure quality outcomes. Using clinical managers to assess and track patient progress and highly skilled nurses to deliver care are also important components of the overall strategy.

RESULTS OF OPERATIONS

The Company has restated the Consolidated Financial Statements for the three months ended March 31, 2001 due to a net revenue overstatement for the first quarter of 2001 as discussed in Note 2 of the Consolidated Financial Statements. The results of operations for the nine months ended September 30, 2001 include the effect of the restatement as discussed in Note 2.

Service Revenues. Net revenues increased \$7,581,000 or 34% and \$10,263,000 or 15% for the three and nine months ended September 30, 2001, respectively, as compared to the same periods in 2000. This increase was attributed to an increase in patient admissions, the change in the Medicare reimbursement effective October 1, 2000, the price increase effective April 1, 2001 as a result of BIPA (as discussed in Note 5), and the price increase for patients on service at the end of the third quarter effective October 1, 2001. Patient admissions increased 3,230 or 52% from 6,230 for the three months ended September 30, 2000 to 9,460 for the three months ended September 30, 2001 and increased 7,747 or 40% from 19,233 for the nine months ended September 30, 2000 to 26,980 for the nine months ended September 30, 2001. The increase in patient admissions is attributable to both internal growth and agencies acquired in the fourth quarter of 2000 and the first six months of 2001.

Cost of Revenues. Cost of revenues increased 26% for the three months ended September 30, 2001 and 7% for the nine months ended September 30, 2001 as compared to the same periods in 2000. These increases are attributed to increased salaries for the clinical manager positions of \$1,253,000 and \$4,785,000 for the three and nine months ended September 30, 2001. The clinical

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manager position was implemented company-wide in the latter part of 2000 to provide a greater level of patient care oversight and coordination.

General and Administrative Expenses ("G&A"). G&A increased \$1,473,000, or 12%, for the three months ended September 30, 2001 and \$877,000, or 2%, for the nine months ended September 30, 2001 as compared to the same periods in 2000. The increase is primarily attributed to an increased bad debt provision of \$433,000 for the three months ended September 30, 2001 and \$862,000 for the nine months ended September 30, 2001 as compared to the prior year amounts.

FINANCIAL CONDITION

The Company recorded operating losses and had negative cash flow for the year ended December 31, 1999 and the first three quarters of 2000, during which time its operations were primarily funded by the divestiture of certain non-core assets. The significant losses and negative cash flow from operations were largely attributable to the prior Medicare reimbursement system which was effective January 1, 1998 for the Company. In the fourth quarter of 2000 and the first quarter of 2001, the Company reported positive cash flow and a decrease in operating losses primarily as a result of the implementation of PPS on October 1, 2000. In the second and third quarters of 2001, the Company reported profitability and positive cash flow due, in part, to a price increase effective April 1, 2001 as a result of BIPA. The Company expects positive cash flow from operations will continue and the Company will be able to fund operations primarily from this source.

As of September 30, 2001, the Company had a working capital deficit of \$17.0 million. Included in the components of this deficit are the following significant items that do not currently impact cash flow:

	September 30, 2001

Short-term Medicare Liabilities (See Note 10)	\$ 10,600,000
Deferred Revenue (Current portion)	2,119,000

Total	\$ 12,719,000
	=====

The short-term Medicare liability amount presented above, which is netted against accounts receivable in the accompanying Consolidated Balance Sheet, consists of two components. The first is an overpayment as a result of BIPA of approximately \$7.4 million, and the second is a \$3.2 million liability for a bankrupt subsidiary. The \$7.4 million overpayment relates to fiscal year 2000, prior to the implementation of PPS. Cost reports for this period are due March 10, 2002; therefore, no payments are expected until that time. The Company plans to request a 36 month payment plan for this overpayment. If approved, the long-term portion of this debt will be reflected as Long-Term Medicare Liabilities on the balance sheet. The \$3.2 million overpayment relates to fiscal year 1998 and is listed as a debt to be discharged during the final liquidation of the bankrupt subsidiary. The deferred revenue of \$2.1 million is the current portion of the deferred gain resulting from the sale of the Company's software system in 1998. Due to the Company's continuing involvement with the software system, the gain on the sale of the system was deferred and is being amortized over a five-year period.

The Company also has certain contingencies recorded as current

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liabilities in the accompanying Consolidated Balance Sheet (in accordance with SFAS No. 5) that management does not believe will currently impact cash flow. Also, as discussed in Note 8, the Company has available \$2.3 million under the bank line of credit which would be available to fund working capital needs.

For a description of Notes Payable and Long-term Debt, see Notes 8 and 9. For a discussion of Amounts Due Medicare, see Note 10.

The Company's operating activities provided \$2.0 million in cash during the nine months ended September 30, 2001, whereas such activities used \$1.4 million in cash during the nine months ended September 30, 2000. Cash provided by operating activities in 2001 is primarily attributable to net income of \$3.2 million and net non-cash items

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such as depreciation and amortization of \$2.2 million offset by changes in assets and liabilities of \$2.5 million. Investing activities used \$5.6 million for the nine months ended September 30, 2001, whereas such activities provided \$5.0 million for the nine months ended September 30, 2000. Cash used by investing activities in 2001 is primarily attributed to the purchase of property, plant and equipment of \$3.2 million, cash used for acquisitions of \$3.4 million, and partnership distributions of \$745,000, offset by proceeds from the sale of Company operations of \$1.7 million. Financing activities used cash during the nine months ended September 30, 2001 of \$108,000, whereas such activities used \$478,000 during the same period in 2000. Cash used by financing activities in 2001 is primarily attributed to borrowings on line of credit agreements of \$6.5 million, proceeds from the issuance of notes payable and capital leases of \$624,000, and proceeds from the issuance of stock of \$239,000, offset by payments on notes payable and capital leases of \$3.2 million and a decrease in long-term Medicare liabilities of \$4.3 million.

As discussed in the Company's Annual Report of Form 10-K, the Company began, in the first quarter of 2001, the installation of a company-wide computer network infrastructure to connect all of its regional offices. This wide area network ("WAN") will allow more immediate access to information by all company personnel including senior management, which will increase operational efficiencies. The original expected project cost was \$1.5 million, however, the commitment has subsequently been revised to approximately \$2.5 million due to the incremental cost for acquired agencies and requested design enhancements. Capital expenditures through September 30, 2001 relating to this project approximated \$1.8 million and are included in purchase of property, plant, and equipment in the Consolidated Statements of Cash Flows.

The Company does not believe that inflation has had a material effect on its results of operations for the three and nine month periods ended September 30, 2001.

FORWARD LOOKING STATEMENTS

When included in the Quarterly Report on Form 10-Q or in documents incorporated herein by reference, the words "expects", "intends", "anticipates", "believes", "estimates", and analogous expressions are intended to identify forward-looking statements. Such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, current cash flows and operating

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deficits, debt service needs, adverse changes in federal and state laws relating to the health care industry, competition, regulatory initiatives and compliance with governmental regulations, customer preferences and various other matters, many of which are beyond the Company's control. These forward-looking statements speak only as of the date of the Quarterly Report on Form 10-Q. The Company expressly disclaims any obligation or undertaking to release publicly any updates or any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any statement is based.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company does not engage in derivative financial instruments, other financial instruments, or derivative commodity instruments for speculative or trading/non-trading purposes.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On August 23 and October 4, 2001, two suits were filed against the Company and three of its executive officers in the United States District Court for the Middle District of Louisiana by two individuals purportedly as class actions on behalf of all purchasers of Amedisys stock between March 1, 2001 and June 13, 2001. The suits seek damages based on the decline in Amedisys' stock price following an announced restatement of earnings for the fourth quarter of 2000 and first quarter of 2001, claiming that the defendants knew or were reckless in not knowing the facts giving rise to the restatement. The Company intends to seek dismissal of both claims.

ITEM 2. CHANGES IN SECURITIES

In accordance with the terms of conversion of the Company's Series A Preferred Stock as stated in the Series A Preferred Stock Conversion Agreement, during the first quarter of 2001, two preferred shareholders converted a total of 20,000 preferred shares into 66,667 common shares. During the second quarter of 2001, one preferred shareholder converted 20,000 preferred shares into 66,667 common shares. The conversion was exempt under Section 3(a)(9) of the Securities Act of 1933.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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Exhibit No. -----	Identification of Exhibit -----
2.1(6) -	Asset Purchase Agreement by and between Surgery Center of Hammond, L.L.C. and Hammond Surgical Care Center, L.C. and Amedisys, Inc. and Amedisys Surgery Centers, L.C.
3.1(1) -	Certificate of Incorporation
3.2(5) -	Bylaws
4.1(1) -	Certificate of Designation for the Series A Preferred Stock
4.2(2) -	Common Stock Specimen
4.3(2) -	Preferred Stock Specimen
4.4(2) -	Form of Placement Agent's Warrant Agreement
4.5(3) -	Series A Preferred Stock Conversion Agreement Specimen
4.6(3) -	Certificate of Amendment of Certificate of Designation Specimen
4.7(4) -	Shareholder Rights Agreement
10.1(6) -	Modification Agreement by and between CareSouth Home Health Services, Inc. and Amedisys, Inc.
10.2(6) -	Software License Agreement by and between CareSouth Home Health Services, Inc. and Amedisys, Inc.
21.1(2) -	List of Subsidiaries

(1)	Previously filed as an exhibit to the Annual Report on Form 10-KSB for the year ended December 31, 1994.
(2)	Previously filed as an exhibit to the Registration Statement on Form S-3 dated March 11, 1998.
(3)	Previously filed as an exhibit to the Quarterly Report on Form 10-Q/A for the period ended June 30, 1999.
(4)	Previously filed as an exhibit to the Current Report on Form 8-K dated June 16, 2000 and the Registration Statement on Form 8-A dated June 16, 2000.
(5)	Previously filed as an exhibit to the Quarterly Report on Form 10-Q for the period ended March 31, 2001.
(6)	Filed herewith.

----- (b) Report on Form 8-K

On July 17, 2001, the Company filed a Current Report on Form 8-K with the SEC attaching a press release quantifying a net revenue overstatement previously announced.

On July 19, 2001, the Company filed a Current Report on Form 8-K with the SEC attaching a press release announcing expected second quarter earnings.

On August 21, 2001, the Company filed a Current Report on Form 8-K with the SEC attaching a press release announcing quarter ended June 30, 2001 operating results and that the Company would host a conference call at 4:15 EDT that same day.

On September 18, 2001, the Company filed a Current Report on Form 8-K with the SEC attaching a press release that announced that it had sold its last remaining outpatient surgery center, Hammond Surgical Care Center, L.C.,

d/b/a St. Luke's SurgiCenter, to Surgery Center of Hammond, L.L.C., an affiliate of Universal Health Services, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMEDISYS, INC.

By: /s/ John M. Joffrion

John M. Joffrion
Senior Vice President of Finance
Principal Accounting and Financial Officer

DATE: November 13, 2001