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Q&A: How Paul Kusserow plans to turn around Amedysis

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In December, Paul Kusserow started as president and CEO of Amedisys, a Baton Rouge, La.-based company that provides in-home nursing care, physical therapy and hospice care across the country. After longtime CEO Bill Borne stepped down in 2014, the company's board co-chair called the search for a new leader a "course correction." In October, Amedisys agreed to pay the federal government $150 million to resolve allegations that it submitted false billings to Medicare and had "improper financial relationships" with doctors. Last year, the company was rumored to be a takeover target. Kusserow previously served as vice chairman of Alignment Healthcare. Before that, he served as a senior vice president at Humana and as senior vice president for corporate strategy at Tenet Healthcare Corp. Modern Healthcare reporter Steven Ross Johnson recently spoke with Kusserow about the company's management shake-up, its expansion strategy and its moves toward risk contracting. This is an edited transcript.

Modern Healthcare: Amedisys has gone through a big transition. What was the thinking behind the leadership shake-up?

Paul Kusserow: I came on board as a consultant in early 2014 to look at the company's strategy. I came back as the CEO in December. We needed to upgrade operations and execution and we needed to set the strategy, which I'm responsible for with Chief Strategy Officer Steve Seim, who came from Humana. We needed to bring in some people who could execute.

We were lucky enough to get ahold of Dan McCoy, who was the head of operations for WellPoint/Anthem. I was able to bring in Marty Howard from Deloitte to serve as CIO. We brought in Larry Pernosky from Humana, where he headed human resources operations. Then I was able to bring in Dave Kemmerly for government relations and as interim general counsel. It's important that we have a closer relationship with the government. I feel very, very lucky to have this team.

MH: What message do these moves convey to shareholders?

Kusserow: The shareholders should be excited about this level of talent. We signed up for good, but not extravagant salaries and a lot of risk-based equity. We're betting strongly that the company is going to do well. We believe that if we can execute on our emerging strategy, we can grow the company and become really differentiated in the home health and hospice world.

MH: Where is the company right now in terms of its financial recovery?

Kusserow: It's in the early stages. Our stock has gone from a low point of about 12 to the high

20s. We consolidated or closed 50 financially under-performing care centers. We cut back on unnecessary capital expenses. We think there's considerable margin left. We also believe that from a top-line growth perspective, there's still tremendous potential organically, as well as growth from an M&A perspective.

We have a very good financial situation on our balance sheet now. So we have a lot of capacity to do deals. I'm a deal guy and we have a good team. We believe we also have a very good demographic wind at our backs, that the home health business is going to grow at a good clip, and that we can grow beyond that.

MH: What's your short-term and long-term M&A strategy?

Kusserow: We're looking currently at what we call tuck-ins. These are generally smaller home health and hospice opportunities that are available within our existing markets. We're also looking at mid-size home health and hospice companies that are in geographically favorable places.

Then we'll go back into the market, look for bigger things and look for strategic adjacencies. We'll look at some other businesses that could enhance our home health and hospice businesses. We've identified a couple of categories that we think would be additive, such as private care.

MH: What are your predictions about consolidation in your industry?

Kusserow: We think consolidation will continue to happen in the business. The rate reductions the federal government has put into place on an annualized basis are going to continue through 2018. That's going to have an impact on smaller, particularly in-home health and hospice organizations. The other thing we've seen is more quality star measures. These measures will force more consolidation among the smaller players. As the market becomes more focused on quality, the larger players will do better.

We believe transaction prices will start to come down in the next couple of years. We think the opportunities in the market are going to be really good in the next two to three years.

MH: What effect did Amedisys' settlement over the Medicare billing fraud allegations have on the company's financial performance?

Kusserow: I wasn't with the company when that matter was resolved. My understanding is the company didn't admit any wrongdoing. It had a disagreement with the government, paid a large fine and started to take the necessary measures to get financial performance improving.

We've delivered quite excellent results since. We've paid down a lot of our debt and our balance sheet is in wonderful shape. We anticipate we'll take more cost out of the system, particularly since we announced that we're getting out of the software business. From a margin perspective, we expect things to continue to be very, very strong for the rest of 2015 and 2016.

We believe that providing care in the home to the most vulnerable population is going to always be a very strong market. Our belief is that the definition of home health will expand. We believe home care can be used proactively for people with chronic illness to prevent hospitalizations. And we believe we can expand the level of services we can provide in the home.

A lot of new technologies and new services are coming out that are starting to drive care into the less-acute areas. We anticipate this will be a huge windfall for us.

MH: What are some major challenges Amedisys faces moving forward?

Kusserow: We want the government to understand that if you pay for non-medical things, such as activities of daily living, you can change people's health status and look after folks holistically.

This industry wants to take more financial risk. But if we're just taking bits and pieces of risk rather than looking at things holistically, it's very difficult. The rules, which reward fragmented and botched handoffs, need to be changed.

MH: Is Amedisys ready to take on full-risk contracts? If not, what is your timeline for that?

Kusserow: We are embracing risk arrangements. A lot of our new executives come from the managed-care business. Medicare Advantage growth is outpacing traditional Medicare, so we believe this is going to be more of our mix of business.

The key to handling financial risk is good data. If you have data on people throughout the continuum, you tend to do a lot better because you know the whole story. Thus far, no one in the post-acute world really has that. So we'll be a little cautious until we find a way to piece together all the data. Piecemeal care never really works from a risk perspective.