Accretive Health, Inc.
Form S-1/A
April 26, 2010

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As filed with the Securities and Exchange Commission on April 26, 2010
Registration No. 333-162186

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 4
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ACCRETIVE HEALTH, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**7389**	**02-0698101**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code No.)*	*(I.R.S. Employer Identification No.)*

401 North Michigan Avenue
Suite 2700
Chicago, Illinois 60611
(312) 324-7820
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Mary A. Tolan
Founder, President and Chief Executive Officer
401 North Michigan Avenue
Suite 2700
Chicago, Illinois 60611
(312) 324-7820
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this form are offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act) please check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the

Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated April 26, 2010

Shares

Common Stock

This is an initial public offering of shares of common stock of Accretive Health, Inc.

Accretive Health is offering of the shares to be sold in the offering. The selling stockholders identified in this prospectus are offering shares. Accretive Health will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between $ and $. We have applied to list our common stock on the New York Stock Exchange under the symbol AH .

See Risk Factors beginning on page 10 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Accretive Health	$	$
Proceeds, before expenses, to the selling stockholders	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from Accretive Health and up to an additional shares from the selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2010.

Goldman, Sachs & Co.	**Credit Suisse**
J.P. Morgan	**Morgan Stanley**
Baird	**William Blair & Company**

Prospectus dated , 2010.

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ACCRETIVE HEALTH results providers trust Delivering Results Through: People A talented team with revenue cycle management skills an a focus on outstanding customer service. Process Standardized implementation process and continuing analysis using sophisticated analytics and proprietary algorithms. Technology Integrated proprietary technology suite delivered as a web interface. Helping Our Customers Achieve: Improved Net Revenue Yield Increased Charge Capture More Efficient Revenue Cycle Operations

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Prospectus

Through and including , 2010 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and

with respect to an unsold allotment or subscription.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the following summary together with the more detailed information appearing in this prospectus, including our consolidated financial statements and related notes, and the risk factors beginning on page 10, before deciding whether to purchase shares of our common stock. Unless the context otherwise requires, we use the terms Accretive Health , our company , we , us and our in this prospectus to refer to Accretive Health, Inc. and its subsidiaries.

Accretive Health

Overview

Accretive Health is a leading provider of healthcare revenue cycle management services. Our business purpose is to help U.S. healthcare providers to more efficiently manage their revenue cycle operations, which encompass patient registration, insurance and benefit verification, medical treatment documentation and coding, bill preparation and collections.

Our customers typically are multi-hospital systems, including faith-based or community healthcare systems, academic medical centers and independent ambulatory clinics, and their affiliated physician practice groups. Our integrated technology and services offering, which we refer to as our solution, helps our customers realize sustainable improvements in their operating margins and improve the satisfaction of their patients, physicians and staff. Our solution is adaptable to the evolution of the healthcare regulatory environment, technology standards and market trends, and requires no up-front cash investment by our customers. As of March 31, 2010, we provided our integrated revenue cycle service offerings to 21 customers representing 53 hospitals and $11.6 billion in annual net patient revenue, as well as physicians billing organizations associated with several of these customers. Based on managed service contracts to which we were a party as of March 31, 2010, during the second quarter of 2010 we will be providing integrated revenue cycle services for customers with annual net patient revenue of $13.6 billion.

The revenue cycle operations of a typical healthcare provider often fail to capture and collect the total amounts contractually owed to it from third-party payors and patients for medical services rendered. Our solution spans our customers entire revenue cycle, unlike competing services that we believe address only a portion of the revenue cycle or focus solely on cost reductions. Through the implementation of our distinctive operating model that includes people, process and technology, our customers have historically achieved significant improvements in cash collections measured against the contractual amount due for medical services, which we refer to as net revenue yield, within 18 to 24 months of implementing our solution. Customers operating under mature managed service contracts typically realize 400 to 600 basis points in yield improvements in the third or fourth contract year. All of a customer s yield improvements during the period we are providing services are attributed to our solution because we assume full responsibility for the management of the customer s revenue cycle. Our methodology for measuring yield improvements excludes the impact of external factors such as changes in reimbursement rates from payors, the expansion of existing services or addition of new services, volume increases and acquisitions of hospitals or physician practices.

In assuming responsibility for the management and cost of a customer s revenue cycle operations, we supplement the existing staff involved in the customer s revenue cycle operations with seasoned Accretive Health personnel. We also seek to embed our technology, personnel, know-how and culture within each customer s revenue cycle activities with the expectation that we will serve as the customer s on-site operational manager beyond the contract s initial term. To date, we have experienced a contract renewal rate of 100% (excluding exploratory new services offerings, a consensual termination following a change of control and a customer reorganization). Coupled with the long-term nature of our managed service contracts and the fixed nature of the base fees under each contract, our historical renewal experience provides a core source of recurring revenue.

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Our net services revenue consists primarily of base fees and incentive fees. We receive base fees for managing our customers revenue cycle operations, net of any cost savings we share with those customers. Incentive fees represent our portion of the increase in our customers net revenue yield. We and our customers share financial gains resulting from our solution, which directly aligns our objectives and interests with those of our customers. We believe that over time, this alignment of interest fosters greater innovation and incentivizes us to improve our customer s revenue cycle operations.

A customer s net revenue improvements and cost savings generally increase over time as we deploy additional programs and as the programs we implement become more effective, which in turn provides visibility into our future revenue and profitability. In 2009, for example, approximately 87% of our net services revenue, and nearly all of our net income, was derived from customer contracts that were in place as of January 1, 2009. In 2009, we had net services revenue of $510.2 million, representing growth of 28.0% over 2008 and a compound annual growth rate of 46.4% since January 1, 2005. In addition, we were profitable for the years ended December 31, 2007, 2008 and 2009, and our profitability increased in each of those years.

Market Opportunity

We believe that current macroeconomic conditions will continue to impose financial pressure on healthcare providers and will increase the importance of managing their revenue cycles effectively and efficiently. We estimate that the market opportunity for our services which we define as the total amount of net patient revenue collected annually by U.S. hospitals and physicians billing organizations exceeds $750 billion. We expect this market opportunity will continue to grow. In addition, the continued operating pressures facing U.S. hospitals coupled with some of the themes underlying current healthcare reform proposals make the efficient management of the revenue cycle and collection of the full amount of payments due for patient services among the most critical challenges facing healthcare providers today.

We believe that the inability of healthcare providers to capture and collect the total amounts owed to them for patient services are caused by the following trends:

Complexity of Revenue Cycle Management. At most hospitals, there is a lack of standardization across operating practices, payor and patient payment methodologies, data management processes and billing systems.

Lack of Integrated Systems and Processes. Although interrelated, the individual steps in the revenue cycle are not operationally integrated across revenue cycle departments at many hospitals.

Increasing Patient Financial Responsibility for Healthcare Services. Hospitals are being forced to adapt to the need for direct-to-patient billing and collections capabilities as patients bear payment responsibility for an increasing portion of healthcare costs; however, we believe most hospitals are not very well prepared to address consumer needs regarding the patient s payment obligation.

Outdated Systems and Insufficient Resources to Upgrade Them. Many hospitals suffer from operating inefficiencies caused by outdated technology, increasingly complex billing requirements, a general lack of standardization of process and information flow, costly in-house services that could be more economically outsourced, and an increasingly stringent regulatory environment.

The Accretive Health Solution

Our solution is intended to address the full spectrum of revenue cycle operational issues faced by healthcare providers. We believe that our proprietary and integrated technology, management experience and well-developed processes are enhanced by the knowledge and experience we gain

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working with a wide range of customers and improve with each payor reimbursement or patient pay transaction. We deliver improved operating margins to our customers by helping them to improve their net revenue yield; increase their charge capture, which involves ensuring that all charges for medical treatment are included in the associated bill; and make their revenue cycle operations more efficient by implementing advanced technologies, streamlining operations and avoiding unnecessary re-work. While improvements in net revenue yield generally represent the majority of a customer s operating margin improvement, we are able to deliver additional margin improvement through improvements in charge capture and through revenue cycle cost reductions. We typically achieve revenue cycle cost reductions by implementing our proprietary technology and procedures, which reduce manual processes and duplicative work; migrating selected tasks to our shared operating facilities; and transferring certain third-party services, such as Medicaid eligibility review, to our own operations center, which allows us to leverage centralized processing capabilities to perform these tasks more efficiently. Improvements in charge capture are typically attributable to reduced payment denials by payors and identification of additional items that can be billed to payors based on the actual procedures performed. Because our managed service contracts align our interests with those of our customers, we have been able, over time, to improve our margins along with those of our customers.

We employ a variety of techniques intended to achieve our objectives for our customer:

Gathering Complete Patient and Payor Information. We focus on gathering complete patient information and educating the patient as to his or her potential financial responsibilities before receiving care so the services can be recorded and billed to the appropriate parties. Our systems automatically measure the completeness and accuracy of up-front patient profile information and other data, as well as billing and collections throughout the lifecycle of each patient account. Our analyses of these data show that hospitals employing our services have increased the percentage of non-emergency in-patient admissions with complete information profiles to more than 90%, enabling fewer billing delays and reduced billing cycles.

Improving Claims Filing and Third-Party Payor Collections. We implement sophisticated analytics designed to improve claims filing and collection of claims from third-party insurance payors. By employing proprietary algorithms and modeling to determine how hospital staff involved in the revenue cycle should allocate time and resources across a pool of outstanding claims prioritized by level of risk, we can increase the likelihood that patient services will be reimbursed.

Identifying Alternative Payment Sources. We use various methods to find payment sources for uninsured patients and reimbursement for services not covered by third-party insurance. After a typical implementation period, we have been able to help our customers find a third-party payment source for approximately 85% of all admitted patients who identified themselves as uninsured.

Employing Proprietary Technology and Algorithms. Our service offerings employ a variety of proprietary data analytics and predictive modeling algorithms. Our systems are designed to streamline work processes through the use of proprietary algorithms that focus effort on those accounts deemed to have the greatest potential for improving net revenue yield or charge capture.

Using Analytical Capabilities and Operational Excellence. We draw on the experience that we have gained from working with many of the best healthcare provider systems in the United States to train hospital staffs about new and innovative revenue cycle management practices.

Our Strategy

Our goal is to become the preferred provider-of-choice for revenue cycle management services in the U.S. healthcare industry. Since our inception, we have worked with some of the largest and most prestigious healthcare systems in the

United States, such as Ascension Health, the Henry Ford

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Health System and the Dartmouth-Hitchcock Medical Center. Going forward, our goal is to continue to expand the scope of our services to hospitals within our existing customers systems as well as to leverage our strong relationships with reference customers to continue to attract business from new customers. Key elements of our strategy include the following:

- delivering tangible, long-term results for our customers by providing services that span the entire revenue cycle;
- continuing to develop innovative approaches to increase the collection rate on patient-owed obligations for medical services received;
- enhancing and developing proprietary algorithms to identify potential errors and to make process corrections in the collection of reimbursements from third-party payors;
- expanding our shared services program;
- hiring, training and retaining our personnel;
- continuing to diversify our customer base; and
- developing enhanced service offerings that offer us long-term opportunities.

Risks Associated with Our Business

Our business is subject to a number of risks which you should be aware of before making an investment decision. Those risks are discussed more fully in Risk Factors beginning on page 10. For example:

- we may not be able to maintain or increase our profitability, and our recent growth rates may not be indicative of our future growth rates;
- hospitals affiliated with Ascension Health account for a majority of our net services revenue;
- we face competition from the internal revenue cycle management staff of hospitals as well as from a variety of external participants in the revenue cycle market;
- if we are unable to retain our existing customers, or if our customers fail to renew their managed service contracts with us upon expiration, our financial condition will suffer; and
- existing and prospective government regulation of the healthcare industry creates risks and challenges for our business.

Corporate Information

We were incorporated in Delaware under the name Healthcare Services, Inc. in July 2003 and changed our name to Accretive Health, Inc. in August 2009. Our principal executive offices are located at 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611, and our telephone number is (312) 324-7820. Our website address is www.accretivehealth.com. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our common stock.

Accretive Health, the Accretive Health logo, AHtoAccess, AHtoCharge, AHtoContract, AHtoLink, AHtoPost, AHtoRemit, AHtoScribe, AHtoScribe Administrator, AHtoTrac, A2A, Charge Integrity Services, Medicaid Eligibility Hub, YBFU, Yield-Based Follow Up and other trademarks or service marks of Accretive Health appearing in this prospectus are the property of Accretive Health.

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The Offering

Common stock offered by Accretive Health	shares
Common stock offered by the selling stockholders	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	We intend to use approximately $ million of our net proceeds of this offering to pay the preferred stock liquidation preferences that will be paid in cash to the holders of our outstanding preferred stock concurrently with the conversion of such shares into shares of our common stock upon the closing of this offering. We intend to use the remainder of our net proceeds of this offering for general corporate purposes, which may include financing our growth, developing new services and funding capital expenditures, acquisitions and investments. We will not receive any proceeds from the shares sold by the selling stockholders. See Use of Proceeds for more information.
Risk Factors	You should read the Risk Factors section and other information included in this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
Proposed New York Stock Exchange symbol	AH

The number of shares of our common stock to be outstanding after this offering is based on shares of common stock outstanding as of March 31, 2010 after giving effect to the assumptions in the following paragraph, and excludes:

833,334 shares of common stock issuable upon the exercise of warrants outstanding and exercisable as of March 31, 2010 at a weighted-average exercise price of $1.12 per share, which will remain outstanding after this offering if not exercised prior to this offering;

3,897,406 shares of common stock issuable upon the exercise of stock options outstanding and exercisable as of March 31, 2010 at a weighted-average exercise price of $35.43 per share (assuming that options to purchase 1,325,831 shares granted after January 1, 2010 with an exercise price equal to the higher of $57.66 per share or the initial public offering price per share will have an exercise price of $57.66 per share), of which 1,394,008 shares with a weighted average exercise price of $11.88 per share would be vested if purchased upon exercise of these options as of March 31, 2010; and

2,314,571 shares of common stock available for future issuance under our equity compensation plans as of March 31 2010.

Except as otherwise noted, all information in this prospectus:

assumes no exercise by the underwriters of their option to purchase up to an additional shares from us and up to an additional shares from the selling stockholders;

assumes that the shares to be sold in this offering are sold at the initial public offering price of $ per share, the midpoint of the estimated price range shown on the cover of this prospectus;

gives effect to a -for-one split of our common stock to be effected prior to the closing of this offering;

gives effect to the conversion of all outstanding shares of non-voting common stock into shares of voting common stock on a share-for-share basis prior to the closing of this offering;

gives effect to the automatic conversion of all outstanding shares of convertible preferred stock into shares of common stock upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the estimated price range shown on the cover of this prospectus;

gives effect to our issuance of shares of common stock upon cashless exercises of outstanding warrants prior to the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the estimated price range shown on the cover of this prospectus;

gives effect to our issuance of shares of common stock to Financial Technology Partners LP and/or FTP Securities, LLC, whom we collectively refer to as FT Partners, contemporaneously with the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the estimated price range shown on the cover of this prospectus, which FT Partners has elected in writing to receive in partial satisfaction of a fee for financial advisory services in respect of this offering; and

gives effect to the restatement of our certificate of incorporation and amendment and restatement of our bylaws upon the closing of this offering.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize our consolidated financial data for the periods presented. The summary statements of operations for the three years ended December 31, 2009 and the summary balance sheet as of December 31, 2009 are derived from our audited financial statements for the three years ended December 31, 2009 included elsewhere in this prospectus.

The pro forma balance sheet data as of December 31, 2009 give effect to (1) the conversion of all outstanding shares of non-voting common stock into shares of voting common stock prior to the closing of this offering, (2) the automatic conversion of all outstanding shares of convertible preferred stock into shares of common stock upon the closing of this offering and (3) the mandatory preferred stock preference payment of $16.1 million payable to the holders of outstanding preferred stock upon the completion of this offering, to be satisfied (based on payment elections received from such holders) through the payment of an aggregate of $ million in cash and the issuance of an aggregate of shares of common stock, based on an assumed initial public offering price of $ per share, the midpoint of the estimated price range shown on the cover of this prospectus. The pro forma as adjusted balance sheet data as of December 31, 2009 give effect to (1) the items described in the preceding sentence, (2) our issuance and sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the estimated price range shown on the cover of this prospectus, after deducting the estimated underwriting discount and offering expenses payable by us and the application of the net proceeds therefrom as described in Use of Proceeds , (3) our issuance of shares of common stock upon cashless exercises of outstanding warrants prior to the closing of this offering, based on an assumed initial public offering price of $ per share, the midpoint of the estimated price range shown on the cover of this prospectus, and (4) our issuance of shares of common stock to FT Partners contemporaneously with the closing of this offering, based on an assumed initial public offering price of $ per share, the midpoint of the estimated price range shown on the cover of this prospectus, which FT Partners has elected in writing to receive in partial satisfaction of a fee for financial advisory services in respect of this offering.

You should read this data together with our consolidated financial statements and related notes included elsewhere in this prospectus and the information under Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations .

	Fiscal Year Ended December 31, 2007	2008	2009
	(In thousands, except share and per share data)		
Statement of Operations Data:			
Net services revenue	$ 240,725	$ 398,469	$ 510,192
Costs of services	197,676	335,211	410,711
Operating margin	43,049	63,258	99,481
Operating expenses:			
Infused management and technology	27,872	39,234	51,763
Selling, general and administrative	15,657	21,227	30,153

Total operating expenses	43,529	60,461	81,916
Income (loss) from operations	(480)	2,797	17,565
Net interest income (expense)	1,710	710	(9)
Income before provision for income taxes	1,230	3,507	17,556
Provision for income taxes	456	2,264	2,966
Net income	$ 774	$ 1,243	$ 14,590
Net income (loss) per common share:			
Basic:	$ 0.04	$ (0.75)	$ 0.68
Diluted:	0.03	(0.75)	$ 0.57

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	Fiscal Year Ended December 31, 2007	2008	2009
	(In thousands, except share and per share data)		
Weighted-average shares used in computing net income (loss) per common share:			
Basic:	8,410,226	9,214,916	9,368,672
Diluted:	10,296,011	9,214,916	11,213,053

	Fiscal Year Ended December 31, 2007	2008	2009
Other Operating Data (unaudited):			
Adjusted EBITDA (in thousands)(1)	$ 6,842	$ 12,220	$ 32,912
Net patient revenue under management (at period end) (in billions)	$ 6.7	$ 9.2	$ 12.0

	As of December 31, 2009 Actual	Pro Forma	Pro Forma As Adjusted
		(Unaudited) (In thousands)	
Balance Sheet Data:			