

THE PARTIES

3. Plaintiff [REDACTED] purchased LHC securities during the Class Period as set forth in the attached Certification and was damaged thereby.

4. Defendant LHC is headquartered in Lafayette, Louisiana. LHC's common stock is traded under the symbol LHCG on the NASDAQ, which is an efficient market.

5. Defendant Keith G. Myers ("Myers") was, at all relevant times, Chief Executive Officer ("CEO") of the Company.

SCIENTER

6. During the Class Period, the defendants had both the motive and opportunity to conduct fraud. They also had actual knowledge of the misleading nature of the statements they made or acted in reckless disregard of the true information known to them at the time. In so doing, the defendants participated in a scheme to defraud and committed acts, practices, and participated in a course of business that operated as a fraud or deceit on purchasers of LHC securities during the Class Period.

BACKGROUND

7. The Balanced Budget Act of 1997 ("BBA") changed the way Medicare paid for home health services by requiring the implementation of a home health prospective payment system ("PPS"). Prior to the establishment of PPS, Medicare paid on a cost-based reimbursement system in which Medicare paid separately for items and services furnished by each home health agency.

8. In creating the PPS, the Centers for Medicare & Medicaid Services ("CMS") established a basic unit of payment for home health services in which home health agencies would receive payment for a 60-day episode of care. This single payment was intended to cover the skilled-care needs of individuals who were restricted to their homes for a 60-day period. These

services included nursing care; physical, occupational, and speech therapy; medical social work; home health aide services; and certain routine medical supplies.

9. CMS also developed a patient classification system to adjust payments, also known as a “case-mix adjustment,” in the home health PPS based on each patient’s health characteristics and use of services. The patient classification system originally consisted of 80 Home Health Resource Groups (“HHRGs”). Home health agencies would determine each patient’s health characteristics using the Outcome and Assessment Information Set (“OASIS”) and each patient would be assigned to an HHRG based on that assessment.

10. OASIS “score” metrics were used to indicate each patient’s clinical, functional, and service utilization characteristics. These characteristics are combined to determine each patient’s HHRG, which ultimately dictates the reimbursement payment to each home health agency. The payment system through 2007 included a therapy “bonus” when a home health agency provided at least 10 therapy visits. This bonus was substantial, and CMS recognized in its original rulemaking that a 10-visit threshold was “susceptible to manipulation.” According to data from CMS, providing 10 visits as opposed to 9 visits increased reimbursement, on average, 97.5% (over \$2,000) in 2007.

11. When the PPS system was first implemented, the payment increase threshold was set at 10 therapy visits. CMS implemented the measure in part to discourage “stinting,” a term used within the industry to describe agencies rendering the lowest level of service necessary to collect Medicare payment. CMS officials determined 8 hours of combined physical, speech, or occupational therapy over a 60-day episode would provide a suitable level of care for patients with significant therapy needs; however, a study by Abt Associates commissioned by CMS indicated few patients received that level of care prior to the implementation of PPS. CMS divided the eight hours into 10 therapy sessions, lasting 48 minutes each, to determine the visit number threshold.

12. CMS proposed significant changes to the therapy reimbursement system in 2007, to take effect in 2008. Specifically, CMS eliminated the bonus payments at 10 visits and created new bonus payments for therapy thresholds at 6, 14, and 20 visits.

**FALSE AND MISLEADING
STATEMENTS AND OTHER EVENTS DURING THE CLASS PERIOD**

13. LHC provides post-acute health care services to patients through its home nursing agencies, hospices, and long-term acute care hospitals. During the Class Period, defendants touted LHC's financial performance, but failed to disclose it was buoyed by LHC's abuses of the Medicare home health program and defrauding of that program at the expense of taxpayers. Specifically, LHC manipulated the number of patient visits, regardless of patient need, in order to maximize revenue.

14. On July 30, 2008, LHC issued a press release that stated in relevant part:

LHC Group, Inc. (NASDAQ: LHCG), one of the largest providers of home nursing services in the United States, announced today its financial results for the second quarter and six months ended June 30, 2008.

Financial Results for the Second Quarter

- Net service revenue for the second quarter of 2008, increased 27.7% to \$90.1 million compared with \$70.6 million in 2007.

* * *

- Internal growth (which is the combination of organic growth and internal growth on acquisitions) on Home-Based net service revenue and Medicare net service revenue for the second quarter of 2008 was 13.6% and 16.1%, respectively.

15. On August 7, 2008, LHC filed a Form 10-Q with the SEC setting forth the financial results for the second quarter of 2008. That 10-Q stated in relevant part:

Home-Based Services. Net service revenue for home-based services for the three months ended June 30, 2008 was \$76.4 million, an increase of \$18.4 million, or 31.8%, from \$58.0 million for the three months ended June 30, 2007. Total admissions increased 24.7% to 13,499 during the current period, versus 10,825 for the same period in 2007. Average home-based patient census for the three months ended June 30, 2008, increased 25.7% to 20,469 patients as compared with 16,283 patients for the three months ended June 30, 2007.

16. On October 29, 2008, LHC issued a press release that stated in relevant part:

LHC Group, Inc. (NASDAQ: LHCG), one of the largest providers of home nursing services in the United States, announced today its financial results for the third quarter and nine months ended September 30, 2008.

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Financial Results for the Third Quarter

-- Net service revenue for the third quarter of 2008, increased 26.7% to \$98.2 million compared with \$77.5 million in 2007.

-- Net income for the third quarter of 2008 totaled \$8.0 million, or \$0.45 per diluted share, compared with net income of \$6.0 million, or \$0.34 per diluted share, for the third quarter of 2007.

-- Internal growth (which is the combination of organic growth and internal growth on acquisitions) on Home-Based net service revenue and Medicare net service revenue for the third quarter of 2008 was 16.8% and 21.1%, respectively.

17. On November 10, 2008, LHC filed a Form 10-Q with the SEC setting forth the financial results for the third quarter of 2008. That 10-Q stated in relevant part:

Home-Based Services. Net service revenue for home-based services for the three months ended September 30, 2008 was \$84.5 million, an increase of \$21.3 million, or 33.7%, from \$63.2 million for the three months ended September 30, 2007. Total admissions increased 24.2% to 13,925 during the current period, versus 11,216 for the same period in 2007. Average home-based patient census for the three months ended September 30, 2008, increased 28.9% to 21,733 patients as compared with 16,862 patients for the three months ended September 30, 2007.

18. On March 10, 2009, LHC issued a press release that stated in relevant part:

LHC Group, Inc. (NASDAQ: LHCG), one of the largest providers of home nursing services in the United States, announced today its financial results for the fourth quarter and year ended December 31, 2008.

Financial Results for the Fourth Quarter

•Net service revenue for the fourth quarter of 2008 increased 37.3% to \$111.5 million compared with \$81.2 million for the same period in 2007.

•Net income for the fourth quarter of 2008 totaled \$10.5 million, or \$0.58 per diluted share, compared with net income of \$2.7 million, or \$0.15 per diluted share, for the fourth quarter

of 2007. Net income for the fourth quarter of 2008 includes a \$357,000 after tax loss from discontinued operations, which resulted in a \$0.02 decrease in earnings per share.

19. On March 16, 2009, LHC filed an annual report on Form 10-K with the SEC. That report stated in relevant part:

Home-Based Services

Home Nursing. Our registered and licensed practical nurses provide a variety of medically necessary services to homebound patients who are suffering from acute or chronic illness, recovering from injury or surgery, or who otherwise require care, teaching or monitoring. These services include wound care and dressing changes, cardiac rehabilitation, infusion therapy, pain management, pharmaceutical administration, skilled observation and assessment and patient education. We have also designed guidelines to treat chronic diseases and conditions including diabetes, hypertension, arthritis, Alzheimer's disease, low vision, spinal stenosis, Parkinson's disease, osteoporosis, complex wound care and chronic pain. Our home health aides provide assistance with activities of daily living such as light housekeeping, simple meal preparation, medication management, bathing and walking. Through our medical social workers we counsel patients and their families with regard to financial, personal and social concerns that arise from a patient's health-related problems. We provide skilled nursing, ventilator and tracheotomy services, extended care specialties, medication administration and management and patient and family assistance and education. We also provide management services to third-party home nursing agencies, often as an interim solution until proper state and regulatory approvals for an acquisition can be obtained.

Our physical, occupational and speech therapists provide therapy services to patients in their home. Our therapists coordinate multi-disciplinary treatment plans with physicians, nurses and social workers to restore basic mobility skills such as getting out of bed and walking safely with crutches or a walker. As part of the treatment and rehabilitation process, a therapist will stretch and strengthen muscles, test balance and coordination abilities and teach home exercise programs. Our therapists assist patients and their families with improving and maintaining a patient's ability to perform functional activities of daily living, such as the ability to dress, cook, clean and manage other activities safely in the home environment. Our speech and language therapists provide corrective and rehabilitative treatment to patients who suffer from physical or cognitive deficits or disorders that create difficulty with verbal communication or swallowing.

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Home-Based Services. Net service revenue from home-based services for the year ended December 31, 2008 was \$326.0 million, an increase of \$81.9 million, or 33.6%, from \$244.1 million for the year ended December 31, 2007. Total admissions increased 29.5% to 56,630 during the period, versus 43,736 for the same period in 2007. Average home-based patient census for the year ended December 31, 2008 increased 29.4% to 21,519 patients as

compared with 16,635 patients for the year ended December 31, 2007. . . the increase in revenue in 2008 resulted from organic growth and the growth from our acquisitions during the year ended December 31, 2008.

20. On May 6, 2009, LHC issued a press release that stated in relevant part:

LHC Group, Inc. (NASDAQ: LHCG), one of the largest providers of home nursing services in the United States, announced today its financial results for the first quarter ended March 31, 2009.

Financial Results for the First Quarter

- Net service revenue for the first quarter of 2009 increased 49.3% to \$124.6 million compared with \$83.5 million for the same period in 2008.

- Home-based net service revenue for the first quarter of 2009 increased 60% to \$109.3 million compared with \$68.4 million for the same period in 2008.

21. On May 8, 2009, LHC filed a Form 10-Q with the SEC setting forth the financial results for the first quarter of 2009. That 10-Q stated in relevant part:

Home-Based Services. Net service revenue for home-based services for the three months ended March 31, 2009 was \$109.3 million, an increase of \$40.9 million, or 59.8%, from \$68.4 million for the three months ended March 31, 2008. Total admissions increased 35.4% to 18,104 during the current period, versus 13,367 for the same period in 2008. Average home-based patient census for the three months ended March 31, 2009, increased 46.8% to 27,834 patients as compared with 18,958 patients for the three months ended March 31, 2008 . . . the increase in revenue is explained by organic growth and the growth from our acquisitions subsequent to the period ending March 31, 2008.

22. On August 4, 2009, LHC issued a press release that stated in relevant part:

LHC Group, Inc. (NASDAQ: LHCG), one of the largest providers of home health services in the United States, announced today its financial results for the second quarter and six months ended June 30, 2009.

Financial Results for the Second Quarter

- Net service revenue for the second quarter of 2009 increased 47.1% to \$132.6 million compared with \$90.1 million for the same period in 2008.

- Home-based net service revenue for the second quarter of 2009 increased 53.9% to \$117.6 million compared with \$76.4 million for the same period in 2008.

23. On August 7, 2009, LHC filed a Form 10-Q with the SEC setting forth the financial results for the second quarter of 2009. That 10-Q stated in relevant part:

Home-Based Services. Net service revenue for home-based services for the three months ended June 30, 2009 was \$117.6 million, an increase of \$41.2 million, or 53.9%, from \$76.4 million for the three months ended June 30, 2008. Total admissions increased 44.6% to 19,779 during the current period, versus 13,688 for the same period in 2008. Average home-based patient census for the three months ended June 30, 2009, increased 42.6% to 29,182 patients as compared to 20,469 patients for the three months ended June 30, 2008.

24. On October 28, 2009, LHC issued a press release that stated in relevant part:

LHC Group, Inc. (Nasdaq:LHCG), one of the largest providers of home health services in the United States, announced today its financial results for the third quarter and nine months ended September 30, 2009.

Financial Results for the Third Quarter

* Net service revenue for the third quarter of 2009 increased 35.2% to \$132.5 million compared with \$98.0 million for the same period in 2008.

* Home-based net service revenue for the third quarter of 2009 increased 38.1% to \$116.7 million compared with \$84.5 million for the same period in 2008.

25. On November 5, 2009, LHC filed a Form 10-Q with the SEC setting forth the financial results for the third quarter of 2009. That 10-Q stated in relevant part:

Home-Based Services. Net service revenue for home-based services for the three months ended September 30, 2009 was \$116.7 million, an increase of \$32.2 million, or 38.1%, from \$84.5 million for the three months ended September 30, 2008. Total admissions increased 52.2% to 21,485 during the current period, versus 14,113 for the same period in 2008. Average home-based patient census for the three months ended September 30, 2009, increased 29.5% to 28,150 patients as compared to 21,733 patients for the three months ended September 30, 2008. . . the increase in revenue is organic growth and the growth from our acquisitions subsequent to the period ending September 30, 2008.

26. On March 3, 2010, LHC issued a press release that stated in relevant part:

LAFAYETTE, La., March 3, 2010 (GLOBE NEWSWIRE) -- LHC Group, Inc. (Nasdaq:LHCG), one of the largest providers of home health services in the United States, announced today its financial results for the fourth quarter and year ended December 31, 2009.

Financial Results for the Fourth Quarter

- Net service revenue for the fourth quarter of 2009 increased 27.0% to \$141.5 million compared with \$111.4 million for the same period in 2008.

- Net income attributable to LHC Group for the fourth quarter of 2009 totaled \$12.7 million, or \$0.70 per diluted share, compared with net income of \$10.5 million, or \$0.58 per diluted share, for the fourth quarter of 2008. In the fourth quarter of 2009, the allowance for doubtful accounts was reduced by \$1.6 million, which increased net income by \$1.0 million, or \$0.05 per diluted share. The reduction to the allowance for uncollectible accounts is due to an increased collection effort, including those related to commercial claims, increased cash collections and reduced days sales outstanding at year end.

27. On March 15, 2010, LHC filed a Form 10-K with the SEC setting forth the financial results for the year 2009. That 10-K stated in relevant part:

Home-Based Services

Each of our home nursing agencies is staffed with experienced clinical home health professionals who provide a wide range of patient care services. Our home nursing agencies are managed by a Director of Nursing or Branch Manager who is also a licensed registered nurse. Our Directors of Nursing and Branch Managers are overseen by State Directors who report to Division Vice Presidents. The Senior Vice President of Home Health Operations is accountable for the oversight of the Division Vice Presidents and directly reports to the Chief Operating Officer of the Company. Our patient care operating model for our home nursing agencies is structured on a base model that requires a Medicare patient minimum census of 50 patients. At the base model level, one registered nurse is responsible for all aspects of the management of each patient's plan of care. A home nursing agency based on this model is staffed with an office manager, a field-registered nurse, a field-licensed professional nurse and a home health aide. We also contract with local community therapists and other clinicians, as appropriate, to provide additional required services. As the size and patient census of a particular home nursing agency grows, these staffing patterns are increased appropriately.

Our home nursing agencies use our Service Value Point system, a proprietary clinical resource allocation model and cost management system. The system is a quantitative tool that assigns a target level of resource units to a group of patients based upon their initial assessment and estimated skilled nursing and therapy needs. The Service Value Point system allows the Director of Nursing or Branch Manager to allocate adequate resources throughout the group of patients assigned to his or her care, rather than focusing on the profitability of an individual patient.

* * *

Home-Based Services. Net service revenue from home-based services for the year ended December 31, 2009 was \$469.5 million, an increase of \$143.5 million, or 44.0%, from

\$326.0 million for the year ended December 31, 2008. Total admissions increased 43.3% to 81,166 during the 2009, versus 56,630 for the same period in 2008. Average home-based patient census for the year ended December 31, 2009 increased 33.5% to 28,721 patients as compared with 21,519 patients for the year ended December 31, 2008. . . the increase in revenue in 2009 resulted from both organic growth and the growth from our acquisitions during the year ended December 31, 2009.

28. On April 26, 2010, *The Wall Street Journal* published an article entitled “Home Care Yields Medicare Bounty.” That article stated in relevant part:

...an analysis by *The Wall Street Journal* of Medicare payments to home health-care companies in recent years raises questions about whether some companies . . . are taking advantage of the Medicare reimbursement system. The results show that the number of in-home therapy visits tracks Medicare financial incentives.

* * *

Medicare changed its reimbursement rules in January 2008 in an attempt to blunt the incentive for home health-care visits it created. It eliminated the \$2,200 bonus payment at 10 visits . . .

* * *

LHC Group Inc. . . . saw the percentage of patients getting 10 visits in 2008 drop by 64% from 2007.

29. On April 28, 2010, LHC issued a press release that stated in relevant part:

LAFAYETTE, La., April 28, 2010 (GLOBE NEWSWIRE) -- LHC Group, Inc. (Nasdaq:LHCG), a national provider of home health and hospice services, announced today its financial results for the first quarter ended March 31, 2010.

Financial Results for the First Quarter

- Net service revenue for the first quarter of 2010 increased 17.2% to \$145.9 million compared with \$124.5 million for the same period in 2009.

- Days sales outstanding, or DSO, at March 31, 2010, was 45 days as compared with 47 days at March 31, 2009.

- Net income attributable to LHC Group for the first quarter of 2010 totaled \$11.6 million, or \$0.64 per diluted share, compared with net income of \$11.1 million, or \$0.62 per diluted share, for the first quarter of 2009.

30. On May 7, 2010, LHC filed a Form 10-Q with the SEC setting forth the financial results for the first quarter of 2010. That 10-Q stated in relevant part:

Home-Based Services. Net service revenue for home-based services for the three months ended March 31, 2010 was \$128.7 million, an increase of \$19.3 million, or 17.6%, from \$109.4 million for the three months ended March 31, 2009. Total admissions increased 20.4% to 21,805 during the current period, versus 18,104 for the same period in 2009. Average home-based patient census for the three months ended March 31, 2010, increased 10.4% to 30,721 patients as compared to 27,834 patients for the three months ended March 31, 2009. . . the increase in revenue relates to organic growth, as well as, the growth from our acquisitions subsequent to the period ending March 31, 2009.

31. In May 2010, the Senate Finance Committee began an investigation into the allegations of *The Wall Street Journal* article. Specifically, on May 12, 2010, Senators Max Baucus and Charles Grassley sent defendant Myers a letter seeking documents relating to their investigation.

32. On May 12, 2010, LHC issued a press release responding to the Senate Finance Committee letter that stated in relevant part:

LHC Group, Inc. (Nasdaq:LHCG) announced that at 4:37 p.m. Central Time today, the Company received a letter from the Senate Finance Committee regarding the April 26, 2010, article in the *The Wall Street Journal* entitled, "Home Care Yields Medicare Bounty." The Committee has asked us to respond to some questions regarding therapy utilization in prior years, and we intend to cooperate with the request. Although our response will contain a comprehensive analysis, we wanted to take this opportunity to provide a few of the key facts that will be included in our response.

- As a company, therapy represents a much lower portion of our episodes than the national average. In 2007, 36.6% of our total Medicare episodes received therapy versus the national average of 49.8%, and only 38.2% of our total Medicare episodes in 2008 received therapy versus the national average of 50.2%.
- All home care services, including therapy, are dictated by an independent physician order.
- The average number of therapy visits received by our top 20 patient diagnoses that required therapy in 2007, as compared to those same patient diagnoses in 2008, was consistent despite the change in therapy thresholds from 2007 to 2008. In fact, in none of those top 20 diagnoses did the average visits increase to a level that would result in our meeting or exceeding a higher therapy threshold.

- The Wall Street Journal article assumes a static patient population when in fact, due to growth resulting from industry consolidation, our home health patient population on December 31, 2007, was 17,850, and on December 31, 2008, our home health patient population was 26,163, an increase of 46.6%. During this same period, our home health locations increased from 144 to 206. We also increased the number of states in which we operated from 11 to 17. As a result of this growth, the make-up of our top 20 patient diagnoses in 2007 was very different from our top 20 patient diagnoses in 2008.
- Since 1996, we have maintained a corporate compliance program and an employee compliance hotline operated by an independent third party.

Keith Myers, our President and Chief Executive Officer, issued the following statement to Senators Baucus and Grassley: “We acknowledge receipt of your letter dated May 12, 2010, and your joint request for documents relating to our home health agency performance and operations. We intend to cooperate with the request and will be working diligently to provide as complete a production as possible by the deadline you set forth. We look forward to providing detailed and accurate answers to your questions presented, and we welcome the opportunity to demonstrate LHC Group's commitment to compliance and program integrity. In the meantime, should you have additional questions, please do not hesitate to contact me.”

33. As a result of this disclosure, on May 13, 2010, the price of LHC's stock dropped to \$35.28 from the previous day's closing price of \$36.11. Share prices continued to tumble the following day as the disclosure further disseminated into the market, closing at \$33.49 -- a two-day decline of 7.2%. This decrease in the price of LHC's stock was a result of some of the artificial inflation caused by defendants' misleading statements coming out of the price. The price of LHC stock remained inflated, however, because the full truth had yet to become public.

34. On June 4, 2010, LHC sent the Senate Finance Committee a letter that stated in relevant part that “at LHC, patient decisions are made by the local caregiver and the patient's physician—reimbursement is not a factor to be considered.”

35. On July 13, 2010, LHC issued a press release disclosing that the SEC had requested that LHC to preserve all documents relating to the Company's Medicare reimbursement practices. The press release stated in relevant part:

LHC Group, Inc. (Nasdaq:LHCG), a national provider of home health and hospice, announced today that it has received a request from the Securities and Exchange Commission (SEC) to preserve all documents relating to the Company's Medicare reimbursement practices. In the letter, the SEC expressed its intent to issue a subsequent request for the production of documents. LHC Group intends to fully cooperate with the review by the SEC.

“Since our inception, we have maintained a clinically driven, decentralized operating model and company culture that promotes the provision of care centered on the needs of the patients we serve. In our response to the SEC, we intend to demonstrate this commitment to patient-centered care and our commitment to compliance and program integrity,” said LHC Group President and Chief Executive Officer Keith Myers.

Below are some key facts regarding LHC Group's therapy utilization and quality outcomes:

- LHC's overall therapy utilization from 2006 through 2008 was 13% below the national average.
- LHC's reimbursement per episode was 13% below the national average from 2006 through 2009.
- LHC's reimbursement per therapy episode was 8% lower than the national average from 2006 through 2009.
- LHC's therapy patients reported outcomes that were 7% better than the national average from 2006 through 2009.
- LHC has shown a 7% increase in overall quality outcomes from 2006 through 2009.
- LHC improved the overall quality outcomes at acquired agencies by 21% from 2006 through 2009.

Guidance

Although LHC's second quarter earnings call will take place on August 5, 2010, the Company reaffirms its previously issued 2010 annual guidance with revenues expected to be in the range of \$615 million to \$625 million and fully diluted earnings per share expected to be in the range of \$2.75 to \$2.85. This guidance does not take into account any future acquisitions. In 2010, the Company anticipates opening 25 to 30 new de novo locations, which has not been factored into the 2010 guidance. This guidance also does not include any future legal or other expenses associated with responding to the SEC or Senate Finance inquiries.

36. As a result of this disclosure, on July 13, 2010, the price of LHC's stock dropped to \$23.02 from the previous day's closing price of \$24.25. Share prices continued to tumble the following day as the disclosure was further disseminated into the market, closing at \$22.49 -- a two-day decline of 7.2% on heavy volume. This decrease in the price of LHC's stock was a result of some of the artificial inflation caused by defendants' misleading statements coming out of the price. The price of LHC stock remained inflated, however, because the full truth had yet to become public.

37. On August 4, 2010, LHC issued a press release that stated in relevant part:

LAFAYETTE, La., Aug. 4, 2010 (GLOBE NEWSWIRE) -- LHC Group, Inc. (Nasdaq:LHCG), a national provider of home health and hospice services, announced today its financial results for the three and six months ended June 30, 2010.

Financial Results for the Second Quarter

- Net service revenue for the second quarter of 2010 increased 16.0% to \$154.2 million compared with \$133.0 million for the same period in 2009.

- Days sales outstanding, or DSO, remained consistent at 45 days for the period ending June 30, 2010.

- Net income attributable to LHC Group for the second quarter of 2010 totaled \$12.4 million, an increase of 20.8%, compared with net income of \$10.3 million for the same period in 2009.

- Diluted earnings per share was \$0.68 for the second quarter of 2010, an increase of 19.3%, compared with diluted EPS of \$0.57 for the same period in 2009.

38. On August 6, 2010, LHC filed a Form 10-Q with the SEC setting forth the financial results for the second quarter of 2010. That 10-Q stated in relevant part:

Home-Based Services. Net service revenue for home-based services for the three months ended June 30, 2010 was \$136.6 million, an increase of \$18.3 million, or 15.4%, from \$118.3 million for the three months ended June 30, 2009. Total admissions increased 14.0% to 22,540 during the current period, versus 19,779 for the same period in 2009. Average home-based patient census for the three months ended June 30, 2010, increased 7.4% to 31,345 patients as compared to 29,182 patients for the three months ended June 30, 2009.

39. On November 1, 2010, LHC issued a press release that stated in relevant part:

LAFAYETTE, La., Nov. 1, 2010 (GLOBE NEWSWIRE) -- LHC Group, Inc. (Nasdaq:LHCG), a national provider of home health and hospice services, announced today its financial results for the three and nine months ended September 30, 2010.

Financial Results for the Third Quarter

- Net service revenue for the third quarter of 2010 increased 25.4% to \$166.6 million compared with \$132.9 million for the same period in 2009.

- Days sales outstanding, or DSO, for the three months ended September 30, 2010, was 43 days as compared with 48 days for the same period in 2009.

- Net income attributable to LHC Group for the third quarter of 2010 totaled \$13.3 million, an increase of 35.3%, compared with \$9.8 million for the same period in 2009.

- Diluted earnings per share was \$0.73 for the third quarter of 2010, an increase of 35.2%, compared with \$0.54 for the same period in 2009.

40. On November 3, 2010, LHC filed a Form 10-Q with the SEC setting forth the financial results for the third quarter of 2010. That 10-Q stated in relevant part:

Home-Based Services. Net service revenue for home-based services for the three months ended September 30, 2010 was \$145.8 million, an increase of \$28.7 million, or 24.5%, from \$117.1 million for the three months ended September 30, 2009. Total admissions increased 21.6% to 23,807 during the current period, compared to 19,582 for the same period in 2009. Average home-based patient census for the three months ended September 30, 2010, increased 18.7% to 33,402 patients as compared to 28,150 patients for the three months ended September 30, 2009.

41. On March 2, 2011, LHC issued a press release that stated in relevant part:

LAFAYETTE, La., March 2, 2011 (GLOBE NEWSWIRE) -- LHC Group, Inc. (Nasdaq:LHCG), a national provider of home health and hospice services, announced today its financial results for the three months and year ended December 31, 2010.

Financial Results for the Fourth Quarter

- Net service revenue for the fourth quarter of 2010 increased 18.8% to \$168.1 million compared with \$141.5 million for the same period in 2009. Net service revenue for the fourth quarter of 2010 reflects a decrease of approximately \$1.8 million related to the reduction in fiscal year 2011 home health reimbursement rates of approximately 5% that affected episodes in November and December of 2010.

- Net income attributable to LHC Group for the fourth quarter of 2010 decreased 9.6% to \$11.4 million compared with \$12.7 million for the same period in 2009. Net income attributable to LHC Group for the fourth quarter of 2010 includes costs associated with converting multiple home health and hospice information systems to two systems. These costs were approximately \$1.6 million or \$0.05 in diluted earnings per share in the fourth quarter.

- Diluted earnings per share decreased 10.0% to \$0.63 for the fourth quarter of 2010 compared with \$0.70 for the same period in 2009.

42. On March 10, 2011, LHC filed a Form 10-K with the SEC setting forth the financial results for the year 2010. That 10-Q stated in relevant part:

Home-Based Services

Each of our home nursing agencies is staffed with experienced clinical home health professionals who provide a wide range of patient care services. Our home nursing agencies are managed by a Director of Nursing or Branch Manager who is also a licensed registered nurse. Our Directors of Nursing and Branch Managers are overseen by State Directors who report to Division Vice Presidents. The Senior Vice President of Home Health Operations is accountable for the oversight of the Division Vice Presidents and directly reports to the Chief Operating Officer of the Company. Our patient care operating model for our home nursing agencies is structured on a base model that requires a Medicare patient minimum census of 50 patients. At the base model level, one registered nurse is responsible for all aspects of the management of each patient's plan of care. A home nursing agency based on this model is staffed with an office manager, a field-registered nurse, a field-licensed professional nurse and a home health aide. We also contract with local community therapists and other clinicians, as appropriate, to provide additional required services. As the size and patient census of a particular home nursing agency grows, these staffing patterns are increased appropriately.

Our home nursing agencies use our Service Value Point system, a proprietary clinical resource allocation model and cost management system. The system is a quantitative tool that assigns a target level of resource units to a group of patients based upon their initial assessment and estimated skilled nursing and therapy needs. The Service Value Point system allows the Director of Nursing or Branch Manager to allocate adequate resources throughout the group of patients assigned to his or her care, rather than focusing on the profitability of an individual patient.

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Home-Based Services. Net service revenue from home-based services for the year ended December 31, 2010 was \$558.6 million, an increase of \$89.1 million, or 19.0%, from \$469.5 million for the year ended December 31, 2009. Total admissions increased 21.6% to 92,764 during the 2010, compared to 76,286 for the same period in 2009. Average home-based

patient census for the year ended December 31, 2010 increased 12.7% to 32,375 patients as compared with 28,721 patients for the year ended December 31, 2009 . . . the increase in revenue in 2010 resulted from both organic growth and the growth from our acquisitions during the year ended December 31, 2010.

43. On May 4, 2011, LHC issued a press release that stated in relevant part:

LAFAYETTE, La., May 4, 2011 (GLOBE NEWSWIRE) -- LHC Group, Inc. (Nasdaq:LHCG), a national provider of home health and hospice services, announced today its financial results for the three months ended March 31, 2011.

Financial Results for the First Quarter

- Net service revenue for the first quarter of 2011 increased to \$161.8 million compared with \$145.2 million for the same period in 2010.

- Days sales outstanding, or DSO, for the three months ended March 31, 2011, was 45 days.

- Net income attributable to LHC Group for the first quarter of 2011 decreased to \$7.7 million compared with \$11.7 million for the same period in 2010.

- Diluted earnings per share decreased to \$0.42 for the first quarter of 2011 compared with \$0.64 for the same period in 2010.

44. On May 10, 2011, LHC filed a Form 10-Q with the SEC setting forth the financial results for the first quarter of 2011. That 10-Q stated in relevant part:

Home-Based Services. Net service revenue for home-based services for the three months ended March 31, 2011 was \$141.8 million, an increase of \$13.8 million, or 10.8%, from \$128.0 million for the three months ended March 31, 2010. Total admissions increased 20.7% to 27,113 during the current period, compared to 22,470 for the same period in 2010. Average home-based patient census for the three months ended March 31, 2011 increased 12.8% to 35,299 patients as compared to 31,282 patients for the three months ended March 31, 2010.

45. On September 30, 2011, LHC issued a press release that stated in relevant part:

LAFAYETTE, La., Sept. 30, 2011 (GLOBE NEWSWIRE) -- LHC Group, Inc. (Nasdaq:LHCG) announced today that the company has reached a settlement agreement with the government that resolves a previously announced civil inquiry involving Medicare reimbursement for home health services for the period of 2006 to 2008.

While LHC Group cooperated fully, the settlement agreement reflects that the company disputes the government's claims and includes no admission or determination of wrongdoing.

The government did not question LHC Group's quality of patient care, and there were no findings that the company billed or received payments for services not rendered.

Under the terms of the settlement agreement, the company will pay \$65 million.

The inquiry primarily centered on whether certain medical records contained sufficient documentation to support the subjective determination of medical necessity. LHC Group chose to settle to avoid the disruption and expense of a multi-year legal dispute with the government, which is both a regulator and the primary payer for healthcare services provided to elderly and disabled patients. The settlement includes a release from the government for any claims for the period of 2006 to 2008 related to home health services, including skilled nursing visits, therapy visits and home health aide visits.

DEFENDANTS' STATEMENTS

For the third quarter of 2011, the Company expects to report net service revenue in the range of \$150 million to \$155 million and fully diluted loss per share in the range of \$2.10 to \$2.25, subject to final tax treatment of the settlement. With respect to fiscal year 2011, the Company is adjusting its guidance for net service revenue to a range of \$630 million to \$640 million and fully diluted loss per share to a range of \$0.75 to \$0.85. This change in the fiscal year 2011 guidance is primarily the result of the following factors:

- The Company's recently announced settlement with the government and the associated legal and other expense incurred in connection with reaching the settlement (the effect of the settlement, after tax, reduces 2011 fully diluted earnings per share by \$2.50);

50. As a result of this disclosure, the price of LHC's stock dropped from \$18.84 to \$15.89 in one day, an additional 15% decline with approximately 500,000 shares traded. This decrease was a result of the artificial inflation caused by defendants' misleading statements coming out of the price.

LOSS CAUSATION/ECONOMIC LOSS

51. During the Class Period, as detailed herein, defendants made false and misleading statements and engaged in a scheme to deceive the market. This artificially inflated the price of LHC's securities and operated as a fraud or deceit on the Class. When defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the price of LHC's securities fell as the prior artificial inflation came out of the price over time. As a result of their purchases of LHC securities during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

NO SAFE HARBOR

52. LHC's verbal "Safe Harbor" warnings accompanying its oral forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability.

53. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was

authorized and/or approved by an executive officer of LHC who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to, or stated to be, dependent on those historic or present tense statements when made.

**APPLICABILITY OF PRESUMPTION OF
RELIANCE: FRAUD ON THE MARKET**

54. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

- (a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- (b) The omissions and misrepresentations were material;
- (c) The Company's securities traded in an efficient market;
- (d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- (e) Plaintiff and other members of the Class purchased LHC securities between the time Defendants misrepresented or failed to disclose material facts and the time true facts were disclosed, without knowledge of the misrepresented or omitted facts.

55. At all relevant times, the market for LHC securities was efficient for the following reasons, among others:

- (a) As a regulated issuer, LHC filed periodic public reports with the SEC; and
- (b) LHC regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on

the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services.

CLASS ACTION ALLEGATIONS

56. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased the publicly traded securities of LHC during the Class Period (the “Class”). Excluded from the Class are defendants, directors and officers of LHC, and their families and affiliates.

57. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. LHC had more than 18 million shares outstanding, owned by thousands of persons.

58. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the Exchange Act was violated by defendants;
- (b) Whether defendants omitted and/or misrepresented material facts;
- (c) Whether defendants’ statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;
- (e) Whether the prices of LHC securities were artificially inflated; and

(f) The extent of damage sustained by Class members and the appropriate measure of damages.

59. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

60. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

61. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

COUNT I

For Violation of §10(b) of the Exchange Act and Rule 10b-5 Against All Defendants

62. Plaintiff incorporates ¶¶1-61 by reference.

63. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

64. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they:

- (a) Employed devices, schemes, and artifices to defraud;
- (b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of LHC securities during the Class Period.

65. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for LHC securities. Plaintiff and the Class would not have purchased LHC securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

66. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of LHC securities during the Class Period.

COUNT II

For Violation of §20(a) of the Exchange Act Against All Defendants

67. Plaintiff incorporates ¶¶1-66 by reference.

68. The Individual Defendants acted as controlling persons of LHC within the meaning of §20 of the Exchange Act. By virtue of their positions and their power to control public statements about LHC, the Individual Defendants had the power and ability to control the actions of LHC and its employees. LHC controlled the Individual Defendants and its other officers and employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages and interest;
- C. Awarding plaintiff's reasonable costs, including attorneys' fees; and

D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

Date: June 13, 2012