

Accretive Health, Inc.
Form 10-Q
July 07, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

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: 001-34746

ACCRETIVE HEALTH, INC.

(Exact name of registrant as specified in its charter)

Delaware

02-0698101

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification Number)

401 North Michigan Avenue Suite 2700 Chicago, Illinois 60611

(Address of principal executive offices)

(Zip code)

(312) 324-7820

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 1, 2015, the registrant had 97,945,709 shares of common stock, par value \$0.01 per share, outstanding.

Accretive Health, Inc.
FORM 10-Q

For the period ended March 31, 2015
Table of Contents

Part I. Financial Information

<u>Item 1.</u>	Consolidated Financial Statements	<u>2</u>
	Condensed Consolidated Balance Sheets as of March 31, 2015 (unaudited) and December 31, 2014	<u>2</u>
	Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited) — For the Three Months ended March 31, 2015 and 2014	<u>3</u>
	Condensed Consolidated Statements of Cash Flows (unaudited) — For the Three Months ended March 31, 2015 and 2014	<u>4</u>
	Notes to Condensed Consolidated Financial Statements (unaudited)	<u>5</u>
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>16</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>23</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>24</u>

Part II. Other Information

<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>27</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>29</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>29</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>31</u>

SIGNATURES	<u>32</u>
------------	-----------

EXHIBIT INDEX

PART I — FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Accretive Health, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)

	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$132,003	\$145,167
Restricted cash	—	5,000
Accounts receivable, net	4,531	4,438
Prepaid income taxes	5,912	6,138
Current deferred tax assets	64,416	62,322
Other current assets	6,984	7,389
Total current assets	213,846	230,454
Property, equipment and software, net	16,292	14,594
Non-current deferred tax assets	216,670	201,163
Goodwill and other assets, net	160	162
Total assets	\$446,968	\$446,373
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$6,167	\$12,488
Current portion of customer liabilities	227,177	219,998
Accrued compensation and benefits	15,874	14,983
Other accrued expenses	9,434	15,680
Total current liabilities	258,652	263,149
Non-current portion of customer liabilities	350,465	317,065
Other non-current liabilities	8,323	8,405
Total liabilities	617,440	588,619
Stockholders' equity (deficit):		
Common stock, \$0.01 par value, 500,000,000 shares authorized, 102,890,241 shares issued and 98,034,744 shares outstanding at March 31, 2015; 102,890,241 shares issued and 98,112,019 shares outstanding at December 31, 2014	1,029	1,029
Additional paid-in capital	309,820	307,075
Accumulated deficit	(427,962)	(397,517)
Accumulative other comprehensive loss	(1,815)	(1,763)
Treasury stock	(51,544)	(51,070)
Total stockholders' equity (deficit)	(170,472)	(142,246)
Total liabilities and stockholders' equity (deficit)	\$446,968	\$446,373
See accompanying notes to condensed consolidated financial statements		

Accretive Health, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except share and per share data)

	Three Months Ended	
	March 31,	2014
	2015	
	(Unaudited)	
Net services revenue	\$ 10,971	\$ 12,964
Operating expenses:		
Costs of services	42,196	44,932
Selling, general and administrative	17,362	17,366
Restatement and other	1,275	35,301
Total operating expenses	60,833	97,599
Loss from operations	(49,862	) (84,635
Net interest income	5	100
Loss before income tax provision	(49,857	) (84,535
Income tax benefit	19,412	29,812
Net loss	\$(30,445	) \$(54,723
Net loss per common share		
Basic	\$(0.32	) \$(0.57
Diluted	\$(0.32	) \$(0.57
Weighted average shares used in calculating net loss per common share:		
Basic	95,889,146	95,723,185
Diluted	95,889,146	95,723,185
Consolidated statements of comprehensive loss		
Net loss	(30,445	) (54,723
Other comprehensive income:		
Foreign currency translation adjustments	(52	) 238
Comprehensive loss	\$(30,497	) \$(54,485

See accompanying notes to condensed consolidated financial statements

Accretive Health, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)

	Three Months Ended	
	March 31,	
	2015	2014
	(Unaudited)	
Operating activities:		
Net loss	\$(30,445	) \$(54,723
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	1,717	1,405
Share-based compensation	4,975	10,348
Loss on disposal of fixed assets	—	223
Provision/(Recoveries) for doubtful receivables	9	(515
Deferred income taxes	(19,804	) (28,800
Excess tax benefits from share-based awards	—	(176
Changes in operating assets and liabilities:		
Accounts receivable	(102	) 10,843
Prepaid income taxes	212	104
Other assets	405	(1,999
Accounts payable	(6,323	) 1,234
Accrued compensation and benefits	891	6,875
Other liabilities	(6,355	) 1,106
Customer liabilities	40,579	33,740
Net cash used in operating activities	(14,241	) (20,335
Investing activities:		
Purchases of property, equipment and software	(3,402	) (1,177
Net cash used in investing activities	(3,402	) (1,177
Financing activities:		
Excess tax benefit from share-based awards	—	176
Restricted cash released from letter of credit	5,000	—
Purchase of treasury stock	(474	) (77
Net cash provided by financing activities	4,526	99
Effect of exchange rate changes on cash	(47	) 195
Net decrease in cash and cash equivalents	(13,164	) (21,218
Cash and cash equivalents at beginning of period	145,167	228,891
Cash and cash equivalents at end of period	\$132,003	\$207,673

See accompanying notes to condensed consolidated financial statements

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 — BUSINESS DESCRIPTION AND BASIS OF PRESENTATION

Business Description

Accretive Health, Inc. with its subsidiaries (the "Company") is a leading provider of services that help healthcare providers generate sustainable improvements in their operating margins and cash flows while also improving patient, physician and staff satisfaction for its customers. The Company achieves these results for its customers through an integrated approach encompassing an end-to-end revenue cycle management service offering and physician advisory services. The Company does so by deploying a unique operating model that leverages its extensive healthcare site experience, innovative technology and process excellence. The Company also offers modular services, allowing clients to engage the Company for only specific components of its end-to-end revenue cycle management service offering.

The Company's primary service offering consists of revenue cycle management ("RCM"), which helps healthcare providers to more efficiently manage their revenue cycles. This encompasses patient registration, insurance and benefit verification, medical treatment documentation and coding, bill preparation and collections from patients and payers. The Company's physician advisory services offering assists hospitals in complying with payer requirements regarding whether to classify a hospital visit as an in-patient or an out-patient observation case for billing purposes and consists of both concurrent review and retrospective chart audits to help its customers achieve compliant and accurate billing. The Company also provides customers with retrospective appeal management service support for both governmental and commercial payers.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect the Company's financial position as of March 31, 2015, the results of operations for the three months ended March 31, 2015 and 2014, and the cash flows of the Company for the three months ended March 31, 2015 and 2014. These financial statements include the accounts of Accretive Health, Inc. and its wholly owned subsidiaries. All material intercompany amounts have been eliminated in consolidation. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting and as required by the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures required for complete financial statements are not included herein. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the interim financial information have been included. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2015.

When preparing financial statements in conformity with GAAP, the Company must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements. Actual results could differ from those estimates. For a more complete discussion of the Company's significant accounting policies and other information, the unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)

NOTE 2 — RECENT ACCOUNTING PRONOUNCEMENTS

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") and are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company's management believes that the impact of recently issued accounting pronouncements does not have a material impact on the Company's consolidated financial position, results of operations, and cash flows, or do not apply to the Company's operations.

In May 2014, the FASB issued Update No. 2014-09, "Revenue from Contracts with Customers", which provides guidance for revenue recognition. The updated standard requires that a company recognize revenue when it transfers promised goods or services to customers in an amount equal to the consideration to which the company expects to be entitled in exchange for those goods or services. This Accounting Standards Update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. In April 2015, the FASB proposed deferring the standard effective date by one year. The Company is currently in the process of evaluating the impact of the adoption of this prospective guidance on its consolidated financial statements.

NOTE 3 — FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has adopted the provisions of FASB Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements", which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1: Observable inputs such as quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's financial assets are measured at fair value.

The following table includes assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy (in thousands):

	March 31, 2015 (Unaudited)	December 31, 2014
Level 1 assets		
Money market funds with maturities of less than 90 days	117,311	137,802
Total	\$117,311	\$137,802

The Company does not have any financial liabilities that are required to be measured at fair value on a recurring basis.

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)

NOTE 4 — ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable is comprised of unpaid balances pertaining to non-RCM service fees and net receivable balances for RCM customers after considering cost reimbursements owed to such customers, including related accrued balances.

The Company maintains an estimated allowance for doubtful accounts to reduce its accounts receivable to the amount that it believes will be collected. This allowance is based on the Company's historical experience, its assessment of each customer's ability to pay, the length of time a balance has been outstanding, input from key customer resources assigned to each customer, and the status of any ongoing operations with each applicable customer.

Movements in the allowance for doubtful accounts are as follows (in thousands):

	Three Months Ended	
	March 31,	2014
	2015	
	(unaudited)	
Beginning balance	\$314	\$740
Provision/(Recoveries)	9	(515)
Write-offs	(84	) 7
Ending balance	\$239	\$232

NOTE 5 — PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software consist of the following (in thousands):

	March 31,	December 31,
	2015	2014
	(unaudited)	
Computer and other equipment	\$19,273	\$17,701
Leasehold improvements	13,469	12,491
Software	13,066	12,398
Office furniture	3,274	3,152
Property, equipment and software, gross	49,082	45,742
Less: accumulated depreciation and amortization	(32,790	) (31,148
Property, equipment and software, net	\$16,292	\$14,594

The following table summarizes the allocation of depreciation and amortization expense between cost of services and selling, general and administrative expenses (in thousands):

	Three Months Ended March 31,	
	2015	2014
Cost of services	\$1,482	\$974
Selling, general and administration	235	431
Total depreciation and amortization	\$1,717	\$1,405

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)

NOTE 6 — CUSTOMER LIABILITIES

Customer liabilities consist of the following (in thousands):

	March 31, 2015 (unaudited)	December 31, 2014
Deferred customer billings, current	\$142,590	\$132,063
Accrued service costs, current	76,850	68,077
Customer deposits, current	7,544	19,675
Deferred revenue, current	193	183
Current portion of customer liabilities	227,177	219,998
Deferred customer billings, non-current	350,465	317,065
Total customer liabilities	\$577,642	\$537,063

NOTE 7 — SHARE-BASED COMPENSATION

The share-based compensation expense relating to the Company's stock options and restricted stock awards ("RSAs") for the three months ended March 31, 2015 and 2014, was \$5.2 million and \$10.3 million, respectively, with related tax benefits of approximately \$2.0 million and \$3.7 million, respectively.

Total share-based compensation expense that has been included in the Company's consolidated statements of operations was as follows (in thousands):

	Three Months Ended March 31, 2015	2014
Share-based Compensation Expense Allocation Details:		
Cost of services	\$1,400	\$1,669
Selling, general and administrative	3,796	3,091
Restatement and other costs	—	5,588
Total share-based compensation expense (1)	\$5,196	\$10,348

(1) Includes \$0.2 million in share-based compensation expense paid in cash during the three months ended March 31, 2015.

The Company uses the Black-Scholes option pricing model to determine the estimated fair value of each option as of its grant date. These inputs are subjective and generally require significant analysis and judgment to develop. The following table sets forth the significant assumptions used in the Black-Scholes option pricing model and the calculation of share-based compensation expense for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31, 2015	2014
Future dividends	—	—
Risk-free interest rate	1.5% to 1.8%	1.9% to 2.2%
Expected volatility	50%	50%
Expected life	6.25	6.25
Forfeitures	5.68% annually	5.68% annually

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)

The risk-free interest rate input is based on U.S. Treasury instruments, and expected volatility of the share price based upon review of the historical volatility levels of the Company's common stock in conjunction with that of public companies that operate in similar industries or are similar in terms of stage of development or size and a projection of this information toward its future expected volatility. The Company used the simplified method to estimate the expected option life for 2015 and 2014 option grants. The simplified method was used due to the lack of sufficient historical data available to provide a reasonable basis upon which to estimate the expected term of each stock option. The Company used Monte Carlo simulations to estimate the fair value of its RSAs with vesting based on market-based performance conditions as of their respective grant dates. The Company applied the same analysis that it used for the Black-Scholes for risk free interest rate, volatility and dividend yield. Expected term is based on the market condition to which the vesting is tied. The Company did not issue any market-based grants during the three months ended March 31, 2015.

Stock Options

A summary of the options activity during the three months ended March 31, 2015, is shown below:

	Shares	Weighted-Average Exercise Price
Outstanding at January 1, 2015	19,924,405	\$10.91
Granted	1,067,394	6.15
Exercised	—	—
Canceled	(487,075)	16.70
Forfeited	(332,050)	9.79
Outstanding at March 31, 2015	20,172,674	\$10.54
Outstanding and vested at March 31, 2015	11,841,882	\$11.43
Outstanding and vested at December 31, 2014	11,879,209	\$11.73

Restricted Stock Awards

A summary of the restricted stock activity during the three months ended March 31, 2015 is shown below:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2015	2,477,465	\$8.71
Granted	—	—
Vested	(212,504)	9.48
Forfeited	—	—
Outstanding at March 31, 2015	2,264,961	\$8.64

In most cases, RSA vesting is based on the passage of time. The amount of share-based compensation expense is based on the fair value of the Company's common stock on the respective grant dates and is recognized ratably over the vesting period.

The amount of share-based compensation expense for RSAs with vesting tied to market-based performance conditions is recognized over the expected performance period, however, compensation expense already recognized is not adjusted if market-based performance conditions are not met.

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)

The Company's RSA agreements allow employees to surrender to the Company shares of common stock upon vesting of their RSAs in lieu of their payment of the required personal employment-related taxes. Employees surrendered to the Company 77,275 and 8,686 shares of stock, respectively, towards the minimum statutory tax withholdings, which the Company recorded in an amount of approximately \$0.5 million and \$0.1 million, respectively, for the three months ended March 31, 2015 and 2014. Shares surrendered in payment of personal employment-related taxes are held in treasury.

Modification of share-based awards

During the first quarter of 2014, in connection with the resignation of a senior executive from the Company, the Company modified the terms of awards previously granted to such senior executive. This modification extended the term to exercise vested options from 60 days following his effective resignation date to such time as the Company's Registration Statement on Form S-8 has been effective for 60 consecutive days. This modification resulted in a net increase of share-based compensation expense for the three months ended March 31, 2014 of \$5.6 million.

NOTE 8 — RESTATEMENT AND OTHER

In the first quarter of 2013, the Company determined that it would restate its previously issued consolidated financial statements (the "Restatement"). The Restatement corrected accounting errors relating to timing of recognition of net services revenue, as well as the presentation of net services revenue and cost of services, and also certain capitalized costs for internal use software, goodwill, income taxes and other miscellaneous items. The Company completed the Restatement in December 2014. The Restatement has also resulted in the Company spending additional time and resources redesigning its accounting processes and internal controls over financial reporting.

Restatement and other costs are comprised of reorganization-related and Restatement expenses and certain other costs. For the three months ended March 31, 2015 and 2014, the Company incurred \$1.3 million and \$35.3 million in Restatement and other costs, respectively.

Reorganization-related

In the second quarter of 2013, the Company initiated a restructuring plan consisting of reductions in workforce in order to align its organizational structure and resources to better serve its customers. The plan consisted of two separate staff reductions that occurred in 2013.

In January 2014, the Company continued and revised the 2013 plan to include additional reductions to its workforce in certain corporate, administrative and management functions (the "Plan"). The Plan consists of severance payments, medical and dental benefits, outplacement job training for certain U.S.-based employees and relocation costs.

In connection with the Plan, during the three months ended March 31, 2014, the Company incurred a pretax restructuring charge of \$9.9 million in severance and employee benefits and related expenses, including \$5.6 million of non-cash expense related to share-based compensation for modification of existing stock options for affected employees. The Company's reorganization liability activity is included in accrued compensation and benefits in the accompanying condensed consolidated balance sheets.

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)

The Company's reorganization activity was as follows (in thousands):

	Three months ended	
	March 31,	2014
	2015	
	(unaudited)	
Reorganization liability, beginning balance	\$3,454	\$1,143
Restructuring charges	—	9,889
Cash payments	(1,922	)(2,011
Non-cash charges	—	(5,588
Reorganization liability, ending balance	\$1,532	\$3,433

Restatement

For the three months ended March 31, 2015 and 2014, the Company incurred \$1.4 million and \$25.0 million in Restatement-related costs, respectively. The Restatement-related costs in the three months ended March 31, 2015 and 2014 were primarily due to the higher than normal professional service fees.

Other

During the three months ended March 31, 2015 and 2014, the Company incurred other costs of \$(0.1) million and \$0.4 million, respectively.

NOTE 9 — INCOME TAXES

Income tax provisions for interim periods are based on estimated annual income tax rates, adjusted to reflect the effects of items which are required to be discretely recognized within the applicable interim period. The Company's intention is to permanently reinvest its foreign earnings outside the United States. As a result, the effective tax rates in the periods presented are largely based upon the projected annual pre-tax earnings by jurisdiction.

The income tax benefits for the three months ended March 31, 2015 and March 31, 2014 were higher than the amounts derived by applying the federal statutory tax rate of 35% primarily from the impact of state taxes. The tax rate is also impacted by discrete items that may occur in any given period.

The Company corrected the statutory rate used in one of its state deferred calculations for the year ended December 31, 2013. The Company discovered this error in the process of preparing its annual and quarterly financial statements for the year ended December 31, 2014, and recorded the amount in the first quarter of 2014. The correction of this error increased tax expense for the three months ended March 31, 2014 by approximately \$2.4 million. The Company has determined the amount is immaterial for the three months ended March 31, 2014 and the year ended December 31, 2014.

During the three months ended March 31, 2015, the Company's uncertain tax positions decreased by \$0.2 million, excluding interest and penalties, as compared to December 31, 2014. The decrease in uncertain tax position was primarily related to the expiration of statutes of limitation.

Edgar Filing: Accretive Health, Inc. - Form 10-Q

The Company and its subsidiaries are subject to U.S. federal income taxes as well as income taxes in multiple state and foreign jurisdictions. The Company's 2013, 2012, and 2011 U.S. federal income tax returns are currently under examination. State jurisdictions have various open tax years. The statutes of limitations for most states range from three to six years.

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)

NOTE 10 — EARNINGS PER SHARE

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average number of common shares outstanding and potentially dilutive securities outstanding during the period under the treasury stock method. Under the treasury stock method, dilutive securities are assumed to be exercised at the beginning of the periods and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Securities are excluded from the computations of diluted net income per share if their effect would be anti-dilutive to earnings per share.

The following table sets forth the computation of basic and diluted earnings per share available to common shareholders for the three months ended March 31, 2015 and 2014, respectively (in thousands, except share and per share data).

	Three Months Ended	
	March 31,	
	2015	2014
	(unaudited)	
Net loss	\$ (30,445	) \$ (54,723
Basic weighted-average common shares	95,889,146	95,723,185
Add: Effect of dilutive securities	—	—
Diluted weighted average common shares	95,889,146	95,723,185
Net income (loss) per common share (basic)	\$ (0.32	) \$ (0.57
Net income (loss) per common share (diluted)	\$ (0.32	) \$ (0.57

Because of their anti-dilutive effect, 22,437,635 and 20,892,607 common share equivalents comprised of stock options and restricted stock awards have been excluded from the diluted earnings per share calculation for the three months ended March 31, 2015 and 2014, respectively.

NOTE 11 — COMMITMENTS AND CONTINGENCIES

Revolving Credit Facility

The Company previously maintained a line of credit with the Bank of Montreal in the amount of \$3.0 million. The \$3.0 million line of credit could only be utilized by the Company in the form of letters of credit and was secured by a \$5.0 million demand deposit with the Bank of Montreal. The Company's line of credit expired on February 15, 2015 and was not renewed. As a result of such expiration, the Company has reclassified \$5.0 million from restricted cash into cash and cash equivalents at March 31, 2015.

Legal Proceedings

The Company is subject to various claims, other pending and possible legal actions for product liability and other damages, and other matters arising out of the conduct of the Company's business. On a quarterly basis, the Company reviews material legal claims against the Company. The Company accrues for the costs of such claims as appropriate and in the exercise of its judgment and experience. However, due to a lack of factual information available to the Company about a claim, or the procedural stage of a claim, it may not be possible for the Company to reasonably assess either the probability of a favorable or unfavorable outcome of the claim or to reasonably estimate the amount of loss should there be an unfavorable outcome. Therefore, for many of the claims, the Company cannot estimate a range of loss. The Company believes, based on current knowledge and after consultation with counsel, that the outcome of such claims and actions will not have a material adverse effect on the

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)

Company's results of operations or financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of such matters, if unfavorable, could have a material adverse effect on the Company's results of operations or financial position.

Other than as described below, the Company is not presently a party to any material litigation or regulatory proceeding and is not aware of any pending or threatened litigation or regulatory proceeding against the Company which, individually or in the aggregate, could have a material adverse effect on its business, operating results, financial condition or cash flows.

On January 19, 2012, the State of Minnesota, by its Attorney General, filed a complaint against the Company in the United States District Court for the District of Minnesota, alleging violations of federal and Minnesota state health privacy laws and regulations, Minnesota debt collection laws, and Minnesota consumer protection laws resulting from, among other things, the theft in Minnesota in July 2011 of an employee's laptop that contained protected health information. On January 25, 2012, the Commissioner of the Minnesota Department of Commerce served the Company an administrative subpoena seeking information and documents about its debt collection practices and the privacy of personal and health data within its possession or control. On February 3, 2012, the Company entered into a Consent Cease and Desist Order with the Commissioner, voluntarily agreeing to cease all debt collection activity in the State of Minnesota. As previously disclosed, on July 30, 2012, without any admission of liability or wrongdoing, the Company entered into a Settlement Agreement, Release and Order with the Minnesota Attorney General to settle the lawsuit filed by the Minnesota Attorney General and the investigation commenced by the Minnesota Department of Commerce and to resolve fully all disputes which in any way related to, arose out of, emanated from, or otherwise involved such lawsuit or investigation and all investigations by the Minnesota Attorney General, the Minnesota Department of Commerce, and the Minnesota Department of Human Services relating to the Company. As part of the settlement, the Company paid a settlement sum of \$2.5 million and voluntarily agreed to cease all remaining operations in Minnesota.

On April 26, 2012 and May 1, 2012, the Company, along with certain of its former officers, was named as a defendant in two putative securities class action lawsuits filed in the U.S. District Court for the Northern District of Illinois, which were consolidated as *Wong v. Accretive Health et al.* The primary allegations are that the Company's public statements, including filings with the SEC, were false and/or misleading about its violations of certain federal and Minnesota privacy and debt collection laws. On September 26, 2013, without any admission of liability or wrongdoing, the Company entered into a Settlement Agreement to resolve these suits for \$14 million, which has been funded into escrow by its insurance carriers. On April 30, 2014, the U.S. District Court for the Northern District of Illinois granted final approval of the Settlement Agreement. A single objector to the Settlement Agreement appealed to the U.S. Court of Appeals for the Seventh Circuit, and on December 9, 2014, the court of appeals affirmed the district court's approval of the settlement. On December 23, 2014, that objector submitted a petition for en banc rehearing, which was denied on January 26, 2015.

In addition, the Company, along with certain of its directors and former officers, has been named in several putative shareholder derivative lawsuits filed in the U.S. District Court for the Northern District of Illinois on May 3, 2012 and July 31, 2012 (consolidated as *Maurras Trust v. Accretive Health et al.*), in the Circuit Court of Cook County, Illinois on June 23, 2012 and June 27, 2012 (consolidated as *In re Accretive Health, Inc. Derivative Litigation*) and in the Court of Chancery of the State of Delaware on November 5, 2012 (*Doyle v. Tolan et al.*). The primary allegations are that its directors and officers breached their fiduciary duties in connection with the alleged violations of certain federal and Minnesota privacy and debt collection laws.

On July 11, 2013, the Court of Chancery of the State of Delaware granted the Company's motion to stay *Doyle v. Tolan et al.*, in favor of the action pending in the U.S. District Court for the Northern District of Illinois. On September 24, 2013, the U.S. District Court for the Northern District of Illinois granted the Company's motion to

dismiss without prejudice, giving plaintiffs in that case leave to file an amended consolidated complaint, which plaintiffs filed on October 22, 2013, amending their complaint to also include allegations with respect to the Restatement. On February 25, 2015, the Company entered a settlement agreement with plaintiffs in all of these suits that would resolve the derivative actions, subject to court approval. On February 26, 2015, plaintiffs in the action

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)

pending in the U.S. District Court for the Northern District of Illinois filed a motion seeking preliminary approval of that settlement, which was granted on March 19, 2015. A final fairness hearing is scheduled for July 23, 2015.

On May 17, 2013, the Company, along with certain of its directors, former directors and former officers, was named as a defendant in a putative securities class action lawsuit filed in the U.S. District Court for the Northern District of Illinois (*Hughes v. Accretive Health, Inc. et al.*). The primary allegations, relating to its March 8, 2013 announcement that the Company would be restating its prior period financial statements, are that its public statements, including filings with the SEC, were false and/or misleading with respect to its revenue recognition and earnings prospects. On November 27, 2013, plaintiffs voluntarily dismissed the Company's directors and former directors (other than Mary Tolan). On January 31, 2014, the Company filed a motion to dismiss the complaint. On September 25, 2014, the Court granted the Company motion to dismiss without prejudice, however the plaintiffs filed a second amended complaint on October 23, 2014. On November 10, 2014, the Company filed a motion to dismiss the second amended complaint. While that motion was still pending, on January 8, 2015, plaintiffs filed a motion to amend the second amended complaint, seeking to add allegations regarding the recently issued Restatement. On April 22, 2015, the court granted plaintiffs' motion to amend, and a third amended complaint was filed on May 13, 2015. The Company moved to dismiss the third amended complaint on June 3, 2015. The Company continues to believe it has meritorious defenses and intends to vigorously defend itself, Mary Tolan, and its former officers against these claims. The outcome is not presently determinable.

The SEC's Division of Enforcement in the Chicago Regional Office is also conducting an investigation regarding the circumstances surrounding the Restatement. The Company is fully cooperating with the investigation.

On February 11, 2014, the Company was named as a defendant in a putative class action lawsuit filed in the U.S. District Court for the Southern District of Alabama (*Church v. Accretive Health, Inc.*). The primary allegations are that the Company attempted to collect debts without providing the notice required by the Fair Debt Collections Practices Act ("FDCPA") and attempted to collect debts after they were discharged in bankruptcy. The Company believes that it has meritorious defenses and intends to vigorously defend itself against these claims. The outcome is not presently determinable.

On July 22, 2014, the Company was named as a defendant in a putative class action lawsuit filed in the U.S. District Court for the Eastern District of Michigan (*Anger v. Accretive Health, Inc.*). The primary allegations are that the Company attempted to collect debts without providing the notice required by the FDCPA. The Company believes that it has meritorious defenses and intends to vigorously defend itself against these claims. The outcome is not presently determinable.

On February 6, 2015, the Company was named as a defendant in a putative class action lawsuit filed in the U.S. District Court for the Eastern District of Michigan (*Cassale v. Accretive Health, Inc.*). The primary allegations are that the Company attempted to collect debts without complying with the provisions of the FDCPA. The case was settled in April 2015.

On February 24, 2015 (amended Feb. 25, 2015), the Plaintiff in the Church action (above) filed a motion with the Joint Panel for Multidistrict Litigation to transfer and consolidate the Church, Anger and Cassale actions for pretrial purposes in the Southern District of Alabama where the Church case is currently pending. That motion was withdrawn in May 2015.

In April 2015, the Company was named among other defendants in an employment action brought by a former employee before the Maine Human Rights Commission ("MHRC") alleging that she was improperly terminated in retaliation for uncovering alleged Medicare fraud. The Company filed its response with the MHRC on May 19, 2015 seeking that the Company be dismissed entirely from the action. On June 23, 2015, the MHRC issued its Notice of Right to Sue and decision to terminate its process with respect to all charges asserted by Ms. Worthy. The Plaintiff has filed a parallel qui tam action in the District of Maine (*Worthy v. Eastern Maine Healthcare Systems*) in which she

makes the same allegations. The U.S. Department of Justice declined to intervene in the federal court action, and the case was unsealed in April 2015 but process has not been served on any defendant. The Company believes that it has meritorious defenses to both the potential MHRC action for which the MHRC has granted the

Accretive Health, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)

Notice of Right to Sue letter and the federal court case, and intends to vigorously defend itself against these claims. The outcomes are not presently determinable.

NOTE 12 — SEGMENTS AND CUSTOMER CONCENTRATIONS

The Company has determined that it has a single operating segment in accordance with the way in which its business activities are managed and evaluated. All of the Company's significant operations are organized around the single business of providing end-to-end management services of revenue cycle operations for U.S.-based hospitals and other medical providers. Accordingly, for purposes of segment disclosures, the Company has only one reporting segment. All of the Company's net services revenue and trade accounts receivable are derived from healthcare providers domiciled in the United States.

Hospital systems affiliated with Ascension Health have accounted for a significant portion of the Company's net services revenue each year since the Company's formation. For the three months ended March 31, 2015 and 2014, three different customers, unaffiliated with Ascension Health, accounted for 54% and 28% of net services revenue, respectively. The Ascension Health system, through its individual customer contracts with the Company, accounted for more than 76% of the Company's total deferred customer billings at March 31, 2015 and December 31, 2014. The loss of the customers within this large health system would have a material adverse impact on the Company's operations. There are three customers whose individual balance was equal to or greater than 10% of total deferred customer billings and, in the aggregate, account for 47% and 48% of the total deferred customer billings at March 31, 2015 and December 31, 2014, respectively, of which one customer is part of the affiliated Ascension Health system discussed above.

The Company does not have a concentration of credit risk within accounts receivable as reported in the consolidated balance sheets with any one customer at March 31, 2015 and December 31, 2014.

NOTE 13 — SUBSEQUENT EVENTS

The Company entered into a settlement agreement with one customer after the quarter ending March 31, 2015 which will result in a revenue recognition event for the Company under its revenue recognition policy in the quarter ending June 30, 2015. This agreement did not have a significant impact on the Company's deferred customer billings, assets or liabilities at March 31, 2015.

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

Unless the context indicates otherwise, references in this Quarterly Report on Form 10-Q to "Accretive Health", "the Company," "we," "our," and "us" mean Accretive Health, Inc., and its subsidiaries.

The following discussion and analysis is an integral part of understanding our financial results and is provided as an addition to, and should be read in connection with, our condensed consolidated financial statements and the accompanying notes. Also refer to Note 1 of our condensed consolidated financial statements.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the federal securities laws, that involve substantial risks and uncertainties. These statements are often identified by the use of words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "would" and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors," set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014 as well as our other filings with the Securities Exchange Commission, or SEC. The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. Subsequent events and developments may cause our views to change. While we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

OVERVIEW

Our Business

We are a leading provider of services that help healthcare providers generate sustainable improvements in their operating margins and cash flows while also improving patient, physician and staff satisfaction for our customers. Our goal is to help our healthcare provider customers deliver high-quality care and serve their communities, and do so in a financially sustainable way. We help our customers to more efficiently manage their revenue cycle process and strive to help prepare them for the evolving dynamics of the healthcare industry, particularly the challenges and opportunities presented by the shift to value-based reimbursement which is designed to reward the value, rather than the volume, of healthcare services provided.

While we cannot control the changes in the regulatory environment imposed on our customers, we believe that our role becomes increasingly more important to our customers as macroeconomic, regulatory and healthcare industry conditions continue to impose financial pressure on healthcare providers to manage their operations effectively and efficiently.

Revenue Cycle Management, or RCM, continues to be our primary service offering. Our RCM offering helps our customers more efficiently manage their revenue cycle process. This encompasses patient registration, insurance and benefit verification, medical treatment documentation and coding, bill preparation and collections. We focus on optimizing our customers' entire, end-to-end revenue cycle process, which we believe is more advantageous than alternative approaches that merely focus on certain aspects or sub-processes within the revenue cycle. Our physician advisory services, or PAS, complement our RCM offering by strengthening our customers' compliance with certain third-party payer requirements and limiting denials of claims. For example, our PAS offering helps customers determine whether to classify a hospital visit as an in-patient or an out-patient observation case for billing purposes. We believe that the population health capabilities we are integrating into our RCM offering will enhance our value-based reimbursement capabilities to help providers enter into risk-bearing arrangements with payers.

We operate our business as a single segment configured with our significant operations and offerings organized around the business of providing end-to-end RCM services to U.S.-based hospitals and other healthcare providers.

CONSOLIDATED RESULTS OF OPERATIONS

The following table provides consolidated operating results and other operating data for the periods indicated (unaudited):

	Three Months Ended		2015 vs. 2014		
	March 31, 2015	2014	Change Amount	%	
(In thousands)					
Consolidated Statement of Operations Data:					
RCM services: net operating fees	\$3,610	\$1,465	\$2,145	n.m.	
RCM services: incentive fees	1,900	2,142	(242)	(11.3))%
Other service fees	5,461	9,357	(3,896)	(41.6))%
Total net services revenue	10,971	12,964	(1,993)	(15.4))%
Operating expenses:					
Cost of services	42,196	44,932	(2,736)	(6.1))%
Selling, general and administrative	17,362	17,366	(4)	—	%
Restatement and other	1,275	35,301	(34,026)	(96.4))%
Total operating expenses	60,833	97,599	(36,766)	(37.7))%
Loss from operations	(49,862)	(84,635)	34,773	(41.1))%
Net interest income	5	100	(95)	(95.0))%
Net loss before income tax provision	(49,857)	(84,535)	34,678	(41.0))%
Income tax benefit	19,412	29,812	(10,400)	(34.9))%
Net loss	\$(30,445)	\$(54,723)	\$24,278	(44.4))%

n.m. - Not meaningful

Use of Non-GAAP Financial Information

We typically invoice customers for base fees and incentive fees on a quarterly or monthly basis, and typically receive cash from customers on a similar basis. For generally accepted accounting principles, or GAAP, reporting purposes, we only recognize these net operating fees and incentive fees as net services revenue to the extent that all the criteria for revenue recognition are met, which is generally upon contract renewal, termination or other contractual agreement. As such, net operating and incentive fees are typically recognized for GAAP purposes in periods subsequent to the periods in which the services are provided. Therefore, our net services revenue and other items in our GAAP consolidated financial statements and adjusted EBITDA will typically include the effects of billings and collections from periods prior to the period in which revenue is recognized.

In order to provide a more comprehensive understanding of the information used by our management team in financial and operational decision-making, we supplement our GAAP consolidated financial statements with the following non-GAAP financial measures: gross and net cash generated from customer contracting activities, and adjusted EBITDA.

Our Board and management team use these non-GAAP measures as (i) one of the primary methods for planning and forecasting overall expectations and for evaluating actual results against such expectations; and (ii) as a performance evaluation metric in determining achievement of certain executive incentive compensation programs, as well as for incentive compensation plans for employees.

Selected Non-GAAP Measures

The following table presents selected non-GAAP measures for each of the periods indicated. See below for an explanation of how we calculate and use these non-GAAP measures, and for a reconciliation of these non-GAAP measures to the most comparable GAAP measure.

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Non-GAAP Measures:		
Adjusted EBITDA	\$(41,674)	\$(43,169)
Net cash generated from customer contracting activities	\$2,253	\$1,355
Gross cash generated from customer contracting activities	\$54,898	\$57,488

Gross and Net Cash Generated from Customer Contracting Activities

Gross and net cash generated from customer contracting activities reflect the change in the deferred customer billings, relative to GAAP net services revenue, and adjusted EBITDA (defined below), respectively. Deferred customer billings include the portion of both (i) invoiced or accrued net operating fees and (ii) cash collections of incentive fees, in each case, that have not met our revenue recognition criteria. Deferred customer billings are included in the detail of our customer liabilities balance in the condensed consolidated balance sheet. Deferred customer billings are reduced by the amounts of revenue recognized when a revenue recognition event occurs. Gross cash generated from customer contracting activities is defined as GAAP net services revenue, plus the change in deferred customer billings. Accordingly, gross cash generated from customer contracting activities is the sum of (i) invoiced or accrued net operating fees, (ii) cash collections on incentive fees and (iii) other services fees.

Net cash generated from customer contracting activities is defined as adjusted EBITDA, plus the change in deferred customer billings.

These non-GAAP measures are used throughout this Quarterly Report on Form 10-Q, including in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Gross and net cash generated from customer contracting activities include invoices issued to customers that may remain uncollected or may be subject to credits, and cash collected may be returned to our customers in the form of concessions or other adjustments. Customer concessions and other adjustments have occurred in the past, and we cannot determine the likelihood that they will again occur in the future.

Adjusted EBITDA

We define adjusted EBITDA as net income before net interest income (expense), income tax provision, depreciation and amortization expense, share-based compensation expense, Restatement-related expense, reorganization-related expense and certain non-recurring items. The use of adjusted EBITDA to measure operating and financial performance is limited by our revenue recognition criteria, pursuant to which GAAP net services revenue is recognized at the end of a contract or "other contractual agreement event". Adjusted EBITDA does not adequately match corresponding cash flows resulting from customer contracting activities. Accordingly, as described above, in order to better compare our cash flows from customer contracting activities to our operating performance, we use additional non-GAAP measures: gross and net cash generated from customer contracting activities. We use adjusted EBITDA in our reconciliation of net cash generated from customer contracting activities to our GAAP consolidated financial statements.

We understand that, although non-GAAP measures are frequently used by investors, securities analysts, and others in their evaluation of companies, these measures have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations are:

Gross and net cash generated from customer contracting activities include invoiced or accrued net operating fees, and invoiced as well as collected incentive fees which may be subject to adjustment or concession prior to the end of a contract or "other contractual agreement event";

- Gross and net cash generated from customer contracting activities include progress billings on incentive fees that have been collected for a number of our RCM contracts. These progress billings have, from time-to-time, been subject to adjustments, and the fees included in these non-GAAP measures may be subject to adjustments in the future;

- Net cash generated from customer contracting activities and adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;

- Net cash generated from customer contracting activities and adjusted EBITDA do not reflect share-based compensation expense;

- Net cash generated from customer contracting activities and adjusted EBITDA do not reflect income tax expenses or cash requirements to pay taxes;

Although depreciation and amortization charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and net cash generated from customer contracting activities and adjusted EBITDA do not reflect cash requirements for such replacements or other purchase commitments, including lease commitments; and

- Other companies in our industry may calculate gross or net cash generated from customer contracting activities or adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Reconciliation of GAAP and Non-GAAP Measures

The following table contains a reconciliation of adjusted EBITDA and gross and net cash generated from customer contracting activities to net income (loss), the most comparable GAAP measure, for each of the periods indicated (in thousands, except percentages).

	Three Months Ended March 31,		2015 vs. 2014 Change		
	2015	2014	Amount	%	
Net loss	\$(30,445)	\$(54,723)	\$24,278	(44.4)	%
Net interest income	(5)	(100)	95	(95.0)	%
Income tax benefit	(19,412)	(29,812)	10,400	(34.9)	%
Depreciation and amortization expense	1,717	1,405	312	22.2	%
Share-based compensation expense (1)	5,196	4,760	436	9.2	%
Restatement and other (2)	1,275	35,301	(34,026)	(96.4)	%
Adjusted EBITDA	(41,674)	(43,169)	1,495	(3.5)	%
Change in deferred customer billings (3)	43,927	44,524	(597)	(1.3)	%
Net cash generated from customer contracting activities	\$2,253	\$1,355	\$898	66.3	%
Net services revenue (GAAP basis)	10,971	12,964	(1,993)	(15.4)	%
Change in deferred customer billings (3)	43,927	44,524	(597)	(1.3)	%
Gross cash generated from customer contracting activities	\$54,898	\$57,488	\$(2,590)	(4.5)	%
Components of Gross Cash Generated from Customer Contracting Activities:					
RCM services: net operating fee	\$30,189	\$34,776	\$(4,587)	(13.2)	%
RCM services: incentive fee	18,131	13,355	4,776	35.8	%
Total RCM services fees	48,320	48,131	\$189	0.4	%
Other service fees	6,578	9,357	(2,779)	(29.7)	%
Gross cash generated from customer contracting activities	\$54,898	\$57,488	\$(2,590)	(4.5)	%

- (1) Share-based compensation expense represents the non-cash expense associated with stock options and restricted shares granted, as reflected in our Condensed Consolidated Statements of Operations and Comprehensive Income. See Note 7, Share-Based Compensation, to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for the detail of the amounts of share-based compensation expense.

- (2) For the three months ended March 31, 2015 and 2014, we incurred \$1.4 million and \$25.0 million in Restatement-related costs, respectively. The costs during the three months ended March 31, 2014 were incurred to complete the Annual Report on Form 10-K for the year ended December 31, 2013 and to restate certain historical consolidated financial statements. For the three months ended March 31, 2014, we also incurred costs in connection with a reduction in workforce in certain corporate, administrative and management functions totaling \$9.9 million, which costs included severance payments, healthcare benefits, and outplacement job training. The costs during the three months ended March 31, 2015 related to higher than normal professional services fees.

- (3) Deferred customer billings include the portion of both (i) invoiced or accrued net operating fees and (ii) cash collections on incentive fees, in each case, that have not met our revenue recognition criteria. Deferred customer billings are included in the detail of our customer liabilities account in the condensed consolidated balance sheet. Deferred customer billings are reduced by revenue recognized when revenue recognition occurs. Change in deferred customer billings represents the net change in the cumulative net operating fees and incentive fees that

have not met revenue recognition criteria.

20

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Net Services Revenues

Net services revenue decreased by \$2.0 million, or 15.4%, from \$13.0 million for the three months ended March 31, 2014 to \$11.0 million for the three months ended March 31, 2015. The decrease is the result of a decrease in other service fees revenues of \$3.9 million, from \$9.4 million for the three months ended March 31, 2014 to \$5.5 million for the three months ended March 31, 2015, driven by a decline in PAS revenue, due to the impact of the "two-midnight rule", a regulatory change in the healthcare industry related to billing classifications for certain hospital patients. This decrease was offset by an increase in RCM services of \$1.9 million, from \$3.6 million for the three months ended March 31, 2014 to \$5.5 million for the three months ended March 31, 2015.

Gross Cash Generated from Customer Contracting Activities (Non-GAAP)

Gross cash generated from customer contracting activities decreased by \$2.6 million, or 4.5%, from \$57.5 million for the three months ended March 31, 2014 to \$54.9 million for the three months ended March 31, 2015. The decrease was primarily the result of a decrease in our other service fees of \$2.8 million due to the negative impact of the two-midnight rule on our PAS business. This decrease was offset by an increase in cash received from certain RCM customers. For an explanation of how we calculate gross cash generated from customer contracting activities, refer to the Reconciliation of GAAP and Non-GAAP measures above.

Costs of Services

Our costs of services decreased by \$2.7 million, or 6.1%, from \$44.9 million for the three months ended March 31, 2014 to \$42.2 million for the three months ended March 31, 2015. The decrease in costs of services was primarily attributable to decreased volumes in our PAS business.

Selling, General and Administrative Expenses

Selling, general and administrative expenses was \$17.4 million for each of the three months ended March 31, 2015 and March 31, 2014.

Net Cash Generated from Customer Contracting Activities (Non-GAAP)

Net cash generated from customer contracting activities was \$2.3 million for the three months ended March 31, 2015, compared to \$1.4 million for the three months ended March 31, 2014. This change of \$0.9 million was primarily due to a decrease in costs of services expenses. For an explanation of how we calculate net cash generated from customer contracting activities, refer to the Reconciliation of GAAP and Non-GAAP measures above.

Restatement and other

Restatement and other costs decreased by \$34.0 million, or 96.4%, to \$1.3 million for the three months ended March 31, 2015 from \$35.3 million for the three months ended March 31, 2014. The decrease was primarily attributable to a decrease in Restatement-related costs of \$23.6 million and a decrease in reorganization costs of \$9.9 million. These costs are considered unusual in nature by management and are reported separately under the caption "Restatement and other" in the accompanying condensed consolidated statement of operations and comprehensive loss.

Income Taxes

Our tax benefit decreased by \$10.4 million to \$19.4 million for the three months ended March 31, 2015, from \$29.8 million for the three months ended March 31, 2014, primarily due to the reduction in our pretax loss. Our effective tax rates for the three months ended March 31, 2015 and 2014 were 38.9% and 35.3%, respectively. Our tax rate is affected by changes in state tax rates and discrete items that may occur in any given period but not consistent from year to year. The increase in the effective tax rate for the three months ended March 31, 2015 is primarily attributable to fewer discrete events which had positive impacts on the tax rate for the three months ended March 31, 2014.

CRITICAL ACCOUNTING POLICIES

Management considers an accounting policy to be critical if the accounting policy requires management to make particularly difficult, subjective or complex judgments about matters that are inherently uncertain. A summary of our critical accounting policies is included in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Application of Critical Accounting Policies and Use of Estimates" of our Annual Report on Form 10-K for the year ended December 31, 2014. There have been no material changes to the critical accounting policies disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

NEW ACCOUNTING PRONOUNCEMENTS

For additional information regarding new accounting guidance, see Note 2, Recent Accounting Pronouncements, to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, which provides a summary of our recently adopted accounting standards and disclosures.

LIQUIDITY AND CAPITAL RESOURCES

Our primary source of liquidity is cash flows from operations. Given our current cash and cash equivalents and accounts receivable, we believe we will have sufficient funds to meet our operating, investing and financing needs for at least the next twelve months.

Our cash and cash equivalents were \$132.0 million at March 31, 2015 as compared to \$145.2 million as of December 31, 2014. Our cash and cash equivalents, at any time, include amounts paid to us in advance by customers for the purpose of reimbursing their revenue cycle operation costs. See Note 2, Summary of Significant Accounting Policies, to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Cash flows from operating, investing and financing activities, as reflected in our condensed consolidated statements of cash flows, are summarized in the following table (unaudited):

Cash Flows (in thousands)	Three Months Ended	
	March 31, 2015	2014
Net cash provided by (used in):		
Operating activities	\$(14,241	) \$(20,335
Investing activities	(3,402	) (1,177
Financing activities	4,526	99
Operating Activities		

Cash used in operating activities for the three months ended March 31, 2015 totaled \$14.2 million, as compared to \$20.3 million of cash used in operating activities for the three months ended March 31, 2014. The decrease in cash used in operating activities was primarily attributable to the decrease in Restatement and other expenses of \$34.0 million, from \$35.3 million for the three months ended March 31, 2014 to \$1.3 million for the three months ended March 31, 2015.

Investing Activities

Cash used in investing activities increased by \$2.2 million, from \$1.2 million for the three months ended March 31, 2014 to \$3.4 million for the three months ended March 31, 2015. Cash used during the three months ended March 31, 2015 was primarily related to the purchase of computer hardware and software to support our business.

Financing Activities

Cash provided by financing activities increased to \$4.5 million for the three months ended March 31, 2015, primarily due to the expiration and non-renewal of our line of credit on February 15, 2015. As a result of such expiration, the \$5.0 million demand note that secured our line of credit was reclassified from restricted cash into cash and cash equivalents at March 31, 2015. This increase in financing activities was partially offset by an increase in treasury share purchases of \$0.3 million and decrease of \$0.2 million in excess tax benefit from share-based awards.

Revolving Credit Facility

We maintained a line of credit with the Bank of Montreal in the amount of \$3.0 million. The \$3.0 million line of credit could only be utilized by us in the form of letters of credit and was secured by a \$5.0 million demand deposit with the Bank of Montreal. Any amounts outstanding under the line of credit accrued interest at the greater of the bank-established prime commercial rate, a LIBOR plus 1% rate, or a rate that combines the characteristics of both. The line of credit had an initial term of three years and was renewable annually thereafter. At December 31, 2014, we had outstanding letters of credit of approximately \$0.7 million, which reduced the available line of credit to \$2.3 million. Our line of credit expired on February 15, 2015 and was not renewed.

Future Capital Requirements

In connection with our strategic initiatives, we plan to continue to enhance customer service by increasing our investment in technology to enable our systems to more effectively integrate with our customers' existing technologies. We plan to continue to deploy resources to strengthen our information technology infrastructure in order to drive additional value for our customers. We also continue to invest in our shared services capabilities. We also plan on expanding our capabilities in India which will require investments. We may also selectively pursue acquisitions and/or strategic relationships that will enable us to broaden or further enhance our offerings.

Additionally, new business development remains a priority as we plan to continue to boost our sales and marketing efforts. We plan to continue to add experienced personnel to our sales organization, develop more disciplined sales processes and create an integrated marketing capability.

OFF-BALANCE SHEET OBLIGATIONS

We do not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

Our interest income is primarily generated from interest earned on operating cash accounts. We do not enter into interest rate swaps, caps or collars or other hedging instruments. As a result, we believe that the risk of a significant impact on our operating income from interest rate fluctuations is not substantial.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in the exchange rate between the U.S. dollar and the Indian rupee because a portion of our operating expenses are incurred by our subsidiary in India and are denominated in Indian rupees. However, we do not generate any revenues outside of the United States. For the three months ended March 31, 2015 and 2014, 5.5% and 3.4%, respectively, of our expenses were denominated in Indian rupees. As a result, we believe that the risk of a significant impact on our operating income from foreign currency exchange rate fluctuations is not substantial.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As previously disclosed under “Item 9A - Controls and Procedures” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (which was filed on June 23, 2015), or the 2014 10-K, we concluded that our internal control over financial reporting was not effective as a result of the material weaknesses identified in the 2014 10-K. During 2014 and 2015, we spent considerable time and deployed considerable resources performing extensive analytics and substantive procedures and supporting the audit process to complete the restated financial statements for 2011, as well as the financial statements for the years ended December 31, 2012, 2013 and 2014. In light of these efforts, we were unable to remediate our material weaknesses; however, we continue to invest significant time and resources and take actions to remediate material weaknesses in our internal control over financial reporting.

While our remediation efforts continue, we have relied on and will continue to rely on extensive, temporary manual procedures and other measures as needed to assist us with meeting the objectives otherwise fulfilled by an effective internal control environment. These procedures include, but are not limited to:

Significant extension of the timeline for the 2015 financial statement close process, thereby allowing us to conduct additional analysis and substantive procedures, including preparation of account reconciliations and making additional adjustments as necessary to verify the accuracy and completeness of our financial reporting; and

Hiring additional resources and retaining outside consultants with relevant accounting experience, skills and knowledge, working under our supervision and direction to assist with account closing and the financial statement preparation process for 2015.

Notwithstanding the existence of the material weaknesses as described in the 2014 10-K, we believe that the consolidated financial statements in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods, presented, in conformity with GAAP.

Remediation of Material Weaknesses in Internal Control Over Financial Reporting

Our management is committed to the planning and implementation of remediation efforts to address all material weaknesses as well as other identified areas of risk. These remediation efforts, summarized below, which are implemented, in the process of being implemented or are planned for implementation, are intended to address the identified material weaknesses and to enhance our overall financial control environment.

During 2013, 2014 and 2015, numerous changes were made throughout our organization and significant actions have been taken to reinforce the importance of a strong control environment, including training and other steps designed to strengthen and enhance our control culture.

To remediate the control environment deficiencies identified herein, our leadership team, including the Chief

Executive Officer and the Chief Financial Officer, has reaffirmed and reemphasized the importance of internal control, control consciousness and a strong control environment.

To date we have:

- adopted new accounting policies for revenue recognition and software capitalization;
- established a contract governance committee to oversee all contracting activity;
- appointed experienced professionals to key leadership positions;
- established a new reporting structure with more clearly defined accountabilities;
- implemented a new internal reporting model and performance metrics based on cash flow performance;
- centralized certain accounting functions and revised organizational structures to enhance accurate reporting and ensure appropriate accountability;
- hired additional accounting personnel with appropriate backgrounds and skill sets, including professionals with certified public accountant qualifications, master's degrees and public accounting experience and created new positions for a Director of Revenue and a Director of Taxes;
- completed the implementation of a more robust contract governance structure to assure appropriate administration, compliance and accounting treatment for new or amended contract terms;
- established a contracting boundaries protocol to clarify the delegation of contracting authority to personnel involved in establishing customer contract terms;
- established a formal delegation of authority from the Board of Directors to management with further delegation to accountable personnel;
- expanded the use of our financial reporting systems to facilitate more robust analysis of operating performance, budgeting and forecasting; and
- strengthened our current disclosure committee with formalized processes to enhance the transparency of our external financial reporting.

Our management believes that meaningful progress has been made against remaining remediation efforts; although timetables vary, management regards successful completion as an important priority. Remaining remediation activities include:

- restructuring key revenue, cost and related reimbursement accounting policies and processes;
- establishing additional programs to provide appropriate accounting and controls training to financial, operations and sales staff and corporate executives on an ongoing basis;
- enhancing our Sarbanes-Oxley compliance procedures; and
- executing our financial account closing and the financial statement preparation process in a timely and accurate manner.

When fully implemented and operational, our management believes the measures described above will remediate the control deficiencies we have identified and strengthen our internal control over financial reporting. We

are committed to improving our internal control processes and intend to continue to review and improve our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address control deficiencies or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above.

Changes in Internal Control Over Financial Reporting

Other than matters discussed in this Item 4, there have been no changes in our internal control over financial reporting since our last Annual Report filed on Form 10-K for the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than as described below, the Company is not presently a party to any material litigation or regulatory proceeding and is not aware of any pending or threatened litigation or regulatory proceeding against the Company which, individually or in the aggregate, could have a material adverse effect on its business, operating results, financial condition or cash flows.

On January 19, 2012, the State of Minnesota, by its Attorney General, filed a complaint against the Company in the United States District Court for the District of Minnesota, alleging violations of federal and Minnesota state health privacy laws and regulations, Minnesota debt collection laws, and Minnesota consumer protection laws resulting from, among other things, the theft in Minnesota in July 2011 of an employee's laptop that contained protected health information. On January 25, 2012, the Commissioner of the Minnesota Department of Commerce served the Company an administrative subpoena seeking information and documents about its debt collection practices and the privacy of personal and health data within its possession or control. On February 3, 2012, the Company entered into a Consent Cease and Desist Order with the Commissioner, voluntarily agreeing to cease all debt collection activity in the State of Minnesota. As previously disclosed, on July 30, 2012, without any admission of liability or wrongdoing, the Company entered into a Settlement Agreement, Release and Order with the Minnesota Attorney General to settle the lawsuit filed by the Minnesota Attorney General and the investigation commenced by the Minnesota Department of Commerce and to resolve fully all disputes which in any way related to, arose out of, emanated from, or otherwise involved such lawsuit or investigation and all investigations by the Minnesota Attorney General, the Minnesota Department of Commerce, and the Minnesota Department of Human Services relating to the Company. As part of the settlement, the Company paid a settlement sum of \$2.5 million and voluntarily agreed to cease all remaining operations in Minnesota.

On April 26, 2012 and May 1, 2012, the Company, along with certain of its former officers, was named as a defendant in two putative securities class action lawsuits filed in the U.S. District Court for the Northern District of Illinois, which were consolidated as *Wong v. Accretive Health et al.* The primary allegations are that the Company's public statements, including filings with the SEC, were false and/or misleading about its violations of certain federal and Minnesota privacy and debt collection laws. On September 26, 2013, without any admission of liability or wrongdoing, the Company entered into a Settlement Agreement to resolve these suits for \$14 million, which has been funded into escrow by its insurance carriers. On April 30, 2014, the U.S. District Court for the Northern District of Illinois granted final approval of the Settlement Agreement. A single objector to the Settlement Agreement appealed to the U.S. Court of Appeals for the Seventh Circuit, and on December 9, 2014, the court of appeals affirmed the district court's approval of the settlement. On December 23, 2014, that objector submitted a petition for en banc rehearing, which was denied on January 26, 2015.

In addition, the Company, along with certain of its directors and former officers, has been named in several putative shareholder derivative lawsuits filed in the U.S. District Court for the Northern District of Illinois on May 3, 2012 and July 31, 2012 (consolidated as *Maurras Trust v. Accretive Health et al.*), in the Circuit Court of Cook County, Illinois on June 23, 2012 and June 27, 2012 (consolidated as *In re Accretive Health, Inc. Derivative Litigation*) and in the Court of Chancery of the State of Delaware on November 5, 2012 (*Doyle v. Tolan et al.*). The primary allegations are that its directors and officers breached their fiduciary duties in connection with the alleged violations of certain federal and Minnesota privacy and debt collection laws.

On July 11, 2013, the Court of Chancery of the State of Delaware granted the Company's motion to stay *Doyle v. Tolan et al.*, in favor of the action pending in the U.S. District Court for the Northern District of Illinois. On September 24, 2013, the U.S. District Court for the Northern District of Illinois granted the Company's motion to dismiss without prejudice, giving plaintiffs in that case leave to file an amended consolidated complaint, which plaintiffs filed on October 22, 2013, amending their complaint to also include allegations with respect to the Restatement. On February 25, 2015, the Company entered a settlement agreement with plaintiffs in all of these suits that would resolve the derivative actions, subject to court approval. On February 26, 2015, plaintiffs in the action

pending in the U.S. District Court for the Northern District of Illinois filed a motion seeking preliminary approval of that settlement, which was granted on March 19, 2015. A final fairness hearing is scheduled for July 23, 2015.

On May 17, 2013, the Company, along with certain of its directors, former directors and former officers, was named as a defendant in a putative securities class action lawsuit filed in the U.S. District Court for the Northern District of Illinois (*Hughes v. Accretive Health, Inc. et al.*). The primary allegations, relating to its March 8, 2013 announcement that the Company would be restating its prior period financial statements, are that its public statements, including filings with the SEC, were false and/or misleading with respect to its revenue recognition and earnings prospects. On November 27, 2013, plaintiffs voluntarily dismissed the Company's directors and former directors (other than Mary Tolan). On January 31, 2014, the Company filed a motion to dismiss the complaint. On September 25, 2014, the Court granted the Company motion to dismiss without prejudice, however the plaintiffs filed a second amended complaint on October 23, 2014. On November 10, 2014, the Company filed a motion to dismiss the second amended complaint. While that motion was still pending, on January 8, 2015, plaintiffs filed a motion to amend the second amended complaint, seeking to add allegations regarding the recently issued Restatement. On April 22, 2015, the court granted plaintiffs' motion to amend, and a third amended complaint was filed on May 13, 2015. The Company moved to dismiss the third amended complaint on June 3, 2015. The Company continues to believe it has meritorious defenses and intends to vigorously defend itself, Mary Tolan, and its former officers against these claims. The outcome is not presently determinable.

The SEC's Division of Enforcement in the Chicago Regional Office is also conducting an investigation regarding the circumstances surrounding the Restatement. The Company is fully cooperating with the investigation.

On February 11, 2014, the Company was named as a defendant in a putative class action lawsuit filed in the U.S. District Court for the Southern District of Alabama (*Church v. Accretive Health, Inc.*). The primary allegations are that the Company attempted to collect debts without providing the notice required by the Fair Debt Collections Practice Act, or the FDCPA and attempted to collect debts after they were discharged in bankruptcy. The Company believes that it has meritorious defenses and intends to vigorously defend itself against these claims. The outcome is not presently determinable.

On July 22, 2014, the Company was named as a defendant in a putative class action lawsuit filed in the U.S. District Court for the Eastern District of Michigan (*Anger v. Accretive Health, Inc.*). The primary allegations are that the Company attempted to collect debts without providing the notice required by the FDCPA. The Company believes that it has meritorious defenses and intends to vigorously defend itself against these claims. The outcome is not presently determinable.

On February 6, 2015, the Company was named as a defendant in a putative class action lawsuit filed in the U.S. District Court for the Eastern District of Michigan (*Cassale v. Accretive Health, Inc.*). The primary allegations are that the Company attempted to collect debts without complying with the provisions of the FDCPA. The case was settled in April 2015.

On February 24, 2015 (amended Feb. 25, 2015), the Plaintiff in the Church action (above) filed a motion with the Joint Panel for Multidistrict Litigation to transfer and consolidate the Church, Anger and Cassale actions for pretrial purposes in the Southern District of Alabama where the Church case is currently pending. That motion was withdrawn in May 2015.

In April 2015, the Company was named among other defendants in an employment action brought by a former employee before the Maine Human Rights Commission, or the MHRC, alleging that she was improperly terminated in retaliation for uncovering alleged Medicare fraud. The Company filed its response with the MHRC on May 19, 2015 seeking that the Company be dismissed entirely from the action. On June 23, 2015, the MHRC issued its Notice of Right to Sue and decision to terminate its process with respect to all charges asserted by Ms. Worthy. The Plaintiff has filed a parallel qui tam action in the District of Maine (*Worthy v. Eastern Maine Healthcare Systems*) in which she makes the same allegations. The U.S. Department of Justice declined to intervene in the federal court action, and the case was unsealed in April 2015 but process has not been served on any defendant. The Company believes that it has meritorious defenses to both the potential MHRC action for which the MHRC has granted the

Notice of Right to Sue letter and the federal court case, and intends to vigorously defend itself against these claims. The outcomes are not presently determinable.

ITEM 1A. RISK FACTORS

During the three months ended March 31, 2015, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014. Please refer to Part I, Item IA, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2014 for a complete description of the material risks we face and also refer to the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sale of Equity Securities

We granted options to purchase an aggregate of 1,067,394 shares of our common stock with exercise prices ranging from \$5.84 to \$6.55 per share during the three months ended March 31, 2015 to employees and directors pursuant to our 2010 Stock Incentive Plan and/or in reliance upon the exemption from the registration requirements of the Securities Act of 1933, or Securities Act, provided by Section 4(a)(2) of the Securities Act as sales by an issuer not involving any public offering, as set forth in the tables below. No underwriters were involved in the foregoing transactions. All of such unregistered shares of common stock are deemed restricted securities for purposes of the Securities Act. No such options have been exercised.

The following table sets forth the dates on which such options were granted and the number of shares of common stock subject to such options, the exercise price and the number of employees and directors granted options on each date from January 1, 2015 through March 31, 2015:

Date of Grant	Common Stock Subject to Options Granted	Exercise Price	Number of Employees and Directors Granted Options
1/2/2015	79,122	\$6.55	7
1/5/2015	902,772	\$6.15	129
2/3/2015	85,500	\$5.84	4
	1,067,394		

The Company did not grant restricted stock awards during the three months ended March 31, 2015.

Issuer Purchases of Equity Securities

The following table provides information about our repurchases of common stock during the periods indicated (in thousands, except share and per share data):

Period	Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Dollar Value of Shares that May Yet be Purchased Under Publicly Announced Plans or Programs (2)
January 1, 2015 through January 31, 2015	71,372	\$ 6.15	—	\$ 50,000
February 1, 2015 through February 28, 2015	3,138	\$ 5.85	—	\$ 50,000
March 1, 2015 through March 31, 2015	2,765	\$ 6.02	—	\$ 50,000

Repurchases of our common stock related to employees' tax withholding upon vesting of RSAs. See Note 7,

(1) Share-Based Compensation, to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

(2) On November 11, 2013, our board of directors authorized, subject to the Company regaining compliance with its periodic reporting obligations, the repurchase of up to \$50.0 million of our common stock from time to time in the open market or in privately negotiated transactions, or the 2013 Repurchase Program. The timing and amount of any shares repurchased under the 2013 Repurchase Program will be determined by our management based on its evaluation of market conditions and other factors. The 2013 Repurchase Program may be suspended or discontinued at any time. We currently intend to fund any repurchases from cash on hand. The 2013 Repurchase Program was not in effect during the quarter ended March 31, 2015 and 2014 and accordingly we did not repurchase any shares of common stock under the 2013 Repurchase Program during the quarter ended March 31, 2015 and 2014.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.DEF	XBRL Taxonomy Extension Document
101.PRE	XBRL Presentation Linkbase Document

31

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 thereunto duly authorized.

Date: July 7, 2015

ACCRETIVE HEALTH, INC
(Registrant)

By:

/s/ Emad Rizk
Emad Rizk
President and Chief Executive Officer

By:

/s/ Peter P. Csapo
Peter P. Csapo
Chief Financial Officer and Treasurer