Robbins Geller Obtains $215 Million Settlement for HCA Shareholders

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As reported in *The Am Law Litigation Daily*, “since June 30, there’s been a series of big-ticket settlements in securities class actions brought by Robbins Geller Rudman & Dowd” including “a pending $388 million settlement by JP Morgan Chase & Co.,” a “$272 million settlement by Goldman Sachs,” and a $400 million settlement by Pfizer, Inc. The latest groundbreaking settlement, reached just last week, includes $215 million obtained for former HCA Holdings, Inc. (“HCA”) shareholders. If approved by the court, the settlement resolves claims associated with HCA’s massive $4.3 billion initial public offering, “the largest ever private-equity backed IPO in the U.S.” at the time. Trial was scheduled to commence in January 2016.

“It was either trial or a substantial premium recovery,” partner Darren J. Robbins said, adding that the settlement “represents one of the largest percentage recoveries” for investors.

Founded in 1968, HCA operates acute care hospitals, outpatient facilities, clinics and other patient care delivery settings in the United States and the United Kingdom. Heading into its IPO, HCA was experiencing and would continue to experience declines in several significant revenue streams. In the quarters immediately preceding the IPO, HCA’s high margin cardiology procedures, accounting for about 25% of HCA’s Medicare inpatient revenue, were declining. HCA knew about this decline and knew that it would continue because HCA’s internal reporting and its own internal investigation had revealed that unnecessary cardiac procedures were occurring across several HCA hospitals. An investigation by the Department of Justice into HCA’s cardiac procedures further supported this finding. As a result, HCA knew that the number of certain cardiac procedures performed at its hospitals (and the revenue generated by those high-profit procedures)
would continue to decline significantly. Despite this knowledge, HCA failed to disclose the decline prior to its IPO.

In the months following the IPO, HCA’s stock dropped to below $18 per share – a decline of over $12 per share, or 40%, from the IPO offering price.

“[T]he firm struck again, when [HCA] agreed to pay $215 million to settle [the] securities class action,” The Am Law Litigation Daily commented, another case to add to the list that has settled as trial loomed. Pfizer, Psychiatric Solutions and St. Jude Medical all settled just days before trial this year as well.


Schuh v. HCA Holdings, Inc., No. 3:11-cv-01033 (M.D. Tenn.)