

Allegheny County Employees' Retirement System v. AdaptHealth Corp.

COURT: United States District Court for the Eastern District of Pennsylvania
CASE NUMBER: 23-cv-4104
CLASS PERIOD: 08/04/2020 - 02/27/2023
CASE LEADERS: John Rizio-Hamilton, Katherine M. Sinderson
CASE TEAM: John J. Esmay, Timothy G. Fleming, Sarah Schmidt

On October 24, 2023, Bernstein Litowitz Berger & Grossmann LLP ("BLB&G") filed a class action lawsuit in the U.S. District Court for the Eastern District of Pennsylvania alleging violations of the federal securities laws by AdaptHealth Corp. ("AdaptHealth" or the "Company"), certain of the Company's current and former senior executives and directors, and certain underwriters of the Company's secondary public offering conducted on or around January 5, 2021 (the "SPO"). The action is brought on behalf of all persons or entities who purchased or otherwise acquired: (i) AdaptHealth common stock between August 4, 2020 and November 7, 2023, inclusive (the "Class Period"); and/or (ii) AdaptHealth common stock pursuant and/or traceable to the SPO.

On May 14, 2024, BLB&G filed a Consolidated Class Action Complaint on behalf of its clients, Allegheny County Employees' Retirement System, International Union of Operating Engineers, Local No. 793, Members Pension Benefit Trust of Ontario, and City of Tallahassee Pension Plan. The case is captioned *In re AdaptHealth Corp. Securities Litigation*, No. 23-cv-4104 (E.D. Pa.). The complaint is based on an extensive investigation and a careful evaluation of the merits of this case. To view the complaint, see the **Case Documents** section of this page.

AdaptHealth's Alleged Fraud

AdaptHealth is a supplier of home medical equipment for chronic health conditions including diabetes, sleep apnea, and wound care. AdaptHealth sells medical devices directly to patients, and then bills patients' insurance providers, including the Centers for Medicare and Medicaid Services ("CMS").

The complaint alleges that, throughout the Class Period, AdaptHealth and certain of its senior executives inflated the Company's revenue through a series of improper and unethical tactics, including overcharging CMS for diabetes equipment, submitting reimbursement claims to insurance providers without proper documentation, altering doctors' prescriptions and notes, and shipping unwanted and unnecessary medical equipment to patients. Additionally, the complaint alleges that, while the Company attributed its apparent success to legitimate factors, such as its unique technology that improved the patient experience and critical compliance systems, the Company gutted its compliance systems, never implemented its supposedly vaunted technology systems, and delayed efforts to integrate acquired healthcare business for months or years. To facilitate this scheme, AdaptHealth and certain of its senior executives made numerous false and misleading statements to investors during the Class Period. As a result of these misrepresentations, AdaptHealth common stock traded at artificially inflated prices during the Class Period.

The truth about AdaptHealth's misconduct began to emerge on February 27, 2023, when the Company announced a surprise loss of \$0.02 per share for the fourth quarter of 2022, which was significantly lower than the gain of \$0.27 per share that analysts and investors were led to expect. The Company also reduced its guidance for 2023,

lowering revenue expectations it had provided just seven weeks earlier by over 1.5%. AdaptHealth attributed the miss and lowered guidance to “tempered expectations on diabetes.” As a result of these disclosures, the price of AdaptHealth common stock declined precipitously. Then, on May 9, 2023, AdaptHealth’s stock price fell by an additional 6.4% when the Company issued disappointing earnings results for the first quarter of 2023, which it attributed to a decline in its diabetes business. Finally, on November 7, 2023, investors learned the full extent of AdaptHealth’s failure to integrate its dozens of acquired business when the Company wrote down hundreds of millions of dollars in accounting “goodwill” as a result of the acquisitions. After this announcement, AdaptHealth’s stock price fell an additional 23%.

Case Documents

- May 23, 2024 - Amended Class Action Complaint
- October 24, 2023 - Initial Complaint
- October 24, 2023 - PSLRA Notice