

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

██████████ Individually and on Behalf of) No.
All Others Similarly Situated,)
)
Plaintiff,)
)
vs.)
)
ACCRETIVE HEALTH, INC., MARY A.)
TOLAN and JOHN T. STATON,)
)
Defendants.)
)
) DEMAND FOR JURY TRIAL

PLAINTIFF'S CLASS ACTION COMPLAINT FOR VIOLATION OF THE
FEDERAL SECURITIES LAWS

INTRODUCTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of Accretive Health, Inc. (“Accretive Health” or the “Company”) between March 2, 2011 and April 24, 2012, inclusive (the “Class Period”), against Accretive Health and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (the “1934 Act”).

2. Accretive Health provides revenue cycle management services for hospitals and healthcare providers in the United States.

3. During the Class Period, defendants issued materially false and misleading statements regarding Accretive Health’s new Quality and Total Cost of Care service initiative. Specifically, the Company failed to disclose that it was violating health privacy laws, state debt collection laws and state consumer protection laws. As a result of defendants’ false statements, Accretive Health’s stock traded at artificially inflated prices during the Class Period, reaching a high of \$30.80 per share on August 1, 2011.

4. On March 29, 2012, Accretive Health announced that in response to a lawsuit filed by Minnesota’s Attorney General, the Company had agreed to no longer collect debts on behalf of Fairview Health Services (“Fairview”) and would transition management of those operations to Fairview. Accretive Health further announced that it expected this change to negatively impact its fiscal year 2012 revenue by \$62 million to \$68 million.

5. On this news, Accretive Health’s stock dropped \$4.46 per share to close at \$19.60 per share on March 29, 2012, a one-day decline of nearly 19% on high volume.

6. Then, on April 24, 2012, the Minnesota Attorney General released a report which highlighted aggressive practices used by Accretive Health, including demanding payment from

people seeking care in emergency rooms, cancer wards and delivery rooms. The report raised concerns that such practices have become common at hospitals across the country.

7. As a result of this news, Accretive Health's stock plummeted \$7.63 per share to close at \$10.86 per share on April 25, 2012, a one-day decline of 41% on high volume.

8. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company was violating privacy standards under the Health Insurance Portability and Accountability Act ("HIPAA") and the Health Information Technology for Economic and Clinical Health ("HITECH") Act by, among other things, (i) failing to provide appropriate safeguards to prevent the misuse or disclosure of protected health information; (ii) failing to keep all protected health information strictly confidential; and (iii) failing to develop, implement, maintain and use appropriate technical and physical safeguards to preserve the integrity, confidentiality and availability of protected health information and to prevent non-permitted use or disclosure of the information.

(b) The Company failed to encrypt protected patient health information.

(c) The Company was violating the terms of its contract with Fairview by failing to limit access of protected health information to the persons or classes of persons in its workforce who needed access to it in order to carry out their duties. In fact, Accretive Health made protected health information available to its debt collectors.

(d) The Company was violating Minnesota state debt collection laws by, among other things, failing to provide patients with required disclosures identifying itself as a debt collection agency.

(e) The Company was violating Minnesota consumer protection laws by, among other things, failing to disclose to patients its extensive involvement in their healthcare, including the extent of the Company's access to data and the manner in which it utilizes such data.

(f) The effect the Company's violations of health privacy laws, state debt collection laws and state consumer protection laws would have on its future earnings and on its relationship with Fairview.

(g) Based upon the above, defendants lacked a reasonable basis for their positive statements about the Company or its revenue outlook.

9. As a result of defendants' false statements, Accretive Health stock traded at artificially inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down 64% from their Class Period high.

JURISDICTION AND VENUE

10. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

11. Venue is proper in this district pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this district.

12. Accretive Health has offices located at 401 North Michigan Avenue, Suite 2700, Chicago, Illinois 60611. Certain of the acts and conduct complained of herein, including the dissemination of materially false and misleading information to the investing public, occurred in this district.

13. In connection with the acts and conduct alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails and interstate wire and telephone communications.

PARTIES

14. Plaintiff ██████████ purchased the common stock of Accretive Health during the Class Period as set forth in the certification attached hereto and was damaged as the result of defendants' wrongdoing as alleged in this complaint.

15. Defendant Accretive Health is a provider of services that help healthcare providers generate improvements in their operating margins and healthcare quality while also improving patient, physician and staff satisfaction.

16. Defendant Mary A. Tolan ("Tolan") founded Accretive Health. Defendant Tolan is, and at all relevant times was, the Company's Chief Executive Officer ("CEO"), President and a director.

17. Defendant John T. Staton ("Staton") is, and at all relevant times was, the Company's Chief Financial Officer ("CFO").

18. The defendants named above in ¶¶16-17 are referred to herein as the "Individual Defendants."

19. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Accretive Health's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were

then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

20. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about Accretive Health. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Accretive Health common stock was a success, as it: (i) deceived the investing public regarding Accretive Health's prospects and business; (ii) artificially inflated the price of Accretive Health common stock; and (iii) caused plaintiff and other members of the Class to purchase Accretive Health common stock at inflated prices.

21. The top officers and directors of Accretive Health also benefited, as the Company's purportedly favorable operating results contributed to the compensation paid to the officers during the Class Period, some of whom received as much as \$3.9 million per year.

BACKGROUND

22. Accretive Health provides a technology-infused complete outsourcing solution for the billing departments of large hospital systems and physician groups. The Company initially charges the client a base fee that is equal to what the organization was originally spending on its billing department. Thereafter, as Accretive Health is able to reduce leverage by increasing revenue and reducing costs, 25% of the savings are passed along to the client and the remainder is passed onto Accretive Health through incentive payments.

23. Fairview is a \$2.8 billion healthcare system based in Minnesota. It is one of Accretive Health's larger clients. For 2010 and 2011, Fairview accounted for 10.7% and 12.2% of Accretive Health's total net services revenue, respectively.

24. In mid-2010, Accretive Health launched its new Quality and Total Cost of Care initiative. The Company marketed this product as being an end-to-end solution capable of reducing

medical costs and improving quality of care for healthcare facilities. In November 2010, Accretive Health entered into a five-year agreement with Fairview for its Quality and Total Cost of Care platform.

**DEFENDANTS' FALSE AND MISLEADING STATEMENTS
ISSUED DURING THE CLASS PERIOD**

25. On March 2, 2011, Accretive Health issued a press release announcing its fourth quarter and fiscal year 2010 financial results. The Company reported net income of \$5.5 million, or \$0.06 diluted EPS, and net services revenue of \$170.0 million for the fourth quarter of 2010. Additionally, the Company reported net income of \$12.6 million, or \$0.13 diluted EPS, and net services revenue of \$606.3 million for fiscal year 2010. Further, the Company reported its 2011 outlook, projecting net services revenue of \$835 million to \$850 million and diluted EPS of \$0.31 to \$0.33 for the year ended December 31, 2011. The release stated in part:

Mary Tolan, Accretive Health's Co-Founder and Chief Executive Officer said, "We continue to grow our revenue cycle management business with new client additions and strong value creation for these clients and the company. The strength of our market presence continued to expand as evidenced by a pipeline of opportunities that is the strongest the company has ever seen. Since the public offering in 2010, we have more potential customers reaching out to learn about our offering and the value it can deliver for their organization. Our clients continued to adopt our Shared Services offering, further validating the strength of our customer partnerships. We expanded our already sizable market opportunity with the launch of our new and innovative Quality and Total Cost of Care offering with our inaugural customer Fairview Health Services. The Quality and Total Cost of Care offering, only a few months into implementation, is delivering results in line with our expectations on key quality and total cost of care metrics."

"Looking ahead, we believe we are poised for strong growth and profitability in 2011 and beyond. Our new business pipeline is robust and we are encouraged by the high level of engagement we encounter when meeting with provider CEOs and CFOs. The significant revenue cycle sales campaigns we discussed last quarter are progressing well. We are also excited about the early opportunities we are seeing in our new Quality and Total Cost of Care business, where we are in active contract negotiations with two potential clients. In the coming years, we expect to benefit from continued growth in our revenue cycle management business, including a growing contribution from incentive payments as our contracts mature, and from new contracts in our Quality and Total Cost of Care offering."

26. On March 18, 2011, Accretive Health filed its Form 10-K with the SEC for the year ended December 31, 2010, which stated in part:

We provide our revenue cycle and quality and total cost of care service offerings pursuant to managed service contracts with our customers. In rendering our services, we must comply with customer policies and procedures regarding charity care, personnel, compliance and risk management as well as applicable federal, state and local laws and regulations.

* * *

Data and information regarding our customers' patients is encrypted when transmitted over the internet or traveling off-site on portable media such as laptops or backup tapes.

* * *

The customers we serve are subject to a complex array of federal and state laws and regulations. These laws and regulations may change rapidly, and it is frequently unclear how they apply to our business. We devote significant efforts, through training of personnel and monitoring, to establish and maintain compliance with all regulatory requirements that we believe are applicable to our business and the services we offer.

27. On or about March 24, 2011, Accretive Health conducted a public offering on behalf of certain principal and selling stockholders, selling 7.5 million shares of Accretive Health common stock to the public at \$23.50 per share, raising nearly \$153 million in gross proceeds. The selling shareholders consisted mainly of officers or directors of the Company or entities related to the officers and directors. Defendant Tolan sold 750,000 shares of Accretive Health common stock for gross proceeds of \$17.6 million. Defendant Staton sold 82,175 shares of Accretive Health common stock for gross proceeds of \$1.9 million. J. Michael Cline, a co-founder of Accretive Health and the Chairman of the Board, sold nearly 2 million shares of Accretive Health common stock for gross proceeds of \$46 million.

28. On May 11, 2011, Accretive Health issued a press release announcing its first quarter 2011 financial results. The Company reported net income of \$0.2 million, or \$0.00 diluted EPS, and net services revenue of \$163.7 million for the first quarter of 2011. Further, the Company reiterated

its 2011 projections of net services revenue of \$835 million to \$850 million. The release stated in part:

Tolan, Accretive Health's Co-Founder and Chief Executive Officer said, "We had a very productive first quarter and delivered results right in line with our expectations. Despite it being our seasonally slowest quarter, we experienced strong top-line growth, margin expansion and increasing profitability. These results are driven by the high level of value we deliver to our customers through both net revenue yield improvements and operating efficiencies.

We continued to grow our revenue cycle management business by adding new customers and further penetrating our existing customer healthcare systems. We are seeing strong interest from existing customers in our Shared Services offering, further validating the strength of our customer partnerships. We've made solid progress in our Quality and Total Cost of Care service offering. Our results with Fairview Health Services are exceeding our initial expectations and they have been a gracious host for our prospective customers who are exploring this offering. The strong demand we are seeing in our Quality and Total Cost of Care business will allow us to thoughtfully select our customers beyond Fairview. Based on our robust pipeline of opportunities across our business, we are confident that we will exceed \$900 million in Projected Contracted Annual Revenue Run Rate at December 31, 2011.

29. On August 1, 2011, Accretive Health's stock reached its Class Period high of \$30.80 per share.

30. On August 10, 2011, Accretive Health issued a press release announcing its second quarter 2011 financial results. The Company reported net income of \$8.6 million, or \$0.08 diluted EPS, and net services revenue of \$183.6 million for the third quarter of 2011. The Company further confirmed its 2011 guidance, with net services revenue of \$835 million to \$850 million. The release stated in part:

Mary Tolan, Accretive Health's Founder and Chief Executive Officer, said, "We are very pleased by the continuing momentum as demonstrated by our strong Projected Contracted Annual Revenue Run-Rate which at the midpoint increased by \$119 million since our last earnings call. This addition to our PCARR is more than double the dollar amount of PCARR added between our fourth quarter 2010 and first quarter 2011 earnings calls. These additions produced a 41% year over year increase in PCARR. While our PCARR to date is exceeding our expectations, we recognize that the exact timing of contract signings can have a disproportionate impact on revenue in any single quarter. We continue to be positive about our annual revenue expectations and remain confident that the full year revenues will be within our

guidance range. In addition, we believe we are managing our business well and our 2011 adjusted EBITDA is tracking to our annual plan.”

“Our five-year exclusive revenue cycle management agreement with the Beaumont Health System further validates the success of our differentiated RCM outsourcing solution. Further this agreement brings Accretive Health’s market share of acute care hospital volume to 65% of the Detroit market. We believe this leadership position demonstrates the potential that can be replicated in our other markets as they mature.”

31. On November 9, 2011, Accretive Health issued a press release announcing its third quarter 2011 financial results. The Company reported net income of \$7.3 million, or \$0.07 diluted EPS, and net services revenue of \$218.9 million for the third quarter of 2011. Additionally, the Company provided an updated fiscal year 2011 outlook, forecasting net services revenue of \$820 million to \$835 million. The release stated in part:

Mary Tolan, Accretive Health’s Founder and Chief Executive Officer, said, “I’m pleased to report that as of today our Projected Contracted Annual Revenue Run-Rate is in the range of \$960 million to \$990 million, up \$313 million, or 47% year-over-year at the midpoint of the range. This is the largest absolute dollar gain in PCARR in our operating history, and underscores that demand for our services remains strong and that the investments we have made in our people and sales capabilities are yielding significant results.

“Our recently announced revenue cycle strategic collaboration with Intermountain Healthcare validates our market position as the partner of leading healthcare systems with strong track records of clinical and operational excellence. More importantly, this agreement places us at the forefront of innovation with the creation of our Center of Excellence in the West, which will serve as a training, research and development vehicle for the benefit of the industry. Finally, we expect this strategic collaboration to increase our penetration in the West, a market where we see great opportunity for future growth.

“In our Quality and Total Cost of Care business, we continue to deliver significant improvements in key operating metrics beyond our initial expectations. We are also working on intra-stay quality enhancement, which we believe has applicability to all hospitals, regardless of whether they have population health contracts. Finally, our Physician Advisory Services business continues to grow at a rapid pace as hospitals face increased regulatory pressures and intensifying recovery audits.”

32. On January 19, 2012, Minnesota’s Attorney General filed a lawsuit against Accretive Health alleging that the Company had violated health privacy laws, state debt collection laws and

state consumer protection laws. The lawsuit centers on a medical privacy security breach that occurred in July 2011 when an employee of Accretive Health had a laptop stolen out of a rental car. The laptop contained unencrypted medical records of 23,500 patients. The Attorney General's office was not only concerned with the theft itself and how the Company subsequently handled it but also with the extent of the confidential medical information that Accretive Health had within its possession and the use of that information. Thereafter, on February 3, 2012, the Minnesota Department of Commerce temporarily suspended Accretive Health's debt collection license in the state of Minnesota.

33. Despite the lawsuit, Accretive Health downplayed the truth of the factual allegations contained in the complaint or the effect it would have on the Company's future earnings or the Company's relationship with Fairview.

34. On February 29, 2012, Accretive Health issued a press release announcing its fourth quarter and full year 2011 financial results. The Company reported net income of \$13.2 million, or \$0.13 diluted EPS, and net services revenue of \$260 million for the fourth quarter of 2011. Additionally, the Company reported net income of \$29.2 million, or \$0.29 diluted EPS, and net services revenue of \$826 million for the full year 2011. Further, the Company provided its fiscal year 2012 guidance of net services revenue of \$1.09 billion to \$1.12 billion for 2012. The release stated in part:

Mary Tolan, Accretive Health's Founder and Chief Executive Officer, said, "2011 was a banner year for Accretive Health. As we achieved strong financial results, we assisted our customers in delivering on their own missions to more efficiently manage their revenue cycle operations, improve their quality of care and reduce overall healthcare costs.

"We are proud that our proven business model helps lower the overall financial burden of healthcare while simultaneously improving the quality of care. These are among the most pressing healthcare issues today. Looking ahead, we have a very strong foundation to execute against our long-term goals. We plan to continue to make strategic investments to establish Accretive Health as the leader in delivering

value to our customers through innovation, efficiency and high quality-of-care outcomes.”

35. On March 29, 2012, Accretive Health filed a Form 8-K with the SEC, announcing that, in response to the lawsuit filed by Minnesota’s Attorney General, the Company had agreed to no longer collect debts on behalf of Fairview and would transition management of those operations to Fairview. Accretive Health further announced that it expected this change to negatively impact its fiscal year 2012 revenue by \$62 million to \$68 million. The Form 8-K stated in part:

Item 8.01. Other Events.

Accretive Health announced today that in an ongoing effort to resolve its outstanding issues with the Minnesota Attorney General, Accretive Health and Fairview Health Services have decided to amend their revenue cycle operations agreement to transition the management of those operations to Fairview leadership. The company is currently working with Fairview on transition plans. Accretive Health and Fairview will continue their work together on their Quality and Total Cost of Care initiative for population health management.

Accretive Health expects the revenue impact of the new revenue cycle operations arrangement with Fairview to be in the range of \$62 million to \$68 million, or approximately 6% of the company’s expected 2012 revenue. Accretive Health is working to offset the majority of this revenue shortfall with work from new and existing customers. If the company is unable to do so, the new Fairview arrangement will adversely affect Accretive Health’s fiscal year 2012 guidance. The company will provide an update on its financial metrics and 2012 guidance on its quarterly earnings call on May 9th.

36. On this news, Accretive Health’s stock dropped \$4.46 per share to close at \$19.60 per share on March 29, 2012, a one-day decline of nearly 19% on high volume.

37. Then, on April 24, 2012, the Minnesota Attorney General released a report which highlighted aggressive practices used by Accretive Health, including demanding payment from people seeking care in emergency rooms, cancer wards and delivery rooms. The report raised concerns that such practices have become common at hospitals across the country.

38. According to a *New York Times* article entitled “Debt Collector Is Faulted for Tough Tactics in Hospitals”:

Hospital patients waiting in an emergency room or convalescing after surgery are being confronted by an unexpected visitor: a debt collector at bedside.

This and other aggressive tactics by one of the nation's largest collectors of medical debts, Accretive Health, were revealed on Tuesday by the Minnesota attorney general, raising concerns that such practices have become common at hospitals across the country.

The tactics, like embedding debt collectors as employees in emergency rooms and demanding that patients pay before receiving treatment, were outlined in hundreds of company documents released by the attorney general. And they cast a spotlight on the increasingly desperate strategies among hospitals to recoup payments as their unpaid debts mount.

To patients, the debt collectors may look indistinguishable from hospital employees, may demand they pay outstanding bills and may discourage them from seeking emergency care at all, even using scripts like those in collection boiler rooms, according to the documents and employees interviewed by The New York Times.

In some cases, the company's workers had access to health information while persuading patients to pay overdue bills, possibly in violation of federal privacy laws, the documents indicate.

The attorney general, Lori Swanson, also said that Accretive employees may have broken the law by not clearly identifying themselves as debt collectors.

* * *

"I have every reason to believe that what they are doing in Minnesota is simply company practice," Ms. Swanson said in an interview, but declined to provide details.

* * *

Accretive says that it trains its staff to focus on getting payment through "revenue cycle operations." Accretive fostered a pressurized collection environment that included mandatory daily meetings at the hospitals in Minnesota, according to employees and the newly released documents. Employees with high collection tallies were rewarded with gift cards. Those who fell behind were threatened with termination.

"We've started firing people that aren't getting with the program," a member of Accretive's staff wrote in an e-mail to his bosses in September 2010.

Collection activities extended from obstetrics to the emergency room. In July 2010, an Accretive manager told staff members at Fairview that they should "get cracking on labor and delivery," since there is a "good chunk to be collected there," according to company e-mails.

Employees were told to stall patients entering the emergency room until they had agreed to pay a previous balance, according to the documents. Employees in the emergency room, for example, were told to ask incoming patients first for a credit card payment. If that failed, employees were told to say, "If you have your checkbook in your car I will be happy to wait for you," internal documents show.

Employees at Accretive's client hospitals ask patients to make "point of service" payments before they receive treatment. Until she went to Fairview for her son Maxx's ear tube surgery in November, Marcia Newton, a stay-at-home mother in Corcoran, Minn., said she had never been asked to pay for care before receiving it. "They were really aggressive about getting that money upfront," she said in an interview.

Ms. Newton was shocked to learn that the employees were debt collectors. "You really feel hoodwinked," she said.

While hospital collections at Fairview increased, patient care suffered, the employees said. "Patients are harassed mercilessly," a hospital employee told Ms. Swanson.

Patients with outstanding balances were closely tracked by Accretive staff members, who listed them on "stop lists," internal documents show. In March 2011, doctors at Fairview complained that such strong-arm tactics were discouraging patients from seeking lifesaving treatments, but Accretive officials dismissed the complaints as "country club talk," the documents show.

Ms. Swanson said that the hounding of patients violated the Emergency Medical Treatment and Active Labor Act, a federal law requiring hospitals to provide emergency health care regardless of citizenship, legal status or ability to pay.

In the January lawsuit, Ms. Swanson said that by giving its collectors access to health records, Accretive violated the Health Insurance Portability and Accountability Act, known as Hipaa (pronounced HIP-ah). For example, an Accretive collection employee had access to records that showed a patient had bipolar disorder, Parkinson's disease and a host of other conditions.

In addition, she said, the company broke state collections laws by failing to identify themselves as debt collectors when dealing with patients.

39. As a result of this news, Accretive Health's stock plummeted \$7.63 per share to close at \$10.86 per share on April 25, 2012, a one-day decline of 41% on high volume.

40. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company was violating privacy standards under HIPAA and the HITECH Act by, among other things (i) failing to provide appropriate safeguards to prevent the misuse or disclosure of protected health information; (ii) failing to keep all protected health information strictly confidential; and (iii) failing to develop, implement, maintain and use appropriate technical and physical safeguards to preserve the integrity, confidentiality and availability of protected health information and to prevent non-permitted use or disclosure of the information.

(b) The Company failed to encrypt protected patient health information.

(c) The Company was violating the terms of its contract with Fairview by failing to limit access of protected health information to the persons or classes of persons in its workforce who needed access to it in order to carry out their duties. In fact, Accretive Health made protected health information available to its debt collectors.

(d) The Company was violating Minnesota state debt collection laws by, among other things, failing to provide patients with required disclosures identifying itself as a debt collection agency.

(e) The Company was violating Minnesota consumer protection laws by, among other things, failing to disclose to patients its extensive involvement in their healthcare, including the extent of the Company's access to data and the manner in which it utilizes such data.

(f) The effect the Company's violations of health privacy laws, state debt collection laws and state consumer protection laws would have on its future earnings and on its relationship with Fairview.

(g) Based upon the above, defendants lacked a reasonable basis for their positive statements about the Company or its revenue outlook.

41. As a result of defendants' false statements, Accretive Health stock traded at artificially inflated levels during the Class Period. However, after the above revelations seeped into

the market, the Company's shares were hammered by massive sales, sending them down 64% from their Class Period high.

LOSS CAUSATION

42. During the Class Period, as detailed herein, the defendants made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Accretive Health common stock and operated as a fraud or deceit on Class Period purchasers of Accretive Health common stock by misrepresenting the Company's business and prospects. Later, when the defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the price of Accretive Health common stock fell precipitously, as the prior artificial inflation came out of the price over time. As a result of their purchases of Accretive Health common stock during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

NO SAFE HARBOR

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

44. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of Accretive Health who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants

expressly related to or stated to be dependent on those historic or present tense statements when made.

CLASS ACTION ALLEGATIONS

45. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Accretive Health common stock during the Class Period (the "Class"). Excluded from the Class are defendants and their families, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

46. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Accretive Health has over 98.8 million shares of stock outstanding, owned by hundreds if not thousands of persons.

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

- (a) whether the 1934 Act was violated by defendants;
- (b) whether defendants omitted and/or misrepresented material facts;
- (c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) whether defendants knew or deliberately disregarded that their statements were false and misleading;
- (e) whether the price of Accretive Health common stock was artificially inflated;

and

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

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

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

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

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

51. Plaintiff incorporates ¶¶1-50 by reference.

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

53. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- (a) employed devices, schemes and artifices to defraud;
- (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Accretive Health common stock during the Class Period.

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

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

55. Plaintiff incorporates ¶¶1-54 by reference.

56. The Individual Defendants acted as controlling persons of Accretive Health within the meaning of §20(a) of the 1934 Act. By virtue of their positions with the Company, and ownership of Accretive Health stock, the Individual Defendants had the power and authority to cause Accretive Health to engage in the wrongful conduct complained of herein. Accretive Health controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages, including interest;
- C. Awarding plaintiff's reasonable costs and attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: April 26, 2012

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