HEALTHWAYS, INC
Form 10-Q
August 09, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2016

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 000-19364

HEALTHWAYS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	62-1117144
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

701 Cool Springs Boulevard, Franklin, TN 37067
(Address of Principal Executive Offices) (Zip Code)

615-614-4929
(Registrant's Telephone Number, Including Area Code)

(Former name, former address and former fiscal year, if changed since last report)

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 (Do not check if a smaller reporting company) 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 31, 2016, there were outstanding 36,738,870 shares of the registrant's common stock, par value $.001 per share ("common stock").
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Part I

Item 1. Financial Statements

HEALTHWAYS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

ASSETS

	June 30, 2016	December 31, 2015
Current assets:		
Cash and cash equivalents	$4,635	$233
Accounts receivable, net	48,547	50,608
Prepaid expenses	5,264	7,662
Other current assets	1,437	2,508
Income taxes receivable	407	257
Deferred tax asset	—	7,717
Current assets held for sale	52,282	65,802
Total current assets	112,572	134,787
Property and equipment:		
Leasehold improvements	27,682	27,674
Computer equipment and related software	34,504	33,496
Furniture and office equipment	13,530	13,512
Capital projects in process	1,613	1,089
	77,329	75,771
Less: accumulated depreciation	(55,943)	(53,753)
	21,386	22,018
Other assets	7,222	13,141
Intangible assets, net	29,266	29,526
Goodwill, net	334,680	336,974
Long-term assets held for sale	—	176,478
Total assets	$505,126	$712,924

See accompanying notes to the consolidated financial statements.

HEALTHWAYS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2016	December 31, 2015
Current liabilities:		
Accounts payable	$11,291	$21,184
Accrued salaries and benefits	11,138	7,240
Accrued liabilities	34,035	28,384
Deferred revenue	169	125
Contract billings in excess of earned revenue	415	101
Current portion of long-term debt	43,226	23,308
Current portion of long-term liabilities	7,248	6,204
Current liabilities held for sale	67,945	75,644
Total current liabilities	175,467	162,190
Long-term debt	182,393	208,289
Long-term deferred tax liability	24,112	23,617
Other long-term liabilities	26,818	38,238
Stockholders' equity:		
Preferred stock $.001 par value, 5,000,000 shares authorized, none outstanding	—	—
Common stock $.001 par value, 120,000,000 shares authorized, 36,243,197 and 36,079,446 shares outstanding, respectively	36	36
Additional paid-in capital	306,741	302,488
(Accumulated deficit) retained earnings	(180,146)	9,659
Treasury stock, at cost, 2,254,953 shares in treasury	(28,182)	(28,182)
Accumulated other comprehensive loss	(3,436)	(4,087)
Total Healthways, Inc. stockholders' equity	95,013	279,914
Non-controlling interest	1,323	676
Total stockholders' equity	96,336	280,590
Total liabilities and stockholders' equity	$505,126	$712,924

See accompanying notes to the consolidated financial statements.

HEALTHWAYS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands, except earnings (loss) per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues	$125,003	$ 113,425	$251,016	$225,074
Cost of services (exclusive of depreciation and amortization of $1,534, $1,407, $3,064, and $2,810, respectively, included below)	88,879	77,307	180,258	157,407
Selling, general & administrative expenses	10,107	12,375	19,519	20,093
Depreciation and amortization	1,877	1,867	3,749	3,729
Restructuring and related charges	2	—	41	—
Operating income	24,138	21,876	47,449	43,845
Interest expense	4,176	4,178	8,281	8,372
Income before income taxes	19,962	17,698	39,168	35,473
Income tax expense	—	6,942	—	14,037
Net income from continuing operations	19,962	10,756	39,168	21,436
Losses from discontinued operations, net of income tax expense (benefit)	(195,454)	(10,639)	(228,557)	(24,232)
Net (loss) income	(175,492)	117	(189,389)	(2,796)
Less: net income (loss) attributable to non-controlling interest	104	(303)	416	(303)
Net (loss) income attributable to Healthways, Inc.	$(175,596)	$ 420	$(189,805)	$(2,493)
Earnings (loss) per share attributable to Healthways, Inc. - basic:				
Continuing operations	$0.55	$ 0.30	$1.08	$0.60
Discontinued operations	$(5.41)	$ (0.29)	$(6.34)	$(0.67)
Earnings (loss) per share attributable to Healthways, Inc. - diluted:				
Continuing operations	$0.54	$ 0.29	$1.06	$0.58
Discontinued operations	$(5.25)	$ (0.28)	$(6.18)	$(0.65)
Comprehensive (loss) income	$(175,656)	$ 538	$(188,507)	$(4,052)
Less: comprehensive income (loss) attributable to non-controlling interest	236	(298)	647	(298)
Comprehensive (loss) income attributable to Healthways, Inc.	$(175,892)	$ 836	$(189,154)	$(3,754)
Weighted average common shares and equivalents:				
Basic	36,172	35,734	36,140	35,664
Diluted	37,227	36,881	37,043	37,002

See accompanying notes to the consolidated financial statements.

HEALTHWAYS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2016
(In thousands)
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Loss	Non-controlling interest	Total
Balance, December 31, 2015	$ —	$ 36	$302,488	$9,659	$(28,182)	$ (4,087)	$ 676	$280,590
Net loss attributable to Healthways, Inc.	—	—	—	(189,805)	—	—	—	(189,805)
Net income attributable to non-controlling interest	—	—	—	—	—	—	416	416
Other comprehensive income (loss), net of tax:								
Net change in fair value of interest rate swaps, net of income tax benefit of $56	—	—	—	—	—	85	—	85
Foreign currency translation adjustment	—	—	—	—	—	566	231	797
Total other comprehensive income	—	—	—	—	—	651	231	882
Total comprehensive income (loss)	—	—	—	(189,805)	—	651	647	(188,507)
Exercise of stock options	—	—	30	—	—	—	—	30
Tax effect of stock options and restricted stock units	—	—	(1,292)	—	—	—	—	(1,292)
Share-based employee compensation expense	—	—	5,323	—	—	—	—	5,323
Issuance of CareFirst Warrants	—	—	192	—	—	—	—	192
Balance, June 30, 2016	$ —	$ 36	$306,741	$(180,146)	$(28,182)	$ (3,436)	$ 1,323	$96,336

See accompanying notes to the consolidated financial statements.

HEALTHWAYS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income from continuing operations	$39,168	$21,436
Loss from discontinued operations	(228,557)	(24,232)
Adjustments to reconcile net loss to net cash flows provided by operating activities, net of business acquisitions:		
Depreciation and amortization	25,324	24,861
Amortization of deferred loan costs	1,103	986
Amortization of debt discount	3,698	3,495
Share-based employee compensation expense	5,323	5,797
Loss on sale of MeYou Health	4,826	—
Loss on impairment of held for sale assets	156,198	—
Equity in income from joint ventures	(303)	—
Deferred income taxes	7,835	(2,393)
Decrease in accounts receivable, net	17,263	12,427
Decrease (increase) in other current assets	3,329	(709)
(Decrease) increase in accounts payable	(4,100)	3,795
Increase (decrease) in accrued salaries and benefits	4,441	(5,362)
Decrease in other current liabilities	(737)	(12,454)
Other	(3,124)	1,340
Net cash flows provided by operating activities	31,687	28,987
Cash flows from investing activities:		
Acquisition of property and equipment	(10,330)	(17,332)
Investment in joint venture	(865)	(4,450)
Proceeds from sale of MeYou Health	5,156	—
Other	(537)	(550)
Net cash flows used in investing activities	(6,576)	(22,332)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	242,301	303,956
Payments of long-term debt	(253,902)	(307,667)
Exercise of stock options	30	1,292
Repurchase of common stock	—	(1,833)
Proceeds from non-controlling interest	—	1,377
Change in cash overdraft and other	(8,726)	619
Net cash flows used in financing activities	(20,297)	(2,256)
Effect of exchange rate changes on cash	538	(899)
Less: net increase in cash and cash equivalents held for sale	950	2,337
Net increase in cash and cash equivalents	4,402	1,163

Cash and cash equivalents, beginning of period	233	1,249
Cash and cash equivalents, end of period	$4,635	$2,412

See accompanying notes to the consolidated financial statements.

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HEALTHWAYS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). In our opinion, the accompanying consolidated financial statements of Healthways, Inc. and its wholly-owned subsidiaries (collectively, "Healthways," the "Company," or such terms as "we," "us," or "our") reflect all adjustments consisting of normal, recurring accruals necessary for a fair statement. We have reclassified certain items in prior periods to conform to current classifications.

Our results from continuing operations do not include the results of our total population health services ("TPHS") business. The TPHS business, includes our partnerships with Blue Zones, LLC and Dr. Dean Ornish (the Blue Zones Project by Healthways™ and Dr. Ornish's Program for Reversing Heart Disease™), the results of our joint venture with Gallup (see Note 8), our Navvis business, our MeYouHealth business and international operations. The TPHS business has been accounted for as assets held for sale as of June 30, 2016. Results of operations for the TPHS business have been reclassified as discontinued operations for all periods presented in the consolidated financial statements. On July 31, 2016, we sold the TPHS business (see Notes 3 and 14), excluding Navvis and MeYouHealth, which had been previously sold separately to other buyers (see Notes 3, 4 and 14).

On March 11, 2015, we formed a joint venture with SulAmérica, one of the largest independent insurers in Brazil, to sell total population health services to the Brazilian market. With its contribution, SulAmérica acquired a 49% interest in the joint venture, Healthways Brasil Servicos de Consultoria LTDA ("Healthways Brazil"). We have determined that our interest in Healthways Brazil represents a controlling financial interest and, therefore, have consolidated the financial statements of Healthways Brazil and have presented a noncontrolling interest for the portion owned by SulAmérica. The net assets and results of operations of Healthways Brazil are included within TPHS assets held for sale and discontinued operations in the accompanying consolidated financial statements.

We have omitted certain financial information that is normally included in financial statements prepared in accordance with U.S. GAAP but that is not required for interim reporting purposes. You should read the accompanying consolidated financial statements in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015.

(2) Recent Relevant Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, which creates Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("ASC Topic 606") and supersedes ASC Topic 605, "Revenue Recognition." The provisions of ASC Topic 606 provide for a single comprehensive principles-based standard for the recognition of revenue across all industries and expanded disclosure about the nature, amount, timing and uncertainty of revenue, as well as certain additional quantitative and qualitative disclosures. The standard is effective for annual periods beginning after December 15, 2017, including interim periods within those years. We are currently evaluating the impact of adopting ASC Topic 606.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. This ASU was adopted in the first quarter of 2016 and has been applied on a retrospective basis to all periods presented. The adoption of this standard resulted in debt issuance costs being presented as a direct deduction from the carrying amount of the related debt liability and totaled $3.0 million and $4.1 million as of June 30, 2016 and December 31, 2015,

respectively.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes: Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"), which simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet. The amendments in ASU 2015-17 require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. This ASU was adopted in the first quarter of 2016 and is presented prospectively.

In February 2016, the FASB issued ASU No. 2016-02, "Leases" ("ASU 2016-02"), which requires that lessees recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The update is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within those years. We are currently evaluating the impact the adoption of ASU 2016-02 will have on our financial position, results of operations and cash flows.

In March 2016, the FASB Issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted. We are currently assessing how the adoption of ASU 2016-09 will impact our our financial position, results of operations and cash flows.

(3) Discontinued Operations

As of June 30, 2016, we committed to a plan to sell the TPHS business, which includes our partnerships with Blue Zones, LLC and Dr. Dean Ornish (the Blue Zones Project by Healthways™ and Dr. Ornish's Program for Reversing Heart Disease™), the results of our joint venture with Gallup (see Note 8), our Navvis business, our MeYouHealth business and international operations. The sale of the TPHS business was completed effective July 31, 2016 (as discussed in Note 14). In accordance with ASC Topic 205, "Presentation of Financial Statements", the divested TPHS business met the held for sale criteria and represents a strategic shift in the Company's operations and financial results. Therefore, this business has been classified as held for sale and discontinued operations within our consolidated financial statements for all periods presented. As of June 30, 2016, the disposal group classified as held for sale has been measured at the lower of its carrying amount or the fair value less cost to sell. A loss was recognized for the three and six months ended June 30, 2016, based on the Company's best estimate of the fair value less cost to sell in the period the held for sale criteria was met. We estimated the fair value of the disposal group using a market participant approach, which considered our preliminary estimate of the purchase price for the sale of TPHS. This resulted in writing down the long lived (non-current) assets of the disposal group to zero as they are fully impaired. We plan to complete our estimate of the purchase price of TPHS in the third quarter at which time we expect to record a loss on the sale of TPHS.

The following table presents the aggregate carrying amounts of the major classes of assets and liabilities related to the TPHS business to be disposed of:

(in thousands)	June 30, 2016	December 31, 2015
Cash and cash equivalents	$2,587	$1,637
Accounts receivable, net	42,920	57,587
Prepaid expenses	4,116	2,545
Other current assets	1,749	2,722
Income taxes receivable	910	819
Deferred tax asset	—	492
Property and equipment	114,049	133,982
Long-term deferred tax asset	423	—
Other assets	11,493	10,705
Intangible assets, net	30,234	31,791
Loss recognized on impairment of held for sale long-lived assets	(156,199)	—
Total assets	$52,282	$242,280
Accounts payable	$17,201	$19,851
Accrued salaries and benefits	15,600	14,380
Accrued liabilities	15,827	21,690
Deferred revenue	6,980	6,931
Contract billings in excess of earned revenue	12,337	12,792
Total liabilities	$67,945	$75,644

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The following table presents key financial results of the TPHS business included in "losses from discontinued operations" for the three and six months ended June 30, 2016 and 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2016	2015	2016	2015
Revenues	$65,546	$84,648	$128,751	$162,861
Cost of services	71,230	82,176	143,722	163,528
Selling, general & administrative expenses	4,772	8,820	11,555	17,084
Depreciation and amortization	10,701	10,350	21,575	21,132
Restructuring and related charges	2,722	—	8,424	—
Interest expense	283	383	560	680
Pretax loss on discontinued operations	(24,162)	(17,081)	(57,085)	(39,563)
Pretax loss on sale of business	(4,826)	—	(4,826)	—
Pretax loss on impairment of held for sale	(158,354)	—	(158,354)	—
Total pretax loss on discontinued operations	(187,342)	(17,081)	(220,265)	(39,563)
Income tax expense (benefit)	8,112	(6,442)	8,292	(15,331)
Losses from discontinued operations, net of income tax expense (benefit)	$(195,454)	$(10,639)	$(228,557)	$(24,232)

The depreciation, amortization and significant operating and investing non-cash items of the discontinued operations were as follows:

	Six Months Ended	
	June 30,	June 30,
(in thousands)	2016	2015
Depreciation and amortization on discontinued operations	$21,575	$21,132
Capital expenditures on discontinued operations	7,680	15,490
Share-based compensation on discontinued operations	3,159	3,142

(4) Goodwill

The change in carrying amount of goodwill during the years ended December 31, 2014, 2015 and the six months ended June 30, 2016 is shown below:

(in thousands)	
Balance, December 31, 2013	$338,800
Other adjustments	—
Balance, December 31, 2014	338,800
Navvis sale	(1,826)
Balance, December 31, 2015	336,974
MeYou Health sale	(2,294)
Balance, June 30, 2016	$334,680

In November 2015, we sold Navvis Healthcare, LLC, a provider of healthcare consulting and advisory services, for $4.4 million in cash, which resulted in a gain of $1.9 million.

In June 2016, we sold the assets of MeYou Health, LLC, a wholly owned subsidiary of the Company that was engaged in the business of developing and delivering certain digital health applications, for $5.5 million in cash and additional contingent consideration up to $1.5 million, which resulted in a loss of $4.8 million. This loss is included in losses from discontinued operations in our consolidated statements of comprehensive income (loss) for the three and six months ended June 30, 2016.

As of June 30, 2016 and December 31, 2015, the gross amount of goodwill totaled $517.0 million and $519.3 million, respectively, and we had accumulated impairment losses of $182.4 million.

(5) Share-Based Compensation

We currently have four types of share-based awards outstanding to our employees and directors: stock options, restricted stock units, restricted stock and market stock units. We believe that our share-based awards align the interests of our employees and directors with those of our stockholders.

We estimate share-based compensation expense based on the number of awards expected to vest, after consideration of expected forfeitures and estimated vesting of performance-based stock units. We recognize share-based compensation expense for the market stock units if the requisite service period is rendered, even if the market condition is never satisfied. For the three and six months ended June 30, 2016, we recognized share-based compensation costs of $2.9 million and $5.3 million, respectively. For the three and six months ended June 30, 2015, we recognized share-based compensation costs of $3.4 million and $5.8 million, respectively.

A summary of our stock options as of June 30, 2016, and changes during the six months then ended is presented below:

Options	Shares (000s)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($000s)
Outstanding at January 1, 2016	2,122	$13.34		
Granted	—	—		
Exercised	(5)	6.61		
Forfeited	(10)	13.40		
Expired	(99)	21.35		
Outstanding at June 30, 2016	2,008	12.96	5.13	1,788
Exercisable at June 30, 2016	1,693	$12.98	4.93	1,627

There were no stock options granted during the six months ended June 30, 2016.

The following table shows a summary of our restricted stock and restricted stock units as of June 30, 2016, as well as activity during the six months then ended:

	Restricted Stock and Restricted Stock Units	
Nonvested Shares	Shares (000s)	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2016	1,618	$ 12.35
Granted	837	10.46
Vested	(204)	13.05
Forfeited	(146)	11.74
Nonvested at June 30, 2016	2,105	$ 11.58

Market stock units granted during the three months ended June 30, 2016 have a multi-year performance period ending in 2019 and vest three years from the grant date.

The following table shows a summary of our market stock units as of June 30, 2016, as well as activity during the six months then ended:

	Market Stock Units	
	Shares (000s)	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2016	474	$ 6.53
Granted	217	7.15
Vested	—	—
Forfeited	(9)	6.48
Nonvested at June 30, 2016	682	$ 6.73

(6) Income Taxes

For the three months ended June 30, 2016, we had an effective income tax rate from continuing operations of 0.0%, compared to an effective income tax rate of 39.2% for the three months ended June 30, 2015. For the six months ended June 30, 2016, we had an effective tax income tax rate from continuing operations of 0.0%, compared to an effective income tax rate of 39.6% for the six months ended June 30, 2015. The change in the effective rates from continuing operations was primarily due to the utilization of deferred tax assets subject to a valuation allowance in the 2016 periods.

During the six months ended June 30, 2016, an increase of $79.3 million was recorded to the valuation allowance on certain deferred tax assets in the U.S. Federal and state jurisdictions, as well as in certain foreign jurisdictions. At June 30, 2016, we had approximately $71.0 million of federal loss carryforwards, and approximately $82.8 million of state loss carryforwards.

We file income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. Tax years remaining subject to examination in these major jurisdictions include 2012 to present.

(7) Long-Term Debt

The Company's long-term debt, net of unamortized deferred loan costs, consisted of the following at June 30, 2016 and December 31, 2015:

(in thousands)	June 30, 2016	December 31, 2015
Cash Convertible Notes, net of unamortized discount	$ 133,993	$ 130,296
CareFirst Convertible Note	20,000	20,000
Fifth Amended Credit Agreement:		
Term Loan	70,000	80,000
Revolver	—	—
Capital lease obligations and other	4,595	5,374
	228,588	235,670
Less: deferred loan costs	(2,969)	(4,073)

	225,619	231,597
Less: current portion	(43,226)	(23,308)
	$182,393	$208,289

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Credit Facility

On June 8, 2012, we entered into the Fifth Amended and Restated Revolving Credit and Term Loan Agreement (as amended, the "Fifth Amended Credit Agreement"). As amended in August 2016 and further described below, the Fifth Amended Credit Agreement provides us with a $125 million revolving credit facility that includes a swingline sub facility of $20 million and a $75 million sub facility for letters of credit. The Fifth Amended Credit Agreement also provides a $200 million term loan facility, $70 million of which remained outstanding at June 30, 2016, and an uncommitted incremental accordion facility of $100 million.

Borrowings under the Fifth Amended Credit Agreement generally bear interest at variable rates based on a margin or spread in excess of either (1) the one-month, two-month, three-month or six-month rate (or with the approval of affected lenders, nine-month or twelve-month rate) for Eurodollar deposits ("LIBOR", which may not be less than zero), or (2) the greatest of (a) the SunTrust Bank prime lending rate, (b) the federal funds rate plus 0.50% and (c) one-month LIBOR plus 1.00% (the "Base Rate"), as selected by the Company. The LIBOR margin varies between 1.75% and 3.00%, and the Base Rate margin varies between 0.75% and 2.00%, depending on our leverage ratio. The Fifth Amended Credit Agreement also provides for an annual fee ranging between 0.30% and 0.50% of the unused commitments under the revolving credit facility. Extensions of credit under the Fifth Amended Credit Agreement are secured by guarantees from all of the Company's active domestic subsidiaries and by security interests in substantially all of the Company's and such subsidiaries' assets.

On August 4, 2016, we entered into the Eighth Amendment to the Fifth Amended Credit Agreement (the "Eighth Amendment"). The Eighth Amendment (1) extends the expiration date of the Company's revolving credit facility and the maturity date of the Company's term loan facility under the Fifth Amended Credit Agreement from June 8, 2017 to June 8, 2018 (the "Extended Maturity Date") and (2) amends the definition of "Consolidated EBITDA" to include an add-back for certain non-cash gains and to take into account certain financial consequences of the sale by the Company of its TPHS business to Sharecare, Inc. pursuant to the terms of the Membership Interest Purchase Agreement among the Company, Sharecare, Inc. and Healthways SC, LLC. The Eighth Amendment contemplated that some lenders might not agree to the Extended Maturity Date and preserved June 8, 2017 as the non-extended maturity date (the "Non-Extended Maturity Date") for such lenders. Lenders holding $45,312,500 of the revolving commitments and $25,375,000 of outstanding term loans did not consent to the Extended Maturity Date. On the Non-Extended Maturity Date, the revolving commitments of non-consenting revolving lenders will terminate and any outstanding term loans and revolving loans owed to non-consenting lenders must be paid in full. The outstanding revolving loans under the revolving credit facility held by consenting lenders must be paid in full on June 8, 2018. We are required to repay term loans in quarterly principal installments aggregating 2.500% of the original aggregate principal amount of the term loans ($5,000,000) during each of the remaining quarters prior to maturity on June 8, 2018, at which time the entire unpaid principal balance of the term loans held by consenting lenders is due and payable.

The impact of the Eighth Amendment on the maturity of our debt is reflected in our balance sheet. As of June 30, 2016, availability under the revolving credit facility totaled $42.6 million.

The Fifth Amended Credit Agreement contains financial covenants that require us to maintain, as defined, specified ratios or levels of (1) total funded debt to EBITDA and (2) fixed charge coverage. The Fifth Amended Credit Agreement contains various other affirmative and negative covenants that are typical for financings of this type. Among other things, the Fifth Amended Credit Agreement limits repurchases of our common stock and the amount of dividends that we can pay to holders of our common stock.

1.50% Cash Convertible Senior Notes Due 2018

On July 16, 2013, we completed the issuance of $150.0 million aggregate principal amount of cash convertible senior notes due 2018 (the "Cash Convertible Notes"), which bear interest at a rate of 1.50% per year, payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2014. The Cash Convertible Notes will mature on July 1, 2018, unless earlier repurchased or converted into cash in accordance with their terms prior to such date. At the option of the holders, the Cash Convertible Notes are convertible into cash based on the conversion rate set forth below only upon occurrence of certain triggering events as defined in the Indenture dated as of July 8, 2013 by and between the Company and U.S. Bank National Association, none of which had occurred as of March 31, 2016. Accordingly, we have classified the Cash Convertible Notes as long-term debt at June 30, 2016 and December 31, 2015. The Cash Convertible Notes are not convertible into our common stock or any other securities under any circumstances. The initial cash conversion rate is approximately 51.38 shares of our common stock per $1,000 principal amount of Cash Convertible Notes (equivalent to an initial conversion price of approximately $19.46 per share of common stock). The Cash Convertible Notes are our senior unsecured obligations and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the Cash Convertible Notes. As a result of this transaction, we recognized deferred loan costs of approximately $3.9 million, which are being amortized over the term of the Cash Convertible Notes using the effective interest method.

The cash conversion feature of the Cash Convertible Notes (the "Cash Conversion Derivative") requires bifurcation from the Cash Convertible Notes in accordance with FASB ASC Topic 815, "Derivatives and Hedging" ("ASC Topic 815"), and is recorded in other long-term liabilities as a derivative liability and carried at fair value. The fair value of the Cash Conversion Derivative at the time of issuance of the Cash Convertible Notes was $36.8 million, which was recorded as a debt discount for purposes of accounting for the debt component of the Cash Convertible Notes. The debt discount is being amortized over the term of the Cash Convertible Notes using the effective interest method. For the six months ended June 30, 2016, we recorded $3.7 million of interest expense related to the amortization of the debt discount based upon an effective interest rate of 5.7%. The net carrying amount of the Cash Convertible Notes at June 30, 2016 and December 31, 2015 was $134.0 million and $130.3 million, respectively, net of the unamortized discount of $16.0 million and $19.7 million, respectively.

In connection with the issuance of the Cash Convertible Notes, we entered into privately negotiated convertible note hedge transactions (the "Cash Convertible Notes Hedges"), which are cash-settled and are intended to reduce our exposure to potential cash payments that we would be required to make if holders elect to convert the Cash Convertible Notes at a time when our stock price exceeds the conversion price. The initial cost of the Cash Convertible Notes Hedges was $36.8 million. The Cash Convertible Notes Hedges are recorded in other assets as a derivative asset under FASB ASC Topic 815 and are carried at fair value. See Note 9 for additional information regarding the Cash Convertible Notes Hedges and the Cash Conversion Derivative and their fair values as of June 30, 2016.

In July 2013, we also sold separate privately negotiated warrants (the "Warrants") initially relating, in the aggregate, to a notional number of shares of our common stock underlying the Cash Convertible Notes Hedges. The Warrants have an initial strike price of approximately $25.95 per share, which effectively increases the conversion price of the Cash Convertible Notes to a 60% premium to our stock price on July 1, 2013. The Warrants will be net share settled by issuing a number of shares of our common stock per Warrant corresponding to the excess of the market price per share of our common stock (as measured on each warrant exercise date under the terms of the Warrants) over the applicable strike price of the Warrants. The Warrants meet the definition of derivatives under the guidance in ASC Topic 815; however, because these instruments have been determined to be indexed to our own stock and meet the criteria for equity classification under ASC Topic 815, the Warrants have been accounted for as an adjustment to our additional paid-in-capital.

If the market value per share of our common stock exceeds the strike price of the Warrants, the Warrants will have a dilutive effect on net income per share, and the "treasury stock" method will be used in calculating the dilutive effect on earnings per share.

CareFirst Convertible Note

On October 1, 2013, we entered into an Investment Agreement (the "Investment Agreement") with CareFirst Holdings, LLC ("CareFirst"), which was in addition to certain commercial agreements between us and CareFirst relating to, among other things, disease management and care coordination services (the "Commercial Agreements"). Pursuant to the Investment Agreement, we issued to CareFirst a convertible subordinated promissory note in the aggregate original principal amount of $20 million (the "CareFirst Convertible Note") for a purchase price of $20 million. The CareFirst Convertible Note bears interest at a rate of 4.75% per year, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each calendar year, beginning on December 31, 2013. The CareFirst Convertible Note may be prepaid only under limited circumstances and upon the terms and conditions specified therein. If the CareFirst Convertible Note has not been fully converted or redeemed in accordance with its terms, it will mature on October 1, 2019. The CareFirst Convertible Note is subordinate in right of payment to the prior payment in full of (a) all of our indebtedness under the Fifth Amended Credit Agreement (as defined below) and (b) any other of our senior debt, which currently includes only the Cash Convertible Notes.

The CareFirst Convertible Note is convertible into shares of our common stock at the conversion rate determined by dividing (a) the sum of the portion of the principal to be converted and accrued and unpaid interest with respect to such principal by (b) the conversion price equal to $22.41 per share of our common stock. The conversion price is subject to adjustment for stock splits, stock dividends, recapitalizations, reorganizations, reclassifications and similar events.

CareFirst had an opportunity to earn warrants to purchase shares of our common stock ("CareFirst Warrants") based on achievement of certain quarterly thresholds (the "Revenue Thresholds") for revenue derived from both the Commercial Agreements and from new business to us from third parties as a result of an introduction or referral to us by CareFirst (collectively, the "Quarterly Revenue"). If the Quarterly Revenue was greater than or equal to the applicable Revenue Threshold for any quarter ending on or prior to September 30, 2017, then we would issue to CareFirst a certain number of warrants exercisable for the number of shares of our common stock ("CareFirst Warrant Shares") determined in accordance with the terms of the Investment Agreement unless (i) CareFirst elected to receive a cash payment in accordance with the terms of the Investment Agreement or (ii) there was a change of control. The aggregate number of CareFirst Warrant Shares in any single 12-month period beginning on October 1, 2013 could not exceed 400,000, and the aggregate number of CareFirst Warrant Shares issuable pursuant to the Investment Agreement could not exceed 1,600,000. As of June 30, 2016, we had issued CareFirst Warrant Shares totaling 630,586 at a weighted average exercise price of $15.61, 39,903 of which were issued in 2016. These CareFirst Warrants may have a dilutive effect on net income per share, and the "treasury stock" method is used in calculating the dilutive effect on earnings per share.

Also on October 1, 2013, in connection with the execution of the Investment Agreement, we entered into a Registration Rights Agreement (the "Registration Rights Agreement") with CareFirst, pursuant to which we agreed to use commercially reasonable efforts to cause any registration statement covering an underwritten offering of our common stock for our own account or for the account of any holder of our common stock (other than a registration statement on Form S-4 or Form S-8 or any successor thereto) to include those registrable common shares that any holder of such registrable common shares has requested to be registered.

Effective July 31, 2016, in connection with the consummation of the sale of the TPHS business (as discussed in Note 14), the Investment Agreement was terminated, and all of the Commercial Agreements between the Company and CareFirst relating to the TPHS business were transferred to an entity that, effective at the Closing, became a wholly-owned subsidiary of Sharecare, Inc. ("Sharecare"), the buyer of the TPHS business. As a result, CareFirst will

no longer have the opportunity to earn Warrants in respect of the periods following the Closing. The Convertible Note, the Registration Rights Agreement and the CareFirst Warrants previously issued to CareFirst were not affected by the termination of the Investment Agreement and remain in full force and effect according to their terms.

(8) Commitments and Contingencies

Summary

We are subject to contractual disputes, claims and legal proceedings that arise from time to time in the ordinary course of our business. While we are unable to estimate a range of potential losses, we do not believe that any of the legal proceedings pending against us as of the date of this report, some of which are expected to be covered by insurance policies, will have a material adverse effect on our financial statements. As these matters are subject to inherent uncertainties, our view of these matters may change in the future.

Contractual Commitments

In January 2008, we entered into a 25-year strategic relationship agreement with Gallup, Inc. ("Gallup"), and in October 2012 we entered into a joint venture agreement with Gallup (the "Gallup Joint Venture") that required us to make payments over a 5-year period beginning January 2013. As of June 30, 2016, we had minimum remaining contractual cash obligations of $24.0 million related to these agreements. The financial impact of the strategic relationship with Gallup and the Gallup Joint Venture are reflected in discontinued operations for all periods presented as each of these are part of the TPHS business that we sold effective July 31, 2016.

In May 2011, we entered into a ten-year applications and technology services outsourcing agreement with HP Enterprise Services, LLC that contains minimum fee requirements. Total payments over the remaining term, including an estimate for future contractual cost of living adjustments, must equal or exceed a minimum level of approximately $64.4 million; however, based on current required service and equipment level assumptions, we estimate that the remaining payments will be approximately $135.1 million. The agreement allows us to terminate all or a portion of the services provided we pay certain termination fees, which could be material to the Company.

See Note 14 for updates to these existing contractual commitments upon the sale of the TPHS business.

(9) Fair Value Measurements

We account for certain assets and liabilities at fair value. Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date, assuming the transaction occurs in the principal or most advantageous market for that asset or liability.

Fair Value Hierarchy

The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. We categorize each of our fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-based valuation techniques in which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3: Unobservable inputs that are supported by little or no market activity and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We account for our investment in the Gallup Joint Venture using the equity method under ASC Topic 323. In the third quarter of 2015, we observed factors causing a decline in future revenue projections as an indicator of an other than temporary impairment of the investment. Accordingly, we estimated the fair value of our investment using a discounted cash flow model. Estimating fair value requires significant judgments, including management's estimate of future cash flows, which is dependent on internal forecasts, estimation of the long-term growth rate for the joint venture, the useful life over which cash flows will occur, and determination of the weighted average cost of capital. Changes in these estimates and assumptions could materially affect the estimate of fair value.

Based on our estimate of fair value, we determined that the present value of our remaining contractual cash obligations in the Gallup Joint Venture exceeded the estimated fair value, resulting in the recognition of a liability associated with the forward option to acquire additional membership interest (the "Gallup Derivative"). The Gallup Derivative was recorded as a derivative liability at June 30, 2016, in accordance with FASB ASC Topic 815 and will be carried at fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present our assets and liabilities measured at fair value on a recurring basis at June 30, 2016, and December 31, 2015:

(In $000s) June 30, 2016	Level 2	Level 3	Gross Fair Value	Netting[(1)]	Net Fair Value
Assets:					
Foreign currency exchange contracts	$200	$—	$200	$ (157)	$43
Cash Convertible Notes Hedges	—	6,470	6,470	—	6,470
Liabilities:					
Foreign currency exchange contracts	$180	$—	$180	$ (157)	$23
Interest rate swap agreements	256	—	256	—	256
Cash Conversion Derivative	—	6,470	6,470	—	6,470
Gallup Derivative	—	4,823	4,823	—	4,823

(In $000s) December 31, 2015	Level 2	Level 3	Gross Fair Value	Netting[(1)]	Net Fair Value
Assets:					
Foreign currency exchange contracts	$284	$—	$284	$ (26)	$258
Cash Convertible Notes Hedges	—	12,632	12,632	—	12,632
Liabilities:					
Foreign currency exchange contracts	$48	$—	$48	$ (26)	$22
Interest rate swap agreements	397	—	397	—	397
Cash Conversion Derivative	—	12,632	12,632	—	12,632
Gallup Derivative	—	6,339	6,339	—	6,339

(1) This column reflects the impact of netting derivative assets and liabilities by counterparty when a legally enforceable master netting agreement exists.

The fair values of forward foreign currency exchange contracts are valued using broker quotations of similar assets or liabilities in active markets. The fair values of interest rate swap agreements are primarily determined based on the present value of future cash flows using internal models and third-party pricing services with observable inputs, including interest rates, yield curves and applicable credit spreads. The fair values of the Cash Convertible Notes Hedges, the Cash Conversion Derivative and the Gallup Derivative are measured using Level 3 inputs because these instruments are not actively traded. The Cash Convertible Notes Hedges and the Cash Conversion Derivative are valued using an option pricing model that uses observable and unobservable market data for inputs, such as expected time to maturity of the derivative instruments, the risk-free interest rate, the expected volatility of our common stock and other factors. The Gallup Derivative is valued as the difference in the present value of our remaining cash commitments and the fair value of such commitments. The Cash Convertible Notes Hedges and the Cash Conversion Derivative were designed such that changes in their fair values would offset one another, with minimal impact to the consolidated statements of comprehensive income (loss). Therefore, the sensitivity of changes in the unobservable inputs to the option pricing model for such instruments is mitigated.

The following table presents our financial instruments measured at fair value on a recurring basis using unobservable inputs (Level 3):

(In $000s)	Balance at December 31, 2015	Purchases of Level 3 Instruments	Settlements of Level 3 Instruments	Gains/(Losses) Included in Earnings	Balance at June 30, 2016
Cash Convertible Notes Hedges	$ 12,632	$ —	$ —	$ (6,162)	$ 6,470
Cash Conversion Derivative	(12,632)	—	—	6,162	(6,470)
Gallup Derivative	(6,339)	—	1,516	—	(4,823)

The gains and losses included in earnings noted above represent the change in the fair value of these financial instruments and are recorded each period in the consolidated statements of comprehensive income (loss). The gains and losses on the Cash Convertible Notes Hedges and Cash Conversion Derivative have been recorded as selling, general and administrative expenses, and the gain or loss on the Gallup Derivative has been recorded as a part of discontinued operations.

Fair Value of Other Financial Instruments

In addition to foreign currency exchange contracts, interest rate swap agreements, the Cash Convertible Notes Hedges, the Cash Conversion Derivative, and the Gallup Derivative, the estimated fair values of which are disclosed above, the estimated fair value of each class of financial instruments at June 30, 2016 was as follows:

Cash and cash equivalents – The carrying amount of $4.6 million approximates fair value because of the short maturity of those instruments (less than three months).

Long-term debt – The estimated fair value of outstanding borrowings under the Fifth Amended Credit Agreement, which includes a revolving credit facility and a term loan facility (see Note 7), and the Cash Convertible Notes are determined based on the fair value hierarchy as discussed above. The revolving credit facility and the term loan facility are not actively traded and therefore are classified as Level 2 valuations based on the market for similar instruments. The estimated fair value is based on the average of the prices set by the issuing bank given current market conditions and is not necessarily indicative of the amount we could realize in a current market exchange. The estimated fair value and carrying amount of outstanding borrowings under the Fifth Amended Credit Agreement at June 30, 2016 are $69.5 million and $70.0 million, respectively.

The Cash Convertible Notes are actively traded and therefore are classified as Level 1 valuations. The estimated fair value at June 30, 2016, was $141.3 million, which is based on the last traded price of the Cash Convertible Notes on

June 30, 2016, and the par value was $150.0 million. The carrying amount of the Cash Convertible Notes at June 30, 2016, was $134.0 million, which is net of the debt discount discussed in Note 7.

The CareFirst Convertible Note was issued at its fair value of $20.0 million on October 1, 2013. It is not actively traded and is not based upon either an observable market, other than the market for our common stock, or on an observable index and is therefore classified as a Level 3 valuation. At June 30, 2016, the carrying amount of the CareFirst Convertible Note of $20.0 million approximates fair value.

(10) Derivative Investments and Hedging Activities

We use derivative instruments to manage risks related to interest, foreign currencies, the Cash Convertible Notes, and the fair value of the Gallup Derivative. We account for derivatives in accordance with ASC Topic 815, which establishes accounting and reporting standards requiring that certain derivative instruments be recorded on the balance sheet as either an asset or liability measured at fair value. Additionally, changes in the derivative's fair value will be recognized currently in earnings unless specific hedge accounting criteria are met. As permitted under our master netting arrangements, the fair value amounts of our interest rate swaps and foreign currency options and/or forward contracts are presented on a net basis by counterparty in the consolidated balance sheets.

Derivative Instruments Designated as Hedging Instruments

Cash Flow Hedges

Derivative instruments that are designated and qualify as cash flow hedges are recorded at estimated fair value in the consolidated balance sheets, with the effective portion of the gains and losses being reported in accumulated other comprehensive income or loss ("accumulated OCI"). Cash flow hedges for all periods presented consist solely of interest rate swap agreements, which effectively modify our exposure to interest rate risk by converting a portion of our floating rate debt to fixed rate obligations, thus reducing the impact of interest rate changes on future interest expense. Under these agreements, we receive a variable rate of interest based on LIBOR (as defined in Note 7), and we pay a fixed rate of interest with an interest rate of 1.480% plus a spread (see Note 7). We maintain an interest rate swap agreement with a current notional amount of $50.0 million and a termination date of December 30, 2016. Gains and losses on these interest rate swap agreements are reclassified to interest expense in the same period during which the hedged transaction affects earnings or the period in which all or a portion of the hedge becomes ineffective. As of June 30, 2016, we expected to reclassify $0.1 million of net losses on interest rate swap agreements from accumulated OCI to interest expense within the next twelve months due to the scheduled payment of interest associated with our debt.

The following table shows the effect of our cash flow hedges on the consolidated balance sheets during the three and six months ended June 30, 2016 and 2015:

(In $000s)	For the Three Months Ended		For the Six Months Ended	
Derivatives in Cash Flow Hedging Relationships	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Loss related to effective portion of derivatives recognized in accumulated OCI, gross of tax effect	$31	$54	$123	$255
Loss related to effective portion of derivatives reclassified from accumulated OCI to interest expense, gross of tax effect	$(131)	$(96)	$(264)	$(194)

Gains and losses representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. During the three and six months ended June 30, 2016 and 2015, there were no gains or losses on cash flow hedges recognized in our consolidated statements of comprehensive income (loss) resulting from hedge ineffectiveness.

Derivative Instruments Not Designated as Hedging Instruments

Our Cash Conversion Derivative, Cash Convertible Notes Hedges, Gallup Derivative and foreign currency options and/or forward contracts do not qualify for hedge accounting treatment under U.S. GAAP and are measured at fair

value with gains and losses recognized immediately in the consolidated statements of comprehensive income (loss). Other than the Gallup Derivative described in Note 9, these derivative instruments not designated as hedging instruments did not have a material impact on our consolidated statements of comprehensive income (loss) for the three and six months ended June 30, 2016 and 2015.

Cash Conversion Derivative and Cash Convertible Notes Hedges

The Cash Conversion Derivative is accounted for as a derivative liability and carried at fair value. In order to offset the risk associated with the Cash Conversion Derivative, we entered into Cash Convertible Notes Hedges, which are cash-settled and are intended to reduce our exposure to potential cash payments that we would be required to make if holders elect to convert the Cash Convertible Notes at a time when our stock price exceeds the conversion price. The Cash Convertible Notes Hedges are accounted for as a derivative asset and carried at fair value.

Gallup Derivative

The Gallup Derivative is accounted for as a derivative liability and carried at fair value.

The gains and losses resulting from a change in fair values of the Cash Conversion Derivative, the Cash Convertible Notes Hedges and the Gallup Derivative are reported in the consolidated statements of comprehensive income (loss) as follows:

(In $000s)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016	Statements of Comprehensive Income (Loss) Classification
Cash Convertible Notes Hedges:			
Net unrealized gain (loss)	$ 1,441	(6,162)	Selling, general and administrative expenses
Cash Conversion Derivative:			
Net unrealized gain (loss)	$ (1,441)	6,162	Selling, general and administrative expenses
Gallup Derivative:			
Net loss	—	—	Loss from discontinued operations

Foreign Currency Exchange Contracts

We also enter into foreign currency options and/or forward contracts in order to minimize our earnings exposure to fluctuations in foreign currency exchange rates. Our foreign currency exchange contracts require current period mark-to-market accounting, with any change in fair value being recorded each period in the consolidated statements of comprehensive income (loss) in selling, general and administrative expenses. At June 30, 2016, we had forward contracts with notional amounts of $32.4 million to exchange foreign currencies, primarily the Australian dollar and Euro, that were entered into to hedge forecasted foreign net income (loss) and intercompany debt. We routinely monitor our foreign currency exposures to maximize the overall effectiveness of our foreign currency hedge positions. We do not execute transactions or hold derivative financial instruments for trading or other purposes.

The estimated gross fair values of derivative instruments at June 30, 2016 and December 31, 2015, excluding the impact of netting derivative assets and liabilities when a legally enforceable master netting agreement exists, were as follows:

	June 30, 2016				December 31, 2015			
(In $000s)	Foreign currency exchange contracts	Interest rate swap agreements	Cash Convertible Notes Hedges and Cash Conversion Derivative	Gallup Derivative	Foreign currency exchange contracts	Interest rate swap agreements	Cash Convertible Notes Hedges and Cash Conversion Derivative	Gallup Derivative
Assets:								
Derivatives not designated as hedging instruments:								
Other current assets	$200	$ —	$ —	$ —	$284	$ —	$ —	$ —
Other assets	—	—	6,470	—	—	—	12,632	—
Total assets	$200	$ —	$ 6,470	$ —	$284	$ —	$ 12,632	$ —
Liabilities:								
Derivatives not designated as hedging instruments:								
Accrued liabilities	$180	$ —	$ —	$ 3,409	$48	$ —	$ —	$ 3,323
Other long-term liabilities	—	—	6,470	1,414	—	—	12,632	3,016
Derivatives designated as hedging instruments:								
Accrued liabilities	—	256	—	—	—	397	—	—
Other long-term liabilities	—	—	—	—	—	—	—	—
Total liabilities	$180	$ 256	$ 6,470	$ 4,823	$48	$ 397	$ 12,632	$ 6,339

See also Note 9 for more information on fair value measurements.

(11) Earnings Per Share

The following is a reconciliation of the numerator and denominator of basic and diluted earnings per share for the three and six months ended June 30, 2016 and 2015:

(In 000s, except per share data)