

HealthSouth Corporation Case

by Best Quality

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Introduction

In the study conducted by Pavlon (2012), HealthSouth Corporation is considered to be one of the major public healthcare facilities, which focuses on patient rehabilitation services. Located in Birmingham, Alabama, HealthSouth operates in more than 25 states.

In reports issued by U.S Securities and Exchange Commission (2003), HealthSouth experienced unforgettable accounting fraud that was uncovered in 2003.

Analysis

In reflection to the investigations conducted by the U.S Securities and Exchange Commission (2003), HealthSouth scandal happened as a result of Richard Scrushy, who was then the Chairman and Chief Executive Officer (CEO) gave directives to senior

accountants to adjust or change quarterly earnings in a bid to meet the public expectations. On the same note, research by Pavlo (2012) indicates that Scrushy was under pressure to meet the income expectations, and this pushed him to the edge to do whatever necessary despite the consequences. In this case, it is worth mentioning that such pressure encouraged the CEO to ignore better business practices to meet the targets.

Based on the nature of the scandal and fraudulent behaviors involved in this case, better process for delivering unfavorable news of the project's performance is through giving regular updates to people concerned. For example, Pavlo (2012) shows that HealthSouth reported deceitful earning through increasing assets and reducing liabilities in one way or the other. More so, this was done by senior accountants issuing reports with irregularities, especially income statements. With regular updates on real performance, such scandal could have been avoided.

After the fraud was exposed in 2003, Pavlo (2012) explain that HealthSouth started making some changes to prevent the same scandal from happening. Since the 2003

fraud was motivated by pressure to meet the expectations and targets, HealthSouth strengthened its ethical code of conduct. More so, there are external auditors who evaluate HealthSouth accounts annually.

Finally, there is no doubt that most of the challenges including the 2003 fraud at HealthSouth were happening because of the weak ethical code of conduct. However, the size of HealthSouth contributed to the problem since the facility is considered to be one of the largest in the country.

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