CROSS COUNTRY HEALTHCARE INC
Form 10-K
March 11, 2016

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

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FORM 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2015

or

o 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 0-33169

Cross Country Healthcare, Inc.
(Exact name of registrant as specified in its charter)

Delaware	13-4066229
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6551 Park of Commerce Boulevard, N.W.
Boca Raton, Florida 33487
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (561) 998-2232

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act: Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price of Common Stock on June 30, 2015 of $12.68 as reported on the NASDAQ National Market, was $399,507,048. This calculation does not reflect a determination that persons are affiliated for any other purpose.

As of February 29, 2016, 32,610,207 shares of Common Stock, $0.0001 par value per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement, for the 2016 Annual Meeting of Stockholders, which statement will be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Report, are incorporated by reference into Part III hereof.

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All references to “we,” “us,” “our,” or “Cross Country” in this Report on Form 10-K means Cross Country Healthcare, Inc., its subsidiaries and affiliates.

Forward-Looking Statements

In addition to historical information, this Form 10-K contains statements relating to our future results (including certain projections and business trends) that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are subject to the "safe harbor" created by those sections. Words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", "suggests", "appears", "seeks", "will" and variations of such words and similar exp are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the section entitled "Item 1A - Risk Factors." Readers should also carefully review the "Risk Factors" section contained in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by us in fiscal year 2016.

Although we believe that these statements are based upon reasonable assumptions, we cannot guarantee future results and readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date of this filing. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. The Company undertakes no obligation to update or revise forward-looking statements.

PART I

Item 1. Business.

Overview of Our Company

Cross Country Healthcare, Inc. (NASDAQ: CCRN) is a national leader in providing healthcare staffing, recruiting and workforce solutions. Through a full suite of innovative workforce solutions and our national presence including more than 70 branches throughout the United States, we are able to meet the unique and dynamic needs of our clients. By utilizing our various solutions, clients are able to better plan their personnel needs, outsource recruitment processes, strategically flex their workforce, streamline their purchasing needs, access specialties not available in their local area, access quality healthcare personnel and provide continuity of care for improved patient outcomes. Our solutions are geared towards assisting our clients solve their labor issues while maintaining high quality outcomes. During 2015, we had more than 27,000 healthcare professionals on assignment at over 6,700 facilities. Our Managed Service Programs (MSPs) served more than 1,700 facilities.
Our workforce solutions include:

- Managed Service Programs;
- Optimal Workforce Solutions (OWS);
- Electronic Medical Record Transition/Upgrade Staffing (EMR);
- Predictive Analytics;
- Internal Resource Pool Consulting & Development (IRP);
- Education Healthcare Services; and
- Recruitment Process Outsourcing (RPO).

We are able to provide our services on a national level and/or through any one of our more than 70 local branches throughout the United States or through a combination of both. We service a variety of clients, including public and private acute care hospitals, government facilities, public and charter schools, outpatient clinics, ambulatory care facilities, physician practice groups, retailers and many other healthcare providers. Our business consists of three business segments: (i) Nurse and Allied Staffing, (ii) Physician Staffing and (iii) Other Human Capital Management Services. Fees for our services are paid directly by our clients and in certain instances by vendor managers, and as a result, we have no direct exposure to Medicare or Medicaid reimbursements.

For the full year of 2015, our consolidated revenue was $767.4 million, reflecting a diversified revenue mix across healthcare customers. Nurse and Allied Staffing was 81% of revenue, comprised of travel nurse, travel allied and branch-based local nurse and allied staffing (including staffing of public and charter schools). Physician Staffing business was 15% of our revenue and

consists primarily of physician staffing services with placements across multiple specialties. Other Human Capital Management Services was 4% of our revenue and, until August 31, 2015 consisted of education seminars business, as well as retained and contingent search services primarily for physicians and healthcare executives. On August 31, 2015, we divested the education seminars business as it was non-core to our operations. On a company-wide basis, we have more than 9,500 active contracts with healthcare clients, and we provide our staffing services and workforce solutions in all 50 states. In 2015, no client accounted for more than 10% of our revenue. For additional financial information concerning our business segments, see Note 17 - Segment Data to the consolidated financial statements.

Acquisitions

Part of our strategy to grow revenue in our core business has been to make acquisitions that allow us to: (i) add new skillsets to our traditional staffing offerings, (ii) expand our local branch network, which has allowed us to expand our local market presence and our MSP business, (iii) diversify our customer base into the local ambulatory care and retail market, which provided more balance between our large volume based customers and our small local customers, (iv) better position ourselves to take additional market share in our MSP business, and (v) access more candidates and candidates in different specialties.

In October 2015, we acquired Mediscan, Inc. and certain of its affiliates (Mediscan). At the time of the closing, Mediscan employed healthcare professionals in 70 specialties at more than 300 clients in 11 states - primarily California. This acquisition strengthened our footprint in California, a large and growing market. It allows us to add new service lines, expand our market share through having a local presence and further diversify our customer base, as the Mediscan business is equally divided between acute/ambulatory care and public and charter schools. Finally, it offers access to additional candidates through two well established brands: Mediscan and DirectEd. For more information about our acquisitions, see Note 3 - Acquisitions to the consolidated financial statements.

Competition

The principal competitive factors in attracting and retaining healthcare clients nationally include: (i) understanding the client’s work environment, (ii) offering a comprehensive suite of services to assist the client in assessing its personnel needs and fulfilling those needs through various alternative solutions, (iii) the timely filling of clients' needs, (iv) price, (v) customer service, (vi) quality assurance and screening capabilities, (vii) risk management policies, (viii) insurance coverage, and (ix) general industry reputation. The principal competitive factors in attracting qualified healthcare professionals for temporary employment include: (i) a large national pool of desirable assignments, (ii) pay and benefits,(iii) speed of placements, (iv) customer service, (v) quality of accommodations, and (vi) overall industry reputation. We focus on retaining healthcare professionals by providing high-quality customer service, long-term benefits (to employees), and medical malpractice insurance.

We believe we are one of only two large full-service healthcare staffing providers with a national footprint, as the market is very fragmented with many regional and local competitors. Our Nurse and Allied Staffing business competes nationally against several healthcare staffing companies and on a local basis against many small to moderately-sized competitors. We believe we are one of the top four providers of locum tenens physician staffing services in the United States, and one of the top providers of retained and contingent physician and healthcare executive search services in the healthcare marketplace. Some of our competitors in the healthcare staffing, workforce solutions, and search businesses include: AMN Healthcare Services, Inc., CHG Healthcare Services, Maxim Healthcare, Jackson Healthcare, Team Health, Parallon, MedAssets, and Witt Kiefer.

We believe we benefit competitively from the following:

Breadth of Workforce Solutions and Services Offered. We offer a comprehensive suite of customized workforce solutions designed to meet our clients’ various demands for operating and financial efficiencies. A long-time leader of MSP solutions, we have broadened our suite of solutions to include: OWS, EMR, Predictive Analytics, IRP, Education Healthcare services and RPO services. Our holistic approach includes the use of our consultative services to

first diagnose and then propose a custom blend of our services to help our hospital clients develop labor optimization strategies that drive cost savings while enhancing the quality of patient care. We have developed expertise and best practices from having worked with a large variety of healthcare clients throughout the country for many years.

Managed Service Program Capabilities. We offer a single point of contact, access to a nationwide network of subcontractors, uniform rates and terms, and accountability for the quality of healthcare professionals to our clients through the aggregation and standardization of total contract labor spend. This managed service program model has become a desired practice of healthcare systems seeking to drive financial and operating efficiencies, while ensuring quality of care.

Ability to Meet a National Shift Towards a More Integrated Delivery of Healthcare. With both national resources, as well as local resources at our more than 70-branch network, we are uniquely positioned to assist hospitals and health systems which continue to turn to lower-cost, more accessible alternatives, such as outpatient or ambulatory care centers as a result of the Patient Protection and Affordable Care Act (ACA) of 2010 and other market dynamics. By offering travel, per diem and permanent placement of a variety of healthcare professionals, we are also able to offer many different types of personnel to hospitals and health systems at their main campuses, as well as their ambulatory and outpatient care centers, in order to meet their workforce needs.

Brand Recognition. We go to market with a variety of brands, which are well-recognized among leading hospitals and healthcare facilities and many healthcare professionals. These businesses have been operating for more than twenty years.

Strong and Diverse Client Relationships. We provide healthcare staffing and workforce solutions to a diverse client base throughout the United States pursuant to more than 9,500 active contracts with hospitals and healthcare facilities, and other healthcare providers. As a result, we have a diverse choice of assignments for our healthcare professionals to choose from.

Recruiting and Placement of Healthcare Professionals. Healthcare professionals apply with us through our differentiated nursing, locum tenens and allied healthcare recruitment brands. Our local branch network provides us access to local healthcare professionals who are uniquely qualified to provide care in ambulatory and outpatient settings. We believe our access to such a large and diverse group of healthcare professionals makes us more attractive to healthcare institutions and facilities seeking healthcare staffing and workforce solutions in the current dynamic marketplace.

Certifications. The staffing businesses of our Cross Country Staffing, Medical Staffing Network and Mediscan brands are certified by The Joint Commission under its Health Care Staffing Services Certification Program. In addition, Credent Verification and Licensing Services, a subsidiary of Medical Doctor Associates (MDA), is certified by the National Committee of Quality Assurance (NCQA) -- one of only a handful of companies to achieve such certification.

Experienced Management Team. On average, our management team has more than 18 years of staffing experience. Led by our President and Chief Executive Officer, a 30-year staffing industry veteran who joined the Company in April 2013, the Company has strengthened its leadership team by bringing in experienced executives.

Demand and Supply Drivers

Demand Drivers

Effect of ACA on Healthcare Utilization. In June 2015, the U.S. Supreme Court upheld the federal government’s right to provide tax subsidies to help poor and middle-class people buy health insurance under the ACA. As a result, we believe the ACA will continue to have a positive impact on demand for healthcare professionals due to higher patient volumes from the use of health exchanges and Medicaid expansion. An additional six million non-elderly U.S. residents are expected to gain health insurance in 2016 with a total of 23 million people being insured under insurance exchanges by 2023 (Congressional Budget Office, March 2015). Not only is the number of newly insured favorably impacting demand, but the increase in self-pay admissions and the decrease in the number of uninsured admissions is leaving many hospitals more financially able to pay for the increased demand for healthcare personnel (Staffing Industry Analysts: US Healthcare Staffing Growth Assessment, October 28, 2015). Of the approximate 2,450,000 jobs created in 2015, approximately 18% came from the healthcare industry (CNBC Business and Finance, January 11, 2016).

Demand for Workforce Solutions. Despite the rise in the number of insured and Medicaid patients, hospitals still face continued pressure to keep costs down to protect their margins from continued Medicare rate reductions and fluctuations in demand for hospital care. In addition, there is a national shift away from volume-based pricing to value-based pricing. The visibility of Hospital Consumer Assessment of Healthcare Providers and Systems survey scores, a national, standardized, publicly reported survey of patients' perspectives of hospital care, has also put pressure on hospitals to maintain a certain level of quality of care so hospitals do not incur financial penalties or risk decreased patient volume due to low scores. We believe these dynamics have put further pressure on hospitals to find innovative solutions in order to better manage their workforce, which accounts for a large portion of their expenses. As a result, we believe hospitals are more willing to engage healthcare staffing companies such as ours that provide both staffing and workforce solutions that can help them solve problems, such as assessing their workforce needs or reducing readmission rates without negatively impacting the quality of care. Many hospitals are also making vertical acquisitions by investing in outpatient facilities, ambulatory care centers and stand-alone emergency departments in order to capture outpatient revenue, which will further drive demand for healthcare personnel.

Shift from Inpatient Services to Outpatient/Ambulatory Settings. In 2014, ambulatory services employed 45% of healthcare workers compared to 33% employed by hospitals, a 2% increase since 2012. While hospital employment grew 3% from 2009 to 2014, the ambulatory market grew nearly 15% in the same period (U.S. Healthcare Staffing Growth Assessment, Staffing Industry Analyst, December 2015). A study published in Health Affairs in May 2014 also found that ambulatory surgery centers are “high-quality, lower-cost substitutes for hospitals as venues for outpatient surgery” (Study conducted by health economists Elizabeth Munnich of the University of Louisville and Stephen Parente of the University of Minnesota, May 2014). As hospital and health system leaders respond to the dynamic changes in the healthcare industry by becoming more cost effective, streamlining their healthcare delivery processes and making vertical acquisitions to control the quality of care (as opposed to horizontal acquisitions among hospitals made in the past to increase volume), we believe the outpatient and ambulatory care markets provide a robust area of growth for healthcare staffing agencies with a strong local market presence, and for those that provide Advanced Practitioners, such as Nurse Practitioners (NPs) and Physicians Assistants, who frequently provide oversight in ambulatory settings.

Growing and Aging U.S. Population. Two long-term macro drivers of our business are demographic in nature -- a growing and aging U.S. population. The U.S. Census Bureau projects the U.S. population will increase approximately 31% (from 319 million in 2014 to 417 million in 2060) - crossing the 400 million mark in 2051. In addition, by 2030 one in five Americans is also projected to be 65 years old or more. The number of persons aged 65 and over is expected to increase 112% (from 46,255,000 to 98,164,000) from 2014 to 2060 (U.S. Census, March, 2015). This is important because the utilization of healthcare services is generally higher among older people. All Baby Boomers are now over 50 years of age and account for nearly 25% of the population (U.S. Census Bureau, May 2014). Older persons averaged more office visits with doctors in 2012. Among people 75 and over, 23% had 10 or more visits to a doctor or other healthcare professional in the past 12 months compared to 14% among people age 45-64 (U.S. Department of Health and Human Services, A Profile of Older Americans: 2014). People aged 65 and over averaged at least four healthcare visits in 2012 (U.S. Centers for Disease Control and Prevention - Health, United States, 2013). The American Hospital Association (AHA) has also projected the share of hospital admissions for the over-65 age group to rise from 38% in 2004 to 56% in 2030. With the increase in the proportion of the population in older age groups reaching prime retirement age, healthcare occupations and industries are expected to have the fastest employment growth and to add the most jobs between 2014 and 2024, increasing their employment share from 12% in 2014 to 13.6% in 2024 (U.S. Bureau of Labor Statistics, Report Issued December 8, 2015). Healthcare support occupations, and healthcare practitioners and technical occupations are projected to be the two fastest growing occupational groups during the 2014 to 2024 decade, thereby contributing the most new jobs, with a combined increase of 2,300,000 jobs, representing about 1 in 4 new jobs (U.S. Bureau of Labor Statistics, Report Issued December 8, 2015).

Lower Unemployment. In December 2015, the unemployment rate was 5.0% — the lowest rate since April 2008, which should increase the number of people with employer-sponsored health insurance (U.S. Bureau of Labor and Statistics, Report Issued December 8, 2015). As a result, the number of newly insured to result in higher hospital admissions, thus requiring more of our healthcare staffing services. The creation of additional jobs in the healthcare market should increase demand for our services as our temporary staff are typically hired to replace registered nurses and other healthcare workers taking vacation and leaves of absence.

Use of Temporary Workforce. The December 2015 penetration rate of temporary workers was 2.06% — reaching a new all-time high (U.S. Bureau of Labor Statistics). We believe contingent labor will continue to be used strategically, as an increase in the use of temporary workers typically allows for cost-effective, time-sensitive solutions to specific business needs and allows organizations to leverage the skills of temporary workers while maintaining a lean staff of traditional permanent employees. Within the healthcare sector, we believe the current dynamic nature of the healthcare industry, among other things, has exacerbated hospitals’ needs for more flexibility to match revenue and

payroll. We believe hospitals will maintain a lower percentage of permanent staff over time and will supplement their staffing needs with temporary healthcare professionals to allow them to flex their workforce up and down in order to address cost concerns, patient census needs and value-based purchasing needs.

Electronic Medical Records Implementations. Many hospitals and physician groups continue to undergo EMR implementations. Stage 2 compliance for EMR implementations was extended through the end of 2016 for “meaningful use” for Medicare and Medicaid EMR Incentive Programs; and, Stage 3 was extended to the beginning of 2017 for those providers that have completed at least two years in Stage 2 (December 2013, Center for Medicaid and Medicare Services). We believe the demand for our staffing services will continue to be positively impacted in the

short term from these new deadlines adopted by CMS, as hospitals often use temporary staff to fill in for permanent staff being trained on new technologies.

Increased Need for Healthcare and Special Education Services in Schools. The Individuals with Disabilities Education Act (IDEA), enacted in 1975, mandates that children and youth ages 3-21 with disabilities be provided a free and appropriate public school education. According to the U.S. Department of Education, National Center for Education Statistic's Digest of Education Statistics, 2013, in 2012-13 (2015-011), the number of children and youth ages 3-21 receiving special education services was 6.4 million, or about 13% of all public school students. Of those students in school year 2012-13, 21% had a speech or language impairment, 12% had other health impairments, 8% had autism, 6% had emotional disturbances, 1% had orthopedic impairments. The Individuals with Disabilities Education Act (IDEA) requires that these children and young adults receive care from speech language pathologists, physical therapists, occupational therapists, nurses and other healthcare professionals while at school. Charter schools now account for nearly 6% of all school age children (National Alliance for Public Charter School's A Growing Movement: America's Largest charter School Communities, Tenth Annual Edition November 2015). In May 2015, The Center for Education Reform reports there are nearly 3 million students in the U.S. enrolled in 7,000 charter schools in 43 states, and they are also required to comply with IDEA. Based on the foregoing, we believe the demand for consulting and healthcare staffing services for public schools and charter schools will continue to be strong for agencies that can provide consulting services, healthcare personnel, technical assistance on policies, implementation, and training related to including children and youth with special needs in school settings.

Nursing Shortage. The Health Resources and Services Administration now projects that there will be an excess of supply of registered nurses by 2025, primarily based on the number of new enrollees in nursing school. However, that national projection does not take into account an imbalance of RNs at the state level where many states are projected to experience a smaller growth in RN supply relative to their state-specific demand, resulting in a geographical shortage of RNs by 2025. In particular, 16 states are expected to see shortages. The projection also does not take into account a projected shortfall of registered nurses in particular specialties over the next ten years (U. S. Department of Health and Human Services, December 2014). We believe the following factors will contribute to new growth in demand for nurses: the changing landscape of the healthcare industry with emerging care delivery models and a focus on managing health status and preventing acute health issues (e.g., nurses taking on new and/or expanded roles in preventive care and care coordination), an uncertain level of newly insured individuals in the healthcare market, and the number of registered nurses that re-entered the workforce during the economic downturn that are now likely to leave their jobs.

Physician Shortage. A shortfall of between 46,100 and 90,400 physicians is projected by 2025 as demand for physicians continues to outpace supply, according to the Association of American Medical Colleges (AAMC Center for Workforce Studies (March 2015)). This demand is largely due to the projected aging of the population, the passage of ACA, and the lower number of expected graduates from medical school. The U.S. is expected to face a shortage of up to 20,500 primary care physicians by 2020 -- a number that will grow to up to 31,100 by 2025, according to analysis by the AAMC (March 2015). The projected shortfall of non-primary care physicians is expected to be up to 63,700 by 2025. The AAMC also expects nearly one-third of all physicians will retire in the next decade. And, while the number of applicants to U.S. medical schools is increasing, it will not keep pace with expected future demand.

Supply Drivers

Networking. We rely heavily on word-of-mouth referrals for our healthcare professionals. Historically, more than half of our field employees have been referred to us by other healthcare professionals. Our most effective “sales force” is our network of healthcare professionals who have taken temporary or permanent assignments with us or who are currently working for us. Online social and professional networks have made it easier for us to connect with healthcare professionals and stay connected with them, thus enhancing our recruitment efforts.

Traditional Reasons. Nurses, allied professionals and locum tenens physicians work on temporary assignments to experience different geographic regions of the United States without moving permanently, work flexible schedules, gain professional development by working at prestigious healthcare facilities, earn top money and bonuses, travel with friends and family while enjoying quality accommodations, experience various clinical settings, look for a permanent position, and avoid workplace politics often associated with permanent staff positions.

Nurse Retirements. During the last recession, we believe many registered nurses were hesitant to retire, especially if their spouses were laid off or if they were secondary wage earners, as "they preferred the stability of a permanent job" as a staff nurse (Staffing Industry Analysts: US Healthcare Staffing Growth Assessment, October 28, 2015).

However, new findings in the 2015 Survey of Registered Nurses/Viewpoints on Retirement, Education and Emerging Roles "strongly indicate an impending surge in retirement among older nurses." As the 2015 Survey reported, even if the Baby Boomer nurses don't retire, they could "cut back their hours to part time … which could result in a nursing supply crisis." Of note, 21% of the 8,828 nurses surveyed said they would "move to part-time work" now that the economy has recovered (2015 Survey of Registered Nurses/Viewpoints on Retirement, Education and Emerging Roles).

Higher Quit Rates with an Improved Economy. The Bureau of Labor and Statistics uses the quit rate as a measure of workers' willingness or ability to leave jobs. According to the latest Job Openings and Labor Turnover Survey, February 2016, quits have risen from 1.3% in December 2009 to 2.1% in December 2015. This increased quit rate reflects increased confidence among the workforce. As a result of the increased quits, the number of job openings also increased to 5,600,000 in December 2015 (Job Openings and Labor Turnover Survey, February 2016). During the last recession, registered nurses were hesitant to quit or voluntarily leave their jobs. However, with an improved economy and the low national unemployment rate, this trend appears to be reversing itself to some extent (Staffing Industry Analysts: US Healthcare Staffing Growth Assessment, October 28, 2015). We believe with the increased volume of orders for temporary healthcare workers and as wages increase, more staff nurses have confidence to enter the travel nurse market and are improving the supply.

Portability of Healthcare. We believe that employees have historically remained employed by their employers, in part for healthcare coverage. The portability of healthcare insurance provided by the ACA will provide more flexibility to employees, including healthcare professionals, which may result in a less committed relationship between employees and their employers. This should increase the supply of healthcare professionals willing to leave their permanent employment with hospitals and seek assignments with staffing agencies.

Increase in Number of Younger RN Graduates. In 2011, Dr. Peter Buerhaus, Associate Dean of Vanderbilt University's School of Nursing, noted a 62% increase in the number of 23-26 year olds who entered the RN workforce between 2002 and 2009 (Health Affairs, December 5, 2011). While the workforce has grown overall, it is concentrated in the older and younger ends of an age spectrum, and there are fewer RNs aged 36-45 working today compared to prior years. The growth in the workforce is aged 35 and younger (U.S. Nursing Workforce: Trends in Supply and Education, U.S. Department of Health and Human Services, April 2013). We believe the increased number of RNs over 56 years old also represents older RNs who have delayed retirement or who returned to the workforce during the last recession. The primary supply of contract nurses is typically from the younger population, so this influx of younger RNs in the workforce should increase the supply of contract nurses for healthcare staffing companies.

Nurse Licensure Compact Promoting Mobility for RNs. Currently, 24 states have implemented the Nurse Licensure Compact. The National Council of State Boards of Nursing created this mutual recognition plan to allow RNs and licensed practical nurses who reside in those 24 states to practice under the same license in states that have adopted this mutual recognition model. It eliminates the time and expense of obtaining a license in a new state and promotes a more streamlined and flexible licensure process, thereby enhancing the mobility of the nurse labor force.

Temporary Physician Assignment. Locum tenens assignments offer physicians the ability to focus on practicing medicine while avoiding the stress of running their own practices; the ability to avoid paying the high costs of malpractice insurance; the opportunity to pick up extra shifts and weekends and work during the vacation time of full-time staff jobs in order to earn extra money and repay student loans; to lead a more flexible lifestyle; and, to maintain their autonomy while practicing medicine. The supply of physicians available for our physician staffing services is variable and is influenced by several factors: the desire of physicians to work temporary assignments, the desire of older physicians to work fewer hours, work-lifestyle balance among younger physicians, and the trend toward more female physicians in the workforce who traditionally work fewer hours than their male counterparts.

Physicians Seeking Stability as Full-Time Staff. In the past few years, physicians have increasingly become employees of hospitals or health systems due to business pressures and costs of operating private practices. Physician practices are facing a combination of factors that include: stagnant or declining reimbursement rates, increased regulatory burden (including the Medicare Access and CHIP Reauthorization Act of 2015), rising costs, greater risk associated with operating a private practice, and an increased desire for a better work-life balance. We believe physicians have been seeking employment with hospitals at higher rates in the past few years due to: the difficulty of transitioning private practices to EMR, traversing the maze of insurance company requirements, financial strains on private practices from repeated threatened pay cuts based on Medicare's sustainable growth rate formulas, and the uncertain future of healthcare associated with the ACA. Becoming hospital staff provides financial certainty and the

ability to focus more on practicing medicine. We believe this shift in employment will continue to increase supply for our physician search business as physicians look for permanent employment with hospitals or health systems.

Our Business Strategy

Our long-term business strategy is to grow revenue, expand our margins and improve our operating effectiveness by:

Increasing our workforce solutions business by delivering innovative solutions and strengthening and expanding current client relationships and developing new relationships with hospitals and healthcare facilities. We deliver flexible workforce solutions customized to meet the unique needs of each client. Our full suite of service offerings includes: MSP, OWS, EMR, Predictive Analytics, IRP, Educational Healthcare Services and RPO. Each of our businesses enjoys strong customer relationships that may serve as a platform to sell new MSP services or expand our workforce solutions at current clients. As a result, we continue to invest in sales and marketing to increase market share through cross-collaboration of our businesses.

Growing our supply of healthcare professionals. Recognizing that people communicate differently and have individual communication preferences, we are investing in technology initiatives to enhance the efficiency and effectiveness of our interactions with our healthcare professionals. We also continue to invest in mobile and online technologies to increase our ability to attract and retain healthcare professionals. We believe providing communication options to our healthcare professionals will strengthen our relationships with them to improve supply and further enhance our delivery of high quality customer service.

Improving our fill rate at current MSP accounts and expanding our national and local market presence to support the shift to outpatient and ambulatory care centers. We believe our large national footprint will allow us to (i) increase our market share at our current MSPs by improving our fill rate of per diem, local and allied healthcare staffing professionals, (ii) sell our MSP services to clients of our local branch-based network, (iii) support our current hospital and health system clients who are shifting care from inpatient to outpatient where possible and responding to market changes by making vertical acquisitions to control quality across the care continuum, (iv) support smaller, local customers, (v) support retail or commercial providers, such as national drugstore chains, (vi) broaden our customer base and (vii) gain access to additional healthcare professionals who are uniquely qualified to provide care in outpatient and ambulatory care centers.

Expanding our gross profit margin and delivering a higher Adjusted EBITDA margin by (i) continuing to obtain pricing increases from our customers, (ii) managing our mix of business with hospitals and local/retail customers, (iii) expanding our Workforce Solutions business, and (iv) making further investments in our higher margin businesses: retained, contingent and permanent search, local allied, Healthcare Education Consulting and RPO businesses.

Continuing to invest in people, processes and technology which will allow us to operate more effectively and efficiently.

Making strategic and disciplined acquisitions to strengthen and broaden our market presence. We believe the best acquisitions follow a structured and disciplined approach with clear strategic objectives, detailed implementation plans and a focus on creating and capturing value for our shareholders. Our management team has broad and varied experience in multiple types of transactions

Business Overview

Services Provided

Nurse and Allied Staffing Segment

The Nurse and Allied Staffing segment provides traditional staffing, including temporary and permanent placement of travel nurses and allied professionals, and branch-based local nurses and allied staffing through our Cross Country Staffing®, MSN, AHG, Mediscan and DirectEd brands. We provide flexible workforce solutions to the healthcare and school markets through diversified offerings designed to meet the special needs of each client, including: MSP, OWS, EMR, Predictive Analytics, IRP, Educational Healthcare Services, and RPO. Our clients include: public and private acute care hospitals, government-owned facilities, public schools, charter schools, outpatient clinics, ambulatory care facilities, physician practice groups, retailers, and many other healthcare providers. The Joint Commission has certified our Nurse

and Allied Staffing businesses under its Health Care Staffing Services Certification Program. Our Nurse and Allied Staffing revenue and operating income is set forth in Note 17 - Segment Data to the consolidated financial statements.

A majority of our revenue is generated from staffing registered nurses on long-term contract assignments (typically 13 weeks in length) at hospitals and health systems using various brands. While the typical lead-time to staff a travel healthcare professional is four to five weeks, we also have candidates who are pre-qualified and ready to begin assignments within one to two weeks at a hospital client that has an urgent need. Additionally, we offer a short-term staffing solution of registered nurses, licensed practical nurses, certified nurse assistants, advanced practitioners, pharmacists, and more than 100 specialties of allied professionals on local per diem and short-term assignments in a variety of clinical and non-clinical settings through our national network of local branch offices. We also provide travel allied professionals on long-term contract assignments to hospitals, public schools, charter schools and skilled nursing facilities under the Cross Country Staffing®, Mediscan and DirectEd brands.

Physician Staffing Segment

We provide physicians in many specialties, certified registered nurse anesthetists (CRNAs), NPs and physician assistants (PAs) under our MDA brand as independent contractors on temporary assignments throughout the United States at various healthcare facilities, such as acute and non-acute care facilities, medical group practices, government facilities, and managed care organizations. We recruit these professionals nationally and place them on assignments varying in length from several days up to one year. The Physician Staffing revenue and operating income is set forth in Note 17 - Segment Data to the consolidated financial statements.

Other Human Capital Management Services

We provide retained and contingent search services for physicians, healthcare executives, nurses, advanced practice and allied health professionals. Until August 31, 2015 when we divested Cross Country Education® (CCE), a non-core business, we provided education seminars to the healthcare industry. The revenue and operating income of our Other Human Capital Management Services Segment is set forth in Note 17 - Segment Data to the consolidated financial statements.

Our Cejka Search® (Cejka) subsidiary has been a leading physician, executive, nurses, advanced practice, and allied health retained and contingent search firm for more than twenty years, recruiting top healthcare talent for organizations nationwide through a team of experienced professionals, advanced use of recruitment technology and commitment to service excellence. Serving clients nationwide, Cejka completes hundreds of search assignments annually for organizations spanning the continuum of healthcare, including physician group practices, hospitals and health systems, academic medical centers, accountable care organizations, managed care and other healthcare organizations. Prior to its divesture in August 2015, CCE offered “in person” one-day seminars, conferences and e-learning through various independent contractors who are experts in their field on topics pertaining to their profession.

Our Business Model

We have developed and will continue to focus our business model on increasing revenue and achieving greater profitability through higher efficiencies, expanding current MSP services and adding new MSP accounts, and further diversifying our customer base — all while continuing to offer the highest possible quality services.

Marketing and Recruiting Healthcare Professionals

We operate differentiated brands to recruit nurses and allied professionals. We believe our multi-brand recruiting model helps us reach a larger volume and a more diverse group of candidates to fill open positions at our clients throughout the United States in various clinical and non-clinical settings and in many different geographic areas. We believe nurses and allied professionals are attracted to us because we offer a wide range of diverse assignments in attractive locations, competitive compensation and benefit packages, scheduling options, as well as a high level of customer service. In addition, we offer choices - geography, level of acuity and setting, and we believe nurses and allied professionals are confident we will have new assignments for them as they complete their current assignment. Our benefits generally include professional liability insurance, a 401(k) plan, health insurance, reimbursed travel, per diem allowances and housing. Each of our nurse and allied healthcare professionals is employed by us under the terms of a written agreement, which typically provides for hourly wages and any other benefits they are entitled to receive during the assignment period.

Recruiters are an essential element of our Nurse and Allied Staffing business, and are responsible for establishing and maintaining key relationships with candidates for the duration of their assignments with us. Recruiters match the supply of qualified candidates in our databases with the demand for open orders posted by our clients. While we rely on word-of-mouth for referrals, we also market our brands on the Internet, including extensive utilization of social media, which has become an increasingly important component of our recruitment efforts. We maintain a number of websites to allow potential applicants to obtain information about our brands and assignment opportunities, as well as to apply online.

MDA recruits and contracts with physicians and advanced practice professionals to provide medical services for MDA's healthcare customers. Each physician or advanced practice professional is an independent contractor and enters into an agreement with MDA to provide medical services at a particular healthcare facility or physician practice group based on terms and conditions specified by that customer. Physicians and advanced practice professionals are engaged to provide medical services for a healthcare customer ranging from a few days up to a year. We believe physicians are attracted to us because we offer a wide variety of assignments, competitive fees, medical malpractice insurance and excellent customer service. MDA relies on word-of-mouth referrals, but also markets it brands on the Internet and through extensive social media.

Sales and Marketing to Hospitals and Healthcare Facilities

We market our Nurse and Allied Staffing services to our hospital, healthcare facility, school and other clients using our Cross Country Staffing, Medical Staffing Network™, Allied Health Group, Mediscan and DirectEd brands. Cross Country Staffing typically contracts with our nurse and allied healthcare clients on behalf of itself and our other brands. Mediscan contracts with its hospitals, public schools and charter schools under the Mediscan and DirectEd brands. Our traditional staffing includes temporary and permanent placement of travel nurses and allied professionals, branch-based local nurses and allied staffing, and physicians. We provide healthcare staffing opportunities to our healthcare professionals, and staffing and workforce solutions to our healthcare clients in all 50 states.

We provide flexible workforce solutions under our "Cross Country Healthcare" brand to the healthcare and school markets through diversified offerings meeting the special needs of each client. Orders for open positions and other services are entered into our various databases and are available to recruiters. Account managers, who develop relationships with our clients to understand their specific settings and culture, submit candidate profiles to clients, and confirm offers and placements with them. In 2015, the market for Nurse and Allied Staffing was estimated to be approximately $9.5 billion, of which $3.0 billion was travel nursing, $3.3 billion was per diem staffing and $3.2 billion was allied healthcare staffing (U.S. Healthcare Staffing Growth Assessment, Staffing Industry Analyst, December 2015).

MDA markets its physician staffing operations to hospitals and other healthcare facilities on a national basis. Our recruiters use our large database of physicians and their expertise in their given specialties to contact physicians to schedule short and long-term engagements at healthcare customers. MDA successfully operates a multi-site business model with employees at several locations. MDA operates a split desk model with regional sales associates and a shared team of specialist recruiters.

Cejka markets its retained and contingent search services to healthcare clients primarily through industry professional organizations, direct marketing, Cejka's website and word of mouth.

Credentialing and Quality Management

We screen all of our candidates prior to placement through our credentialing departments. While screening requirements are typically negotiated with our clients, each of our businesses has adopted its own minimum standard screening requirements. We continue to monitor our nursing and allied professional employees after placement in an effort to ensure quality performance, to determine eligibility for future placements and to manage our malpractice risk profile. Our credentialing processes are designed to ensure that our professionals have the requisite skillset required by our customers, as well as the aptitude to meet the day-to-day requirements and challenges they would typically encounter on assignments where they are placed. The credentialing of our nurse and allied healthcare professionals is designed to align with the guidelines of The Joint Commission, a national accrediting body, to ensure quality care. Our Cross Country University division, accredited by the American Nurse Credentialing Center, provides training, assessment, and professional development to further ensure the quality of the personnel we place on assignment. Our physician credentialing entity, Credent, is also certified by the NCQA. We ask each of our healthcare clients to evaluate healthcare employees who work at their facility at the end of each assignment in order to continually assess client satisfaction, and so that we may assist our employees with further educational development, if and where necessary.

Client Billing

We bill our nurse and allied employees at an hourly rate and assume all employer costs, including payroll, withholding taxes, benefits, professional liability insurance and other requirements, as well as any travel and housing arrangements, where applicable. Our shared service center processes hours worked by field employees in the time and attendance systems, which in turn generate the transactions billable to the clients.

Hours worked by independent contractor physicians are reported to our MDA office in Berkeley Lake, Georgia. We bill our clients for hours worked by independent contractor physicians and for our recruitment fee. We negotiate payment for services with our clients based on market conditions and needs, and the amount we earn is not fixed. We keep a recruitment fee and pass on an agreed amount to the independent contractor physician on behalf of our clients.

For our retained search business, Cejka typically bills its clients a candidate acquisition fee and is reimbursed for certain marketing expenses. Our education seminars business collected the full amount of seminar fees from its customers and paid a negotiated percentage to its speakers, as well as hotel, travel, meals, and other related costs.

Operations

Our nurse, allied and physician businesses are operated through a relatively centralized business model servicing all assignment needs of our healthcare professional employees, physicians and client healthcare facilities through operation centers located in Boca Raton, Florida; Woodland Hills, California, Berkeley Lake, Georgia and Creve Coeur, Missouri. In addition to the key sales and recruitment activities, certain of these centers also perform support activities such as coordinating housing, payroll processing, benefits administration, billing and collections, travel reimbursement processing, customer service and risk management. On December 31, 2015, we had more than 70 local and branch office locations.

Cejka Search primarily operates its business from its headquarters located in Creve Coeur, Missouri. This business operates relatively independently, other than certain ancillary services that are provided from our Boca Raton, Florida headquarters, such as payroll, legal and information support.

Information Systems

Various information systems are utilized to run our customer relationship management, recruitment and placement functions based on the different brands that we operate. Some of these sophisticated applications are proprietary and are hosted in world class Tier 1 hosting facilities. Other systems are Software as a Service (SaaS) based and hosted by our vendor partners. All of these systems were built/bought to handle considerable growth of all of our businesses. With capability to provide support to all of our facility clients, field employees and independent contractors, all of our systems maintain detailed information about our client skillsets and status which assist us in enabling fulfillment and assignment renewal. Our databases are also an extensive pool of existing and potential customers and all related recruitment and sales activity. We constantly evaluate our systems, and the legacy system for Medical Doctor Associates was recently replaced by an industry leading SaaS product and our Cejka division is currently implementing a new system.

Our financial and human resource systems are managed on leading enterprise resource planning software suites that manage certain aspects of accounts payable, accounts receivable, general ledger, billing and human capital management. These systems have the ability to scale accordingly to accommodate revenue growth and/or employee growth.

All of our systems are managed by our onshore and offshore Information Technology team.

Risk Management, Insurance, and Benefits

We have developed a risk management program that requires prompt notification of incidents by clients, clinicians and independent contractors, educational training to our employees, loss analysis, and prompt reporting procedures to reduce our risk exposure. Each of our temporary employees receives instructions regarding the timely reporting of claims and this information is also available on our website. We continuously review facts and incidents associated with professional liability and workers' compensation claims in order to identify trends and reduce our risk of loss in the future where possible. In addition, upon notification of an incident that may result in liability to us, we promptly gather all available documentation and review the actions of our employee and independent contractor to determine if he or she should remain on an assignment and whether he or she is eligible for another assignment with us. We consider assessments provided by our clients and we work with clinicians and experts from our insurance carriers, to determine employment eligibility and potential exposure. Prior to approving an employee or independent contractor for an assignment, we review records from applicable state professional associations, the national practitioners' database and other such databases available to us.

We provide workers' compensation insurance coverage, professional liability coverage and healthcare benefits for our eligible temporary professionals. We record our estimate of the ultimate cost of, and reserves for, workers' compensation and professional liability benefits based on actuarial models prepared or reviewed by an independent actuary using our loss history as well as industry statistics. In determining our reserves, we include reserves for estimated claims incurred but not reported. We also estimate on a quarterly basis the healthcare claims that have occurred but have not been reported based on our historical claim submission patterns. The ultimate cost of workers' compensation, professional liability and health insurance claims will depend on actual amounts incurred to settle those claims and may differ from the amounts reserved for those claims.

The Company maintains a number of insurance policies including general liability, workers' compensation, fidelity, fiduciary, directors and officers, cyber, property and professional liability policies. These policies provide coverage subject to their terms, conditions, limits of liability, and deductibles, for certain liabilities that may arise from our operations. There can be no assurance that any of the above policies will be adequate for our needs, or that we will maintain all such policies in the future.

Regulations

We provide services directly to our clients on a contract basis and receive payment directly from them. However, many of our clients are reimbursed under the federal Medicare program and state Medicaid programs for the services they provide. In recent years, federal and state governments have made significant changes in these programs that have reduced reimbursement rates. In addition, insurance companies and managed care organizations seek to control costs by requiring that healthcare providers, such as hospitals, discount their services in exchange for exclusive or preferred participation in their benefit plans. While not affecting us directly, future federal and state legislation or evolving commercial reimbursement trends may further reduce or change conditions for our clients' reimbursement. Such limitations on reimbursement could reduce our clients' cash flows, hampering the pricing we can charge clients and their ability to pay us. We continuously monitor changes in regulations and legislation for potential impacts on our business.

Our business is subject to regulation by numerous governmental authorities in the jurisdictions in which we operate. Complex federal and state laws and regulations govern, among other things, the licensure of professionals, the payment of our employees (e.g., wage and hour laws, employment taxes and income tax withholdings, etc.) and the operations of our business generally. We conduct business primarily in the U.S. and are subject to federal and state laws and regulations applicable to our business, which may be amended from time to time. Future federal and state legislation or interpretations thereof may require us to change our business practices. Compliance with all of these applicable rules and regulations require a significant amount of resources. We endeavor to be in compliance with all such rules and regulations.

Employees

As of December 31, 2015, we had approximately 1,585 corporate employees. During 2015, we employed an average of 6,624 full-time equivalent field employees in Nurse and Allied Staffing. This does not include our Physician Staffing independent contractors, all of whom are not employees. Throughout 2015 we were not subject to any collective bargaining agreements. However, in October 2015, the employees we have outsourced to a customer in New York under our OWS model, mainly paraprofessionals, voted to be represented by Local 1199 of the Service Employees International Union. We expect to be negotiating with Local 1199 for an initial collective bargaining agreement in 2016 to cover the terms and conditions of employment for these employees. We consider our relationship with employees to be good.

Additional Information

Financial reports and filings with the Securities and Exchange Commission (SEC), including this Annual Report on Form 10-K, are available free of charge as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC, on or through our corporate website at www.crosscountryhealthcare.com. The information found on our website is not part of this Annual Report on Form 10-K or any other report we file with or furnish to the SEC.

Item 1A. Risk Factors.

The following risk factors could materially and adversely affect our future operating results and could cause actual results to differ materially from those predicted in the forward-looking statements we make about our business.

Decreases in demand by our clients may adversely affect the profitability of our business.

Among other things, changes in the economy, a decrease or stagnation in the general level of in-patient admissions or out-patient services at our clients' facilities, uncertainty regarding federal healthcare law and the willingness of our hospital, healthcare facilities and physician group clients to develop their own temporary staffing pools and increase the productivity of their permanent staff may, individually or in the aggregate, significantly affect demand for our temporary healthcare staffing services and may hamper our ability to attract, develop and retain clients. When a hospital's admissions increase, temporary employees or other healthcare professionals are often added before full-time employees are hired. As admissions decrease, clients typically reduce their use of temporary employees or other healthcare professionals before undertaking layoffs of their permanent employees. In addition, if hospitals continue to consolidate in an effort to enhance their market positions, improve operational efficiency, and create organizations capable of managing population health, demand for our services could decrease. Decreases in demand for our services may also affect our ability to provide attractive assignments to our healthcare professionals.

Our clients may terminate or not renew their contracts with us.

Our arrangements with hospitals, healthcare facilities and physician group clients are generally terminable upon 30 to 90 days' notice. These arrangements may also require us to, among other things, guarantee a percentage of open positions that we will fill. We may have to pay a penalty or a client may terminate our contract if we are unable to meet those obligations, either of which could have a negative impact on our profitability. We may have fixed costs, including housing costs, associated with terminated arrangements that we will be obligated to pay post-termination, thus negatively impacting our profitability. In addition, the loss of one or more of our large clients could materially affect our profitability.

We may be unable to recruit enough healthcare professionals to meet our clients' demands.

We rely significantly on our ability to attract, develop and retain healthcare professionals who possess the skills, experience and, as required, licensure necessary to meet the specified requirements of our healthcare clients. We compete for healthcare staffing personnel with other temporary healthcare staffing companies as well as actual and potential clients such as healthcare facilities and physician groups, some of which seek to fill positions with either permanent or temporary employees. We rely on word-of-mouth referrals, as well as social media to attract qualified healthcare professionals. If our social media strategy is not successful, our ability to attract qualified healthcare professionals could be negatively impacted.

In addition, with a shortage of certain qualified nurses and physicians in many areas of the United States, competition for these professionals remains intense. Our ability to recruit and retain healthcare professionals depends on our ability to, among other things, offer assignments that are attractive to healthcare professionals and offer them competitive wages and benefits or payments, as applicable. Our competitors might increase hourly wages or the value of benefits to induce healthcare professionals to take assignments with them. If we do not raise wages or increase the value of benefits in response to such increases by our competitors, we could face difficulties attracting and retaining qualified healthcare professionals. If we raise wages or increase benefits in response to our competitors' increases and are unable to pass such cost increases on to our clients, our margins could decline. At this time, we still do not have enough nurses, allied professionals and physicians to meet all of our clients' demands for these staffing services. This shortage of healthcare professionals generally and the competition for their services may limit our ability to increase the

number of healthcare professionals that we successfully recruit, decreasing our ability to grow our business.

If our healthcare facility clients increase the use of intermediaries it could impact our profitability.

We continue to see an increase in the use of intermediaries by our clients. These intermediaries typically enter into contracts with our clients and then subcontract with us and other agencies to provide staffing services, thus interfering to some extent in our relationship with our clients. Each of these intermediaries charges an administrative fee. In instances where we do not win new MSP opportunities or where other vendors win this MSP business with our current customers, the number of professionals we have on assignment at those clients could decrease. If we are unable to negotiate hourly rates with intermediaries for the services we provide at these clients which are sufficient to cover administrative fees charged by those intermediaries, it could impact our profitability. If those intermediaries become insolvent or fail to pay us for our services, it could impact our bad debt

expense and thus our overall profitability. We also provide comprehensive MSP solutions directly to certain of our clients. While such contracts typically improve our market share at these facilities, they could result in less diversification of our customer base, increased liability and reduced margins.

Our costs of providing services may rise faster than we are able to adjust our bill rates and pay rates and, as a result, our margins could decline.

Costs of providing our services could change beyond our control more quickly than we are able to renegotiate bill rates in our more than 9,500 active contracts and pay rates with our thousands of healthcare professionals. For example, at any given time, we have over a thousand apartments on lease throughout the U.S. because we provide housing for certain of our healthcare professionals when they are on an assignment with us. The cost of renting apartments and furniture for these healthcare professionals may increase faster than we are able to renegotiate our rates with our customers, in particular government entities, and this may have a negative impact on our profitability. In addition, an increase in other incremental costs beyond our control, such as insurance and unemployment rates could negatively affect our financial results. The costs related to obtaining and maintaining professional and general liability insurance and health insurance for healthcare providers has generally been increasing. This could have an adverse impact on our financial condition unless we are able to pass these costs through to our clients or renegotiate pay rates with our healthcare providers.

Our labor costs could be adversely affected by a shortage of experienced healthcare professionals and labor union activity.

Our operations are dependent on our ability to recruit and staff quality healthcare professionals. We compete with other healthcare staffing companies in recruiting and retaining qualified personnel. We may be required to enhance wages and benefits to our employees, which could negatively impact our profitability. Labor union activity is another factor that could adversely affect our labor costs or otherwise adversely impact us. To the extent a significant portion of our employee base unionizes, our labor costs could increase significantly.

If our labor costs increase, we may not be able to raise rates to offset these increased costs. Because a significant percentage of our revenues consists of fixed, prospective payments, our ability to pass along increased labor costs is constrained. In the event we are not entirely effective at recruiting and retaining qualified management, nurses and other medical support personnel, or in controlling labor costs, this could have an adverse effect on our results of operations.

We may face difficulties integrating our acquisitions into our operations and our acquisitions may be unsuccessful, involve significant cash expenditures or expose us to unforeseen liabilities.

We continually evaluate opportunities to acquire companies that would complement or enhance our business and at times have preliminary acquisition discussions with some of these companies. These acquisitions involve numerous risks, including potential loss of key employees or clients of acquired companies; difficulties integrating acquired personnel and distinct cultures into our business; difficulties integrating acquired companies into our operating, financial planning and financial reporting systems; diversion of management attention from existing operations; and assumptions of liabilities and exposure to unforeseen liabilities of acquired companies, including liabilities for their failure to comply with healthcare and tax regulations. These acquisitions may also involve significant cash expenditures, debt incurrence and integration expenses that could have a material adverse effect on our financial condition and results of operations. Any acquisition may ultimately have a negative impact on our business and financial condition.

If applicable government regulations change, we may face increased costs that reduce our revenue and profitability.

The temporary healthcare staffing industry is regulated in many states. For example, in some states, firms such as our nurse staffing companies must be registered to establish and advertise as a nurse-staffing agency or must qualify for an exemption from registration in those states. If we were to lose any required state licenses, we could be required to cease operating in those states. The introduction of new regulatory provisions could also substantially raise the costs associated with hiring temporary employees. For example, some states could impose sales taxes or increase sales tax rates on temporary healthcare staffing services. These increased costs may not be able to be passed on to clients. In addition, if government regulations were implemented that limited the amount we could charge for our services, our profitability could be adversely affected.

We are subject to uncertainties regarding healthcare reform.

The Patient Protection and ACA was signed into law on March 23, 2010 and later amended on March 30, 2010. It is a very complex law that regulates a wide range of components in our healthcare system. The sweeping healthcare reforms outlined in the ACA are scheduled to take effect on various dates through 2020. Additional guidance on the ACA is expected to be

forthcoming from the IRS, the Treasury Department, the U.S. Department of Health and Human Services, the U.S. Department of Labor and the states. The ACA also makes a number of changes to Medicare and Medicaid that could adversely impact the reimbursement our customers receive under these programs. In addition, the ACA continues to be subject to legislative efforts to repeal or modify the law and a number of court challenges to its constitutionality and interpretation. In addition, the ACA reforms the way Americans buy health insurance and creates a number of issues for employers that sponsor group health plans. As ACA is fully implemented, we could also incur increased costs for health benefits we provide to our employees without the ability to increase our prices to customers to cover those costs. Finally, while the rate of un-insurance has fallen since the ACA was introduced, many patients are experiencing higher deductibles and co-payments. This may increase the bad debt of hospitals, thus in turn impacting their ability to timely pay for our services.

We operate our business in a regulated industry and modifications, inaccurate interpretations or violations of any applicable statutory or regulatory requirements may result in material costs or penalties to our Company as well as litigation and could reduce our revenue and earnings per share.

Our industry is subject to many complex federal, state, local and international laws and regulations related to, among other things, the licensure of professionals, the payment of our field employees (e.g., wage and hour laws, employment taxes and income tax withholdings, etc.) and the operations of our business generally (e.g., federal, state and local tax laws). If we do not comply with the laws and regulations that are applicable to our business, we could incur civil and/or criminal penalties as well as litigation or be subject to equitable remedies.

We are subject to litigation, which could result in substantial judgment or settlement costs; significant legal actions could subject us to substantial uninsured liabilities.

We are party to various litigation claims and legal proceedings. We evaluate these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, if any, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. We may not have sufficient insurance to cover these risks. Actual outcomes or losses may differ materially from those estimated by our current assessments which would impact our profitability. Adverse developments in existing litigation claims or legal proceedings involving our Company or new claims could require us to establish or increase litigation reserves or enter into unfavorable settlements or satisfy judgments for monetary damages for amounts in excess of current reserves, which could adversely affect our financial results.

In recent years, healthcare providers have become subject to an increasing number of legal actions alleging malpractice, vicarious liability, violation of certain consumer protection acts, negligent hiring, negligent credentialing, product liability or related legal theories. We may be subject to liability in such cases even if the contribution to the alleged injury was minimal. Many of these actions involve large claims and significant defense costs. In addition, we may be subject to claims related to torts or crimes committed by our corporate employees or healthcare professionals. In most instances, we are required to indemnify clients against some or all of these risks. A failure of any of our corporate employees or healthcare professionals to observe our policies and guidelines intended to reduce these risks, relevant client policies and guidelines or applicable federal, state or local laws, rules and regulations could result in negative publicity, payment of fines or other damages.

To protect ourselves from the cost of these types of claims, we maintain professional malpractice liability insurance and general liability insurance coverage in amounts and with deductibles that we believe are appropriate for our operations. We are partially self-insured for our workers' compensation coverage, health insurance coverage, and professional liability coverage for our locum tenens providers. If we become subject to substantial uninsured workers'

compensation, medical coverage or medical malpractice liabilities, our financial results may be adversely affected. In addition, our insurance coverage may not cover all claims against us or continue to be available to us at a reasonable cost. If we are unable to pay our self-insured retention portion or maintain adequate insurance coverage, we may be exposed to substantial liabilities.

If provisions in our corporate documents and Delaware law delay or prevent a change in control of our Company, we may be unable to consummate a transaction that our stockholders consider favorable.

Our certificate of incorporation and by-laws may discourage, delay or prevent a merger or acquisition involving us that our stockholders may consider favorable. For example, our certificate of incorporation authorizes our Board of Directors to issue up to 10,000,000 shares of “blank check” preferred stock. Without stockholder approval, the Board of Directors has the authority to attach special rights, including voting and dividend rights, to this preferred stock. With these rights, preferred stockholders could make it more difficult for a third party to acquire us. Delaware law may also discourage, delay or prevent someone from acquiring or merging with us.

Market disruptions may adversely affect our operating results and financial condition.

Economic conditions and volatility in the financial markets may have an adverse impact on the availability of credit to us and to our customers and businesses generally. To the extent that disruption in the financial markets occurs, it has the potential to materially affect our and our customers' ability to tap into debt and/or equity markets to continue ongoing operations, have access to cash and/or pay debts as they come due. These events could negatively impact our results of operations and financial conditions. Although we monitor our credit risks to specific clients that we believe may present credit concerns, default risk or lack of access to liquidity may result from events or circumstances that are difficult to detect or foresee. Conditions in the credit markets and the economy generally could adversely impact our business and limit or prohibit us from refinancing our credit agreements on terms favorable to us when they become due.

Stock issuable under our stock option plans are presently in effect and sales of this stock could cause our stock price to decline.

We registered 4,398,001 shares of common stock for issuance under our 1999 stock option plans and 3,500,000 shares of common stock for issuance under our 2007 Stock Incentive Plan. In 2014, we amended and restated that Plan to issue an additional 600,000 shares, all of which have been registered. Fully vested options to purchase 12,500 shares of common stock were issued and outstanding as of February 29, 2016. In addition, 376,875 stock appreciation rights were issued and outstanding as of February 29, 2016, 242,750 of which were vested. Shares of restricted stock outstanding as of February 29, 2016, were 575,581. Common stock issued upon exercise of stock options, stock appreciation rights and restricted stock, under our benefit plans, is eligible for resale in the public market without restriction. We cannot predict what effect, if any, market sales of shares held by any stockholder or the availability of these shares for future sale will have on the market price of our common stock.

We are dependent on the proper functioning of our information systems and applications hosted by our vendors.

We are dependent on the proper functioning of our information systems in operating our business, including those applications hosted by our vendors. Critical information systems used in daily operations identify and match staffing resources and client assignments and perform billing and accounts receivable functions. Additionally, we rely on our information systems in managing our accounting and financial reporting. These systems are subject to certain risks, including technological obsolescence. We are currently evaluating the technology platforms of our businesses. If our proprietary systems of Software as a Service applications fail or are otherwise unable to function in a manner that properly supports our business operations, or if these systems require significant costs to repair, maintain or further develop or update, we could experience business interruptions or delays that could materially and adversely affect our business and financial results.

In addition, our information systems are protected through a secure hosting facility and additional backup remote processing capabilities also exist in the event our primary systems fail or are not accessible. However, the business is still vulnerable to fire, storm, flood, power loss, telecommunications failures, physical or software break-ins and similar events which may prevent personnel from gaining access to systems necessary to perform their tasks in an automated fashion. In the event that critical information systems fail or are otherwise unavailable, these functions would have to be accomplished manually, which could impact our ability to identify business opportunities quickly, to, among other things, maintain billing and clinical records reliably, to bill for services efficiently and to maintain our accounting and financial reporting accurately.

We are increasingly dependent on third parties for the execution of certain critical functions.

We have outsourced certain critical applications or business processes to external providers including cloud-based services. We exercise care in the selection and oversight of these providers. However, the failure or inability to perform on the part of one or more of these critical suppliers could cause significant disruptions and increased costs to our business

Our collection, use and retention of personal information and personal health information create risks that may harm our business.

As part of our business model, we collect and retain personal information of our employees and contract professionals and their dependents, including, without limitation, full names, social security numbers, addresses, birth dates, and payroll-related information. We use commercially available information security technologies to protect such information in digital format and have security and business controls to limit access to such information. In addition, we periodically perform penetration tests and respond to those findings. However, employees or third parties may be able to circumvent these measures and acquire or misuse such information, resulting in breaches of privacy, and errors in the storage, use or transmission of such information

may result in breaches of privacy. Privacy breaches may require notification and other remedies, which can be costly, and which may have other serious adverse consequences for our business, including regulatory penalties and fines, claims for breach of contract, claims for damages, adverse publicity, reduced demand for our services by clients and/or healthcare professional candidates, harm to our reputation, and regulatory oversight by state or federal agencies. The possession and use of personal information and data in conducting our business subjects us to legislative and regulatory burdens. We may be required to incur significant expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

Cyber security risks and cyber incidents could adversely affect our business and disrupt operations.

Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. The result of these incidents could include, but are not limited to, disrupted operations, misstated financial data, liability for stolen assets or information, increased cyber security protection costs, litigation and reputational damage adversely affecting customer or investor confidence. While we have secured cyber insurance to potentially cover these risks, there can be no assurance the insurance will be sufficient to cover any such liability.

Losses caused by natural disasters, such as hurricanes could cause us to suffer material financial losses.

Catastrophes can be caused by various events, including, but not limited to, hurricanes and other severe weather. The incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure and the severity of the event. We do not maintain business interruption insurance for these events. We could suffer material financial losses as a result of such catastrophes.

Changes in the fair value of financial instruments may result in significant volatility in our reported results.

We have issued convertible notes with certain conversion features and provisions, which we identified as embedded derivatives. This requires us to “mark to market” or record the derivatives at fair value as of the end of each reporting period on our balance sheet and to record the change in fair value over the period as a non-cash adjustment to our current period results of operations in our income statement, subjecting our results of operations to greater and potentially significant volatility.

We have a level of indebtedness which may have an adverse effect on our business or limit our ability to take advantage of business, strategic or financing opportunities.

As indicated below, we have and will continue to have a significant amount of indebtedness relative to our equity. The following table sets forth our total principal amount of debt and stockholders’ equity.

	December 31, 2015 (amounts in thousands)
Total principal amount of debt	$63,000
Total Cross Country Healthcare, Inc. stockholders' equity	$140,848

Our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay the principal, interest or other amounts due on our indebtedness. Subject to certain restrictions under our existing indebtedness, we and our subsidiaries may also incur significant additional indebtedness in the future, some of which may be secured debt. This may have the effect of increasing our total leverage. As a consequence of our indebtedness, (1) demands on our cash resources may increase, (2) we are subject to restrictive covenants that further limit our

financial and operating flexibility, and (3) we may choose to institute self-imposed limits on our indebtedness based on certain considerations including market interest rates, our relative leverage and our strategic plans. For example, as a result of our level of indebtedness and the uncertainties arising in the credit markets and the U.S. economy:

- we may be more vulnerable to general adverse economic and industry conditions;

- we may have to pay higher interest rates upon refinancing or on our variable rate indebtedness if interest rates rise, thereby reducing our cash flows;

- we may find it more difficult to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements that would be in our long-term interests;

- we may be required to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our debt, reducing the available cash flow to fund other investments;

- we may have limited flexibility in planning for, or reacting to, changes in our business or in the industry;

- we may have a competitive disadvantage relative to other companies in our industry that are less leveraged; and

- we may be required to sell debt or equity securities or sell some of our core assets, possibly on unfavorable terms, in order to meet payment obligations.

These restrictions could have a material adverse effect on our business.

We could fail to generate sufficient cash to fund our liquidity needs and/or fail to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness.

We currently have sufficient liquidity to operate our business in the normal course. If, however, we were to make an acquisition or enter into a similar type of transaction, our liquidity needs may exceed our current capacity. In addition, our existing credit facilities currently contain financial covenants that require us: (1) under certain conditions, to operate above a minimum fixed charge coverage ratio, and (2) to maintain a certain level of accounts receivables in order to draw down funds on the loan. Deterioration in our operating results could result in our inability to comply with these covenants and would result in a default under our credit facility. If an event of default exists, our lenders could call the indebtedness and we may be unable to renegotiate or secure other financing.

We are subject to business risks associated with international operations.

We have international operations in India where our Cross Country Infotech, Pvt Ltd. (Infotech) subsidiary is located. Infotech provides in-house information systems development and support services as well as some back-office processing services. We have limited experience in supporting our services outside of North America. Operations in certain markets are subject to risks inherent in international business activities, including: fluctuations in currency exchange rates; changes in regulations; varying economic and political conditions; overlapping or differing tax structures; and regulations concerning compensation and benefits, vacation and the termination of employment. Our inability to effectively manage our international operations could result in increased costs and adversely affect our results of operations.

Due to inherent limitations, there can be no assurance that our system of disclosure and internal controls and procedures will be successful in preventing all errors and fraud, or in making all material information known in a timely manner to management.

Our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), does not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide

absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations, misstatements due to error or fraud may occur and not be detected.

Impairment in the value of our goodwill, trade names, or other intangible assets could negatively impact our net income and earnings per share.

We are required to test goodwill and intangible assets with indefinite lives (such as trade names) annually, to determine if impairment has occurred. Long-lived assets and other identifiable intangible assets are also reviewed for impairment whenever events or changes in circumstances indicate that amounts may not be recoverable. If the testing performed indicates that impairment has occurred, we are required to record a non-cash impairment charge for the difference between the carrying amount of the goodwill or other intangible assets and the implied fair value of the goodwill or the fair value of the indefinite-lived intangible asset in the period the determination is made. The testing of goodwill and other intangible assets for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in business operations, changes in competition or potential changes in our stock price and market capitalization. Changes in these factors, or changes in actual performance compared with estimates of our future performance, could affect the fair value of goodwill, trade names, or other intangible assets, which may result in an impairment charge. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill, trade names, or other intangible assets become impaired, there could be an adverse effect on us. At December 31, 2015, goodwill, trade names, and other identifiable intangible assets not subject to amortization represented 35.8% of our total assets. In 2015 and 2014, we recorded impairment charges of $2.1 million and $10.0 million, respectively.

We could suffer adverse tax and other financial consequences if taxing authorities do not agree with our tax positions, or we are unable to utilize our net operating losses.

We are periodically subject to a number of tax examinations by taxing authorities in the states and countries where we do business. We also have significant deferred tax assets related to our net operating losses (“NOLs”) in U.S. federal and state taxing jurisdictions. Generally, for U.S. federal and state tax purposes, NOLs can be carried forward and used for up to twenty years, and all of our tax years will remain subject to examination until three years after our NOLs are used or expire. We expect that we will continue to be subject to tax examinations in the future. In addition, U.S. federal, state and local, as well as international, tax laws and regulations are extremely complex and subject to varying interpretations. We recognize tax benefits of uncertain tax positions when we believe the positions are more likely than not of being sustained upon a challenge by the relevant tax authority. We believe our judgments in this area are reasonable and correct, but there is no guarantee that we will be successful if challenged by a tax authority. If there are tax benefits, including from our use of NOLs or other tax attributes, that are challenged successfully by a taxing authority, we may be required to pay additional taxes or we may seek to enter into settlements with the taxing authorities, which could require significant payments or otherwise have a material adverse effect on our business, results of operations and financial condition.
In addition, we may be limited in our ability to utilize our NOLs to offset future taxable income and thereby reduce our otherwise payable income taxes. We have substantial NOLs. Our ability to utilize our NOLs is also dependent, in part, upon us having sufficient future earnings to utilize our NOLs before they expire. If market conditions change materially and we determine that we will be unable to generate sufficient taxable income in the future to utilize our NOLs, we could be required to record an additional valuation allowance. We review our uncertain tax position and the valuation allowance for our NOLs periodically and make adjustments from time to time, which can result in an increase or decrease to the net deferred tax asset related to our NOLs. Our NOLs are also subject to review and potential disallowance upon audit by the taxing authorities of the jurisdictions where the NOLs were incurred, and future changes in tax laws or interpretations of such tax laws could limit materially our ability to utilize our NOLs. If we are unable to use our NOLs or use of our NOLs is limited, we may have to make significant payments or otherwise record charges or reduce our deferred tax assets, which could have a material adverse effect on our business, results of operations and financial condition.

If certain of our healthcare professionals are reclassified from independent contractors to employees our profitability could be materially adversely impacted.

Federal or state taxing authorities could re-classify our locum tenens physicians and CRNAs as employees, despite both the general industry standard to treat them as independent contractors and many state laws prohibiting non-physician owned companies from employing physicians (e.g., the “corporate practice of medicine”). If they were re-classified as employees, we would be subject to, among other things, employment and payroll-related tax claims, as well as any applicable penalties and interest. Any such reclassification would have a material adverse impact on our business model for that business segment and would negatively impact our profitability.

Our financial results could be adversely impacted by the loss of key management.

We believe the successful execution of our business strategy and our ability to build upon significant recent investments and acquisitions depends on the continued employment of key members of our senior management team. If we were to lose any key personnel, we may not be able to find an appropriate replacement on a timely basis and our results of operations could be negatively affected. Further, the loss of a significant number of employees or our inability to hire a sufficient number of qualified employees could have a material adverse effect on our business.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We do not own any real property. Our principal leases as of March 1, 2016 are listed below.

Location	Function	Square Feet	Lease Expiration
Boca Raton, Florida	Nurse and Allied Staffing administration and general office use	70,406	December 31, 2025
Berkeley Lake, Georgia	Physician Staffing office	41,607	October 7, 2024
Boca Raton, Florida	Corporate headquarters	36,919	November 30, 2025
Creve Coeur, Missouri	Retained search headquarters	27,051	August 31, 2024
Malden, Massachusetts	Nurse and Allied Staffing administration and general office use	22,767	June 30, 2017
Newtown Square, Pennsylvania	Nurse and Allied Staffing administration and general office use	16,304	December 31, 2018

Item 3. Legal Proceedings.

We are subject to legal proceedings and claims that arise in the ordinary course of our business. We do not believe the outcome of these matters will have a material adverse effect on our business, financial condition or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock currently trades under the symbol “CCRN” on the NASDAQ Global Select Market (NASDAQ). Our common stock commenced trading on the NASDAQ National Market under the symbol “CCRN” on October 25, 2001. The following table sets forth, for the periods indicated, the high and low sale prices per share of CCRN common stock. Such prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

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Calendar Period	Sale Prices High	Low
2015		
Quarter Ended March 31, 2015	$11.72	$11.16
Quarter Ended June 30, 2015	$11.52	$11.14
Quarter Ended September 30, 2015	$13.85	$13.33
Quarter Ended December 31, 2015	$16.31	$15.49
2014		
Quarter Ended March 31, 2014	$10.08	$9.65
Quarter Ended June 30, 2014	$6.78	$6.46
Quarter Ended September 30, 2014	$7.81	$7.45
Quarter Ended December 31, 2014	$10.47	$9.96

The graph below compares the Company to the cumulative 5-year total return of holders of the Company's common stock with the cumulative total returns of the NASDAQ Composite index and the Dow Jones U.S. Business Training & Employment Agencies index. The graph assumes that the value of the investment in the Company's common stock and in each of the indexes (including reinvestment of dividends) was $100 on December 31, 2010 and tracks it through December 31, 2015.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

As of February 18, 2016, there were 130 stockholders of record of our common stock. In addition, there were 4,967 beneficial owners of our common stock held by brokers or other institutions on behalf of stockholders.

We have never paid or declared cash dividends on our common stock. Covenants in our credit agreement limit our ability to repurchase our common stock and declare and pay cash dividends on our common stock. On February 28, 2008, our Board of Directors authorized our most recent stock repurchase program whereby we may purchase up to 1.5 million of our common shares, subject to the terms of our current credit agreement. The shares may be repurchased from time-to-time in the open market and the repurchase program may be discontinued at any time at our discretion. At December 31, 2015, we had 942,443 shares of common stock left remaining to repurchase under this authorization, subject to the limitations of our First Lien Loan Agreement as defined in Note 8 - Debt to our consolidated financial statements. Subject to certain conditions as described in the First Lien Loan Agreement, the Company may repurchase up to an aggregate amount of $5.0 million of its Equity Interests. See Note 8 - Debt and Note 14 - Stockholders' Equity to our consolidated financial statements.

Item 6. Selected Financial Data.

The selected consolidated financial data as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014, and 2013 are derived from the audited consolidated financial statements of Cross Country Healthcare, Inc., included elsewhere in this Report. The selected consolidated financial data as of December 31, 2013, 2012 and 2011 and for the years ended December 31, 2012 and 2011 are derived from the consolidated financial statements of Cross Country Healthcare, Inc., that have been audited but not included in this Report on Form 10-K.

The following selected financial data should be read in conjunction with the consolidated financial statements and related notes of Cross Country Healthcare, Inc., “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other financial information included elsewhere in this report.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Amounts in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue from services	$767,421	$617,825	$438,311	$442,635	$439,377
Income (loss) from continuing operations	4,954	(31,534)	(54,250)	(20,745)	1,548
Net income (loss) attributable to common shareholders	4,418	(31,783)	(51,969)	(42,221)	4,098
Per Share Data:					
Income (loss) from continuing operations attributable to common shareholders - Basic and Diluted	$0.14	$(1.02)	$(1.75)	$(0.67)	$0.05
Weighted Average Common Shares Outstanding:					
Basic	31,514	31,190	31,009	30,843	31,146
Diluted	32,162	31,190	31,009	30,843	31,192
Other Operating Data:					
Cash and cash equivalents	$2,453	$4,995	$8,055	$10,463	$10,648
Total assets	366,097	325,133	248,245	305,924	347,884

Total debt	89,874	74,074	8,576	33,859	42,046
Stockholders' equity	141,344	130,332	160,667	209,123	249,300
Net cash provided by (used in) operating activities	18,235	(4,072)	8,659	10,146	18,296

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The following items impact the comparability and presentation of our consolidated data:

- Income (loss) from continuing operations for the years ended December 31, 2015 and 2014, respectively, includes amounts attributable to noncontrolling interest of $0.5 million and $0.2 million.

- We acquired all of the membership interests of New Mediscan II, LLC, Mediscan Diagnostic Services, LLC, and Mediscan Nursing Staffing, LLC (collectively "Mediscan") on October 30, 2015, substantially all of the assets and certain liabilities of Medical Staffing Network Healthcare, LLC (MSN) on June 30, 2014, and the operating assets of On Assignment, Inc.’s Allied Healthcare Staffing division on December 2, 2013. The results of these acquisition's operations have been included in our consolidated statements of operations since their respective dates of acquisition. For the years ended December 31, 2015, 2014 and 2013, we recognized $0.9 million, $8.0 million and $0.5 million of acquisition and integration costs, respectively. See Note 3 - Acquisitions to our consolidated financial statements.

- The years ended December 31, 2015, 2014 and 2013 include $1.3 million, $0.8 million and $0.5 million, respectively, of restructuring costs primarily related to our cost optimization project in 2015, and senior management employee severance pay in 2014 and 2013.

- The year ended December 31, 2013 includes a legal settlement charge of $0.8 million related to a wage and hour class action lawsuit in California. See Note 12 - Commitments and Contingencies to our consolidated financial statements.

- The years ended December 31, 2015, 2014, 2013 and 2012 include non-cash impairment charges of approximately $2.1 million, $10.0 million, $6.4 million, and $18.7 million, respectively. See Note 5 – Goodwill, Trade Names, and Other Identifiable Intangible Assets to our consolidated financial statements.

- The years ended December 31, 2015 and 2014 include the impact of a loss on derivative liability of approximately $9.9 million and $16.7 million, respectively. Derivative liability relates to the Convertible Notes issued in conjunction with the acquisition of MSN. See Note 9 - Convertible Notes Derivative Liability to our consolidated financial statements.

- The year ended December 31, 2015 includes a loss on sale of business of $2.2 million (an after-tax gain of $1.3 million) related to the sale of our education seminars business, Cross Country Education, LLC on August 31, 2015. See Note 4 - Disposal and Discontinued Operations to our consolidated financial statements.

- The year ended December 31, 2013 includes a loss on early extinguishment and modification of debt of $1.4 million related to the write-off of unamortized debt issuance costs related to our prior credit agreement. See Note 8 - Debt to our consolidated financial statements.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Item 1. Business, Item 6. Selected Financial Data, Item 1A. Risk Factors, Forward-Looking Statements and Item 15. Consolidated Financial Statements and the accompanying notes and other data, all of which appear elsewhere in this Annual Report on Form 10-K.

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Business Overview

Cross Country Healthcare, Inc. is a national leader in providing leading-edge healthcare workforce solutions. Our solutions are geared towards assisting our clients solve labor-related issues while maintaining high quality outcomes. With more than 30 years of experience, we are dedicated to placing highly qualified nurses and physicians as well as allied health, advanced practice, and case management professionals. We also provide both retained and contingent placement services for physicians, as well as retained search services for healthcare executives. We have more than 9,500 active contracts with a broad range of clients in both clinical and nonclinical settings, including acute care hospitals, physician practice groups, nursing facilities, both public schools and charter schools, rehabilitation and sports medicine clinics, government facilities, and homecare. Through our national staffing teams and network of more than 70 branch office locations, we are able to place clinicians on travel and per diem assignments, local short-term contracts and permanent positions. We are a market leader in providing flexible workforce management solutions, which include MSP, OWS, EMR, Predictive Analytics, IRP, education healthcare services, and RPO.

We manage and segment our business based on the nature of our services we offer to our customers. As a result, in accordance with ASC 280, Segment Reporting Topic of the FASB ASC, we report three business segments – Nurse and Allied Staffing, Physician Staffing, and Other Human Capital Management Services, described below:

Nurse and Allied Staffing – Nurse and Allied Staffing represented approximately 81% of our total revenue. Nurse and Allied Staffing provides traditional staffing, including temporary and permanent placement of travel nurses and allied professionals, and branch-based local nurses and allied staffing. Its services include the placement of travel and per diem nurses, allied healthcare professionals, such as rehabilitation therapists, radiology technicians, and respiratory therapists.

Physician Staffing – Physician Staffing represented approximately 15% of our total revenue. Physician Staffing provides physicians in many specialties, CRNAs, NPs and PAs under our Medical Doctor Associates (MDA) and Saber-Salisbury brands as independent contractors on temporary assignments throughout the U.S.

Other Human Capital Management Services – Other Human Capital Management Services represented approximately 4% of our total revenue. Subsequent to the sale of CCE on August 31, 2015, Other Human Capital Management Services is comprised of retained and contingent search services for physicians and healthcare executives within the U.S.

Executive Summary of Operations

For the year ended December 31, 2015, our consolidated revenue was $767.4 million, and we had net income attributable to common shareholders of $4.4 million, or $0.14 per diluted share. Our consolidated net income was impacted by an unrealized loss on derivative liability of $9.9 million and an impairment charge of $2.1 million.

In 2015, we believe we made significant progress executing the elements of our strategy to grow revenue in our core businesses, expand margins and enhance the operating leverage of our infrastructure. In fiscal 2015:

We sold our education seminars business, a non-core business and completed the acquisition of Mediscan in October. We financed the acquisition through a combination of cash-on-hand and borrowings under our senior credit facility.

Revenue increased year-over-year by 24% resulting from a combination of: synergies resulting from the integration of recent acquisitions, historic levels of demand for our Nurse and Allied Staffing services, and the added revenue from the October 2015 Mediscan acquisition; partially offset by the impact of the sale of our education seminars business in August and lower Physician Staffing revenue.

Contribution income margins of our business segments increased resulting from improved operating leverage, increases in pricing, and the impact of our cost optimization program.

Also, in July, we amended our Second Lien Term Loan, which reduced our interest rate 175 bps effective for the second half of 2015, at minimal cost. We ended the year with total debt of $89.9 million and $2.5 million of cash, resulting in a ratio of debt, net of cash, to total capitalization of 37.8%.

Business Metrics

We evaluate our financial condition by tracking operating metrics and financial results specific to each of our segments. Key operating metrics include hours worked, days filled, number of FTEs, revenue per FTE, and revenue per day filled. Other operating metrics include number of open orders, candidate applications, contract bookings, length of assignment, bill and pay rates, and renewal and fill rates, number of active searches, and number of placements. Some of the segment financial results analyzed include revenue, gross profit margins, operating expenses, and contribution income. In addition, we monitor cash flow as well as operating and leverage ratios to help us assess our liquidity needs.

Business Segment	Business Measurement
Nurse and Allied Staffing	FTEs represent the average number of Nurse and Allied Staffing contract personnel on a full-time equivalent basis. Average revenue per FTE per day is calculated by dividing the Nurse and Allied Staffing revenue by the number of days worked in the respective periods. Nurse and Allied Staffing revenue also includes revenue from the permanent placement of nurses.
Physician Staffing	Days filled is calculated by dividing the total hours filled during the period by 8 hours. Revenue per day filled is calculated by dividing the actual revenue invoiced by Physician Staffing by days filled for the period presented. Revenue per day filled excludes permanent placement and unbilled revenue.

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Results of Operations

The following table summarizes, for the periods indicated, selected consolidated statements of operations data expressed as a percentage of revenue. Our historical results of operations are not necessarily indicative of future operating results.

	Year Ended December 31,		
	2015	2014	2013
Revenue from services	100.0 %	100.0 %	100.0 %
Direct operating expenses	74.3	74.5	74.1
Selling, general and administrative expenses	21.0	22.8	24.2
Bad debt expense	0.1	0.2	0.2
Depreciation and amortization	1.0	1.2	1.4
Loss on sale of business	0.3	—	—
Acquisition and integration costs	0.1	1.3	0.1
Restructuring costs	0.2	0.1	0.1
Legal settlement charge	—	—	0.2
Impairment charges	0.3	1.6	1.5
Income (loss) from operations	2.7	(1.7)	(1.8)
Interest expense	0.9	0.7	0.2
Loss on derivative liability	1.3	2.7	—
Loss on early extinguishment and modification of debt	—	—	0.3
Income (loss) from continuing operations before income taxes	0.5	(5.1)	(2.3)
Income tax (benefit) expense	(0.1)	—	10.1
Income (loss) from continuing operations	0.6	(5.1)	(12.4)
Income from discontinued operations, net of tax	—	—	0.5
Consolidated net income (loss)	0.6	(5.1)	(11.9)
Less: Net income attributable to noncontrolling interest in subsidiary	—	—	—
Net income (loss) attributable to common shareholders	0.6 %	(5.1)%	(11.9)%

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Comparison of Results for the Year Ended December 31, 2015 compared to the Year Ended December 31, 2014

	Year Ended December 31,				
			Increase (Decrease)	Increase (Decrease)	
	2015	2014	$	%	
	(Dollars in thousands)				
Revenue from services	$767,421	$617,825	$149,596	24.2	%
Direct operating expenses	570,056	460,021	110,035	23.9	%
Selling, general and administrative expenses	161,275	141,018	20,257	14.4	%
Bad debt expense	999	1,016	(17)	(1.7)	%
Depreciation and amortization	8,066	7,441	625	8.4	%
Loss on sale of business	2,184	—	2,184	100.0	%
Acquisition and integration costs	902	7,957	(7,055)	(88.7)	%
Restructuring costs	1,274	840	434	51.7	%
Impairment charges	2,100	10,000	(7,900)	(79.0)	%
Income (loss) from operations	20,565	(10,468)	31,033	296.5	%
Interest expense	6,810	4,160	2,650	63.7	%
Loss on derivative liability	9,901	16,671	(6,770)	(40.6)	%
Other income, net	(306)	19	(325)	(1,710.5)	%
Income (loss) from continuing operations before income taxes	4,160	(31,318)	35,478	113.3	%
Income tax (benefit) expense	(794)	216	(1,010)	(467.6)	%
Consolidated net income (loss)	4,954	(31,534)	36,488	115.7	%
Less: Net income attributable to noncontrolling interest in subsidiary	536	249	287	115.3	%
Net income (loss) attributable to common shareholders	$4,418	$(31,783)	$36,201	113.9	%

Revenue from services

Revenue from services increased $149.6 million, or 24.2%, to $767.4 million for the year ended December 31, 2015, as compared to $617.8 million for the year ended December 31, 2014. The increase was entirely from Nurse and Allied Staffing and partially offset by lower revenue from Physician Staffing and Other Human Capital Management Services. See further discussion in Segment Results.

Direct operating expenses

Direct operating expenses are comprised primarily of field employee compensation and independent contractor expenses, as well as housing, travel and field insurance expenses. Direct operating expenses increased $110.0 million, or 23.9%, to $570.1 million for the year ended December 31, 2015, as compared to $460.0 million for year ended December 31, 2014, primarily due to the growth in Nurse and Allied Staffing and the impact of the acquisitions.

As a percentage of total revenue, direct operating expenses represented 74.3% of revenue for the year ended December 31, 2015, and 74.5% for the year ended December 31, 2014.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $20.3 million, or 14.4%, to $161.3 million for the year ended December 31, 2015, as compared to $141.0 million for the year ended December 31, 2014. This increase is primarily due to the MSN acquisition. As a percentage of total revenue, selling, general and administrative expenses were 21.0% and 22.8% for the years ended December 31, 2015 and 2014, respectively, reflecting improved operating leverage.

Depreciation and amortization expense

Depreciation and amortization expense in the year ended December 31, 2015 increased to $8.1 million as compared to $7.4 million for the year ended December 31, 2014, due to the impact of the recent acquisitions. As a percentage of revenue, depreciation and amortization expense was 1.0% for the year ended December 31, 2015 and 1.2% for the year ended December 31, 2014.

Loss on sale of business

During the year ended December 31, 2015, we sold our education seminars business and recognized a pre-tax loss of $2.2 million related to the divestiture of the business. In addition, we recorded a tax benefit of $3.5 million for the reversal of valuation allowances associated with this business, resulting in an after-tax gain of $1.3 million.

Acquisition and integration costs

During the year ended December 31, 2015, we incurred acquisition and integration costs of $0.9 million which predominantly were costs related to the Mediscan acquisition, which closed October 30, 2015. During the year ended December 31, 2014, we incurred acquisition and integration costs of $8.0 million, primarily related to the MSN acquisition, and partly related to our December 2013 allied staffing business acquisition.

Restructuring costs

We recorded restructuring costs of $1.3 million for the year ended December 31, 2015, related to severance and lease consolidations. We recorded restructuring costs of $0.8 million for the year ended December 31, 2014, primarily related to senior management severance pay.

Impairment charges

In the fourth quarter of 2015 and 2014, we conducted an assessment of our indefinite-lived intangible assets. For the years ended December 31, 2015 and 2014, we recorded impairment charges of $2.1 million and $10.0 million, respectively, relating to the Physician Staffing trade names. We determined that based on our projected revenue stream, our estimated fair value was less than the carrying amount of the trade names. See Critical Accounting Principles and Estimates and Note 5 – Goodwill, Trade Names, and Other Identifiable Intangible Assets to our consolidated financial statements.

Interest expense

Interest expense totaled $6.8 million for the year ended December 31, 2015 and $4.2 million for the year ended December 31, 2014. The increase was primarily due to the additional interest associated with our subordinated debt used to fund the June 2014 MSN acquisition. The effective interest rate on our borrowings was 10.1% for the year ended December 31, 2015 compared to 7.0% in the year ended December 31, 2014.

Loss on derivative liability

Loss on derivative liability from Convertible Notes of $9.9 million and $16.7 million for the years ended December 31, 2015 and December 31, 2014 relate to the change in the fair value of embedded features of our Convertible Notes from the end of the prior period. This losses were primarily a result of an increase in our share price in the respective periods. The Convertible Notes include terms that are considered to be embedded derivatives,

including conversion and redemption features that primarily protect the investors' investment with us. Each reporting period we are required to fair value the embedded derivative with the changes being recorded as a component of other expense (income) on our consolidated statements of operations. See Note 9 - Convertible Notes Derivative Liability to our consolidated financial statements.

Income tax (benefit) expense

Income tax benefit from continuing operations totaled $0.8 million for the year ended December 31, 2015, compared to income tax expense of $0.2 million for the year ended December 31, 2014. The effective tax rate was negative 19.1% and negative 0.7%, including the impact of discrete items, for the years ended December 31, 2015 and 2014, respectively. Excluding discrete items, our effective tax rate for these years was 41.1% and negative 8.7%, respectively. The effective tax rates are different than the statutory rates primarily due to the impact from amortization of indefinite-lived intangible assets for

tax purposes and the partial non-deductibility of certain per diem expenses and international and state minimum taxes, which are partly offset by the reduction in unrecognized tax benefits due to the settlement of certain state examinations. In addition, the effective tax rate for 2015 was impacted by the reversal of a portion of the valuation allowance as a result of the sale of CCE.

Comparison of Results for the Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

	Year Ended December 31,				
			Increase (Decrease)	Increase (Decrease)	
	2014	2013	$	%	
	(Dollars in thousands)				
Revenue from services	$617,825	$438,311	$179,514	41.0	%
Direct operating expenses	460,021	324,851	135,170	41.6	%
Selling, general and administrative expenses	141,018	106,117	34,901	32.9	%
Bad debt expense	1,016	1,078	(62)	(5.8)	%
Depreciation and amortization	7,441	6,180	1,261	20.4	%
Acquisition and integration costs	7,957	473	7,484	1,582.2	%
Restructuring costs	840	484	356	73.6	%
Legal settlement charge					