Acadia Healthcare Company, Inc.
Form 10-Q
May 01, 2019

false 2019 Q1 ACHC Acadia Healthcare Company, Inc. 0001520697 --12-31 Large Accelerated Filer false false P5Y P1Y Payable semi-annually in arrears on March 15 and September 15 of each year. Payable semi-annually in arrears on January 1 and July 1 of each year. Payable semi-annually in arrears on February 15 and August 15 of each year. Payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2016. P3Y P2Y P7Y4M24D P19Y10M24D 0 0 P7Y5M15D P9Y2M15D P7Y3M3D P9Y11M8D P8Y1M20D P5Y8M23D P6Y3M14D P5Y P5Y1M6D 0001520697 2019-01-01 2019-03-31 xbrli:shares 0001520697 2019-05-01 iso4217:USD 0001520697 2019-03-31 0001520697 2018-12-31 iso4217:USD xbrli:shares 0001520697 2018-01-01 2018-03-31 0001520697 us-gaap:CommonStockMember 2017-12-31 0001520697 us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0001520697 us-gaap:RetainedEarningsMember 2017-12-31 0001520697 2017-12-31 0001520697 us-gaap:CommonStockMember 2018-01-01 2018-03-31 0001520697 us-gaap:AdditionalPaidInCapitalMember 2018-01-01 2018-03-31 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-03-31 0001520697 us-gaap:RetainedEarningsMember 2018-01-01 2018-03-31 0001520697 us-gaap:CommonStockMember 2018-03-31 0001520697 us-gaap:AdditionalPaidInCapitalMember 2018-03-31 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-03-31 0001520697 us-gaap:RetainedEarningsMember 2018-03-31 0001520697 2018-03-31 0001520697 us-gaap:CommonStockMember 2018-04-01 2018-06-30 0001520697 us-gaap:AdditionalPaidInCapitalMember 2018-04-01 2018-06-30 0001520697 2018-04-01 2018-06-30 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-04-01 2018-06-30 0001520697 us-gaap:RetainedEarningsMember 2018-04-01 2018-06-30 0001520697 us-gaap:CommonStockMember 2018-06-30 0001520697 us-gaap:AdditionalPaidInCapitalMember 2018-06-30 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-06-30 0001520697 us-gaap:RetainedEarningsMember 2018-06-30 0001520697 2018-06-30 0001520697 us-gaap:CommonStockMember 2018-07-01 2018-09-30 0001520697 us-gaap:AdditionalPaidInCapitalMember 2018-07-01 2018-09-30 0001520697 2018-07-01 2018-09-30 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-07-01 2018-09-30 0001520697 us-gaap:RetainedEarningsMember 2018-07-01 2018-09-30 0001520697 us-gaap:CommonStockMember 2018-09-30 0001520697 us-gaap:AdditionalPaidInCapitalMember 2018-09-30 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-09-30 0001520697 us-gaap:RetainedEarningsMember 2018-09-30 0001520697 2018-09-30 0001520697 us-gaap:CommonStockMember 2018-10-01 2018-12-31 0001520697 us-gaap:AdditionalPaidInCapitalMember 2018-10-01 2018-12-31 0001520697 2018-10-01 2018-12-31 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-10-01 2018-12-31 0001520697 us-gaap:RetainedEarningsMember 2018-10-01 2018-12-31 0001520697 us-gaap:CommonStockMember 2018-12-31 0001520697 us-gaap:AdditionalPaidInCapitalMember 2018-12-31 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-31 0001520697 us-gaap:RetainedEarningsMember 2018-12-31 0001520697 us-gaap:CommonStockMember 2019-01-01 2019-03-31 0001520697 us-gaap:AdditionalPaidInCapitalMember 2019-01-01 2019-03-31 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-01-01 2019-03-31 0001520697 us-gaap:RetainedEarningsMember 2019-01-01 2019-03-31 0001520697 us-gaap:CommonStockMember 2019-03-31 0001520697 us-gaap:AdditionalPaidInCapitalMember 2019-03-31 0001520697 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-03-31 0001520697 us-gaap:RetainedEarningsMember 2019-03-31 0001520697 achc:UnitedStatesFacilitiesMember 2019-01-01 2019-03-31 0001520697 achc:UnitedKingdomFacilityMember 2019-01-01 2019-03-31 0001520697 us-gaap:GoodwillMember 2019-01-01 2019-03-31 achc:Facility achc:Bed achc:State 0001520697 us-gaap:AccountingStandardsUpdate201602Member 2019-01-01 0001520697 achc:UnitedStatesFacilitiesMember achc:AcuteInpatientPsychiatricFacilitiesMember 2019-01-01 2019-03-31 0001520697 achc:UnitedStatesFacilitiesMember achc:AcuteInpatientPsychiatricFacilitiesMember 2018-01-01 2018-03-31 0001520697 achc:UnitedStatesFacilitiesMember achc:SpecialtyTreatmentFacilitiesMember 2019-01-01 2019-03-31 0001520697 achc:UnitedStatesFacilitiesMember achc:SpecialtyTreatmentFacilitiesMember 2018-01-01 2018-03-31 0001520697 achc:UnitedStatesFacilitiesMember achc:ResidentialTreatmentCentersMember 2019-01-01 2019-03-31

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

or

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

For the transition period from __________ to __________

Commission File Number: 001-35331

ACADIA HEALTHCARE COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	45-2492228
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6100 Tower Circle, Suite 1000

Franklin, Tennessee 37067

(Address, including zip code, of registrant's principal executive offices)

(615) 861-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer
Smaller reporting company	Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act.

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

At May 1, 2019, there were 88,701,225 shares of the registrant's common stock outstanding.

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $.01 par value	ACHC	NASDAQ Global Select Market

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ACADIA HEALTHCARE COMPANY, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements
Acadia Healthcare Company, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

	March 31, 2019	December 31, 2018
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$43,684	$ 50,510
Accounts receivable, net	331,851	318,087
Other current assets	76,979	81,820
Total current assets	452,514	450,417
Property and equipment, net	3,173,052	3,107,766
Goodwill	2,441,999	2,396,412
Intangible assets, net	89,796	88,990
Deferred tax assets	3,436	3,468
Derivative instrument assets	46,304	60,524
Operating lease right-of-use assets	506,787	—
Other assets	71,629	64,927
Total assets	$6,785,517	$ 6,172,504
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$36,503	$ 34,112
Accounts payable	116,666	117,740
Accrued salaries and benefits	108,546	113,299
Current portion of operating lease liabilities	27,984	—
Other accrued liabilities	134,972	151,226
Total current liabilities	424,671	416,377
Long-term debt	3,221,709	3,159,375
Deferred tax liabilities	76,922	80,372
Operating lease liabilities	504,753	—
Other liabilities	122,188	154,267
Total liabilities	4,350,243	3,810,391
Redeemable noncontrolling interests	31,931	28,806

Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, no shares issued	—	—
Common stock, $0.01 par value; 180,000,000 shares authorized; 87,593,730 and 87,444,473 issued and outstanding at March 31, 2019 and December 31, 2018, respectively	876	874
Additional paid-in capital	2,546,759	2,541,987
Accumulated other comprehensive loss	(426,586)	(462,377)
Retained earnings	282,294	252,823
Total equity	2,403,343	2,333,307
Total liabilities and equity	$6,785,517	$ 6,172,504

See accompanying notes.

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Acadia Healthcare Company, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

	Three Months Ended March 31, 2019	2018
	(In thousands, except per share amounts)	
Revenue	$ 760,617	$ 742,241
Salaries, wages and benefits (including equity-based compensation expense of $6,101 and $6,919, respectively)	429,579	411,528
Professional fees	57,007	54,018
Supplies	29,957	29,364
Rents and leases	20,307	20,288
Other operating expenses	93,865	88,231
Depreciation and amortization	40,580	39,773
Interest expense, net	48,130	45,243
Debt extinguishment costs	—	940
Transaction-related expenses	4,321	4,768
Total expenses	723,746	694,153
Income before income taxes	36,871	48,088
Provision for (benefit from) income taxes	7,360	(2,786)
Net income	29,511	50,874
Net income attributable to noncontrolling interests	(40)	(55)
Net income attributable to Acadia Healthcare Company, Inc.	$ 29,471	$ 50,819
Earnings per share attributable to Acadia Healthcare Company, Inc. stockholders:		

Basic	$	0.34	$	0.58
Diluted	$	0.34	$	0.58
Weighted-average shares outstanding:				
Basic		87,505		87,121
Diluted		87,694		87,294

See accompanying notes.

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Acadia Healthcare Company, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Net income	$ 29,511	$ 50,874
Other comprehensive income:		
Foreign currency translation gain	44,481	92,780
Loss on derivative instruments, net of tax of $(3.5) million and $(7.3) million, respectively	(8,690)	(20,053)
Other comprehensive income	35,791	72,727
Comprehensive income	65,302	123,601
Comprehensive income attributable to noncontrolling interests	(40)	(55)
Comprehensive income attributable to Acadia Healthcare Company, Inc.	$ 65,262	$ 123,546

See accompanying notes.

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Acadia Healthcare Company, Inc.

Condensed Consolidated Statement of Equity

(Unaudited)

(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2017	87,060	$ 871	$2,517,545	$ (374,118)	$428,573	$2,572,871
Common stock issued under stock incentive plans	228	2	94	—	—	96
Common stock withheld for minimum statutory taxes	—	—	(2,126)	—	—	(2,126)
Equity-based compensation expense	—	—	6,919	—	—	6,919
Other comprehensive income	—	—	—	72,727	—	72,727
Other	—	—	313	—	—	313
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	50,819	50,819
Balance at March 31, 2018	87,288	873	2,522,745	(301,391)	479,392	2,701,619
Common stock issued under stock incentive plans	42	—	128	—	—	128
Common stock withheld for minimum statutory taxes	—	—	(232)	—	—	(232)
Equity-based compensation expense	—	—	7,129	—	—	7,129
Other comprehensive loss	—	—	—	(114,492)	—	(114,492)
Other	—	—	313	—	—	313
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	58,836	58,836
Balance at June 30, 2018	87,330	873	2,530,083	(415,883)	538,228	2,653,301
Common stock issued under stock incentive plans	33	1	19	—	—	20

Common stock withheld for minimum statutory taxes	—	—	(158)	—	—	(158)
Equity-based compensation expense	—	—	5,225	—	—	5,225
Other comprehensive loss	—	—	—	(24,579)	—	(24,579)
Other	—	—	208	—	—	208
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	46,232	46,232
Balance at September 30, 2018	87,363	874	2,535,377	(440,462)	584,460	2,680,249
Common stock issued under stock incentive plans	81	—	130	—	—	130
Common stock withheld for minimum statutory taxes	—	—	(1,265)	—	—	(1,265)
Equity-based compensation expense	—	—	2,728	—	—	2,728
Other comprehensive loss	—	—	—	(21,915)	—	(21,915)
Other	—	—	5,017	—	—	5,017
Net loss attributable to Acadia Healthcare Company, Inc.	—	—	—	—	(331,637)	(331,637)
Balance at December 31, 2018	87,444	874	2,541,987	(462,377)	252,823	2,333,307
Common stock issued under stock incentive plans	149	2	291	—	—	293
Common stock withheld for minimum statutory taxes	—	—	(1,620)	—	—	(1,620)
Equity-based compensation expense	—	—	6,101	—	—	6,101
Other comprehensive income	—	—	—	35,791	—	35,791
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	29,471	29,471
Balance at March 31, 2019	87,593	$ 876	$2,546,759	$ (426,586)	$282,294	$2,403,343

See accompanying notes.

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Acadia Healthcare Company, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Operating activities:		
Net income	$29,511	$50,874
Adjustments to reconcile net income to net cash provided by continuing operating activities:		
Depreciation and amortization	40,580	39,773
Amortization of debt issuance costs	2,888	2,525
Equity-based compensation expense	6,101	6,919
Deferred income taxes	(666)	1,897
Debt extinguishment costs	—	940
Other	2,187	1,043
Change in operating assets and liabilities:		
Accounts receivable, net	(11,980)	(18,793)
Other current assets	(5,875)	(13,216)
Other assets	295	(1,268)
Accounts payable and other accrued liabilities	(15,701)	(3,368)
Accrued salaries and benefits	(5,849)	4,802
Other liabilities	2,182	509
Net cash provided by continuing operating activities	43,673	72,637
Net cash used in discontinued operating activities	—	(287)
Net cash provided by operating activities	43,673	72,350
Investing activities:		
Cash paid for acquisitions, net of cash acquired	(40,400)	—
Cash paid for capital expenditures	(69,248)	(70,327)
Cash paid for real estate acquisitions	(1,066)	(4,293)
Other	613	(4,066)
Net cash used in investing activities	(110,101)	(78,686)
Financing activities:		
Borrowings on revolving credit facility	71,573	—
Principal payments on long-term debt	(8,246)	—
Common stock withheld for minimum statutory taxes, net	(1,327)	(2,030)
Other	(3,497)	(2,704)
Net cash provided by (used in) financing activities	58,503	(4,734)
Effect of exchange rate changes on cash	1,099	1,588

Net decrease in cash and cash equivalents	(6,826)	(9,482)
Cash and cash equivalents at beginning of the period	50,510	67,290
Cash and cash equivalents at end of the period	$43,684	$57,808
Effect of acquisitions:		
Assets acquired, excluding cash	44,028	—
Liabilities assumed	(3,628)	—
Cash paid for acquisitions, net of cash acquired	$40,400	$—

See accompanying notes.

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Acadia Healthcare Company, Inc.

Notes to Condensed Consolidated Financial Statements

March 31, 2019

(Unaudited)

1.Description of Business and Basis of Presentation
Description of Business

Acadia Healthcare Company, Inc. (the "Company") develops and operates inpatient psychiatric facilities, residential treatment centers, group homes, substance abuse facilities and facilities providing outpatient behavioral healthcare services to serve the behavioral health and recovery needs of communities throughout the United States ("U.S."), the United Kingdom ("U.K.") and Puerto Rico. At March 31, 2019, the Company operated 593 behavioral healthcare facilities with approximately 18,100 beds in 40 states, the U.K. and Puerto Rico.

Basis of Presentation

The business of the Company is conducted through limited liability companies, partnerships and C-corporations. The Company's consolidated financial statements include the accounts of the Company and all subsidiaries controlled by the Company through its' direct or indirect ownership of majority interests and exclusive rights granted to the Company as the controlling member of an entity. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation of our financial position and results of operations have been included. The Company's fiscal year ends on December 31 and interim results are not necessarily indicative of results for a full year or any other interim period. The condensed consolidated balance sheet at December 31, 2018 has been derived from the audited financial statements as of that date. The information contained in these condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the fiscal year ended December 31, 2018 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 1, 2019. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Certain reclassifications have been made to prior years to conform to the current year presentation.

2.Recently Issued Accounting Standards
In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") ASU 2018-15, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*" ("ASU 2018-15"). ASU 2018-15 requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-402 to determine which implementation costs to capitalize as assets. ASU 2018-15 is

effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of ASU 2018-15 on the Company's consolidated financial statements.

In August 2017, FASB issued ASU 2017-12, *"Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities"* ("ASU 2017-12"). ASU 2017-12 amends the hedge accounting model to enable entities to better portray the economics of their risk management activities in the financial statements and simplifies the application of hedge accounting in certain situations. ASU 2017-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company adopted ASU 2017-02 on January 1, 2019. There is no significant impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-02, "*Leases*" ("ASU 2016-02"). ASU 2016-02's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. ASU 2016-02 requires application either retrospectively to each prior reporting period presented in the financial statements or retrospectively at the beginning of the period of adoption. The Company adopted ASU 2016-02 retrospectively at the beginning of the

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period of adoption. Prior periods have not been adjusted. On January 1, 2019, the Company recorded right-of-use assets and lease liabilities of $509.8 million and $536.7 million, respectively, as described in Note 8 – Leases.

3. Revenue

Revenue is primarily derived from services rendered to patients for inpatient psychiatric and substance abuse care, outpatient psychiatric care and residential treatment. The services provided by the Company have no fixed duration and can be terminated by the patient or the facility at any time, and therefore, each treatment is its own stand-alone contract.

As our performance obligations relate to contracts with a duration of one year or less, the Company elected the optional exemption in Accounting Standards Codification (“ASC”) ASC 606-10-50-14(a). Therefore, the Company is not required to disclose the transaction price for the remaining performance obligations at the end of the reporting period or when the Company expects to recognize the revenue. The Company has minimal unsatisfied performance obligations at the end of the reporting period as our patients typically are under no obligation to remain admitted in our facilities.

The Company disaggregates revenue from contracts with customers by service type and by payor within each of the Company’s segments.

U.S. Facilities

The Company’s facilities in the United States (the “U.S. Facilities”) and services provided by the U.S. Facilities can generally be classified into the following categories: acute inpatient psychiatric facilities; specialty treatment facilities; residential treatment centers; and outpatient community-based facilities.

Acute inpatient psychiatric facilities. Acute inpatient psychiatric facilities provide a high level of care in order to stabilize patients that are either a threat to themselves or to others. The acute setting provides 24-hour observation, daily intervention and monitoring by psychiatrists.

Specialty treatment facilities. Specialty treatment facilities include residential recovery facilities, eating disorder facilities and comprehensive treatment centers. The Company provides a comprehensive continuum of care for adults with addictive disorders and co-occurring mental disorders. Inpatient, including detoxification and rehabilitation, partial hospitalization and outpatient treatment programs give patients access to the least restrictive level of care.

Residential treatment centers. Residential treatment centers treat patients with behavioral disorders in a non-hospital setting, including outdoor programs. The facilities balance therapy activities with social, academic and other activities.

Outpatient community-based facilities. Outpatient community-based programs are designed to provide therapeutic treatment to children and adolescents who have a clinically-defined emotional, psychiatric or chemical dependency disorder while enabling the youth to remain at home and within their community.

The table below presents total U.S. revenue attributed to each category (in thousands):

	Three Months Ended March 31,

	2019	2018
Acute inpatient psychiatric facilities	$216,597	$195,891
Specialty treatment facilities	193,035	184,535
Residential treatment centers	73,224	71,557
Outpatient community-based facilities	5,104	10,422
Revenue	$487,960	$462,405

The Company receives payments from the following sources for services rendered in our U.S. Facilities: (i) state governments under their respective Medicaid and other programs; (ii) commercial insurers; (iii) the federal government under the Medicare program administered by the Centers for Medicare and Medicaid Services ("CMS"); and (iv) individual patients and clients.

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The Company determines the transaction price based on established billing rates reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients and implicit price concessions. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. Implicit price concessions are based on historical collection experience. Most of our U.S. Facilities have contracts containing variable consideration. However, it is unlikely a significant reversal of revenue will occur when the uncertainty is resolved, and therefore, the Company has included the variable consideration in the estimated transaction price. Subsequent changes resulting from a patient's ability to pay are recorded as bad debt expense, which is included as a component of other operating expenses in the condensed consolidating statements of income. Bad debt expense for the three months ended March 31, 2019 and 2018 was not significant.

The following table presents revenue by payor type and as a percentage of revenue in our U.S. Facilities (in thousands):

	Three Months Ended March 31,			
	2019		2018	
	Amount	%	Amount	%
Commercial	$139,427	28.6 %	$137,619	29.8 %
Medicare	72,616	14.9 %	67,214	14.5 %
Medicaid	239,191	49.0 %	213,336	46.1 %
Self-Pay	31,732	6.5 %	36,907	8.0 %
Other	4,994	1.0 %	7,329	1.6 %
Revenue	$487,960	100.0%	$462,405	100.0%

U.K. Facilities

The Company's facilities located in the United Kingdom (the "U.K. Facilities") and services provided by the U.K. Facilities can generally be classified into the following categories: healthcare facilities, education and children's services, adult care facilities and elderly care facilities.

Healthcare facilities. Healthcare facilities provide psychiatric treatment and nursing for sufferers of mental disorders, including for patients whose risk of harm to others and risk of escape from hospitals cannot be managed safely within other mental health settings. In order to manage the risks involved with treating patients, the facility is managed through the application of a range of security measures depending on the level of dependency and risk exhibited by the patient.

Education and children's services. Education and children's services provide specialist education for children and young people with special educational needs, including autism, Asperger's Syndrome, social, emotional and mental health, and specific learning difficulties, such as dyslexia. The division also offers standalone children's homes for children that require 52-week residential care to support complex and challenging behavior and fostering services.

Adult care facilities. Adult care focuses on care of individuals with a variety of learning difficulties, mental health illnesses and adult autism spectrum disorders. It also includes long-term, short-term and respite nursing care to high-dependency elderly individuals who are physically frail or suffering from dementia. Care is provided in a number of settings, including in residential care homes and through supported living.

The table below presents total U.K. revenue attributed to each category (in thousands):

	Three Months Ended March 31,	
	2019	2018
Healthcare facilities	$151,708	$154,615
Education and Children's Services	46,122	48,085
Adult Care facilities	74,827	77,136
Revenue	$272,657	$279,836

On an annual basis, the Company receives payments from approximately 500 public funded sources in the U.K. (including the National Health Service ("NHS"), Clinical Commissioning Groups ("CCGs") and local authorities in England, Scotland and Wales) and individual patients and clients. The Company determines the transaction price based on established billing rates by payor and is reduced by implicit price concessions. Implicit price concessions are insignificant in the U.K. Facilities.

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The following table presents revenue by payor type and as a percentage of revenue in our U.K. Facilities (in thousands):

	Three Months Ended March 31,			
	2019		2018	
	Amount	%	Amount	%
U.K. public funded sources	$245,413	90.0 %	$253,294	90.5 %
Self-Pay	26,814	9.8 %	25,068	9.0 %
Other	430	0.2 %	1,474	0.5 %
Revenue	$272,657	100.0%	$279,836	100.0%

The Company's contract liabilities primarily consist of unearned revenue in our U.K. Facilities due to the timing of payments received mainly in our education and children's services and healthcare facilities. Contract liabilities are included in other accrued liabilities on the condensed consolidated balance sheets. A summary of the activity in unearned revenue in the U.K. Facilities is as follows (in thousands):

Balance at December 31, 2018	$31,239
Payments received	48,216
Revenue recognized	(39,736)
Foreign currency translation gain	480
Balance at March 31, 2019	$40,199

4. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2019 and 2018 (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2019	2018
Numerator:		
Net income attributable to Acadia Healthcare Company, Inc.	$29,471	$50,819
Denominator:		
Weighted average shares outstanding for basic earnings per share	87,505	87,121
Effect of dilutive instruments	189	173
Shares used in computing diluted earnings per common share	87,694	87,294

Earnings per share attributable to Acadia Healthcare Company, Inc. stockholders:		
Basic	$ 0.34	$ 0.58
Diluted	$ 0.34	$ 0.58

Approximately 2.6 million and 2.0 million shares of common stock issuable upon exercise of outstanding stock option awards were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2019 and 2018, respectively, because their effect would have been anti-dilutive.

5. Acquisitions

The Company’s strategy is to acquire and develop behavioral healthcare facilities and improve operating results within its facilities and its other behavioral healthcare operations.

On February 15, 2019, the Company completed the acquisition of Whittier Pavilion (“Whittier”), an inpatient psychiatric facility with 71 beds located in Haverhill, Massachusetts, for cash consideration of approximately $17.9 million. Also on February 15, 2019, the Company completed the acquisition of Mission Treatment (“Mission Treatment”) for cash consideration of approximately $22.5

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million and a working capital settlement. Mission Treatment operated nine comprehensive treatment centers in California, Nevada, Arizona and Oklahoma.

Transaction-related expenses

Transaction-related expenses represent costs primarily related to our acquisitions, termination, restructuring and closure costs. Transaction-related expenses compromised the following cost for the three months ended March 31, 2019 and 2018 (in thousands):

	Three Months Ended March 31,	
	2019	2018
Termination, restructuring and closure costs	$ 3,525	$ 3,392
Legal, accounting and other	796	1,376
	$ 4,321	$ 4,768

6. Property and Equipment

Property and equipment consisted of the following at March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019	December 31, 2018
Land	$451,157	$ 430,771
Building and improvements	2,565,195	2,423,594
Equipment	456,369	444,538
Construction in progress	216,075	294,848
	3,688,796	3,593,751
Less: accumulated depreciation	(515,744)	(485,985)
Property and equipment, net	$3,173,052	$ 3,107,766

During the three months ended March 31, 2019, the Company closed a 168-bed residential treatment center in Albuquerque, New Mexico. The Company is currently evaluating options for the future use of this property. Additionally, the Company has recorded assets held for sale of $21.1 million and $17.0 million within other assets on the condensed consolidated balance sheets at March 31, 2019 and December 31, 2018, respectively.

7. Other Intangible Assets

Other identifiable intangible assets and related accumulated amortization consisted of the following at March 31, 2019 and December 31, 2018 (in thousands):

	Gross Carrying Amount		Accumulated Amortization	
	March 31,	December 31,	March 31,	December 31,
	2019	2018	2019	2018

Intangible assets subject to amortization:				
Contract intangible assets	$2,100	$ 2,100	$(2,100)	$ (2,100)
Non-compete agreements	1,147	1,147	(1,147)	(1,147)
	3,247	3,247	(3,247)	(3,247)
Intangible assets not subject to amortization:				
Licenses and accreditations	12,259	12,343	—	—
Trade names	60,572	60,109	—	—
Certificates of need	16,965	16,538	—	—
	89,796	88,990	—	—
Total	$93,043	$ 92,237	$(3,247)	$ (3,247)

All the Company's definite-lived intangible assets are fully amortized. The Company's licenses and accreditations, trade names and certificate of need intangible assets have indefinite lives and are, therefore, not subject to amortization.

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8. Leases

The Company's lease portfolio primarily consists of finance and operating real estate leases integral for facility operations. The original terms of the leases typically range from five to 30 years with optional renewal periods. A minimal portion of the Company's lease portfolio consists of non-real estate leases, including copiers and equipment, which generally have lease terms of one to three years and have insignificant lease obligations.

In March 2016, the FASB issued ASU 2016-02. ASU 2016-02's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information. The Company adopted ASU 2016-02 retrospectively at the beginning of the period of adoption. Prior periods have not been adjusted.

The Company has elected the package of practical expedients offered in the transition guidance which allows management not to reassess lease identification, lease classification and initial direct costs. The Company also elected the accounting policy practical expedients by class of underlying asset to: (i) combine associated lease and non-lease components into a single lease component; and (ii) exclude recording short-term leases as right-of-use assets and liabilities on the condensed consolidated balance sheets. Non-lease components, which are not significant overall, are combined with lease components.

On January 1, 2019, the Company recorded right-of-use assets and lease liabilities on the condensed consolidated balance sheet of $509.8 million and $536.7 million, respectively, for non-cancelable real estate operating leases with original lease terms in excess of one year. Finance leases remained on the condensed consolidating balance sheets as required by previous accounting guidance. The Company reviews service agreements for embedded leases and records right-of-use assets and liabilities as necessary.

Operating lease liabilities were recorded as the present value of remaining lease payments not yet paid for the lease term discounted using the incremental borrowing rate associated with each lease. Operating lease right-of-use assets represent operating lease liabilities adjusted for prepayments, accrued lease payments, lease incentives and initial direct costs. Certain of the Company's leases include renewal or termination options. Calculation of operating lease right-of-use assets and liabilities include the initial lease term unless it is reasonably certain a renewal or termination option will be exercised. Variable components of lease payments fluctuating with a future index or rate, as well as those related to common area maintenance costs, are not included in determining lease payments and are expensed as incurred. Most of the Company's leases do not contain implicit borrowing rates, and therefore, incremental borrowing rates were calculated based on information available at the later of the lease commencement date or January 1, 2019. Incremental borrowing rates reflect the Company's estimated interest rates for collateralized borrowings over similar lease terms.

Lease Position

At March 31, 2019, the Company recorded the following on the condensed consolidated balance sheet (in thousands):

Right-of-Use Assets	Balance Sheet Classification	March 31, 2019
Finance lease right-of-use assets	Property and equipment, net	$45,547
Operating lease right-of-use assets	Operating lease right-of-use assets	506,787
Total		$552,334

Lease Liabilities	Balance Sheet Classification

		March 31, 2019
Current:		
Finance lease liabilities	Other accrued liabilities	$7,210
Operating lease liabilities	Current portion of operating lease liabilities	27,984
Noncurrent:		
Finance lease liabilities	Other liabilities	44,445
Operating lease liabilities	Operating lease liabilities	504,753
Total		$584,392

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Weighted-average remaining lease terms and discount rates at March 31, 2019 were as follows:

Weighted-average remaining lease term (in years):	
Finance	7.4
Operating	19.9
Weighted-average discount rate:	
Finance	6.4 %
Operating	6.4 %

Lease Costs

The Company recorded the following lease costs for the three months ended March 31, 2019 (in thousands):

	Three Months Ended March 31, 2019
Finance lease costs:	
Depreciation of leased assets	1,123
Interest of lease liabilities	997
Total finance lease costs	$ 2,120
Operating lease costs	16,529
Variable lease costs	886
Short term lease costs	1,447
Other lease costs	1,445
Total rents and leases	$ 20,307
Total lease costs	$ 22,427

Other

Undiscounted cash flows for finance and operating leases recorded on the condensed consolidated balance sheet were as follows at March 31, 2019 (in thousands):

	Finance Leases	Operating Leases
For the nine months ending December 31, 2019	$6,078	$46,252
2020	6,785	58,573
2021	34,922	55,048
2022	1,984	50,272
2023	1,007	46,774
Thereafter	26,096	723,393
Total minimum lease payments	76,872	980,312
Less: amount of lease payments representing interest	25,217	447,575

Present value of future minimum lease payments	51,655	532,737
Less: Current portion of lease liabilities	7,210	27,984
Noncurrent lease liabilities	$44,445	$504,753

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Supplemental data for the three months ended March 31, 2019 was as follows (in thousands):

	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 15,809
Operating cash flows for finance leases	$ 997
Financing cash flows for finance leases	$ 846
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 3,662
Finance leases	$ 1,027

9. Long-Term Debt

Long-term debt consisted of the following (in thousands):

	March 31, 2019	December 31, 2018
Amended and Restated Senior Credit Facility:		
Senior Secured Term A Loans	$361,000	$ 365,750
Senior Secured Term B Loans	1,369,416	1,372,912
Senior Secured Revolving Line of Credit	71,573	—
6.125% Senior Notes due 2021	150,000	150,000
5.125% Senior Notes due 2022	300,000	300,000
5.625% Senior Notes due 2023	650,000	650,000
6.500% Senior Notes due 2024	390,000	390,000
Other long-term debt	5,676	5,953
Less: unamortized debt issuance costs, discount and premium	(39,453)	(41,128)
	3,258,212	3,193,487
Less: current portion	(36,503)	(34,112)
Long-term debt	$3,221,709	$ 3,159,375

Amended and Restated Senior Credit Facility

The Company entered into a senior secured credit facility (the “Senior Secured Credit Facility”) on April 1, 2011. On December 31, 2012, the Company entered into an Amended and Restated Credit Agreement (the “Amended and Restated Credit Agreement”) which amended and restated the Senior Secured Credit Facility (the “Amended and Restated Senior Credit Facility”). The Company has amended the Amended and Restated Credit Agreement from time to time as described in the Company’s prior filings with the SEC.

On March 22, 2018, the Company entered into a Second Repricing Facilities Amendment (the “Second Repricing Facilities Amendment”) to the Amended and Restated Credit Agreement. The Second Repricing Facilities Amendment (i) replaced the Term Loan B Facility Tranche B-1 (the “Tranche B-1 Facility”) and the Term Loan B Facility Tranche B-2 (the “Tranche B-2 Facility”) with a new Term Loan B facility Tranche B-3 (the “Tranche B-3 Facility”) and a new Term Loan B facility Tranche B-4 (the “Tranche B-4 Facility”), respectively, and (ii) reduced the Applicable Rate from 2.75% to 2.50% in the case of Eurodollar Rate loans and reduced the Applicable Rate from 1.75% to 1.50% in the case of Base Rate Loans.

On March 29, 2018, the Company entered into a Third Repricing Facilities Amendment to the Amended and Restated Credit Agreement (the “Third Repricing Facilities Amendment”, and together with the Second Repricing Facilities Amendment, the “Repricing Facilities Amendments”). The Third Repricing Facilities Amendment replaced the existing revolving credit facility and Term Loan A facility (“TLA Facility”) with a new revolving credit facility and TLA Facility, respectively. The Company’s line of credit on its revolving credit facility remains at $500.0 million and the Third Repricing Facility Amendment reduced the size of the TLA Facility from $400.0 million to $380.0 million to reflect the then current outstanding principal. The Third Repricing Facilities Amendment reduced the Applicable Rate by 25 basis points for the revolving credit facility and the TLA Facility by amending the definition of “Applicable Rate.”

In connection with the Repricing Facilities Amendments, the Company recorded a debt extinguishment charge of $0.9 million, including the discount and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the condensed consolidated statements of income.

On February 6, 2019, the Company entered into the Eleventh Amendment (the “Eleventh Amendment”) to the Amended and Restated Credit Agreement. The Eleventh Amendment, among other things, amended the definition of “Consolidated EBITDA” to remove the cap on non-cash charges, losses and expenses related to the impairment of goodwill, which in turn provided increased flexibility to the Company in terms of the Company’s financial covenants.

On February 27, 2019, the Company entered into the Twelfth Amendment (the “Twelfth Amendment”) to the Amended and Restated Credit Agreement. The Twelfth Amendment, among other things, modified certain definitions, including “Consolidated EBITDA”, and increased our permitted Maximum Consolidated Leverage Ratio, thereby providing increased flexibility to the Company in terms of the Company’s financial covenants.

The Company had $414.7 million of availability under the revolving line of credit and had standby letters of credit outstanding of $13.7 million related to security for the payment of claims required by its workers’ compensation insurance program at March 31, 2019. Borrowings under the revolving line of credit are subject to customary conditions precedent to borrowing. The Amended and Restated Credit Agreement requires quarterly term loan principal repayments of our TLA Facility of $4.8 million for June 30, 2019 to December 31, 2019, $7.1 million for March 31, 2020 to December 31, 2020, and $9.5 million for March 31, 2021 to September 30, 2021, with the remaining principal balance of the TLA Facility due on the maturity date of November 30, 2021. The Company is required to repay the Tranche B-3 Facility in equal quarterly installments of $1.2 million on the last business day of each March, June, September and December, with the outstanding principal balance of the Tranche B-3 Facility due on February 11, 2022. The Company is required to repay the Tranche B-4 Facility in equal quarterly installments of approximately $2.3 million on the last business day of each March, June, September and December, with the outstanding principal balance of the Tranche B-4 Facility due on February 16, 2023. On April 17, 2018, the Company made an additional payment of $15.0 million, including $5.1 million on the Tranche B-3 Facility and $9.9 million on the Tranche B-4 Facility.

Borrowings under the Amended and Restated Senior Credit Facility are guaranteed by each of the Company’s wholly-owned domestic subsidiaries (other than certain excluded subsidiaries) and are secured by a lien on substantially all of the assets of the Company and such subsidiaries. Borrowings with respect to the TLA Facility and the Company’s revolving credit facility (collectively, “Pro Rata Facilities”) under the Amended and Restated Credit Agreement bear interest at a rate tied to Acadia’s Consolidated Leverage Ratio (defined as consolidated funded debt net of up to $50.0 million of unrestricted and unencumbered cash to consolidated EBITDA, in each case as defined in the Amended and Restated Credit Agreement). The Applicable Rate (as defined in the Amended and Restated Credit Agreement) for the Pro Rata Facilities was 2.50% for Eurodollar Rate Loans (as defined in the Amended and Restated Credit Agreement) and 1.50% for Base Rate Loans (as defined in the Amended and Restated Credit Agreement) at March 31, 2019. Eurodollar Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the Eurodollar Rate (as defined in the Amended and Restated Credit Agreement) (based upon the LIBOR Rate (as defined in the Amended and Restated Credit Agreement) prior to commencement of the interest rate period). Base Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.00%. At March 31, 2019, the Pro Rata Facilities bore interest at a rate of LIBOR plus 2.50%. In addition, the Company is required to pay a commitment fee on undrawn amounts under the revolving line of credit.

The Amended and Restated Credit Agreement requires the Company and its subsidiaries to comply with customary affirmative, negative and financial covenants, including a fixed charge coverage ratio, consolidated leverage ratio and senior secured leverage ratio. The Company may be required to pay all of its indebtedness immediately if it defaults on any of the numerous financial or other restrictive covenants contained in any of its material debt agreements. At March 31, 2019, the Company was in compliance with such covenants.

Senior Notes

6.125% Senior Notes due 2021

On March 12, 2013, the Company issued $150.0 million of 6.125% Senior Notes due 2021 (the “6.125% Senior Notes”). The 6.125% Senior Notes mature on March 15, 2021 and bear interest at a rate of 6.125% per annum, payable semi-annually in arrears on March 15 and September 15 of each year.

5.125% Senior Notes due 2022

On July 1, 2014, the Company issued $300.0 million of 5.125% Senior Notes due 2022 (the “5.125% Senior Notes”). The 5.125% Senior Notes mature on July 1, 2022 and bear interest at a rate of 5.125% per annum, payable semi-annually in arrears on January 1 and July 1 of each year.

5.625% Senior Notes due 2023

On February 11, 2015, the Company issued $375.0 million of 5.625% Senior Notes due 2023 (the “5.625% Senior Notes”). On September 21, 2015, the Company issued $275.0 million of additional 5.625% Senior Notes. The additional notes formed a single class of debt securities with the 5.625% Senior Notes issued in February 2015. Giving effect to this issuance, the Company has outstanding an aggregate of $650.0 million of 5.625% Senior Notes. The 5.625% Senior Notes mature on February 15, 2023 and bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on February 15 and August 15 of each year.

6.500% Senior Notes due 2024

On February 16, 2016, the Company issued $390.0 million of 6.500% Senior Notes due 2024 (the “6.500% Senior Notes”). The 6.500% Senior Notes mature on March 1, 2024 and bear interest at a rate of 6.500% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2016.

The indentures governing the 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes and 6.500% Senior Notes (together, the “Senior Notes”) contain covenants that, among other things, limit the Company’s ability and the ability of its restricted subsidiaries to: (i) pay dividends, redeem stock or make other distributions or investments; (ii) incur additional debt or issue certain preferred stock; (iii) transfer or sell assets; (iv) engage in certain transactions with affiliates; (v) create restrictions on dividends or other payments by the restricted subsidiaries; (vi) merge, consolidate or sell substantially all of the Company’s assets; and (vii) create liens on assets.

The Senior Notes issued by the Company are guaranteed by each of the Company’s subsidiaries that guarantee the Company’s obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

The Company may redeem the Senior Notes at its option, in whole or part, at the dates and amounts set forth in the indentures.

10. Equity-Based Compensation
Equity Incentive Plans

The Company issues stock-based awards, including stock options, restricted stock and restricted stock units, to certain officers, employees and non-employee directors under the Acadia Healthcare Company, Inc. Incentive Compensation Plan (the “Equity Incentive Plan”). At March 31, 2019, a maximum of 8,200,000 shares of the Company’s common stock were authorized for issuance as stock options, restricted stock and restricted stock units or other share-based compensation under the Equity Incentive Plan, of which 2,737,250 were available for future grant. Stock options may be granted for terms of up to ten years. The Company recognizes expense on all share-based awards on a straight-line basis over the requisite service period of the entire award. Grants to employees generally vest in annual increments of 25% each year, commencing one year after the date of grant. The exercise prices of stock options are equal to the most recent closing price of the Company’s common stock on the most recent trading date prior to the date of grant.

The Company recognized $6.1 million and $6.9 million in equity-based compensation expense for the three months ended March 31, 2019 and 2018, respectively. At March 31, 2019, there was $40.9 million of unrecognized compensation expense related to unvested options, restricted stock and restricted stock units, which is expected to be recognized over the remaining weighted average vesting period of 1.4 years.

At March 31, 2019, there were no warrants outstanding and exercisable. The Company recognized a deferred income tax benefit of $1.6 million and $1.9 million for the three months ended March 31, 2019 and 2018, respectively, related to equity-based compensation expense.

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Stock Options

Stock option activity during 2018 and 2019 was as follows (aggregate intrinsic value in thousands):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2018	974,566	$ 47.89	7.46	$ 3,802
Options granted	374,700	37.54	9.21	246
Options exercised	(20,989)	17.83	N/A	383
Options cancelled	(128,737)	50.83	N/A	N/A
Options outstanding at December 31, 2018	1,199,540	44.64	7.26	2,717
Options granted	566,800	28.25	9.94	45
Options exercised	(18,315)	15.96	N/A	225
Options cancelled	(118,707)	42.43	N/A	N/A
Options outstanding at March 31, 2019	1,629,318	$ 39.39	8.14	$ 762
Options exercisable at December 31, 2018	534,164	$ 44.98	5.73	$ 2,386
Options exercisable at March 31, 2019	611,099	$ 46.73	6.29	$ 717

Fair values are estimated using the Black-Scholes option pricing model. The following table summarizes the grant-date fair value of options and the assumptions used to develop the fair value estimates for options granted during the three months ended March 31, 2019 and year ended December 31, 2018:

	March 31, 2019	December 31, 2018
Weighted average grant-date fair value of options	$ 10.45	$ 13.67
Risk-free interest rate	2.4 %	2.2 %
Expected volatility	38 %	37 %
Expected life (in years)	5.0	5.1

The Company’s estimate of expected volatility for stock options is based upon the volatility of our stock price over the expected life of the award. The risk-free interest rate is the approximate yield on U. S. Treasury Strips having a life equal to the expected option life on the date of grant. The expected life is an estimate of the number of years an option will be held before it is exercised.

Other Stock-Based Awards

Restricted stock activity during 2018 and 2019 was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2018	809,868	$ 50.19
Granted	480,137	36.84
Cancelled	(88,989)	47.57
Vested	(395,959)	50.41
Unvested at December 31, 2018	805,057	$ 42.40
Granted	540,342	27.85
Cancelled	(53,673)	43.42
Vested	(190,356)	47.10
Unvested at March 31, 2019	1,101,370	$ 34.40

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Restricted stock unit activity during 2018 and 2019 was as follows:

	Number of Units	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2018	360,909	$ 50.04
Granted	285,358	42.26
Cancelled	(89,173)	55.44
Vested	(72,983)	49.64
Unvested at December 31, 2018	484,111	$ 44.52
Granted	—	—
Cancelled	(175,661)	47.97
Vested	—	—
Unvested at March 31, 2019	308,450	$ 42.55

Restricted stock awards are time-based vesting awards that vest over a period of three or four years and are subject to continuing service of the employee or non-employee director over the ratable vesting periods. The fair values of the restricted stock awards were determined based on the closing price of the Company’s common stock on the trading date immediately prior to the grant date.

Restricted stock units are granted to employees and are subject to Company performance compared to pre-established targets and, in the case of the 2018 awards, Company performance compared to peers. In addition to Company performance, these performance-based restricted stock units are subject to the continuing service of the employee during the two- or three-year period covered by the awards. The performance condition for the restricted stock units is based on the Company’s achievement of annually established targets for diluted earnings per share. Additionally, the number of shares issuable pursuant to restricted stock units granted during 2018 is subject to adjustment based on the Company’s three-year annualized total stockholder return relative to a peer group consisting of S&P 1500 companies within the Healthcare Providers & Services 6 digit GICS industry group and selected other companies deemed to be peers. The number of shares issuable at the end of the applicable vesting period of restricted stock units ranges from 0% to 200% of the targeted units based on the Company’s actual performance compared to the targets and, for 2018 awards, performance compared to peers.

The fair values of restricted stock units were determined based on the closing price of the Company’s common stock on the trading date immediately prior to the grant date for units subject to performance conditions, or at its Monte-Carlo simulation value for units subject to market conditions.

11. Income Taxes

The provision for (benefit from) income taxes for the three months ended March 31, 2019 and 2018 reflects effective tax rates of 20.0% and (5.8)%, respectively. The increase in the effective tax rate for the three months ended March 31, 2019 was primarily attributable to the application of Public Law 115-97, informally referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Company recorded a discrete benefit of $10.5 million during the three months ended March 31, 2018 related to a change in the Company’s provisional amount recorded at December 31, 2017.

12. Derivatives

The Company entered into foreign currency forward contracts during the three months ended March 31, 2019 and 2018 in connection with certain transfers of cash between the U.S. and U.K. under the Company’s cash management and foreign currency risk management programs. Foreign currency forward contracts limit the economic risk of changes in the exchange rate between U.S. Dollars (“USD”) and British Pounds (“GBP”) associated with cash transfers.

In May 2016, the Company entered into multiple cross currency swap agreements with an aggregate notional amount of $650.0 million to manage foreign currency risk by effectively converting a portion of its fixed-rate USD-denominated senior notes, including the semi-annual interest payments thereunder, to fixed-rate GBP-denominated debt of £449.3 million. During the term of the swap agreements, the Company will receive semi-annual interest payments in USD from the counterparties at fixed interest rates, and the Company will make semi-annual interest payments in GBP to the counterparties at fixed interest rates. The interest payments under the cross-currency swap agreements result in £24.7 million of annual cash flows from the Company’s U.K. business being converted to $35.8 million (at a 1.45 exchange rate).

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The Company has designated the cross currency swap agreements and forward contracts entered into during 2018 and the three months ended March 31, 2019 as qualifying hedging instruments and is accounting for these as net investment hedges. The fair value of these derivatives at March 31, 2019 and December 31, 2018 of $46.3 million and $60.5 million, respectively, are recorded as derivative instrument assets on the condensed consolidated balance sheets. The gains and losses resulting from fair value adjustments to the cross currency swap agreements are recorded in accumulated other comprehensive loss as the swaps are effective in hedging the designated risk. Cash flows related to the cross currency swap derivatives are included in operating activities in the condensed consolidated statements of cash flows.

13. Fair Value Measurements

The carrying amounts reported for cash and cash equivalents, accounts receivable, other current assets, accounts payable and other current liabilities approximate fair value because of the short-term maturity of these instruments.

The carrying amounts and fair values of the Company’s Amended and Restated Senior Credit Facility, 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes, 6.500% Senior Notes, other long-term debt and derivative instruments at March 31, 2019 and December 31, 2018 were as follows (in thousands):

	Carrying Amount		Fair Value	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Amended and Restated Senior Credit Facility	$1,779,357	$ 1,715,338	$1,779,537	$ 1,715,338
6.125% Senior Notes due 2021	$148,803	$ 148,657	$148,803	$ 147,542
5.125% Senior Notes due 2022	$297,147	$ 296,946	$297,890	$ 283,583
5.625% Senior Notes due 2023	$643,651	$ 643,289	$647,674	$ 609,516
6.500% Senior Notes due 2024	$383,577	$ 383,304	$394,125	$ 369,888
Other long-term debt	$5,677	$ 5,953	$5,677	$ 5,953
Derivative instrument assets	$46,304	$ 60,524	$46,304	$ 60,524

The Company’s Amended and Restated Senior Credit Facility, 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes, 6.500% Senior Notes and other long-term debt were categorized as Level 2 in the GAAP fair value hierarchy. Fair values were based on trading activity among the Company’s lenders and the average bid and ask price as determined using published rates.

The fair values of the derivative instruments were categorized as Level 2 in the GAAP fair value hierarchy and were based on observable market inputs including applicable exchange rates and interest rates.

14. Commitments and Contingencies

Professional and General Liability

A portion of the Company’s professional liability risks are insured through a wholly-owned insurance subsidiary. The Company is self-insured for professional liability claims up to $3.0 million per claim and has obtained reinsurance coverage from a third party to cover claims in excess of the retention limit. The reinsurance policy has a coverage limit of $75.0 million in the aggregate. The Company’s reinsurance receivables are recognized consistent with the related liabilities and include known claims and any incurred but not reported claims that are covered by current insurance policies in place.

Legal Proceedings

The Company is, from time to time, subject to various claims, lawsuits, governmental investigations and regulatory actions, including claims for damages for personal injuries, medical malpractice, overpayments, breach of contract, securities law violations, tort and employment related claims. In these actions, plaintiffs request a variety of damages, including, in some instances, punitive and other types of damages that may not be covered by insurance. In addition, healthcare companies are subject to numerous investigations by various governmental agencies. Certain of the Company’s individual facilities have received, and from time to time, other facilities may receive, subpoenas, civil investigative demands, audit requests and other inquiries from, and may be subject to investigation by, federal and state agencies. These investigations can result in repayment obligations, and violations of the False Claims Act can result in substantial monetary penalties and fines, the imposition of a corporate integrity agreement and exclusion from participation in governmental health programs. In addition, the federal False Claims Act permits private parties to bring qui tam, or

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"whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Some states have adopted similar state whistleblower and false claims provisions.

On April 1, 2019, a consolidated complaint was filed against the Company and certain former and current officers in the lawsuit styled *St. Clair County Employees' Retirement System v. Acadia Healthcare Company, Inc., et al.*, Case No. 3:19-cv-00988, which is pending in the United States District Court for the Middle District of Tennessee. The complaint purports to be brought on behalf of a class consisting of all persons (other than defendants) who purchased securities of the Company between April 30, 2014 and November 15, 2018, and alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder. At this time, we are not able to quantify any potential liability in connection with this litigation because the case is in its early stages.

On February 21, 2019, a purported stockholder filed a related derivative action on behalf of the Company against certain former and current officers and directors in the lawsuit styled *Davydov v. Joey A. Jacobs, et al.*, Case No. 3:19-cv-00167, which is pending in the United States District Court for the Middle District of Tennessee. The complaint alleges claims for violations of Section 10(b) and 14(a) of the Exchange Act, breach of fiduciary duty, waste of corporate assets, and unjust enrichment. On April 15, 2019, the Court entered an order staying the case pending a ruling on the motion to dismiss that will be filed in the *St. Clair County v. Acadia Healthcare* case described above. At this time, we are not able to quantify any potential liability in connection with this litigation because the case is in its early stages.

During the third quarter of 2018, the U.S. Attorney's Office for the Southern District of West Virginia served subpoenas on seven of our comprehensive treatment centers located in West Virginia requesting various documents from January 2012 to present. The U.S. Attorney's Office has advised us that the civil aspect of the investigation is a False Claims Act investigation focused on claims submitted by the centers for certain lab services. The Company is cooperating fully with the government's investigation and established a reserve of $19.0 million during the fourth quarter of 2018 relating to the Company's billing for lab services in West Virginia. In connection with the investigation, we expect to enter into a corporate integrity agreement with the Office of Inspector General imposing customary compliance obligations on our subsidiary, CRC Health. Changes in the reserve may be required in future periods as discussions with the government continue and additional information becomes available.

In the fall of 2017, the Office of Inspector General issued subpoenas to three of the Company's facilities requesting certain documents from January 2013 to the date of the subpoenas. The U.S. Attorney's Office for the Middle District of Florida issued a civil investigative demand to one of the Company's facilities in December 2017 requesting certain documents from November 2012 to the date of the demand. In April 2019, the Office of Inspector General issued subpoenas relating to six additional facilities requesting certain documents and information from January 2013 to the date of the subpoenas. The government's investigation of each of these facilities is focused on claims not eligible for payment because of alleged violations of certain regulatory requirements relating to, among other things, medical necessity, admission eligibility, discharge decisions, length of stay and patient care issues. The Company is cooperating with the government's investigation but is not able to quantify any potential liability in connection with these investigations.

On January 15, 2019, the Company paid $3.1 million in connection with a class action lawsuit filed in 2011 on behalf of the shareholders of PHC, Inc. d/b/a Pioneer Behavioral Health ("PHC") related to the merger of the Company with PHC.

15. Noncontrolling Interests

Noncontrolling interests in the consolidated financial statements represents the portion of equity held by noncontrolling partners in the Company's non-wholly owned subsidiaries. At March 31, 2019, the Company operated five facilities and owns between 60% and 85% of the equity interests, and noncontrolling partners own the remaining equity interests. The initial value of the noncontrolling interests is based on the fair value of contributions, and the Company consolidates the operations of each facility based on its equity ownership and its control of the entity. The noncontrolling interests are reflected as redeemable noncontrolling interests on the condensed consolidated balance sheets based on put rights that could require the Company to purchase the noncontrolling interests upon the occurrence of a change in control.

The components of redeemable noncontrolling interests are as follows (in thousands):

Balance at December 31, 2018	$28,806
Acquisition of redeemable noncontrolling interests	3,085
Net income attributable to noncontrolling interests	40
Balance at March 31, 2019	$31,931

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16. Other Current Assets

Other current assets consisted of the following (in thousands):

	March 31, 2019	December 31, 2018
Prepaid expenses	$ 20,807	$ 30,802
Other receivables	20,245	19,205
Cost report receivable	10,752	10,340
Workers' compensation deposits – current portion	10,000	10,000
Inventory	6,115	5,055
Income taxes receivable	5,119	2,380
Insurance receivable – current portion	2,049	2,049
Other	1,892	1,989
Other current assets	$ 76,979	$ 81,820

17. Other Accrued Liabilities

Other accrued liabilities consisted of the following (in thousands):

	March 31, 2019	December 31, 2018
Unearned income	$ 40,862	$ 32,154
Accrued expenses	40,235	44,938
Accrued legal settlements	17,075	22,076
Accrued interest	11,917	32,838
Finance lease liabilities	7,210	445
Income taxes payable	6,053	3,041
Insurance liability – current portion	4,956	4,956
Accrued property taxes	4,641	4,136
Other	2,023	6,642
Other accrued liabilities	$ 134,972	$ 151,226

18. Segment Information

The Company operates in one line of business, which is operating acute inpatient psychiatric facilities, specialty treatment facilities, residential treatment centers and facilities providing outpatient behavioral healthcare services. As management reviews the operating results of its U.S. Facilities and its U.K. Facilities separately to assess performance and make decisions, the Company's operating segments include our U.S. Facilities and U.K. Facilities. At March 31, 2019, the U.S. Facilities segment included 223 behavioral healthcare facilities with approximately 9,300 beds in 40 states and Puerto Rico, and the U.K. Facilities segment included 370 behavioral healthcare facilities with approximately 8,800 beds in the U.K.

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The following tables set forth the financial information by operating segment, including a reconciliation of Segment EBITDA to income before income taxes (in thousands):

	Three Months Ended March 31,	
	2019	2018
Revenue:		
U.S. Facilities	$487,960	$462,405
U.K. Facilities	272,657	279,836
Corporate and Other	—	—
	$760,617	$742,241
Segment EBITDA (1):		
U.S. Facilities	$119,008	$117,124
U.K. Facilities	40,056	51,152
Corporate and Other	(23,061)	(22,545)
	$136,003	$145,731

	Three Months Ended March 31,	
	2019	2018
Segment EBITDA (1)	$136,003	$145,731
Less:		
Equity-based compensation expense	(6,101)	(6,919)
Transaction-related expenses	(4,321)	(4,768)
Debt extinguishment costs	—	(940)
Interest expense, net	(48,130)	(45,243)
Depreciation and amortization	(40,580)	(39,773)
Income before income taxes	$36,871	$48,088

	U.S. Facilities	U.K. Facilities	Corporate and Other	Consolidated
Goodwill:				
Balance at January 1, 2019	$2,044,837	$351,575	$ —	$2,396,412
Increase from 2019 acquisitions	34,523	—	—	34,523
Increase from contribution of redeemable noncontrolling interests	3,085	—	—	3,085
Foreign currency translation gain	—	7,979	—	7,979
Balance at March 31, 2019	$2,082,445	$359,554	$ —	$2,441,999

	March 31,	December 31,
	2019	2018

Assets (2):		
U.S. Facilities	$3,950,684	$ 3,779,040
U.K. Facilities	2,633,347	2,175,809
Corporate and Other	201,486	217,655
	$6,785,517	$ 6,172,504

(1) Segment EBITDA is defined as income before provision for income taxes, equity-based compensation expense, transaction-related expenses, debt extinguishment costs, interest expense and depreciation and amortization. The Company uses Segment EBITDA as an analytical indicator to measure the performance of the Company's segments and to develop strategic objectives and operating plans for those segments. Segment EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. Segment EBITDA should not be considered as a measure of financial performance under GAAP, and the items excluded from Segment EBITDA are significant components in understanding and assessing financial performance. Because Segment EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, Segment EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

(2) Assets include property and equipment for the U.S. Facilities of $1.4 billion, U.K. Facilities of $1.7 billion and corporate and other of $42.9 million at March 31, 2019. Assets include property and equipment for the U.S. Facilities of $1.4 billion, U.K. Facilities of $1.7 billion and corporate and other of $44.9 million at December 31, 2018.

19. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows (in thousands):

	Foreign Currency Translation Adjustments	Change in Fair Value of Derivative Instruments	Pension Plan	Total
Balance at December 31, 2018	$ (504,528)	$ 43,966	$ (1,815)	$ (462,377)
Foreign currency translation gain (loss)	44,522	—	(41)	44,481
Loss on derivative instruments, net of tax of $(3.5) million	—	(8,690)	—	(8,690)
Balance at March 31, 2019	$ (460,006)	$ 35,276	$ (1,856)	$ (426,586)

20. Financial Information for the Company and Its Subsidiaries

The Company conducts substantially all of its business through its subsidiaries. The 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes and 6.500% Senior Notes are jointly and severally guaranteed on an unsecured senior basis by all of the Company's subsidiaries that guarantee the Company's obligations under the Amended and Restated Senior Credit Facility. Presented below is condensed consolidating financial information for the Company and its subsidiaries at March 31, 2019 and December 31, 2018, and for the three months ended March 31, 2019 and 2018. The information segregates the parent company (Acadia Healthcare Company, Inc.), the combined wholly-owned subsidiary guarantors, the combined non-guarantor subsidiaries and eliminations.

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Acadia Healthcare Company, Inc.

Condensed Consolidating Balance Sheets

March 31, 2019

(In thousands)

	Combined	
	Subsidiary	Combined
Parent	Guarantors	Non-