CROSS COUNTRY HEALTHCARE INC
Form 10-K
March 06, 2015

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, 2014

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 (State or other jurisdiction of incorporation or organization)	13-4066229 (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, 2014 of $6.52 as reported on the NASDAQ National Market, was $201,393,913. This calculation does not reflect a determination that persons are affiliated for any other purpose.

As of February 28, 2015, 31,931,356 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 2015 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 2015.

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 leading-edge healthcare recruiting, staffing, and workforce solutions. Through diversified offerings, we are able to meet the unique needs of each client. By utilizing our diversified healthcare solutions, clients are able to strategically flex their workforce, streamline their purchasing needs, access specialties not available in their local area, and access quality healthcare personnel to provide continuity of care for improved patient outcomes. Our solutions are geared towards assisting our clients to solve their labor cost issues while maintaining high quality outcomes.

Our workforce solutions include:

- managed service programs (MSP);
- electronic medical record (EMR) transition staffing;
- internal resource pool (IRP) consulting and development;
- recruitment process outsourcing (RPO);
- predictive modeling analysis to assist in forecasting labor needs;
- payrolling;
- traditional recruiting and staffing of temporary and permanent placement of travel nurses and allied professionals, branch-based local nurses and allied staffing and locum tenens physicians; and
- education and training programs, and retained and contingent search services.

We service a variety of clients, including public and private acute care hospitals, government facilities, schools, outpatient clinics, ambulatory care facilities, physician practice groups, retailers and many other healthcare providers. Our business currently consists of three business segments: (1) Nurse and Allied Staffing, (2) Physician Staffing and (3) Other Human Capital Management Services. Our fees are paid directly by our clients and in certain instances by vendor managers. As a result, we have no direct exposure to Medicare or Medicaid reimbursements.

In December 2013, we acquired the assets of On Assignment, Inc.’s Allied Healthcare Staffing division, and in June 2014 we acquired substantially all of the assets and certain liabilities of Medical Staffing Network Healthcare, LLC ("MSN"). These acquisitions allowed us to: (1) add new skillsets to our traditional staffing offerings, (2) expand our local branch network, which has allowed us to expand our local market presence and our MSP business, (3) 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, and (4) better position us to take additional market share at our MSP accounts. Subsequent to the MSN

acquisition, we centralized billing, payroll, credentialing, and other back office functions of the acquired businesses to realize cost savings. In addition, we successfully migrated these operations onto a common information system platform with our local branch network for efficiency purposes. For more information on this acquisition, see Note 3 - Acquisitions to the consolidated financial statements contained elsewhere in this report.

Our operations reflect a diversified revenue mix across healthcare customers. For the full year 2014, our revenue from continuing operations was $618 million. Our Nurse and Allied Staffing business segment was 74% of revenue and is comprised of travel nurse, travel allied and branch-based local nurse and allied staffing. Our Physician Staffing business segment was 20% of our revenue and consists of physician staffing services with placements across multiple specialties. Our Other Human Capital Management Services business segment was 6% of our revenue and consists of education and training, as well as retained and contingent search services primarily for physicians and healthcare executives. On a company-wide basis, we have more than 6,000 active contracts with healthcare clients, and we provide our staffing services and workforce solutions in all 50 states. In 2014, no client accounted for more than 10% of our revenue. For additional financial information concerning our business segments see Note 17 - Segment Information to the consolidated financial statements, contained elsewhere in this report.

Competition

The principal competitive factors in attracting and retaining healthcare clients nationally in our nurse, allied, and physician staffing businesses include: timely filling client needs, price, customer service, quality assurance and screening capabilities, understanding the client’s work environment, risk management policies, insurance coverage, and general industry reputation. The principal competitive factors in attracting qualified healthcare professionals for temporary employment include: a large national pool of desirable assignments, pay and benefits, speed of placements, customer service, quality of accommodations, and overall industry reputation. We focus on retaining healthcare professionals by providing high-quality customer service, long-term benefits (to employees), and occurrence-based medical malpractice insurance.

We believe we are one of the two largest full-service healthcare staffing providers with a national footprint, as the market is very fragmented with many regional and local competitors. Similarly, we compete against many small to moderate size locum tenens physician staffing companies on a regional and local basis and only a few nationally. 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 and education and training programs in the healthcare marketplace. Some of our competitors in the healthcare staffing, workforce solutions, education and search businesses include: AMN Healthcare Services, Inc., CHG Healthcare Services, Maxim Healthcare, Jackson Healthcare, Team Health, Parallon, MedAssets, PESI Healthcare and Witt Kiefer.

We believe we benefit competitively from the following:

Breadth of Services Offered and Workforce Solutions. We are able to offer an end-to-end suite of services and workforce solutions to our healthcare clients for today's environment. We customize our workforce solutions to meet their unique needs, and we have expertise in and have developed best practices from working with a large variety of healthcare clients throughout the country for many years.

Managed Service Provider Capabilities. By leveraging technology and our single-point of contact service model, we are
able to provide managed service programs to our clients. We provide strategic and operational advantages for our healthcare clients by streamlining processes. We efficiently manage candidate hiring, simplify contracting and billing, provide consistent quality credential verification and candidate testing, and drive improved usages through tracking and

trending reports.

Expansive National Footprint. We have more than 70 locations throughout the United States, which allow us to cross-sell opportunities to both travel and per diem clients. In addition, the local branch network is available to provide per diem healthcare professionals to our MSP clients in their markets.

Brand Recognition. We go to market with four businesses using a variety of brands which are well-recognized among leading hospitals and healthcare facilities and many healthcare professionals. These four 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 6,000 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. In 2014, more than 17,000 healthcare professionals applied with us through our differentiated nursing and allied healthcare recruitment brands. 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.

Certifications. The staffing businesses of our Cross Country Staffing and Medical Staffing Network 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, is certified by the National Committee of Quality Assurance -- one of only a handful of competitors to achieve such certification.

Experienced Management Team. On average, our management team has more than 17 years of staffing experience. Led by our CEO, a 30-year staffing industry veteran who joined the Company in April 2013, the Company has undergone leadership changes and strengthened its leadership team by bringing in experienced executives.

Demand and Supply Drivers

Demand Drivers

Growing U.S. Population and Increased Life Expectancy. One long-term macro driver of our business is demographic in nature -- a growing U.S. population. The U.S. Census Bureau projects the American population will cross the 400 million mark in 2051, reaching 420.3 million in 2060. (U.S. Census Bureau). In addition to this increased number of people who will seek healthcare, the life expectancy of the U.S. population has continued to increase from 76.64 years in 2000 to 78.74 just twelve years later in 2012 due in large part to significant progress in the prevention, diagnosis, and treatment of certain diseases.

Aging U.S. Population. Utilization of healthcare services is higher among older people, and the number of people age 65 and older is projected to more than double from 43.1 million in 2012 to 92 million in 2060 -- while over this same period the number of people age 85 and older is projected to more than triple from 5.9 million to 18.2 million or 4.3% of the total population (U.S. Census Bureau). As of 2012, baby boomers already made up 24.3% of the total U.S. population, and by December 31, 2029, the last of the boomers will turn 65 (CNN Library, September 1, 2014). Based on the most recent data from a 2010 report by the U.S. Department of Health and Human Services, there were over 1 billion physician office, hospital outpatient and emergency department visits in the United States in 2010. 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.

Healthcare Reform Increases Healthcare Utilization. We believe the Patient Protection and Affordable Care Act of 2010 (“ACA”) is beginning to increase the demand for healthcare professionals in order to accommodate the significant number of new patients who are beginning to use these health benefits. In January 2014, two major ACA coverage expansion programs started helping consumers pay for healthcare: one provides for federal funding to states that expand Medicaid eligibility and the other established the public health exchange program that allows consumers to buy “qualified health plan coverage" from private insurers. In May 2014, three of the largest publicly-traded hospital systems in the U.S. reported the Medicaid expansion program is having a positive effect on hospital admissions in Medicaid expansion states, and admissions of uninsured patients and patients who would be depending on charity fell in Medicaid expansion states and increased slightly in non-expansion states. Over time, more people are expected to respond to the new coverage options, and enrollment is projected to increase sharply in 2015 and 2016. Starting in 2017, between 24 million and 25 million people are expected to obtain coverage each year through exchanges (May 2013 Report by U.S. Congressional Budget Office). The Center for Medicaid and Medicare Services estimates total

health spending will be approximately 19.9% of the country’s gross domestic product (GDP) by 2022 (December 2013, Center for Medicaid and Medicare Services). We believe the decrease in uninsured admissions will ultimately provide relief to hospitals' profitability, which will allow them to raise staffing levels in order to meet the increased volume of patients and reach the prescribed quality benchmarks.

Lower Unemployment. After declining in the first quarter of 2014, the U.S. GDP surged over the second and third quarters (December 2014 U.S. Healthcare Staffing Growth Assessments, by Staffing Industry Analysts). In 2014, a total of 2.94 million jobs were added, with 311,000 healthcare jobs accounting for almost 11% of the total jobs. December 2014 also marked the 11th consecutive month of job gains above 200,000 - the longest stretch since 1994. In addition, in December 2014 the unemployment rate was 5.6% - the lowest rate since June 2008, which should

increase the number of people with employer-sponsored health insurance. (January 9, 2015, U.S. Bureau of Labor and Statistics Employment Report). As a result, we expect the recovering economy 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.

Rise in Use of Temporary Workforce. The penetration of temporary workers is at an all-time peak of 2.13%, up 11 basis points since December 31, 2013 and up 61 basis points since December 31, 2008 (U.S. Bureau of Labor Statistics). We believe contingent labor is being used more 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 impact of ACA and the improving economy have 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.

Ambulatory Care. In 2013, ambulatory services employed 45% of healthcare workers compared to 33% employed by hospitals, a 2% increase since 2012. Employment by ambulatory centers grew nearly 15% from 2008 to 2013, compared to hospital employment which grew only 4% during the same period (U.S. Healthcare Staffing Growth Assessment, Staffing Industry Analyst, December 2014). We believe the ambulatory care market provides a robust area of growth for healthcare staffing agencies with a strong local market presence, as well as agencies that are able to provide Advanced Practitioners, such as Nurse Practitioners and Physicians Assistants, who frequently provide oversight in ambulatory settings.

Electronic Medical Records Implementations. Many hospitals and physician groups continue to undergo EMR implementations. We believe the demand for our staffing services will continue to be positively impacted in the short term from new deadlines adopted by CMS regarding EMR implementations, because hospitals often use temporary staff to fill in for permanent staff being trained on new technologies. Stage 2 compliance for EMR implementations has been extended through the end of 2016 for "meaningful use" for Medicare and Medicaid EMR Incentive Programs, and Stage 3 has been 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).

Nursing Shortage. Assuming registered nurses continue to train at current levels (accounting for both new entrants and attrition), the national RN supply is expected to grow from 2,897,000 full-time equivalents (FTEs) in 2012 to 3,849,000 FTEs in 2025. The nationwide demand for registered nurses, however, is projected to grow by only 21% (U. S. Department of Health and Human Services, December 2014). However, projections at the national level do 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 shortage of RNs by 2025 (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 improving economy, the uncertain level of newly insured individuals into 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 once the economy fully recovers.

Physician Shortage. The U.S. Department of Health and Human Services estimates that the physician supply will increase by only 7% in the next 10 years, however, demand for physicians is projected to grow 29.7% between 2008 and 2025, from 706,500 to 916,000, according to the Association of American Medical Colleges (AAMC) Center for Workforce Studies (June 2010). 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 more than 90,000 primary care, surgical and medical specialty physicians by 2020 - a number that will grow to more

than 130,000 by 2025, according to analysis by the AAMC (June 2010). The AAMC 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.

Physicians Seeking Full-Time Employment. Hospitals are seeking to gain market share by increasing their referral base and capturing admissions while physician practices are facing a combination of factors that include: stagnant or declining reimbursement rates, increased regulatory burden, rising costs, greater risk associated with operating a

private practice, and an increased desire for a better work-life balance. Becoming hospital staff provides a physician with financial certainty and the ability to focus more on practicing medicine. Over the long term, we believe this shift in employment will increase demand for locum tenens physicians, because hospitals will need to fill open positions when these staff physicians take vacation time, leaves of absence, and attend continuing education seminars. Generally speaking, employed physicians are expected to offer fewer hours of service than their self-employed counterparts, which may further exacerbate the shortage of physicians. In addition, we believe this shift in employment will also create more demand for our physician search business as hospitals seek to fill more permanent positions.

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.

Economic Growth. Many RNs who entered the workforce during the economic downturn are likely to leave their jobs once the economy fully recovers (New England Journal of Medicine, April 2012). In connection with a statement by the Tri-Council of Nursing (July 2010), Dr. Peter Buerhaus, Associate Dean of Vanderbilt University’s School of Nursing, stated that once the jobs recovery begins and RNs’ spouses rejoin the labor market, many currently employed RNs could leave the workforce and their exit could be swift and deep. This includes many of the more than 100,000 RNs over the age of 50 that re-entered the workforce during 2007 and 2008, who are a part of the nearly 900,000 working RNs over the age of 50, of which Buerhaus expects large numbers of them to retire in the years ahead - independent of the pace and intensity of a jobs recovery. As these RNs leave permanent positions and transition to retirement, many may seek temporary or flexible assignments with travel or branch-based local staffing agencies to supplement their retirement income. In addition, we believe as the volume of orders for temporary positions increase and as wages increase, many staff nurses will have confidence to enter the travel nurse market and improve 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 seeking assignments with staffing agencies.

Increase in Number of Younger RN Graduates. In 2011, Dr. Buerhaus 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). This reflects an estimated 86% increase in the annual number of RN-BSN graduates, and a 67-percent increase in graduate degree awards, over just the past four years. (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 are 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 and avoid 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 vacation time from full-time staff jobs in order to earn extra money and repay student loans, 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. Physicians are increasingly becoming 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, 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 increase supply for our physician search business as physicians look for permanent employment with hospitals or health systems.

Retiring Physicians. The AAMC projects that the number of physicians will only increase 12.3% reflecting expectations that nearly one-third of all physicians will retire in the next decade and enrollments in medical schools will not be enough to meet demand just as more people will need health care. As these physicians leave permanent positions and transition to retirement, we believe many may seek temporary or flexible assignments to supplement their retirement income and maintain their skills which will increase the supply of physicians for locum tenens assignments.

Our Business Strategy

Our long-term business strategy is to expand our market share and profitability by executing the following four (4) key elements:

Strengthening and expanding current and new client relationships with hospitals and healthcare facilities by delivering innovative workforce solutions. We deliver flexible workforce solutions customized to meet the unique needs of each client. Our full suite of service offerings include: MSP services, EMR transition staffing, IRP consulting and development, RPO services, payrolling optimal workforce solutions, and predictive analytics. Each of our businesses enjoy strong customer relationships that may serve as a platform to sell our workforce solutions. As a result, we continue to invest in sales and marketing to increase market share through cross-collaboration of our businesses.

Using our expansive branch network to improve our fill rate at current MSP accounts and expand our MSP offerings in the ambulatory care market. 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 and (ii) sell our MSP services to clients of our branch-based network.

Growing our network of healthcare professionals by investing in technology initiatives and delivering quality customer service. 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 hospital customers and healthcare professionals. We continue to invest in mobile and online technologies to increase our ability to attract and retain healthcare professionals. We believe providing communication options for our customers and healthcare professionals will strengthen our relationships with them and further enhance our delivery of high quality customer service.

Making strategic and disciplined acquisitions in high growth, high margin businesses 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.

6

Business Overview

Services Provided

Nurse and Allied Staffing Segment

Our 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™ brand. We provide flexible workforce solutions to the healthcare market through diversified offerings designed to meet the special needs of each client, including: MSP services, EMR implementation and transition staffing, IRP consulting and development, RPO services, optimal workforce solutions, payrolling, and predictive modeling. Our clients include: public and private acute care hospitals, government facilities, 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 Information to the consolidated financial statements.

The majority of our revenue is generated from staffing RNs 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 RNs, licensed practical nurses, and certified nurse assistants on per diem and short-term assignments through our national network of local branch offices. We also provide travel allied professionals on long-term contract assignments to hospitals, schools and skilled nursing facilities under the Cross Country Staffing® brand, and we provide more than 100 specialties of allied professionals on local per diem and short-term assignments in a variety of clinical settings.

Physician Staffing Segment

We provide physicians in many specialties, certified registered nurse anesthetists (CRNAs), nurse practitioners (NPs) and physician assistants (PAs) under our Medical Doctor Associates™ (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 Information to the consolidated financial statements.

Other Human Capital Management Services

We provide education and training programs to the healthcare industry and we also provide retained and contingent search services for physicians and healthcare executives. The revenue and operating income of our Other Human Capital Management Services Segment is set forth in “Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements - Note 17.”

Our Cross Country Education® (CCE) subsidiary, headquartered in Brentwood, Tennessee, offers “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. CCE is an approved provider of continuing education with more than 30 professional healthcare associations, and also works with national and state boards and associations. CCE is expanding its online presence and intends to continue to move toward a greater offering of blended learning opportunities for a

professional that combines live seminar offerings with audio and e-learning products.

Our Cejka Search® (Cejka) subsidiary is headquartered in Creve Coeur, Missouri. Cejka has been a leading physician, executive, 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 (ACOs), managed care and other healthcare organizations.

Our Business Model

We have developed and will continue to focus our business model on growing market share and achieving greater profitability through higher efficiencies, all while continuing to offer the highest possible quality services to our healthcare facilities and our healthcare workers and physicians.

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 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. Our benefits may include professional liability insurance, 401(k) plan, health insurance, reimbursed travel, per diem allowances and housing. In 2014, more than 17,000 nurse and allied healthcare professionals applied with us through our recruitment brands. 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 hospital 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 to provide medical services at MDA’s healthcare customers. Each physician 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 are engaged to provide medical services for a healthcare customer ranging from a few days up to a year. We believe our physicians are attracted to us because we offer a wide variety of assignments, competitive fees, occurrence-based medical malpractice insurance and excellent customer service. MDA is one of the largest multi-specialty physician staffing companies that has procured an occurrence-based professional liability policy that provides coverage in all 50 states from a national insurance company. We believe this is an important competitive advantage for MDA in the recruitment of physicians as it covers incidents occurring during the policy period regardless of when they are reported. 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 and healthcare facility clients using our Cross Country Staffing® (CCS), Medical Staffing Network™, and Allied Health Group brands. CCS typically contracts with our nurse and allied healthcare clients on behalf of itself and all of our other 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 to the healthcare market through diversified offerings meeting the special needs of each client. Our services include: MSP services, EMR transition staffing and upgrading, IRP consulting and development, RPO services, optimal workforce solutions,

and predictive modeling. Our clients include: public and private acute-care and non-acute care hospitals, government facilities, schools, outpatient clinics, ambulatory care facilities, physician practice groups, retailers, and many other healthcare providers. 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 clinical settings and culture, submit candidate profiles to clients, and confirm offers and placements with the healthcare facility. In 2014, the market for Nurse and Allied Staffing was estimated to be approximately $7.6 billion, of which $1.9 billion was travel nursing, $2.8 billion was per diem staffing and $2.9 billion was allied healthcare staffing (U.S. Healthcare Staffing Growth Assessment, Staffing Industry Analyst, December 2014).

MDA markets its physician staffing operations to hospitals and other healthcare facilities on a national basis. We believe we attract physicians based on our wide variety of open positions in various specialties at locations throughout the United States, as well as our excellent long-standing reputation. 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. Historically, our locum tenens business operated as a single desk model, with recruiters responsible for recruiting physicians, sourcing open positions, and collecting amounts due from customers. In late 2014, however, MDA transitioned to a split desk model with regional sales associates and a shared team of specialist recruiters.

CCE primarily recruits independent contractor speakers for its in-person continuing education and training seminars through its website and trade journal advertisements. Seminar attendees are recruited through direct mail marking and CCE's website. Based on responses to its marketing efforts, CCE identifies venues for its in-person seminars throughout the United States. Once venues are identified, CCE's meeting planners rent space to hold the seminars and they schedule travel and hotels for the independent contractors to deliver the seminars. CCE receives revenue from attendees and pays the independent contractors a fee for each seminar based on attendance.

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. Cejka identifies candidates to fill retained and contingent search positions using social networking, client referrals, and various other marketing technologies. Utilizing their expertise, Cejka's consultants review the specific skillsets necessary for a particular position and identify candidates who meet those particular needs. Cejka performs educational and reference checks, as well as other credentialing items specifically requested by healthcare clients as part of its placement services.

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 and aptitude to meet the day-to-day requirements and challenges they would typically encounter on assignments where they are placed. 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. The 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.

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

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; Malden, Massachusetts; Tampa, Florida; Newtown Square, Pennsylvania; and Berkeley Lake, Georgia. In addition to the key sales and recruitment activities, 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. At December 31, 2014, we had more than 70 branch office locations.

CCE conducts its operations at its offices in Brentwood, Tennessee; and Cejka Search operates its business from its headquarters located in Creve Coeur, Missouri. These businesses operate relatively independently, other than certain

ancillary services that are provided from our Boca Raton, Florida headquarters, such as payroll for corporate employees, sales, legal, finance, and information systems support. Payroll of corporate personnel is provided on a centralized basis to both of these businesses from our Malden, Massachusetts office.

Information Systems

Our placement and support operations are enhanced by sophisticated information systems that facilitate interaction between our recruitment and support activities. Our proprietary and hosted information systems enable us to manage virtually all aspects of our operations. We believe these systems can accommodate significant future growth of our business. In addition, their scalable design allows further capacity to be added to the existing hardware platform. Our systems provide support to our facility clients, field employees and independent contractors, and enable us to efficiently fulfill and renew job assignments. Our systems also provide detailed information on the status and skillset of each candidate and independent contractor. In addition to our domestic information systems team, certain software development and information technology support is provided by our employees based in Pune, India.

Our financial, management reporting and human resources systems are managed on leading enterprise resource planning software suites that provides modules used to manage our accounts receivable, accounts payable, general ledger, billing and human resources. These systems are designed to accommodate future growth in our business.

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 experts from our third party administrator on certain claims, as well as 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 health care 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 health care 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 by us for those claims.

The Company maintains a number of insurance policies including general liability, automobile liability and employers' liability; each with excess liability coverage. We also maintain workers' compensation, fidelity, fiduciary, directors and officers, 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. We also own a captive insurance company domiciled in the Cayman Islands that insures a portion of each medical malpractice claim brought against our physicians or MDA. 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, 2014, we had approximately 1,630 corporate employees. During 2014, we employed an average of 6,311 full-time equivalent field employees in our Nurse and Allied Staffing pro forma for the MSN acquisition. During 2014, we utilized approximately 1,520 independent contractors in our Physician Staffing business. We are not subject to a collective bargaining agreement with any of our 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 affect our ability to provide attractive assignments to our healthcare professionals thereby reducing our profitability.

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. 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 have seen 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 6,000 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 have a negative impact on our profitability. In addition, an increase in other incremental costs beyond our control, such as insurance, unemployment rates, etc. 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.

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 without a decrease in demand for temporary employees. 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 Affordable Care Act was signed into law on March 23, 2010 and later amended on March 30, 2010 (ACA). 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 adverse impact the reimbursement our customers receive under these programs. In addition, the ACA remains subject to legislative efforts to repeal or modify the law and a number of court challenges to its constitutionality and interpretation. For example, the U.S. Supreme Court will hear King v. Burwell during the 2015 session, which challenges the extension of premium subsidies to health insurance policies purchased through federally-operated health insurance exchanges. If decided in favor of the plaintiffs, who argue that subsidies must be limited to state-operated exchanges, it could be more difficult for uninsured individuals in states that do not operate an exchange to purchase coverage and otherwise significantly affect implementation of the ACA, in a manner that results in less than projected of newly insured individuals. Finally, 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.

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 (both domestic and foreign), 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 for future periods.

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. 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 25,500 shares of common stock were issued and outstanding as of February 28, 2015. In addition, 774,170 stock appreciation rights were issued and outstanding as of February 28, 2015, 509,923 of which were vested. Shares of restricted stock outstanding as of February 28, 2015, were 637,218. 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.

We are dependent on the proper functioning of our information systems in operating our business. 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. With the MSN acquisition, we migrated our existing branch-based business to the MSN platform. We are currently evaluating the technology platforms of our other businesses. If the systems fail or are otherwise unable to function in a manner that properly support our business operations, or if these systems require significant costs to repair, maintain or further

develop, 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, 2014 (amounts in thousands)
Total principal amount of debt	$58,500
Total Cross Country Healthcare, Inc. stockholders' equity	$129,878

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 all 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. However, if 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, 2014, goodwill, trade names, and other identifiable intangible assets not subject to amortization represented 39.6% of our total assets. In 2014 and 2013, we recorded impairment charges of $10.0 million and $6.4 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 certified registered nurse anesthetists 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, 2015 are listed below.

Location	Function	Square Feet	Lease Expiration
Boca Raton, Florida	Headquarters and Nurse and Allied Staffing administration	70,406	May 1, 2018
Boca Raton, Florida	Staffing administration	44,675	December 31, 2015
Berkeley Lake, Georgia	Physician Staffing office	41,607	October 7, 2024
Creve Coeur, Missouri	Retained search headquarters	27,051	June 14, 2017
Malden, Massachusetts	Nurse and Allied Staffing administration and general office use	22,767	June 30, 2017
Pune, India	In-house information systems and development support	20,700	November 30, 2015
Brentwood, Tennessee	Education and training headquarters	16,884	August 31, 2017
Newtown Square, Pennsylvania	Nurse and Allied Staffing administration and general office use	16,304	December 31, 2018

Item 3. Legal Proceedings.

The Company is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the outcome of these other matters will not have a significant effect on the Company's consolidated financial position or results of operations.

PART II

Item 4. Mine Safety Disclosures.

This item is not applicable to the Company.

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.

	Sale Prices	
Calendar Period	High	Low
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
2013		