

December 13, 2011

Office of the Secretary  
PCAOB  
1666 K Street, NW.  
Washington, D.C. 20006-2803

**Re: PCAOB Rulemaking Docket Matter No. 37: Concept Release on Auditor Independence and Audit Firm Rotation**

Dear Chairman Doty:

Healthways, Inc. would like to provide comments on The Public Company Accounting Oversight Board ("PCAOB") Rulemaking Docket Matter No. 37 - Concept Release on Auditor Independence and Audit Firm Rotation.

While acknowledging the immutable role that auditor independence, objectivity and professional skepticism play in ensuring the quality of audits, we offer a pragmatic assessment of the impact that we believe the proposal for mandatory audit firm rotation will have in improving the quality of public company audits. In fact, we believe that in certain situations the quality and cost efficiency of audits could suffer if the proposal is enacted. To this end we offer specific examples that we believe illustrate the potential adverse consequences of the proposal.

Healthways, Inc. (Healthways) is an industry pioneer in the field of health and wellness services, has a market capital of less than \$250 million and is headquartered in Nashville, Tennessee. Nashville is, we believe, a market characterized by varying degrees of healthcare industry experience and scale by the national auditing firms. Due to the concentration of healthcare companies within Nashville and the qualifications of our audit committee, we feel comfortable that the audit committee has the ability to assess the industry expertise held by local auditors of the national firms.

Unlike major markets in which national firms maintain an arsenal of industry specific resources, we believe that mandatory audit firm rotations could ultimately result in retaining client service teams with less specific industry experience. This is an unwanted byproduct of the proposal.

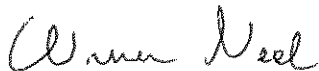
We have placed emphasis on an efficient and effective audit process. We believe our ability to achieve and maintain these efficiencies and the effectiveness would be impaired upon the advent of mandatory audit firm rotation. These efficiencies and effectiveness are achieved due to the depth of knowledge our current audit firm has of our processes and personnel and would not easily be duplicated in the early years of the engagement of a new audit firm.

Also, our recent experience with respect to the continuity of audit team leadership on our engagement illustrates that the retention of core lower and mid-level audit team members combined with periodic unscheduled team turnover and required partner rotation can effectively replicate an audit firm rotation and provide a fresh look while preserving the continuity and knowledge base developed over the term of the relationship to help ensure the desired effectiveness and efficiencies. Specifically, we have experienced turnover at the partner level in the last six months and obtained a fresh look by the new partner while maintaining a high level of audit quality and efficiency without unnecessary disruption to Healthways personnel due to continuity at other staff levels. We believe the inevitable unscheduled turnover combined with the existing rules on partner rotation serve to ensure that the client auditor relationship is periodically refreshed without a dogmatic decree that audit firm rotation be implemented to achieve the same effect.

Finally, in addition to the items above, we would add that we believe our qualified and engaged audit committee to be fully equipped to hire the auditor and oversee the audit engagement and that this responsibility should not be circumscribed to a mandatory audit firm rotation, which could be costly, disruptive and impair audit quality.

We very much appreciate your willingness to consider these comments and would be pleased to discuss further if so desired.

Regards,



C. Warren Neel  
Chairman of Audit Committee



Alfred Lumsdaine  
Chief Financial Officer