

Section 1: 10-Q (10-Q)

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2019

OR

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

For the transition period from _____ to _____

Commission file number: 001-33989

LHC Group, Inc

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

71-0918189
(I.R.S. Employer
Identification No.)

901 Hugh Wallis Road South
Lafayette, LA 70508
(Address of principal executive offices including zip code)

(337) 233-1307
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value of \$0.01	LHCG	NASDAQ Global Select Market

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

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

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

growth company" in Rule 12b-2 of the Exchange Act.

[Table of Contents](#)

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Number of shares of common stock, par value \$0.01, outstanding as of November 4, 2019: 31,510,944 shares.

LHC GROUP, INC.
INDEX

	Page
Part I. Financial Information	
<hr/>	
Item 1. Condensed Consolidated Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets — September 30, 2019 and December 31, 2018	4
Condensed Consolidated Statements of Income — Three and nine months ended September 30, 2019 and 2018	5
Condensed Consolidated Statements of Changes in Equity — Nine months ended September 30, 2019 and 2018	6
Condensed Consolidated Statements of Cash Flows — Nine months ended September 30, 2019 and 2018	8
Notes to Condensed Consolidated Financial Statements	9
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3. Quantitative and Qualitative Disclosures About Market Risk	41
Item 4. Controls and Procedures	41
Part II. Other Information	
<hr/>	
Item 1. Legal Proceedings	42
Item 1A. Risk Factors	42
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	42
Item 6. Exhibits	43
Signatures	44

PART I — FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)
(Unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash	\$ 29,302	\$ 49,363
Receivables:		
Patient accounts receivable	288,114	252,592
Other receivables	11,205	6,658
Amounts due from governmental entities	963	830
Total receivables	300,282	260,080
Prepaid income taxes	1,316	11,788
Prepaid expenses	19,994	24,775
Other current assets	22,140	20,899
Total current assets	373,034	366,905
Property, building and equipment, net of accumulated depreciation of \$66,219 and \$55,253, respectively	84,288	79,563
Goodwill	1,216,227	1,161,717
Intangible assets, net of accumulated amortization of \$16,127 and \$15,176, respectively	304,517	297,379
Assets held for sale	2,500	2,850
Operating lease right of use asset	95,427	—
Other assets	21,871	20,301
Total assets	\$ 2,097,864	\$ 1,928,715
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 76,458	\$ 77,135
Salaries, wages, and benefits payable	105,582	84,254
Self-insurance reserves	31,798	32,776
Current operating lease liabilities	29,362	—
Current portion of long-term debt	—	7,773
Amounts due to governmental entities	1,249	4,174
Total current liabilities	244,449	206,112
Deferred income taxes	50,200	43,306
Income taxes payable	3,582	4,297
Revolving credit facility	232,000	235,000
Long term notes payable	—	930
Operating lease payable	70,109	—
Total liabilities	600,340	489,645
Noncontrolling interest — redeemable	15,594	14,596
Stockholders' equity:		
LHC Group, Inc. stockholders' equity:		
Preferred stock — \$0.01 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock — \$0.01 par value; 60,000,000 shares authorized; 35,857,938 and 35,636,414 shares issued in 2019 and 2018, respectively	359	356
Treasury stock — 5,060,266 and 4,958,721 shares at cost, respectively	(58,796)	(49,374)
Additional paid-in capital	945,575	937,968
Retained earnings	501,898	427,975
Total LHC Group, Inc. stockholders' equity	1,389,036	1,316,925
Noncontrolling interest — non-redeemable	92,894	107,549
Total equity	1,481,930	1,424,474

Total liabilities and equity

\$ 2,097,864

\$ 1,928,715

See accompanying notes to condensed consolidated financial statements.

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net service revenue	\$ 528,499	\$ 507,043	\$ 1,548,926	\$ 1,300,121
Cost of service revenue	334,768	322,196	981,620	831,818
Gross margin	193,731	184,847	567,306	468,303
General and administrative expenses	146,829	149,572	440,634	390,817
Other intangible impairment charge	197	345	7,534	1,123
Operating income	46,705	34,930	119,138	76,363
Interest expense	(2,596)	(3,264)	(8,533)	(7,916)
Income before income taxes and noncontrolling interest	44,109	31,666	110,605	68,447
Income tax expense	9,508	6,685	22,665	14,832
Net income	34,601	24,981	87,940	53,615
Less net income attributable to noncontrolling interests	4,534	3,751	14,017	10,593
Net income attributable to LHC Group, Inc.'s common stockholders	\$ 30,067	\$ 21,230	\$ 73,923	\$ 43,022
Earnings per share:				
Basic	\$ 0.97	\$ 0.69	\$ 2.39	\$ 1.63
Diluted	\$ 0.96	\$ 0.68	\$ 2.37	\$ 1.61
Weighted average shares outstanding:				
Basic	30,971	30,750	30,919	26,393
Diluted	31,247	31,084	31,203	26,641

See accompanying notes to the condensed consolidated financial statements.

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands, except share data)
(Unaudited)

	Common Stock				Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest Non Redeemable	Total Equity
	Issued		Treasury					
	Amount	Shares	Amount	Shares				
Balance as of December 31, 2018	\$ 356	35,636,414	\$ (49,374)	4,958,721	\$ 937,968	\$427,975	\$ 107,549	\$1,424,474
Net income	—	—	—	—	—	18,856	1,686	20,542
Acquired noncontrolling interest	—	—	—	—	—	—	820	820
Noncontrolling interest distributions	—	—	—	—	—	—	(6,799)	(6,799)
NCI acquired, net of sales	—	—	—	—	—	—	(18,000)	(18,000)
Nonvested stock compensation	—	—	—	—	1,804	—	—	1,804
Restricted share grants	2	174,562	—	—	—	—	—	2
Treasury shares redeemed to pay income tax	—	—	(7,577)	85,509	(115)	—	—	(7,692)
Issuance of common stock under Employee Stock Purchase Plan	—	5,357	—	—	478	—	—	478
Balance as of March 31, 2019	\$ 358	35,816,333	\$ (56,951)	5,044,230	\$ 940,135	\$446,831	\$ 85,256	\$1,415,629
Net income	—	—	—	—	—	25,000	1,897	26,897
Acquired noncontrolling interest	—	—	—	—	—	—	6,170	6,170
Noncontrolling interest distributions	—	—	—	—	—	—	(2,026)	(2,026)
NCI acquired, net of sales	—	—	—	—	(1,283)	—	531	(752)
Nonvested stock compensation	—	—	—	—	2,588	—	—	2,588
Restricted share grants	—	17,145	—	—	—	—	—	—
Treasury shares redeemed to pay income tax	—	—	(942)	8,697	30	—	—	(912)
Issuance of common stock under Employee Stock Purchase Plan	—	4,301	—	—	453	—	—	453
Balance as of June 30, 2019	\$ 358	35,837,779	\$ (57,893)	5,052,927	\$ 941,923	\$471,831	\$ 91,828	\$1,448,047
Net income	—	—	—	—	—	30,067	1,479	31,546
Acquired noncontrolling interest	—	—	—	—	—	—	1,868	1,868
Noncontrolling interest distributions	—	—	—	—	—	—	(2,162)	(2,162)
NCI acquired, net of sales	—	—	—	—	819	—	(119)	700
Nonvested stock compensation	—	—	—	—	1,990	—	—	1,990
Restricted share grants	1	14,799	—	—	—	—	—	1
Treasury shares redeemed to pay income tax	—	—	(903)	7,339	234	—	—	(669)
Issuance of common stock under Employee Stock Purchase Plan	—	5,360	—	—	609	—	—	609
Balance as of September 30, 2019	\$ 359	35,857,938	\$ (58,796)	5,060,266	\$ 945,575	\$501,898	\$ 92,894	\$1,481,930

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)

	Common Stock				Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest Non Redeemable	Total Equity
	Issued		Treasury					
	Amount	Shares	Amount	Shares				
Balance as of December 31, 2017	\$ 226	22,640,046	\$ (42,249)	4,890,504	\$ 126,490	\$364,401	\$ 57,723	\$ 506,591
Net income	—	—	—	—	—	4,995	597	5,592
Acquired noncontrolling interest	—	—	—	—	—	—	1,235	1,235
Noncontrolling interest distributions	—	—	—	—	—	—	(615)	(615)
Sale of noncontrolling interest	—	—	—	—	(2,029)	—	5,583	3,554
Purchase of additional controlling interest	—	—	—	—	(44)	—	(12)	(56)
Nonvested stock compensation	—	—	—	—	1,601	—	—	1,601
Issuance of vested stock	2	165,567	—	—	(2)	—	—	—
Treasury shares redeemed to pay income tax	—	—	(3,467)	56,772	—	—	—	(3,467)
Issuance of common stock under Employee Stock Purchase Plan	—	5,534	—	—	332	—	—	332
Balance as of March 31, 2018	\$ 228	22,811,147	\$ (45,716)	4,947,276	\$ 126,348	\$369,396	\$ 64,511	\$ 514,767
Net income	—	—	—	—	—	16,797	1,390	18,187
Acquired noncontrolling interest	—	—	—	—	—	—	35,239	35,239
Noncontrolling interest distributions	—	—	—	—	—	—	(504)	(504)
Sale of noncontrolling interest	—	—	—	—	(591)	—	—	(591)
Nonvested stock compensation	—	—	—	—	2,318	—	—	2,318
Issuance of vested stock	—	10,818	—	—	—	—	—	—
Treasury shares redeemed to pay income tax	—	—	(628)	6,389	—	—	—	(628)
Merger consideration	127	12,765,288	—	—	795,278	—	—	795,405
Issuance of common stock under Employee Stock Purchase Plan	—	5,171	—	—	302	—	—	302
Balance as of June 30, 2018	\$ 355	35,592,424	\$ (46,344)	4,953,665	\$ 923,655	\$386,193	\$ 100,636	\$1,364,495
Net income	—	—	—	—	—	21,230	1,321	22,551
Acquired noncontrolling interest	—	—	—	—	—	—	1,671	1,671
Noncontrolling interest distributions	—	—	—	—	—	—	(544)	(544)
Purchase of additional controlling interest	—	—	—	—	7,705	—	(359)	7,346
Nonvested stock compensation	—	—	—	—	3,417	—	—	3,417
Issuance of vested stock	—	34,970	—	—	—	—	—	—
Treasury shares redeemed to pay income tax	—	—	(2,624)	4,758	—	—	—	(2,624)
Issuance of common stock under Employee Stock Purchase Plan	1	4,682	—	—	381	—	—	382
Balance as of September 30, 2018	\$ 356	35,632,076	\$ (48,968)	4,958,423	\$ 935,158	\$407,423	\$ 102,725	\$1,396,694

See accompanying notes to condensed consolidated financial statements.

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Operating activities:		
Net income	\$ 87,940	\$ 53,615
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	12,812	11,986
Amortization of operating lease right of use asset	22,952	—
Stock-based compensation expense	6,382	7,336
Deferred income taxes	8,102	2,915
Loss (gain) on disposal of assets	337	4
Impairment of intangibles and other	7,534	1,123
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(42,928)	(5,693)
Prepaid expenses and other assets	2,018	(7,489)
Prepaid income taxes	8,258	9,710
Accounts payable and accrued expenses	(4,668)	13,862
Income taxes payable	(715)	(313)
Net amounts due to/from governmental entities	(3,234)	(722)
Net cash provided by operating activities	104,790	86,334
Investing activities:		
Purchases of property, building and equipment	(15,401)	(18,889)
Cash paid for acquisitions, net of cash acquired	(54,120)	9,070
Net cash used in investing activities	(69,521)	(9,819)
Financing activities:		
Proceeds from line of credit	84,000	292,084
Payments on line of credit	(87,000)	(300,884)
Proceeds from employee stock purchase plan	1,540	1,015
Payments on debt	(7,650)	(196)
Payments on deferred financing fees	—	(1,881)
Noncontrolling interest distributions	(18,944)	(8,720)
Withholding taxes paid on stock-based compensation	(9,422)	(6,719)
Purchase of additional controlling interest	(18,763)	(412)
Exercise of options	153	—
Sale of noncontrolling interest	756	3,322
Net cash used in financing activities	(55,330)	(22,391)
Change in cash	(20,061)	54,124
Cash at beginning of period	49,363	2,849
Cash at end of period	\$ 29,302	\$ 56,973
Supplemental disclosures of cash flow information:		
Interest paid	\$ 8,549	\$ 6,127
Income taxes paid	\$ 8,015	\$ 2,929

Non-cash operating activity: The Company recorded \$115.2 million in operating lease right of use assets in exchange for lease obligations.

Non-cash investing activity: The Company accrued \$1.5 million for capital expenditures primarily related to the home office expansion project at the nine months ended September 30, 2019.

See accompanying notes to condensed consolidated financial statements.

LHC GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

LHC Group, Inc. (the "Company") is a health care provider specializing in the post-acute continuum of care. The Company provides home health services, hospice services, home and community-based services, facility-based services, the latter primarily through long-term acute care hospitals ("LTACHs"), and healthcare innovations services ("HCI").

On April 1, 2018, the Company completed a "merger of equals" business combination (the "Merger") with Almost Family, Inc. ("Almost Family"). As a result, the financial results of the Company for the three and nine month periods in 2019 include the operating results of Almost Family, while the financial results of the Company with the addition of Almost Family start to be reflected during the second quarter of 2018. See Note 3 to Condensed Consolidated Financial Statements.

As of September 30, 2019, the Company, through its wholly- and majority-owned subsidiaries, equity joint ventures, controlled affiliates, and management agreements operated 809 service locations in 35 states within the continental United States and the District of Columbia.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated balance sheets as of September 30, 2019 and December 31, 2018, and the related unaudited condensed consolidated statements of income for the three and nine months ended September 30, 2019 and 2018, condensed consolidated statements of changes in equity for the nine months ended September 30, 2019 and 2018, condensed consolidated statements of cash flows for the nine months ended September 30, 2019 and 2018, and related notes (collectively, these financial statements are referred to as the "interim financial statements" and together with the related notes are referred to herein as the "interim financial information") have been prepared by the Company. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been included. Operating results for the three and nine months ended September 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from the interim financial information presented. This report should be read in conjunction with the Company's consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K"). The 2018 Form 10-K was filed with the Securities and Exchange Commission (the "SEC") on February 28, 2019, and includes information and disclosures not included herein.

Reclassification

The Company has reclassified certain amounts relating to its prior year results to conform to its current period presentation. These reclassifications have not changed the results of operations of prior years.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical Accounting Policies

The Company's most critical accounting policies relate to revenue recognition and implicit price concessions.

Net Service Revenue

Net service revenue is reported at the amount that reflects the consideration the Company expects to receive in exchange for providing services. Receipts are from Medicare, Medicaid, and other commercial or managed care insurance programs for

[Table of Contents](#)

services rendered, are subject to adjustment based upon implicit price concessions for retroactive revenue adjustments by third-party payors, settlements of audits, and claims reviews. The estimated uncollectible amounts due from these payors are considered implicit price concessions that are a direct reduction to net service revenue. The Company assesses the patient's ability to pay for their healthcare services at the time of patient admission based on the Company's verification of the patient's insurance coverage under the Medicare, Medicaid, and other commercial or managed care insurance programs. Medicare contributes to the net service revenue of the Company's home health, hospice, facility-based, and healthcare innovations services. Medicaid and other payors contribute to the net service revenue of all of the Company's segments.

Performance obligations are determined based on the nature of the services provided by the Company. The majority of the Company's performance obligations are to provide services to patients based on medical necessity and the bundle of services to be provided to achieve the goals established in the contract, while the healthcare innovations segment's performance obligations are largely to provide care, assessments and management services under various customer contracts. Revenue for performance obligations that are satisfied over time is recognized based on actual charges incurred in relation to total expected charges over the measurement period of the performance obligation, which depicts the transfer of services and related benefits received by the patient and customers over the term of the contract to satisfy the obligations. The Company measures the satisfaction of the performance obligations as services are provided.

The Company's performance obligations relate to contracts with a duration of less than one year. Therefore, the Company has elected to apply the optional exemption provided by ASC 606 - Revenue Recognition, and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations at the end of a reporting period are generally completed prior to the patient being discharged.

The Company determines the transaction price for the majority of its performance obligations based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors and implicit price concessions. The Company determines estimates of explicit price concessions, principally contractual adjustments based on established agreements with payors, and implicit price concessions based on historical collection experience. Estimates of explicit and implicit price concessions are periodically reviewed to ensure they encompass the Company's current contract terms, are reflective of the Company's current patient mix, and are indicative of the Company's historic collections to ensure net service revenue is recognized at the expected transaction price. As a result, revenue is recorded in amounts equal to expected cash receipts for services when rendered.

The following table sets forth the percentage of net service revenue earned by category of payor for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Home health:				
Medicare	69.7%	72.0%	70.6%	72.2%
Managed Care, Commercial, and Other	30.3	28.0	29.4	27.8
	100.0%	100.0%	100.0%	100.0%
Hospice:				
Medicare	89.8%	88.4%	91.6%	90.5%
Managed Care, Commercial, and Other	10.2	11.6	8.4	9.5
	100.0%	100.0%	100.0%	100.0%
Home and Community-Based Services:				
Medicaid	21.8%	23.8%	23.7%	23.4%
Managed Care, Commercial, and Other	78.2	76.2	76.3	76.6
	100.0%	100.0%	100.0%	100.0%
Facility-Based Services:				
Medicare	59.3%	56.7%	56.6%	59.9%
Managed Care, Commercial, and Other	40.7	43.3	43.4	40.1
	100.0%	100.0%	100.0%	100.0%
HCI:				
Medicare	17.1%	16.8%	20.7%	21.1%
Managed Care, Commercial, and Other	82.9	83.2	79.3	78.9
	100.0%	100.0%	100.0%	100.0%

Medicare

The Company's home health, hospice, and facility-based segments recognize revenue under their respective Medicare programs, which are discussed in more detail below.

The home health segment's Medicare patients, including certain Medicare Advantage patients, are classified into one of 153 home health resource groups prior to receiving services. Based on the patient's home health resource group, the Company is entitled to receive a standard prospective Medicare payment for delivering care over a 60-day period referred to as an episode. The Company elects to use the same 60-day length of episode that Medicare recognizes as standard but accelerates revenue upon discharge to align with a patient's episode length, if less than the expected 60 days, which depicts the transfer of services and related benefits received by the patient over the term of the contract necessary to satisfy the obligations. The Company recognizes revenue based on the number of days elapsed during an episode of care within the reporting period.

Final payments from Medicare will reflect base payment adjustments for case-mix and geographic wage differences and a 2% sequestration reduction. In addition, final payments may reflect one of four retroactive adjustments to the total reimbursement: (a) an outlier payment if the patient's care was unusually costly; (b) a low utilization adjustment if the number of visits was fewer than five; (c) a partial payment if the patient transferred to another provider before completing the episode; or (d) a payment adjustment based upon the level of therapy services required. The retroactive adjustments outlined above are recognized in net service revenue when the event causing the adjustment occurs and during the period in which the services are provided to the patient. The Company reviews these adjustments to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved. Net service revenue and related patient accounts receivable are recorded at amounts estimated to be realized from Medicare for services rendered.

The Company's hospice services segment is reimbursed by Medicare under a per diem payment system based on the daily needs determined for patients' basis. The hospice segment receives one of four predetermined daily rates based upon the level of care the Company furnishes. Each level of care is contingent upon the patient's medical necessity and is a separate and distinct performance obligation, which depicts the transfer of services and related benefits received by the patient over the term of the contract to satisfy such obligations. The Company records net service revenue for hospice services based on the promulgated per diem rate over time as services are provided, in satisfaction of performance obligation.

Table of Contents

Hospice payments are subject to variable consideration through an inpatient cap and an overall Medicare payment cap. The inpatient cap relates to individual programs receiving more than 20% of their total Medicare reimbursement from inpatient care services, and the overall Medicare payment cap relates to individual programs receiving reimbursements in excess of a “cap amount,” determined by Medicare to be payment equal to six months of hospice care for the aggregate base of hospice patients, indexed for inflation. The determination for each cap is made annually based on the 12-month period ending on October 31 of each year. The Company monitors its limits on a provider-by-provider basis and records an estimate of its liability for reimbursements received in excess of the cap amount, if any, in the reporting period. The Company reviews these estimates to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved.

The Company's facility-based services segment is reimbursed primarily by Medicare for services provided under the long-term acute care hospital (“LTACH”) prospective payment system. Each patient is assigned a long-term care diagnosis-related group. The Company is paid a predetermined fixed amount intended to reflect the average cost of treating a Medicare LTACH patient classified in that particular long-term care diagnosis-related group. For selected LTACH patients, the amount may be further adjusted based on length-of-stay and facility-specific costs, as well as in instances where a patient is discharged and subsequently re-admitted, among other factors. The Company calculates the adjustment based on a historical average of these types of adjustments for LTACH claims paid. Similar to other Medicare prospective payment systems, the rate is also adjusted for geographic wage differences. Net service revenue adjustments resulting from reviews and audits of Medicare cost report settlements are considered implicit price concessions for LTACHs and are measured at expected value. The Company reviews these estimates to ensure that it is probable that a significant reversal in the amount of LTACH services cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved. Net service revenue for the Company’s LTACH services that are satisfied over time is recognized based on actual charges incurred in relation to total expected charges, which depicts the transfer of services and related benefits received by the customer over the service period to satisfy the obligations.

Non-Medicare Revenues

Each of the Company's segments recognize revenue from various non-Medicare payor sources. Revenue from these payor sources are derived from services provided under a per visit, per hour or per unit basis, per assessment or per member per month basis. Such fee for service revenues are calculated and recorded using payor-specific or patient-specific fee schedules based on the contracted rates in each underlying third party payor or services agreement or out of network rates, as applicable. Net service revenue is recognized as such services are provided and costs for delivery of such services are incurred.

Contingent Service Revenues

The Company’s Healthcare Innovations (“HCI”) segment provides strategic health management services to Accountable Care Organizations (“ACOs”) that have been approved to participate in the Medicare Shared Savings Program (“MSSP”). The HCI segment maintains service agreements with ACOs that provide for sharing of MSSP payments received by the ACO, if any. ACOs are legal entities that contract with Centers for Medicare and Medicaid Services (“CMS”) to provide services to the Medicare fee-for-service population for a specified annual period with the goal of providing better care for the individual, improving health for populations and lowering costs. ACOs share savings with CMS to the extent that the actual costs of serving assigned beneficiaries are below certain trended benchmarks of such beneficiaries and certain quality performance measures are achieved. The generation of shared savings is the performance obligation of each ACO, which only become certain upon the final issuance of unembargoed calculations by CMS, generally in the third quarter of each calendar year. As of September 30, 2019, the Company recognized \$2.9 million related to potential MSSP payments for savings generated for the program periods that ended December 31, 2018, if any, as it remains unclear as to if performance obligations have been met by any ACO served by the HCI segment.

Patient Accounts Receivable

The Company reports patient accounts receivable net of estimates of variable consideration and implicit price concessions. Patient accounts receivable are uncollateralized and primarily consist of amounts due from Medicare, Medicaid, other third-party payors, and to a lesser degree patients. The Company establishes allowances for explicit and implicit price concessions to reduce the carrying amount of such receivables to their estimated net realizable value. The credit risk associated with receivables from other payors is limited due to the significance of Medicare as the primary payor. The Company believes the credit risk associated with its Medicare accounts, which have historically exceeded 50% of its patient accounts receivable, is limited due to (i) the historical collection rate from Medicare and (ii) the fact that Medicare is a U.S. government payor. The C

[Table of Contents](#)

Company does not believe that there are any other significant concentrations of receivables from any particular payor that would subject it to any significant credit risk in the collection of patient accounts receivable.

The amount of the provision for implicit price concessions is based upon the Company's assessment of historical and expected net collections, business and economic conditions, and trends in government reimbursement. Uncollectible accounts are written off when the Company has determined that the account will not be collected.

A portion of the estimated Medicare prospective payment system reimbursement from each submitted home nursing episode is received in the form of a request for anticipated payment ("RAP"). The Company submits a RAP for 60% of the estimated reimbursement for the initial episode at the start of care. The full amount of the episode is billed after the episode has been completed. If a final bill is not submitted within the greater of 120 days from the start of the episode, or 60 days from the date the RAP was paid, any RAP received for that episode will be recouped by Medicare from any other Medicare claims in process for that particular provider. The RAP and final claim must then be resubmitted. For subsequent episodes of care contiguous with the first episode for a particular patient, the Company submits a RAP for 50% of the estimated reimbursement.

The Company's services to the Medicare population are paid at prospectively set amounts that can be determined at the time services are rendered. The Company's Medicaid reimbursements are based on a predetermined fee schedule applied to each individual service it provides. The Company's managed care contracts and other in or out of network payors provide for payments based upon a predetermined fee schedule or an episodic basis. The Company is able to calculate actual amounts to be received at the patient level and to adjust the gross charges down to the actual amount at the time of billing. This negates the need to record an estimated explicit price concessions when reporting net service revenue for each reporting period.

Other Significant Accounting Policies

Earnings Per Share

Basic per share information is computed by dividing the relevant amounts from the condensed consolidated statements of income by the weighted-average number of shares outstanding during the period, under the treasury stock method. Diluted per share information is also computed using the treasury stock method, by dividing the relevant amounts from the condensed consolidated statements of income by the weighted-average number of shares outstanding plus potentially dilutive shares.

The following table sets forth shares used in the computation of basic and diluted per share information and, with respect to the data provided for the three and nine months ended September 30, 2019 (amounts in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Weighted average number of shares outstanding for basic per share calculation	30,971	30,750	30,919	26,393
Effect of dilutive potential shares:				
Nonvested stock	276	334	284	248
Adjusted weighted average shares for diluted per share calculation	31,247	31,084	31,203	26,641
Anti-dilutive shares	4	16	141	58

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases, ("ASU 2016-02"), as modified by ASUs 2018-01, 2018-10, 2018-11 and 2018-20 (collectively, ASU 2016-02), which requires lessees to recognize leases with terms exceeding 12 months on the Company's Consolidated Balance Sheet. Qualifying leases were classified as finance or operating right-of-use ("ROU") assets and lease liabilities. The new standard was effective for the Company on January 1, 2019. ASU 2016-02 provides a number of optional practical expedients in transition and the Company (a) elected the 'package of practical expedients', which permitted the Company not to reassess under the new standard the Company's prior conclusions about lease identification, lease classification and initial direct costs, (b) elected all the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to the Company, and (c) elected all the new standard's available transition practical expedients.

Adoption of this standard increased total assets and total liabilities by \$84.6 million on January 1, 2019, primarily for the Company's operating leased office space for locations in each segment. The adoption did not change the Company's leasing activities. ASU 2016-02 also provides practical expedients for an entity's ongoing accounting. The Company elected the short-term recognition exemption for certain medical devices and storage space leases that qualify, which means it did not recognize ROU assets or lease liabilities, including not recognizing ROU assets or lease liabilities for existing short-term leases of these assets in transition. See Note 9 of the Notes to Condensed Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment*, which requires an entity to no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. This ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2019, and is not expected to significantly impact the Company.

3. Acquisitions and Joint Venture Activities

The Merger

On April 1, 2018, the Company completed the Merger with Almost Family. At the effective time of the Merger on April 1, 2018, each outstanding share of common stock of Almost Family, other than certain canceled shares, was converted into the right to receive 0.9150 shares of the Company's common stock and cash in lieu of any fractional shares of any Company common stock that Almost Family shareholders would otherwise have been entitled to receive. As a result, the Company issued approximately 12.8 million shares of its common stock to former stockholders of Almost Family, while also converting outstanding employee share awards, which resulted in total merger consideration of approximately \$795.4 million.

The Company was determined to be the accounting acquirer in the Merger. The Company's final valuation analysis of identifiable assets and liabilities assumed for the Merger in accordance with the requirements of ASC Topic 805, Business Combinations, are presented in the table below (amounts in thousands):

[Table of Contents](#)

Merger consideration	
Stock	\$ 795,412
Fair value of total consideration transferred	
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	16,547
Patient accounts receivable	88,234
Prepaid income taxes	47
Prepaid expenses and other current assets	11,490
Property and equipment	11,144
Trade names	76,090
Certificates of needs/licenses	76,505
Customer relationships	13,970
Assets held for sale	2,500
Deferred income taxes	4,821
Accounts payable	(43,027)
Accrued other liabilities	(57,243)
Seller notes payable	(12,145)
NCI - Redeemable	(8,034)
Long term income taxes payable	(3,786)
Line of credit	(106,800)
NCI - Nonredeemable	(36,609)
Other assets and (liabilities), net	(178)
Total identifiable assets and liabilities	33,526
Goodwill	\$ 761,886

Acquisitions

The Company acquired the majority-ownership of 14 home health agencies, six hospice agencies, two home and community-based agencies, and one LTACH location during the nine months ended September 30, 2019. The total aggregate purchase price for these transactions was \$57.9 million, of which \$54.1 million was paid in cash. The purchase prices were determined based on the Company's analysis of comparable acquisitions and the target market's potential future cash flows.

Goodwill generated from the acquisitions was recognized based on the expected contributions of each acquisition to the overall corporate strategy. The Company expects its portion of goodwill to be fully tax deductible. The acquisitions were accounted for under the acquisition method of accounting. Accordingly, the accompanying interim financial information includes the results of operations of the acquired entities from the date of acquisition.

The following table summarizes the aggregate consideration paid for the acquisitions and the amounts of the assets acquired and liabilities assumed at the acquisition dates, as well as their fair value at the acquisition dates and the noncontrolling interest acquired during the nine months ended September 30, 2019:

Consideration	
Cash	\$ 54,120
Fair value of total consideration transferred	
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Trade name	6,685
Certificates of need/licenses	7,430
Other assets and (liabilities), net	(3,235)
Total identifiable assets	10,880
Noncontrolling interest	8,858
Goodwill, including noncontrolling interest of \$6,367	\$ 52,098

Trade names, certificates of need and licenses are indefinite-lived assets and, therefore, not subject to amortization. Acquired trade names that are not being used actively are amortized over the estimated useful life on the straight line basis. Trade names are valued using the relief from royalty method, a form of the income approach. Certificates of need are valued using the replacement cost approach based on registration fees and opportunity costs. Licenses are valued based on the estimated direct costs associated with recreating the asset, including opportunity costs based on an income approach. In the case of states with a moratorium in place, the licenses are valued using the multi-period excess earnings method.

The other identifiable assets include customer relationships that are amortized over 20.0 years. Customer relationships were valued using the multi-period excess earnings method. Noncontrolling interest is valued at fair value.

Joint Venture Activities

During the nine months ended September 30, 2019, the Company acquired the minority ownership interests associated with certain agencies previously operated within three of its equity joint ventures, whereby such agencies became wholly-owned subsidiaries of the Company. The total consideration for the purchase of such ownership interests was \$18.8 million, which was paid in cash. These transactions were accounted for as equity transactions.

During the nine months ended September 30, 2019, the Company sold minority ownership interests associated with three home health agencies. The total consideration for the sale of such ownership interests was \$4.2 million. The transaction was accounted for as an equity transaction.

4. Goodwill and Intangibles

The changes in recorded goodwill and intangible assets by reporting unit for the nine months ended September 30, 2019 were as follows (amounts in thousands):

	Home health reporting unit	Hospice reporting unit	Home and community-based services reporting unit	Facility-based reporting unit	HCI reporting unit	Total
Goodwill						
Balance as of December 31, 2018	\$ 822,602	\$ 118,583	\$ 165,583	\$ 14,194	\$ 40,755	\$ 1,161,717
Acquisitions	38,471	5,771	551	938	—	45,731
Noncontrolling interests	4,248	1,569	—	550	—	6,367
Adjustments and disposals	595	1,215	495	—	107	2,412
Balance as of September 30, 2019	<u>\$ 865,916</u>	<u>\$ 127,138</u>	<u>\$ 166,629</u>	<u>\$ 15,682</u>	<u>\$ 40,862</u>	<u>\$ 1,216,227</u>
Intangible assets						
Balance as of December 31, 2018	\$ 215,382	\$ 37,010	\$ 23,948	\$ 4,147	\$ 16,892	\$ 297,379
Acquisitions	11,863	1,783	154	1,202	—	15,002
Adjustments and disposals	(7,612)	1,283	(1)	(1)	(582)	(6,913)
Amortization	(363)	(72)	(3)	(29)	(484)	(951)
Balance as of September 30, 2019	<u>\$ 219,270</u>	<u>\$ 40,004</u>	<u>\$ 24,098</u>	<u>\$ 5,319</u>	<u>\$ 15,826</u>	<u>\$ 304,517</u>

The allocation of goodwill from acquisitions purchased during the nine months ended September 30, 2019 for each reporting unit is preliminary and subject to change once the valuation analysis required by ASC 805, Business Combinations is finalized.

In assigning fair value acquired in acquisitions as required by ASC 805, Business Combinations, the Company had assigned fair value to Certificates of need or license moratoria, as applicable, in certain states. During the nine months ended September 30, 2019, the Company recorded \$6.0 million of moratoria impairment as a result of the Centers for Medicare and Medicaid Services (“CMS”) action to remove all federal moratoria with regard to Medicare provider enrollment. Additionally, the Company recorded \$1.5 million of disposals of intangible assets, which consist of licenses and Certificates of needs, due to the closure of underperforming locations. The disposal and impairment were classified in impairment of intangibles and other on the Company's consolidated statements of income.

The following tables summarize the changes in intangible assets during the nine months ended September 30, 2019 and December 31, 2018 (amounts in thousands):

	2019	2018
Indefinite-lived intangible assets:		
Trade Names	\$ 162,780	\$ 156,049
Certificates of Need/Licenses	129,121	128,577
Net Total	<u>\$ 291,901</u>	<u>\$ 284,626</u>
Definite-lived intangible assets:		
Trade Names		
Gross carrying amount	\$ 10,182	\$ 10,127
Accumulated amortization	(9,157)	(8,817)
Net total	<u>\$ 1,025</u>	<u>\$ 1,310</u>
Non-compete agreements		
Gross carrying amount	\$ 6,739	\$ 5,980
Accumulated amortization	(5,904)	(5,729)
Net total	<u>\$ 835</u>	<u>\$ 251</u>
Customer relationships		
Gross carrying amount	\$ 11,822	\$ 11,822
Accumulated amortization	(1,066)	(630)
Net total	<u>\$ 10,756</u>	<u>\$ 11,192</u>
Total definite-lived intangible assets		
Gross carrying amount	\$ 28,743	\$ 27,929
Accumulated amortization	(16,127)	(15,176)
Net total	<u>\$ 12,616</u>	<u>\$ 12,753</u>
Total intangible assets:		
Gross carrying amount	\$ 320,644	\$ 312,555
Accumulated amortization	(16,127)	(15,176)
Net total	<u>\$ 304,517</u>	<u>\$ 297,379</u>

Remaining useful lives for trade names, customer relationships, and non-compete agreements were 8.1, 18.4, and 3.0 years, respectively, at September 30, 2019. Similar periods at December 31, 2018 were 8.8, 19.3, and 2.8 years for trade names, customer relationships, and non-compete agreements, respectively. Amortization expense was recorded in general and administrative expenses.

5. Debt

Credit Facility

On March 30, 2018, the Company entered into a Credit Agreement with JPMorgan Chase Bank, N.A., which was effective on April 2, 2018 (the "Credit Agreement"). The Credit Agreement provides a senior, secured revolving line of credit commitment with a maximum principal borrowing limit of \$500.0 million, which includes an additional \$200.0 million accordion expansion feature, and a letter of credit sub-limit equal to \$50.0 million. The expiration date of the Credit Agreement is March 30, 2023. The Company's obligations under the Credit Agreement are secured by substantially all of the assets of the Company and its wholly-owned subsidiaries (subject to customary exclusions), which assets include the Company's equity ownership of its wholly-owned subsidiaries and its equity ownership in joint venture entities. The Company's wholly-owned subsidiaries also guarantee the obligations of the Company under the Credit Agreement.

Revolving loans under the Credit Agreement bear interest at, as selected by the Company, either a (a) Base Rate, which is defined as a fluctuating rate per annum equal to the highest of (1) the Federal Funds Rate in effect on such day plus 0.5% (2) the Prime Rate in effect on such day and (3) the Eurodollar Rate for a one month interest period on such day plus 1.5%, plus a margin ranging from 0.50% to 1.25% per annum or (b) Eurodollar rate plus a margin ranging from 1.50% to 2.25% per

[Table of Contents](#)

annum, with pricing varying based on the Company's quarterly consolidated Leverage Ratio. Swing line loans bear interest at the Base Rate. The Company is limited to 15 Eurodollar borrowings outstanding at any time. The Company is required to pay a commitment fee for the unused commitments at rates ranging from 0.20% to 0.35% per annum depending upon the Company's quarterly consolidated Leverage Ratio. The Base Rate as of September 30, 2019 was 5.75% and the LIBOR rate was 3.81%. As of September 30, 2019, the effective interest rate on outstanding borrowings under the New Credit Agreement was 3.81%.

As of September 30, 2019, the Company had \$232.0 million drawn, letters of credit issued in the amount of \$22.3 million, and \$245.7 million of remaining borrowing capacity available under the Credit Agreement. At December 31, 2018, the Company had \$235.0 million drawn and letters of credit issued in the amount of \$30.4 million under the Credit Facility.

Under the terms of the Credit Agreement, the Company is required to maintain certain financial ratios and comply with certain financial covenants. The Credit Agreement permits the Company to make certain restricted payments, such as purchasing shares of its stock, within certain parameters, provided the Company maintains compliance with those financial ratios and covenants after giving effect to such restricted payments. The Company was in compliance with its debt covenants under the Credit Agreement at September 30, 2019.

6. Stockholder's Equity

Equity Based Awards

The 2018 Incentive Plan is administered by the Compensation Committee of the Company's Board of Directors. The total number of shares of the Company's common stock originally reserved were 2,210,544 shares of our common stock and a total of 2,026,479 shares are currently available for issuance. A variety of discretionary awards for employees, officers, directors, and consultants are authorized under the 2018 Incentive Plan, including incentive or non-qualified stock options and restricted stock, restricted stock units and performance-based awards. All awards must be evidenced by a written award certificate which will include the provisions specified by the Compensation Committee of the Board of Directors. The Compensation Committee determines the exercise price for stock options, which cannot be less than the fair market value of the Company's common stock as of the date of grant.

Almost Family had Stock and Incentive Compensation Plans that provided for stock awards of the Company's common stock to employees, non-employee directors, or independent contractors. Almost Family issued restricted shares and/or option awards to employees and non-employee directors. Under the change of control provisions of the Almost Family plans, all outstanding restricted stock, performance restricted stock, and options became non-forfeitable in conjunction with the Merger.

Share Based Compensation

Nonvested Stock

During the nine months ended September 30, 2019, the Company granted 10,800 and 3,600 nonvested shares of common stock to independent directors and members of the Transitional Advisory Council, respectively, under the Second Amended and Restated 2005 Non-Employee Directors Compensation Plan. The shares vest 100% on the one year anniversary date. During the nine months ended September 30, 2019, one new director was granted 3,500 nonvested shares of common stock under the Second Amended and Restated 2005 Non-Employee Directors Compensation Plan, which shares vest 33% at the grant date, then 33% on each of the first two anniversaries of the grant date.

During the nine months ended September 30, 2019, employees were granted 146,095 nonvested shares of common stock pursuant to the 2018 Incentive Plan. The shares vest over a period of five years, conditioned on continued employment. The fair value of nonvested shares of common stock is determined based on the closing trading price of the Company's common stock on the grant date. The weighted average grant date fair value of nonvested shares of common stock granted during the nine months ended September 30, 2019 was \$69.50.

The following table represents the share grants activity for the nine months ended September 30, 2019:

	Restricted stock		Options	
	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Share grants outstanding as of December 31, 2018	574,285	\$ 49.68	161,807	\$ 38.08
Granted	163,995	\$ 109.65	—	\$ —
Vested or exercised	(220,691)	\$ 45.02	(56,738)	\$ 31.64
Share grants outstanding as of September 30, 2019	<u>517,589</u>	\$ 69.50	<u>105,069</u>	\$ 40.64

[Table of Contents](#)

As of September 30, 2019, there was \$27.1 million of total unrecognized compensation cost related to nonvested shares of common stock granted. That cost is expected to be recognized over the weighted average period of 3.12 years. The Company records compensation expense related to nonvested stock awards at the grant date for shares of common stock that are awarded fully vested, and over the vesting term on a straight line basis for shares of common stock that vest over time. The Company estimates forfeitures at the time of grant and revises the estimate in subsequent periods if actual forfeitures differ to ensure that total compensation expense recognized is at least equal to the value of vested awards. The Company recorded \$2.0 million and \$6.4 million of compensation expense related to nonvested stock grants for the three and nine months ended September 30, 2019, respectively. The Company recorded \$3.4 million and \$7.3 million of compensation expense related to nonvested stock grants for the three and nine months ended September 30, 2018, respectively.

Employee Stock Purchase Plan

In 2006, the Company adopted the Employee Stock Purchase Plan whereby eligible employees may purchase the Company's common stock at 95% of the market price on the last day of the calendar quarter. There were 250,000 shares of common stock initially reserved for the plan. In 2013, the Company adopted the Amended and Restated Employee Stock Purchase Plan, which reserved an additional 250,000 shares of common stock to the plan.

The table below details the shares of common stock issued during 2019:

	Number of shares	Per share price
Shares available as of December 31, 2018	152,344	
Shares issued during the three months ended March 31, 2019	5,357	\$ 89.19
Shares issued during the three months ended June 30, 2019	4,301	\$ 105.36
Shares issued during the three months ended September 30, 2019	5,360	\$ 113.60
Shares available as of September 30, 2019	<u>137,326</u>	

Treasury Stock

In conjunction with the vesting of the nonvested shares of common stock or the exercise of stock options, recipients incur personal income tax obligations. The Company allows the recipients to turn in shares of common stock to satisfy minimum tax obligations. During the nine months ended September 30, 2019, the Company redeemed 69,213 shares of common stock valued at \$7.7 million, related to share vesting tax obligations. In addition, the Company redeemed 29,849 shares of common stock valued at \$1.6 million, related to the exercise of options. Such shares are held as treasury stock and are available for reissuance by the Company.

Additionally, shares were submitted by employees in lieu of exercise price that would have otherwise been due on exercise of stock options, which shares are held in treasury stock and are available for reissuance by the Company.

7. Commitments and Contingencies

Contingencies

Regulatory Matters

The Company provides services in a highly regulated industry and is a party to various proceedings and regulatory and other governmental and internal audits and investigations in the ordinary course of business (including audits by Zone Program Integrity Contractors ("ZPICs") and Recovery Audit Contractors ("RACs") and investigations resulting from the Company's obligation to self-report suspected violations of law). Management cannot predict the ultimate outcome of any regulatory and other governmental and internal audits and investigations. While such audits and investigations are the subject of administrative appeals, the appeals process, even if successful, may take several years to resolve. The Department of Justice, CMS, or other federal and state enforcement and regulatory agencies may conduct additional investigations related to the Company's businesses. These audits and investigations have caused and could potentially continue to cause delays in collections, recoupments from governmental payors. Currently, the Company has recorded \$16.9 million in other assets, which are due from government payors related to the disputed finding of pending appeals of ZPIC audits. Additionally, these audits may subject the Company to sanctions, damages, extrapolation of damage findings, additional recoupments, fines, and other penalties (some of which may not be covered by insurance), which may, either individually or in the aggregate, have a material adverse effect on the Company's business and financial condition.

[Table of Contents](#)

Merger Related Litigation

On January 18, 2018, Jordan Rosenblatt, a purported shareholder of Almost Family filed a complaint for violations of the Securities Exchange Act of 1934 in the United States District Court for the Western District of Kentucky, styled *Rosenblatt v. Almost Family, Inc., et al.*, Case No. 3:18-cv-40-TBR (the "Rosenblatt Action"). The Rosenblatt Action was filed against the Company, Almost Family, Almost Family's board of directors, and Merger Sub. The complaint in the Rosenblatt Action ("Rosenblatt Complaint") asserts, among other things, that the Form S-4 Registration Statement ("Registration Statement") filed on December 21, 2017 in connection with the Merger contained false and misleading statements with respect to the Merger. The Rosenblatt Action sought, among other things, an injunction enjoining the Merger from closing and an award of attorneys' fees and costs.

In addition to the Rosenblatt Action, two additional complaints were filed against Almost Family in the United States District Court for the District of Delaware (the "Delaware Actions") alleging similar violations as the Rosenblatt Action. These Delaware Actions also sought, among other things, to enjoin both the vote of the Almost Family stockholders with respect to the Merger and the closing of the Merger, monetary damages, and an award of attorneys' fees and costs from Almost Family.

On February 22, 2018, plaintiffs in the Delaware Actions moved for a preliminary injunction to enjoin the merger of Almost Family and Merger Sub. Then, on March 2, 2018, the Delaware Actions were transferred to the United States District Court for the Western District of Kentucky. Shortly thereafter, on March 12, 2018, Almost Family, the Company, and Merger Sub opposed the plaintiffs' motion for a preliminary injunction, and the court heard oral argument on the plaintiffs' motion for a preliminary injunction on March 19, 2018. On March 22, 2018, the court denied plaintiffs' motion for preliminary injunction.

The next day, on March 23, 2018, one of the plaintiffs in the Delaware Actions moved to consolidate the Delaware Actions with the Rosenblatt Action and for the appointment of a lead plaintiff. On December 19, 2018, the Court granted the motion to consolidate, appointed Leonard Stein, a purported Almost Family shareholder, as the Lead Plaintiff, and approved Stein's selection of Lead Counsel.

On February 1, 2019, Lead Plaintiff filed his Consolidated Amended Class Action Complaint (the "Consolidated Complaint"). The Consolidated Complaint asserts claims against Almost Family, the Company and Almost Family's board of directors for violations of Section 14(a) of the 1934 Act in connection with the dissemination of the Company's and Almost Family's Proxy Statement concerning the Merger, and asserts breach of fiduciary duty claims and claims for violations of Section 20(a) of the 1934 Act against Almost Family's former board of directors. The Consolidated Complaint seeks, among other things, monetary damages and an award of attorneys' fees and costs. On April 12, 2019, the Company moved to dismiss the Consolidated Complaint and filed a motion to strike an affidavit attached to the Consolidated Complaint. Lead Plaintiff opposed the Company's motions on May 28, 2019, and the Company submitted reply briefs in support of its motions on June 19, 2019. The Company's motions are currently pending before the court.

We believe that the claims asserted in these lawsuits are entirely without merit and intend to defend these lawsuits vigorously.

Other Litigation

We are involved in various other legal proceedings arising in the ordinary course of business. Although the results of litigation cannot be predicted with certainty, we believe the outcome of pending litigation will not have a material adverse effect, after considering the effect of our insurance coverage, on our consolidated financial information.

Joint Venture Buy/Sell Provisions

Most of the Company's joint ventures include a buy/sell option that grants to the Company and its joint venture partners the right to require the other joint venture party to either purchase all of the exercising member's membership interests or sell to the exercising member all of the non-exercising member's membership interest, at the non-exercising member's option, within 30 days of the receipt of notice of the exercise of the buy/sell option. In some instances, the purchase price is based on a multiple of the historical or future earnings before income taxes and depreciation and amortization of the equity joint venture at the time the buy/sell option is exercised. In other instances, the buy/sell purchase price will be negotiated by the partners and subject to a fair market valuation process.

Compliance

The laws and regulations governing the Company's operations, along with the terms of participation in various government programs, regulate how the Company does business, the services offered and its interactions with patients and the public. These laws and regulations, and their interpretations, are subject to frequent change. Changes in existing laws or regulations,

or their interpretations, or the enactment of new laws or regulations could materially and adversely affect the Company's operations and financial condition.

The Company is subject to various routine and non-routine governmental reviews, audits and investigations. In recent years, federal and state civil and criminal enforcement agencies have heightened and coordinated their oversight efforts related to the health care industry, including referral practices, cost reporting, billing practices, joint ventures and other financial relationships among health care providers. Violation of the laws governing the Company's operations, or changes in the interpretation of those laws, could result in the imposition of fines, civil or criminal penalties and/or termination of the Company's rights to participate in federal and state-sponsored programs and suspension or revocation of the Company's licenses. The Company believes that it is in material compliance with all applicable laws and regulations.

8. Noncontrolling interests

The Company classifies noncontrolling interests of its joint venture parties based upon a review of the legal provisions governing the redemption of such interests. In each of the Company's joint ventures, those provisions are embodied within the joint venture's operating agreement. For joint ventures with operating agreement provisions that establish an obligation for the Company to purchase the third party partners' noncontrolling interests other than as a result of events that lead to a liquidation of the joint venture, such noncontrolling interests are classified as redeemable noncontrolling interests in temporary equity. For joint ventures with operating agreement provisions that establish an obligation that the Company purchase the third party partners' noncontrolling interests, but which obligation is triggered by events that lead to a liquidation of the joint venture, such noncontrolling interests are classified as nonredeemable noncontrolling interests in permanent equity. Additionally, for joint ventures with operating agreement provisions that do not establish an obligation for the Company to purchase the third party partners' noncontrolling interests (e.g., where the Company has the option, but not the obligation, to purchase the third party partners' noncontrolling interests), such noncontrolling interests are classified as nonredeemable noncontrolling interests in permanent equity.

The Company's equity joint ventures that are classified as redeemable noncontrolling interests are subject to operating agreement provisions that require the Company to purchase the noncontrolling partner's interest upon the occurrence of certain triggering events, which are defined as the bankruptcy of the partner or the partner's exclusion from the Medicare or Medicaid programs. These triggering events and the related repurchase provisions are specific to each redeemable equity joint venture, since the triggering of a repurchase obligation for any one redeemable noncontrolling interest in an equity joint venture does not necessarily impact any of the other redeemable noncontrolling interests in other equity joint ventures. Upon the occurrence of a triggering event requiring the purchase of a redeemable noncontrolling interest, the Company would be required to purchase the noncontrolling partner's interest based upon a valuation methodology set forth in the applicable joint venture agreement.

Redeemable noncontrolling interests and nonredeemable noncontrolling interests are initially recorded at their fair value as of the closing date of the transaction establishing the joint venture. Such fair values are determined using various accepted valuation methods, including the income approach, the market approach, the cost approach, and a combination of one or more of these approaches. A number of facts and circumstances concerning the operation of the joint venture are evaluated for each transaction, including (but not limited to) the ability to choose management, control over acquiring or liquidating assets, and controlling the joint venture's strategy and direction, in order to determine the fair value of the noncontrolling interest.

Based upon the Company's evaluation of the redemption provisions concerning redeemable noncontrolling interests as of September 30, 2019, the Company determined in accordance with authoritative accounting guidance that it was not probable that an event otherwise requiring redemption of any redeemable noncontrolling interest would occur (i.e., the date for such event was not set or such event is not certain to occur). Therefore, none of the redeemable noncontrolling interests were identified as mandatorily redeemable interests at such times, and the Company did not record any values in respect of any mandatorily redeemable interests.

Subsequent to the closing date of the transaction establishing the joint venture, the Company records adjustments to the carrying amounts of noncontrolling interests during each reporting period to reflect (a) comprehensive income (loss) attributed to each noncontrolling interest, which is calculated by multiplying the noncontrolling interest percentage by the comprehensive income (loss) of the joint venture's operations, (b) dividends paid to the noncontrolling interest partner, and (c) any other transactions that increase or decrease the Company's ownership interest in each joint venture, as a result of which the Company retains its controlling interest. If the Company determines that, based upon its analysis as of the end of each reporting period in accordance with authoritative accounting guidance, that it is not probable that an event would occur to otherwise require the redemption of a redeemable noncontrolling interest (i.e., the date for such event is not set or such event is not certain to occur), then the Company does not adjust the recorded amount of such redeemable noncontrolling interest.

The carrying amount of each redeemable equity instrument presented in temporary equity for the nine months ended September 30, 2019 is not less than the initial amount reported for each instrument.

[Table of Contents](#)

The following table summarizes the activity of noncontrolling interest-redeemable for the nine months ended September 30, 2019 (amounts in thousands):

Balance as of December 31, 2018	\$ 14,596
Net income attributable to noncontrolling interest-redeemable	8,955
Noncontrolling interest-redeemable distributions	(7,957)
Balance as of September 30, 2019	<u>\$ 15,594</u>

9. Leases

The Company adopted ASU 2016-02 on January 1, 2019, which resulted in the recognition of a right to use asset and liability for certain operating leases on the Company's Condensed Consolidated Balance Sheets at January 1, 2019. The Company determines if a contract contains a lease at inception and recognizes operating lease right of use assets and operating lease liabilities based on the present value of the future minimum lease payments at the lease commencement date. The Company's leases do not provide implicit rates. Therefore, the Company used an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments. Lease expense is recognized on a straight-line basis over the lease term.

The Company's operating lease obligations relate to office leases, which have remaining lease terms up to nine years. Some lease obligations include options to extend the leases based on individual lease agreements and may include options to terminate the leases within one year. The Company elected the 'package of practical expedient', which permitted the Company to not recognize the operating lease right of use assets or liabilities for short term leases, which are those leases with a term of twelve months or less at the lease commencement date. Expenses associated with lease expense was \$11.7 million and \$37.5 million for the three and nine months ended September 30, 2019, respectively.

Information related to the Company's operating lease right of use assets and related lease liabilities for the office leases were as follows (amounts in thousands):

	Nine Months Ended September 30, 2019
Cash paid for operating lease liabilities	\$ 22,034
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 115,161
Weighted-average remaining lease term	4.68 years
Weighted-average discount rate	4.81%

Maturities of operating lease liabilities as of September 30, 2019 were as follows (amounts in thousands):

Year ending December 31,	
2019 (remaining)	\$ 7,597
2020	28,099
2021	22,550
2022	14,660
2023 (and thereafter)	27,022
Total future minimum lease payments	<u>99,928</u>
Less: Imputed interest	(458)
Total	<u>\$ 99,470</u>

10. Fair Value of Financial Instruments

The carrying amounts of the Company's cash, receivables, accounts payable and accrued liabilities approximate their fair values because of their short maturity. The estimated fair value of intangible assets acquired was calculated using level 3 inputs based on the present value of anticipated future benefits. For the nine months ended September 30, 2019, the carrying value of the Company's long-term debt approximates fair value, as the interest rates approximate current rates.

11. Segment Information

The Company's reporting segments include (1) home health services, (2) hospice services, (3) home and community-based services, (4) facility-based services and (5) healthcare innovations (“HCI”). The accounting policies of the segments are the same as those described in the summary of significant accounting policies, as described in Note 2 of the Notes to Condensed Consolidated Financial Statements.

Reportable segments have been identified based upon how management has organized the business by services provided to customers and how the chief operating decision maker manages the business and allocates resources, consistent with the criteria in ASC 280, Segment Reporting.

The following tables summarize the Company’s segment information for the three and nine months ended September 30, 2019 and 2018 (amounts in thousands):

	Three Months Ended September 30, 2019					
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	\$ 375,599	\$ 62,028	\$ 53,411	\$ 28,715	\$ 8,746	\$ 528,499
Cost of service revenue	237,414	35,819	39,694	18,508	3,333	334,768
General and administrative expenses	108,318	15,218	10,809	9,498	2,986	146,829
Other intangible impairment charge	197	—	—	—	—	197
Operating income	29,670	10,991	2,908	709	2,427	46,705
Interest expense	(1,758)	(310)	(272)	(174)	(82)	(2,596)
Income before income taxes and noncontrolling interest	27,912	10,681	2,636	535	2,345	44,109
Income tax expense	5,900	1,689	1,299	144	476	9,508
Net income	22,012	8,992	1,337	391	1,869	34,601
Less net income (loss) attributable to noncontrolling interests	3,577	1,213	(180)	(67)	(9)	4,534
Net income attributable to LHC Group, Inc.'s common stockholder	\$ 18,435	\$ 7,779	\$ 1,517	\$ 458	\$ 1,878	\$ 30,067
Total assets	\$ 1,458,991	\$ 235,865	\$ 243,779	\$ 88,905	\$ 70,324	\$ 2,097,864

Three Months Ended September 30, 2018						
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	\$ 360,000	\$ 52,962	\$ 52,773	\$ 27,891	\$ 13,417	\$ 507,043
Cost of service revenue	222,765	34,540	39,860	20,146	4,885	322,196
General and administrative expenses	105,112	14,685	12,922	9,823	7,030	149,572
Other intangible impairment charge	345	—	—	—	—	345
Operating income (loss)	31,778	3,737	(9)	(2,078)	1,502	34,930
Interest expense	(2,284)	(491)	(163)	(163)	(163)	(3,264)
Income (loss) before income taxes and noncontrolling interest	29,494	3,246	(172)	(2,241)	1,339	31,666
Income tax expense (benefit)	6,209	774	(74)	(541)	317	6,685
Net income (loss)	23,285	2,472	(98)	(1,700)	1,022	24,981
Less net income (loss) attributable to noncontrolling interests	3,425	386	(87)	27	—	3,751
Net income (loss) attributable to LHC Group, Inc.'s common stockholders	\$ 19,860	\$ 2,086	\$ (11)	\$ (1,727)	\$ 1,022	\$ 21,230
Total assets	\$ 1,316,792	\$ 203,921	\$ 246,963	\$ 61,089	\$ 81,999	\$ 1,910,764

Nine Months Ended September 30, 2019						
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	\$ 1,113,887	\$ 168,821	\$ 157,610	\$ 84,391	\$ 24,217	\$ 1,548,926
Cost of service revenue	694,082	103,853	119,054	53,812	10,819	981,620
General and administrative expenses	322,115	45,167	33,004	28,010	12,338	440,634
Other intangible impairment charge	7,263	271	—	—	—	7,534
Operating income	90,427	19,530	5,552	2,569	1,060	119,138
Interest expense	(5,919)	(976)	(857)	(524)	(257)	(8,533)
Income before income taxes and noncontrolling interest	84,508	18,554	4,695	2,045	803	110,605
Income tax expense	17,178	3,716	1,279	297	195	22,665
Net income	67,330	14,838	3,416	1,748	608	87,940
Less net income (loss) attributable to noncontrolling interests	11,305	2,712	(757)	779	(22)	14,017
Net income attributable to LHC Group, Inc.'s common stockholder	\$ 56,025	\$ 12,126	\$ 4,173	\$ 969	\$ 630	\$ 73,923

Nine Months Ended September 30, 2018						
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	\$ 924,463	\$ 146,142	\$ 119,617	\$ 86,345	\$ 23,554	\$ 1,300,121
Cost of service revenue	576,416	95,557	90,331	59,102	10,412	831,818
General and administrative expenses	277,075	43,090	28,664	29,571	12,417	390,817
Other intangible impairment charge	636	—	—	487	—	1,123
Operating income	70,336	7,495	622	(2,815)	725	76,363
Interest expense	(5,627)	(1,181)	(393)	(395)	(320)	(7,916)
Income (loss) before income taxes and noncontrolling interest	64,709	6,314	229	(3,210)	405	68,447
Income tax expense (benefit)	14,022	1,368	50	(695)	87	14,832
Net income (loss)	50,687	4,946	179	(2,515)	318	53,615
Less net income (loss) attributable to noncontrolling interests	9,472	1,215	(157)	129	(66)	10,593
Net income (loss) attributable to LHC Group, Inc.'s common stockholders	<u>\$ 41,215</u>	<u>\$ 3,731</u>	<u>\$ 336</u>	<u>\$ (2,644)</u>	<u>\$ 384</u>	<u>\$ 43,022</u>

12. Income Taxes

The effective tax rate for the nine months ended September 30, 2019 and 2018 benefited from \$3.0 million and \$2.1 million, respectively, of excess tax benefits associated with stock-based compensation arrangements.

U.S. GAAP prescribes a recognition threshold and measurement attribute for the accounting and financial statement disclosure of tax positions taken or expected to be taken in a tax return. The evaluation of a tax position is a two-step process. The first step requires the Company to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The second step requires the Company to recognize in the financial statements each tax position that meets the more likely than not criteria, measured at the amount of benefit that has a greater than 50% likelihood of being realized. The Company's unrecognized tax benefits would affect the tax rate, if recognized. The Company includes the full amount of unrecognized tax benefits in other noncurrent liabilities in the Company's Condensed Consolidated Balance Sheets. The Company anticipates it is reasonably possible an increase or decrease in the amount of unrecognized tax benefits could be made in the next twelve months. However, the Company does not presently anticipate that any increase or decrease in unrecognized tax benefits will be material to the consolidated financial statements. As of September 30, 2019 and December 31, 2018, the Company recognized \$3.6 million and \$4.3 million, respectively, in unrecognized tax benefits.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain statements and information that may constitute "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"). Forward-looking statements relate to future plans and strategies, anticipated events or trends, future financial performance, and expectations and beliefs concerning matters that are not historical facts or that necessarily depend upon future events. The words "may," "should," "could," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "project," "predict," "potential," and similar expressions are intended to identify forward-looking statements. Specifically, this report contains, among others, forward-looking statements about:

- our expectations regarding financial condition or results of operations for periods after September 30, 2019;
- our critical accounting policies;

Table of Contents

- our business strategies and our ability to grow our business;
- our participation in the Medicare and Medicaid programs;
- the reimbursement levels of Medicare and other third-party payors;
- the prompt receipt of payments from Medicare and other third-party payors;
- our future sources of and needs for liquidity and capital resources;
- the effect of any regulatory changes or anticipated regulatory changes;
- the effect of any changes in market rates on our operations and cash flows;
- our ability to obtain financing;
- our ability to make payments as they become due;
- the outcomes of various routine and non-routine governmental reviews, audits and investigations;
- our expansion strategy, the successful integration of recent acquisitions and, if necessary, the ability to relocate or restructure our current facilities;
- the value of our proprietary technology;
- the impact of legal proceedings;
- our insurance coverage;
- our competitors and our competitive advantages;
- our ability to attract and retain valuable employees;
- the price of our stock;
- our compliance with environmental, health and safety laws and regulations;
- our compliance with health care laws and regulations;
- the impact of federal and state government regulation on our business; and
- the impact of changes in future interpretations of fraud, anti-kickback, or other laws.

The forward-looking statements included in this report reflect our current views about future events, are based on assumptions, and are subject to known and unknown risks and uncertainties. Many important factors could cause actual results or achievements to differ materially from any future results or achievements expressed in or implied by our forward-looking statements. Many of the factors that will determine future events or achievements are beyond our ability to control or predict. Important factors that could cause actual results or achievements to differ materially from the results or achievements reflected in our forward-looking statements include, among other things, the factors discussed in the Part II, Item 1A. “Risk Factors,” included in this report and in our other filings with the SEC, including our 2018 Form 10-K, as updated by our subsequent filings with the SEC. This report should be read in conjunction with the 2018 Form 10-K, and all of our other filings made with the SEC through the date of this report, including quarterly reports on Form 10-Q and current reports on Form 8-K.

The forward-looking statements contained in this report reflect our views and assumptions only as of the date this report is filed with the SEC. Except as required by law, we assume no responsibility for updating any forward-looking statements.

We qualify all of our forward-looking statements by these cautionary statements. In addition, with respect to all of our forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

You should read this report, the information incorporated by reference into this report, and the documents filed as exhibits to this report completely and with the understanding that our actual future results or achievements may differ materially from what we expect or anticipate.

Unless the context otherwise requires, “we,” “us,” “our,” and the “Company” refer to LHC Group, Inc. and its consolidated subsidiaries.

OVERVIEW

General

We provide quality, cost-effective post-acute health care services to our patients. As of September 30, 2019, we have 809 service providers in 35 states within the continental United States and the District of Columbia. Our services are classified into five segments: (1) home health services, (2) hospice services, (3) home and community-based services, (4) facility-based services primarily offered through our long-term acute care hospitals (“LTACHs”), and (5) healthcare innovations services (“HCI”). We intend to increase the number of service providers within each of our segments that we operate through continued acquisitions, joint ventures, and organic development.

Our home health service locations offer a wide range of services, including skilled nursing, medically-oriented social services, and physical, occupational, and speech therapy. As of September 30, 2019, we operated 555 home health services locations, of which 352 are wholly-owned, 199 are majority-owned through equity joint ventures, two are under license lease arrangements, and the operations of the remaining two locations are only managed by us.

Our hospices provide end-of-life care to patients with terminal illnesses through interdisciplinary teams of physicians, nurses, home health aides, counselors, and volunteers. We offer a wide range of services, including pain and symptom management, emotional and spiritual support, inpatient and respite care, homemaker services, and counseling. As of September 30, 2019, we operated 109 hospice locations, of which 53 are wholly-owned, 54 are majority-owned through equity joint ventures, and two are under license lease arrangements.

Through our home and community-based services segment, services are performed by skilled nursing and paraprofessional personnel, and include assistance with activities of daily living to the elderly, chronically ill, and disabled patients. As of September 30, 2019, we operated 105 home and community-based services locations, of which 95 are wholly-owned and 10 are majority-owned through equity joint ventures.

We provide facility-based services principally through our LTACHs. As of September 30, 2019, we operated 11 LTACHs with 13 locations, all but three of which are located within host hospitals. We also operate one skilled nursing facility, two pharmacies, a family health center, a rural health clinic, and 12 therapy clinics. Of these facility-based services locations, 19 are wholly-owned, and 11 are majority-owned through equity joint ventures.

Our HCI segment reports on our developmental activities outside its other business segments. The HCI segment includes (a) Imperium Health Management, LLC, an ACO enablement company, (b) Long Term Solutions, Inc., an in-home assessment company serving the long-term care insurance industry, and (c) certain assets operated by Advanced Care House Calls, which provides primary medical care for patients with chronic and acute illnesses who have difficulty traveling to a doctor’s office. These activities are intended ultimately, whether directly or indirectly, to benefit our patients and/or payors through the enhanced provision of services in our other segments. The activities all share a common goal of improving patient experiences and quality outcomes, while lowering costs. They include, but are not limited to, items such as: technology, information, population health management, risk-sharing, care-coordination and transitions, clinical advancements, enhanced patient engagement and informed clinical decision and technology enabled in-home clinical assessments. We have 10 HCI locations, of which nine are wholly-owned and one is majority-owned through an equity joint venture.

The Joint Commission is a nationwide commission that establishes standards relating to the physical plant, administration, quality of patient care, and operation of medical staffs of health care organizations. Currently, Joint Commission accreditation of home nursing and hospice agencies is voluntary. However, some managed care organizations use Joint Commission accreditation as a credentialing standard for regional and state contracts. As of September 30, 2019, the Joint Commission had accredited 473 of our 555 home health services locations and 85 of our 109 hospice agencies. Those not yet accredited are working towards achieving this accreditation. As we acquire companies, we apply for accreditation 12 to 18 months after completing the acquisition.

The percentage of net service revenue contributed from each reporting segment for the three and nine months ended September 30, 2019 and 2018 was as follows:

Reporting segment	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Home health services	71.1%	71.0%	71.9%	71.1%
Hospice services	11.7	10.5	10.9	11.3
Home and community-based services	10.1	10.4	10.2	9.2
Facility-based services	5.4	5.5	5.4	6.6
Healthcare innovations services	1.7	2.6	1.6	1.8
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Recent Developments

The reader is encouraged to review our detailed discussion of health care legislation and Medicare regulations in the similarly titled section in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” along with the discussions in Part I, Item 1, “Business; Government Regulation” and in Part I, Item 1A, “Risk Factors” in our 2018 Form 10-K.

Home health

On October 31, 2019, CMS issued its final rule regarding Medicare reimbursements for the calendar year 2020. Beginning on January 1, 2020, CMS will implement the Patient Driven Groupings Model (“PDGM”) prospective payment system, as mandated by the Bipartisan Budget Act of 2018. Under PDGM, the initial certification of Medicare patient eligibility, plan of care, and comprehensive assessment will remain valid for 60-day episodes of care, but payments for Medicare home health services will be made based upon 30-day payment periods. The national, standardized 30-day Medicare payment amount will be \$1,864.03, resulting in a 1.3% increase in payments. The rule implements the 1.5% Medicare home health payment update mandated by the Bipartisan Budget Act of 2018, offset by a 0.2% decrease due to the rural add-on. The final rule also adjusts PDGM case-mix weights, which implements the removal of therapy thresholds for payments. For Medicare payments associated with low utilization payment adjustments (“LUPAs”) under PDGM, the threshold will vary for a 30-day period depending on the PDGM payment group. The 30-day payment amounts will be for 30-day periods of care beginning on and after January 1, 2020. There will be a transition period for home health episodes that span the implementation date of January 1, 2020, whereby payments for those services rendered during those episodes will be made under the national, standardized 60-day episode payments. CMS will also reduce a request for anticipated payment (“RAP”) payments to 20% for existing home health providers. CMS finalized its proposal to eliminate RAP payments for calendar year 2021, and will require home health providers to submit “no pay” RAPs during that year. Beginning January 1, 2021, home health providers will be required to submit a Notice of Admission (“NOA”) within five calendar days of the first 30-day period and within five calendar days of the day 31 for the second, subsequent 30-day period. CMS also finalized a policy allowing therapy assistants to provide maintenance therapy services in the home and modified certain requirements relating to the home health plan of care.

The final rule also includes the public reporting of Total Performance Score (“TPS”) and TPS percentile ranking for each home health agency in the nine model states that qualifies for a payment adjustment under the Home Health Value-Based Purchasing model for fiscal year 2020. CMS also made some changes to the Home Health Quality Reporting Program.

CMS also finalized its proposal for payment for home infusion therapy.

Hospice

On July 31, 2019, CMS issued a final rule, which would update the hospice wage index, payment rates, and cap amount for fiscal year 2020. CMS finalized a net 2.6% market basket update, which is calculated from the 2020 hospital market basket update of 3.0%, reduced by multifactor productivity adjustment, as mandated by the Affordable Care Act, of 0.4 percentage points. CMS is also rebasing payments for Continuous Home Care, Inpatient Respite Care, and General Inpatient Care to approximate costs in a budget neutral manner, which will result in a 2.7% decrease in rates for Routine Home Care to achieve budget neutrality. Also, 2020 hospice cap amount will be \$29,964.98. CMS finalized the removal of the one year wage index lag and will use the current year's wage index to geographically wage adjust hospice payments, and changes to the Hospice Election Statement.

[Table of Contents](#)

The following table shows the hospice Medicare payment rates for fiscal year 2020, which will begin on October 1, 2019 and will end September 30, 2020:

Description	Rate per patient day
Routine Home Care days 1-60	\$ 194.50
Routine Home Care days 60+	\$ 153.72
Continuous Home Care	\$ 1,395.63
Full rate = 24 hours of care	
\$58.15 = hourly rate	
Inpatient Respite Care	\$ 450.10
General Inpatient Care	\$ 1,021.25

Facility-Based

On August 2, 2019, CMS issued a final rule for the fiscal year 2020 Long-Term Care Hospital Prospective Payment System ("LTACH-PPS"). Overall, CMS expects LTACH-PPS payments to increase by approximately 1.0%, which reflects the continued statutory implementation of the revised LTACH-PPS payments. LTACH-PPS payments for fiscal year 2020 for discharges paid using the standard LTACH payment rate are expected to increase by 2.7% after accounting for the proposed annual standard Federal rate update for fiscal year 2020 of 2.5%, an estimated decrease in outlier payments of 0.2%, and other factors.

LTACH-PPS payments for cases continuing to transition to the site neutral payment rates are expected to decrease by approximately 5.9%. This accounts for the LTACH site neutral payment rate cases that will continue be paid a blended payment rate as the rolling statutory transition period ends for LTACH discharges occurring in cost reporting periods beginning in fiscal year 2020, and other changes.

Seasonality

Our home health segment, hospice segment, and LTACHs normally experience higher admissions during the first quarter and lower admissions during the third quarter than in the other quarters due to seasonal fluctuations. Further, our third quarter falls within the "hurricane season" including the peak months of August and September, which could have an adverse effect on our agencies located in the Gulf South and along the Atlantic Coast. Our operations may thus be subject to periods of unexpected disruption, which may lower volumes and increase costs.

RESULTS OF OPERATIONS

Three months ended September 30, 2019 compared to three months ended September 30, 2018

Summary consolidated financial information

The following table summarizes our consolidated results of operations for the three months ended September 30, 2019 and 2018 (amounts in thousands, except percentages, which are percentages of consolidated net service revenue, unless indicated otherwise):

[Table of Contents](#)

	2019		2018		Increase (Decrease)
Net service revenue	\$ 528,499		\$ 507,043		\$ 21,456
Cost of service revenue	334,768	63.3%	322,196	63.5%	12,572
General and administrative expenses	146,829	27.8	149,572	29.5	(2,743)
Other intangible impairment charge	197		345		(148)
Interest expense	(2,596)		(3,264)		(668)
Income tax expense	9,508	27.9 (1)	6,685	28.2 (1)	2,823
Net income attributable to noncontrolling interests	4,534		3,751		783
Net income attributable to LHC Group, Inc.'s common stockholders	\$ 30,067		\$ 21,230		\$ 8,837

- (1) Effective tax rate as a percentage of income from continuing operations attributable to our common stockholders, excluding the excess tax benefits realized and a change in our unrecognized tax position. For a discussion of our unrecognized tax position, which was assumed with the Merger on April 1, 2018, see Note 12 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Net service revenue

The following table sets forth each of our segment's revenue growth or loss, admissions, census, episodes, patient days, and billable hours for the three months ended September 30, 2019 and the related change from the same period in 2018 (amounts in thousands, except admissions, census, episode data, patient days and billable hours, which are actual amounts; net service revenue excludes implicit price concessions):

Three Months Ended September 30, 2019								
	Same Store(1)	De Novo(2)	Organic(3)	Organic Growth (Loss) %	Acquired(4)	Total	Total Growth (Loss) %	
Home health services								
Revenue	\$ 230,097	\$ —	\$ 230,097	7.9 %	\$ 151,205	\$ 381,302	4.5 %	
Revenue Medicare	\$ 152,920	\$ —	\$ 152,920	4.1	\$ 110,395	\$ 263,315	1.0	
Admissions	57,634	—	57,634	11.1	40,013	97,647	5.4	
Medicare Admissions	32,831	—	32,831	5.4	24,665	57,496	0.7	
Average Census	47,248	—	47,248	7.2	29,657	76,905	1.9	
Average Medicare Census	29,624	—	29,624	2.6	19,392	49,016	(1.9)	
Home Health Episodes	54,893	—	54,893	3.6	37,063	91,956	(1.5)	
Hospice services								
Revenue	\$ 47,678	\$ —	\$ 47,678	6.0	\$ 10,506	\$ 58,184	8.2	
Revenue Medicare	\$ 43,980	\$ —	\$ 43,980	12.7	\$ 9,536	\$ 53,516	13.6	
Admissions	3,674	—	3,674	2.1	848	4,522	(0.8)	
Medicare Admissions	3,213	—	3,213	2.2	774	3,987	1.4	
Average Census	3,481	—	3,481	9.2	706	4,187	11.3	
Average Medicare Census	3,244	—	3,244	10.7	639	3,883	12.5	
Patient days	323,748	—	323,748	10.5	61,416	385,164	11.3	
Home and community-based services								
Revenue	\$ 15,411	\$ —	\$ 15,411	4.3	\$ 39,160	\$ 54,571	2.0	
Billable hours	674,954	—	674,954	40.0	1,602,030	2,276,984	(0.8)	
Facility-based services								
LTACHs								
Revenue	\$ 25,849	\$ —	\$ 25,849	8.5	\$ 203	\$ 26,052	1.8	
Patient days	18,776	—	18,776	(8.9)	142	18,918	(12.5)	
Other facility-based services								
Revenue	\$ 3,135	\$ —	\$ 3,135	7.6	\$ —	\$ 3,135	7.6	
HCI								
Revenue	\$ —	\$ —	\$ —	—	\$ 8,782	\$ 8,782	(34.9)	
Consolidated								
Revenue	\$ 322,170	\$ —	\$ 322,170	7.5	\$ 209,856	\$ 532,026	3.5	

- (1) Same store — location that has been in service with us for greater than 12 months.
- (2) De Novo — internally developed location that has been in service with us for 12 months or less.
- (3) Organic — combination of same store and de novo.
- (4) Acquired — purchased location that has been in service with us for 12 months or less, including all legacy Almost Family locations for the period after April 1, 2018. Almost Family locations remain counted as acquired locations due to continued system integrations, which will be completed by the end of 2019.

Organic growth is primarily generated by population growth in areas covered by mature agencies, agencies five years old or older, and by increased market share in acquired and developing agencies. Historically, acquired agencies have the highest growth in admissions and average census in the first 24 months after acquisition, and have the highest contribution to organic growth, measured as a percentage of growth, in the second full year of operation after the acquisition.

Organic revenue increased in our LTACHs during the three months ended September 30, 2019 due to patients meeting LTACH criteria and increase in overall case mix. Our patient days decreased in our LTACHs due to the closure of two locations during the latter part of 2018.

[Table of Contents](#)

HCI revenue decreased due to the closure of one HCI location during the latter part of 2018.

The following table sets forth the reconciliation of total revenue disclosed above, which excludes implicit price concession, to net service revenue recognized for the three months ended September 30, 2019 and 2018 (amounts in thousands, except percentages, which are percentages of consolidated revenue):

	Three Months Ended September 30,			
	2019	% of Net Service Revenue	2018	% of Net Service Revenue
Revenue	\$ 532,026		\$ 514,118	
Less: Implicit price concession	3,527	0.7%	7,075	1.4%
Net service revenue	<u>\$ 528,499</u>		<u>\$ 507,043</u>	

The total implicit price concession in the three months ended September 30, 2019 decreased as a percentage of revenue compared to the same period in 2018 as the AFAM legacy hospice location collection rates are becoming more consistent with our legacy cash collection.

Cost of service revenue

The following table summarizes cost of service revenue (amounts in thousands, except percentages, which are percentages of the segment's respective net service revenue):

	Three Months Ended September 30,			
	2019		2018	
Home health services				
Salaries, wages and benefits	\$ 217,510	57.9%	\$ 203,463	56.5%
Transportation	11,161	3.0	11,450	3.2
Supplies and services	8,743	2.3	7,852	2.2
Total	<u>\$ 237,414</u>	<u>63.2%</u>	<u>\$ 222,765</u>	<u>61.9%</u>
Hospice services				
Salaries, wages and benefits	\$ 26,336	42.5%	\$ 24,763	46.8%
Transportation	2,023	3.3	1,931	3.6
Supplies and services	7,460	12.0	7,846	14.8
Total	<u>\$ 35,819</u>	<u>57.8%</u>	<u>\$ 34,540</u>	<u>65.2%</u>
Home and community-based services				
Salaries, wages and benefits	\$ 38,943	72.9%	\$ 39,100	74.1%
Transportation	534	1.0	576	1.1
Supplies and services	217	0.4	184	0.3
Total	<u>\$ 39,694</u>	<u>74.3%</u>	<u>\$ 39,860</u>	<u>75.5%</u>
Facility-based services				
Salaries, wages and benefits	\$ 13,302	46.3%	\$ 13,784	49.4%
Transportation	76	0.3	89	0.3
Supplies and services	5,130	17.9	6,273	22.5
Total	<u>\$ 18,508</u>	<u>64.5%</u>	<u>\$ 20,146</u>	<u>72.2%</u>
HCI				
Salaries, wages and benefits	\$ 3,196	36.5%	\$ 4,674	34.8%
Transportation	99	1.1	177	1.3
Supplies and services	38	0.4	34	0.3
Total	<u>\$ 3,333</u>	<u>38.0%</u>	<u>\$ 4,885</u>	<u>36.4%</u>
Consolidated				
Total	<u>\$ 334,768</u>	<u>63.3%</u>	<u>\$ 322,196</u>	<u>63.5%</u>

Consolidated cost of service revenue increased \$12.6 million from 2018 to 2019, but as a percentage of net service revenue remained relatively flat with it being 63.5% in 2018 to 63.3% in 2019. We were able to maintain a consistent level of cost as a percentage of net service revenue by continuing to realize the synergies associated with the integration of the AFAM locations and realized improved collections of net service revenue as the operations come to a completion in the integration of AFAM locations.

General and administrative expenses

The following table summarizes general and administrative expenses (amounts in thousands, except percentages, which are percentages of the segment's respective net service revenue):

	Three Months Ended September 30,			
	2019		2018	
Home health services				
General and administrative	\$ 105,761	28.2%	\$ 102,633	28.5%
Depreciation and amortization	2,557	0.7	2,479	0.7
Total	\$ 108,318	28.9%	\$ 105,112	29.2%
Hospice services				
General and administrative	\$ 14,763	23.8%	\$ 14,048	26.5%
Depreciation and amortization	455	0.7	637	1.2
Total	\$ 15,218	24.5%	\$ 14,685	27.7%
Home and community-based services				
General and administrative	\$ 10,471	19.6%	\$ 12,771	24.2%
Depreciation and amortization	338	0.6	151	0.3
Total	\$ 10,809	20.2%	\$ 12,922	24.5%
Facility-based services				
General and administrative	\$ 8,713	30.3%	\$ 9,056	32.5%
Depreciation and amortization	785	2.7	767	2.7
Total	\$ 9,498	33.0%	\$ 9,823	35.2%
HCI				
General and administrative	\$ 2,709	31.0%	\$ 6,624	49.4%
Depreciation and amortization	277	3.2	406	3.0
Total	\$ 2,986	34.2%	\$ 7,030	52.4%
Consolidated				
Total	\$ 146,829	27.8%	\$ 149,572	29.5%

Consolidated general and administrative expenses decreased \$2.7 million from 2018 to 2019 and improved as a percentage of net service revenue from 29.5% to 27.8%, respectively. The overall improvement was primarily due to a realization of staffing efficiencies associated with our continued integration of AFAM locations and the overall closure of two LTACH locations and one HCI location during the latter part of 2018.

Nine months ended September 30, 2019 compared to nine months ended September 30, 2018

Summary consolidated financial information

The following table summarizes our consolidated results of operations for the nine months ended September 30, 2019 and 2018 (amounts in thousands, except percentages, which are percentages of consolidated net service revenue, unless indicated otherwise):

	2019		2018		Increase (Decrease)
Net service revenue	\$ 1,548,926		\$ 1,300,121		\$ 248,805
Cost of service revenue	981,620	63.4%	831,818	64.0%	149,802
General and administrative expenses	440,634	28.4	390,817	30.1	49,817
Other intangible impairment charge	7,534		1,123		6,411
Interest expense	(8,533)		(7,916)		617
Income tax expense	22,665	27.7 (1)	14,832	27.5 (1)	7,833
Net income attributable to noncontrolling interests	14,017		10,593		3,424
Net income attributable to LHC Group, Inc.'s common stockholders	\$ 73,923		\$ 43,022		\$ 30,901

[Table of Contents](#)

- (1) Effective tax rate as a percentage of income from continuing operations attributable to our common stockholders, excluding the excess tax benefits realized and a change in our unrecognized tax position. For a discussion of our unrecognized tax position, which was assumed with the Merger on April 1, 2018, see Note 12 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Net service revenue

The following table sets forth each of our segment's revenue growth or loss, admissions, census, episodes, patient days, and billable hours for the nine months ended September 30, 2019 and the related change from the same period in 2018 (amounts in thousands, except admissions, census, episode data, patient days and billable hours, which are actual amounts; net service revenue excludes implicit price concessions):

Nine Months Ended September 30, 2019							
	Same Store(1)	De Novo(2)	Organic(3)	Organic Growth (Loss) %	Acquired (4)	Total	Total Growth (Loss) %
Home health services							
Revenue	\$ 679,286	\$ —	\$ 679,286	7.2 %	\$ 449,393	\$ 1,128,679	20.3 %
Revenue Medicare	\$ 453,550	\$ —	\$ 453,550	3.5	\$ 335,723	\$ 789,273	18.2
Admissions	169,501	—	169,501	8.6	117,018	286,519	19.5
Medicare Admissions	98,383	—	98,383	2.5	73,960	172,343	15.5
Average Census	46,910	—	46,910	5.1	29,663	76,573	0.6
Average Medicare Census	29,644	—	29,644	—	19,774	49,418	(2.7)
Home Health Episodes	163,612	—	163,612	0.1	113,139	276,751	13.3
Hospice services							
Revenue	\$ 136,545	\$ —	\$ 136,545	7.2	\$ 30,952	\$ 167,497	25.0
Revenue Medicare	\$ 126,243	\$ —	\$ 126,243	10.1	\$ 27,501	\$ 153,744	29.3
Admissions	11,227	—	11,227	5.9	2,519	13,746	16.7
Medicare Admissions	9,969	—	9,969	6.8	2,246	12,215	6.9
Average Census	3,379	—	3,379	8.9	623	4,002	13.6
Average Medicare Census	3,127	—	3,127	9.0	570	3,697	13.7
Patient days	926,927	—	926,927	9.5	166,112	1,093,039	13.5
Home and community-based services							
Revenue	\$ 43,954	\$ —	\$ 43,954	1.2	\$ 117,632	\$ 161,586	32.9
Billable hours	1,793,579	—	1,793,579	26.1	5,048,019	6,841,598	36.8
Facility-based services							
LTACHs							
Revenue	\$ 76,483	\$ —	\$ 76,483	(2.6)	\$ 201	\$ 76,684	(6.3)
Patient days	58,382	—	58,382	(8.3)	142	58,524	(11.1)
Other facility-based services							
Revenue	\$ 9,194	\$ —	\$ 9,194	47.5	\$ —	\$ 9,194	47.5
HCI							
Revenue	\$ —	\$ —	\$ —	—	\$ 24,444	\$ 24,444	3.4
Consolidated							
Revenue	\$ 945,462	\$ —	\$ 945,462	6.3	\$ 622,622	\$ 1,568,084	20.1

- (1) Same store — location that has been in service with us for greater than 12 months.
(2) De Novo — internally developed location that has been in service with us for 12 months or less.
(3) Organic — combination of same store and de novo.

[Table of Contents](#)

- (4) Acquired — purchased location that has been in service with us for 12 months or less, including all legacy Almost Family locations for the period after April 1, 2018. Almost Family locations remain counted as acquired locations due to continued system integrations, which will be completed by the end of 2019.

Organic growth is primarily generated by population growth in areas covered by mature agencies, agencies five years old or older, and by increased market share in acquired and developing agencies. Historically, acquired agencies have the highest growth in admissions and average census in the first 24 months after acquisition, and have the highest contribution to organic growth, measured as a percentage of growth, in the second full year of operation after the acquisition.

Revenue and patient days decreased in our LTACHs during the nine months ended September 30, 2019 due to the closures of two LTACHs during the latter part of 2018.

The following table sets forth the reconciliation of total revenue disclosed above, which excludes implicit price concession, to net service revenue recognized for the nine months ended September 30, 2019 and 2018 (amounts in thousands, except percentages, which are percentages of consolidated revenue):

	Nine Months Ended September 30,			
	2019	% of Net Service Revenue	2018	% of Net Service Revenue
Revenue	\$ 1,568,084		\$ 1,319,840	
Less: Implicit price concession	19,158	1.2%	19,719	1.5%
Net service revenue	<u>\$ 1,548,926</u>		<u>\$ 1,300,121</u>	

The total implicit price concession in the nine months ended September 30, 2019 slightly improved as compared to the same period in 2018 as our business, inclusive of AFAM legacy locations, continued to improve cash collection.

Cost of service revenue

The following table summarizes cost of service revenue (amounts in thousands, except percentages, which are percentages of the segment's respective net service revenue):

	Nine Months Ended September 30,			
	2019		2018	
Home health services				
Salaries, wages and benefits	\$ 635,966	57.1%	\$ 526,958	57.0%
Transportation	32,755	2.9	29,483	3.2
Supplies and services	25,361	2.3	19,975	2.2
Total	<u>\$ 694,082</u>	<u>62.3%</u>	<u>\$ 576,416</u>	<u>62.4%</u>
Hospice services				
Salaries, wages and benefits	\$ 75,443	44.7%	\$ 69,321	47.4%
Transportation	5,691	3.4	5,427	3.7
Supplies and services	22,719	13.5	20,809	14.2
Total	<u>\$ 103,853</u>	<u>61.6%</u>	<u>\$ 95,557</u>	<u>65.3%</u>
Home and community-based services				
Salaries, wages and benefits	\$ 116,674	74.0%	\$ 88,693	74.1%
Transportation	1,636	1.0	1,215	1.0
Supplies and services	744	0.5	423	0.4
Total	<u>\$ 119,054</u>	<u>75.5%</u>	<u>\$ 90,331</u>	<u>75.5%</u>
Facility-based services				
Salaries, wages and benefits	\$ 37,696	44.7%	\$ 41,145	47.7%
Transportation	219	0.3	238	0.3
Supplies and services	15,897	18.8	17,719	20.5
Total	<u>\$ 53,812</u>	<u>63.8%</u>	<u>\$ 59,102</u>	<u>68.5%</u>
HCI				
Salaries, wages and benefits	\$ 10,215	42.2%	\$ 10,017	42.5%
Transportation	330	1.4	340	1.4
Supplies and services	274	1.1	55	0.2
Total	<u>\$ 10,819</u>	<u>44.7%</u>	<u>\$ 10,412</u>	<u>44.1%</u>
Consolidated				
Total	<u>\$ 981,620</u>	<u>63.4%</u>	<u>\$ 831,818</u>	<u>64.0%</u>

Consolidated cost of service revenue increased \$149.8 million from 2018 to 2019, but as a percentage of net service revenue decreased from 64.0% to 63.4%. The improvement from 2018 to 2019 as a percentage of net service revenue was the result of our ability to continue to experience synergies and improved cash collections associated with the integration of the AFAM locations. This was offset by a decrease in facility-based services due to the closure of two LTACHs.

General and administrative expenses

The following table summarizes general and administrative expenses (amounts in thousands, except percentages, which are percentages of the segment's respective net service revenue):

	Nine months ended September 30,			
	2019		2018	
Home health services				
General and administrative	\$ 314,746	28.3%	\$ 270,126	29.2%
Depreciation and amortization	7,369	0.7	6,949	0.8
Total	<u>\$ 322,115</u>	<u>29.0%</u>	<u>\$ 277,075</u>	<u>30.0%</u>
Hospice services				
General and administrative	\$ 43,856	26.0%	\$ 41,325	28.3%
Depreciation and amortization	1,311	0.8	1,765	1.2
Total	<u>\$ 45,167</u>	<u>26.8%</u>	<u>\$ 43,090</u>	<u>29.5%</u>
Home and community-based services				
General and administrative	\$ 32,038	20.3%	\$ 28,206	23.6%
Depreciation and amortization	966	0.6	458	0.4
Total	<u>\$ 33,004</u>	<u>20.9%</u>	<u>\$ 28,664</u>	<u>24.0%</u>
Facility-based services				
General and administrative	\$ 25,700	30.5%	\$ 27,541	31.9%
Depreciation and amortization	2,310	2.7	2,030	2.4
Total	<u>\$ 28,010</u>	<u>33.2%</u>	<u>\$ 29,571</u>	<u>34.3%</u>
HCI				
General and administrative	\$ 11,482	47.4%	\$ 11,633	49.4%
Depreciation and amortization	856	3.5	784	3.3
Total	<u>\$ 12,338</u>	<u>50.9%</u>	<u>\$ 12,417</u>	<u>52.7%</u>
Consolidated				
Total	<u>\$ 440,634</u>	<u>28.4%</u>	<u>\$ 390,817</u>	<u>30.1%</u>

Consolidated general and administrative expenses increased \$49.8 million, but improved as a percentage of net service revenue from 30.1% to 28.4% in 2019. The dollar increase was the result of the Merger and the exclusion of such expenses until April 1, 2018, which is when the Merger was completed.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our principal source of liquidity for operating activities is the collection of patient accounts receivable, most of which are collected from governmental and third party commercial payors. We also have the ability to obtain additional liquidity, if necessary, through our credit facility, which provides for aggregate borrowings, including outstanding letters of credit.

The following table summarizes changes in cash (amounts in thousands):

	Nine months ended September 30,	
	2019	2018
Net cash provided by (used in):		
Operating activities	\$ 104,790	\$ 86,334
Investing activities	(69,521)	(9,819)
Financing activities	(55,330)	(22,391)
Change in cash	<u>\$ (20,061)</u>	<u>\$ 54,124</u>
Cash at beginning of period	49,363	2,849
Cash at end of period	<u>\$ 29,302</u>	<u>\$ 56,973</u>

From 2018 to 2019, our use of cash increased by \$74.2 million. The primary reason for the increase in use of cash was the result of cash used in investing activities associated with our 2019 acquisitions of \$54.1 million and \$6.9 million for the home

[Table of Contents](#)

office expansion project, cash used in financing activities for the purchases of additional controlling interest, which was slightly offset by an increase in cash provided by operating activities as our overall working capital improved from 2018 to 2019.

Indebtedness

On March 30, 2018, we entered into a Credit Agreement with JPMorgan Chase Bank, N.A., which was effective on April 2, 2018 (the "Credit Agreement"). The Credit Agreement provides a senior, secured revolving line of credit commitment with a maximum principal borrowing limit of \$500.0 million, which includes an additional \$200.0 million accordion expansion feature, and a letter of credit sub-limit equal to \$50.0 million. The expiration date of the Credit Agreement is March 30, 2023. Our obligations under the Credit Agreement are secured by substantially all of the assets of the Company and its wholly-owned subsidiaries, which assets include the Company's equity ownership of its wholly-owned subsidiaries and its equity ownership in joint venture entities. Our wholly-owned subsidiaries also guarantee the obligations of the Company under the Credit Agreement.

Revolving loans under the Credit Agreement bear interest at, as selected by us, either a (a) Base Rate, which is defined as a fluctuating rate per annum equal to the highest of (1) the Federal Funds Rate in effect on such day plus 0.5%, (2) the Prime Rate in effect on such day, and (3) the Eurodollar Rate for a one month interest period on such day plus 1.5%, plus a margin ranging from 0.50% to 1.25% per annum or (b) Eurodollar rate plus a margin ranging from 1.50% to 2.25% per annum. Swing line loans bear interest at the Base Rate. We are limited to 15 Eurodollar borrowings outstanding at the same time. We are required to pay a commitment fee for the unused commitments at rates ranging from 0.20% to 0.35% per annum depending upon our consolidated Leverage Ratio, as defined in the Credit Agreement. The Base Rate as of September 30, 2019 was 5.75% and the LIBOR rate was 3.81%. As of September 30, 2019, the effective interest rates on our borrowings under the Credit Agreement was 3.81%.

As of September 30, 2019, we had \$232.0 million drawn and letters of credit outstanding in the amount of \$22.3 million under the Credit Agreement, and had approximately \$245.7 million of remaining borrowing capacity available under the Credit Agreement. At December 31, 2018, we had \$235.0 million drawn and letters of credit outstanding in the amount of \$30.4 million under the Credit Facility.

Under the Credit Agreement with JPMorgan Chase Bank, N.A., a letter of credit fee shall be equal to the applicable Eurodollar rate on the average daily amount of the letter of credit exposure. The agent's standard up-front fee and other customary administrative charges will also be due upon issuance of the letter of credit along with a renewal fee on each anniversary date of such issuance while the letter of credit is outstanding. Borrowings accrue interest under the Credit Agreement at either the Base Rate or the Eurodollar rate, and are subject to the applicable margins set forth below:

Leverage Ratio	Eurodollar Margin	Base Rate Margin	Commitment Fee Rate
≤1.00:1.00	1.50%	0.50%	0.200%
>1.00:1.00 ≤ 2.00:1.00	1.75%	0.75%	0.250%
>2.00:1.00 ≤ 3.00:1.00	2.00%	1.00%	0.300%
>3.00:1.00	2.25%	1.25%	0.350%

Our Credit Agreement contains customary affirmative, negative and financial covenants, which are subject to customary carve-outs, thresholds, and materiality qualifiers. The Credit Facility allows us to make certain restricted payments within certain parameters provided we maintain compliance with those financial ratios and covenants after giving effect to such restricted payments or, in the case of repurchasing shares of its stock, so long as such repurchases are within certain specified baskets.

Our Credit Agreement also contains customary events of default, which are subject to customary carve-outs, thresholds, and materiality qualifiers. These include bankruptcy and other insolvency events, cross-defaults to other debt agreements, a change in control involving us or any subsidiary guarantor, and the failure to comply with certain covenants.

At September 30, 2019, we were in compliance with all debt covenants.

Contingencies

For a discussion of contingencies, see Note 7 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in these relationships.

Critical Accounting Policies

For a discussion of critical accounting policies, see Note 2 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference. For a full description of the Company's other critical accounting policies, see Note 2 of the Notes to Consolidated Financial Statements in the 2018 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our exposure to market risk relates to changes in interest rates for borrowings under our credit facility. Our letter of credit fees and interest accrued on our debt borrowings are subject to the applicable Eurodollar or Base Rate. A hypothetical basis point increase in interest rates on the average daily amounts outstanding under the credit facility would have increased interest expense by \$1.8 million for the nine months ended September 30, 2019.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We established disclosure controls and procedures which are designed to provide reasonable assurance of achieving their objectives and to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934 as amended (the "Exchange Act") is recorded, processed, summarized, disclosed and reported within the time periods specified in the SEC's rules and forms. This information is also accumulated and communicated to our management and Board of Directors to allow timely decisions regarding required disclosure.

In connection with the preparation of this Quarterly Report on Form 10-Q, as of September 30, 2019, under the supervision and with the participation of management, including the principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of the disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act.

Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2019, the end of the period covered by this Quarterly Report.

Changes in Internal Controls Over Financial Reporting

We, including the principal executive officer and principal financial officer, do not expect that our disclosure controls or our internal controls over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on 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. Projections of any evaluation of controls' effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and, based on an evaluation of the controls and procedures, the principal executive officer and principal financial officer concluded the disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2019, the end of the period covered by this Quarterly Report.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

For a discussion of legal proceedings, see Note 7 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS.

Important risk factors that could affect the Company's operations and financial performance, or that could cause results or events to differ from current expectations, are described in Part I, Item 1A., "Risk Factors" of our 2018 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 6. EXHIBITS.

3.1	Amended and Restated Certificate of Incorporation of LHC Group, Inc. (previously filed as an Exhibit 3.1 to LHC Group's Form 8-K filed on April 2, 2018).
3.2	Bylaws of LHC Group, Inc. as amended on December 31, 2007 (previously filed as Exhibit 3.2 to LHC Group's Form 10-Q filed on May 9, 2008).
4.1	Specimen Stock Certificate of LHC Group's Common Stock, par value \$0.01 per share (previously filed as Exhibit 4.1 to LHC Group's Form S-1/ A (File No. 333-120792) filed on February 14, 2005).
10.1	Amended and Restated Employment Agreement between Joshua L. Proffitt and LHC Group, Inc. dated October 7, 2019
31.1	Certification of Keith G. Myers, Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Joshua L. Proffitt, Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer of LHC Group, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
<u>101.PRE</u>	<u>XBRL Presentation Linkbase Document</u>

*This exhibit is furnished to the SEC as an accompanying document and is not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, and the document will not be deemed incorporated by reference into any filing under the Securities Act of 1933.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LHC GROUP, INC.
(Registrant)

Date: November 7, 2019

/s/ Joshua L. Proffitt

Joshua L. Proffitt
Chief Financial Officer
(Principal financial officer)

[\(Back To Top\)](#)

44

Section 2: EX-10.1 (EXHIBIT 10.1)

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT
BETWEEN
JOSHUA L. PROFFITT
AND
LHC GROUP, INC.**

Table Of Contents

	<u>Page</u>
1. Employment	1
2. Term	1
3. Extent of Service	2
4. Compensation and Benefits	
(a) Base Salary	2
(b) Incentive, Savings and Retirement Plans	2
(c) Welfare Benefit Plans	2
(d) Expenses	3
(e) Fringe Benefits	3
(f) Vacation	3
(g) Office and Support Staff	3
(h) Annual Compensation Review	3
(i) One-Time Equity Grant	3
5. Change of Control	3
6. Termination of Employment	5
(a) Death or Retirement	5
(b) Disability	5
(c) Termination by the Company	5
(d) Termination by Executive	6
(e) Notice of Termination	6
(f) Date of Termination	7
7. Obligations of the Company upon Termination	7
Termination by Executive for Good Reason; Termination by the Company Other Than for Cause or	
(a) Disability	7
(b) Death or Disability	9
(c) Cause, Voluntary Termination without Good Reason or Retirement	10
(d) Expiration of Term Following Notice	10
(e) Resignations	10
8. Non-exclusivity of Rights	10
9. Full Settlement; No Obligation to Mitigate	10
10. Certain Additional Payments by the Company	11
11. Costs of Enforcement	12
12. Restrictions on Conduct of Executive	12
(a) General	12
(b) Definitions	13
(c) Restrictive Covenants	15
(d) Enforcement of Restrictive Covenants	17
13. Consent to Jurisdiction	18
14. Assignment and Successors	18
15. Miscellaneous	18
(a) Waiver	18

(b)	Severability	18
(c)	Other Agents	19
(d)	Entire Agreement	19
(e)	Governing Law	19
(f)	Notices	19
(g)	Amendments and Modifications	19
(h)	Construction	19
(i)	Code Section 409A	20
(j)	Withholding	20

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”) by and between LHC Group, Inc., a Delaware corporation (the “Company”), and Joshua L. Proffitt (“Executive”), is dated as of October 7, 2019 (the “Agreement Date”).

BACKGROUND

WHEREAS, the Company and Executive are parties to that certain Amended and Restated Employment Agreement dated as of September 12, 2016 (the “Original Agreement”), pursuant to which Executive currently serves as an executive officer of the Company;

WHEREAS, the Company desires to retain the services of Executive and engage Executive as Executive Vice President, Chief Financial Officer and Treasurer from and after the Agreement Date, in accordance with the terms of this Agreement and Executive is willing to serve as such in accordance with the terms and conditions of this Agreement; and

WHEREAS, the Original Agreement, and any other prior employment agreements between Executive and the Company, shall be terminated upon the Agreement Date and neither party shall have any further obligations under any such terminated employment agreements.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment. Executive is hereby employed as Executive Vice President, Chief Financial Officer and Treasurer of the Company. In his capacity as Executive Vice President, Chief Financial Officer and Treasurer, Executive shall have the duties, responsibilities and authority commensurate with such position as shall be assigned to him by the Chief Executive Officer of the Company. In his capacity as Executive Vice President, Chief Financial Officer and Treasurer of the Company, Executive will report directly to the Chief Executive Officer of the Company.

2. Term. Executive’s employment shall be governed by the terms and conditions of this Agreement for a period beginning on the Agreement Date and ending on September 30, 2022 (the “Term”). Beginning on October 1, 2022, and on each subsequent October 1 thereafter, the Term shall, without further action by Executive or the Company, be extended by an additional one (1)-year period; *provided, however*, that either the Company or Executive may, by notice to the other given at least six (6) months prior to the scheduled expiration of the Term or any then current renewal term, cause the Term or such then current renewal period to cease to extend automatically. Upon such notice, the Term shall terminate upon the expiration of the then-current term, including any prior extensions. Notwithstanding the foregoing, following the occurrence of a Change of Control, the Company may not cause the Term to expire earlier than the second (2nd) anniversary of the Change of Control.

3. Extent of Service. During the Term, and excluding any periods of vacation, holiday, sick leave and Company-approved leave of absence to which Executive is entitled in accordance with Company policies, Executive agrees to devote substantially all of his business time, attention, skill and efforts exclusively to the faithful performance of his duties hereunder. It shall not be a violation of this Agreement for Executive to (i) devote reasonable time to charitable or community activities, (ii) serve on corporate, civic, educational or charitable boards or committees, subject to the Company’s standards of business conduct or other code of ethics, (iii) deliver lectures or fulfill speaking engagements from time to time on an infrequent basis, and/or (iv) manage personal business interests and investments, subject to the Company’s standards of business conduct or other code of ethics, and so long as such activities do not interfere in a material manner or on a routine basis with the performance of Executive’s responsibilities under this Agreement.

4. Compensation and Benefits.

(a) Base Salary. During the Term, the Company will pay to Executive base salary at the rate of Six Hundred Thousand (\$600,000) per year (“Base Salary”), less normal withholdings, payable in approximately equal bi-weekly or other installments as are or become customary under the Company’s payroll practices for its employees from

time to time. The Compensation Committee of the Board of Directors of the Company (or the full Board, if there is no Compensation Committee) shall review Executive's Base Salary annually and may increase (but not decrease) Executive's Base Salary from year to year. Such adjusted salary then shall become Executive's Base Salary for purposes of this Agreement. The annual review of Executive's salary by the Board will consider, among other things, Executive's own performance, and the Company's performance.

(b) Incentive, Savings and Retirement Plans During the Term, Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs available to senior executive officers of the Company ("Peer Executives"). Without limiting the foregoing, the following shall apply:

(i) during the Term, Executive will be entitled to participate in the Company's executive bonus plan, pursuant to which he will have an opportunity to receive an annual cash bonus based upon the achievement of performance goals established from year to year by the Compensation Committee of the Board of Directors of the Company (such bonus earned at the stated "goal" level of achievement being referred to herein as the "Target Bonus"); and

(ii) during the Term, Executive will be eligible for grants, under the Company's long-term incentive plan or plans, of stock options and/or restricted stock awards (or such other stock-based awards as the Company makes to Peer Executives). Nothing herein requires the Board of Directors to make grants of options or other awards in any year.

(c) Welfare Benefit Plans. During the Term, Executive and Executive's eligible dependents shall be eligible for participation in, and shall receive all benefits under, the welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription drug, dental, disability, employee life, dependent life, accidental death and travel accident insurance plans and programs) ("Welfare Plans") to the extent available to other Peer Executives.

(d) Expenses. During the Term, Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by Executive in the course of performing his duties and responsibilities under this Agreement, in accordance with the policies, practices and procedures of the Company to the extent available to other Peer Executives with respect to travel, entertainment and other business expenses.

(e) Fringe Benefits. During the Term, Executive shall be entitled to fringe benefits in accordance with the plans, practices, programs and policies of the Company available to other Peer Executives.

(f) Vacation. During the Term, Executive will be entitled to such paid vacation time as may be provided from time to time under any plans, practices, programs and policies of the Company available to other Peer Executives.

(g) Office and Support Staff. During the Term, Executive will be entitled to office, furnishings and equipment of similar type and quality made available to other Peer Executives. During the Term, Executive will be entitled to secretarial and other assistance reasonably necessary for the performance of his duties and responsibilities.

(h) Annual Compensation Review. As set forth in Section 4(a) herein, on an annual basis the Compensation Committee of the Board of Directors of the Company shall conduct an overall review of Executive's compensation package including base salary, short term incentives and long-term incentives. This review shall be based on input from the Chief Executive Officer of the Company and a review of Executive's performance and the Company's performance. In addition, on an annual basis, the Chief Executive Officer of the Company and the Chair of the Compensation Committee shall review with Executive his compensation package, including any compensation surveys and other comparable data used by the Compensation Committee to establish Executive's compensation package. As set forth above, this review will not result in a decrease in Executive's Base Salary from the previous year.

(i) One-Time Equity Grant and Cash Bonus. Solely in consideration of Executive's execution of this Agreement, the Compensation Committee of the Board of Directors has authorized (i) a one-time equity grant in the amount of Thirteen Thousand Five Hundred Eighty (13,580) shares of restricted stock to be issued to Executive to be granted October 7, 2019 (the "Grant Date") and (ii) a one-time cash bonus in the amount of One Hundred Seventy-Five Thousand Dollars (\$175,000). The restricted stock will vest in five equal annual installments beginning on August 1, 2020 and will be subject to the terms set forth in this Agreement and in the Company's standard restricted stock agreement.

5. Change of Control. For the purposes of this Agreement, a "Change of Control" shall mean the occurrence of any of the following events:

(a) individuals who, on the Agreement Date, constitute the Board of Directors of the Company (the "Incumbent Directors") cease for any reason to constitute at least a majority of such Board, provided that any person

becoming a director after the Agreement Date and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board shall be an Incumbent Director; *provided, however*, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors (“Election Contest”) or other actual or threatened solicitation of proxies or consents by or on behalf of any “person” (such term for purposes of this Section 5 being as defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the “Exchange Act”) and as used in Section 13(d)(3) and 14(d)(2) of the Exchange Act) other than the Board (“Proxy Contest”), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

(b) any person is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of either (i) thirty-five percent (35%) or more of the then-outstanding shares of common stock of the Company (“Company Common Stock”) or (ii) securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company’s then outstanding securities eligible to vote for the election of directors (the “Company Voting Securities”); *provided, however*, that for purposes of this paragraph (b), the following acquisitions of Company Common Stock or Company Voting Securities shall not constitute a Change of Control: (A) an acquisition directly from the Company, (B) an acquisition by the Company or a subsidiary of the Company, (C) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary of the Company, or (D) an acquisition pursuant to a Non-Qualifying Transaction (as defined in paragraph (c) below); or

(c) the consummation of a recapitalization, reorganization, merger, consolidation, statutory share exchange or similar form of transaction involving the Company or a subsidiary of the Company (a “Reorganization”), or the sale or other disposition of all or substantially all of the Company’s assets (a “Sale”) or the acquisition of assets or stock of another entity (an “Acquisition”), unless immediately following such Reorganization, Sale or Acquisition: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such Reorganization, Sale or Acquisition beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from or surviving such Reorganization, Sale or Acquisition (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets or stock either directly or through one or more subsidiary entities, the “Surviving Entity”) in substantially the same proportions as their ownership, immediately prior to such Reorganization, Sale or Acquisition, of the outstanding Company Common Stock and the outstanding Company Voting Securities, as the case may be, and (B) no person (other than (x) the Company or any subsidiary of the Company, (y) the Surviving Entity or its ultimate parent entity, or (z) any employee benefit plan (or related trust) sponsored or maintained by any of the foregoing) is the beneficial owner, directly or indirectly, of thirty-five percent (35%) or more of the total common stock or thirty-five percent (35%) or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Entity, and (C) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the Board’s approval of the execution of the initial agreement providing for such Reorganization, Sale or Acquisition (any Reorganization, Sale or Acquisition which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a “Non-Qualifying Transaction”); or

(d) approval by the members or stockholders of the Company, as the case may be, of a complete liquidation or dissolution of the Company.

6. Termination of Employment.

(a) Death or Retirement. Executive’s employment shall terminate automatically upon Executive’s death or Retirement during the Term. For purposes of this Agreement, “Retirement” shall mean normal retirement as defined in the Company’s then-current retirement plan, or if there is no such retirement plan, “Retirement” shall mean voluntary termination after age sixty-five (65) with at least ten (10) years of service.

(b) Disability. If the Company determines in good faith that the Disability (as defined below) of Executive has occurred during the Term, it may give to Executive written notice of its intention to terminate Executive’s employment. In such event, Executive’s employment with the Company shall terminate effective on the thirtieth (30th) day after receipt of such written notice by Executive (the “Disability Effective Date”), provided that, within the thirty (30) days after such receipt, Executive shall not have returned to full-time performance of Executive’s duties. For purposes of this Agreement, “Disability” shall have the same meaning as provided in the long-term disability plan or policy maintained by the Company and covering Executive. If no such long-term disability plan or policy is maintained, “Disability” shall mean the inability of Executive, as determined by the Board of Directors, to perform the essential functions of his regular duties and responsibilities, with or without reasonable accommodation, due to a medically determinable physical or mental illness which has lasted (or can reasonably be expected to last) for a period of six (6) consecutive months.

(c) Termination by the Company. The Company may terminate Executive’s employment during the Term with or without Cause. For purposes of this Agreement, “Cause” shall mean:

(i) any conduct by Executive involving moral turpitude that has a material adverse impact on

the Company or on Executive's ability to perform his duties hereunder;

(ii) Executive's commission or conviction of, or pleading guilty or nolo contendere (or any similar plea or admission) to, a felony or a criminal act involving dishonesty or other moral turpitude;

(iii) any failure to abide by any material laws applicable to him in his capacity as an employee or executive of the Company or applicable to the Company or any of its parents or subsidiaries;

(iv) any failure or refusal on the part of Executive to perform his duties under this Agreement or to obey lawful directives from the Board of Directors or Chief Executive Officer of the Company, or either of their designees, if not remedied within ten (10) business days after Company's providing notice thereof;

(v) any violation of any policy of Company relating to equal employment opportunity, harassment, business conduct or conflict of interest;

(vi) use of illegal drugs, abuse of other controlled substances or working under the influence of alcohol or other controlled substances; and

(vii) any breach by Executive of any obligation under this Agreement if not remedied within ten (10) business days after Company's providing notice thereof.

(d) Termination by Executive. Executive's employment may be terminated by Executive during the Term for Good Reason or no reason. For purposes of this Agreement, unless written consent of Executive is obtained, "Good Reason" shall mean:

(i) a material reduction by the Company in Executive's Base Salary as in effect on the Agreement Date (which reduction in Base Salary is not permitted by Section 4(a) hereof) or as the same may be increased from time to time;

(ii) any failure by the Company to comply with and satisfy 16(c) of this Agreement;

(iii) the material breach by the Company of any of the financial obligations of Company set forth in this Agreement;

(iv) after the occurrence of a Change of Control, a material diminution in Executive's position, authority, duties or responsibilities; or

(v) after the occurrence of a Change of Control, a change in the geographic location greater than a seventy-five (75)-mile radius from Lafayette, LA at which Executive must perform services or be required to maintain an office.

Any claim of "Good Reason" under this Agreement shall be communicated by Executive to the Company in writing, which writing shall specifically identify the factual details concerning the event(s) giving rise to Executive's claim of Good Reason under this Section 6(d). The Company shall have an opportunity to cure any claimed event of Good Reason within thirty (30) days of such notice from Executive. Good Reason shall cease to exist for an event or condition described in clauses (i), (ii) and (iii) above on the ninetieth (90th) day following its occurrence, unless Executive has given the Company written notice thereof prior to such date.

(e) Notice of Termination. Any termination by the Company for Cause, or by Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 15(f) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, and (iii) specifies the termination date. The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" means (i) if Executive's employment is terminated by the Company for Cause, or by Executive for Good Reason, the date of receipt of the Notice of Termination or a date within thirty (30) days after receipt of the Notice of Termination, as specified in such notice, (ii) if Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date of receipt of the

Notice of Termination or a date within ninety (90) days after receipt of the Notice of Termination, as specified in such notice, (iii) if Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of Executive or the Disability Effective Date, as the case may be, and (iv) if Executive's employment is terminated by Executive without Good Reason, the Date of Termination shall be sixty (60) days following the Company's receipt of the Notice of Termination, unless the Company specifies an earlier Date of Termination.

7. Obligations of the Company upon Termination.

(a) Termination by Executive for Good Reason; Termination by the Company Other Than for Cause or Disability. If, during the Term, the Company shall terminate Executive's employment other than for Cause or Disability, or Executive shall terminate employment for Good Reason within a period of one-hundred and eighty (180) days after the occurrence of the event giving rise to Good Reason, then and, with respect to the payments and benefits described below, only if Executive executes a Release in substantially the form of Exhibit A hereto (the "Release"):

(i) the Company shall provide to Executive in a single lump sum cash payment within thirty (30) days after the Date of Termination, or if later, within five (5) days after the Release becomes effective and nonrevocable (but in no event shall such amount be payable later than March 15 of the year following the year in which Executive's employment was terminated), the aggregate of the following amounts:

A. the sum of the following amounts, to the extent not previously paid to Executive (the "Accrued Obligations"): (1) Executive's Base Salary through the Date of Termination, and (2) any accrued pay in lieu of unused vacation (in accordance with the Company's vacation policy; and

B. a severance payment as determined pursuant to clause (x) or (y) below, as applicable:

(x) if the Date of Termination occurs before, or more than two (2) years after, the occurrence of a Change of Control, the severance payment shall be the product of one-and-a-half (1.5) times the sum of (1) Executive's Base Salary in effect as of the Date of Termination (ignoring any decrease in Executive's Base Salary unless consented to by Executive), and (2) the greater of the average of the annual cash bonuses earned by Executive for the two (2) fiscal years in which annual bonuses were paid immediately preceding the year in which the Date of Termination occurs, or Executive's Target Bonus for the year in which the Date of Termination occurs; or

(y) if the Date of Termination occurs within two (2) years after the occurrence of a Change of Control, the severance payment shall be the product of two-and-a-half (2.5) times the sum of (1) Executive's Base Salary in effect as of the Date of Termination, and (2) the greater of the average of the annual bonuses earned by Executive for the two fiscal years in which annual bonuses were paid immediately preceding the year in which the Date of Termination occurs, or Executive's Target Bonus for the year in which the Date of Termination occurs; and

(ii) the Company shall pay to Executive, in a single lump sum cash payment at the time that annual bonuses are paid to Peer Executives, or such later date as may be required pursuant to Section 15(i), an annual bonus for the year in which the Date of Termination occurs, equal to (i) the bonus, if any, that would have been earned by Executive under the annual incentive bonus plan for such year if he had remained employed on such payment date, based on actual performance under applicable financial metrics, multiplied by (ii) a fraction, the numerator of which is the number of days worked by Executive during such final year and the denominator of which is three-hundred and sixty-five (365) (the "Prorated Final Year Bonus"); and

(iii) to the extent not theretofore paid or provided, the Company shall timely pay or deliver, as appropriate, all other benefits due to Executive pursuant to any employee benefit plans or incentive plans maintained by the Company with respect to services rendered by Executive prior to the Date of Termination (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(iv) In addition to the payments and benefits described in clauses (i), (ii) and (iii) above, Executive shall be entitled to the following additional benefits:

A. If the Date of Termination occurs within two (2) years after the occurrence of a Change of Control, all grants of stock options and other equity awards granted by the Company and held by Executive as of the Date of Termination will become immediately vested and exercisable as of the Date of Termination and, to the extent necessary, this Agreement is hereby deemed an amendment of any such outstanding stock option or other equity award;

B. If the Date of Termination occurs before a Change of Control or two (2) years following the occurrence of a Change of Control, then, except as provided below, all grants of stock options and other equity awards granted by the Company and held by Executive as of the Date of Termination will remain outstanding and will (i) continue to vest and become exercisable in accordance with their current vesting schedule provided that Executive continues to comply with the provisions of Section 12 hereof following the Date of Termination and during the Restricted Period (and any unvested award shall be forfeited in the event Executive breaches any of the provisions of Section 12 during such period), and (ii) continue to vest and become exercisable in accordance with their current vesting schedule without

condition following the end of the Restricted Period provided that Executive complied with the provisions of Section 12 hereof during the Restricted Period. Notwithstanding the foregoing, if Executive incurs a tax liability with respect to an award of restricted stock prior to the time the restrictions on such restricted stock would lapse in accordance with this Section 7(a)(iv)(B), the restrictions shall lapse on the date such tax liability arises with respect to the number of whole shares of the Company's common stock having a fair market value at such time no greater than the amount required to satisfy all tax withholding requirements applicable thereto. The Company shall withhold such released shares to satisfy such withholding obligations, and any unvested shares of restricted stock will be subject to the remaining vesting schedule. To the extent necessary, this Agreement is hereby deemed an amendment of any such outstanding stock option or other equity award; and

C. If Executive elects to continue participation in any group medical, dental, vision and/or prescription drug plan benefits to which Executive and/or Executive's eligible dependents would be entitled under Section 4980B of the Code (COBRA), then during the period that Executive is entitled to such coverage under COBRA (the "Coverage Period"), the Company shall pay the excess of (i) the COBRA cost of such coverage, over (ii) the amount that Executive would have had to pay for such coverage if he had remained employed during the Coverage Period and paid the active employee rate for such coverage, *provided, however*, that the cost so paid on behalf of Executive by the Company will be deemed taxable income to Executive to the extent required by law, and *provided, further*, that if Executive becomes eligible to receive group health benefits under a program of a subsequent employer or otherwise (including coverage available to Executive's spouse), the Company's obligation to pay the cost of health coverage as described herein shall cease, except as otherwise provided by law.

If Executive's employment is terminated by the Company without Cause prior to the occurrence of a Change of Control and if it can reasonably be shown that Executive's termination (i) was at the direction or request of a third party that had taken steps reasonably calculated to effect a Change of Control after such termination, or (ii) otherwise occurred in anticipation of a Change of Control, and in either case a Change of Control as defined hereunder does, in fact, occur, then Executive shall have the rights described in this Section 7(a) as if the Change of Control had occurred on the date immediately preceding the Date of Termination.

Executive acknowledges and agrees that the receipt of severance benefits provided in this Section 7(a) constitutes consideration for the restrictions on the conduct of Executive contained in Section 12 of this Agreement.

(b) Death or Disability. If Executive's employment is terminated by reason of his death or Disability during the Term, all grants of stock options and other equity awards granted by the Company and held by Executive will become immediately vested and exercisable as of the Date of Termination (and this Agreement is hereby deemed an amendment of any such outstanding stock option or other equity award to the extent necessary), and this Agreement shall terminate without further obligations to Executive or his estate, beneficiaries or legal representatives, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to Executive or his estate, beneficiary or legal representative, as applicable, in a lump sum in cash within thirty (30) days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as used in this Section 7(b) shall include, without limitation, and Executive or his estate, beneficiaries or legal representatives, as applicable, shall be entitled to receive, benefits under such plans, programs, practices and policies relating to death, disability or retirement benefits, if any, as are applicable to Executive or his family on the Date of Termination.

(c) Cause, Voluntary Termination without Good Reason or Retirement. If Executive's employment shall be terminated for Cause during the Term, or if Executive voluntarily terminates employment during the Term without Good Reason or by reason of his Retirement, this Agreement shall terminate without further obligations to Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits.

(d) Expiration of Term Following Notice. If either party gives notice under Section 2 to cause the Term to cease to extend automatically, this Agreement shall terminate without further obligations to Executive upon the expiration of the then-current term, *provided, however*, that if it is the Company who gives notice to Executive under Section 2 to cause the Term to cease to extend automatically, then upon Executive's termination of employment following such notice, all grants of stock options and other equity awards granted by the Company and held by Executive as of the Date of Termination will remain outstanding and will continue to vest and become exercisable in accordance with their current vesting schedule for so long as Executive voluntarily complies with the restrictions of Section 12 hereof following the Date of Termination as if such restrictions applied to Executive. Any unvested award shall be forfeited upon Executive's failure to comply with any of the restrictions of Section 12 as if such restrictions applied to Executive. To the extent necessary, this Agreement is hereby deemed an amendment of any such outstanding stock option or other equity award.

(e) Resignations. Termination of Executive's employment for any reason whatsoever shall constitute Executive's resignation as an officer of the Company, its subsidiaries and affiliates.

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future

participation in any employee benefit plan, program, policy or practice provided by the Company and for which Executive may qualify, except as specifically provided herein. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any employee benefit plan, policy, practice or program of the Company, its subsidiaries or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program except as explicitly modified by this Agreement.

9. Full Settlement; No Obligation to Mitigate. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and, except as explicitly provided herein, such amounts shall not be reduced whether or not Executive obtains other employment.

10. Mandatory Reduction of Payments in Certain Events.

(a) Notwithstanding any other contrary provisions in any plan, program or policy of the Company, if all or any portion of the benefits payable under this Agreement, either alone or together with other payments and benefits which Executive receives or is entitled to receive from the Company, would constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall reduce Executive's payments and benefits payable under this Agreement to the extent necessary so that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Code, but only if, by reason of such reduction, the net after-tax benefit shall exceed the net after-tax benefit if such reduction were not made. "Net after-tax benefit" for these purposes shall mean the sum of (i) the total amount payable to Executive under the Agreement, plus (ii) all other payments and benefits which Executive receives or is then entitled to receive from the Company that, alone or in combination with the payments and benefits payable under the Agreement, would constitute a "parachute payment" within the meaning of Section 280G of the Code (each such benefit hereinafter referred to as an "Additional Parachute Payment"), less (iii) the amount of federal income taxes payable with respect to the foregoing calculated at the maximum marginal income tax rate for each year in which the foregoing shall be paid to Executive (based upon the rate in effect for such year as set forth in the Code at the time of the payment under the Agreement), less (iv) the amount of excise taxes imposed with respect to the payments and benefits described in (i) and (ii) above by Section 4999 of the Code. The parachute payments reduced shall be those that provide Executive the best economic benefit and to the extent any parachute payments are economically equivalent with each other, each shall be reduced pro rata; *provided, however*, that Executive may elect to have the non-cash payments and benefits due Executive reduced (or eliminated) prior to any reduction of the cash payments due under this Agreement.

(b) All determinations required to be made under this Section 10 shall be made by the accounting firm that was the Company's independent auditor prior to the Change of Control or any other third party acceptable to Executive and the Company (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and Executive. All fees and expenses of the Accounting Firm shall be borne solely by the Company as set forth in Section 11(b) hereof. Absent manifest error, any determination by the Accounting Firm shall be binding upon the Company and Executive.

(c) For purposes of determining whether and the extent to which any payments would constitute a "parachute payment" (i) no portion of any payments or benefits that Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account, (ii) no portion of the payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to Executive and selected by the Accounting Firm, does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the excise tax, no portion of such payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (within the meaning set forth in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the payments shall be determined by the Accounting Firm in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

11. Costs of Enforcement.

(a) In any action taken in good faith relating to the enforcement of this Agreement or any provision herein, Executive shall be entitled to reimbursement for any and all costs and expenses incurred by him in enforcing or establishing his rights thereunder, including, without limitation, reasonable attorneys' fees, whether suit be brought or not, and whether or not incurred in arbitration, trial, bankruptcy or appellate proceedings, but only if and to the extent Executive is successful in asserting such rights. If Executive becomes entitled to recover fees and expenses under this Section 11(a), the reimbursement of an eligible expense shall be made within ten (10) business days after delivery of Executive's respective written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require, but in no event later than March 15 of the year after the year in which such rights are established.

(b) Executive shall also be entitled to be paid all reasonable legal fees and expenses, if any, incurred in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Internal Revenue Code to any payment or benefit hereunder. Such reimbursement of expenses shall be made on a current basis, as incurred, and in no event later than December 31 of the year following the calendar year in which the taxes that are the subject of the audit or proceeding are remitted to the taxing authority, or where as a result of such audit or proceeding no taxes are remitted, December 31 of the year following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the proceeding.

12. Restrictions on Conduct of Executive.

(a) General. Executive and the Company understand and agree that the purpose of the provisions of this Section 12 is to protect legitimate business interests of the Company, as more fully described below, and is not intended to impair or infringe upon Executive's right to work, earn a living, or acquire and possess property from the fruits of his labor. Executive hereby acknowledges that Executive has received good and valuable consideration for the post-employment restrictions set forth in this Section 12 in the form of the compensation and benefits provided for herein. Executive hereby further acknowledges that the post-employment restrictions set forth in this Section 12 are reasonable and that they do not, and will not, unduly impair his ability to earn a living after the termination of this Agreement.

In addition, the parties acknowledge: (A) that Executive's services under this Agreement require unique expertise and talent in the provision of Competitive Services and that Executive will have substantial contacts with customers, suppliers, advertisers and vendors of the Company; (B) that pursuant to this Agreement, Executive will be placed in a position of trust and responsibility and he will have access to a substantial amount of Confidential Information and Trade Secrets and that the Company is placing him in such position and giving him access to such information in reliance upon his agreement to abide by the covenants set forth in this Section 12; (C) that due to Executive's unique experience and talent, the loss of Executive's services to the Company under this Agreement cannot reasonably or adequately be compensated solely by damages in an action at law; (D) that Executive is capable of competing with the Company; and (E) that Executive is capable of obtaining gainful, lucrative and desirable employment that does not violate the restrictions contained in this Agreement.

Therefore, Executive shall be subject to the restrictions set forth in this Section 12.

(b) Definitions. The following capitalized terms used in this Section 12 shall have the meanings assigned to them below, which definitions shall apply to both the singular and the plural forms of such terms:

"Competitive Services" means (A) the business of providing healthcare services through home nursing agencies, hospices, community based/private duty/personal care agencies, accountable care organizations, or long-term acute care hospitals; (B) the business of providing in-home health risk assessments, primary medical care, either directly in the home setting or indirectly via technology-enabled devices, or population health analytics; (C) management, consulting and advisory activities relating to any of the services described in (i)(A) and (i)(B); and (D) governmental relations or lobbying activities regarding any of the services described in (i)(A) and (i)(B) above. Competitive Services also encompasses the additional services provided by the Company's facility-based and healthcare innovations segments during Executive's employment, including, without limitation, outpatient and physical therapy clinics, rural health clinics, accountable care organization management enablement businesses, and the business of providing in-home assessment services to the long-term care industry.

"Confidential Information" means all information regarding the Company, its activities, business or clients that is the subject of reasonable efforts by the Company to maintain its confidentiality and that is not generally disclosed by practice or authority to persons not employed by the Company, but that does not rise to the level of a Trade Secret. "Confidential Information" shall include, but is not limited to, financial plans and data concerning the Company; management planning information; business plans; operational methods; market studies; marketing plans or strategies; product development techniques or plans; customer lists; customer files, data and financial information, details of customer contracts; current and anticipated customer requirements; identifying and other information pertaining to business referral sources; past, current and planned research and development; business acquisition plans; and new personnel acquisition plans. "Confidential Information" shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. This definition shall not limit any definition of "confidential information" or any equivalent term under state or federal law.

"Determination Date" means the date of termination of Executive's employment with the

Company for any reason whatsoever or any earlier date (during the Term) of an alleged breach of the Restrictive Covenants by Executive.

“*Person*” means any individual or any corporation, partnership, joint venture, limited liability company, association or other entity or enterprise.

“*Principal or Representative*” means a principal, owner, partner, stockholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative or consultant.

“*Protected Customers*” means any Person to whom the Company has sold its products or services or solicited to sell its products or services, other than through general advertising targeted at consumers, during the twelve (12) months prior to the Determination Date.

“*Protected Employees*” means employees of the Company who were employed by the Company or its affiliates at any time within six (6) months prior to the Determination Date, other than those who were discharged by the Company or such affiliated employer without cause.

“*Restricted Period*” means the Term, and if Executive’s employment is terminated for any reason during the Term or if Executive has given notice to the Company under Section 2 to cause the Term to cease to extend automatically, the Restricted Period shall mean the Term plus twenty-four (24) months (or the Term plus six (6) months if Executive’s termination occurs within two (2) years after the occurrence of a Change of Control); *provided, however*, that the Restricted Period shall end with respect to the covenants in clauses (ii), (iii) and (iv) of Section 12(c) on the sixtieth (60th) day after the Date of Termination in the event the Company breaches its obligation, if any, to make any payment required under Section 7(a)(i).

“*Restricted Territory*” means the geographical territories described on Exhibit B hereto. The Company and Executive agree that Exhibit B shall be periodically reviewed and updated as necessary to maintain a current and complete description of the geographic territories in which the Company does business.

“*Restrictive Covenants*” means the restrictive covenants contained in Section 12(c) hereof.

“*Third Party Information*” means confidential or proprietary information subject to a duty on the Company’s and its affiliates’ part to maintain the confidentiality of such information and to use it only for certain limited purposes.

“*Trade Secret*” means all information, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers which is not commonly known by or available to the public and which information: (A) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Without limiting the foregoing, Trade Secret includes (1) any item of confidential information that constitutes a “trade secret(s)” under applicable common law or statutory law and (2) the structure, operation, tools, processes and workflow of the Company’s operating methods and systems, including the Service Value Points (SVP™) system and the Lifeline® system except to the extent specifically disclosed in US Patent Nos. 7,505,916 and 7,844,473.

“*Work Product*” means all inventions, innovations, improvements, developments, methods, processes, programs, designs, analyses, drawings, reports, and all similar or related information (whether or not patentable) that relate to the Company’s or its affiliates’ actual or anticipated business, research and development, or existing or future products or services and that are conceived, developed, contributed to, made, or reduced to practice by Executive (either solely or jointly with others) while employed by the Company or its affiliates.

(c) Restrictive Covenants.

(i) Restriction on Disclosure and Use of Confidential Information and Trade Secrets. Executive understands and agrees that the Confidential Information and Trade Secrets constitute valuable assets of the Company and its affiliated entities, and may not be converted to Executive’s own use. Accordingly, Executive hereby

agrees that Executive shall not, directly or indirectly, reveal, divulge, or disclose to any Person not expressly authorized by the Company any Confidential Information, and Executive shall not, directly or indirectly, use or make use of any Confidential Information in connection with any business activity other than that of the Company. Throughout the Term and at all times after the date that this Agreement terminates for any reason, Executive shall not directly or indirectly transmit or disclose any Trade Secret of the Company to any Person, and shall not make use of any such Trade Secret, directly or indirectly, for himself or for others, without the prior written consent of the Company. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company's rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices.

Anything herein to the contrary notwithstanding, Executive shall not be restricted from disclosing Confidential Information or any Trade Secret that is required to be disclosed by law, court order or other legal process; *provided, however*, that in the event disclosure is required by law, court order or other legal process, Executive shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by Executive.

Executive acknowledges that any and all Confidential Information is the exclusive property of the Company and agrees to deliver to the Company on the Date of Termination, or at any other time the Company may request in writing, any and all Confidential Information which he may then possess or have under his control in whatever form same may exist, including, but not by way of limitation, hard copy files, soft copy files, computer disks, and all copies thereof.

(ii) Nonsolicitation of Protected Employees. Executive understands and agrees that the relationship between the Company and each of its Protected Employees constitutes a valuable asset of the Company and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that during the Restricted Period, Executive shall not directly or indirectly on Executive's own behalf or as a Principal or Representative of any Person or otherwise solicit or induce any Protected Employee to terminate his employment relationship with the Company or to enter into employment with any other Person.

(iii) Restriction on Relationships with Protected Customers. Executive understands and agrees that the relationship between the Company and each of its Protected Customers constitutes a valuable asset of the Company and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that, during the Restricted Period and in the Restricted Territory, Executive shall not, without the prior written consent of the Company, directly or indirectly, on Executive's own behalf or as a Principal or Representative of any Person, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for the purpose of providing or selling Competitive Services; *provided, however*, that the prohibition of this covenant shall apply only to Protected Customers with whom Executive had Material Contact on the Company's behalf during the twelve (12) months immediately preceding the Date of Termination; and, *provided further*, that the prohibition of this covenant shall not apply to the conduct of general advertising activities. For purposes of this Agreement, Executive had "Material Contact" with a Protected Customer if (a) he had business dealings with the Protected Customer on the Company's behalf; (b) he was responsible for supervising or coordinating the dealings between the Company and the Protected Customer; or (c) he obtained Trade Secrets or Confidential Information about the Protected Customer as a result of his association with the Company.

(iv) Noncompetition with the Company. In consideration of the compensation and benefits being paid and to be paid by the Company to Executive hereunder, Executive understands and agrees that, during the Restricted Period and within the Restricted Territory, he shall not, directly or indirectly, carry on or engage in Competitive Services on his own or on behalf of any Person, or any Principal or Representative of any Person; *provided, however*, that the provisions of this Agreement shall not be deemed to prohibit the ownership by Executive of any securities of the Company or its affiliated entities or not more than five percent (5%) of any class of securities of any corporation having a class of securities registered pursuant to the Exchange Act. Executive acknowledges that the Restricted Territory is reasonable because the Company carries on and engages in Competitive Services throughout the Restricted Territory and that in the performance of his duties for the Company he is charged with operating on the Company's behalf throughout the Restricted Territory.

(v) Ownership of Work Product. Executive acknowledges that the Work Product belongs to the Company or its affiliates and Executive hereby assigns, and agrees to assign, all of the Work Product to the Company or its affiliates. Any copyrightable work prepared in whole or in part by Executive in the course of his work for any of the foregoing entities shall be deemed a "work made for hire" under the copyright laws, and the Company or such affiliate shall own all rights therein. To the extent that any such copyrightable work is not a "work made for hire," Executive hereby assigns and agrees to assign to the Company or such affiliate all right, title, and interest, including without limitation, copyright in and to such copyrightable work. Executive shall promptly disclose such Work Product and copyrightable work to the Board of Directors and perform all actions reasonably requested by the Board (whether during or after the Term) to establish and confirm the Company's or such affiliate's ownership (including, without limitation, assignments, consents, powers of attorney, and other instruments).

(vi) Third Party Information. Executive understands that the Company and its affiliates will receive Third Party Information. During the Term and thereafter, and without in any way limiting the provisions of Section 12(c)(i) above, Executive will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of the Company or its affiliates who need to know such information in connection with their work for the Company or its affiliates) or use, except in connection with his work for the Company or its affiliates, Third Party Information unless expressly authorized by a member of the Board of Directors in writing.

(vii) Use of Information of Prior Employers. During the Term, Executive will not improperly use or disclose any confidential information or trade secrets, if any, of any former employers or any other person to whom Executive has an obligation of confidentiality, and will not bring onto the premises of the Company or any of its affiliates any unpublished documents or any property belonging to any former employer or any other person to whom Executive has an obligation of confidentiality unless consented to by in writing the former employer or person. Executive will use in the performance of his duties only information which is (i) generally known and used by persons with training and experience comparable to Executive's and which is (x) common knowledge in the industry or (y) is otherwise legally in the public domain, (ii) is otherwise provided or developed by the Company or its affiliates or (iii) in the case of materials, property or information belonging to any former employer or other person to whom Executive has an obligation of confidentiality, approved for such use in writing by such former employer or person.

(viii) Intellectual Property Protection. Executive shall not institute or actively participate, directly or indirectly, as an adverse party in, or otherwise provide material support to, any legal action or administrative proceeding to invalidate or limit the scope of any intellectual property claim, including any trade secret, trademark, copyright or patent claim, owned by Company or obtain a ruling that any such claim is invalid, unenforceable or not patentable. Executive's failure to comply with this provision will constitute a material breach of this Agreement.

(d) Enforcement of Restrictive Covenants.

(i) Rights and Remedies Upon Breach. In the event Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company shall have the right and remedy to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court or tribunal of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Such right and remedy shall be independent of any others and severally enforceable, and shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity.

(ii) Severability of Covenants. Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in time and scope and in all other respects. The covenants set forth in this Agreement shall be considered and construed as separate and independent covenants. Should any part or provision of any covenant be held invalid, void or unenforceable, such invalidity, voidness or unenforceability shall not render invalid, void or unenforceable any other part or provision of this Agreement. If any portion of the foregoing provisions is found to be invalid or unenforceable because its duration, the territory, the definition of activities or the definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable term shall be redefined, or a new enforceable term provided, such that the intent of the Company and Executive in agreeing to the provisions of this Agreement will not be impaired and the provision in question shall be enforceable to the fullest extent of the applicable laws.

(iii) Reformation. The parties hereunder agree that it is their intention that the Restrictive Covenants be enforced in accordance with their terms to the maximum extent possible under applicable law. The parties further agree that, in the event any tribunal of competent jurisdiction shall find that any provision hereof is not enforceable in accordance with its terms, the tribunal shall reform the Restrictive Covenants such that they shall be enforceable to the maximum extent permissible at law.

13. Consent to Jurisdiction. The Company and Executive irrevocably consent to the exclusive jurisdiction and venue of the 15th Judicial District Court in Lafayette, Louisiana, in any judicial proceeding brought to enforce this Agreement. The parties agree that any forum is an inconvenient forum and that a lawsuit (or non-compulsory counterclaim) brought by one party against another party, in a court of any jurisdiction other than the 15th Judicial District Court in Lafayette, Louisiana should be forthwith dismissed or transferred to 15th Judicial District Court in Lafayette, Louisiana.

14. Assignment and Successors.

(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any Surviving Entity resulting from a Reorganization, Sale or Acquisition (if other than the Company) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no Reorganization, Sale or Acquisition had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

15. Miscellaneous.

(a) Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

(b) Severability. If any provision or covenant, or any part thereof, of this Agreement should be held by any tribunal of competent jurisdiction to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

(c) Other Agents. Nothing in this Agreement is to be interpreted as limiting the Company from employing other personnel on such terms and conditions as may be satisfactory to it, except that this Section 15(c) shall not override the provision of Section 6(d)(i).

(d) Entire Agreement. Except as provided herein, this Agreement contains the entire agreement between the Company and Executive with respect to the subject matter hereof and, from and after the Agreement Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof, including without limitation, the Prior Agreement.

(e) Governing Law. Except to the extent preempted by federal law, and without regard to conflict of laws principles, the laws of the State of Louisiana shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

(f) Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered or three days after mailing if mailed, first class, certified mail, postage prepaid:

To the Company: LHC Group, Inc.
901 Hugh Wallis Road South
Lafayette, LA 70508
Attention: Legal Department

To Executive: Joshua L. Proffitt
Address on File with Company Records

Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

(g) Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

(h) Construction. Each party and his or its counsel have reviewed this Agreement and have been provided the opportunity to revise this Agreement and accordingly, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement. Instead, the language of all parts of this Agreement shall be construed as a whole, and according to its fair meaning, and not strictly for or against either party.

(i) Code Section 409A. Notwithstanding anything in this Agreement to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Agreement by reason of Executive's separation from service during a

period in which he is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Company under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, Executive's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of Executive's death or the first day of the seventh (7th) month following Executive's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six (6)-month period immediately following Executive's separation from service will be accumulated and Executive's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of Executive's death or the first day of the seventh (7th) month following Executive's separation from service, whereupon the accumulated amount will be paid or distributed to Executive and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Agreement, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder ("Final 409A Regulations"), *provided, however*, that, as permitted in the Final 409A Regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board of Directors or a committee thereof, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Agreement.

(j) Withholding. The Company or its subsidiaries, if applicable, shall be entitled to deduct or withhold from any amounts owing from the Company or any such affiliate to Executive any federal, state, local or foreign withholding taxes, excise taxes, or employment taxes ("Taxes") imposed with respect to Executive's compensation or other payments from the Company or any of its affiliates. In the event the Company or its affiliates do not make such deductions or withholdings, Executive shall indemnify the Company and its affiliates for any amounts paid with respect to any such Taxes.

[Remainder of Page Intentionally Left Blank; Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

LHC GROUP, INC.

By: /s/ Keith G. Myers
Keith G. Myers
Chairman and Chief Executive Officer

EXECUTIVE:

Joshua L. Proffitt

EXHIBIT A

Form of Release

THIS RELEASE ("Release") is granted effective as of the ____ day of _____, 20__, by _____ ("Executive") in favor of LHC Group, Inc. (the "Company"). This is the Release referred to that certain Employment Agreement effective as of _____, 20__ by and between the Company and Executive (the "Employment Agreement"), with respect to which this Release is an integral part.

FOR AND IN CONSIDERATION of the payments and benefits provided by Section 7 of the Employment Agreement and the Company's other promises and covenants as recited in the Employment Agreement, the receipt and sufficiency of which are hereby acknowledged, Executive, for himself, his successors and assigns, now and forever hereby releases and discharges the Company and all its past and present officers, directors, stockholders, employees, agents, parent corporations, predecessors, subsidiaries, affiliates, estates, successors, assigns, benefit plans, consultants, administrators, and attorneys (hereinafter collectively referred to as "Releasees") from any and all claims, charges, actions, causes of action, sums of money due, suits, debts, covenants, contracts, agreements, promises, demands or liabilities (hereinafter collectively referred to as "Claims") whatsoever, in law or in equity, whether known or unknown, which Executive ever had or now has from the beginning of time up to the date this Release ("Release") is executed, including, but not limited to, claims under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964 (and all of its amendments), the Americans with Disabilities Act, as amended, or any other federal or state statutes, all tort claims, all claims for wrongful employment termination or breach of contract, and any other claims which Executive has, had, or may have against the Releasees on account of or arising out of Executive's employment with or termination from the Company; provided, however, that nothing contained in this Release shall in any way diminish or impair (i) any rights of Executive to the benefits conferred or referenced in the Employment Agreement or Executive's Retention Bonus Agreement with the Company, (ii) any rights to indemnification that may exist from time to time under the Company's bylaws, certificate of incorporation, Louisiana law or otherwise, or (iii) Executive's ability to raise an affirmative defense in connection with any lawsuit or other legal claim or charge instituted or asserted by the Company against Executive.

Without limiting the generality of the foregoing, Executive hereby acknowledges and covenants that in consideration for the sums being paid to him he has knowingly waived any right or opportunity to assert any claim that is in any way connected with any employment relationship or the termination of any employment relationship which existed between the Company and Executive. Executive further understands and agrees that he has knowingly relinquished, waived and forever released any and all remedies arising out of the aforesaid employment relationship or the termination thereof, including, without limitation, claims for backpay, front pay, liquidated damages, compensatory damages, general damages, special damages, punitive damages, exemplary damages, costs, expenses and attorneys' fees. Nothing in this Release shall constitute a waiver of Executive's right to file an administrative charge with the Equal Employment Opportunity Commission or other government agency authorized to handle administrative employment claims, but Executive shall not receive or accept, and waives his right to, any monetary relief or remedies obtained on his behalf by any agency, organization, or other person.

Executive specifically acknowledges and agrees that he has knowingly and voluntarily released the Company and all other Releasees from any and all claims arising under the Age Discrimination in Employment Act ("ADEA"), 29 U.S.C. § 621, et seq., which Executive ever had or now has from the beginning of time up to the date this Release is executed, including but not limited to those claims which are in any way connected with any employment relationship or the termination of any employment relationship which existed between the Company and Executive. Executive further acknowledges and agrees that he has been advised to consult with an attorney prior to executing this Release and that he has been given twenty one (21) days to consider this Release prior to its execution. Executive also understands that he may revoke this Release at any time within seven (7) days following its execution. Executive understands, however, that this Release shall not become effective and that none of the consideration described above shall be paid to him until the expiration of the seven day revocation period.

Executive agrees never to seek reemployment or future employment with the Company or any of the other Releasees.

Executive acknowledges that the terms of this Release must be kept confidential. Accordingly, Executive agrees not to disclose or publish to any person or entity, except as required by law or as necessary to prepare tax returns, the terms and conditions or sums being paid in connection with this Release.

It is understood and agreed by Executive that the payment made to him is not to be construed as an admission of any liability whatsoever on the part of the Company or any of the other Releasees, by whom liability is expressly denied.

This Release is executed by Executive voluntarily and is not based upon any representations or statements of any kind made by the Company or any of the other Releasees as to the merits, legal liabilities or value of his claims. Executive further acknowledges that he has had a full and reasonable opportunity to consider this Release and that he has not been pressured or in any way coerced into executing this Release.

Executive acknowledges and agrees that this Release may not be revoked at any time after the expiration of the seven-day revocation period and that he will not institute any suit, action, or proceeding, whether at law or equity, challenging the enforceability of this Release. Executive further acknowledges and agrees that, with the exception of an action to challenge his

waiver of claims under the ADEA, he shall not ever attempt to challenge the terms of this Release, attempt to obtain an order declaring this Release to be null and void, or institute litigation against the Company or any other Releasee based upon a claim which is covered by the terms of the release contained herein, without first repaying all monies paid to him under Section 7 of the Employment Agreement. Furthermore, with the exception of an action to challenge his waiver of claims under the ADEA, if Executive does not prevail in an action to challenge this Release, to obtain an order declaring this Release to be null and void, or in any action against the Company or any other Releasee based upon a claim which is covered by the release set forth herein, Executive shall pay to the Company and/or the appropriate Releasee all their costs and attorneys' fees incurred in their defense of Executive's action.

This Release and the rights and obligations of the parties hereto shall be governed and construed in accordance with the laws of the State of Louisiana. If any provision hereof is unenforceable or is held to be unenforceable, such provision shall be fully severable, and this document and its terms shall be construed and enforced as if such unenforceable provision had never comprised a part hereof, the remaining provisions hereof shall remain in full force and effect, and the court construing the provisions shall add as a part hereof a provision as similar in terms and effect to such unenforceable provision as may be enforceable, in lieu of the unenforceable provision.

IN WITNESS WHEREOF, the undersigned acknowledges that he has read these three pages and he sets his hand and seal this ____ day of _____, 20____.

Sworn to and subscribed
before me this ____ day of _____, 20____.

Notary Public

My Commission Expires:

EXHIBIT B

Restricted Territory

The Restricted Territory shall include the following counties and parishes in the states where the Company and its subsidiaries and affiliates conduct business:

ALABAMA

Autauga, Baldwin, Barbour, Bibb, Blount, Bullock, Butler, Calhoun, Chambers, Chilton, Choctaw, Clarke, Clay, Cleburne, Coffee, Colbert, Conecuh, Coosa, Covington, Crenshaw, Cullman, Dale, Dallas, DeKalb, Elmore, Escambia, Etowah, Fayette, Franklin, Geneva, Greene, Hale, Henry, Houston, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Lee, Limestone, Lowndes, Macon, Madison, Marengo, Marion, Marshall, Mobile, Monroe, Montgomery, Morgan, Perry, Pickens, Pike, Randolph, Russell, Shelby, St. Clair, Talladega, Tallapoosa, Tuscaloosa, Walker, Washington, Wilcox, Winston

ALASKA

Matanuska-Susitna

ARIZONA

Cochise, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, Pima, Pinal, Santa Cruz, Yavapai

ARKANSAS

Arkansas, Ashley, Baxter, Benton, Boone, Bradley, Calhoun, Carroll, Clark, Cleburne, Cleveland, Columbia, Conway, Craighead, Crawford, Crittenden, Cross, Dallas, Drew, Faulkner, Franklin, Fulton, Garland, Grant, Greene, Hempstead, Hot Spring, Howard, Independence, IZard, Jackson, Jefferson, Johnson, Lafayette, Lawrence, Lee, Lincoln, Little River, Logan, Lonoke, Madison, Marion, Miller, Mississippi, Monroe, Montgomery, Nevada, Newton, Ouachita, Perry, Phillips, Pike, Poinsett, Polk, Pope, Prairie, Pulaski, Randolph, Saline, Scott, Searcy, Sebastian, Sevier, Sharp, St. Francis, Stone, Union, Van Buren, Washington, White, Woodruff, Yell

CALIFORNIA

Butte, Glenn, Merced, San Joaquin, Shasta, Stanislaus, Tehama

COLORADO

Adams, Alamosa, Arapahoe, Boulder, Broomfield, Conejos, Costilla, Denver, Douglas, El Paso, Elbert, Huerfano, Jefferson, Larimer, Lincoln, Logan, Morgan, Rio Grande, Saguache, Teller, Washington, Weld

CONNECTICUT

Fairfield, Hartford, Litchfield, Middlesex, New Haven, New London, Tolland

FLORIDA

Alachua, Baker, Bay, Bradford, Brevard, Broward, Calhoun, Citrus, Charlotte, Clay, Collier, Columbia, DeSoto, Dixie, Duval, Escambia, Flagler, Franklin, Gadsen, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Hernando, Highlands, Hillsborough, Holmes, Indian River, Jackson, Jefferson, Lafayette, Lake, Lee, Leon, Levy, Liberty, Madison, Manatee, Marion, Martin, Nassau, Okaloosa, Okeechobee, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Putnam, St. John's, St. Lucie, Santa Rosa, Sarasota, Seminole, Sumter, Suwanee, Taylor, Union, Volusia, Wakulla, Walton, Washington

GEORGIA

Atkinson, Baker, Banks, Barrow, Bartow, Ben Hill, Berrien, Brooks, Bryan, Bulloch, Butts, Carroll, Catoosa, Chatham, Chattooga, Cherokee, Clarke, Clayton, Clinch, Cobb, Colquitt, Cook, Coweta, Crisp, Dade, Dawson, Decatur, DeKalb, Dougherty, Douglas, Echols, Effingham, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Gordon, Grady, Gwinnett, Habersham, Hall, Haralson, Harris, Heard, Henry, Irwin, Jackson, Lanier, Lee, Liberty, Long, Lowndes, Lumpkin, Madison, McIntosh, Meriwether, Mitchell, Murray, Muscogee, Newton, Oconee, Paulding, Pickens, Pike, Polk, Rabun, Rockdale, Screven, Spalding, Stephens, Thomas, Tift, Towns, Troup, Turner, Union, Walker, Walton, Ware, White, Whitfield, Wilcox, Worth

IDAHO

Ada, Bannock, Bear Lake, Benewah, Bingham, Blaine, Boise, Bonner, Bonneville, Butte, Camas, Canyon, Caribou, Cassia, Clark, Custer, Elmore, Franklin, Freemont, Gem, Gooding, Jefferson, Jerome, Kootenai, Lemhi, Lincoln, Madison, Minidoka, Oneida, Owyhee, Power, Shoshone, Teton, Twin Falls

ILLINOIS

Alexander, Bond, Bureau, Calhoun, Cass, Champaign, Christian, Clark, Clay, Clinton, Coles, Cook, Crawford, Cumberland, Dewitt, Douglas, DuPage, Edgar, Edwards, Effingham, Fayette, Ford, Franklin, Fulton, Gallatin, Greene, Grundy, Hamilton, Hardin, Henry, Iroquois, Jackson, Jasper, Jefferson, Jersey, Johnson, Kane, Kankakee, Knox, Lake, LaSalle, Lawrence, Lee, Livingston, Logan, Macon, Macoupin, Madison, Marion, Marshall, Mason, Massac, McHenry, Mclean, Menard, Mercer, Monroe, Montgomery, Morgan, Moultrie, Peoria, Perry, Piatt, Pope, Pulaski, Putnam, Randolph, Richland, Rock Island, Saline, Sangamon, Scott, Shelby, St. Clair, Stark, Tazewell, Union, Vermillion, Wabash, Washington, Wayne, White, Whiteside, Will, Williamson, Woodford

INDIANA

Adams, Allen, Bartholomew Blackford, Boone, Brown, Carroll, Cass, Clark, Clinton, Crawford, Daviess, Dearborn, Decatur, DeKalb, Delaware, Dubois, Elkhart, Fayette, Floyd, Franklin, Fulton, Gibson, Grant, Hamilton, Hancock, Harrison, Hendricks, Henry, Howard, Huntington, Jackson, Jay, Jefferson, Jennings, Johnson, Know, Know, Kosciusko, LaGrange, Lawrence, Madison, Marion, Martin, Marshall, Martin, Miami, Monroe, Montgomery, Morgan, Noble, Ohio, Orange, Owen, Perry, Perry,

Pike, Posey, Pulaski, Putnam, Randolph, Ripley, Rush, St. Joseph, Scott, Spencer, Shelby, Steuben, Switzerland, Tippecanoe, Tipton, Union, Vanderburgh, Wabash, Warrick, Washington, Wayne, Wells, White, and Whitley

KENTUCKY

Allen, Anderson, Bullitt, Boone, Bourbon, Boyle, Breckinridge, Butler, Caldwell, Campbell, Carroll, Casey, Christian, Clark, Clinton, Crittenden, Cumberland, Daviess, Edmonson, Estill, Fayette, Franklin, Fulton, Garrard, Grayson, Green, Hancock, Hardin, Harrison, Hart, Henderson, Henry, Hickman, Hopkins, Jessamine, Kenton, Jefferson, LaRue, Lee, Lincoln, Livingston, Logan, Lyon, Madison, Marshall, Meade, Mercer, Metcalfe, McCreary, McLean, Monroe, Montgomery, Nelson, Nicholas, Ohio, Oldham, Owen, Powell, Pulaski, Rockcastle, Russell, Scott, Shelby, Simpson, Spencer, Taylor, Todd, Trigg, Trimble, Union, Warren, Wayne, Webster, Woodford

LOUISIANA

Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, De Soto, East Baton Rouge, East Carroll, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, La Salle, Lafayette, Lafourche, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana, Winn

MARYLAND

Anne Arundel, Baltimore, Jurisdiction of Baltimore City, Calvert, Caroline, Carroll, Charles, Dorchester, Frederick, Harford, Howard, Montgomery, Prince George's, Queen Anne's, St. Mary's, Talbot, Washington, Wicomico, Worcester.

MASSACHUSETTS

Middlesex, Norfolk, Suffolk, Worcester, Franklin, Hampshire, Hampden, Barnstable, Bristol, Plymouth, Essex - NH counties Cheshire, Hillsborough, Rockingham, Stafford, Merrimack, Sullivan, Bleknap, Carroll, Grafton, and Coos

MICHIGAN

Baraga, Delta, Dickinson, Houghton, Keweenaw, Marquette, Menominee, Ontonagon, Schoolcraft

MISSISSIPPI

Adams, Amite, Attala, Benton, Calhoun, Carroll, Chickasaw, Choctaw, Claiborne, Clarke, Clay, Coahoma, Copiah, Covington, Desoto, Forrest, Franklin, George, Greene, Grenada, Hancock, Harrison, Hinds, Holmes, Humphreys, Issaquena, Itawamba, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lafayette, Lamar, Lauderdale, Lawrence, Leake, Lee, Leflore, Lincoln, Lowndes, Madison, Marion, Marshall, Monroe, Montgomery, Neshoba, Newton, Noxubee, Oktibbeha, Panola, Pearl River, Perry, Pike, Pontotoc, Quitman, Rankin, Scott, Sharkey, Simpson, Smith, Stone, Sunflower, Tallahatchie, Tate, Tippah, Tunica, Union, Walthall, Warren, Washington, Wayne, Webster, Winston, Yalobusha, Yazoo

MISSOURI

Audrain, Barry, Barton, Bollinger, Butler, Camden, Cape Girardeau, Carter, Cedar, Christian, Crawford, Dade, Dallas, Dent, Douglas, Dunklin, Franklin, Gasconade, Greene, Hickory, Howell, Iron, Jasper, Jefferson, Lawrence, Laclede, Lincoln, Marion, Maries, McDonald, Mississippi, Monroe, Montgomery, New Madrid, Newton, Ozark, Pemiscot, Phelps, Pike, Pulaski, Polk, Ralls, Reynolds, Scott, Shelby, St. Charles, St. Francis, St. Louis, St. Louis City, Stoddard, Stone, Taney, Texas, Warren, Washington, Wayne, Webster, Wright

NEW HAMPSHIRE

Cheshire, Hillsborough, Rockingham, Stafford, Merrimack, Sullivan, Belknap, Carroll, Grafton, and Coos

NEW JERSEY

Bergen, Essex, Hudson, Lydhurst, Morris, North Arlington, Passaic, Rutherford

NEW MEXICO

Dona Ana

NEW YORK

Allegany, Bronx, Cattaraugus, Chautaugua, Erie, Delaware, Dutchess, Genessee, Greene, Niagara, Orange, Orleans, Putnam,

Rockland, Sullivan, Ulster, Westchester, Wyoming

NEVADA

Washoe

NORTH CAROLINA

Alamance, Alexander, Avery, Beaufort, Bertie, Bladen, Buncombe, Burke, Caldwell, Caswell, Catawba, Chatham, Cherokee, Clay, Cleveland, Columbus, Craven, Cumberland, Duplin, Durham, Edgecombe, Franklin, Gaston, Graham, Granville, Greene, Guilford, Halifax, Harnett, Haywood, Henderson, Hertford, Hoke, Iredell, Jackson, Johnston, Jones, Lee, Lenoir, Lincoln, Macon, Madison, Martin, McDowell, Mecklenburg, Mitchell, Montgomery, Moore, Nash, Northampton, Orange, Pender, Person, Pitt, Polk, Randolph, Robeson, Rockingham, Rutherford, Sampson, Swain, Transylvania, Union, Vance, Wake, Warren, Wayne, Wilson, Yancey

OHIO

Adams, Allen, Ashland, Ashtabula, Athens, Auglaize, Belmont, Brown, Butler, Carroll, Champagne, Clark, Clermont, Clinton, Columbiana, Coshocton, Crawford, Cuyahoga, Darke, Defiance, Delaware, Erie, Fairfield, Fayette, Franklin, Fulton, Gallia, Geauga, Green, Guernsey, Hamilton, Hancock, Harrison, Hardin, Henry, Highland, Hocking, Holmes, Huron, Jackson, Jefferson, Knox, Lake, Lawrence, Licking, Logan, Lorain, Lucas, Madison, Mahoning, Marion, Medina, Meigs, Mercer, Miami, Monroe, Montgomery, Morgan, Morrow, Muskingum, Noble, Ottawa, Paulding, Perry, Pickaway, Pike, Portage, Predble, Richland, Ross, Sandusky, Seneca, Scioto, Shelby, Stark, Summit, Trumbull, Tuscarawas, Union, Van Wert, Vinton, Warren, Washington, Wayne, Williams, Wood, Wyandot

OKLAHOMA

Custer, Washita, Mayes, Oklahoma, Kay, Woodward

OREGON

Benton, Clackamas, Douglas, Jackson, Josephine, Linn, Marion, Multnomah, Polk, Washington, Yamhill

PENNSYLVANIA

Adams, Allegheny, Armstrong, Beaver, Bedford, Berks, Bucks, Blair, Butler, Carbon, Cambria, Centre, Chester, Clarion, Clearfield, Columbia, Cumberland, Dauphin, Delaware, Fayette, Franklin, Fulton, Greene, Huntingdon, Indiana, Jefferson, Juniata, Lancaster, Lebanon, Lehigh, Luzerne, Mercer, Monroe, Montgomery, Mifflin, Northampton, Northumberland, Perry, Schuylkill, Somerset, Washington, Westmoreland, York

RHODE ISLAND

Bristol, Kent, Newport, Providence, Washington

SOUTH CAROLINA

Abbeville, Aiken, Allendale, Anderson, Bamberg, Barnwell, Beaufort, Berkeley, Calhoun, Charleston, Cherokee, Chester, Chesterfield, Clarendon, Colleton, Darlington, Dillon, Dorchester, Edgefield, Fairfield, Florence, Georgetown, Greenville, Greenwood, Hampton, Horry, Jasper, Kershaw, Lancaster, Laurens, Lee, Lexington, Marion, Marlboro, McCormick, Newberry, Oconee, Orangeburg, Pickens, Richard, Richland, Saluda, Spartanburg, Sumter, Union, Williamsburg, York

TENNESSEE

Anderson, Bedford, Benton, Bledsoe, Blount, Bradley, Campbell, Cannon, Carroll, Carter, Cheatham, Chester, Claiborne, Clay, Coker, Coffee, Crockett, Cumberland, Davidson, Decatur, DeKalb, Dickson, Dyer, Fayette, Fentress, Franklin, Gibson, Giles, Grainger, Greene, Grundy, Hamblen, Hamilton, Hancock, Hardeman, Hardin, Hawkins, Haywood, Henderson, Henry, Hickman, Hopkins, Houston, Humphreys, Jackson, Jefferson, Johnson, Knox, Lake, Lauderdale, Lawrence, Lewis, Lincoln, Loudon, Macon, Madison, Marion, Marshall, Maury, McMinn, McNairy, Meigs, Monroe, Montgomery, Moore, Morgan, Obion, Overton, Perry, Pickett, Polk, Putnam, Rhea, Roane, Robertson, Rutherford, Scott, Sequatchie, Sevier, Shelby, Smith, Stewart, Sullivan, Sumner, Tipton, Trousdale, Unicoi, Union, Van Buren, Warren, Washington, Wayne, Weakley, White, Williamson, Wilson

TEXAS

Anderson, Andrews, Angelina, Aransas, Armstrong, Atascosa, Bandera, Bee, Bexar, Blanco, Borden, Bowie, Briscoe, Caldwell,

Camp, Carson, Cass, Castro, Cherokee, Collin, Comal, Cooke, Crane, Crosby, Dallas, Dawson, Deaf Smith, Delta, Denton, Donley, Duval, Ector, Ellis, Erath, Fannin, Floyd, Franklin, Freestone, Frio, Garza, Glasscock, Gray, Grayson, Gregg, Guadalupe, Hale, Hall, Hardin, Harrison, Hartley, Hays, Henderson, Hockley, Hood, Hopkins, Houston, Howard, Hunt, Hutchinson, Jefferson, Jim Wells, Johnson, Kaufman, Kendall, Kleberg, Lamar, Lamb, Liberty, Limestone, Live Oak, Loving, Lubbock, Lynn, Marion, Martin, Medina, Midland, Montague, Moore, Morris, Nacogdoches, Nueces, Oldham, Orange, Panola, Parker, Pecos, Polk, Potter, Rains, Randall, Reagan, Red River, Reeves, Refugio, Rockwall, Rockwell, Rusk, San Augustine, San Jacinto, San Patricio, Shelby, Smith, Somervell, Swisher, Tarrant, Terry, Titus, Tyler, Upshur, Upton, Van Zandt, Ward, Wilson, Winkler, Wise, Wood

VIRGINIA

Bedford, Bedford City, Bland, Botetourt, Buchanan, Carroll, Craig, Culpeper, Danville City, Fauquier, Floyd, Franklin, Galax City, Giles, Grayson, Henry, Loudoun, Martinsville City, Montgomery, Patrick, Pittsylvania, Prince William, Pulaski, Rappahannock, Roanoke, Roanoke City, Russell, Smyth, Tazewell, Wythe

WASHINGTON

Adams, Clallam, Cowlitz, Ferry, Grant, Grays Harbor, Jefferson, King, Lewis, Lincoln, Mason, Pacific, Pend Oreille, Pierce, Snohomish, Spokane, Stevens, Thurston, Wahkiakum

WEST VIRGINIA

Barbour, Boone, Braxton, Cabell, Calhoun, Doddridge, Fayette, Gilmer, Grant, Greenbrier, Hampshire, Hardy, Harrison, Jackson, Kanawha, Lewis, Lincoln, Logan, Marion, Marshall, Mason, McDowell, Mercer, Mingo, Monongalia, Monroe, Nicholas, Ohio, Pendleton, Pleasants, Pocahontas, Preston, Putnam, Raleigh, Randolph, Ritchie, Roane, Summers, Taylor, Tucker, Tyler, Upshur, Wayne, Webster, Wetzel, Wirt, Wood, Wyoming

WISCONSIN

Adams, Brown, Barron, Buffalo, Calumet, Chippewea, Clark, Dodge, Door, Dunn, Eau Claire, Fond Du Lac, Green Lake, Jefferson, Juneau, Kenosha, Kewaunee, LaCrosse, Manitowoc, Marathon, Marinette, Menomonee, Milwaukee, Monroe, Oconto, Outagamie, Ozaukee, Pierce, Pepin, Racine, Rock, Shawano, Sheboygan, St. Croix, Trempealeau, Vernon, Walworth, Waupaca, Washington, Waushara, Waukesha, Winnebago, Wood

[\(Back To Top\)](#)

Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith G. Myers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LHC Group, Inc. for the quarter ended September 30, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Keith G. Myers

Keith G. Myers

Chief Executive Officer (Principal executive officer)

[\(Back To Top\)](#)

Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joshua L. Proffitt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LHC Group, Inc. for the quarter ended September 30, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ Joshua L. Proffitt

Joshua L. Proffitt
Chief Financial Officer
(Principal financial officer)

[\(Back To Top\)](#)

Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of LHC Group, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Keith G. Myers, Chief Executive Officer of the Company, and Joshua L. Proffitt, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2019

/s/ Keith G. Myers

Keith G. Myers
Chief Executive Officer
(Principal executive officer)

/s/ Joshua L. Proffitt

Joshua L. Proffitt
Chief Financial Officer
(Principal financial officer)

[\(Back To Top\)](#)