

**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 June 30, 2021

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.

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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 August 2, 2021: 31,669,540 shares.

LHC GROUP, INC.
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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)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash	\$ 112,108	\$ 286,569
Receivables:		
Patient accounts receivable	329,166	301,209
Other receivables	9,214	11,522
Amounts due from governmental entities	149	—
Total receivables	338,529	312,731
Prepaid income taxes	13,739	—
Prepaid expenses	26,542	22,058
Other current assets	18,749	25,664
Total current assets	509,667	647,022
Property, building and equipment, net of accumulated depreciation of \$90,652 and \$82,721, respectively	145,314	138,366
Goodwill	1,259,726	1,259,147
Intangible assets, net of accumulated amortization of \$ 18,261 and \$17,659, respectively	313,638	315,355
Assets held for sale	1,900	1,900
Operating lease right of use asset	105,201	100,046
Other assets	31,679	21,518
Total assets	\$ 2,367,125	\$ 2,483,354
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 56,888	\$ 64,864
Salaries, wages, and benefits payable	88,030	88,666
Self-insurance reserves	31,140	35,103
Income tax payable	—	21,464
Government stimulus advance	—	93,257
Contract liabilities - deferred revenue	252,936	317,962
Current operating lease liabilities	33,081	32,676
Amounts due to governmental entities	1,608	1,516
Current liabilities - deferred employer payroll tax	25,928	25,928
Total current liabilities	489,611	681,436
Deferred income taxes	66,726	47,237
Income taxes payable	6,625	6,203
Revolving credit facility	—	20,000
Other long term liabilities	25,928	25,928
Long-term operating lease liabilities	74,993	70,275
Total liabilities	663,883	851,079
Noncontrolling interest — redeemable	18,589	18,921
Commitments and contingencies		
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; 36,525,831 and 36,355,497 shares issued, and 31,252,929 and 31,139,840 shares outstanding, respectively	365	364
Treasury stock — 5,272,902 and 5,215,657 shares at cost, respectively	(79,765)	(69,011)
Additional paid-in capital	969,897	962,120
Retained earnings	707,599	635,297
Total LHC Group, Inc. stockholders' equity	1,598,096	1,528,770
Noncontrolling interest — non-redeemable	86,557	84,584
Total stockholders' equity	1,684,653	1,613,354
Total liabilities and stockholders' equity	\$ 2,367,125	\$ 2,483,354

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net service revenue	\$ 545,907	\$ 487,320	\$ 1,070,742	\$ 1,000,191
Cost of service revenue (excluding depreciation and amortization)	317,872	306,712	628,144	627,914
Gross margin	228,035	180,608	442,598	372,277
General and administrative expenses	167,061	150,574	330,310	308,440
Impairment of intangibles and other	760	600	937	600
Government stimulus income	—	(44,435)	—	(44,435)
Operating income	60,214	73,869	111,351	107,672
Interest expense	(143)	(841)	(406)	(3,609)
Income before income taxes and noncontrolling interest	60,071	73,028	110,945	104,063
Income tax expense	13,318	15,227	22,759	18,586
Net income	46,753	57,801	88,186	85,477
Less net income attributable to noncontrolling interests	9,110	13,109	15,884	18,761
Net income attributable to LHC Group, Inc.'s common stockholders	\$ 37,643	\$ 44,692	\$ 72,302	\$ 66,716
Earnings per share:				
Basic	\$ 1.21	\$ 1.44	\$ 2.32	\$ 2.15
Diluted	\$ 1.20	\$ 1.43	\$ 2.30	\$ 2.13
Weighted average shares outstanding:				
Basic	31,225	31,104	31,188	31,060
Diluted	31,430	31,324	31,423	31,301

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)

Six Months Ended June 30, 2021								
	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, 2020	\$ 364	36,355,497	\$ (69,011)	5,215,657	\$ 962,120	\$ 635,297	\$ 84,584	\$ 1,613,354
Net income (1)	—	—	—	—	—	34,659	4,469	39,128
Noncontrolling interest distributions	—	—	—	—	—	—	(2,417)	(2,417)
Purchase of additional controlling interest	—	—	—	—	(81)	—	(61)	(142)
Sale of noncontrolling interest	—	—	—	—	—	—	138	138
Nonvested stock compensation	—	—	—	—	3,513	—	—	3,513
Issuance of vested stock	1	148,447	—	—	—	—	—	1
Treasury shares redeemed to pay income tax	—	—	(9,541)	51,221	—	—	—	(9,541)
Issuance of common stock under Employee Stock Purchase Plan	—	3,204	—	—	649	—	—	649
Balance as of March 31, 2021	\$ 365	36,507,148	\$ (78,552)	5,266,878	\$ 966,201	\$ 669,956	\$ 86,713	\$ 1,644,683
Net income (1)	—	—	—	—	—	37,643	5,232	42,875
Noncontrolling interest distributions	—	—	—	—	—	—	(4,660)	(4,660)
Purchase of additional controlling interest	—	—	—	—	(870)	—	(728)	(1,598)
Nonvested stock compensation	—	—	—	—	3,993	—	—	3,993
Issuance of vested stock	—	15,531	—	—	—	—	—	—
Treasury shares redeemed to pay income tax	—	—	(1,213)	6,024	—	—	—	(1,213)
Issuance of common stock under Employee Stock Purchase Plan	—	3,152	—	—	573	—	—	573
Balance as of June 30, 2021	<u>\$ 365</u>	<u>36,525,831</u>	<u>\$ (79,765)</u>	<u>5,272,902</u>	<u>\$ 969,897</u>	<u>\$ 707,599</u>	<u>\$ 86,557</u>	<u>\$ 1,684,653</u>

(1) Net income excludes net income attributable to noncontrolling interest-redeemable of \$3.9 million and \$6.2 million during the three and six months ended June 30, 2021. Noncontrolling interest-redeemable is reflected outside of permanent equity on the condensed consolidated balance sheets. See Note 8 of the Notes to Condensed Consolidated Financial Statements.

	Six Months Ended June 30, 2020							
	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, 2019	\$ 361	36,129,280	\$ (60,060)	5,136,890	\$ 949,321	\$ 523,701	\$ 93,928	\$ 1,507,251
Net income (1)	—	—	—	—	—	22,024	2,099	24,123
Acquired noncontrolling interest	—	—	—	—	—	—	2,880	2,880
Noncontrolling interest distributions	—	—	—	—	—	—	(2,093)	(2,093)
Purchase of additional controlling interest	—	—	—	—	(2,470)	—	(21,105)	(23,575)
Nonvested stock compensation	—	—	—	—	3,680	—	—	3,680
Issuance of vested stock	2	163,163	—	—	—	—	—	2
Treasury shares redeemed to pay income tax	—	—	(7,122)	59,390	189	—	—	(6,933)
Issuance of common stock under Employee Stock Purchase Plan	—	4,663	—	—	610	—	—	610
Balance as of March 31, 2020	\$ 363	36,297,106	\$ (67,182)	5,196,280	\$ 951,330	\$ 545,725	\$ 75,709	\$ 1,505,945
Net income (1)	—	—	—	—	—	44,692	7,058	51,750
Noncontrolling interest distributions	—	—	—	—	—	—	(1,909)	(1,909)
Nonvested stock compensation	—	—	—	—	3,263	—	—	3,263
Issuance of vested stock	—	19,846	—	—	—	—	—	—
Treasury shares redeemed to pay income tax	—	—	(950)	6,256	(189)	—	—	(1,139)
Exercise of options	—	7,137	(522)	3,315	218	—	—	(304)
Issuance of common stock under Employee Stock Purchase Plan	—	3,730	—	—	497	—	—	497
Balance as of June 30, 2020	\$ 363	36,327,819	\$ (68,654)	5,205,851	\$ 955,119	\$ 590,417	\$ 80,858	\$ 1,558,103

(1) Net income excludes net income attributable to noncontrolling interest-redeemable of \$3.5 million and \$9.6 million during the three and six months ended June 30, 2020. Noncontrolling interest-redeemable is reflected outside of permanent equity on the condensed consolidated balance sheets. See Note 8 of the Notes to Condensed Consolidated Financial Statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2021	2020
Operating activities:		
Net income	\$ 88,186	\$ 85,477
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	9,541	10,385
Amortization of operating lease right of use asset	17,995	17,090
Stock-based compensation expense	7,506	6,943
Deferred income taxes	19,489	10,461
Loss on disposal of assets	19	154
Impairment of intangibles and other	937	600
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(25,649)	(38,186)
Prepaid expenses	(4,484)	(2,436)
Other assets	6,170	(4,169)
Prepaid income taxes	(13,739)	3,322
Accounts payable and accrued expenses	(9,148)	(16,354)
Salaries, wages, and benefits payable	(4,560)	3,850
Government stimulus advance	—	44,273
Contract liabilities - deferred revenue	(65,026)	310,712
Other long term liabilities	—	17,818
Operating lease liabilities	(17,962)	(16,876)
Income taxes payable	(21,042)	2,506
Net amounts due to/from governmental entities	(57)	306
Net cash provided by (used in) operating activities	(11,824)	435,876
Investing activities:		
Purchases of property, building and equipment	(15,619)	(40,944)
Proceeds from sale of property, building and equipment	150	7,142
Cash received (paid) for acquisitions	(649)	3,125
Proceeds from sale of an entity	1,531	—
Minority interest investments	(10,100)	—
Net cash used in investing activities	(24,687)	(30,677)
Financing activities:		
Proceeds from line of credit	—	256,230
Payments on line of credit	(20,000)	(479,230)
Government stimulus advance	(93,257)	—
Proceeds from employee stock purchase plan	1,222	1,107
Noncontrolling interest distributions	(13,332)	(10,267)
Withholding taxes paid on stock-based compensation	(10,754)	(8,602)
Purchase of additional controlling interest	(2,113)	(23,575)
Exercise of vested awards and stock options	—	218
Sale of noncontrolling interest	284	—
Net cash used in financing activities	(137,950)	(264,119)
Change in cash	(174,461)	141,080
Cash at beginning of period	286,569	31,672
Cash at end of period	\$ 112,108	\$ 172,752
Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,322	\$ 4,083
Income taxes paid	\$ 38,103	\$ 2,375
Non-Cash Operating Activity:		
Operating right of use assets in exchange for lease obligations	\$ 25,656	\$ 18,690
Non-Cash Investing Activity:		
Accrued capital expenditures	\$ 1,108	\$ 2,348

See accompanying Notes to Condensed Consolidated Financial Statements.

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

1. Basis of Presentation and Significant Events

Organization

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

As of June 30, 2021, the Company, through its wholly- and majority-owned subsidiaries, equity joint ventures, controlled affiliates, and management agreements operated 833 service locations in 35 states within the continental United States and the District of Columbia.

COVID-19 Update

SARS-CoV-2 ("COVID-19") continues to spread and various responses related to stay-at-home restrictions, travel restrictions, and other public health and safety measures continue to evolve. We communicate with our clinicians and other employees all updated policies and procedures as we monitor changes related to the pandemic. Policies and procedures related to social distancing and cleaning procedures remain in place as the safety of our patients and employees are vital. The effects of COVID-19 continue to materially impact our business. As a result, operating results for the three and six months ended June 30, 2021 may not be indicative of the results that may be expected for the year ending December 31, 2021, and operating results for the three and six months ended June 30, 2021 may not be directly comparable to operating results for the three and six months ended June 30, 2020.

CARES Act

In response to COVID-19, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") on March 27, 2020. The CARES Act was passed to provide \$100 billion of Provider Relief Funds for distribution to eligible providers who provided diagnoses, testing, or care for individuals with a possible or actual case of COVID-19, specifically to reimburse providers for health care related expenses related to the prevention of the spread of COVID-19, preparations for treating cases of COVID-19 positive patients, and for lost revenues attributable to COVID-19. The CARES Act also provided financial hardship relief to Medicare providers impacted by the COVID-19 pandemic in order to provide necessary funds when there is a disruption in Medicare claims submission and/or Medicare claims processing by distributing funds through the Accelerated and Advanced Payments Program ("CAAP").

In addition, the CARES Act suspended the 2% sequestration payment adjustments on Medicare patient claims with dates of service from May 1 through December 31, 2020, suspended the application of site-neutral payment for LTACH admissions that were admitted during the Public Health Emergency ("PHE"), and delayed payment of the employer portion of social security tax. On April 14, 2021, Congress passed legislation to continue the suspension of the 2% sequestration payment adjustments on Medicare patient claims with dates of service through December 31, 2021. On July 7, 2021, the U.S. Department of Health and Human Services extended the PHE until October 17, 2021.

Provider Relief Fund

During the twelve months ended December 31, 2020, the Company received \$93.3 million in payments from the Provider Relief Fund, which was recorded as a short-term liability in government stimulus advance in our condensed consolidated balance sheets. The Company recognized \$44.4 million of these funds during the six months ended June 30, 2020, which was recorded in government stimulus income in our condensed consolidated statements of income. The amount recognized of \$44.4 million was subsequently reversed during the third quarter of 2020, such that the Company recognized no income from the Provider Relief Fund. The Company returned all Provider Relief Funds received of \$93.3 million to the government during the six months ended June 30, 2021.

CAAP

As of December 31, 2020, the Company had \$318.0 million of accelerated payments under the CAAP, which was recorded in contract liabilities - deferred revenue in our condensed consolidated balance sheets in accordance with Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers ("Topic 606")*. On October 1, 2020, the repayment and

recoupment terms for CAAP funds were amended by the Continuing Appropriations Act, 2021 and Other Extensions Act, which provides that recoupment will begin one year from the date the CAAP funds were received. Under these revised terms, recoupment of CAAP will occur under a tiered approach. The repayment terms begin one year starting from the date the CAAP funds were issued and continues 11 months, with CMS recouping the initial 25% of Medicare payments otherwise owed to the Company. During the six months ended June 30, 2021, \$65.0 million was recouped by CMS and \$252.9 million of contract liabilities - deferred revenue remains on our condensed consolidated balance sheets as of June 30, 2021.

If any amount of CAAP funds that we received from CMS remain unpaid after the initial 11 month period, CMS will recoup 50% of Medicare payments otherwise owed to the Company during the following six months. Interest will begin accruing on any amount of the CAAP funds that we received from CMS that remain unpaid following those recoupment periods. CMS will issue a repayment letter to the Company for any such outstanding amounts, which must be paid in full within 30 days from the date of the letter. The Company intends to repay the full amount before any interest accrues.

Other

During the three and six months ended June 30, 2021, the Company recognized \$6.4 million and \$12.9 million of net service revenue, respectively, due to the suspension of the 2% sequestration payment adjustment. During the three and six months ended June 30, 2021, the Company recognized \$6.9 million and \$12.5 million of net service revenue, respectively, due to the suspension of LTACH site-neutral payments. As of June 30, 2021, the Company deferred \$51.8 million of employer social security taxes, \$25.9 million of which was recorded in current liabilities - deferred employer payroll tax and \$25.9 million of which was recorded in other long term liabilities on our condensed consolidated balance sheets.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020, the related unaudited condensed consolidated statements of income for the three and six months ended June 30, 2021 and 2020, the unaudited condensed consolidated statements of changes in equity for the three and six months ended June 30, 2021 and 2020, the unaudited condensed consolidated statements of cash flows for the six months ended June 30, 2021 and 2020, 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 six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

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, 2020 (the "2020 Form 10-K"). The 2020 Form 10-K was filed with the Securities and Exchange Commission (the "SEC") on February 26, 2021, and includes information and disclosures not included herein.

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.

Net Service Revenue

Net service revenue from contracts with customers is recognized in the period the performance obligations are satisfied under the Company's contracts by transferring the requested services to patients in amounts that reflect the consideration to which is expected to be received in exchange for providing patient care, which is the transaction price allocated to the services provided in accordance with Topic 606 and ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* (collectively, "ASC 606").

Net service revenue is recognized as performance obligations are satisfied, which can vary depending on the type of services provided. The performance obligation is the delivery of patient care in accordance with the requested services outlined in physicians' orders, which are based on specific goals for each patient.

The performance obligations are associated with contracts in duration of less than one year; therefore, the optional exemption provided by ASC 606 was elected resulting in the Company not being required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as of the end of the reporting period. The Company's unsatisfied or partially unsatisfied performance obligations are primarily completed when the patients are discharged and typically occur within days or weeks of the end of the period.

The Company determines the transaction price based on gross charges for services provided, reduced by estimates for explicit and implicit price concessions. Explicit price concessions include contractual adjustments provided to patients and third-party payors. Implicit price concessions include discounts provided to self-pay, uninsured patients or other payors, adjustments resulting from regulatory reviews, audits, billing reviews and other matters. Subsequent changes to the estimate of the transaction price are recorded as adjustments to net service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (i.e. change in credit risk) are recorded as a provision for doubtful accounts within general and administrative expenses.

Explicit price concessions are recorded for the difference between our standard rates and the contracted rates to be realized from patients, third-party payors and others for services provided.

Implicit price concessions are recorded for self-pay, uninsured patients and other payors by major payor class based on historical collection experience and current economic conditions, representing the difference between amounts billed and amounts expected to be collected. The Company assesses the ability to collect for the healthcare services provided at the time of patient admission based on the verification of the patient's insurance coverage under Medicare, Medicaid, and other commercial or managed care insurance programs.

Amounts due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), include variable consideration for retroactive revenue adjustments due to settlements of audits and reviews. The Company has determined estimates for price concessions related to regulatory reviews based on historical experience and success rates in the claim appeals and adjudication process. Revenue is recorded at amounts estimated to be realizable for services provided.

The following table sets forth the percentage of net service revenue earned by category of payor for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Home health:				
Medicare	62.2 %	66.4 %	63.1 %	67.3 %
Managed Care, Commercial, and Other	37.8	33.6	36.9	32.7
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Hospice:				
Medicare	93.8 %	92.9 %	94.0 %	92.4 %
Managed Care, Commercial, and Other	6.2	7.1	6.0	7.6
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Home and community-based services:				
Medicaid	32.1 %	20.9 %	30.7 %	20.7 %
Managed Care, Commercial, and Other	67.9	79.1	69.3	79.3
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Facility-based services:				
Medicare	50.1 %	56.6 %	51.4 %	55.8 %
Managed Care, Commercial, and Other	49.9	43.4	48.6	44.2
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
HCI:				
Medicare	17.8 %	30.7 %	19.5 %	27.3 %
Managed Care, Commercial, and Other	82.2	69.3	80.5	72.7
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Medicare

The following describes the payment models in effect during the six months ended June 30, 2021. Such payment models have been subject to temporary adjustments made by CMS in response to COVID-19 pandemic as described elsewhere in this Quarterly Report on Form 10-Q. The 2% sequestration reduction adjustment was suspended for patient claims with dates of service that began May 1, 2020 through December 31, 2021.

Home Health Services

The Company records revenue as services are provided under the Patient Driven Groupings Model ("PDGM"). For each 30-day period, the patient is classified into one of 432 home health resource groups prior to receiving services. Each 30-day period is placed into a subgroup falling under the following categories: (i) timing being early or late, (ii) admission source being community or institutional, (iii) one of 12 clinical groupings based on the patient's principal diagnosis, (iv) functional impairment level of low, medium, or high, and (v) a co-morbidity adjustment of none, low, or high based on the patient's secondary diagnoses.

Each 30-day period payment from Medicare reflects base payment adjustments for case-mix and geographic wage differences. In addition, payments may reflect one of three retroactive adjustments to the total reimbursement: (a) an outlier payment if the patient's care was unusually costly; (b) a low utilization adjustment whereby the number of visits is dependent on the clinical grouping; and/or (c) a partial payment if the patient transferred to another provider or from another provider before completing the episode. 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.

Hospice

The Company records revenue based upon the date of service at amounts equal to the estimated payment rates. The Company receives one of four predetermined daily rates based upon the level of care provided by the Company, which can be routine care, general inpatient care, continuous home care, and respite care. There are two separate payment rates for routine care: payment for the first 60 days of care and care beyond 60 days. In addition to the two routine rates, the Company may also receive a service intensity add-on ("SIA"). The SIA is based on visits made in the last seven days of life by a registered nurse or medical social worker for patients in a routine level of care.

The performance obligation is the delivery of hospice services to the patient, as determined by a physician, each day the patient is on hospice care.

Adjustments to Medicare revenue are made from regulatory reviews, audits, billing reviews and other matters. The Company estimates the impact of these adjustments based on our historical experience.

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 12 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 September 30 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.

Facility-Based Services

Gross revenue is recorded as services are provided under the 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.

Non-Medicare Revenues

Other sources of net service revenue for all segments fall into Medicaid, managed care or other payors of the Company's services. Medicaid reimbursement is based on a predetermined fee schedule applied to each service provided. Therefore, revenue is recognized for Medicaid services as services are provided based on this fee schedule. The Company's managed care and other payors reimburse the Company based upon a predetermined fee schedule or an episodic basis, depending on the terms of the applicable contract. Accordingly, the Company recognizes revenue from managed care and other payors as services are provided, such costs are incurred, and estimates of expected payments are known for each different payor, thus the Company's revenue is recorded at the estimated transaction price.

Contingent Service Revenues

The 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 has service agreements with ACOs that provide for sharing of MSSP payments received by the ACO, if any. ACOs are legal entities that contract with 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 year.

Patient Accounts Receivable

The Company reports patient accounts receivable from services rendered at their estimated transaction price, which includes price concessions based on the amounts expected from payors. The Company's patient accounts receivable is uncollateralized and primarily consist of amounts due from Medicare, Medicaid, other third-party payors, and to a lesser degree patients. The credit risk 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 is limited due to (i) the historical collection rate from Medicare and (ii) the fact that Medicare is a U.S. government payor. The Company does not believe that there are any other significant concentrations from any particular payor that would subject it to any significant credit risk in the collection of patient accounts receivable.

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 six months ended June 30, 2021 and 2020 (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Weighted average number of shares outstanding for basic per share calculation	31,225	31,104	31,188	31,060
Effect of dilutive potential shares:				
Nonvested stock	205	220	235	241
Adjusted weighted average shares for diluted per share calculation	31,430	31,324	31,423	31,301
Anti-dilutive shares	—	5	119	122

Assets Held for Sale

As of June 30, 2021, the Company's assets held for sale was \$.9 million, which consisted of one hospice facility in Knoxville, Tennessee. The sale of the property is expected to close during the latter part of 2021.

Investments

During the six months ended June 30, 2021, the Company invested \$10.0 million and became a minority owner in a healthcare analytics company and invested \$0.1 million in Jumpstart Nova Fund, LP, which was recorded in other assets in our condensed consolidated balance sheets. These investments were accounted for under the cost method of accounting as the Company does not have the ability to exercise significant influence in connection with its minority ownership positions.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, Simplifications to accounting for income taxes, which removes certain exceptions to the general principles of Topic 740 and adds guidance to reduce complexity in accounting for income taxes. The Company adopted the new guidance effective January 1, 2021. The adoption of the new guidance did not have a material impact to the Company.

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the transition away from reference rates expected to be discontinued to alternative reference rates. The pronouncement is effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into on or before December 31, 2022. The Company is currently evaluating the impact of this standard on the Company's consolidated financial statements.

3. Acquisitions, Divestiture and Joint Venture Activities

Acquisitions

The Company acquired the majority-ownership of one home health agency and one home and community-based agency during the six months ended June 30, 2021. The total aggregate purchase price for these transactions was \$0.7 million. 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 amounts of the assets acquired and liabilities assumed at their acquisition dates, as well as their fair value at the acquisition dates and the noncontrolling interest acquired during the six months ended June 30, 2021

(amounts in thousands):

Fair value of total consideration transferred		
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Trade names	\$	26
Certificates of need/licenses		129
Other assets and (liabilities), net		9
Total identifiable assets	\$	164
Noncontrolling interest	\$	113
Goodwill, including noncontrolling interest of \$78	\$	599

Trade names and certificates of need/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. Noncontrolling interest is recorded at fair value.

Divestiture

During the six months ended June 30, 2021, the Company sold its controlling membership interests in a home health agency previously operated as an equity joint venture and sold its pharmacy location which was wholly-owned. The total consideration for these controlling interest sales was \$1.5 million and resulted in a loss of \$0.1 million, which was accounted for as a loss on the sale of entities and recorded in general and administrative expenses.

Joint Venture Activities

During the six months ended June 30, 2021, the Company purchased the noncontrolling membership interest in four of our equity joint venture partnerships, whereby the agencies became wholly-owned subsidiaries of the Company. The total consideration for these noncontrolling interest purchases was \$2.1 million. The transactions were accounted for as equity transactions.

During the six months ended June 30, 2021, the Company sold noncontrolling membership interest in a home health agency previously operated as an equity joint venture. The total consideration for this noncontrolling interest sale was \$0.3 million. The transactions were accounted for as equity transactions.

4. Goodwill and Intangibles

The changes in recorded goodwill and intangible assets by reporting unit for the six months ended June 30, 2021 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, 2020	\$ 884,000	\$ 151,742	\$ 166,773	\$ 15,770	\$ 40,862	\$ 1,259,147
Acquisitions	267	—	254	—	—	521
Noncontrolling interests	78	—	—	—	—	78
Disposals	(20)	—	—	—	—	(20)
Balance as of June 30, 2021	<u>\$ 884,325</u>	<u>\$ 151,742</u>	<u>\$ 167,027</u>	<u>\$ 15,770</u>	<u>\$ 40,862</u>	<u>\$ 1,259,726</u>
Intangible assets:						
Balance as of December 31, 2020	\$ 226,004	\$ 44,732	\$ 24,208	\$ 5,311	\$ 15,100	\$ 315,355
Acquisitions	118	—	46	—	—	164
Amortization	(232)	(72)	(4)	(4)	(290)	(602)
Disposals	(1,279)	—	—	—	—	(1,279)
Balance as of June 30, 2021	<u>\$ 224,611</u>	<u>\$ 44,660</u>	<u>\$ 24,250</u>	<u>\$ 5,307</u>	<u>\$ 14,810</u>	<u>\$ 313,638</u>

The Company did record impairments of goodwill and intangible assets related to the closure of underperforming locations. Goodwill impairment of \$0.02 million and Medicare licenses impairment of \$0.9 million was recorded during the six months ended June 30, 2021. This was recorded in impairment of intangibles and other on the company's condensed consolidated statements of income. The amount of disposal of goodwill was determined using prices of comparable businesses in the market and the amount of disposal of the Medicare licenses was its carrying value at the time of closure. In addition, the Company divested a certificate of need of \$0.4 million, which was accounted for as a loss on the sale of an entity and recorded in general and administrative expenses.

The following tables summarize the changes in intangible assets during the six months ended June 30, 2021 and December 31, 2020 (amounts in thousands):

	2021	2020
Indefinite-lived intangible assets:		
Trade names	\$ 168,700	\$ 168,700
Certificates of Need/Licenses	133,863	135,013
Net total	<u>\$ 302,563</u>	<u>\$ 303,713</u>
Definite-lived intangible assets:		
Trade names		
Gross carrying amount	\$ 10,238	\$ 10,212
Accumulated amortization	(9,543)	(9,480)
Net total	<u>\$ 695</u>	<u>\$ 732</u>
Non-compete agreements		
Gross carrying amount	\$ 7,276	\$ 7,267
Accumulated amortization	(6,634)	(6,387)
Net total	<u>\$ 642</u>	<u>\$ 880</u>
Customer relationships		
Gross carrying amount	\$ 11,822	\$ 11,822
Accumulated amortization	(2,084)	(1,792)
Net total	<u>\$ 9,738</u>	<u>\$ 10,030</u>
Total definite-lived intangible assets		
Gross carrying amount	\$ 29,336	\$ 29,301
Accumulated amortization	(18,261)	(17,659)
Net total	<u>\$ 11,075</u>	<u>\$ 11,642</u>
Total intangible assets:		
Gross carrying amount	\$ 331,899	\$ 333,014
Accumulated amortization	(18,261)	(17,659)
Net total	<u>\$ 313,638</u>	<u>\$ 315,355</u>

Remaining useful lives for trade names, customer relationships, and non-compete agreements were 8.3, 16.8, and 2.8 years, respectively, at June 30, 2021. Similar periods at December 31, 2020 were 8.8, 17.3, and 2.9 years for trade names, customer relationships, and non-compete agreements, respectively. Amortization expense was \$0.3 million for three months ended June 30, 2021 and 2020 and \$0.6 million for the six months ended June 30, 2021 and 2020. 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 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 June 30, 2021 was 4.50% and the LIBOR rate was 1.88%.

On March 5, 2021, the ICE Benchmark Administration, the administrator of LIBOR, announced its intention to cease the publication of LIBOR settings for 1-month, 3-month, 6-month, and 12-month LIBOR borrowings immediately on June 30, 2023. The announcement did not identify any successor administrator.

As of June 30, 2021, the Company had letters of credit issued in the amount of \$25.4 million, and \$474.6 million of remaining borrowing capacity available under the Credit Agreement. At December 31, 2020, the Company had \$20.0 million drawn and letters of credit issued in the amount of \$25.4 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 June 30, 2021.

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 and a total of 1,754,464 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.

Share Based Compensation

Nonvested Stock

During the six months ended June 30, 2021, the Company granted 7,200 nonvested shares of common stock to independent directors under the Second Amended and Restated 2005 Non-Employee Directors Compensation Plan. The shares vest 100% on the one year anniversary date.

During the six months ended June 30, 2021, employees and a consultant were granted 105,800 and 5,735 shares, respectively, of nonvested shares of common stock pursuant to the 2018 Incentive Plan. The shares vest over a period of five years, conditioned on continued employment and in accordance with the consulting agreement. 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 following table represents the share grants activity for the six months ended June 30, 2021

	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, 2020	469,631	\$ 89.69	74,235	\$ 42.07
Granted	118,735	185.05	—	—
Vested or exercised	(163,978)	186.82	—	—
Share grants outstanding as of June 30, 2021	<u>424,388</u>	<u>\$ 120.11</u>	<u>74,235</u>	<u>\$ 42.07</u>

As of June 30, 2021, there was \$44.1 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 3.18 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 \$7.5 million and \$6.9 million of compensation expense related to nonvested stock grants for the six months ended June 30, 2021 and 2020, 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 2021

	Number of shares	Per share price
Shares available as of December 31, 2020	118,136	
Shares issued during the three months ended March 31, 2021	3,204	\$ 202.66
Shares issued during the three months ended June 30, 2021	3,152	\$ 181.65
Shares available as of June 30, 2021	<u>111,780</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 six months ended June 30, 2021, the Company redeemed 57,245 shares of common stock valued at \$10.8 million, related to share vesting tax obligations. Such shares are held as treasury stock and are available for reissuance by the Company.

7. Commitments and Contingencies

Contingencies

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"), Unified Program Integrity Contractors ("UPICs"), 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 as of June 30, 2021 and December 31, 2020, 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.

We are involved in various 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.

Legal fees related to all legal matters are expensed as incurred.

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. The Company has not received notice from any joint venture partners of their intent to exercise the terms of the buy/sell agreement nor has the Company notified any joint venture partners of its intent to exercise the terms of the buy/sell agreement.

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 June 30, 2021, 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 six months ended June 30, 2021 is not less than the initial amount reported for each instrument.

The following table summarizes the activity of noncontrolling interest-redeemable for the six months ended June 30, 2021 (amounts in thousands):

Balance as of December 31, 2020	\$ 18,921
Net income attributable to noncontrolling interest-redeemable	6,183
Noncontrolling interest-redeemable distributions	(6,255)
Acquired noncontrolling interest-redeemable	113
Purchase of controlling interest	(373)
Balance as of June 30, 2021	<u>\$ 18,589</u>

9. Leases

The Company determines if a contract contains a lease at inception date. The Company's leases are operating leases, primarily for office and office equipment, that expire at various dates over the next five years. The facility-based leases have renewal options for periods ranging from one to nine years. As it is not reasonably certain these renewal options will be exercised, the options were not considered in the lease term, and payments associated with the option years are excluded from lease payments.

Payments due under operating leases include fixed and variable payments. These variable payments for the Company's office leases can include operating expenses, utilities, property taxes, insurance, common area maintenance, and other facility-related expense. Additionally, any leases with terms less than one year were not recognized as operating lease right of use assets or payables for short term leases in accordance with the election of 'package of practical expedient' under ASU 2016-02.

The Company recognizes operating lease right of use assets and operating lease payable 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. As of June 30, 2021, the weighted-average remaining lease term was 4.09 and weighted-average discount rate was 4.33%.

The following table summarizes the operating lease right of use assets and related lease payables in our condensed consolidated balance sheets at June 30, 2021 and December 31, 2020 (amounts in thousands):

	June 30, 2021		December 31, 2020	
Operating lease right of use asset	\$	105,201	\$	100,046
Current operating lease liabilities		33,081		32,676
Long-term operating lease liabilities		74,993		70,275

The components of lease costs for operating leases for the three and six months ended June 30, 2021 and 2020 were as follows (amounts in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Operating lease cost	\$ 12,091	\$ 11,599	\$ 24,281	\$ 22,946
Short-term lease cost	914	730	1,770	1,490
Variable lease cost	1,071	888	2,084	1,870
Total lease costs	<u>\$ 14,076</u>	<u>\$ 13,217</u>	<u>\$ 28,135</u>	<u>\$ 26,306</u>

Maturities of operating lease liabilities as of June 30, 2021 were as follows (amounts in thousands):

Month ending June 30,		
2021	\$	19,441
2022		33,088
2023		25,036
2024		17,196
Thereafter		22,995
Total future minimum lease payments		117,756
Less: Imputed interest		(9,682)
Total	\$	108,074

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.

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) 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 six months ended June 30, 2021 and 2020 (amounts in thousands):

	Three Months Ended June 30, 2021					
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	\$ 396,534	\$ 63,804	\$ 48,407	\$ 31,030	\$ 6,132	\$ 545,907
Cost of service revenue (excluding depreciation and amortization)	219,925	39,647	34,683	20,460	3,157	317,872
General and administrative expenses	123,245	18,114	11,923	10,906	2,873	167,061
Impairment of intangibles and other	760	—	—	—	—	760
Operating income (loss)	52,604	6,043	1,801	(336)	102	60,214
Interest expense	(106)	(20)	(10)	(5)	(2)	(143)
Income (loss) before income taxes and noncontrolling interest	52,498	6,023	1,791	(341)	100	60,071
Income tax expense (benefit)	11,706	1,280	470	(152)	14	13,318
Net income (loss)	40,792	4,743	1,321	(189)	86	46,753
Less net income (loss) attributable to non controlling interests	7,500	1,208	85	322	(5)	9,110
Net income (loss) attributable to LHC Group, Inc.'s common stockholder	\$ 33,292	\$ 3,535	\$ 1,236	\$ (511)	\$ 91	\$ 37,643
Total assets	\$ 1,681,871	\$ 288,985	\$ 245,071	\$ 85,520	\$ 65,678	\$ 2,367,125

	Three Months Ended June 30, 2020					
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	\$ 339,872	\$ 61,055	\$ 47,675	\$ 33,639	\$ 5,079	\$ 487,320
Cost of service revenue (excluding depreciation and amortization)	205,146	37,271	38,747	21,785	3,763	306,712
General and administrative expenses	110,209	16,266	11,124	10,165	2,810	150,574
Impairment of intangibles and other	—	600	—	—	—	600
Government stimulus income	(35,019)	(4,731)	(2,865)	(1,656)	(164)	(44,435)
Operating income (loss)	59,536	11,649	669	3,345	(1,330)	73,869
Interest expense	(594)	(97)	(79)	(47)	(24)	(841)
Income (loss) before income taxes and noncontrolling interest	58,942	11,552	590	3,298	(1,354)	73,028
Income tax expense (benefit)	12,807	2,439	(12)	373	(380)	15,227
Net income (loss)	46,135	9,113	602	2,925	(974)	57,801
Less net income (loss) attributable to noncontrolling interests	9,922	2,164	33	997	(7)	13,109
Net income (loss) attributable to LHC Group, Inc.'s common stockholders	\$ 36,213	\$ 6,949	\$ 569	\$ 1,928	\$ (967)	\$ 44,692
Total assets	\$ 1,656,022	\$ 268,771	\$ 259,742	\$ 101,258	\$ 71,306	\$ 2,357,099

Six Months Ended June 30, 2021						
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	\$ 770,362	\$ 126,538	\$ 97,532	\$ 64,399	\$ 11,911	\$ 1,070,742
Cost of service revenue (excluding depreciation and amortization)	432,298	78,217	69,555	41,635	6,439	628,144
General and administrative expenses	242,642	36,241	23,452	22,163	5,812	330,310
Impairment of intangibles and other	937	—	—	—	—	937
Operating income (loss)	94,485	12,080	4,525	601	(340)	111,351
Interest expense	(288)	(56)	(34)	(19)	(9)	(406)
Income (loss) before income taxes and noncontrolling interest	94,197	12,024	4,491	582	(349)	110,945
Income tax expense (benefit)	19,596	2,347	988	(95)	(77)	22,759
Net income (loss)	74,601	9,677	3,503	677	(272)	88,186
Less net income (loss) attributable to non controlling interests	12,349	2,223	364	979	(31)	15,884
Net income (loss) attributable to LHC Group, Inc.'s common stockholder	<u>\$ 62,252</u>	<u>\$ 7,454</u>	<u>\$ 3,139</u>	<u>\$ (302)</u>	<u>\$ (241)</u>	<u>\$ 72,302</u>
Six Months Ended June 30, 2020						
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	\$ 707,693	\$ 121,586	\$ 96,139	\$ 63,320	\$ 11,453	\$ 1,000,191
Cost of service revenue (excluding depreciation and amortization)	425,586	75,305	77,200	42,127	7,696	627,914
General and administrative expenses	226,232	32,892	22,583	20,545	6,188	308,440
Impairment of intangibles and other	—	600	—	—	—	600
Government stimulus income	(35,019)	(4,731)	(2,865)	(1,656)	(164)	(44,435)
Operating income (loss)	90,894	17,520	(779)	2,304	(2,267)	107,672
Interest expense	(2,494)	(400)	(345)	(266)	(104)	(3,609)
Income (loss) before income taxes and noncontrolling interest	88,400	17,120	(1,124)	2,038	(2,371)	104,063
Income tax expense (benefit)	16,096	3,047	(218)	174	(513)	18,586
Net income (loss)	72,304	14,073	(906)	1,864	(1,858)	85,477
Less net income (loss) attributable to noncontrolling interests	14,528	3,131	(122)	1,240	(16)	18,761
Net income (loss) attributable to LHC Group, Inc.'s common stockholders	<u>\$ 57,776</u>	<u>\$ 10,942</u>	<u>\$ (784)</u>	<u>\$ 624</u>	<u>\$ (1,842)</u>	<u>\$ 66,716</u>

12. Income Taxes

The effective tax rate for the six months ended June 30, 2021 and 2020 benefited from \$2.2 million and \$1.6 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 income taxes payable in 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 June 30, 2021 and December 31, 2020, the Company recognized \$6.6 million and \$6.2 million, respectively, in unrecognized tax benefits.

13. Subsequent Events

On July 1, 2021, the Company purchased Heart 'n Home Hospice, which included six wholly-owned hospice locations in Idaho and four wholly-owned hospice locations in Oregon. In addition, the Company purchased Casa de la Luz on July 1, 2021, which included one wholly-owned hospice and palliative care location in Arizona. Total consideration for both acquisitions was \$96.0 million, which was funded on July 1, 2021.

On August 3, 2021, the Company entered into an Amended and Restated Credit Agreement ("Amended Agreement") with JPMorgan Chase Bank, N.A. The aggregate commitment in the Amended Agreement is \$800.0 million, which includes an additional \$500.0 million accordion expansion feature, and a letter of credit sub-limit equal to \$75.0 million. The expiration date of the Amended Agreement is August 3, 2026.

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, including the potential future impact of COVID-19 on our results of operations and liquidity, the potential impact of actions we have taken to mitigate the impact of COVID-19, the potential impact on supply chain disruptions and increased costs associated with obtaining personal protective equipment, the expected benefit of the CARES Act on our liquidity, 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 June 30, 2021;
- our critical accounting policies;
- 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, including changes in reimbursement resulting from regulatory changes;
- 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;
- our compliance with Securities and Exchange Commission laws and regulations and Sarbanes-Oxley requirements;
- 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 2020 Form 10-K, as updated by our subsequent filings with the SEC. This report should be read in conjunction with the 2020 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 June 30, 2021, we have 833 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 June 30, 2021, we operated 531 home health services locations, of which

319 are wholly-owned, 208 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 June 30, 2021, we operated 120 hospice locations, of which 57 are wholly-owned, 61 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 June 30, 2021, we operated 133 home and community-based services locations, of which 119 are wholly-owned and 14 are majority-owned through equity joint ventures.

We provide facility-based services principally through our LTACHs. As of June 30, 2021, we operated 11 LTACHs with 12 locations, all but three of which are located within host hospitals. We also operate two skilled nursing facilities, a family health center, a rural health clinic, one physician practice, and 19 therapy clinics. Of these 36 facility-based services locations, 25 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 13 HCI locations, of which 12 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 June 30, 2021, the Joint Commission had accredited 522 of our 531 home health services locations and 110 of our 120 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 six months ended June 30, 2021 and 2020 was as follows :

Reporting segment	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Home health services	72.6 %	69.8 %	72.0 %	70.8 %
Hospice services	11.7	12.5	11.8	12.2
Home and community-based services	8.9	9.8	9.1	9.6
Facility-based services	5.7	6.9	6.0	6.3
Healthcare innovations services	1.1	1.0	1.1	1.1
	<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 2020 Form 10-K.

Coronavirus and Coronavirus Aid, Relief, and Economic Security Act

The following portions of the CARES Act impacted us during the six months ended June 30, 2021:

- *Provider Relief Fund:* During 2020, we received \$93.3 million in payments from the Provider Relief Fund. We returned all funds to the government during the three months ended June 30, 2021.
- *CAAP:* During 2020, we received \$318.0 million of accelerated payments under the CAAP, of which \$65.0 million was recouped by CMS during the three months ended June 30, 2021.
- *Suspension of the 2% sequestration payment adjustment:* CMS suspended the 2% sequestration payment adjustment for patient claims with dates of services from May 1, 2020 through December 31, 2020, which was subsequently amended to continue through December 31, 2021. During the three and six months ended June 30, 2021, we recognized \$6.4 million and \$12.9 million, respectively, of net service revenue due to the suspension of the 2% sequestration payment adjustment.
- *Waiver of the application of site-neutral payment:* Under Section 1886(m)(6)(A)(i) of the Act, the claims processing systems was updated to pay all LTACH cases admitted during the COVID-19 PHE period at the LTACH PPS standard federal rate, effective for claims with an admission date occurring on or after January 27, 2020 through the end of the PHE period. During the three and six months ended June 30, 2021, we recognized \$6.9 million and \$12.5 million, respectively, of net service revenue due to the suspension of site-neutral payments.

While during the six months ended June 30, 2021, we did not experience a material disruption in our ability to continue to provide services to our patients, there is no guarantee that we won't experience such service disruption in the future or a decrease in demand for our services as a result of COVID-19. The rapid development and fluidity of this situation makes it difficult to predict the ultimate impact of COVID-19 on our business and operations. Nevertheless, COVID-19 presents a material uncertainty which could materially impact our business and results of operations in the future.

Home Health

On June 28, 2021, CMS released the proposed rule for fiscal year 2022 to update base payment rates by 1.7%, which is based on a 2.4% market basket adjustment, reduced by 0.6% productivity adjustment, and reduced by 0.1% decrease in payments due to reductions made in the rural add-on percentages mandated by the Bipartisan Budget Act of 2018. The base 30 day payment rate is increased from \$1,901.12 to \$2,013.43.

Hospice

On July 29, 2021, CMS released the final rule for fiscal year 2022 to update payment rates and the wage index. The final hospice payment update is a 2.0% increase to the payment rates. The final rule will apply a 2.7% market basket update and a 0.7 percentage point cut for productivity. In addition, the final rule increases the aggregate cap value of \$31,297.61 for fiscal year 2022, as compared to \$30,683.93 for fiscal year 2021.

The following are the final fiscal year 2022 base payment rates for various levels of care, which will begin on October 1, 2021 and will end September 30, 2022 and final fiscal year 2021 base payment rates for various levels of care, which began on October 1, 2020 and will end September 30, 2021 (payment rates for hospice providers not complying with the hospice quality reporting requirements will be 2% lower than the values referenced below):

Description	Final Fiscal Year 2022 Rate per patient day	Fiscal Year 2021 Rate per patient day
Routine Home Care days 1-60	\$ 203.40	\$ 199.25
Routine Home Care days 60+	\$ 160.74	\$ 157.49
Continuous Home Care	\$ 1,462.52	\$ 1,432.41
Full rate = 24 hours of care		
\$59.68 = hourly rate for 2021		
\$60.94 = hourly rate for 2022		
Inpatient Respite Care	\$ 473.75	\$ 461.09
General Inpatient Care	\$ 1,068.28	\$ 1,045.66

Facility-based

On August 2, 2021, CMS issued a final rule for the fiscal year 2022 Long-Term Care Hospital Prospective Payment System ("LTACH-PPS"), which described that LTACH-PPS payments for fiscal year 2022 will increase by 1.1%. LTACH-PPS payments for fiscal year 2022 for discharges paid using the standard LTACH payment rate will increase by 0.9% due primarily to the annual standard Federal rate update for fiscal year 2022 of 1.9% and 0.8% decrease in high cost outlier payments. LTACH-PPS payments for fiscal year 2022 for discharges paid using the site neutral payment rate will increase by 3%.

RESULTS OF OPERATIONS

Three months ended June 30, 2021 compared to three months ended June 30, 2020

Summary consolidated financial information

The following table summarizes our consolidated results of operations for the three months ended June 30, 2021 and 2020 (amounts in thousands, except percentages, which are percentages of consolidated net service revenue, unless indicated otherwise):

	2021		2020		Increase (Decrease)	
Net service revenue	\$	545,907	\$	487,320	\$ 58,587	
Cost of service revenue (excluding depreciation and amortization)		317,872	58.2 %	306,712	62.9 %	11,160
General and administrative expenses		167,061	30.6	150,574	30.9	16,487
Impairment of intangibles and other		760		600		160
Government stimulus (income)		—		(44,435)		(44,435)
Interest expense		(143)		(841)		(698)
Income tax expense		13,318	26.2 (1)	15,227	26.0 (1)	(1,909)
Net income attributable to noncontrolling interests		9,110		13,109		(3,999)
Net income attributable to LHC Group, Inc.'s common stockholders	\$	<u>37,643</u>		<u>44,692</u>		<u>\$ (7,049)</u>

(1) Effective tax rate as a percentage of income from continuing operations attributable to our common stockholders, excluding the excess tax benefits realized of \$0.04 million and \$0.3 million during the three months ended June 30, 2021 and 2020, respectively.

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 June 30, 2021 and the related change from the same period in 2020 (amounts in thousands, except admissions, census, episode data, patient days and billable hours, which are actual amounts; net service revenue excludes implicit price concessions):

The below data for the three months ended June 30, 2021 was impacted by the COVID-19 pandemic.

	Organic (1)	Organic Growth (Loss) %	Acquired (2)	Total	Total Growth (Loss) %
Home health services					
Revenue	\$ 390,048	16.4 %	\$ 11,489	\$ 401,537	16.8 %
Revenue Medicare	\$ 241,375	10.3	\$ 6,936	\$ 248,311	10.3
Admissions	108,076	16.4	1,006	109,082	16.7
Medicare Admissions	54,399	8.8	591	54,990	8.8
Average Census	83,297	10.3	2,257	85,554	10.3
Average Medicare Census	43,902	0.9	1,232	45,134	0.7
Home Health Episodes	83,318	6.2	2,345	85,663	5.5
Hospice services					
Revenue	\$ 61,094	1.1	\$ 3,167	\$ 64,261	4.9
Revenue Medicare	\$ 56,888	1.9	\$ 3,072	\$ 59,960	6.1
Admissions	4,798	1.1	169	4,967	2.0
Medicare Admissions	4,297	2.6	178	4,475	4.8
Average Census	4,192	(3.0)	262	4,454	1.8
Average Medicare Census	3,953	(1.6)	220	4,173	2.6
Patient days	381,508	(3.0)	23,831	405,339	1.8
Home and community-based services					
Revenue	\$ 46,203	(6.1)	\$ 2,399	\$ 48,602	(2.6)
Billable hours	1,744,932	(7.8)	133,206	1,878,138	(2.3)
Facility-based services					
LTACHs					
Revenue	\$ 30,635	(3.8)	\$ —	\$ 30,635	(6.5)
Patient days	18,557	(19.1)	1,642	20,199	(14.6)
Other facility-based services					
Revenue	\$ 1,595	(20.4)	\$ —	\$ 1,595	(20.4)
HCI					
Revenue	\$ 6,285	7.4	\$ —	\$ 6,285	7.4
Consolidated					
Revenue	\$ 535,860	12.7	\$ 17,055	\$ 552,915	11.6

(1) Organic - combination of same store, a location that has been in service with us for greater than 12 months, and de novo, an internally developed location that has been in service for 12 months or less.

(2) Acquired - purchased location that has been in service with us 12 months or less.

Our home health and hospice segment received the benefit of the suspension of the 2% sequestration payment adjustment for Medicare claims and the LTACHs received the benefit of the suspension of the 2% sequestration payment adjustment and the waiver of site-neutral payments for LTACH Medicare claims.

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 June 30,			
	2021		2020	
Home health services				
Salaries, wages and benefits	\$ 199,789	50.4 %	\$ 177,533	52.2 %
Transportation	9,230	2.3	8,730	2.6
Supplies and services	10,906	2.8	18,883	5.6
Total	<u>\$ 219,925</u>	<u>55.5 %</u>	<u>\$ 205,146</u>	<u>60.4 %</u>
Hospice services				
Salaries, wages and benefits	\$ 28,453	44.6 %	\$ 26,749	43.8 %
Transportation	1,967	3.1	1,799	2.9
Supplies and services	9,227	14.5	8,723	14.3
Total	<u>\$ 39,647</u>	<u>62.2 %</u>	<u>\$ 37,271</u>	<u>61.0 %</u>
Home and community-based services				
Salaries, wages and benefits	\$ 33,925	70.1 %	\$ 36,081	75.7 %
Transportation	414	0.9	451	0.9
Supplies and services	344	0.7	2,215	4.6
Total	<u>\$ 34,683</u>	<u>71.7 %</u>	<u>\$ 38,747</u>	<u>81.2 %</u>
Facility-based services				
Salaries, wages and benefits	\$ 14,887	48.0 %	\$ 15,926	47.3 %
Transportation	7	—	44	0.1
Supplies and services	5,566	17.9	5,815	17.3
Total	<u>\$ 20,460</u>	<u>65.9 %</u>	<u>\$ 21,785</u>	<u>64.7 %</u>
HCI				
Salaries, wages and benefits	\$ 3,108	50.7 %	\$ 3,666	72.2 %
Transportation	65	1.1	56	1.1
Supplies and services	(16)	(0.3)	41	0.8
Total	<u>\$ 3,157</u>	<u>51.5 %</u>	<u>\$ 3,763</u>	<u>74.1 %</u>
Consolidated				
Salaries, wages and benefits	\$ 280,162	51.3 %	\$ 259,955	53.3 %
Transportation	11,683	2.1	11,080	2.3
Supplies and services	26,027	4.8	35,677	7.4
Total	<u>\$ 317,872</u>	<u>58.2 %</u>	<u>\$ 306,712</u>	<u>63.0 %</u>

During 2021, cost of service revenue in our home health segment was impacted by the effective cost mitigation strategies associated with the implementation of PDGM. Cost of service revenue in our home and community-based segment declined due to the lower patient volumes resulting in a decrease in billable hours and a decrease in total costs. Supplies associated with COVID-19 decreased in all segments in 2021 as compared to 2020 as we incurred substantial costs in 2020 to acquire needed personal protective equipment to protect our clinicians during the start of the global pandemic. We continue to purchase additional personal protective equipment; however, we are observing an overall decline in utilization and an overall price per unit decline for these supplies.

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 June 30,			
	2021		2020	
Home health services				
General and administrative	\$ 120,610	30.4 %	\$ 107,121	31.5 %
Depreciation and amortization	2,635	0.7	3,088	0.9
Total	<u>\$ 123,245</u>	<u>31.1 %</u>	<u>\$ 110,209</u>	<u>32.4 %</u>
Hospice services				
General and administrative	\$ 17,589	27.6 %	\$ 15,745	25.8 %
Depreciation and amortization	525	0.8	521	0.9
Total	<u>\$ 18,114</u>	<u>28.4 %</u>	<u>\$ 16,266</u>	<u>26.7 %</u>
Home and community-based services				
General and administrative	\$ 11,548	23.9 %	\$ 10,716	22.5 %
Depreciation and amortization	375	0.8	408	0.9
Total	<u>\$ 11,923</u>	<u>24.7 %</u>	<u>\$ 11,124</u>	<u>23.4 %</u>
Facility-based services				
General and administrative	\$ 10,119	32.6 %	\$ 9,230	27.4 %
Depreciation and amortization	787	2.5	935	2.8
Total	<u>\$ 10,906</u>	<u>35.1 %</u>	<u>\$ 10,165</u>	<u>30.2 %</u>
HCI				
General and administrative	\$ 2,653	43.3 %	\$ 2,510	49.4 %
Depreciation and amortization	220	3.6	300	5.9
Total	<u>\$ 2,873</u>	<u>46.9 %</u>	<u>\$ 2,810</u>	<u>55.3 %</u>
Consolidated				
General and administrative	\$ 162,519	29.8 %	\$ 145,322	29.8 %
Depreciation and amortization	4,542	0.8	5,252	1.1
Total	<u>\$ 167,061</u>	<u>30.6 %</u>	<u>\$ 150,574</u>	<u>30.9 %</u>

Consolidated general and administrative expenses increased \$16.5 million in 2021 as compared to 2020; however, consolidated general and administrative expenses decreased as a percentage of net service revenue from 30.9% to 30.6%. Revenue in our home health segment increased 16.8% in the second quarter of 2021 as compared to the second quarter of 2020 due to the increase in average daily census. This increase in revenue improved our percentage of general and administrative expenses as we leveraged administrative costs in 2021.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

Summary consolidated financial information

The following table summarizes our consolidated results of operations for the six months ended June 30, 2021 and 2020 (amounts in thousands, except percentages, which are percentages of consolidated net service revenue, unless indicated otherwise):

	2021		2020		Increase (Decrease)	
Net service revenue	\$	1,070,742	\$	1,000,191	\$ 70,551	
Cost of service revenue (excluding depreciation and amortization)		628,144	58.7 %	627,914	62.8 %	230
General and administrative expenses		330,310	30.8	308,440	30.8	21,870
Impairment of intangibles and other		937		600		337
Government stimulus (income)		—		(44,435)		(44,435)
Interest expense		(406)		(3,609)		(3,203)
Income tax expense		22,759	26.2 (1)	18,586	26.4 (1)	4,173
Net income attributable to noncontrolling interests		15,884		18,761		(2,877)
Net income attributable to LHC Group, Inc.'s common stockholders	\$	<u>72,302</u>		<u>66,716</u>		<u>\$ 5,586</u>

(1) Effective tax rate as a percentage of income from continuing operations attributable to our common stockholders, excluding the excess tax benefits realized of \$2.2 million and \$1.6 million during the six months ended June 30, 2021 and 2020, respectively. The effective tax rate for the six months ended June 30, 2020 also benefited from a \$2.2 million impact from the enactment of the CARES Act.

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 six months ended June 30, 2021 and the related change from the same period in 2020 (amounts in thousands, except admissions, census, episode data, patient days and billable hours, which are actual amounts; net service revenue excludes implicit price concessions):

The below data for the six months ended June 30, 2021 was impacted by the COVID-19 pandemic.

	Organic (1)	Organic Growth (Loss) %	Acquired (2)	Total	Total Growth (Loss) %
Home health services					
Revenue	\$ 767,792	9.4 %	\$ 15,470	\$ 783,262	9.2 %
Revenue Medicare	\$ 480,780	3.2	\$ 9,697	\$ 490,477	2.7
Admissions	215,218	7.4	1,786	217,004	7.6
Medicare Admissions	108,378	(0.9)	1,025	109,403	(0.9)
Average Census	83,216	10.2	1,529	84,745	9.7
Average Medicare Census	44,336	—	850	45,186	(0.6)
Home Health Episodes	167,013	0.5	3,260	170,273	(0.7)
Hospice services					
Revenue	\$ 121,525	1.9	\$ 7,000	\$ 128,525	5.8
Revenue Medicare	\$ 112,565	2.4	\$ 6,819	\$ 119,384	6.7
Admissions	10,140	4.4	404	10,544	6.2
Medicare Admissions	9,031	5.2	354	9,385	6.7
Average Census	4,188	(1.9)	268	4,456	3.6
Average Medicare Census	3,926	(1.2)	242	4,168	4.1
Patient days	757,927	(2.5)	48,531	806,458	2.3
Home and community-based services					
Revenue	\$ 95,163	(3.6)	\$ 2,940	\$ 98,103	(2.1)
Billable hours	3,617,773	(5.8)	161,646	3,779,419	(3.3)
Facility-based services					
LTACHs					
Revenue	\$ 63,666	7.6	\$ —	\$ 63,666	7.6
Patient days	39,717	(7.9)	1,642	41,359	7.9
Other facility-based services					
Revenue	\$ 2,592	(47.9)	\$ —	\$ 2,592	(47.9)
HCI					
Revenue	\$ 12,224	(2.3)	\$ —	\$ 12,224	(2.3)
Consolidated					
Revenue	\$ 1,062,962	9.4	\$ 25,410	\$ 1,088,372	7.1

(1) Organic - combination of same store, a location that has been in service with us for greater than 12 months, and de novo, an internally developed location that has been in service for 12 months or less.

(2) Acquired - purchased location that has been in service with us 12 months or less.

Our home health and hospice segment received the benefit of the suspension of the 2% sequestration payment adjustment for Medicare claims and the LTACHs received the benefit of the suspension of the 2% sequestration payment adjustment and the waiver of site-neutral payments for LTACH Medicare claims.

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)

	Six months ended June 30,			
	2021		2020	
Home health services				
Salaries, wages and benefits	\$ 392,026	50.9 %	\$ 377,139	53.3 %
Transportation	18,050	2.3	18,535	2.6
Supplies and services	22,222	2.9	29,912	4.2
Total	<u>\$ 432,298</u>	<u>56.1 %</u>	<u>\$ 425,586</u>	<u>60.1 %</u>
Hospice services				
Salaries, wages and benefits	\$ 56,465	44.6 %	\$ 53,762	44.2 %
Transportation	3,797	3.0	3,739	3.1
Supplies and services	17,955	14.2	17,804	14.6
Total	<u>\$ 78,217</u>	<u>61.8 %</u>	<u>\$ 75,305</u>	<u>61.9 %</u>
Home and community-based services				
Salaries, wages and benefits	\$ 68,079	69.8 %	\$ 73,574	76.5 %
Transportation	830	0.9	941	1.0
Supplies and services	646	0.7	2,685	2.8
Total	<u>\$ 69,555</u>	<u>71.4 %</u>	<u>\$ 77,200</u>	<u>80.3 %</u>
Facility-based services				
Salaries, wages and benefits	\$ 30,921	48.0 %	\$ 30,304	47.9 %
Transportation	17	—	80	0.1
Supplies and services	10,697	16.6	11,743	18.5
Total	<u>\$ 41,635</u>	<u>64.6 %</u>	<u>\$ 42,127</u>	<u>66.5 %</u>
HCI				
Salaries, wages and benefits	\$ 6,313	53.0 %	\$ 7,409	64.7 %
Transportation	116	1.0	148	1.3
Supplies and services	10	0.1	139	1.2
Total	<u>\$ 6,439</u>	<u>54.1 %</u>	<u>\$ 7,696</u>	<u>67.2 %</u>
Consolidated				
Salaries, wages and benefits	\$ 553,804	51.7 %	\$ 542,188	54.2 %
Transportation	22,810	2.1	23,443	2.3
Supplies and services	51,530	4.9	62,283	6.3
Total	<u>\$ 628,144</u>	<u>58.7 %</u>	<u>\$ 627,914</u>	<u>62.8 %</u>

During 2021, cost of service revenue in our home health segment was impacted by the effective cost mitigation strategies associated with the implementation of PDGM. Cost of service revenue in our home and community-based segment declined due to the lower patient volumes resulting in a decrease in billable hours and a decrease in total costs. Supplies associated with COVID-19 decreased in all segments in 2021 as compared to 2020 as we incurred substantial costs in 2020 to acquire needed personal protective equipment to protect our clinicians during the start of the global pandemic. We continue to purchase additional personal protective equipment; however, we are observing an overall decline in utilization and an overall price per unit decline for these supplies..

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):

	Six months ended June 30,			
	2021		2020	
Home health services				
General and administrative	\$ 237,071	30.8 %	\$ 220,143	31.1 %
Depreciation and amortization	5,571	0.7	6,089	0.9
Total	<u>\$ 242,642</u>	<u>31.5 %</u>	<u>\$ 226,232</u>	<u>32.0 %</u>
Hospice services				
General and administrative	\$ 35,164	27.8 %	\$ 31,856	26.2 %
Depreciation and amortization	1,077	0.9	1,036	0.9
Total	<u>\$ 36,241</u>	<u>28.7 %</u>	<u>\$ 32,892</u>	<u>27.0 %</u>
Home and community-based services				
General and administrative	\$ 22,681	23.3 %	\$ 21,784	22.7 %
Depreciation and amortization	771	0.8	799	0.8
Total	<u>\$ 23,452</u>	<u>24.1 %</u>	<u>\$ 22,583</u>	<u>23.5 %</u>
Facility-based services				
General and administrative	\$ 20,535	31.9 %	\$ 18,679	29.5 %
Depreciation and amortization	1,628	2.5	1,866	2.9
Total	<u>\$ 22,163</u>	<u>34.4 %</u>	<u>\$ 20,545</u>	<u>32.4 %</u>
HCI				
General and administrative	\$ 5,318	44.6 %	\$ 5,593	48.8 %
Depreciation and amortization	494	4.1	595	5.2
Total	<u>\$ 5,812</u>	<u>48.7 %</u>	<u>\$ 6,188</u>	<u>54.0 %</u>
Consolidated				
General and administrative	\$ 320,769	30.0 %	\$ 298,055	29.8 %
Depreciation and amortization	9,541	0.8	10,385	1.0
Total	<u>\$ 330,310</u>	<u>30.8 %</u>	<u>\$ 308,440</u>	<u>30.8 %</u>

Consolidated general and administrative expenses increased \$21.9 million in 2021 as compared to 2020; however, consolidated general and administrative expenses remained flat as a percentage of net service revenue. Revenue in our home health segment increased 9.2% in 2021 as compared to 2020 due to the increase in average daily census. This increase in revenue maintained our percentage of general and administrative expenses as we leveraged administrative costs in 2021.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our cash balance at June 30, 2021 was \$112.1 million and we have \$333.8 million of available liquidity from cash and our revolving credit facility, net of \$252.9 million liabilities associated with the CAAP. Based on our current plan of operations, including acquisitions, we believe this amount, when combined with expected cash flows from operations and amounts available under our revolving credit facility will be sufficient to fund our growth strategy and to meet our anticipated operating expenses, capital expenditures, and debt service obligations for at least the next 12 months.

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):

	Six months ended June 30,	
	2021	2020
Net cash provided by (used in):		
Operating activities	\$ (11,824)	\$ 435,876
Investing activities	(24,687)	(30,677)
Financing activities	(137,950)	(264,119)
Change in cash	\$ (174,461)	\$ 141,080
Cash at beginning of period	286,569	31,672
Cash at end of period	<u>\$ 112,108</u>	<u>\$ 172,752</u>

The CARES Act provided additional cash during the three months ended June 30, 2020 and increased our net cash provided by operating activities by \$310.7 million of Accelerated and Advance Payments, \$44.4 million of Provider Relief Funds, and \$17.8 million payment deferral of our portion of social security payroll tax. The initial impact of COVID-19 in 2020 also increased our prepaid medical supplies due to the need of obtaining personal protective equipment to our clinicians and increased our salaries, wages and benefits associated with the increased staffing demands associated with our response to COVID-19.

In 2021, CMS recouped \$65.0 million of the Accelerated and Advance Payments and we returned \$93.3 million of Provider Relief Funds back to the government. We paid \$38.1 million in income taxes, of which \$17.3 million related to the CARES Act legislation. These cash outflows were offset by a reduction in our days sales outstanding and stabilized costs for needed personal protective equipment. We did not utilize any proceeds in our credit agreement during 2021 as compared to 2020, which caused the increase in cash used in our financing activities.

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 June 30, 2021 was 4.50% and the LIBOR rate was 1.88%.

On March 5, 2021, the ICE Benchmark Administration, the administrator of LIBOR, announced its intention to cease the publication of LIBOR settings for 1-month, 3-month, 6-month, and 12-month LIBOR borrowings immediately on June 30, 2023. The announcement did not identify any successor administrator.

As of June 30, 2021, we had letters of credit outstanding in the amount of \$25.4 million under the Credit Agreement, and had approximately \$474.6 million of remaining borrowing capacity available under the Credit Agreement. At December 31, 2020, we had \$20.0 million drawn and letters of credit outstanding in the amount of \$25.4 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 June 30, 2021, 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 2020 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 not have increased our interest expense for the six months ended June 30, 2021.

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 June 30, 2021, 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 June 30, 2021, 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 June 30, 2021, 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.

There have been no material changes in the Company's risk factors from those in Part I, Item 1A, "Risk Factors" of our 2020 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 Bruce D. Greenstein and LHC Group, Inc., effective July 1, 2021
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 Dale G. Mackel, 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
101.PRE	XBRL Presentation Linkbase Document

Attached as Exhibit 101 to this report are documents formatted in XBRL (Extensible Business Reporting Language). Users of this data are advised pursuant to Rule 406T of Regulation S-T that the interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of section 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise not subject to liability under these sections. The financial information contained in the XBRL-related documents is "unaudited" or "unreviewed."

*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: August 5, 2021

/s/ Dale G. Mackel

Dale G. Mackel
Chief Financial Officer
(Principal financial officer)

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT
BETWEEN
BRUCE D. GREENSTEIN
AND
LHC GROUP, INC.**

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”) is entered into and effective as of the 1st day of July, 2021 (“Effective Date”), by and between LHC Group, Inc., a Delaware corporation (the “Company”) and Bruce D. Greenstein (“Executive”), each a “Party” and, collectively, the “Parties.”

BACKGROUND

WHEREAS, the Company and Executive are Parties to that certain Employment Agreement dated as of June 25, 2018 (the “Original Agreement”), pursuant to which Executive was engaged to serve as Executive Vice President, Chief Innovation and Technology Officer of the Company;

WHEREAS, the Parties intend to amend and restate the Original Agreement and the Company desires to retain the services of Executive as Executive Vice President, Chief Strategy and Innovation Officer from and after the Effective 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 Effective 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 Strategy and Innovation Officer as of the Effective Date. In such capacity, Executive shall have the duties, responsibilities, and authority commensurate with such position as shall be assigned to him from time to time.

2. Term. Executive’s employment shall be governed by the terms and conditions of this Agreement for a period beginning on the Effective Date and ending on the third anniversary of the Effective Date (the “Term”). Beginning on the third anniversary of the Effective Date, and on each subsequent anniversary 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 Five Hundred Forty-One Thousand Dollars (\$541,000) 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 Company 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 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 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 a short-term incentive program in accordance with the Company's Short Term Incentive Compensation Policy, pursuant to which he will have an opportunity to receive an annual cash bonus in an amount equal to eighty percent (80%) of Executive's Base Salary (paid in quarterly installments) based upon the achievement of performance goals established from year to year, less applicable withholdings (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) Sign-On Equity Grant. In consideration of Executive's execution of this Agreement, Executive shall receive a one-time restricted stock equity grant with a value of Four Hundred Thousand Dollars and Zero Cents (\$400,000.00), to be issued to Executive on July 1, 2021. The number of restricted shares issued to Executive on July 1, 2021 shall be based on the closing stock price on July 1, 2021. The stock will vest as to twenty percent (20%) of the shares on each of the first five (5) anniversaries of July 1, 2021 and will be subject to the Company's standard restricted stock agreement.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

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 Effective 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 Effective 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 Company, 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 fraud, 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 Effective 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 Section 14(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) a requirement by the Company for Executive to relocate his principal place of employment to a location more than seventy-five (75) miles from Lafayette, Louisiana; or
- (v) after the occurrence of a Change of Control, a material diminution in Executive's position, authority, duties or responsibilities.

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. Internal Revenue Code Section 280G.

(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 the business of providing post-acute healthcare services to patients through home nursing agencies, hospices, home and community-based services locations, private duty locations and long-term acute care hospitals. 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 means any item of confidential information that constitutes a “trade secret(s)” under the common law or statutory law of the State of Louisiana.

“*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, at any time during the Restricted Period reveal, divulge, or disclose to any Person not expressly authorized by the Company any Confidential Information, and Executive shall not, directly or indirectly, at any time during the Restricted Period 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 or using 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, 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) Non-solicitation 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 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 Chief Executive Officer and General Counsel, and perform all actions reasonably requested by the Company (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 The Chief Executive Officer or the General Counsel of the Company 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.

(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 this Agreement shall supersede any other agreement between the Parties with respect to the subject matter hereof.

(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: Bruce D. Greenstein
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/ Joshua L. Proffitt
Joshua L. Proffitt, President

EXECUTIVE:

/s/ Bruce D. Greenstein
Bruce D. Greenstein

EXHIBIT A

Sample 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.

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.

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, Windham.

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, Burke, Butts, Candler, Carroll, Catoosa, Chatham, Chattooga, Cherokee, Clarke, Clayton, Clinch, Cobb, Colquitt,

Columbia, Cook, Coweta, Crisp, Dade, Dawson, Decatur, DeKalb, Dougherty, Douglas, Echols, Effingham, Emanuel, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Gordon, Grady, Gwinnett, Habersham, Hall, Haralson, Harris, Heard, Henry, Irwin, Jackson, Jefferson, Jenkins, Johnson, Lanier, Lee, Liberty, Long, Lowndes, Lumpkin, Madison, McDuffie, McIntosh, Meriwether, Mitchell, Murray, Muscogee, Newton, Oconee, Paulding, Pickens, Pike, Polk, Rabun, Richmond, Rockdale, Screven, Spalding, Stephens, Thomas, Tift, Towns, Troup, Turner, Union, Walker, Walton, Ware, Washington, White, Whitfield, Wilcox, Worth.

IDAHO

Ada, Bannock, Bear Lake, Benewah, Bingham, Blaine, Boise, Bonner, Bonneville, Butte, Camas, Canyon, Caribou, Cassia, Clark, Clearwater, Custer, Elmore, Franklin, Fremont, Gem, Gooding, Jefferson, Jerome, Kootenai, Latah, Lemhi, Lincoln, Madison, Minidoka, Nez Perce, 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, East Feliciana, 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, Cecil, Charles, Dorchester, Frederick, Harford, Howard, Kent, 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, Bleknep, 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, Boone, Butler, Callaway, Camden, Cape Girardeau, Carter, Cedar, Christian, Cole, Cooper, Crawford, Dade, Dallas, Dent, Douglas, Dunklin, Franklin, Gasconade, Greene, Hickory, Howell, Iron, Jasper, Jefferson, Lawrence, Laclede, Lincoln, Marion, Maries, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, Morgan, New Madrid, Newton, Osage, Ozark, Pemiscot, Phelps, Pike, Pulaski, Polk, Ralls, Randolph, 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

Atlantic, Bergen, Cape May, Essex, Hudson, Lydhurst, Morris, North Arlington, Ocean, Passaic, Rutherford, Winslow Township.

NEW YORK

Allegany, Bronx, Cattaraugus, Chautaugua, Erie, Delaware, Dutchess, Genessee, Greene, Niagara, Orange, Orleans, Putnam, Rockland, Sullivan, Ulster, Westchester, Wyoming.

NEVADA

Carson City, Clark, Churchill, Douglas, Lyon, Storey, 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, Champaign, Clark, Clermont, Clinton, Columbiana, Coshocton, Crawford, Cuyahoga, Darke, Defiance, Delaware, Erie, Fairfield, Fayette, Franklin, Fulton, Gallia, Geauga, Greene, 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, Preble, Richland, Ross, Sandusky, Seneca, Scioto, Shelby, Stark, Summit, Trumbull, Tuscarawas, Union, Van Wert, Vinton, Warren, Washington, Wayne, Williams, Wood, Wyandot.

OKLAHOMA

Creek, Custer, Kay, Washita, Mayes, Muskogee, Nowata, Okfuskee, Oklahoma, Okmulgee, Osage, Pawnee, Payne, Rogers, Tulsa, Wagoner, Washington, Washita, Woodward.

OREGON

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

PENNSYLVANIA

Adams, Allegheny, Armstrong, Beaver, Bedford, Berks, Bradford, Bucks, Blair, Butler, Carbon, Cambria, Centre, Chester, Clarion, Clearfield, Clinton, Columbia, Cumberland, Dauphin, Delaware, Fayette, Franklin, Fulton, Greene, Huntingdon, Indiana, Jefferson, Juniata, Lackawanna, Lancaster, Lebanon, Lehigh, Luzerne, Lycoming, Mercer, Mifflin, Monroe, Montgomery, Montour, Mifflin, Northampton, Northumberland, Perry, Pike, Schuylkill, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Washington, Wayne, Westmoreland, Wyoming, 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, Cocke, 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, Navarro, Nueces, Oldham, Orange, Palo Pinto, 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, Chippewa, 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.

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 June 30, 2021;
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: August 5, 2021

/s/ Keith G. Myers

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

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

I, Dale G. Mackel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LHC Group, Inc. for the quarter ended June 30, 2021;
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: August 5, 2021

/s/ Dale G. Mackel

Dale G. Mackel
Chief Financial Officer
(Principal financial officer)

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 June 30, 2021 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 Dale G. Mackel, 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: August 5, 2021

/s/ Keith G. Myers

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

/s/ Dale G. Mackel

Dale G. Mackel
Chief Financial Officer
(Principal financial officer)