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

FORM 10-Q

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

For the quarterly period ended September 30, 2022

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	**71-0918189**
(State or other jurisdiction of incorporation or organization)	**(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.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock, par value $0.01, outstanding as of November 1, 2022: 31,033,002 shares.

LHC GROUP, INC.
INDEX

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

	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	$ 10,522	$ 9,809
Receivables:		
Patient accounts receivable	331,524	348,820
Other receivables	30,217	13,780
Total receivables	361,741	362,600
Prepaid income taxes	19,303	7,531
Prepaid expenses	23,128	28,401
Other current assets	25,687	24,801
Total current assets	440,381	433,142
Property, building and equipment, net of accumulated depreciation of $110,600 and $98,394, respectively	153,806	153,959
Goodwill	1,750,420	1,748,426
Intangible assets, net of accumulated amortization of $ 22,865 and $19,152, respectively	395,309	400,002
Operating lease right of use asset	108,975	113,399
Other assets	65,263	46,693
Total assets	$ 2,914,154	$ 2,895,621
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 108,748	$ 98,118
Salaries, wages, and benefits payable	84,412	100,532
Self-insurance reserves	38,734	33,784
Contract liabilities - deferred revenue	4,840	106,489
Current operating lease payable	36,998	37,630
Amounts due to governmental entities	2,499	5,447
Current liabilities - deferred employer payroll tax	26,790	26,790
Total current liabilities	303,021	408,790
Deferred income taxes	87,661	70,026
Income taxes payable	7,988	7,320
Revolving credit facility	738,000	661,197
Long-term operating lease liabilities	74,992	78,688
Total liabilities	1,211,662	1,226,021
Noncontrolling interest — redeemable	16,978	17,501
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; 36,733,790 and 36,549,524 shares issued, and 30,587,735 and 30,634,414 shares outstanding, respectively	367	365
Treasury stock — 6,146,055 and 5,915,110 shares at cost, respectively	(195,447)	(164,790)
Additional paid-in capital	997,115	979,642
Retained earnings	798,372	751,025
Total LHC Group, Inc. stockholders' equity	1,600,407	1,566,242
Noncontrolling interest — non-redeemable	85,107	85,857
Total stockholders' equity	1,685,514	1,652,099
Total liabilities and stockholders' equity	$ 2,914,154	$ 2,895,621

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net service revenue	$ 576,913	$ 565,451	$ 1,724,601	$ 1,636,193
Cost of service revenue (excluding depreciation and amortization)	347,772	343,862	1,052,093	972,006
Gross margin	229,141	221,589	672,508	664,187
General and administrative expenses	189,051	176,444	569,800	506,754
Impairment of intangibles and other	2,059	—	4,130	937
Operating income	38,031	45,145	98,578	156,496
Interest expense	(9,053)	(1,135)	(19,631)	(1,541)
Income before income taxes and noncontrolling interest	28,978	44,010	78,947	154,955
Income tax expense	6,966	10,150	17,014	32,909
Net income	22,012	33,860	61,933	122,046
Less net income attributable to noncontrolling interests	4,703	6,126	14,586	22,010
Net income attributable to LHC Group, Inc.'s common stockholders	$ 17,309	$ 27,734	$ 47,347	$ 100,036
Earnings per share:				
Basic	$ 0.57	$ 0.89	$ 1.55	$ 3.21
Diluted	$ 0.56	$ 0.88	$ 1.55	$ 3.18
Weighted average shares outstanding:				
Basic	30,565	31,238	30,527	31,205
Diluted	30,706	31,434	30,639	31,422

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

	Nine months ended September 30, 2022							
	Common Stock							
	Issued		Treasury		Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest Non Redeemable	Total Equity
	Amount	Shares	Amount	Shares				
Balance as of December 31, 2021	$ 365	36,549,524	$ (164,790)	5,915,110	$ 979,642	$ 751,025	$ 85,857	$ 1,652,099
Net income (1)	—	—	—	—	—	19,454	2,760	22,214
Noncontrolling interest distributions	—	—	—	—	—	—	(2,970)	(2,970)
Nonvested stock compensation	—	—	—	—	4,376	—	—	4,376
Issuance of vested stock	2	132,651	—	—	—	—	—	2
Treasury shares redeemed to pay income tax	—	—	(3,208)	23,022	68	—	—	(3,140)
Repurchase of common stock	—	—	(25,472)	190,622	—	—	—	(25,472)
Issuance of common stock under Employee Stock Purchase Plan	—	5,353	—	—	698	—	—	698
Balance as of March 31, 2022	$ 367	36,687,528	$ (193,470)	6,128,754	$ 984,784	$ 770,479	$ 85,647	$ 1,647,807
Net income (1)	—	—	—	—	—	10,584	2,124	12,708
Acquired noncontrolling interest	—	—	—	—	—	—	707	707
Noncontrolling interest distributions	—	—	—	—	—	—	(3,281)	(3,281)
Purchase of additional controlling interest	—	—	—	—	(209)	—	(167)	(376)
Nonvested stock compensation	—	—	—	—	4,943	—	—	4,943
Issuance of vested stock	—	7,556	—	—	—	—	—	—
Treasury shares redeemed to pay income tax	—	—	(852)	5,144	344	—	—	(508)
Exercise of options	—	5,124	(68)	2,319	(150)	—	—	(218)
Issuance of common stock under Employee Stock Purchase Plan	—	3,342	—	—	535	—	—	535
Balance as of June 30, 2022	$ 367	36,703,550	$ (194,390)	6,136,217	$ 990,247	$ 781,063	$ 85,030	$ 1,662,317
Net income (1)	—	—	—	—	—	17,309	2,711	20,020
Noncontrolling interest distributions	—	—	—	—	—	—	(2,581)	(2,581)
Purchase of additional controlling interest	—	—	—	—	(4)	—	(53)	(57)
Nonvested stock compensation	—	—	—	—	5,971	—	—	5,971
Issuance of vested stock	—	17,274	—	—	—	—	—	—
Treasury shares redeemed to pay income tax	—	—	(927)	5,908	512	—	—	(415)
Exercise of options	—	8,862	(130)	3,930	(218)	—	—	(348)
Issuance of common stock under Employee Stock Purchase Plan	—	4,104	—	—	607	—	—	607
Balance as of September 30, 2022	$ 367	36,733,790	$ (195,447)	6,146,055	$ 997,115	$ 798,372	$ 85,107	$ 1,685,514

(1) Net income excludes net income attributable to noncontrolling interest-redeemable of $2.0 million and $7.0 million during the three and nine months ended September 30, 2022. 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.

	Nine months ended September 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	$ 365	36,525,831	$ (79,765)	5,272,902	$ 969,897	$ 707,599	$ 86,557	$ 1,684,653
Net income (1)	—	—	—	—	—	27,734	3,182	30,916
Noncontrolling interest distributions	—	—	—	—	—	—	(5,052)	(5,052)
Sale of noncontrolling interest	—	—	—	—	(83)	—	1,733	1,650
Nonvested stock compensation	—	—	—	—	4,211	—	—	4,211
Issuance of vested stock	—	10,943	—	—	—	—	—	—
Treasury shares redeemed to pay income tax	—	—	(840)	3,932	—	—	—	(840)
Issuance of common stock under Employee Stock Purchase Plan	—	3,445	—	—	655	—	—	655
Balance as of September 30, 2021	$ 365	36,540,219	$ (80,605)	5,276,834	$ 974,680	$ 735,333	$ 86,420	$ 1,716,193

(1) Net income excludes net income attributable to noncontrolling interest-redeemable of $2.9 million and $9.1 million during the three and nine months ended September 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.

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2022	2021
Operating activities:		
Net income	$ 61,933	$ 122,046
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	17,483	14,899
Amortization of operating lease right of use asset	30,769	27,526
Stock-based compensation expense	15,290	11,717
Deferred income taxes	17,635	23,356
Loss (gain) on disposal of assets	484	(1,190)
Impairment of intangibles and other	4,130	937
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(684)	(27,038)
Prepaid expenses	5,273	397
Other assets	(4,208)	(6,368)
Prepaid income taxes	(11,772)	(11,575)
Prepaid taxes	—	(12,509)
Accounts payable and accrued expenses	16,282	6,626
Salaries, wages, and benefits payable	(11,251)	(9,687)
Contract liabilities - deferred revenue	(101,649)	(141,629)
Operating lease liabilities	(30,568)	(27,472)
Income taxes payable	668	(20,819)
Net amounts due to/from governmental entities	223	(833)
Net cash provided by (used in) operating activities	10,038	(51,616)
Investing activities:		
Purchases of property, building and equipment	(14,074)	(23,548)
Proceeds from sale of property, building and equipment	—	3,350
Cash paid for acquisitions, net of cash acquired	(2,570)	(383,475)
Purchase of intangible assets	(100)	—
Proceeds from sale of an entity	—	1,531
Minority interest investments	(15,250)	(10,100)
Net cash used in investing activities	(31,994)	(412,242)
Financing activities:		
Proceeds from line of credit	815,155	544,056
Payments on line of credit	(738,352)	(209,056)
Government stimulus advance	—	(93,257)
Proceeds from employee stock purchase plan	1,840	1,877
Payments on deferred financing fees	—	(2,855)
Payments on repurchasing common stock	(34,565)	—
Noncontrolling interest distributions	(16,346)	(22,187)
Withholding taxes paid on stock-based compensation	(4,630)	(11,594)
Purchase of additional controlling interest	(433)	(2,113)
Sale of noncontrolling interest	—	1,934
Net cash provided by financing activities	22,669	206,805
Change in cash	713	(257,053)
Cash at beginning of period	9,809	286,569
Cash at end of period	$ 10,522	$ 29,516

Supplemental disclosures of cash flow information:				
Interest paid	$	18,049	$	1,532
Income taxes paid	$	10,701	$	42,036
Non-Cash Operating Activity:				
Operating right of use assets in exchange for lease obligations	$	28,435	$	41,776
Reduction to right of use assets and liabilities	$	2,089	$	2,746
Non-Cash Investing Activity:				
Net working capital adjustment	$	1,440	$	—
Accrued capital expenditures	$	126	$	1,807

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 September 30, 2022, the Company, through its wholly- and majority-owned subsidiaries, equity joint ventures, controlled affiliates, and management agreements operated 942 service locations in 37 states within the continental United States and the District of Columbia.

LHC Group, Inc. and UnitedHealth Group Incorporated Merger

On March 28, 2022, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with UnitedHealth Group Incorporated ("Parent") and Lightning Merger Sub Inc., a wholly owned subsidiary of Parent ("Merger Sub"), pursuant to which Merger Sub will be merged with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly owned subsidiary of Parent. At a Special Meeting of Stockholders held on June 21, 2022, the stockholders of the Company approved the Merger. The parties to the Merger continue to work toward the expected consummation of the Merger prior to the end of 2022; however, such consummation remains subject to the satisfaction of the remaining closing conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

COVID-19 Update

SARS-CoV-2 ("COVID-19") continues to cause disruption in the economy, in terms of increased costs and disruptions in the labor market. The impact of COVID-19 is lessened as vaccines have become available in the United States; however, we continue to see periodic increases in the number of cases due to the spread of COVID-19 variants. The effects of COVID-19 continue to materially impact our business. As a result, operating results for the three and nine months ended September 30, 2022 may not be indicative of the results that may be expected for the year ending December 31, 2022, and operating results for the three and nine months ended September 30, 2022 may not be directly comparable to operating results for the three and nine months ended September 30, 2021.

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 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 December 10, 2021, the Protecting Medicare and American Farmers from Sequester Cut Act legislation passed, which continued the suspension of the sequestration payment adjustments for Medicare patient claims with dates of service through March 31, 2022. Medicare patient claims with dates of service between April 1 through June 30, 2022 had a 1% sequestration adjustment and Medicare patient claims with dates of service that began on July 1, 2022 had a 2% sequestration adjustment. On October 13, 2022, the U.S. Department of Health and Human Services extended the PHE until January 11, 2023.

CAAP

As of December 31, 2021, the Company had $106.5 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 began one year starting from the date the CAAP funds were issued and continued for 11 months, with CMS recouping the initial 25% of Medicare payments otherwise owed to the Company.

If any amount of CAAP funds that we received from CMS remains unpaid after the initial 11 month period, CMS recoups 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. During the nine months ended September 30, 2022, $101.6 million was recouped by CMS and $4.8 million of contract liabilities - deferred revenue remains on our condensed consolidated balance sheets as of September 30, 2022.

Other

The Company recognized the following amounts of net service revenue due to the suspension of the 2% sequestration payment adjustment and suspension of LTACH site-neutral payments (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Suspension of 2% sequestration payment adjustment	$ —	$ 6,811	$ 9,952	$ 19,665
Suspension of LTACH site-neutral payment	4,918	5,749	17,070	18,230

As of September 30, 2022, the Company deferred $26.8 million of employer social security taxes, which was recorded in current liabilities - deferred employer payroll tax on our condensed consolidated balance sheets.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021, the related unaudited condensed consolidated statements of income for the three and nine months ended September 30, 2022 and 2021, the unaudited condensed consolidated statements of stockholders' equity for the three and nine months ended September 30, 2022 and 2021, the unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2022 and 2021, and related notes (collectively, these financial statements are referred to as the "interim financial statements" and together with the related notes are referred to herein as the “interim financial information”) have been prepared by the Company. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been included. Operating results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

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, 2021 (the "2021 Form 10-K"), which was filed with the Securities and Exchange Commission (the “SEC”) on February 24, 2022, as amended by Amendment No. 1 filed on Form 10-K/A filed by the Company on April 27, 2022 (the "Form 10-K Amendment"). The 2021 Form 10-K and Form 10-K Amendment include 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.

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 nine months ended September 30, 2022 and 2021:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Home health:				
Medicare	59.7 %	62.1 %	59.4 %	62.8 %
Managed Care, Commercial, and Other	40.3	37.9	40.6	37.2
	100.0 %	100.0 %	100.0 %	100.0 %
Hospice:				
Medicare	92.7 %	94.6 %	92.8 %	94.3 %
Managed Care, Commercial, and Other	7.3	5.4	7.2	5.7
	100.0 %	100.0 %	100.0 %	100.0 %
Home and community-based services:				
Medicaid	38.3 %	32.1 %	36.8 %	31.1 %
Managed Care, Commercial, and Other	61.7	67.9	63.2	68.9
	100.0 %	100.0 %	100.0 %	100.0 %
Facility-based services:				
Medicare	53.0 %	45.8 %	53.0 %	49.5 %
Managed Care, Commercial, and Other	47.0	54.2	47.0	50.5
	100.0 %	100.0 %	100.0 %	100.0 %
HCI:				
Medicare	2.8 %	6.0 %	5.4 %	11.4 %
Managed Care, Commercial, and Other	97.2	94.0	94.6	88.6
	100.0 %	100.0 %	100.0 %	100.0 %

Medicare

The following describes the payment models in effect during the nine months ended September 30, 2022. Such payment models were 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 through March 31, 2022. Medicare patient claims with dates of service between April 1 through June 30, 2022 had a 1% sequestration payment adjustment. Medicare patient claims with dates of service beginning July 1, 2022 had the full 2% sequestration payment adjustment.

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 of432 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 receivesone 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. During the nine months ended September 30, 2022 and 2021, the Company recorded in its HCI segment $15.6 million and $12.1 million, respectively, related to 2021 and 2020 ACO respective service periods, as certain ACOs served by the HCI segment received a MSSP payment from CMS confirming the performance obligation has been met.

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 nine months ended September 30, 2022 and 2021 (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Weighted average number of shares outstanding for basic per share calculation	30,565	31,238	30,527	31,205
Effect of dilutive potential shares:				
Nonvested stock	141	196	112	217
Adjusted weighted average shares for diluted per share calculation	30,706	31,434	30,639	31,422
Anti-dilutive shares	87	6	264	118

Investments

During the nine months ended September 30, 2022, the Company invested $15.0 million and became a minority owner in a post-acute management services company, invested $0.1 million in Jumpstart Nova Fund, LP, and invested $0.2 million in LHCC Aging Innovations Fund I, LP. During the nine months ended September 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. These investments are 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.

3. Acquisitions

On September 1, 2021, the Company purchased Heart of Hospice. During the nine months ended September 30, 2022, the Company recorded a decrease in patient accounts receivable of $1.5 million due to information obtained that related to facts and circumstances that existed at the time of acquisition; therefore, it was an adjustment to the provisional amounts previously recognized.

On November 1, 2021, the Company purchased Brookdale Health Care Services' agencies from the recently formed home health, hospice, and outpatient therapy venture between HCA Healthcare and Brookdale Senior Living. The Company's net working capital adjustment was finalized during the nine months ended September 30, 2022 for $3.1 million and recorded in accordance with ASC Topic 805, Business Combinations, as an increase to the consideration transferred. In addition, amounts due to government entities was reduced by $3.2 million to reflect payments made for prior years' hospice cap liability.

On May 1, 2022, the Company purchased the majority ownership of a home health agency from Archbold Medical Center, which includedtwo locations in Georgia. Total consideration for the acquisition was $3.7 million. The purchase price was 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 financial information includes the results of operations of the acquired entities from the date of acquisition.

The following table summarizes the preliminary amounts of the assets acquired and liabilities assumed at their acquisition date, as well as their fair value at the acquisition date and the noncontrolling interest acquired during the nine months ended September 30, 2022 (amounts in thousands):

Consideration		
Cash	$	2,570
Fair value of total consideration transferred		
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Trade name	$	453
Certificates of need/licenses		357
Other liabilities		(227)
Total identifiable assets and liabilities	$	583
Noncontrolling interest	$	707
Goodwill, including noncontrolling interest of $504	$	2,694

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.

4. Goodwill and Intangibles

The changes in recorded goodwill and intangible assets by reporting unit for the nine months ended September 30, 2022 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, 2021	$ 968,435	$ 556,332	$ 167,027	$ 15,770	$ 40,862	$ 1,748,426
Net working capital adjustments	—	1,440	—	—	—	1,440
Acquisitions	2,190	—	—	—	—	2,190
Noncontrolling interests	504	—	—	—	—	504
Disposals	(440)	(1,460)	(240)	—	—	(2,140)
Balance as of September 30, 2022	$ 970,689	$ 556,312	$ 166,787	$ 15,770	$ 40,862	$ 1,750,420
Intangible assets:						
Balance as of December 31, 2021	$ 237,979	$ 117,340	$ 24,245	$ 5,919	$ 14,519	$ 400,002
Acquisitions	1,010	—	—	—	—	1,010
Amortization	(1,589)	(1,346)	(8)	(334)	(436)	(3,713)
Disposals	(491)	(1,217)	(282)	—	—	(1,990)
Balance as of September 30, 2022	$ 236,909	$ 114,777	$ 23,955	$ 5,585	$ 14,083	$ 395,309

The Company did record impairments of goodwill and intangible assets related to the closure of underperforming locations. Goodwill impairment of $2.1 million and Medicare licenses/Certificate of need impairment of $2.0 million were recorded during the nine months ended September 30, 2022. Goodwill impairment of $0.02 million and Medicare licenses impairment of $0.9 million were recorded during the nine months ended September 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. The amount of disposal of the Medicare licenses/Certificate of need was its carrying value at the time of closure.

The following tables summarize the changes in intangible assets during the nine months ended September 30, 2022 and December 31, 2021 (amounts in thousands):

	2022	2021
Indefinite-lived intangible assets:		
Trade names	$ 208,160	$ 207,780
Certificates of need/licenses	172,395	173,955
Net total	$ 380,555	$ 381,735
Definite-lived intangible assets:		
Trade names		
Gross carrying amount	$ 11,273	$ 11,073
Accumulated amortization	(10,559)	(9,606)
Net total	$ 714	$ 1,467
Non-compete agreements		
Gross carrying amount	$ 14,524	$ 14,524
Accumulated amortization	(9,495)	(7,172)
Net total	$ 5,029	$ 7,352
Customer relationships		
Gross carrying amount	$ 11,822	$ 11,822
Accumulated amortization	(2,811)	(2,374)
Net total	$ 9,011	$ 9,448
Total definite-lived intangible assets		
Gross carrying amount	$ 37,619	$ 37,419
Accumulated amortization	(22,865)	(19,152)
Net total	$ 14,754	$ 18,267
Total intangible assets:		
Gross carrying amount	$ 418,174	$ 419,154
Accumulated amortization	(22,865)	(19,152)
Net total	$ 395,309	$ 400,002

Remaining useful lives for trade names, customer relationships, and non-compete agreements were 7.0, 15.5, and 4.2 years, respectively, at September 30, 2022. Similar periods at December 31, 2021 were 7.8, 16.3, and 4.9 years for trade names, customer relationships, and non-compete agreements, respectively. Amortization expense was $1.0 million and $0.4 million for the three months ended September 30, 2022 and 2021 and $3.7 million and $1.0 million for the nine months ended September 30, 2022 and 2021. Amortization expense was recorded in general and administrative expenses.

5. Debt

Credit Facility

On August 3, 2021, the Company entered into an Amended and Restated Senior Credit Facility (the "2021 Amended Credit Agreement"), which provided a senior, secured revolving line of credit commitment with a maximum principal borrowing limit of $800.0 million, which included an additional $500.0 million accordion expansion, and a letter of credit sub-limit equal to $75.0 million. On December 31, 2021, the aggregate commitment was increased to a maximum borrowing limit of $1.0 billion, with an additional $300.0 million accordion expansion. The expiration date of the 2021 Amended Credit Agreement is August 3, 2026.

The Company’s obligations under the 2021 Amended 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 2021 Amended Credit Agreement.

Revolving loans under the 2021 Amended Credit Agreement bear interest, as selected by the Company, at either (i) the prevailing London Interbank Offered Rate ("LIBOR") (with interest periods of one, three or six months at the Company's option) plus a spread of 1.25% to 2.0% based on the Company's quarterly consolidated Leverage Ratio or (ii) the prevailing prime or base rate plus a spread of 0.25% to 1.00% 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 0.15% to 0.30% per annum depending upon the Company's quarterly consolidated Leverage Ratio. The Base Rate as of September 30, 2022 was 7.25% and the LIBOR rate was 5.13%. As of September 30, 2022, the effective interest rate on outstanding borrowings under the 2021 Amended Credit Agreement was 4.98%.

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. JPMorgan Chase Bank, N.A will transition our 2021 Amended Credit Agreement to an alternate rate to CME Term SOFR Reference Rate ("SOFR"), which is administered by CME Group Benchmark Administration Ltd ("CME"). Due to the differences observed between LIBOR rates and SOFR published rates, JPMorgan Chase Bank, N.A. will use a credit spread adjustment ("CSA") in order to minimize value transfer and leave the existing margin applicable to our 2021 Amended Credit Agreement. The CSA used by JPMorgan Chase Bank, N.A. is based on the average of the differences between LIBOR and SOFR over a 12-month period and will be added to SOFR.

As of September 30, 2022, the Company had $738.0 million drawn, letters of credit issued in the amount of $24.3 million, and $237.7 million of remaining borrowing capacity available under the 2021 Amended Credit Agreement. At December 31, 2021, the Company had $661.2 million drawn and letters of credit issued in the amount of $24.3 million under the 2021 Amended Credit Agreement.

Under the terms of the 2021 Amended Credit Agreement, the Company is required to maintain certain financial ratios and comply with certain financial covenants. The 2021 Amended 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 2021 Amended Credit Agreement at September 30, 2022.

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 1,544,734 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

Independent directors are granted shares of common stock under the Second Amended and Restated 2005 Non-Employee Directors Compensation Plan. During the nine months ended September 30, 2022, the Company granted 8,800 nonvested shares of common stock to independent directors, which shares will vest100% on the one year anniversary date.

During the nine months ended September 30, 2022, employees and a consultant were granted182,310 and 10,935 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 nine months ended September 30, 2022

	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, 2021	415,816	$ 122.40	74,235	$ 42.07
Granted	202,045	139.64	—	—
Vested or exercised	(162,749)	143.35	(13,986)	31.27
Share grants outstanding as of September 30, 2022	455,112	$ 134.44	60,249	$ 43.05

As of September 30, 2022, there was $49.6 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 3.25 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 $15.3 million and $11.7 million of compensation expense related to nonvested stock grants for the nine months ended September 30, 2022 and 2021, 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 2022

	Number of shares	Per share price
Shares available as of December 31, 2021	104,344	
Shares issued during the three months ended March 31, 2022	5,353	$ 130.37
Shares issued during the three months ended June 30, 2022	3,342	$ 160.17
Shares issued during the three months ended September 30, 2022	4,104	$ 147.95
Shares available as of September 30, 2022	91,545	

Treasury Stock

In conjunction with the vesting of the nonvested shares of common stock or the exercise of stock options, recipients incur personal income tax obligations. The Company allows the recipients to turn in shares of common stock to satisfy minimum tax obligations. During the nine months ended September 30, 2022, the Company redeemed 28,802 shares of common stock valued at $5.0 million, related to share vesting tax obligations. Such shares are held as treasury stock and are available for reissuance by the Company. Additionally, 5,268 shares were forfeited for terminated employees. Such shares are held in treasury stock and are available for reissuance by the Company.

In addition, the Company redeemed 6,249 shares of common stock valued at $0.2 million, related to the exercise of options.

Stock Repurchase

On December 6, 2021, the Company's Board of Directors approved a share repurchase program authorizing purchases up to $250.0 million of the Company's common stock. The Company may purchase common stock in open market transactions, block or privately negotiated transactions, and may from time to time purchase shares pursuant to a trading plan in accordance with Rule 10b5-1 and Rule 10b-18 under the Exchange Act or by any combination of such methods, in each case subject to compliance with all SEC rules and other legal requirements. The number of shares to be purchased and the timing of the purchases are based on a variety of factors, including, but not limited to, the level of cash balances, credit availability, debt covenant restrictions, general business conditions, the market price of our stock and the availability of alternative investment opportunities. No time limit was set for completion of repurchases under the new authorization, and the program may be suspended or discontinued at any time.

The Company uses the cost method to account for the repurchase of common stock. During the nine months ended September 30, 2022, the Company repurchased 190,622 shares from the open market under its Stock Repurchase plan at an aggregate cost of $25.5 million.

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. The Company recorded $12.0 million and $16.9 million in its condensed consolidated balance sheets in other assets as of September 30, 2022 and December 31, 2021, respectively, 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 September 30, 2022, the Company determined in accordance with authoritative accounting guidance that it was not probable that an event otherwise requiring redemption of any redeemable noncontrolling interest would occur (i.e., the date for such event was not set or such event is not certain to occur). Therefore, none of the redeemable noncontrolling interests were identified as mandatorily redeemable interests at such times, and the Company did not record any values in respect of any mandatorily redeemable interests.

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

The carrying amount of each redeemable equity instrument presented in temporary equity for the nine months ended September 30, 2022 is not less than the initial amount reported for each instrument.

The following table summarizes the activity of noncontrolling interest-redeemable for the nine months ended September 30, 2022 (amounts in thousands):

Balance as of December 31, 2021	$	17,501
Net income attributable to noncontrolling interest-redeemable		6,991
Noncontrolling interest-redeemable distributions		(7,514)
Balance as of September 30, 2022	$	16,978

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 September 30, 2022, the weighted-average remaining lease term was3.63 years and weighted-average discount rate was 4.11%.

The following table summarizes the operating lease right of use assets and related lease payables in our condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021 (amounts in thousands):

	September 30, 2022	December 31, 2021
Operating lease right of use asset	$ 108,975	$ 113,399
Current operating lease liabilities	36,998	37,630
Long-term operating lease liabilities	74,992	78,688

The components of lease costs for operating leases for the three and nine months ended September 30, 2022 and 2021 were as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Operating lease cost	$ 14,033	$ 12,791	$ 42,800	$ 37,096
Short-term lease cost	908	927	2,712	2,697
Variable lease cost	1,246	997	3,350	3,058
Total lease costs	$ 16,187	$ 14,715	$ 48,862	$ 42,851

Maturities of operating lease liabilities as of September 30, 2022 were as follows (amounts in thousands):

Month ending September 30,	
2022	$ 11,073
2023	38,472
2024	29,629
2025	21,006
Thereafter	20,224
Total future minimum lease payments	120,404
Less: Imputed interest	(8,414)
Total	$ 111,990

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.

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

The following tables summarize the Company’s segment information for the three and nine months ended September 30, 2022 and 2021 (amounts in thousands):

	Three months ended September 30, 2022					
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	$ 373,335	$ 103,799	$ 47,978	$ 31,441	$ 20,360	$ 576,913
Cost of service revenue (excluding depreciation and amortization)	217,790	68,951	35,727	22,549	2,755	347,772
General and administrative expenses	126,052	32,384	11,893	12,098	6,624	189,051
Impairment of intangibles and other	—	1,590	469	—	—	2,059
Operating income (loss)	29,493	874	(111)	(3,206)	10,981	38,031
Interest expense	(6,347)	(1,356)	(808)	(362)	(180)	(9,053)
Income (loss) before income taxes and noncontrolling interest	23,146	(482)	(919)	(3,568)	10,801	28,978
Income tax expense (benefit)	5,723	(439)	(165)	(927)	2,774	6,966
Net income (loss)	17,423	(43)	(754)	(2,641)	8,027	22,012
Less net income (loss) attributable to non controlling interests	3,838	1,269	(125)	(439)	160	4,703
Net income (loss) attributable to LHC Group, Inc.'s common stockholder	$ 13,585	$ (1,312)	$ (629)	$ (2,202)	$ 7,867	$ 17,309
Total assets	$ 1,717,209	$ 798,668	$ 238,082	$ 80,223	$ 79,972	$ 2,914,154

	Three months ended September 30, 2021					
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	$ 386,699	$ 82,653	$ 45,800	$ 32,415	$ 17,884	$ 565,451
Cost of service revenue (excluding depreciation and amortization)	230,839	51,631	34,386	23,725	3,281	343,862
General and administrative expenses	126,695	22,548	11,764	11,050	4,387	176,444
Operating income (loss)	29,165	8,474	(350)	(2,360)	10,216	45,145
Interest expense	(811)	(139)	(109)	(54)	(22)	(1,135)
Income (loss) before income taxes and noncontrolling interest	28,354	8,335	(459)	(2,414)	10,194	44,010
Income tax expense (benefit)	6,407	1,874	(99)	(554)	2,522	10,150
Net income (loss)	21,947	6,461	(360)	(1,860)	7,672	33,860
Less net income (loss) attributable to noncontrolling interests	5,157	1,085	77	(187)	(6)	6,126
Net income (loss) attributable to LHC Group, Inc.'s common stockholders	$ 16,790	$ 5,376	$ (437)	$ (1,673)	$ 7,678	$ 27,734
Total assets	$ 1,632,670	$ 681,954	$ 239,452	$ 83,276	$ 75,334	$ 2,712,686

	Nine months ended September 30, 2022					
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	$ 1,154,009	$ 308,322	$ 137,036	$ 94,289	$ 30,945	$ 1,724,601
Cost of service revenue (excluding depreciation and amortization)	674,508	202,864	96,470	69,584	8,667	1,052,093
General and administrative expenses	387,482	97,152	35,755	35,737	13,674	569,800
Impairment of intangibles and other	930	2,677	523	—	—	4,130
Operating income (loss)	91,089	5,629	4,288	(11,032)	8,604	98,578
Interest expense	(13,805)	(2,803)	(1,785)	(851)	(387)	(19,631)
Income (loss) before income taxes and noncontrolling interest	77,284	2,826	2,503	(11,883)	8,217	78,947
Income tax expense (benefit)	17,057	(3)	680	(2,849)	2,129	17,014
Net income (loss)	60,227	2,829	1,823	(9,034)	6,088	61,933
Less net income (loss) attributable to non controlling interests	12,758	2,837	(74)	(1,085)	150	14,586
Net income (loss) attributable to LHC Group, Inc.'s common stockholder	$ 47,469	$ (8)	$ 1,897	$ (7,949)	$ 5,938	$ 47,347

	Nine months ended September 30, 2021					
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	$ 1,157,061	$ 209,191	$ 143,332	$ 96,814	$ 29,795	$ 1,636,193
Cost of service revenue (excluding depreciation and amortization)	663,137	129,848	103,941	65,360	9,720	972,006
General and administrative expenses	369,337	58,789	35,216	33,213	10,199	506,754
Impairment of intangibles and other	937	—	—	—	—	937
Operating income (loss)	123,650	20,554	4,175	(1,759)	9,876	156,496
Interest expense	(1,099)	(195)	(143)	(73)	(31)	(1,541)
Income (loss) before income taxes and noncontrolling interest	122,551	20,359	4,032	(1,832)	9,845	154,955
Income tax expense (benefit)	26,003	4,221	889	(649)	2,445	32,909
Net income (loss)	96,548	16,138	3,143	(1,183)	7,400	122,046
Less net income (loss) attributable to non controlling interests	17,506	3,308	441	792	(37)	22,010
Net income (loss) attributable to LHC Group, Inc.'s common stockholder	$ 79,042	$ 12,830	$ 2,702	$ (1,975)	$ 7,437	$ 100,036

12. Income Taxes

The effective tax rate for the nine months ended September 30, 2022 and 2021 benefited from $0.9 million and $2.4 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 September 30, 2022 and December 31, 2021, the Company recognized $8.0 million and $7.3 million, respectively, in unrecognized tax benefits.

13. Subsequent Event

On October 1, 2022, the Company purchased three wholly-owned home health agencies. Total consideration for the acquisition was $18.5 million.

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

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain statements, including the anticipated timing of the consummation of the Merger, 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:

- the anticipated timing of the consummation of the Merger and our ability to satisfy the closing condition to the Merger, including receipt of the required regulatory approvals thereto;
- our expectations regarding financial condition or results of operations for periods after September 30, 2022;
- 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 2021 Form 10-K, as updated by our subsequent filings with the SEC. This report should be read in conjunction with the 2021 Form 10-K and Form 10-K Amendment, and all of our other filings made with the SEC through the date of this report, including quarterly reports on Form 10-Q and current reports on Form 8-K.

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

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

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

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

OVERVIEW

General

We provide quality, cost-effective post-acute health care services to our patients. As of September 30, 2022, we have 942 service providers in 37 states within the continental United States and the District of Columbia. Our services are classified into five segments: (1) home health services, (2) hospice services, (3) home and community-based services, (4) facility-based services primarily offered through our long-term acute care hospitals (“LTACHs”), and (5) healthcare innovations services ("HCI"). We intend to increase the number of service providers within each of our segments that we operate through continued acquisitions, joint ventures, and organic development.

Our home health service locations offer a wide range of services, including skilled nursing, medically-oriented social services, and physical, occupational, and speech therapy. As of September 30, 2022, we operated 543 home health services locations, of which 333 are wholly-owned, 206 are majority-owned through equity joint ventures, two are under license lease arrangements, and the operations of the remaining two locations are only managed by us.

Our hospices provide end-of-life care to patients with terminal illnesses through interdisciplinary teams of physicians, nurses, home health aides, counselors, and volunteers. We offer a wide range of services, including pain and symptom management, emotional and spiritual support, inpatient and respite care, homemaker services, and counseling. As of September 30, 2022, we operated 163 hospice locations, of which 97 are wholly-owned, 64 are majority-owned through equity joint ventures, and two are under license lease arrangements.

Through our home and community-based services segment, services are performed by skilled nursing and paraprofessional personnel, and include assistance with activities of daily living to the elderly, chronically ill, and disabled patients. As of September 30, 2022, we operated 133 home and community-based services locations, of which 120 are wholly-owned and 13 are majority-owned through equity joint ventures.

We provide facility-based services principally through our LTACHs. As of September 30, 2022, we operated 11 LTACHs with 12 locations, all but three of which are located within host hospitals. We also operate two skilled nursing facilities, two family health centers, two rural health clinics, and 76 therapy clinics. Of these 94 facility-based services locations, 83 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 9 HCI locations, of which all are wholly-owned.

The Joint Commission is a nationwide commission that establishes standards relating to the physical plant, administration, quality of patient care, and operation of medical staffs of health care organizations. Currently, Joint Commission accreditation of home nursing and hospice agencies is voluntary. However, some managed care organizations use Joint Commission accreditation as a credentialing standard for regional and state contracts. As of September 30, 2022, the Joint Commission had accredited 521 of our 543 home health services locations and 110 of our 163 hospice agencies. Those not yet accredited are working towards achieving this accreditation. As we acquire companies, we apply for accreditation 12 to 18 months after completing the acquisition.

The percentage of net service revenue contributed from each reporting segment for the three and nine months ended September 30, 2022 and 2021 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
Reporting segment	**2022**	**2021**	**2022**	**2021**
Home health services	64.7 %	68.4 %	66.9 %	70.7 %
Hospice services	18.0	14.6	17.9	12.8
Home and community-based services	8.3	8.1	7.9	8.8
Facility-based services	5.5	5.7	5.5	5.9
HCI	3.5	3.2	1.8	1.8
	100.0 %	100.0 %	100.0 %	100.0 %

Recent Developments

Coronavirus and Coronavirus Aid, Relief, and Economic Security Act

The following portions of the CARES Act impacted us during the nine months ended September 30, 2022:

- *CAAP*: CMS recouped $101.6 million of CAAP. As of September 30, 2022, $4.8 million of contract liabilities - deferred revenue remains on our condensed consolidated balance sheets.
- *Suspension of the 2% sequestration payment adjustment*: During the nine months ended September 30, 2022, we recognized $10.0 million of net service revenue, respectively, due to the suspension of the 2% sequestration payment

adjustment. We recognized $6.8 million and $19.7 million of net service revenue, respectively, during the three and nine months ended September 30, 2021.

- *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 nine months ended September 30, 2022, we recognized $4.9 million and $17.1 million of net service revenue, respectively, due to the suspension of LTACH site-neutral payments. We recognized $5.7 million and $18.2 million of net service revenue, respectively, during the three and nine months ended September 30, 2021.

During the three and nine months ended September 30, 2022, we did experience higher costs related to higher contract labor utilization due to an increase in our clinicians being on quarantine from COVID-19 exposure or potential exposure. There is no guarantee that we won't experience similar impacts in the future or experience 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 October 31, 2022, CMS released the final rule for fiscal year 2023. The final rule states the Medicare base payments will increase by 0.7%. The increase reflects the effects of the 4.0% home health payment update, a 3.5% decrease from the effects of the prospective permanent behavioral assumption adjustment of -3.925% that is being phased-in, and 0.2% increase from the effects of an update to the fixed-dollar ratio used in determining outlier payments. The impact of the -3.925% permanent behavioral assumption adjustment is -3.5%, as the permanent adjustment is only made to the 30-day payment rate and not the Low Utilization Payment Adjustment per visit payment rates. CMS also finalized a permanent 5% cap on negative wage index changes regardless of the underlying reason for the decrease.

Hospice

On July 27, 2022, CMS released the final rule for fiscal year 2023 to update payment rates and the wage index. The final rule states the following:

- A payment rate increase of 3.8%, which applies a 4.1% market basket update and a 0.3 percentage point reduction for productivity.
- Hospice agencies that fail to meet quality reporting requirements will receive a two percentage point reduction to the annual market basket update.
- An increase of the aggregate cap value of $32,486.92, as compared to $31,297.61 for fiscal year 2022.
- A permanent cap on negative wage index changes greater than a 5% decrease from the prior year, regardless of the underlying reason for the decrease.

The following are the final fiscal year 2023 base payment rates for various levels of care, which began on October 1, 2022 and will end September 30, 2023 and the final fiscal year 2022 base payment rates for various levels of care, which began on October 1, 2021 and ended September 30, 2022 (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 2023 Rate per patient day		Fiscal Year 2022 Rate per patient day
Routine Home Care days 1-60	$	211.34	$	203.40
Routine Home Care days 60+	$	167.00	$	160.74
Continuous Home Care	$	1,522.04	$	1,462.52
Full rate = 24 hours of care				
$60.94 = hourly rate for 2022 $63.42 = hourly rate for 2023				
Inpatient Respite Care	$	492.10	$	473.75
General Inpatient Care	$	1,110.76	$	1,068.28

Facility-based

On August 1, 2022, CMS issued the final rule for the fiscal year 2023 Long-Term Care Hospital Prospective Payment System ("LTCH PPS"). LTCH PPS payments will increase 2.3% due primarily to the annual standard federal rate update (the productivity-adjusted market basket increase) of 3.8% and a decrease in high cost outlier payments.

RESULTS OF OPERATIONS

Three months ended September 30, 2022 compared to three months ended September 30, 2021

Summary consolidated financial information

The following table summarizes our consolidated results of operations for the three months ended September 30, 2022 and 2021 (amounts in thousands, except percentages, which are percentages of consolidated net service revenue, unless indicated otherwise):

	2022			2021			Increase (Decrease)
Net service revenue	$ 576,913			$ 565,451			$ 11,462
Cost of service revenue (excluding depreciation and amortization)	347,772	60.3 %		343,862	60.8 %		3,910
General and administrative expenses	189,051	32.8		176,444	31.2		12,607
Impairment of intangibles and other	2,059	0.4		—	—		2,059
Interest expense	(9,053)	(1.6)		(1,135)	(0.2)		7,918
Income tax expense	6,966	30.1	(1)	10,150	27.5	(1)	(3,184)
Net income attributable to noncontrolling interests	4,703	0.8		6,126	1.1		(1,423)
Net income attributable to LHC Group, Inc.’s common stockholders	$ 17,309			$ 27,734			$ (10,425)

(1) Effective tax rate as a percentage of income from continuing operations attributable to our common stockholders, excluding the excess tax benefits realized of $0.3 million during each of the three months ended September 30, 2022 and 2021.

Cost of service revenue

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

	Three months ended September 30,			
	2022		2021	
Home health services:				
Salaries, wages and benefits	$ 196,715	52.7 %	$ 209,972	54.3 %
Transportation	10,044	2.7	9,358	2.4
Supplies and services	11,031	3.0	11,509	3.0
Total	$ 217,790	58.3 %	$ 230,839	59.7 %
Hospice services:				
Salaries, wages and benefits	$ 50,051	48.2 %	$ 37,485	45.4 %
Transportation	3,400	3.3	2,354	2.8
Supplies and services	15,500	14.9	11,792	14.3
Total	$ 68,951	66.4 %	$ 51,631	62.5 %
Home and community-based services:				
Salaries, wages and benefits	$ 34,894	72.7 %	$ 33,632	73.4 %
Transportation	455	0.9	429	0.9
Supplies and services	378	0.8	325	0.7
Total	$ 35,727	74.5 %	$ 34,386	75.0 %
Facility-based services:				
Salaries, wages and benefits	$ 18,111	57.6 %	$ 17,499	54.0 %
Transportation	66	0.2	12	—
Supplies and services	4,372	13.9	6,214	19.2
Total	$ 22,549	71.7 %	$ 23,725	73.2 %
HCI:				
Salaries, wages and benefits	$ 2,694	13.2 %	$ 3,214	18.0 %
Transportation	49	0.2	50	0.3
Supplies and services	12	0.1	17	0.1
Total	$ 2,755	13.5 %	$ 3,281	18.4 %
Consolidated:				
Salaries, wages and benefits	$ 302,465	52.4 %	$ 301,802	53.4 %
Transportation	14,014	2.4	12,203	2.1
Supplies and services	31,293	5.4	29,857	5.3
Total	$ 347,772	60.3 %	$ 343,862	60.8 %

During 2022, cost of service revenue decreased as a percentage of net service revenue from 60.8% to 60.3%. Our cost of service revenue was impacted by decreased employee medical insurance claim costs as we experienced decreased COVID-19 claims, decreased pharmaceutical costs, and less catastrophic claims as compared to the three months ended September 30, 2021.

Cost of service revenue in our hospice segment increased due to acquisitions purchased during the latter half of 2021.

Cost of service revenue in our home and community-based segment received the benefit of $2.7 million from various state Medicaid programs in response to COVID-19 relief funds to offset higher labor costs.

General and administrative expenses

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

	Three months ended September 30,			
	2022		2021	
Home health services:				
General and administrative	$ 122,857	32.9 %	$ 123,656	32.0 %
Depreciation and amortization	3,195	0.9	3,039	0.8
Total	$ 126,052	33.8 %	$ 126,695	32.8 %
Hospice services:				
General and administrative	$ 31,196	30.1 %	$ 21,710	26.3 %
Depreciation and amortization	1,188	1.1	838	1.0
Total	$ 32,384	31.2 %	$ 22,548	27.3 %
Home and community-based services:				
General and administrative	$ 11,561	24.1 %	$ 11,335	24.7 %
Depreciation and amortization	332	0.7	429	0.9
Total	$ 11,893	24.8 %	$ 11,764	25.6 %
Facility-based services:				
General and administrative	$ 11,296	35.9 %	$ 10,230	31.6 %
Depreciation and amortization	802	2.6	820	2.5
Total	$ 12,098	38.5 %	$ 11,050	34.1 %
HCI:				
General and administrative	$ 6,381	31.3 %	$ 4,155	23.2 %
Depreciation and amortization	243	1.2	232	1.3
Total	$ 6,624	32.5 %	$ 4,387	24.5 %
Consolidated:				
General and administrative	$ 183,291	31.8 %	$ 171,086	30.3 %
Depreciation and amortization	5,760	1.0	5,358	0.9
Total	$ 189,051	32.8 %	$ 176,444	31.2 %

During 2022, consolidated general and administrative expenses increased as a percentage of net service revenue from 31.2% to 32.8% as we incurred higher administrative costs related to acquisitions purchased during the latter half of 2021.

Nine months ended September 30, 2022 compared to nine months ended September 30, 2021

Summary consolidated financial information

The following table summarizes our consolidated results of operations for the nine months ended September 30, 2022 and 2021 (amounts in thousands, except percentages, which are percentages of consolidated net service revenue, unless indicated otherwise):

	2022			2021			Increase (Decrease)
Net service revenue	$ 1,724,601			$ 1,636,193			$ 88,408
Cost of service revenue (excluding depreciation and amortization)	1,052,093	61.0 %		972,006	59.4 %		80,087
General and administrative expenses	569,800	33.0		506,754	31.0		63,046
Impairment of intangibles and other	4,130	0.2		937	0.1		3,193
Interest expense	(19,631)	(1.1)		(1,541)	(0.1)		18,090
Income tax expense	17,014	27.8	(1)	32,909	26.6	(1)	(15,895)
Net income attributable to noncontrolling interests	14,586	0.8		22,010	1.3		(7,424)
Net income attributable to LHC Group, Inc.'s common stockholders	$ 47,347			$ 100,036			$ (52,689)

(1) Effective tax rate as a percentage of income from continuing operations attributable to our common stockholders, excluding the excess tax benefits realized of $0.9 million and $2.4 million during the nine months ended September 30, 2022 and 2021, respectively.

Cost of service revenue

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

	Nine months ended September 30,			
	2022		2021	
Home health services:				
Salaries, wages and benefits	$ 613,745	53.2 %	$ 601,998	52.0 %
Transportation	29,509	2.6	27,408	2.4
Supplies and services	31,254	2.7	33,731	2.9
Total	$ 674,508	58.4 %	$ 663,137	57.3 %
Hospice services:				
Salaries, wages and benefits	$ 149,340	48.4 %	$ 93,950	44.9 %
Transportation	9,490	3.1	6,151	2.9
Supplies and services	44,034	14.3	29,747	14.2
Total	$ 202,864	65.8 %	$ 129,848	62.0 %
Home and community-based services:				
Salaries, wages and benefits	$ 94,650	69.1 %	$ 101,711	71.0 %
Transportation	1,300	0.9	1,259	0.9
Supplies and services	520	0.4	971	0.7
Total	$ 96,470	70.4 %	$ 103,941	72.6 %
Facility-based services:				
Salaries, wages and benefits	$ 54,755	58.1 %	$ 48,420	50.0 %
Transportation	180	0.2	29	—
Supplies and services	14,649	15.5	16,911	17.5
Total	$ 69,584	73.8 %	$ 65,360	67.5 %
HCI:				
Salaries, wages and benefits	$ 8,502	27.5 %	$ 9,527	32.0 %
Transportation	140	0.5	166	0.6
Supplies and services	25	0.1	27	0.1
Total	$ 8,667	28.0 %	$ 9,720	32.7 %
Consolidated:				
Salaries, wages and benefits	$ 920,992	53.4 %	$ 855,606	52.3 %
Transportation	40,619	2.4	35,013	2.1
Supplies and services	90,482	5.2	81,387	5.0
Total	$ 1,052,093	61.0 %	$ 972,006	59.4 %

During 2022, cost of service revenue in our home health, hospice, and facility-based segments were impacted by the continued labor market challenges. These challenges are, but not limited to, consistent utilization of nursing contract labor at a higher cost-per-visit rate, payments of sign-on and retention bonuses, increased clinician wages, and labor costs associated with acquisitions purchased during the latter half of 2021.

General and administrative expenses

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

	Nine months ended September 30,			
	2022		2021	
Home health services:				
General and administrative	$ 377,970	32.8 %	$ 360,727	31.2 %
Depreciation and amortization	9,512	0.8	8,610	0.7
Total	$ 387,482	33.6 %	$ 369,337	31.9 %
Hospice services:				
General and administrative	$ 93,457	30.3 %	$ 56,874	27.2 %
Depreciation and amortization	3,695	1.2	1,915	0.9
Total	$ 97,152	31.5 %	$ 58,789	28.1 %
Home and community-based services:				
General and administrative	$ 34,806	25.4 %	$ 34,016	23.7 %
Depreciation and amortization	949	0.7	1,200	0.8
Total	$ 35,755	26.1 %	$ 35,216	24.5 %
Facility-based services:				
General and administrative	$ 33,121	35.1 %	$ 30,765	31.8 %
Depreciation and amortization	2,616	2.8	2,448	2.5
Total	$ 35,737	37.9 %	$ 33,213	34.3 %
HCI:				
General and administrative	$ 12,963	41.9 %	$ 9,473	31.8 %
Depreciation and amortization	711	2.3	726	2.4
Total	$ 13,674	44.2 %	$ 10,199	34.2 %
Consolidated:				
General and administrative	$ 552,317	32.0 %	$ 491,855	30.1 %
Depreciation and amortization	17,483	1.0	14,899	0.9
Total	$ 569,800	33.0 %	$ 506,754	31.0 %

During 2022, consolidated general and administrative expenses increased as a percentage of revenue from 31.0% to 33.0%. We incurred higher administrative costs related to acquisitions purchased during the latter half of 2021.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our cash balance at September 30, 2022 was $10.5 million and we have $243.4 million of available liquidity from cash and our revolving credit facility, net of $4.8 million liabilities associated with the CAAP. We have additional capacity in our revolving credit facility of $300.0 million per our accordion expansion. Based on our current plan of operations, including acquisitions, we believe this amount, when combined with expected cash flows from operations, 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)

	Nine months ended September 30,	
	2022	2021
Net cash provided by (used in):		
Operating activities	$ 10,038	$ (51,616)
Investing activities	(31,994)	(412,242)
Financing activities	22,669	206,805
Change in cash	$ 713	$ (257,053)
Cash at beginning of period	9,809	286,569
Cash at end of period	$ 10,522	$ 29,516

We experienced a decline in net income during the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. The decline was related to decreased census, increased labor costs, and increased general and administrative costs related to the Merger and acquisitions purchased during the latter part of 2021. Our accounts payables and accrued expenses increased as we implemented a new enterprise system and utilized payment management strategies incorporated within the new system. During the nine months ended September 30, 2022, CMS recouped $101.6 million of the CAAP, as compared to $141.6 million during the nine months ended September 30, 2021.

We acquired $2.6 million in business combinations during the nine months ended September 30, 2022 as compared to $383.5 million of business combinations during the nine months ended September 30, 2021.

In addition, we utilized our credit agreement for funding of the share repurchase plan and recoupments of the CAAP during the months ended September 30, 2022. We returned $93.3 million of Provider Relief Funds back to the government during the nine months ended September 30, 2021.

Indebtedness

On August 3, 2021, we entered into an Amended and Restated Senior Credit Facility (the "2021 Amended Credit Agreement"), which provided a senior, secured revolving line of credit commitment with a maximum principal borrowing limit of $800.0 million, which included an additional $500.0 million accordion expansion, and a letter of credit sub-limit equal to $75.0 million. On December 31, 2021, the aggregate commitment was increased to a maximum borrowing limit of $1.0 billion, with an additional $300.0 million accordion expansion. The expiration date of the 2021 Amended Credit Agreement is August 3, 2026.

Our obligations under the 2021 Amended Credit Agreement are secured by substantially all of our assets and our wholly-owned subsidiaries (subject to customary exclusions), which assets include our equity ownership of our wholly-owned subsidiaries and our equity ownership in joint venture entities. Our wholly-owned subsidiaries also guarantee the obligations of the Company under the 2021 Amended Credit Agreement.

Revolving loans under the 2021 Amended Credit Agreement bear interest, as selected us, at either (i) the prevailing London Interbank Offered Rate ("LIBOR") (with interest periods of one, three or six months at our option) plus a spread of 1.25% to 2.0% based on our quarterly consolidated Leverage Ratio or (ii) the prevailing prime or base rate plus a spread of 0.25% to 1.00% based on our quarterly consolidated Leverage Ratio. Swing line loans bear interest at the Base Rate. We are limited to 15 Eurodollar borrowings outstanding at any time. We are required to pay a commitment fee for the unused commitments at rates ranging from 0.15% to 0.30% per annum depending upon our quarterly consolidated Leverage Ratio. The Base Rate as of September 30, 2022 was 7.25% and the LIBOR rate was 5.13%. As of September 30, 2022, the effective interest rate on outstanding borrowings under the 2021 Amended Credit Agreement was 4.98%.

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. JPMorgan Chase Bank, N.A will transition our 2021 Amended Credit Agreement to an alternate rate to CME Term SOFR Reference Rate ("SOFR"), which is administered by CME Group Benchmark Administration Ltd ("CME"). Due to the differences observed between LIBOR rates and SOFR published rates, JPMorgan Chase Bank, N.A. will use a credit spread adjustment ("CSA") in order to minimize value transfer and leave the existing margin applicable to our 2021 Amended Credit Agreement. The CSA used by JPMorgan Chase Bank, N.A. is based on the average of the differences between LIBOR and SOFR over a 12-month period and will be added to SOFR.

As of September 30, 2022, we had $738.0 million drawn, letters of credit issued in the amount of $24.3 million, and $237.7 million of remaining borrowing capacity available under the 2021 Amended Credit Agreement. At December 31, 2021, we had $661.2 million drawn and letters of credit issued in the amount of $24.3 million under the 2021 Amended Credit Facility.

Under the 2021 Amended 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 2021 Amended 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	1.25 %	0.25 %	0.15 %
>1.00:1.00 ≤ 2.00:1.00	1.50 %	0.50 %	0.20 %
>2.00:1.00 ≤ 3.00:1.00	1.75 %	0.75 %	0.25 %
>3.00:1.00	2.00 %	1.00 %	0.30 %

Our 2021 Amended 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 2021 Amended Credit Agreement also contains customary events of default, which are subject to customary carve-outs, thresholds, and materiality qualifiers. These include bankruptcy and other insolvency events, cross-defaults to other debt agreements, a change in control involving us or any subsidiary guarantor, and the failure to comply with certain covenants.

At September 30, 2022, 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 Part II. Item 7 of our 2021 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk relates to changes in interest rates for borrowings under our credit facility. Our letter of credit fees and interest accrued on our debt borrowings are subject to the applicable Eurodollar or Base Rate. A hypothetical basis point increase in interest rates on the average daily amounts outstanding under the credit facility would have increased our interest expense by $5.8 million for the nine months ended September 30, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

In connection with the preparation of this Quarterly Report on Form 10-Q, as of September 30, 2022, under the supervision and with the participation of management, including the principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of the disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act.

Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2022, the end of the period covered by this Quarterly Report.

Changes in Internal Controls Over Financial Reporting

We, including the principal executive officer and principal financial officer, do not expect that our disclosure controls or our internal controls over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls' effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and, based on an evaluation of the controls and procedures, the principal executive officer and principal financial officer concluded the disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2022, 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 2021 Form 10-K.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

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).
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
104	Cover Page Interactive Date File (embedded within the Inline XBRL 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: November 3, 2022

/s/ Dale G. Mackel

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

Exhibit 31.1

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

I, Keith G. Myers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LHC Group, Inc. for the quarter ended September 30, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ Keith G. Myers

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

Exhibit 31.2

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

I, Dale G. Mackel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LHC Group, Inc. for the quarter ended September 30, 2022;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 3, 2022

/s/ Dale G. Mackel

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

Exhibit 32.1

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

In connection with the Quarterly Report of LHC Group, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2022 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: November 3, 2022

/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)