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 March 31, 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 ý 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 ý 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	ý	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 ý

Number of shares of common stock, par value $0.01, outstanding as of May 3, 2022: 31,029,045 shares.

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

	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	$ 7,680	$ 9,809
Receivables:		
Patient accounts receivable	376,968	348,820
Other receivables	11,219	13,780
Total receivables	388,187	362,600
Prepaid taxes	13,195	—
Prepaid income taxes	19,004	7,531
Prepaid expenses	22,636	28,401
Other current assets	34,538	24,801
Total current assets	485,240	433,142
Property, building and equipment, net of accumulated depreciation of $101,643 and $98,394, respectively	156,673	153,959
Goodwill	1,747,504	1,748,426
Intangible assets, net of accumulated amortization of $20,772 and $19,152, respectively	397,973	400,002
Operating lease right of use asset	111,954	113,399
Other assets	44,196	46,693
Total assets	$ 2,943,540	$ 2,895,621
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 103,151	$ 98,118
Salaries, wages, and benefits payable	86,049	100,532
Self-insurance reserves	41,331	33,784
Contract liabilities - deferred revenue	43,922	106,489
Current operating lease payable	37,633	37,630
Amounts due to governmental entities	4,475	5,447
Current liabilities - deferred employer payroll tax	26,790	26,790
Total current liabilities	343,351	408,790
Deferred income taxes	76,749	70,026
Income taxes payable	7,537	7,320
Revolving credit facility	773,270	661,197
Long-term operating lease liabilities	77,287	78,688
Total liabilities	1,278,194	1,226,021
Noncontrolling interest — redeemable	17,539	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; 36,687,528 and 36,549,524 shares issued, and 30,558,774 and 30,634,414 shares outstanding, respectively	367	365
Treasury stock — 6,128,754 and 5,915,110 shares at cost, respectively	(193,470)	(164,790)
Additional paid-in capital	984,784	979,642
Retained earnings	770,479	751,025
Total LHC Group, Inc. stockholders' equity	1,562,160	1,566,242
Noncontrolling interest — non-redeemable	85,647	85,857
Total stockholders' equity	1,647,807	1,652,099
Total liabilities and stockholders' equity	$ 2,943,540	$ 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 March 31,	
	2022	2021
Net service revenue	$ 571,495	$ 524,835
Cost of service revenue (excluding depreciation and amortization)	350,388	310,272
Gross margin	221,107	214,563
General and administrative expenses	184,359	163,249
Impairment of intangibles and other	1,229	177
Operating income	35,519	51,137
Interest expense	(4,171)	(263)
Income before income taxes and noncontrolling interest	31,348	50,874
Income tax expense	6,369	9,441
Net income	24,979	41,433
Less net income attributable to noncontrolling interests	5,525	6,774
Net income attributable to LHC Group, Inc.'s common stockholders	$ 19,454	$ 34,659
Earnings per share:		
Basic	$ 0.64	$ 1.11
Diluted	$ 0.64	$ 1.10
Weighted average shares outstanding:		
Basic	30,478	31,165
Diluted	30,603	31,432

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)

	Three Months Ended March 31, 2022							
	Common Stock							
	Issued		Treasury					
	Amount	Shares	Amount	Shares	Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest Non Redeemable	Total Equity
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

(1) Net income excludes net income attributable to noncontrolling interest-redeemable of $2.8 million during the three months ended March 31, 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.

	Three Months Ended March 31, 2021							
	Common Stock							
	Issued		Treasury					
	Amount	Shares	Amount	Shares	Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest Non Redeemable	Total Equity
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

(1) Net income excludes net income attributable to noncontrolling interest-redeemable of $2.3 million during the three months ended March 31, 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)

	Three Months Ended March 31,	
	2022	2021
Operating activities:		
Net income	$ 24,979	$ 41,433
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	5,617	4,999
Amortization of operating lease right of use asset	10,128	8,918
Stock-based compensation expense	4,376	3,513
Deferred income taxes	6,723	7,717
Loss on disposal of assets	155	31
Impairment of intangibles and other	1,229	177
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(25,538)	(28,805)
Prepaid expenses	5,765	(3,980)
Other assets	(7,192)	1,627
Prepaid income taxes	(11,473)	—
Prepaid taxes	(13,195)	—
Accounts payable and accrued expenses	10,602	(2,894)
Salaries, wages, and benefits payable	(6,936)	20,451
Contract liabilities - deferred revenue	(62,567)	—
Operating lease liabilities	(10,046)	(8,925)
Income taxes payable	217	1,119
Net amounts due to/from governmental entities	2,200	(575)
Net cash (used in) provided by operating activities	(64,956)	44,806
Investing activities:		
Purchases of property, building and equipment	(6,442)	(4,849)
Proceeds from sale of property, building and equipment	—	45
Proceeds from sale of an entity	—	200
Minority interest investments	(100)	—
Net cash used in investing activities	(6,542)	(4,604)
Financing activities:		
Proceeds from line of credit	374,428	—
Payments on line of credit	(262,355)	(20,000)
Proceeds from employee stock purchase plan	698	649
Payments on repurchasing common stock	(34,565)	—
Noncontrolling interest distributions	(5,697)	(5,704)
Withholding taxes paid on stock-based compensation	(3,140)	(9,541)
Purchase of additional controlling interest	—	(142)
Sale of noncontrolling interest	—	284
Net cash provided by (used in) financing activities	69,369	(34,454)
Change in cash	(2,129)	5,748
Cash at beginning of period	9,809	286,569
Cash at end of period	$ 7,680	$ 292,317

Non-Cash Financing Activity:				
Supplemental disclosures of cash flow information:				
Interest paid	$	3,519	$	495
Income taxes paid	$	10,944	$	621
Non-Cash Operating Activity:				
Operating right of use assets in exchange for lease obligations	$	9,371	$	11,748
Reduction to right of use assets and liabilities	$	(688)	$	—
Non-Cash Investing Activity:				
Net working capital adjustment	$	(102)	$	—
Accrued capital expenditures	$	372	$	1,973

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 March 31, 2022, the Company, through its wholly- and majority-owned subsidiaries, equity joint ventures, controlled affiliates, and management agreements operated 956 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. The consummation of the Merger, which is subject to customary conditions set forth in the Merger Agreement, is expected to occur during the second half of 2022.

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 months ended March 31, 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 months ended March 31, 2022 may not be directly comparable to operating results for the three months ended March 31, 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 will have a 1% sequestration adjustment and Medicare patient claims with dates of service beginning July 1, 2022 will have a 2% sequestration adjustment. On April 12, 2022, the U.S. Department of Health and Human Services extended the PHE until July 15, 2022.

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 begin one year starting from the date the CAAP funds were issued and continues 11 months, with CMS recouping the initial 25% of Medicare payments otherwise owed to the

Company. During the three months ended March 31, 2022, $62.6 million was recouped by CMS and $43.9 million of contract liabilities - deferred revenue remains on our condensed consolidated balance sheets as of March 31, 2022.

If any amount of CAAP funds that we received from CMS remain 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.

Other
During the three months ended March 31, 2022 and 2021, the Company recognized $6.5 million and $6.4 million of net service revenue, respectively, due to the suspension of the 2% sequestration payment adjustment. During the three months ended March 31, 2022 and 2021, the Company recognized $6.5 million and $8.9 million of net service revenue, respectively, due to the suspension of LTACH site-neutral payments. As of March 31, 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 March 31, 2022 and December 31, 2021, the related unaudited condensed consolidated statements of income for the three months ended March 31, 2022 and 2021, the unaudited condensed consolidated statements of stockholders' equity for the three months ended March 31, 2022 and 2021, the unaudited condensed consolidated statements of cash flows for the three months ended March 31, 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 months ended March 31, 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 months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
Home health:		
Medicare	59.6 %	64.1 %
Managed Care, Commercial, and Other	40.4	35.9
	100.0 %	100.0 %
Hospice:		
Medicare	93.0 %	94.1 %
Managed Care, Commercial, and Other	7.0	5.9
	100.0 %	100.0 %
Home and community-based services:		
Medicaid	36.4 %	29.2 %
Managed Care, Commercial, and Other	63.6	70.8
	100.0 %	100.0 %
Facility-based services:		
Medicare	52.5 %	52.7 %
Managed Care, Commercial, and Other	47.5	47.3
	100.0 %	100.0 %
HCI:		
Medicare	9.7 %	21.3 %
Managed Care, Commercial, and Other	90.3	78.7
	100.0 %	100.0 %

Medicare

The following describes the payment models in effect during the three months ended March 31, 2022. Such payment models have been subject to temporary adjustments made by CMS in response to COVID-19 pandemic as described elsewhere in this Quarterly Report on Form 10-Q. The 2% sequestration reduction adjustment was suspended for patient claims with dates of service through March 31, 2022. Medicare patient claims with dates of service between April 1 through June 30, 2022 will have a 1% sequestration adjustment and Medicare patient claims with dates of service beginning July 1, 2022 will have a 2% sequestration 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 of 432 home health resource groups prior to receiving services. Each 30-day period is placed into a subgroup falling under the following categories: (i) timing being early or late, (ii) admission source being community or institutional, (iii) one of 12 clinical groupings based on the patient's principal diagnosis, (iv) functional impairment level of low, medium, or high, and (v) a co-morbidity adjustment of none, low, or high based on the patient's secondary diagnoses.

Each 30-day period payment from Medicare reflects base payment adjustments for case-mix and geographic wage differences. In addition, payments may reflect one of three retroactive adjustments to the total reimbursement: (a) an outlier payment if the patient’s care was unusually costly; (b) a low utilization adjustment whereby the number of visits is dependent on the clinical grouping; and/or (c) a partial payment if the patient transferred to another provider or from another provider before completing the episode. The retroactive adjustments outlined above are recognized in net service revenue when the event causing the adjustment occurs and during the period in which the services are provided to the patient. The Company reviews these adjustments to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved. Net service revenue and related patient accounts receivable are recorded at amounts estimated to be realized from Medicare for services rendered.

Hospice

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

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

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

Hospice payments are subject to variable consideration through an inpatient cap and an overall Medicare payment cap. The inpatient cap relates to individual programs receiving more than 20% of their total Medicare reimbursement from inpatient care services, and the overall Medicare payment cap relates to individual programs receiving reimbursements in excess of a “cap amount,” determined by Medicare to be payment equal to 12 months of hospice care for the aggregate base of hospice patients, indexed for inflation. The determination for each cap is made annually based on the 12-month period ending on September 30 of each year. The Company monitors its limits on a provider-by-provider basis and records an estimate of its liability for reimbursements received in excess of the cap amount, if any, in the reporting period.

Facility-Based Services

Gross revenue is recorded as services are provided under the LTACH prospective payment system. Each patient is assigned a long-term care diagnosis-related group. The Company is paid a predetermined fixed amount intended to reflect the average cost of treating a Medicare LTACH patient classified in that particular long-term care diagnosis-related group. For selected LTACH patients, the amount may be further adjusted based on length-of-stay and facility-specific costs, as well as in instances where a patient is discharged and subsequently re-admitted, among other factors. The Company calculates the adjustment based on a historical average of these types of adjustments for LTACH claims paid. Similar to other Medicare prospective payment systems, the rate is also adjusted for geographic wage differences. Net service revenue adjustments resulting from reviews and audits of Medicare cost report settlements are considered implicit price concessions for LTACHs and are measured at expected value.

Non-Medicare Revenues

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

Contingent Service Revenues

The HCI segment provides strategic health management services to Accountable Care Organizations ("ACOs") that have been approved to participate in the Medicare Shared Savings Program ("MSSP"). The HCI segment has service agreements with ACOs that provide for sharing of MSSP payments received by the ACO, if any. ACOs are legal entities that contract with CMS to provide services to the Medicare fee-for-service population for a specified annual period with the goal of providing better care for the individual, improving health for populations and lowering costs. ACOs share savings with CMS to the extent that the actual costs of serving assigned beneficiaries are below certain trended benchmarks of such beneficiaries and certain quality performance measures are achieved. The generation of shared savings is the performance obligation of each ACO, which only become certain upon the final issuance of unembargoed calculations by CMS, generally in the third quarter of each year.

Patient Accounts Receivable

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

Earnings Per Share

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

The following table sets forth shares used in the computation of basic and diluted per share information and, with respect to the data provided for the three months ended March 31, 2022 and 2021 (amounts in thousands):

	Three Months Ended March 31,	
	2022	2021
Weighted average number of shares outstanding for basic per share calculation	30,478	31,165
Effect of dilutive potential shares:		
Nonvested stock	125	267
Adjusted weighted average shares for diluted per share calculation	30,603	31,432
Anti-dilutive shares	297	120

3. Acquisitions

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 three months ended March 31, 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.

4. Goodwill and Intangibles

The changes in recorded goodwill and intangible assets by reporting unit for the three months ended March 31, 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	—	(102)	—	—	—	(102)
Disposals	(130)	(690)	—	—	—	(820)
Balance as of March 31, 2022	$ 968,305	$ 555,540	$ 167,027	$ 15,770	$ 40,862	$ 1,747,504
Intangible assets:						
Balance as of December 31, 2021	$ 237,979	$ 117,340	$ 24,245	$ 5,919	$ 14,519	$ 400,002
Amortization	(727)	(573)	(3)	(172)	(145)	(1,620)
Disposals	(319)	(36)	(54)	—	—	(409)
Balance as of March 31, 2022	$ 236,933	$ 116,731	$ 24,188	$ 5,747	$ 14,374	$ 397,973

The Company did record impairments of goodwill and intangible assets related to the closure of underperforming locations. Goodwill impairment of $0.8 million and Medicare licenses impairment of $0.4 million was recorded during the three months ended March 31, 2022. 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 was its carrying value at the time of closure.

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

	2022	2021
Indefinite-lived intangible assets:		
Trade names	$ 207,780	$ 207,780
Certificates of need/licenses	173,546	173,955
Net total	$ 381,326	$ 381,735
Definite-lived intangible assets:		
Trade names		
Gross carrying amount	$ 11,073	$ 11,073
Accumulated amortization	(10,098)	(9,606)
Net total	$ 975	$ 1,467
Non-compete agreements		
Gross carrying amount	$ 14,524	$ 14,524
Accumulated amortization	(8,154)	(7,172)
Net total	$ 6,370	$ 7,352
Customer relationships		
Gross carrying amount	$ 11,822	$ 11,822
Accumulated amortization	(2,520)	(2,374)
Net total	$ 9,302	$ 9,448
Total definite-lived intangible assets		
Gross carrying amount	$ 37,419	$ 37,419
Accumulated amortization	(20,772)	(19,152)
Net total	$ 16,647	$ 18,267
Total intangible assets:		
Gross carrying amount	$ 418,745	$ 419,154
Accumulated amortization	(20,772)	(19,152)
Net total	$ 397,973	$ 400,002

Remaining useful lives for trade names, customer relationships, and non-compete agreements were 7.5, 16.0, and 4.7 years, respectively, at March 31, 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 $1.6 million and $0.3 million for the three months ended March 31, 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 at, 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 March 31, 2022 was 4.50% and the LIBOR rate was 2.50%. As of March 31, 2022, the effective interest rate on outstanding borrowings under the 2021 Amended Credit Agreement was 2.52%.

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 March 31, 2022, the Company had $773.3 million drawn, letters of credit issued in the amount of $24.3 million, and $202.4 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 March 31, 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 1,544,799 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 three months ended March 31, 2022, the Company granted 8,800 nonvested shares of common stock to independent directors, which shares will vest 100% on the one year anniversary date.

During the three months ended March 31, 2022, employees and a consultant were granted 182,245 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 three months ended March 31, 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	201,980	139.64	—	—
Vested or exercised	(132,651)	105.61	—	—
Share grants outstanding as of March 31, 2022	485,145	$ 133.86	74,235	$ 42.07

As of March 31, 2022, there was $60.5 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 3.60 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 $4.4 million and $3.5 million of compensation expense related to nonvested stock grants for the three months ended March 31, 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 available as of March 31, 2022	98,991	

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 three months ended March 31, 2022, the Company redeemed 22,495 shares of common stock valued at $3.1 million, related to share vesting tax obligations. Such shares are held as treasury stock and are available for reissuance by the Company. Additionally, 527 shares were forfeited for terminated employees. Such shares are held in treasury stock and are available for reissuance by the Company.

Stock Repurchase

On December 6, 2021, the Company's Board of Directors approved a share repurchase program authorizing repurchases 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 three months ended March 31, 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 March 31, 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 March 31, 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 three months ended March 31, 2022 is not less than the initial amount reported for each instrument.

The following table summarizes the activity of noncontrolling interest-redeemable for the three months ended March 31, 2022 (amounts in thousands):

Balance as of December 31, 2021	$	17,501
Net income attributable to noncontrolling interest-redeemable		2,765
Noncontrolling interest-redeemable distributions		(2,727)
Balance as of March 31, 2022	$	17,539

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 March 31, 2022, the weighted-average remaining lease term was 3.78 years and weighted-average discount rate was 4.19%.

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

	March 31, 2022	December 31, 2021
Operating lease right of use asset	$ 111,954	$ 113,399
Current operating lease liabilities	37,633	37,630
Long-term operating lease liabilities	77,287	78,688

The components of lease costs for operating leases for the three months ended March 31, 2022 and 2021 were as follows (amounts in thousands):

	Three Months Ended March 31,	
	2022	2021
Operating lease cost	$ 14,346	$ 12,190
Short-term lease cost	930	855
Variable lease cost	820	1,013
Total lease costs	$ 16,096	$ 14,058

Maturities of operating lease liabilities as of March 31, 2022 were as follows (amounts in thousands):

Month ending March 31,	
2022	$ 31,977
2023	34,042
2024	24,748
2025	17,148
Thereafter	16,016
Total future minimum lease payments	123,931
Less: Imputed interest	(9,011)
Total	$ 114,920

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 months ended March 31, 2022 and 2021 (amounts in thousands):

	Three Months Ended March 31, 2022					
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	$ 387,892	$ 101,906	$ 44,340	$ 32,139	$ 5,218	$ 571,495
Cost of service revenue (excluding depreciation and amortization)	228,207	66,065	28,955	24,205	2,956	350,388
General and administrative expenses	126,807	31,345	11,418	11,428	3,361	184,359
Impairment of intangibles and other	449	726	54	—	—	1,229
Operating income (loss)	32,429	3,770	3,913	(3,494)	(1,099)	35,519
Interest expense	(2,970)	(498)	(413)	(208)	(82)	(4,171)
Income (loss) before income taxes and noncontrolling interest	29,459	3,272	3,500	(3,702)	(1,181)	31,348
Income tax expense (benefit)	4,769	596	2,258	(962)	(292)	6,369
Net income (loss)	24,690	2,676	1,242	(2,740)	(889)	24,979
Less net income (loss) attributable to non controlling interests	4,596	680	85	171	(7)	5,525
Net income (loss) attributable to LHC Group, Inc.'s common stockholder	$ 20,094	$ 1,996	$ 1,157	$ (2,911)	$ (882)	$ 19,454
Total assets	$ 1,756,250	$ 803,004	$ 240,195	$ 80,831	$ 63,260	$ 2,943,540

	Three Months Ended March 31, 2021					
	Home health services	Hospice services	Home and community-based services	Facility-based services	HCI	Total
Net service revenue	$ 373,828	$ 62,734	$ 49,125	$ 33,369	$ 5,779	$ 524,835
Cost of service revenue (excluding depreciation and amortization)	212,373	38,570	34,872	21,175	3,282	310,272
General and administrative expenses	119,397	18,127	11,529	11,257	2,939	163,249
Impairment of intangibles and other	177	—	—	—	—	177
Operating income (loss)	41,881	6,037	2,724	937	(442)	51,137
Interest expense	(182)	(36)	(24)	(14)	(7)	(263)
Income (loss) before income taxes and noncontrolling interest	41,699	6,001	2,700	923	(449)	50,874
Income tax expense (benefit)	7,890	1,067	518	57	(91)	9,441
Net income (loss)	33,809	4,934	2,182	866	(358)	41,433
Less net income (loss) attributable to noncontrolling interests	4,849	1,015	279	657	(26)	6,774
Net income (loss) attributable to LHC Group, Inc.'s common stockholders	$ 28,960	$ 3,919	$ 1,903	$ 209	$ (332)	$ 34,659
Total assets	$ 1,785,486	$ 308,009	$ 262,538	$ 97,692	$ 69,129	$ 2,522,854

12. Income Taxes

The effective tax rate for the three months ended March 31, 2022 and 2021 benefited from $0.4 million and $2.1 million, respectively, of excess tax benefits associated with stock-based compensation arrangements.

U.S. GAAP prescribes a recognition threshold and measurement attribute for the accounting and financial statement disclosure of tax positions taken or expected to be taken in a tax return. The evaluation of a tax position is a two-step process. The first step requires the Company to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The second step requires the Company to recognize in the financial statements each tax position that meets the more likely than not criteria, measured at the amount of benefit that has a greater than 50% likelihood of being realized. The Company's unrecognized tax benefits would affect the tax rate, if recognized. The Company includes the full amount of unrecognized tax benefits in 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 March 31, 2022 and December 31, 2021, the Company recognized $7.5 million and $7.3 million, respectively, in unrecognized tax benefits.

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

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain statements, including the potential future impact of COVID-19 on our results of operations and liquidity, the potential impact of actions we have taken to mitigate the impact of COVID-19, the potential impact on supply chain disruptions and increased costs associated with obtaining personal protective equipment, the expected benefit of the CARES Act on our liquidity, and information that may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements relate to future plans and strategies, anticipated events or trends, future financial performance, and expectations and beliefs concerning matters that are not historical facts or that necessarily depend upon future events. The words "may," "should," "could," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "project," "predict," "potential," and similar expressions are intended to identify forward-looking statements. Specifically, this report contains, among others, forward-looking statements about:

- our expectations regarding financial condition or results of operations for periods after March 31, 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 March 31, 2022, we have 956 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 March 31, 2022, we operated 546 home health services locations, of which 336 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 March 31, 2022, we operated 169 hospice locations, of which 104 are wholly-owned, 63 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 March 31, 2022, we operated 135 home and community-based services locations, of which 120 are wholly-owned and 15 are majority-owned through equity joint ventures.

We provide facility-based services principally through our LTACHs. As of March 31, 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, a family health center, two rural health clinics, and 75 therapy clinics. Of these 92 facility-based services locations, 81 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 14 HCI locations, of which 13 are wholly-owned and one is majority-owned through an equity joint venture.

The Joint Commission is a nationwide commission that establishes standards relating to the physical plant, administration, quality of patient care, and operation of medical staffs of health care organizations. Currently, Joint Commission accreditation of home nursing and hospice agencies is voluntary. However, some managed care organizations use Joint Commission accreditation as a credentialing standard for regional and state contracts. As of March 31, 2022, the Joint Commission had accredited 523 of our 546 home health services locations and 110 of our 169 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 months ended March 31, 2022 and 2021 was as follows:

Reporting segment	Three Months Ended March 31, 2022	2021
Home health services	67.9 %	71.2 %
Hospice services	17.8	11.9
Home and community-based services	7.8	9.4
Facility-based services	5.6	6.4
HCI	0.9	1.1
	100.0 %	100.0 %

Recent Developments

The reader is encouraged to review our detailed discussion of health care legislation and Medicare regulations in the similarly titled section in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," along with the discussions in Part I, Item 1, "Business; Government Regulation" and in Part I, Item 1A, "Risk Factors" in our 2021 Form 10-K.

Coronavirus and Coronavirus Aid, Relief, and Economic Security Act

The following portions of the CARES Act impacted us during the three months ended March 31, 2022:

- *CAAP*: CMS recouped $62.6 million of CAAP. As of March 31, 2022, $43.9 million of contract liabilities - deferred revenue remains on our condensed consolidated balance sheets.
- *Suspension of the 2% sequestration payment adjustment*: During the three months ended March 31, 2022 and 2021, we recognized $6.5 million and $6.4 million of net service revenue, respectively, due to the suspension of the 2% sequestration payment adjustment.
- *Waiver of the application of site-neutral payment:* Under Section 1886(m)(6)(A)(i) of the Act, the claims processing systems was updated to pay all LTACH cases admitted during the COVID-19 PHE period at the LTACH-PPS standard federal rate, effective for claims with an admission date occurring on or after January 27, 2020 through the end of the PHE period. During the three months ended March 31, 2022 and 2021, we recognized $6.5 million and $8.9 million of net service revenue, respectively, due to the suspension of LTACH site-neutral payments.

During the three months ended March 31, 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.

Hospice

On March 30, 2022, CMS released a proposed rule for fiscal year 2023 to update payment rates and the wage index. The proposed rule states the following:

- A proposed payment rate increase of 2.7%, which applies a 3.1% market basket update and a 0.4 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.
- A proposed increase of the aggregate cap value of $32,142.65, as compared to $31,297.61 for fiscal year 2022.
- A proposed 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 proposed fiscal year 2023 base payment rates for various levels of care, which will begin 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 will end 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	Proposed Fiscal Year 2023 Rate per patient day	Fiscal Year 2022 Rate per patient day
Routine Home Care days 1-60	$ 209.14	$ 203.40
Routine Home Care days 60+	$ 165.25	$ 160.74
Continuous Home Care	$ 1,505.61	$ 1,462.52
Full rate = 24 hours of care		
$60.94 = hourly rate for 2022 $62.73 = hourly rate for 2023		
Inpatient Respite Care	$ 486.88	$ 473.75
General Inpatient Care	$ 1,098.88	$ 1,068.28

Facility-based

On April 18, 2022, CMS issued a proposed rule for the fiscal year 2023 Long-Term Care Hospital Prospective Payment System. CMS proposed to update payments by a net 0.7%, which includes a 3.1% market basket update that would be offset by a statutorily mandated cut of 0.4% for productivity, a 1.7% for high-cost outlier payments and other adjustments.

RESULTS OF OPERATIONS

Three months ended March 31, 2022 compared to three months ended March 31, 2021

Summary consolidated financial information

The following table summarizes our consolidated results of operations for the three months ended March 31, 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	$ 571,495			$ 524,835			$ 46,660
Cost of service revenue (excluding depreciation and amortization)	350,388	61.3 %		310,272	59.1 %		40,116
General and administrative expenses	184,359	32.3		163,249	31.1		21,110
Impairment of intangibles and other	1,229			177			1,052
Interest expense	(4,171)			(263)			3,908
Income tax expense	6,369	26.0	(1)	9,441	26.2	(1)	(3,072)
Net income attributable to noncontrolling interests	5,525			6,774			(1,249)
Net income attributable to LHC Group, Inc.'s common stockholders	$ 19,454			$ 34,659			$ (15,205)

(1) Effective tax rate as a percentage of income from continuing operations attributable to our common stockholders, excluding the excess tax benefits realized of $0.4 million and $2.1 million during the three months ended March 31, 2022 and 2021, respectively.

Revenue

The following table sets forth each of our segment's revenue growth or loss, admissions, census, episodes, patient days, and billable hours for the three months ended March 31, 2022 and the related change from the same period in 2021 (amounts in thousands, except admissions, census, episode data, patient days and billable hours, which are actual amounts; revenue excludes implicit price concessions):

The below data for the three months ended March 31, 2022 was impacted by the COVID-19 pandemic.

		Organic *(1)*	Organic Growth (Loss) %		Acquired *(2)*		Total	Total Growth (Loss) %
Home health services								
Revenue	$	378,922	0.6 %	$	16,356	$	395,278	3.6 %
Revenue Medicare	$	223,195	(6.6)	$	11,132	$	234,327	(3.2)
Admissions		108,432	1.6		4,690		113,122	4.8
Medicare Admissions		50,097	(7.0)		2,497		52,594	(3.3)
Average Census		82,358	(0.8)		2,989		85,347	1.7
Average Medicare Census		40,283	(10.0)		1,661		41,944	(7.3)
Home Health Episodes		77,203	(7.7)		3,139		80,342	(5.0)
Hospice services								
Revenue	$	65,199	0.5	$	38,463	$	103,662	61.3
Revenue Medicare	$	60,139	0.4	$	35,113	$	95,252	60.3
Admissions		5,903	4.0		2,473		8,376	53.7
Medicare Admissions		5,192	2.7		2,187		7,379	51.4
Average Census		4,390	(0.8)		2,675		7,065	60.2
Average Medicare Census		4,070	(1.6)		2,439		6,509	57.7
Patient days		394,505	(0.2)		241,316		635,821	60.2
Home and community-based services								
Revenue	$	44,679	(9.1)	$	760	$	45,439	(8.2)
Billable hours		1,648,055	(12.8)		25,637		1,673,692	(12.0)
Facility-based services								
LTACHs								
Revenue	$	29,732	(7.5)	$	—	$	29,732	(7.5)
Patient days		20,513	(3.1)		—		20,513	(3.1)
Other facility-based services								
Revenue	$	3,482	83.2	$	—	$	3,482	83.2
HCI								
Revenue	$	5,358	(9.8)	$	—	$	5,358	(9.8)
Consolidated								
Revenue	$	527,372	(0.4)	$	55,579	$	582,951	8.9

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

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

Cost of service revenue

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

	Three Months Ended March 31,					
	2022			2021		
Home health services						
Salaries, wages and benefits	$	209,443	54.0 %	$	192,237	51.4 %
Transportation		9,207	2.4		8,820	2.4
Supplies and services		9,557	2.5		11,316	3.0
Total	$	228,207	58.8 %	$	212,373	56.8 %
Hospice services						
Salaries, wages and benefits	$	49,234	48.3 %	$	28,012	44.7 %
Transportation		2,799	2.7		1,830	2.9
Supplies and services		14,032	13.8		8,728	13.9
Total	$	66,065	64.8 %	$	38,570	61.5 %
Home and community-based services						
Salaries, wages and benefits	$	28,698	64.7 %	$	34,154	69.5 %
Transportation		389	0.9		416	0.8
Supplies and services		(132)	(0.3)		302	0.6
Total	$	28,955	65.3 %	$	34,872	70.9 %
Facility-based services						
Salaries, wages and benefits	$	18,704	58.2 %	$	16,034	48.1 %
Transportation		46	0.1		10	—
Supplies and services		5,455	17.0		5,131	15.4
Total	$	24,205	75.3 %	$	21,175	63.5 %
HCI						
Salaries, wages and benefits	$	2,905	55.7 %	$	3,205	55.5 %
Transportation		43	0.8		51	0.9
Supplies and services		8	0.2		26	0.4
Total	$	2,956	56.7 %	$	3,282	56.9 %
Consolidated						
Salaries, wages and benefits	$	308,984	54.1 %	$	273,642	52.1 %
Transportation		12,484	2.2		11,127	2.1
Supplies and services		28,920	5.1		25,503	4.8
Total	$	350,388	61.3 %	$	310,272	59.1 %

During 2022, cost of service revenue in our home health, hospice, and facility-based segments were impacted by the continued use of nursing contract labor due to the current labor market and increased labor costs related to acquisitions purchased during the latter half of 2021. Cost of service revenue in our home and community-based segment declined due to the lower patient volumes resulting in a decrease in billable hours and a decrease in total costs; however, this was offset by $2.9 million of money received from various state Medicaid programs in response to COVID-19 relief funds.

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 March 31,					
	2022			2021		
Home health services						
General and administrative	$	123,835	31.9 %	$	116,461	31.2 %
Depreciation and amortization		2,972	0.8		2,936	0.8
Total	$	126,807	32.7 %	$	119,397	32.0 %
Hospice services						
General and administrative	$	30,111	29.5 %	$	17,575	28.0 %
Depreciation and amortization		1,234	1.2		552	0.9
Total	$	31,345	30.8 %	$	18,127	28.9 %
Home and community-based services						
General and administrative	$	11,141	25.1 %	$	11,133	22.7 %
Depreciation and amortization		277	0.6		396	0.8
Total	$	11,418	25.7 %	$	11,529	23.5 %
Facility-based services						
General and administrative	$	10,518	32.7 %	$	10,416	31.2 %
Depreciation and amortization		910	2.8		841	2.5
Total	$	11,428	35.5 %	$	11,257	33.7 %
HCI						
General and administrative	$	3,137	60.1 %	$	2,665	46.1 %
Depreciation and amortization		224	4.3		274	4.7
Total	$	3,361	64.4 %	$	2,939	50.8 %
Consolidated						
General and administrative	$	178,742	31.3 %	$	158,250	30.2 %
Depreciation and amortization		5,617	1.0		4,999	0.9
Total	$	184,359	32.3 %	$	163,249	31.1 %

During 2022, consolidated general and administrative expenses increased as a percentage of revenue from 31.1% to 32.3%. We incurred higher administrative costs related to acquisitions purchased during the latter half of 2021.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our cash balance at March 31, 2022 was $7.7 million and we have $166.2 million of available liquidity from cash and our revolving credit facility, net of $43.9 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):

	Three Months Ended March 31, 2022	2021
Net cash provided by (used in):		
Operating activities	$ (64,956)	$ 44,806
Investing activities	(6,542)	(4,604)
Financing activities	69,369	(34,454)
Change in cash	$ (2,129)	$ 5,748
Cash at beginning of period	9,809	286,569
Cash at end of period	$ 7,680	$ 292,317

CMS began recoupments of the CAAP during the second quarter of 2021. During the three months ended March 31, 2022, CMS recouped $62.6 million of the CAAP, as compared to no recoupment activity during the three months ended March 31, 2021. During 2022, we paid $10.9 million in income taxes and $13.2 million of prepaid payroll taxes. In addition, we utilized our credit agreement for funding of the share repurchase plan and recoupments of the CAAP.

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 March 31, 2022 was 4.50% and the LIBOR rate was 2.50%. As of March 31, 2022, the effective interest rate on outstanding borrowings under the 2021 Amended Credit Agreement was 2.52%.

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 March 31, 2022, we had $773.3 million drawn, letters of credit issued in the amount of $24.3 million, and $202.4 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 March 31, 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 $1.8 million for the three months ended March 31, 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 March 31, 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 March 31, 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 March 31, 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

On December 6, 2021, our Board of Directors approved a share repurchase program authorizing management to repurchase up to $250.0 million of our common stock. We 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 following table provides information regarding shares of our common stock, $0.01 par value per share, purchased in accordance with the stock repurchase plan during the three months ended March 31, 2022:

Period	(a) Total number of shares repurchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
January 1, 2022 - January 31, 2022	190,622	$ 133.63	190,622	$ 140,791,831
February 1, 2022 - February 28, 2022	—	$ —	—	$ 140,791,831
March 1, 2022 - March 31, 2022	—	$ —	—	$ 140,791,831
Total	190,622	$ 133.63	190,622	$ 140,791,831

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

2.1	Agreement and Plan of Merger, dated as of March 28, 2022, by and among LHC Group, Inc., UnitedHealth Group Incorporated, and Lightning Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to LHC Group's Form 8-K filed on March 29, 2022).
3.1	Amended and Restated Certificate of Incorporation of LHC Group, Inc. (previously filed as an Exhibit 3.1 to LHC Group’s Form 8-K filed on April 2, 2018).
3.2	Bylaws of LHC Group, Inc. as amended on December 31, 2007 (previously filed as Exhibit 3.2 to LHC Group’s Form 10-Q filed on May 9, 2008).
4.1	Specimen Stock Certificate of LHC Group’s Common Stock, par value $0.01 per share (previously filed as Exhibit 4.1 to LHC Group’s Form S-1/ A (File No. 333-120792) filed on February 14, 2005).
31.1	Certification of Keith G. Myers, Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Dale G. Mackel, Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer of LHC Group, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

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

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

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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: May 4, 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 March 31, 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: May 4, 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 March 31, 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: May 4, 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 March 31, 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: May 4, 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)