UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

x Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended June 30, 2019

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-8351

CHEMED CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	31-0791746
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
255 E. Fifth Street, Suite 2600, Cincinnati, Ohio	45202
(Address of principal executive offices)	(Zip code)

(513) 762-6690
(Registrant's telephone number, including area code)

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YesxNoo

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YesxNoo

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer x Accelerated Filer o Non-accelerated Filer o Smaller Reporting Company o

Emerging growth company o

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered	Amount	Date
Capital Stock $1 Par Value	CHE	New York Stock Exchange	15,921,808 Shares	June 30, 2019

CHEMED CORPORATION AND
SUBSIDIARY COMPANIES

Index

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2019	December 31, 2018

ASSETS				
Current assets				
Cash and cash equivalents	$	3,323	$	4,831
Accounts receivable		136,113		119,504
Inventories		6,336		5,705
Prepaid income taxes		12,951		10,646
Prepaid expenses		21,455		19,154
Total current assets		180,178		159,840
Investments of deferred compensation plans		70,460		65,624
Properties and equipment, at cost, less accumulated depreciation of $259,495 (2018 - $248,370)		149,917		162,033
Assets held for sale		15,750		-
Lease right of use assets less accumulated amortization of $13,415		90,755		-
Identifiable intangible assets less accumulated amortization of $34,210 (2018 - $33,284)		67,511		68,253
Goodwill		510,627		510,570
Other assets		8,874		9,209
Total Assets	$	1,094,072	$	975,529
LIABILITIES				
Current liabilities				
Accounts payable	$	51,143	$	50,150
Accrued insurance		46,912		46,095
Accrued compensation		50,123		63,329
Accrued legal		8,431		1,857
Short-term lease liability		31,614		-
Other current liabilities		35,446		30,239
Total current liabilities		223,669		191,670
Deferred income taxes		18,828		21,598
Long-term debt		85,000		89,200
Deferred compensation liabilities		70,273		64,616
Long-term lease liability		69,979		-
Other liabilities		7,754		17,111
Total Liabilities		475,503		384,195
Commitments and contingencies (Note 11)				
STOCKHOLDERS' EQUITY				
Capital stock - authorized 80,000,000 shares $1 par; issued 35,590,832 shares (2018 - 35,311,418 shares)		35,591		35,311
Paid-in capital		817,255		774,358
Retained earnings		1,311,446		1,225,617
Treasury stock - 19,749,166 shares (2018 - 19,438,358)		(1,548,138)		(1,446,296)
Deferred compensation payable in Company stock		2,415		2,344
Total Stockholders' Equity		618,569		591,334
Total Liabilities and Stockholders' Equity	$	1,094,072	$	975,529

See accompanying notes to unaudited consolidated financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
Service revenues and sales	$	473,584	$	441,813	$	935,618	$	880,989
Cost of services provided and goods sold (excluding depreciation)		323,637		305,741		645,588		610,277
Selling, general and administrative expenses		71,556		68,297		145,585		137,297
Depreciation		9,887		9,718		19,597		18,985
Amortization		406		34		925		61
Other operating expenses/(income)		2,570		(118)		8,923		(169)
Total costs and expenses		408,056		383,672		820,618		766,451
Income from operations		65,528		58,141		115,000		114,538
Interest expense		(1,237)		(1,524)		(2,361)		(2,731)
Other income - net		13		1,038		2,452		2,056
Income before income taxes		64,304		57,655		115,091		113,863
Income taxes		(13,575)		(2,684)		(19,695)		(13,896)
Net income	$	50,729	$	54,971	$	95,396	$	99,967
Earnings Per Share:								
Net income	$	3.18	$	3.43	$	5.98	$	6.22
Average number of shares outstanding		15,928		16,035		15,941		16,067
Diluted Earnings Per Share:								
Net income	$	3.08	$	3.27	$	5.79	$	5.93
Average number of shares outstanding		16,449		16,811		16,489		16,854
Cash Dividends Per Share	$	0.30	$	0.28	$	0.60	$	0.56

See accompanying notes to unaudited consolidated financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,			
	2019		2018	
Cash Flows from Operating Activities				
Net income	$	95,396	$	99,967
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		20,522		19,046
Stock option expense		8,018		7,305
Litigation settlement		6,000		-
(Benefit)/provision for deferred income taxes		(2,769)		2,173
Noncash long-term incentive compensation		2,506		2,942
Asset impairment loss		2,266		-
Noncash directors' compensation		767		766
Amortization of debt issuance costs		153		288

Amortization of restricted stock awards	-	446
Changes in operating assets and liabilities:		
Increase in accounts receivable	(16,613)	(6,057)
Increase in inventories	(631)	(362)
Increase in prepaid expenses	(2,301)	(113)
Decrease in accounts payable and other current liabilities	(4,175)	(14,909)
Change in current income taxes	(2,249)	10,136
Increase in other assets	(4,653)	(5,667)
Increase in other liabilities	5,833	4,889
Other sources	837	186
Net cash provided by operating activities	108,907	121,036
Cash Flows from Investing Activities		
Capital expenditures	(28,312)	(23,872)
Business combinations	-	(1,875)
Other (uses)/sources	(137)	533
Net cash used by investing activities	(28,449)	(25,214)
Cash Flows from Financing Activities		
Payments on revolving line of credit	(227,000)	(281,150)
Proceeds from revolving line of credit	222,800	358,350
Purchases of treasury stock	(71,926)	(84,304)
Proceeds from exercise of stock options	16,517	20,209
Capital stock surrendered to pay taxes on stock-based compensation	(14,884)	(21,022)
Dividends paid	(9,567)	(9,016)
Change in cash overdrafts payable	1,710	(711)
Payments on other long-term debt	-	(75,000)
Debt issuance costs	-	(968)
Other sources/(uses)	384	(663)
Net cash used by financing activities	(81,966)	(94,275)
Increase in Cash and Cash Equivalents	(1,508)	1,547
Cash and cash equivalents at beginning of year	4,831	11,121
Cash and cash equivalents at end of period	$ 3,323	$ 12,668

See accompanying notes to unaudited consolidated financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(in thousands, except per share data)

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at March 31, 2019	35,521	803,701	1,265,485	(1,519,077)	2,380	588,010
Net income	-	-	50,729	-	-	50,729
Dividends paid ($0.30 per share)	-	-	(4,768)	-	-	(4,768)
Stock awards and exercise of stock options	70	13,337	-	(6,350)	-	7,057
Purchases of treasury stock	-	-	-	(22,676)	-	(22,676)
Other	-	217	-	(35)	35	217
Balance at June 30, 2019	$ 35,591	$ 817,255	$ 1,311,446	$ (1,548,138)	$ 2,415	$ 618,569

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at March 31, 2018	34,885	712,991	1,078,690	(1,321,843)	2,236	506,959
Net income	-	-	54,971	-	-	54,971
Dividends paid ($0.28 per share)	-	-	(4,483)	-	-	(4,483)
Stock awards and exercise of stock options	256	31,660	-	(29,481)	-	2,435
Purchases of treasury stock	-	-	-	(3,179)	-	(3,179)
Other	-	(423)	111	(35)	35	(312)
Balance at June 30, 2018	$ 35,141	$ 744,228	$ 1,129,289	$ (1,354,538)	$ 2,271	$ 556,391

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2018	35,311	774,358	1,225,617	(1,446,296)	2,344	591,334
Net income	-	-	95,396	-	-	95,396
Dividends paid ($0.60 per share)	-	-	(9,567)	-	-	(9,567)
Stock awards and exercise of stock options	280	42,489	-	(29,845)	-	12,924
Purchases of treasury stock	-	-	-	(71,926)	-	(71,926)
Other	-	408	-	(71)	71	408
Balance at June 30, 2019	$ 35,591	$ 817,255	$ 1,311,446	$ (1,548,138)	$ 2,415	$ 618,569

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2017	34,732	695,797	1,038,955	(1,231,332)	2,202	540,354
Net income	-	-	99,967	-	-	99,967
Dividends paid ($0.56 per share)	-	-	(9,016)	-	-	(9,016)
Stock awards and exercise of stock options	409	49,070	-	(38,833)	-	10,646
Purchases of treasury stock	-	-	-	(84,304)	-	(84,304)
Other	-	(639)	(617)	(69)	69	(1,256)
Balance at June 30, 2018	$ 35,141	$ 744,228	$ 1,129,289	$ (1,354,538)	$ 2,271	$ 556,391

The Notes to Consolidated Financial Statements are integral parts of these statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
Notes to Unaudited Consolidated Financial Statements

1. Basis of Presentation

As used herein, the terms "We," "Company" and "Chemed" refer to Chemed Corporation or Chemed Corporation and its consolidated subsidiaries.

We have prepared the accompanying unaudited consolidated financial statements of Chemed in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, we have omitted certain disclosures required under generally accepted accounting principles in the United States (“GAAP”) for complete financial statements. The December 31, 2018 balance sheet data were derived from audited financial statements but do not include all disclosures required by GAAP. However, in our opinion, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to state fairly our financial position, results of operations and cash flows.

These financial statements are prepared on the same basis as and should be read in conjunction with the audited Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2018.

LEASE ACCOUNTING

In February 2016, the FASB issued Accounting Standards Update "ASU No. 2016-02 Leases" which introduced a lessee model that brings most leases onto the balance sheets and updates lessor accounting to align with changes in the lessee model and the revenue recognition standard. This standard is also referred to as Accountings Standards Codification No.842 ("ASC 842"). We adopted ASC 842 effective January 1, 2019, using the optional transition method requiring leases existing at, or entered into after, January 1, 2019 to be recognized and measured. The transition method selected does not require adjustments to prior period amounts, which continue to be reflected in accordance with historical accounting. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard which among other things, allowed us to carry forward the historical lease classification.

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for inpatient units ("IPUs") and/or contract beds within hospitals. Roto-Rooter mainly has leased office space.

Roto-Rooter purchases equipment and leases it to certain of its independent contractors. We analyzed these leases in accordance with ASC 842 and determined they are operating leases. As a result, Roto-Rooter will continue to capitalize the equipment underlying these leases, depreciate the equipment and recognize rental income.

Adoption of the new standard resulted in right of use assets and lease liabilities of $87.8 million and $98.7 million, respectively, as of March 31, 2019. In determining the liability, we used our incremental borrowing rate based on the information available at the time of adoption, since the rate implicit in the leases cannot be readily determined. At January 1, 2019, the weighted average rate was 3.47%. The standard did not materially impact our consolidated net income or cash flows. We did not book a cumulative effect adjustment upon adoption of the standard.

CLOUD COMPUTING

On January 1, 2019, we early adopted ASU No. 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract". This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal use software. We adopted the ASU on a prospective basis.

As of June 30, 2019, we have two cloud computing arrangements that are service contracts. Roto-Rooter is implementing a system to assist in technician dispatch and VITAS is implementing a new human resources system. We have capitalized approximately $2.8 million related to implementation of this project which is included in prepaid assets in the accompanying balance sheets. There has been no amortization expense associated with the asset, as the software has not yet been placed in service. We anticipate amortizing the assets over the original term of the arrangements plus renewal options that are reasonably certain of being exercised.

NON-EMPLOYEE STOCK COMPENSATION

In June 2018, the FASB issued Accounting Standards Update "ASU No. 2018-07 – Compensation – Stock Compensation". The ASU expands the scope of current guidance to include all share-based payment arrangements related to the acquisition of goods and services from both non-employees and employees. The guidance in the ASU is effective for the Company in all fiscal years beginning after December 15, 2018. Adoption of this standard had no material impact on our consolidated financial statements.

CASH FLOW CLASSIFICATION

In August 2016, the FASB issued Accounting Standards Update "ASU No. 2016-15 – Cash Flow Classification" which amends guidance on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of ASU 2016-15 was to reduce diversity in practice related to eight specific cash flow issues. The guidance in this ASU was effective for fiscal years beginning after December 15, 2017. We adopted this ASU as of January 1, 2018. There was no material effect to our statements of cash flow.

INCOME TAXES

Our effective income tax rate was 21.1% in the second quarter of 2019 compared to 4.7% during the second quarter of 2018. Excess tax benefit on stock options reduced our income tax expenses by $3.2 million and $11.7 million, respectively for the quarters ended June 30, 2019 and 2018.

Our effective income tax rate was 17.1% for the first six months of 2019 compared to 12.2% during the first six months of 2018. Excess tax benefit on stock options reduced our income tax expenses by $9.9 million and $15.5 million, respectively for the first six months ended June 30, 2019 and 2018.

NON-CASH TRANSACTIONS

Included in the accompanying Consolidated Balance Sheets are $1.1 million and $3.2 million of capitalized property and equipment which were not paid for as of June 30, 2019 and December 31, 2018, respectively. These amounts

2. Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update "ASU No. 2014-09 – Revenue from Contracts with Customers." The standard and subsequent amendments are theoretically intended to develop a common revenue standard for removing inconsistencies and weaknesses, improve comparability, provide for more useful information to users through improved disclosure requirements and simplify the preparation of financial statements. The standard is also referred to as Accounting Standards Codification No. 606 ("ASC 606"). We adopted ASC 606 effective January 1, 2018. The required disclosures of ASC 606 and impact of adoption are discussed below for each of our operating subsidiaries.

VITAS

Service revenue for VITAS is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and include variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a *per diem* basis regardless of the type of service provided or the payor. Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model. The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate

for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to 4 hours per day in 15 minute increments at the continuous home care rate.

General Inpatient Care occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare continuous home care rates are daily rates, Medicare pays for continuous home care in 15 minute increments. This 15 minute rate is calculated by dividing the daily rate by 96.

Respite Care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

Each level of care represents a separate promise under the contract of care and is provided independently for each patient contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that, each patient is subject to the same payor rules and regulations. As a result, we have concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, we have determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care. We believe that the performance obligations for each level of care meet criteria to be satisfied over time. VITAS recognizes revenue based on the service output. VITAS believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by our performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. VITAS' performance obligations relate to contracts with an expected duration of less than one year. Therefore, VITAS has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for at least 12 months after discharge.

Care is provided to patients regardless of their ability to pay. Patients who meet our criteria for charity care are provided care without charge. There is no revenue or associated accounts receivable in the accompanying consolidated financial statements related to charity care. The cost of providing charity care during the quarters ended June 30, 2019 and 2018 was $2.2 million and $2.1 million, respectively. The cost of providing charity care during the first six months ended June 30, 2019 and 2018 was $4.3 million and $4.2 million, respectively. The cost of charity care is included in cost of services provided and goods sold and is calculated by taking the ratio of charity care days to total days of care and multiplying by the total cost of care.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. VITAS also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. VITAS estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e. change in credit risk) are recorded as bad debt expense. VITAS has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may be subject to future government review and interpretation. Additionally, the contracts we have with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient

care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available.

We are subject to certain limitations on Medicare payments for services which are considered variable consideration, as follows:

Inpatient Cap. If the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of hospice care such program provided to all Medicare patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. None of VITAS' hospice programs exceeded the payment limits on inpatient services during the three and six months ended June 30, 2019 and 2018.

Medicare Cap. We are also subject to a Medicare annual per-beneficiary cap ("Medicare cap"). Compliance with the Medicare cap is measured in one of two ways based on a provider election. The "streamlined" method compares total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number with the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs from September 28 through September 27 of the following year. At June 30, 2019, all our programs except one are using the "streamlined" method.

The "proportional" method compares the total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by the Medicare provider number between September 28 and September 27 of the following year with the product of the per beneficiary cap amount and a pro-rated number of Medicare beneficiaries receiving hospice services from that program during the same period. The pro-rated number of Medicare beneficiaries is calculated based on the ratio of days the beneficiary received hospice services during the measurement period to the total number of days the beneficiary received hospice services.

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether revenues are likely to exceed the annual per-beneficiary Medicare cap. Should we determine that revenues for a program are likely to exceed the Medicare cap based on projected trends, we attempt to institute corrective actions, which include changes to the patient mix and increased patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare cap, we estimate revenue recognized during the government fiscal year that will require repayment to the Federal government under the Medicare cap and record an adjustment to revenue of an amount equal to a ratable portion of our best estimate for the year.

In 2013, the U.S. government implemented automatic budget reductions of 2.0% for all government payees, including hospice benefits paid under the Medicare program. In 2015, CMS determined that the Medicare cap should be calculated "as if" sequestration did not occur. As a result of this decision, VITAS has received notification from our third-party intermediary that an additional $5.8 million is owed for Medicare cap in three programs arising during the 2013 through 2017 measurement periods. The amounts are automatically deducted from our semi-monthly PIP payments. We do not believe that CMS is authorized under the sequestration authority or the statutory methodology for establishing the Medicare cap to the amounts they have withheld and intend to withhold under their current "as if" methodology. We have appealed CMS's methodology change.

During the quarter ended June 30, 2019, we recorded $2.4 million in net Medicare cap revenue reduction related to three programs for the 2019 government fiscal year. Additionally, we recorded $847,000 related to adjustments of prior year cap liabilities. During the quarter ended June 30, 2018, we recorded $355,000 in net Medicare cap revenue reduction related to one program for the 2018 government fiscal year. Additionally, we recorded $181,000 related to adjustments of prior year cap liabilities.

During the first six months ended June 30, 2019, we recorded $5.8 million in net Medicare cap revenue reduction related to four programs for the 2019 government fiscal year. Additionally, we recorded $847,000 related to adjustments of prior year cap liabilities. During the six months ended June 30, 2018, we reversed $1.5 million of the $2.4 million Medicare cap revenue reduction recognized in the fourth quarter of 2017 due to improved metrics in two VITAS programs offset by $181,000 related to adjustments of prior year cap liabilities.

For VITAS' patients in the nursing home setting in which Medicaid pays the nursing home room and board, VITAS serves as a pass-through between Medicaid and the nursing home. We are responsible for paying the nursing home for that patient's room and board. Medicaid reimburses us for 95% of the amount we have paid. This results in a 5% net expense for VITAS related to nursing home room and board. This transaction creates a performance obligation in that VITAS is facilitating room and board being delivered to our patient. As a result, the 5% net expense is recognized as a contra-revenue account under ASC 606 in the accompanying financial statements.

The composition of patient care service revenue by payor and level of care for the quarter ended June 30, 2019 is as follows (in thousands):

	Medicare	**Medicaid**	**Commercial**	**Total**
Routine home care	**$ 248,545**	**$ 11,907**	**6,009**	**$ 266,461**
Continuous care	**27,975**	**1,408**	**1,403**	**30,786**
Inpatient care	**19,282**	**2,117**	**1,495**	**22,894**
	$ 295,802	**$ 15,432**	**$ 8,907**	**$ 320,141**
All other revenue - self-pay, respite care, etc.				**2,237**
Subtotal				**$ 322,378**
Medicare cap adjustment				**(3,198)**
Implicit price concessions				**(3,720)**
Room and board, net				**(2,710)**
Net revenue				**$ 312,750**

The composition of patient care service revenue by payor and level of care for the quarter ended June 30, 2018 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 232,637	$ 12,019	$ 5,725	$ 250,381
Continuous care	27,581	1,428	1,504	30,513
Inpatient care	17,029	1,853	1,195	20,077
	$ 277,247	$ 15,300	$ 8,424	$ 300,971
All other revenue - self-pay, respite care, etc.				1,998
Subtotal				$ 302,969
Medicare cap adjustment				(536)
Implicit price concessions				(2,959)
Room and board, net				(2,675)
Net revenue				$ 296,799

The composition of patient care service revenue by payor and level of care for the six months ended June 30, 2019 is as follows (in thousands):

	Medicare	**Medicaid**	**Commercial**	**Total**
Routine home care	**$ 489,978**	**$ 23,581**	**$ 11,753**	**$ 525,312**
Continuous care	**56,949**	**3,195**	**2,886**	**63,030**
Inpatient care	**38,271**	**4,265**	**2,928**	**45,464**
	$ 585,198	**$ 31,041**	**$ 17,567**	**$ 633,806**
All other revenue - self-pay, respite care, etc.				**4,242**
Subtotal				**$ 638,048**
Medicare cap adjustment				**(6,598)**
Implicit price concessions				**(6,667)**
Room and board, net				**(5,252)**
Net revenue				**$ 619,531**

The composition of patient care service revenue by payor and level of care for the six months ended June 30, 2018 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 456,658	$ 23,299	$ 11,455	$ 491,412
Continuous care	55,213	3,031	3,035	61,279
Inpatient care	35,887	3,901	2,398	42,186
	$ 547,758	$ 30,231	$ 16,888	$ 594,877
All other revenue - self-pay, respite care, etc.				3,740
Subtotal				$ 598,617
Medicare cap adjustment				1,282
Implicit price concessions				(5,792)
Room and board, net				(5,294)
Net revenue				$ 588,813

Roto-Rooter

Roto-Rooter provides plumbing, drain cleaning, water restoration and other related services to both residential and commercial customers primarily in the United States. Services are provided through a network of company-owned branches, independent contractors and franchisees. Service revenue for Roto-Rooter is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing services.

Roto-Rooter owns and operates branches focusing mainly on large population centers in the United States. Roto-Rooter's primary lines of business in company-owned branches consist of plumbing, sewer and drain cleaning, excavation and water restoration. For purposes of ASC 606 analysis, plumbing, sewer and drain cleaning, and excavation have been combined into one portfolio and are referred to as "short-term core services". Water restoration is analyzed as a separate portfolio. The following describes the key characteristics of these portfolios:

Short-term Core Services are plumbing, drain and sewer cleaning and excavation services. These services are provided to both commercial and residential customers. The duration of services provided in this category range from a few hours to a few days. There are no significant warranty costs or on-going obligations to the customer once a service has been completed. For residential customers, payment is received at the time of job completion before the Roto-Rooter technician leaves the residence. Commercial customers may be granted credit subject to internally designated authority limits and credit check guidelines. If credit is granted, payment terms are generally 30 days or less.

Each job in this category is a distinct service with a distinct performance obligation to the customer. Revenue is recognized at the completion of each job. Variable consideration consists of pre-invoice discounts and post-invoice discounts. Pre-invoice discounts are given in the form of coupons or price concessions. Post-invoice discounts consist of credit memos generally granted to resolve customer service issues. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

Water Restoration Services involve the remediation of water and humidity after a flood. These services are provided to both commercial and residential customers. The duration of services provided in this category generally ranges from 3 to 5 days. There are no significant warranties or on-going obligations to the customer once service has been completed. The majority of these services are paid by the customer's insurance company. Variable consideration relates primarily to allowances taken by insurance companies upon payment. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

For both short-term core services and water restoration services, Roto-Rooter satisfies its performance obligation at a point in time. The services provided generally involve fixing plumbing, drainage or flood-related issues at the customer's property. At the time service is complete, the customer acknowledges its obligation to pay for service and its satisfaction with the service performed. This provides evidence that the customer has accepted the service and Roto-Rooter is now entitled to payment. As such, Roto-Rooter recognizes revenue for these services upon completion of the job and receipt of customer acknowledgement. Roto-Rooter's performance obligations for short-term core services and water restoration services relate to contracts with an expected duration of less than a year. Therefore, Roto-Rooter has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Roto-Rooter does not have significant

unsatisfied or partially unsatisfied performance obligations at the time of initial revenue recognition for short-term core or water restoration services.

Roto-Rooter owns the rights to certain territories and contracts with independent third-parties to operate the territory under Roto-Rooter's registered trademarks. Such contracts are for a specified term but cancellable by either party without penalty with 90 days' advance notice. Under the terms of these arrangements, Roto-Rooter provides certain back office support and advertising along with a limited license to use Roto-Rooter's registered trademarks. The independent contractor is responsible for all day-to-day management of the business including staffing decisions and pricing of services provided. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Independent contractors pay Roto-Rooter a standard fee calculated as a percentage of their weekly labor sales. The primary value for the independent contractors under these arrangements is the right to use Roto-Rooter's registered trademarks. Roto-Rooter recognizes revenue from independent contractors over-time (weekly) as the independent contractor's labor sales are completed. Payment from independent contractors is also received on a weekly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the independent contractor as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

Roto-Rooter has licensed the rights to operate under Roto-Rooter's registered trademarks in other territories to franchisees. Each such contract is for a 10 year term but cancellable by Roto-Rooter for cause with 60 day advance notice without penalty. The franchisee may cancel the contract for any reason with 60 days advance notice without penalty. Under the terms of the contract, Roto-Rooter provides national advertising and consultation on various aspects of operating a Roto-Rooter business along with the right to use Roto-Rooter's registered trademarks. The franchisee is responsible for all day- to-day management of the business including staffing decisions, pricing of services provided and local advertising spend and placement. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Franchisees pay Roto-Rooter a standard monthly fee based on the population within the franchise territory. The standard fee is revised on a yearly basis based on changes in the Consumer Price Index for All Urban Consumers. The primary value for the franchisees under this arrangement is the right to use Roto-Rooter's registered trademarks. Roto-Rooter recognizes revenue from franchisees over-time (monthly). Payment from franchisees is also received on a monthly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the franchisees as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

The composition of disaggregated revenue for the second quarter is as follows (in thousands):

	June 30,			
		2019		2018
Short-term core service jobs	$	**115,143**	$	105,086
Water restoration		**28,239**		24,765
Contractor revenue		**14,580**		12,366
Franchise fees		**1,623**		1,574
All other		**2,974**		2,835
Subtotal	$	**162,559**	$	146,626
Implicit price concessions and credit memos		**(1,725)**		(1,612)
Net revenue	$	**160,834**	$	145,014

The composition of disaggregated revenue for the first six months is as follows (in thousands):

	June 30,			
		2019		2018
Short-term core service jobs	$	**226,202**	$	209,172
Water restoration		**55,891**		52,502
Contractor revenue		**28,589**		24,731
Franchise fees		**3,245**		3,165
All other		**5,981**		6,155
Subtotal	$	**319,908**	$	295,725
Implicit price concessions and credit memos		**(3,821)**		(3,549)
Net revenue	$	**316,087**	$	292,176

Initial Adoption of ASC 606

The Company utilized the modified retrospective method of adoption for all contracts. The Company has consistently applied the accounting policies to all periods presented in the consolidated financial statements. Sales tax collected from customers at Roto-Rooter is excluded from revenue under ASC 606 and prior revenue standards.

3. Segments

Service revenues and sales by business segment are shown in Footnote 2. After-tax earnings by business segment are as follows (in thousands):

	Three months ended June 30,				Six months ended June 30,			
		2019		2018		2019		2018
After-tax Income/(Loss)								
VITAS	$	**37,339**	$	31,785	$	**66,626**	$	63,800
Roto-Rooter		**27,175**		25,298		**50,162**		48,236
Total		**64,514**		57,083		**116,788**		112,036
Corporate		**(13,785)**		(2,112)		**(21,392)**		(12,069)
Net income	$	**50,729**	$	54,971	$	**95,396**	$	99,967

We report corporate administrative expenses and unallocated investing and financing income and expense not directly related to either segment as "Corporate".

4. Earnings per Share

Earnings per share ("EPS") are computed using the weighted average number of shares of capital stock outstanding. Earnings and diluted earnings per share are computed as follows (in thousands, except per share data):

	Net Income				
For the Three Months Ended June 30,		Income	Shares		Earnings per Share
2019					
Earnings	$	**50,729**	**15,928**	$	**3.18**
Dilutive stock options		**-**	**449**		
Nonvested stock awards		**-**	**72**		
Diluted earnings	$	**50,729**	**16,449**	$	**3.08**
2018					
Earnings	$	54,971	16,035	$	3.43
Dilutive stock options		-	674		

	Income	Shares	Earnings per Share
Nonvested stock awards	-	102	
Diluted earnings	$ 54,971	16,811	$ 3.27

For the Six Months Ended June 30,	Net Income Income	Shares	Earnings per Share
2019			
Earnings	**$ 95,396**	**15,941**	**$ 5.98**
Dilutive stock options	**-**	**474**	
Nonvested stock awards	**-**	**74**	
Diluted earnings	**$ 95,396**	**16,489**	**$ 5.79**
2018			
Earnings	$ 99,967	16,067	$ 6.22
Dilutive stock options	-	683	
Nonvested stock awards	-	104	
Diluted earnings	$ 99,967	16,854	$ 5.93

For the three and six month periods ended June 30, 2019, there were 246,000 stock options excluded in the computation of dilutive earnings per share because they would have been anti-dilutive.

For the three and six month periods ended June 30, 2018, there were no stock options excluded in the computation of dilutive earnings per share because they would have been anti-dilutive.

5. Long-Term Debt and Lines of Credit

On June 20, 2018, we replaced our existing credit agreement with the Fourth Amended and Restated Credit Agreement (“2018 Credit Agreement”). Terms of the 2018 Credit Agreement consist of a five year, $450 million revolving credit facility and a $150 million expansion feature, which may consist of term loans or additional revolving commitments. The interest rate at the inception of the agreement is LIBOR plus 100 basis points. The 2018 Credit Agreement has a floating interest rate that is generally LIBOR plus a tiered additional rate which varies based on our current leverage ratio. The amount outstanding as of June 30, 2019 is $85.0 million.

Debt issuance costs associated with the prior credit agreement were not written off as the lenders and their relative percentages participation in the facility did not change. With respect to the 2018 Credit Agreement, deferred financing costs were $1.0 million.

The 2018 Credit Agreement contains the following quarterly financial covenants:

Description	Requirement
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00
Fixed Charge Coverage Ratio (Consolidated Free Cash Flow/Consolidated Fixed Charges)	> 1.50 to 1.00

We are in compliance with all debt covenants as of June 30, 2019. We have issued $38.0 million in standby letters of credit as of June 30, 2019, mainly for insurance purposes. Issued letters of credit reduce our available credit under the 2018 Credit Agreement. As of June 30, 2019, we have approximately $327.0 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility.

6. Other Operating Expenses/(Income)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Litigation settlement	$ -	$ (204)	$ 6,000	$ (204)
Transportation equipment held for sale	2,266	-	2,266	-
Loss on disposal of fixed assets	304	86	657	35
Total other operating expenses/(income)	$ 2,570	$ (118)	$ 8,923	$ (169)

During the three months ended June 30, 2019, the Company recorded $2.3 million for the impairment of transportation equipment that is being held for sale. See footnote 18.

During the six months ended June 30, 2019, the Company recorded $6.0 million for a potential legal settlement, which includes the settlement amount, estimated employment taxes and other litigation costs. See footnote 11 for further discussion.

7. Other Income – Net

Other income – net comprises the following (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Market value adjustment on assets held in deferred compensation trust	$ (130)	$ 779	$ 2,207	$ 1,638
Interest income	112	259	214	417
Other - net	31	-	31	1
Total other income - net	$ 13	$ 1,038	$ 2,452	$ 2,056

8. Leases

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for IPUs and/or contract beds within hospitals. Roto-Rooter has leased office space. Our leases have remaining terms of under 1 year to 10 years, some of which include options to extend the lease for up to 5 years, and some of which include options to terminate the lease within 1 year.

We made a policy election to exclude leases with a lease term less than 12 months from being recorded on the balance sheet. We adopted the practical expedient related to the combining of lease and non-lease components, which allows us to account for the lease and non-lease components as a single lease component.

Adoption of the new standard resulted in right of use assets and lease liabilities of approximately $87.8 million and $98.7 million, respectively, as of March 31, 2019. In determining the liability, we used our incremental borrowing rate based

on the information available at the time of adoption, since the rate implicit in the leases cannot be readily determined. At January 1, 2019, the weighted average rate was 3.47%. The standard did not materially impact our consolidated net income or cash flows. We did not book a cumulative effect adjustment upon adoption of the standard.

We do not currently have any finance leases, all lease information disclosed is related to operating leases.

The components of balance sheet information related to leases were as follows:

	Six months ended June 30, 2019
Assets	
Operating lease assets	$ 90,755
Liabilities	
Current operating leases	31,614
Noncurrent operating leases	69,979
Total operating lease liabilities	$ 101,593

The components of lease expense were as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Lease Expense (a)		
Operating lease expense	$ 11,573	$ 23,098
Sublease income	-	(6)

Net lease expense	$ 11,573	$ 23,092

(a) Includes short-term leases and variable lease costs, which are immaterial. Included in both cost of services provided and goods sold and selling, general and administrative expenses.

The components of cash flow information related to leases were as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from leases	$ 10,214	$ 20,201
Leased assets obtained in exchange for new operating lease liabilities	$ 12,731	$ 15,944
Weighted Average Remaining Lease Term		
Operating leases		4.34years
Weighted Average Discount Rate		
Operating leases		3.46%

Maturity of Operating Lease Liabilities (in thousands)

2019	$ **34,669**
2020	25,465
2021	18,796
2022	12,074
2023	7,656
Thereafter	12,327
Total lease payments	$ 110,987
Less: interest	(8,143)
Less: future lease obligations not yet commenced	(1,251)
Total liability recognized on the balance sheet	$ 101,593

The following is a summary of future minimum rental payments under operating leases that have initial noncancelable terms in excess of one year at December 31, 2018:

Maturity of Operating Lease Liabilities (in thousands)

2019	$ **26,791**
2020	24,152
2021	19,669
2022	13,851
2023	8,179
Thereafter	10,974
Total lease payments	$ 103,616

For leases commencing prior to 2019, minimum rental payments exclude payments to landlords for real estate taxes and common area maintenance. Operating lease payments include $2.3 million related to extended lease terms that are reasonably certain of being exercised and exclude $1.3 million lease payments for leases signed but not yet commenced.

9. Stock-Based Compensation Plans

On February 22, 2019, the Compensation/Incentive Committee of the Board of Directors ("CIC") granted 6,864 Performance Stock Units ("PSUs") contingent upon the achievement of certain total shareholder return ("TSR") targets as compared to the TSR of a group of peer companies for the three year period ending December 31, 2021, the date at which such awards vest. The cumulative compensation cost of the TSR-based PSU award to be recorded over the three year service period is $3.0 million.

On February 22, 2019, the CIC also granted 6,864 PSUs contingent upon the achievement of certain earnings per share ("EPS") targets for the three year period ending December 31, 2021. At the end of each reporting period, the Company estimates the number of shares that it believes will ultimately be earned and records the corresponding expense over the service period of the award. We currently estimate the cumulative compensation cost of the EPS-based PSUs to be recorded over the three year service period is $2.2 million.

10. Retirement Plans

All of the Company's plans that provide retirement and similar benefits are defined contribution plans. These expenses include the impact of market gains and losses on assets held in deferred compensation plans and are recorded in selling, general and administrative expenses. Expenses for the Company's retirement and profit-sharing plans, excess benefit plans and other similar plans are as follows (in thousands):

Three months ended June 30,		Six months ended June 30,	
2019	**2018**	**2019**	**2018**
$ 3,796	$ 4,807	**$ 10,710**	$ 9,974

11. Legal and Regulatory Matters

The VITAS segment of the Company's business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, as well as to lawsuits, including *qui tam* actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. It is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or reasonably estimable.

Regulatory Matters and Litigation

On October 30, 2017, the Company entered into a settlement agreement (the "Settlement Agreement") to resolve civil litigation under the False Claims Act brought by the United States Department of Justice ("DOJ") on behalf of the OIG and various relators concerning VITAS, filed in the U.S. District Court of the Western District of Missouri (the "2013 Action"). The Company denied any violation of law and agreed to settlement without admission of wrongdoing.

In connection with the settlement VITAS and certain of its subsidiaries entered into a corporate integrity agreement ("CIA") on October 30, 2017. The CIA formalizes various aspects of VITAS' already existing Compliance Program and contains requirements designed to document compliance with federal healthcare program requirements. It has a term of five years during which it imposes monitoring, reporting, certification, oversight, screening and training obligations, certain of which had previously been implemented by VITAS. It also requires VITAS to engage an Independent Review Organization to perform audit and review functions and to prepare reports regarding compliance with federal healthcare programs. In the event of breach of the CIA, VITAS could become liable for payment of stipulated penalties or could be excluded from participation in federal healthcare programs.

Jordan Seper ("Seper"), a Registered Nurse at VITAS' Inland Empire program from May 12, 2014 to March 21, 2015, filed a lawsuit in San Francisco Superior Court on September 26, 2016. She alleged VITAS Healthcare Corp of CA ("VITAS CA") (1) failed to provide minimum wage for all hours worked; (2) failed to provide overtime for all hours worked; (3) failed to provide a second meal period; (4) failed to provide rest breaks; (5) failed to indemnify for necessary expenditures; (6) failed to timely pay wages due at time of separation; and (7) engaged in unfair business practices. Seper sought a state-wide class action of current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of the lawsuit. She sought court determination that this action may be maintained as a class action for the entire California class and subclasses, designation as class representative, declaratory relief, injunctive relief, damages (including wages for regular or overtime hours allegedly worked but not paid, premium payments for missed meal or rest periods, and unreimbursed expenses), all applicable penalties associated with each claim, pre and post-judgment interest, and attorneys' fees and costs. Seper served VITAS CA with the lawsuit, *Jordan A. Seper on behalf of herself and others similarly situated v. VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corp of CA, a business entity unknown; and DOES 1 to 100, inclusive*; Los Angeles Superior Court Case Number BC 642857 on October 13, 2016 ("Jordan Seper case").

The Los Angeles Superior Court Complex Division accepted transfer of the case on December 6, 2016 and stayed the case. On December 16, 2016, VITAS CA filed its Answer and served written discovery on Seper.

Jiwann Chhina ("Chhina"), hired by VITAS as a Home Health Aide on February 5, 2002, is currently a Licensed Vocational Nurse for VITAS' San Diego program. On September 27, 2016, Chhina filed a lawsuit in San Diego Superior Court, alleging (1) failure to pay minimum wage for all hours worked; (2) failure to provide overtime for all hours worked; (3) failure to pay wages for all hours at the regular rate; (4) failure to provide meal periods; (5) failure to provide rest breaks; (6) failure to provide complete and accurate wage statements; (7) failure to pay for all reimbursement expenses; (8) unfair business practices; and (9) violation of the California Private Attorneys General Act. Chhina sought to pursue these claims in the form of a state-wide class action of current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of the lawsuit. He sought court determination that this action may be maintained as a class action for the entire California class and subclasses, designation as class representative, declaratory relief, injunctive relief, damages (including wages for regular or overtime hours allegedly worked but not paid, premium payments for missed meal or rest periods, and unreimbursed expenses), all applicable penalties associated with each claim, pre-judgment interest, and attorneys' fees and costs. Chhina served VITAS CA with the lawsuit, *Jiwan Chhina v. VITAS Health Services of California, Inc., a California corporation; VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corporation of California, a Delaware corporation dba VITAS Healthcare Inc.; and DOES 1 to 100, inclusive*; San Diego Superior Court Case Number 37-2015-00033978-CU-OE-CTL on November 3, 2016 ("Jiwann Chhina case"). On December 1, 2016, VITAS CA filed its Answer and served written discovery on Chhina.

On May 19, 2017, Chere Phillips (a Home Health Aide in Sacramento) and Lady Moore (a former Social Worker in Sacramento) filed a lawsuit against VITAS CA in Sacramento County Superior Court, alleging claims for (1) failure to pay all wages due; (2) failure to authorize and permit rest periods; (3) failure to provide off-duty meal periods; (4) failure to furnish accurate wage statements; (5) unreimbursed business expenses; (6) waiting time penalties; (7) violations of unfair competition law; and (8) violation of the Private Attorneys General Act. The case is captioned: *Chere Phillips and Lady Moore v. VITAS Healthcare Corporation of California*, Sacramento County Superior Court, Case No. 34-2017-0021-2755. Plaintiffs sought to pursue these claims in the form of a state-wide class action of current and former non-exempt employees employed with VITAS CA in California within the four years preceding the filing of the lawsuit. Plaintiffs served VITAS with the lawsuit on June 5, 2017. VITAS CA timely answered the Complaint generally denying the Plaintiffs' allegations. The Court has stayed all class discovery in this case pending resolution of the Jordan Seper and Jiwann Chhina cases.

There are currently three other lawsuits against VITAS pending in the superior courts of other California counties that contain claims and class periods that substantially overlap with Phillips' and Moore's claims: the Jordan Seper and Jiwann Chhina cases, and *Williams v. VITAS Healthcare Corporation of California*, filed on May 22, 2017 in Alameda County Superior Court, RG 17853886.

Jazzina Williams' (a Home Health Aide in Sacramento) lawsuit alleges claims for (1) failure to pay all wages due; (2) failure to authorize and permit rest periods; (3) failure to provide off-duty meal periods; (4) failure to furnish accurate wage statements; (5) unreimbursed business expenses; (6) waiting time penalties; and (7) violations of the Private Attorneys General Act ("PAGA"). Williams seeks to pursue these claims both individually and as a representative action under the PAGA on behalf of current and former California non-exempt employees. Plaintiff served VITAS with the lawsuit on May 31, 2017. VITAS CA timely answered the Complaint generally denying Plaintiff's allegations. Williams is pursing discovery of her individual claim and has agreed to a stay of class discovery pending possible resolution through ongoing mediation in the Jordan Seper and Jiwann Chhina cases. Defendant filed and served each of Plaintiffs Williams, Phillips, and Moore with a Notice of Related Cases on July 19, 2017.

The *Seper* and *Chhina* cases were consolidated in Los Angeles County Superior Court; *Chhina* was dismissed as a separate action and joined with *Seper* in the filing of amended complaint on August 28, 2018, in which both *Chhina* and *Seper* were identified as named plaintiffs. The parties engaged in a mediation process beginning in October 2018 and concluded with an agreement in March 2019. The agreement has been incorporated into a long-form agreement to be presented to the court for preliminary approval, notice to class members, and eventual final approval and payment. The settlement amount, subject to court approval is $5.75 million plus employment taxes. The definition of the class to participate in the settlement is intended to cover claims raised in the consolidated *Seper/Chhina* matter, claims raised in *Phillips and Moore*, as well as any class claims in *Williams*.

Alfred Lax ("Lax"), a current employee of Roto-Rooter Services Company ("RRSC"), was hired in the RRSC's Menlo Park branch in 2007. On November 30, 2018, Lax filed a class action lawsuit in Santa Clara County Superior Court alleging (1) failure to provide or compensate for required rest breaks; (2) failure to properly pay for all hours worked; (3) failure to provide accurate wage statements; (4) failure to reimburse for work-related expenses; and (5) unfair business practices. Lax has stated these claims as a representative of a class defined as all service technicians employed by RRSC in California during the four years preceding the filing of the complaint. He seeks a determination that the action may proceed and be maintained as a class action and for compensatory and statutory damages (premium payments for missed rest periods, uncompensated rest periods, wages for time allegedly not paid such as travel time, repair time, and vehicle maintenance time, and unreimbursed expenses), penalties and restitutions, pre- and post-judgement interest and attorneys' fees and costs. The lawsuit, *Alfred Lax, on behalf of himself and all others similarly situated v. Roto-Rooter Services Company, and Does 1 through 50 inclusive;* Santa Clara County Superior Court Case Number 18CV338652, was received by RRSC on December 11, 2018 and RRSC timely filed its answer denying the claims.

The Company is not able to reasonably estimate the probability of loss or range of loss for any of these lawsuits at this time, with the exception of *Seper/Chhina*, *Phillips and Moore* and the class claims in *Williams.*

The Company intends to defend vigorously against the allegations in each of the above lawsuits. Regardless of the outcome of any of the preceding matters, dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, diversion of management time, and related publicity. Although the Company intends to defend them vigorously, there can be no assurance that those suits will not have a material adverse effect on the Company.

12. Concentration of Risk

During the quarter VITAS had pharmacy services agreements with one service provider to provide specified pharmacy services for VITAS and its hospice patients. VITAS made purchases from this provider of $7.0 and $8.5 million for the three months ended June 30, 2019 and 2018, respectively. VITAS made purchases from this provider of $14.3 and $16.8 million for the first six months ended June 30, 2019 and 2018, respectively. Purchases from this provider represent more than 90% of all pharmacy services used by VITAS during each period presented.

13. Cash Overdrafts and Cash Equivalents

There are $15.5 million in cash overdrafts payable included in accounts payable at June 30, 2019 (December 31, 2018 - $13.8 million).

From time to time throughout the year, we invest excess cash in money market funds with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. The amount invested was not material for each balance sheet date presented.

14. Financial Instruments

FASB's authoritative guidance on fair value measurements defines a hierarchy which prioritizes the inputs in fair value measurements. Level 1 measurements are measurements using quoted prices in active markets for identical assets or liabilities. Level 2 measurements use significant other observable inputs. Level 3 measurements are measurements using significant unobservable inputs which require a company to develop its own assumptions. In recording the fair value of assets and liabilities, companies must use the most reliable measurement available.

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of June 30, 2019 (in thousands):

		Fair Value Measure		
	Carrying Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual fund investments of deferred compensation plans held in trust	**$ 70,460**	**$ 70,460**	**$ -**	**$ -**
Total debt	**85,000**	**-**	**85,000**	**-**

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2018 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual fund investments of deferred compensation plans held in trust	$ 65,624	$ 65,624	$ -	$ -
Total debt	89,200	-	89,200	-

For cash and cash equivalents, accounts receivable and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments. As further described in Footnote 5, our outstanding long-term debt and current portion of long-term debt have floating interest rates that are reset at short-term intervals, generally 30 or 60 days. The interest rate we pay also includes an additional amount based on our current leverage ratio. As such, we believe our borrowings reflect significant nonperformance risks, mainly credit risk. Based on these factors, we believe the fair value of our long-term debt and current portion of long-term debt approximate the carrying value.

15. Capital Stock Repurchase Plan Transactions

We repurchased the following capital stock for the three and six months ended June 30, 2019 and 2018:

	Three months ended June 30,		**Six months ended June 30,**	
	2019	**2018**	**2019**	**2018**
Total cost of repurchased shares (in thousands)	**$ 22,676**	$ 3,179	**$ 71,926**	$ 84,304
Shares repurchased	**69,009**	10,000	**219,009**	310,000
Weighted average price per share	**$ 328.59**	$ 317.86	**$ 328.41**	$ 271.95

In February 2019, the Board of Directors authorized an additional $150.0 million for stock repurchase under Chemed's existing share repurchase program. We currently have $124.7 million of authorization remaining under this share repurchase plan.

16. Recent Accounting Standards

In January 2017, the FASB issued Accounting Standards Update "ASU No. 2017-4 – Intangibles – Goodwill and Other". To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. The guidance in the ASU is effective for the Company in fiscal years beginning after December 15, 2019. Early adoption is permitted. We anticipate adoption of this standard will have no impact on our consolidated financial statements.

In June 2016, FASB issued Accounting Standards Update "ASU No. 2016-13 - Measurement of Credit Losses on Financial Instruments". The ASU requires the use of the current expected credit loss model to measure impairments of financial assets. The ASU is effective for the Company for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this ASU on the Company' financial statements.

17. Acquisitions

During the first six months of 2019, we did not complete any business combinations within our Roto-Rooter or VITAS segment.

During 2018, we completed four business combinations of former franchisees within the Roto-Rooter segment for $42.2 million in cash to increase our market penetration. The VITAS segment completed one business combination in Florida for $11.0 million to increase our market penetration.

Shown below is movement in Goodwill (in thousands):

	VITAS		Roto-Rooter		Total	
Balance at December 31, 2018	$	333,331	$	177,239	$	510,570
Foreign currency adjustments		-		57		57
Balance at June 30, 2019	$	333,331	$	177,296	$	510,627

18. Assets Held for Sale

In the second quarter of 2019, we entered into an agreement to trade-in certain transportation equipment to offset replacement equipment expected to be delivered in 2020. The net book value of the transportation equipment has been reduced to the expected trade in value of $15.8 million resulting in a $2.3 million impairment charge in the second quarter of 2019.

19. Subsequent Events

On July 1, 2019, we completed the acquisition of a Roto-Rooter franchise and the related assets in Oakland, CA for $18.0 million in cash. A substantial portion of the aggregate purchase price will be allocated to goodwill, reacquired franchise rights and other intangibles. The accounting for this acquisition has not yet been finalized.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

We operate through our two wholly-owned subsidiaries, VITAS Healthcare Corporation and Roto-Rooter Group, Inc. VITAS focuses on hospice care that helps make terminally ill patients' final days as comfortable as possible. Through its teams of doctors, nurses, home health aides, social workers, clergy and volunteers, VITAS provides direct medical services to patients, as well as spiritual and emotional counseling to both patients and their families. Roto-Rooter's services are focused on providing plumbing, drain cleaning, water restoration and other related services to both residential and commercial customers. Through its network of company-owned branches, independent contractors and franchisees, Roto-Rooter offers plumbing and drain cleaning service to over 90% of the U.S. population.

The following is a summary of the key operating results (in thousands except per share amounts):

	Three months ended June 30,				Six months ended June 30,			
	2019		2018		2019		2018	
Service revenues and sales	**$**	**473,584**	$	441,813	**$**	**935,618**	$	880,989
Net income	**$**	**50,729**	$	54,971	**$**	**95,396**	$	99,967
Diluted EPS	**$**	**3.08**	$	3.27	**$**	**5.79**	$	5.93
Adjusted net income	**$**	**55,215**	$	47,158	**$**	**103,390**	$	93,009
Adjusted diluted EPS	**$**	**3.36**	$	2.81	**$**	**6.27**	$	5.52
Adjusted EBITDA	**$**	**85,089**	$	73,682	**$**	**159,888**	$	146,449
Adjusted EBITDA as a % of revenue		**18.0 %**		16.7 %		**17.1 %**		16.6 %

Adjusted net income, adjusted diluted EPS, earnings before interest, taxes and depreciation and amortization ("EBITDA"), Adjusted EBITDA and Adjusted EBITDA as a percent of revenue are not measures derived in accordance with US GAAP. We provide non-GAAP measures to help readers evaluate our operating results and to compare our operating performance with that of similar companies that have different capital structures. Our non-GAAP measures should not be considered in isolation or as a substitute for comparable measures presented in accordance with GAAP. A reconciliation of our non-GAAP measures is presented on pages 37-39.

For the three months ended June 30, 2019, the increase in consolidated service revenues and sales was driven by a 10.9% increase at Roto-Rooter and a 5.4% increase at VITAS. The increase in service revenues at Roto-Rooter was driven by an increase in all service lines. The increase in service revenues at VITAS is comprised primarily of a 0.5% geographically weighted average Medicare reimbursement rate increase, a 5.9% increase in days of care, offset by $3.2 million in Medicare cap revenue reduction. See page 40 for additional VITAS operating metrics.

For the six months ended June 30, 2019, the increase in consolidated service revenues and sales was driven by an 8.2% increase at Roto-Rooter and a 5.2% increase at VITAS. The increase in service revenues at Roto-Rooter was driven by an increase in all major service lines. The increase in service revenues at VITAS is comprised primarily of a 0.5% geographically weighted average Medicare reimbursement rate increase, a 6.2% increase in days of care, offset by $6.6 million in Medicare cap revenue reduction. The first six months of 2018 included a reversal of prior Medicare cap expense of $1.3 million. See page 40 for additional VITAS operating metrics.

In February 2016, the FASB issued Accounting Standards Update "ASU No. 2016-02 Leases" which introduced a lessee model that brings most leases on to the balance sheets and updates lessor accounting to align with changes in the lessee model and the revenue recognition standard. This standard is also referred to as Accountings Standards Codification No.842 ("ASC 842"). We adopted ASC 842 effective January 1, 2019, using the optional transition method requiring leases existing at, or entered into after, January 1, 2019 to be recognized and measured. The transition method selected does not require adjustments to prior period amounts, which continue to be reflected in accordance with historical accounting. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard which among other things, allowed us to carry forward the historical lease classification.

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for inpatient units ("IPUs") and/or contract beds within hospitals. Roto-Rooter mainly has leased office space.

Roto-Rooter purchases equipment and leases it to certain of its independent contractors. We analyzed these leases in accordance with ASC 842 and determined they are operating leases. As a result, Roto-Rooter will continue to capitalize the equipment underlying these leases, depreciate the equipment and recognize rental income.

Adoption of the new standard resulted in right of use assets and lease liabilities of $87.8 million and $98.7 million, respectively, as of March 31, 2019. In determining the liability, we used our incremental borrowing rate based on the information available at the time of adoption, since the rate implicit in the leases cannot be readily determined. At January 1, 2019, the weighted average rate was 3.47%. The standard did not materially impact our consolidated net income or cash flows. We did not book a cumulative effect adjustment upon adoption of the standard.

Financial Condition

Liquidity and Capital Resources

Material changes in the balance sheet accounts from December 31, 2018 to June 30, 2019 include the following:

- A $16.6 million increase in accounts receivable due to timing of receipts.
- A $90.8 million increase in lease right of use assets due to the adoption of ASC 842.
- A $15.8 million increase in assets held for sale as a result of an agreement to trade-in certain transportation equipment to offset replacement equipment expected to be delivered in 2020.
- A $13.2 decrease in accrued compensation due to the payments of cash bonuses in 2019 accrued in 2018.
- A $6.6 million increase in accrued legal primarily due to a $6.0 million litigation settlement at VITAS.
- A $31.6 million and $70.0 million increase in short-term and long-term lease liability, respectively, due to the adoption of ASC 842.
- A $101.8 million increase in treasury stock due mainly to stock repurchases.

Net cash provided by operating activities decreased $12.1 million from June 30, 2018 to June 30, 2019. Significant changes in our accounts receivable balances are typically driven by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $40.0 million from the Federal government from hospice services every other Friday. The timing of period end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two year period, as cash flow variations in one year are offset in the following year.

Management continually evaluates cash utilization alternatives, including share repurchase, debt repurchase, acquisitions and increased dividends to determine the most beneficial use of available capital resources.

On June 20, 2018, we replaced our existing credit agreement with the Fourth Amended and Restated Credit Agreement ("2018 Credit Agreement"). Terms of the 2018 Credit Agreement consist of a five year, $450 million revolving credit facility and a $150 million expansion feature, which may consist of term loans or additional revolving commitments. The revolving credit facility has a five year maturity with principal payments due at maturity. The interest rate at the inception of the agreement is LIBOR plus 100 basis points. The 2018 Credit Agreement has a floating interest rate that is generally LIBOR plus a tiered additional rate which varies based on our current leverage ratio.

We have issued $38.0 million in standby letters of credit as of June 30, 2019, mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of June 30, 2019, we have approximately $327.0 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

Commitments and Contingencies

Collectively, the terms of our credit agreements require us to meet various financial covenants, to be tested quarterly. We are in compliance with all financial and other debt covenants as of June 30, 2019 and anticipate remaining in compliance throughout the foreseeable future.

The VITAS segment of the Company's business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, as well as to lawsuits, including *qui tam* actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. Other than as described below, it is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or reasonably estimable.

On October 30, 2017, the Company entered into a settlement agreement (the "Settlement Agreement") to resolve civil litigation under the False Claims Act brought by the United States Department of Justice ("DOJ") on behalf of the OIG and various relators concerning VITAS, filed in the U.S. District Court of the Western District of Missouri (the "2013 Action"). The Company denied any violation of law and agreed to settlement without admission of wrongdoing.

In connection with the settlement VITAS and certain of its subsidiaries entered into a corporate integrity agreement ("CIA") on October 30, 2017. The CIA formalizes various aspects of VITAS' already existing Compliance Program and contains requirements designed to document compliance with federal healthcare program requirements. It has a term of five years during which it imposes monitoring, reporting, certification, oversight, screening and training obligations, certain of which had previously been implemented by VITAS. It also requires VITAS to engage an Independent Review Organization to perform audit and review functions and to prepare reports regarding compliance with federal healthcare programs. In the event of breach of the CIA, VITAS could become liable for payment of stipulated penalties or could be excluded from participation in federal healthcare programs.

Jordan Seper ("Seper"), a Registered Nurse at VITAS' Inland Empire program from May 12, 2014 to March 21, 2015, filed a lawsuit in San Francisco Superior Court on September 26, 2016. She alleged VITAS Healthcare Corp of CA ("VITAS CA") (1) failed to provide minimum wage for all hours worked; (2) failed to provide overtime for all hours worked; (3) failed to provide a second meal period; (4) failed to provide rest breaks; (5) failed to indemnify for necessary expenditures; (6) failed to timely pay wages due at time of separation; and (7) engaged in unfair business practices. Seper sought a state-wide class action of current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of the lawsuit. She sought court determination that this action may be maintained as a class action for the entire California class and subclasses, designation as class representative, declaratory relief, injunctive relief, damages (including wages for regular or overtime hours allegedly worked but not paid, premium payments for missed meal or rest periods, and unreimbursed expenses), all applicable penalties associated with each claim, pre and post-judgment interest, and attorneys' fees and costs. Seper served VITAS CA with the lawsuit, *Jordan A. Seper on behalf of herself and others similarly situated v. VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corp of CA, a business entity unknown; and DOES 1 to 100, inclusive*; Los Angeles Superior Court Case Number BC 642857 on October 13, 2016 ("Jordan Seper case").

The Los Angeles Superior Court Complex Division accepted transfer of the case on December 6, 2016 and stayed the case. On December 16, 2016, VITAS CA filed its Answer and served written discovery on Seper.

Jiwann Chhina ("Chhina"), hired by VITAS as a Home Health Aide on February 5, 2002, is currently a Licensed Vocational Nurse for VITAS' San Diego program. On September 27, 2016, Chhina filed a lawsuit in San Diego Superior Court, alleging (1) failure to pay minimum wage for all hours worked; (2) failure to provide overtime for all hours worked; (3) failure to pay wages for all hours at the regular rate; (4) failure to provide meal periods; (5) failure to provide rest breaks; (6) failure to provide complete and accurate wage statements; (7) failure to pay for all reimbursement expenses; (8) unfair business practices; and (9) violation of the California Private Attorneys General Act. Chhina sought to pursue these claims in the form of a state-wide class action of current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of the lawsuit. He sought court determination that this action may be maintained as a class action for the entire California class and subclasses, designation as class representative, declaratory relief, injunctive relief, damages (including wages for regular or overtime hours allegedly worked but not paid, premium payments for missed meal or rest period, and unreimbursed expenses), all applicable penalties associated with each claim, pre-judgment interest, and attorneys' fees and costs. Chhina served VITAS CA with the lawsuit, *Jiwan Chhina v. VITAS Health Services of California, Inc., a California corporation; VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corporation of California, a Delaware corporation dba VITAS Healthcare Inc.; and DOES 1 to 100, inclusive*; San Diego Superior Court Case Number 37-2015-00033978-CU-OE-CTL on November 3, 2016 ("Jiwann Chhina case"). On December 1, 2016, VITAS CA filed its Answer and served written discovery on Chhina.

On May 19, 2017, Chere Phillips (a Home Health Aide in Sacramento) and Lady Moore (a former Social Worker in Sacramento) filed a lawsuit against VITAS CA in Sacramento County Superior Court, alleging claims for (1) failure to pay all wages due; (2) failure to authorize and permit rest periods; (3) failure to provide off-duty meal periods; (4) failure to furnish accurate wage statements; (5) unreimbursed business expenses; (6) waiting time penalties; (7) violations of unfair competition law; and (8) violation of the Private Attorneys General Act. The case is captioned: *Chere Phillips and Lady Moore v. VITAS Healthcare Corporation of California*, Sacramento County Superior Court, Case No. 34-2017-0021-2755. Plaintiffs sought to pursue these claims in the form of a state-wide class action of current and former non-exempt employees employed with VITAS CA in California within the four years preceding the filing of the lawsuit. Plaintiffs served VITAS with the lawsuit on June 5, 2017. VITAS CA timely answered the Complaint generally denying the Plaintiffs' allegations. The Court has stayed all class discovery in this case pending resolution of the Jordan Seper and Jiwann Chhina cases.

There are currently three other lawsuits against VITAS pending in the superior courts of other California counties that contain claims and class periods that substantially overlap with Phillips' and Moore's claims: the Jordan Seper and Jiwann Chhina cases, and *Williams v. VITAS Healthcare Corporation of California*, filed on May 22, 2017 in Alameda County Superior Court, RG 17853886.

Jazzina Williams' (a Home Health Aide in Sacramento) lawsuit alleges claims for (1) failure to pay all wages due; (2) failure to authorize and permit rest periods; (3) failure to provide off-duty meal periods; (4) failure to furnish accurate wage statements; (5) unreimbursed business expenses; (6) waiting time penalties; and (7) violations of the Private Attorneys General Act ("PAGA"). Williams seeks to pursue these claims both individually and as a representative action under the PAGA on behalf of current and former California non-exempt employees. Plaintiff served VITAS with the lawsuit on May 31, 2017. VITAS CA timely answered the Complaint generally denying Plaintiff's allegations. Williams is pursing discovery of her individual claim and has agreed to a stay of class discovery pending possible resolution through ongoing mediation in the Jordan Seper and Jiwann Chhina cases. Defendant filed and served each of Plaintiffs Williams, Phillips, and Moore with a Notice of Related Cases on July 19, 2017.

The *Seper* and *Chhina* cases were consolidated in Los Angeles County Superior Court; *Chhina* was dismissed as a separate action and joined with *Seper* in the filing of amended complaint on August 28, 2018, in which both *Chhina* and *Seper* were identified as named plaintiffs. The parties engaged in a mediation process beginning in October 2018 and concluded with an agreement in March 2019. The agreement has been incorporated into a long-form agreement to be presented to the court for preliminary approval, notice to class members, and eventual final approval and payment. The settlement amount, subject to court approval is $5.75 million plus employment taxes. The definition of the class to participate in the settlement is intended to cover claims raised in the consolidated *Seper/Chhina* matter, claims raised in *Phillips and Moore*, as well as any class claims in *Williams*.

Alfred Lax ("Lax"), a current employee of Roto-Rooter Services Company ("RRSC"), was hired in the RRSC's Menlo Park branch in 2007. On November 30, 2018, Lax filed a class action lawsuit in Santa Clara County Superior Court alleging (1) failure to provide or compensate for required rest breaks; (2) failure to properly pay for all hours worked; (3) failure to provide accurate wage statements; (4) failure to reimburse for work-related expenses; and (5) unfair business practices. Lax has stated these claims as a representative of a class defined as all service technicians employed by RRSC in California during the four years preceding the filing of the complaint. He seeks a determination that the action may proceed and be maintained as a class action and for compensatory and statutory damages (premium payments for missed rest periods, uncompensated rest periods, wages for time allegedly not paid such as travel time, repair time, and vehicle maintenance time, and unreimbursed expenses), penalties and restitutions, pre- and post-judgement interest and attorneys' fees and costs. The lawsuit, *Alfred Lax, on behalf of himself and all others similarly situated v. Roto-Rooter Services Company, and Does 1 through 50 inclusive;* Santa Clara County Superior Court Case Number 18CV338652, was received by RRSC on December 11, 2018 and RRSC timely filed its answer denying the claims.

The Company is not able to reasonably estimate the probability of loss or range of loss for any of these lawsuits at this time, with the exception of *Seper/Chhina*, *Phillips and Moore*, and the class claims in *Williams*.

The Company intends to defend vigorously against the allegations in each of the above lawsuits. Regardless of the outcome of any of the preceding matters, dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, diversion of management time, and related publicity. Although the Company intends to defend them vigorously, there can be no assurance that those suits will not have a material adverse effect on the Company.

Results of Operations

Three months ended June 30, 2019 versus 2018 - Consolidated Results

Our service revenues and sales for the second quarter of 2019 increased 7.2% versus services and sales revenues for the second quarter of 2018. Of this increase, a $16.0 million increase was attributable to VITAS and $15.8 million increase was attributable to Roto-Rooter. The following chart shows the components of revenue by operating segment (in thousands):

	Three months ended June 30,	
	2019	**2018**
VITAS		
Routine homecare	$ **266,461**	$ 250,381
Continuous care	**30,786**	30,513
General inpatient	**22,894**	20,077
Other	**2,237**	1,998
Medicare cap adjustment	**(3,198)**	(536)
Room and board - net	**(2,710)**	(2,675)
Implicit price concessions	**(3,720)**	(2,959)
Roto-Rooter		
Drain cleaning - short term core	**45,558**	41,959
Plumbing - short term core	**33,837**	30,538
Subtotal	**79,395**	72,497
Excavation - short term core	**35,172**	32,014
Water restoration	**28,239**	24,765
Contractor operations	**14,580**	12,366
Outside franchisee fees	**1,623**	1,574
Other - short term core	**576**	575
Other	**2,974**	2,835
Implicit price concessions	**(1,725)**	(1,612)
Total	$ **473,584**	$ 441,813

Days of care at VITAS during the quarter ended June 30 were as follows:

	Days of Care		Increase/(Decrease)
	2019	**2018**	**Percent**
Routine homecare	**1,621,837**	1,534,162	5.7
Continuous care	**41,804**	42,488	(1.6)
General inpatient	**36,332**	28,971	25.4
Total days of care	**1,699,973**	1,605,621	5.9

The remaining increase in VITAS' revenues for the second quarter of 2019 versus the second quarter of 2018 was primarily comprised of a geographically weighted average Medicare reimbursement rate increase of approximately 0.5% offset by $3.2 million in Medicare cap revenue reductions compared to a Medicare cap revenue reduction of $536,000 in 2018. Over 90% of VITAS' service revenues for the period were from Medicare and Medicaid.

The increase in plumbing revenues for the second quarter of 2019 versus 2018 is attributable to a 6.6% increase in price and service mix shift and a 4.2% increase in job count. The increase in excavation revenues for the second quarter of 2019 versus 2018 is attributable to a 5.5% increase in price and service mix shift and a 4.4% increase in job count. Drain cleaning revenues for the second quarter of 2019 versus 2018 reflect a 6.3% increase in price and service mix shift and a 2.3% increase in job count. Water restoration revenue for the second quarter of 2019 versus 2018 is attributable to a 7.1% increase in price and service mix shift and a 6.9% increase in job count. Contractor operations increased 17.9% mainly due to their expansion into water restoration.

The consolidated gross margin was 31.7% in the second quarter of 2019 as compared with 30.8% in the second quarter of 2018. On a segment basis, VITAS' gross margin was 22.9% in the second quarter of 2019 as compared with 21.5%, in the second quarter of 2018 primarily due to improved labor management and reduced ancillary costs. The Roto-Rooter segment's gross margin was 48.7% for the second quarter of 2019 compared with 49.9% in the second quarter of 2018 primarily due to higher labor costs and medical insurance claims in the second quarter of 2019.

Selling, general and administrative expenses ("SG&A") comprise (in thousands):

	Three months ended June 30, 2019	2018
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	$ 70,300	$ 66,296
Impact of market value adjustments related to assets held in deferred compensation trusts	1,386	1,222
Long-term incentive compensation	(130)	779
Total SG&A expenses	$ 71,556	$ 68,297

Other operating expenses increased $2.7 million from the second quarter of 2018 primarily as a result of a $2.3 million impairment of transportation equipment held for sale recorded in the second quarter of 2019.

Other income - net comprise (in thousands):

	Three months ended June 30, 2019	2018
Market value adjustment on assets held in deferred compensation trusts	$ (130)	$ 779
Interest income	112	259
Other	31	-
Total other income - net	$ 13	$ 1,038

Our effective tax rate reconciliation is as follows:

	Three months ended June 30, 2019	2018
Income tax provision calculated at the statutory federal rate	$ 13,504	$ 12,108
Stock compensation tax benefits	(2,867)	(10,448)
State and local income taxes	1,868	186
Other--net	1,070	838
Income tax provision	$ 13,575	$ 2,684
Effective tax rate	21.1 %	4.7 %

Net income for both periods included the following after-tax items/adjustments that (reduced) or increased after-tax earnings (in thousands):

	Three months ended June 30, 2019	2018
VITAS		
Litigation settlement	$ -	$ 152
Medicare cap sequestration adjustment	(1,253)	(138)
Non cash ASC 842 benefit	(1)	-
Roto-Rooter		
Amortization of acquired and cancelled franchise agreements	(244)	-
Acquisition expenses	(71)	-
Corporate		
Excess tax benefits on stock compensation	3,212	11,702
Stock option expense	(3,197)	(2,900)
Impairment loss on transportation equipment	(1,733)	-
Long-term incentive compensation	(1,199)	(1,003)
Total	$ (4,486)	$ 7,813

Three months ended June 30, 2019 versus 2018 - Segment Results

Net income/(loss) for the second quarter of 2019 versus the second quarter of 2018 by segment (in thousands):

	Three months ended June 30, 2019	2018
VITAS	$ 37,339	$ 31,785
Roto-Rooter	27,175	25,298
Corporate	(13,785)	(2,112)
	$ 50,729	$ 54,971

VITAS' after-tax earnings were positively impacted in 2019 compared to 2018 due to higher revenue and improved labor management and ancillary costs. After-tax earnings as a percent of revenue at VITAS in the second quarter of 2019 was 11.9% as compared to 10.7% in the second quarter of 2018.

Roto-Rooter's net income was positively impacted in 2019 compared to 2018 primarily by higher revenue. After-tax earnings as a percent of revenue at Roto-Rooter in the second quarter of 2019 was 16.9% as compared to 17.4% in the second quarter of 2018.

After-tax Corporate expenses for 2019 increased 552.7% when compared to 2018 due mainly to a $8.5 million decrease in the excess tax benefits on stock compensation and a $2.3 million ($1.7 million after-tax) impairment of transportation equipment held for sale.

Results of Operations

Six months ended June 30, 2019 versus 2018 - Consolidated Results

Our service revenues and sales for the first six months of 2019 increased 6.2% versus services and sales revenues for the first six months of 2018. Of this increase, a $30.7 million increase was attributable to VITAS and $23.9 million increase was attributable to Roto-Rooter. The following chart shows the components of revenue by operating segment (in thousands):

	Six months ended June 30, 2019	2018
VITAS		
Routine homecare	$ 525,312	$ 491,412
Continuous care	63,030	61,279
General inpatient	45,464	42,186
Other	4,242	3,740
Medicare cap adjustment	(6,598)	1,282
Room and board - net	(5,252)	(5,294)
Implicit price concessions	(6,667)	(5,792)
Roto-Rooter		
Drain cleaning - short term core	89,700	83,289
Plumbing - short term core	65,892	61,349
Subtotal	155,592	144,638
Excavation - short term core	69,457	63,335
Water restoration	55,891	52,502

Contractor operations	**28,589**	24,731
Outside franchisee fees	**3,245**	3,165
Other - short term core	**1,153**	1,199
Other	**5,981**	6,155
Implicit price concessions	**(3,821)**	(3,549)
Total	$ **935,618**	$ 880,989

Days of care at VITAS during the six months ended June 30 were as follows:

	Days of Care		Increase/(Decrease)
	2019	2018	Percent
Routine homecare	**3,193,505**	3,008,130	6.2
Continuous care	**85,727**	85,685	0.0
General inpatient	**71,783**	60,641	18.4
Total days of care	**3,351,015**	3,154,456	6.2

The remaining increase in VITAS' revenues for the first six months of 2019 versus the first six months of 2018 was primarily comprised of a geographically weighted average Medicare reimbursement rate increase of approximately 0.5% offset by $6.6 million in Medicare cap revenue reductions compared to Medicare cap reversal of $1.3 million in 2018. Over 90% of VITAS' service revenues for the period were from Medicare and Medicaid.

The increase in plumbing revenues for the first six months of 2019 versus 2018 is attributable to a 6.0% increase in price and service mix shift and by a 1.4% increase in job count. The increase in excavation revenues for the first six months of 2019 versus 2018 is attributable to a 11.0% increase in price and service mix shift offset by a 1.3% decrease in job count. Drain cleaning revenues for the first six months of 2019 versus 2018 reflect a 5.6% increase in price and service mix shift and a 2.1% increase in job count. The increase in water restoration revenue for the first six months of 2019 versus 2018 is attributable to a 3.2% increase in price and service mix shift and a 3.3% increase in job count. Contractor operations increased 15.6% mainly due to their expansion into water restoration.

The consolidated gross margin was 31.0% in the first six months of 2019 as compared with 30.7% in the first six months of 2018 primarily. On a segment basis, VITAS' gross margin was 22.4% in the first six months of 2019 as compared

with 21.8%, in the first six months of 2018 primarily due to improved labor management and ancillary costs. The Roto-Rooter segment's gross margin was 47.9% for the first six months of 2019 compared with 48.7% in the first six months of 2018 primarily due to higher labor costs.

Selling, general and administrative expenses ("SG&A") comprise (in thousands):

	Six months ended June 30,	
	2019	2018
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	$ **140,504**	$ 132,517
Long-term incentive compensation	**2,874**	3,142
Impact of market value adjustments related to assets held in deferred compensation trusts	**2,207**	1,638
Total SG&A expenses	$ **145,585**	$ 137,297

Other operating expenses increased $9.1 million from the first six months of 2018 primarily as a result of a $6.0 million litigation settlement at VITAS and a $2.3 million impairment of transportation equipment held for sale recorded in the first six months of 2019.

Other income - net comprise (in thousands):

	Six months ended June 30,	
	2019	2018
Market value adjustment on assets held in deferred compensation trusts	$ **2,207**	$ 1,638
Interest income	**214**	417
Other	**31**	1
Total other income - net	$ **2,452**	$ 2,056

Our effective tax rate reconciliation is as follows:

	Six months ended June 30,	
	2019	2018
Income tax provision calculated at the statutory federal rate	$ **24,169**	$ 23,911
Stock compensation tax benefits	**(8,876)**	(13,839)
State and local income taxes	**3,470**	2,790
Other--net	**932**	1,034
Income tax provision	$ **19,695**	$ 13,896
Effective tax rate	**17.1** %	12.2 %

Net income for both periods included the following after-tax items/adjustments that (reduced) or increased after-tax earnings (in thousands):

	Six Months Ended June 30,	
	2019	2018
VITAS		
Litigation settlement	$ **(4,476)**	$ 152
Medicare cap sequestration adjustment	**(1,640)**	(401)
Acquisition expenses	**(490)**	-
Roto-Rooter		
Amortization of acquired and cancelled franchise agreements	**(568)**	-
Acquisition expenses	**(71)**	-
Expenses related to litigation settlements	**(40)**	-
Corporate		
Excess tax benefits on stock compensation	**9,944**	15,500
Stock option expense	**(6,524)**	(5,791)
Long-term incentive compensation	**(2,429)**	(2,502)
Impairment loss on transportation equipment	**(1,733)**	-
Non cash ASC 842 benefit	**124**	-
Acquisition expenses	**(91)**	-
Total	$ **(7,994)**	$ 6,958

Six months ended June 30, 2019 versus 2018 - Segment Results

Net income/(loss) for the first six months of 2019 versus the first six months of 2018 by segment (in thousands):

	Six months ended June 30,	
	2019	2018
VITAS	$ **66,626**	$ 63,800
Roto-Rooter	**50,162**	48,236
Corporate	**(21,392)**	(12,069)
	$ **95,396**	$ 99,967

VITAS' after-tax earnings were positively impacted in 2019 compared to 2018 due to higher revenue offset by the impact of a litigation settlement of approximately $6.0 million ($4.5 million after-tax). After-tax earnings as a percent of revenue at VITAS in the first six months of 2019 and 2018 was 10.8%.

Roto-Rooter's net income was positively impacted in 2019 compared to 2018 primarily by higher revenue. After-tax earnings as a percent of revenue at Roto-Rooter in the first six months of 2019 was 15.9% as compared to 16.5% in the first six months of 2018.

After-tax Corporate expenses for 2019 decreased 77.2% when compared to 2018 due mainly to a $5.6 million decrease in the excess tax benefits on stock compensation and a $2.3 million ($1.7 million after-tax) impairment of transportation equipment held for sale.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2019
(in thousands)(unaudited)

2019 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 312,750	$ 160,834	$ -	$ 473,584
Cost of services provided and goods sold	241,104	82,533	-	323,637
Selling, general and administrative expenses	21,682	39,377	10,497	71,556
Depreciation	4,831	5,017	39	9,887
Amortization	18	388	-	406
Other operating expense	69	235	2,266	2,570
Total costs and expenses	267,704	127,550	12,802	408,056
Income/(loss) from operations	45,046	33,284	(12,802)	65,528
Interest expense	(53)	(100)	(1,084)	(1,237)
Intercompany interest income/(expense)	4,382	2,180	(6,562)	-
Other income—net	101	42	(130)	13
Income/(expense) before income taxes	49,476	35,406	(20,578)	64,304
Income taxes	(12,137)	(8,231)	6,793	(13,575)
Net income/(loss)	$ 37,339	$ 27,175	$ (13,785)	$ 50,729

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (3,929)	$ (3,929)
Impairment loss on transportation equipment	-	-	(2,266)	(2,266)
Medicare cap sequestration	(1,689)	-	-	(1,689)
Long-term incentive compensation	-	-	(1,386)	(1,386)
Amortization of acquired and cancelled franchise agreements	-	(331)	-	(331)
Acquisition expenses	-	(97)	-	(97)
Total	$ (1,689)	$ (428)	$ (7,581)	$ (9,698)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (3,197)	$ (3,197)
Impairment loss on transportation equipment	-	-	(1,733)	(1,733)
Medicare cap sequestration	(1,253)	$ -	-	(1,253)
Long-term incentive compensation	-	-	(1,199)	(1,199)
Amortization of acquired and cancelled franchise agreements	-	(244)	-	(244)
Acquisition expenses	-	(71)	-	(71)
Non cash ASC 842 expenses	(1)	-	-	(1)
Excess tax benefits on stock compensation	-	-	3,212	3,212
Total	$ (1,254)	$ (315)	$ (2,917)	$ (4,486)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2018
(in thousands)(unaudited)

2018 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 296,799	$ 145,014	$ -	$ 441,813
Cost of services provided and goods sold	233,073	72,668	-	305,741
Selling, general and administrative expenses	20,702	35,909	11,686	68,297
Depreciation	5,050	4,628	40	9,718
Amortization	-	34	-	34
Other operating expenses	(67)	(51)	-	(118)
Total costs and expenses	258,758	113,188	11,726	383,672
Income/(loss) from operations	38,041	31,826	(11,726)	58,141
Interest expense	(53)	(92)	(1,379)	(1,524)
Intercompany interest income/(expense)	3,124	1,739	(4,863)	-
Other income—net	238	21	779	1,038
Income/(expense) before income taxes	41,350	33,494	(17,189)	57,655
Income taxes	(9,565)	(8,196)	15,077	(2,684)
Net income/(loss)	$ 31,785	$ 25,298	$ (2,112)	$ 54,971

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (3,652)	$ (3,652)
Long-term incentive compensation	-	-	(1,222)	(1,222)
Litigation settlement	204	-	-	204
Medicare cap sequestration adjustment	(185)	-	-	(185)
Total	$ 19	$ -	$ (4,874)	$ (4,855)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (2,900)	$ (2,900)
Long-term incentive compensation	-	-	(1,003)	(1,003)
Litigation settlement	152	-	-	152
Medicare cap sequestration adjustment	(138)	-	-	(138)
Excess tax benefits on stock compensation	-	-	11,702	11,702
Total	$ 14	$ -	$ 7,799	$ 7,813

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(in thousands)(unaudited)

2019 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 619,531	$ 316,087	$ -	$ 935,618
Cost of services provided and goods sold	480,847	164,741	-	645,588
Selling, general and administrative expenses	43,218	78,978	23,389	145,585
Depreciation	9,539	9,980	78	19,597
Amortization	35	890	-	925
Other operating expenses	6,423	234	2,266	8,923
Total costs and expenses	540,062	254,823	25,733	820,618
Income/(loss) from operations	79,469	61,264	(25,733)	115,000
Interest expense	(101)	(194)	(2,066)	(2,361)
Intercompany interest income/(expense)	8,777	4,375	(13,152)	-
Other income/(expense)—net	188	56	2,208	2,452
Income/(expense) before income taxes	88,333	65,501	(38,743)	115,091
Income taxes	(21,707)	(15,339)	17,351	(19,695)
Net income/(loss)	$ 66,626	$ 50,162	$ (21,392)	$ 95,396

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (8,018)	$ (8,018)
Litigation settlement	(6,000)	-	-	(6,000)
Long-term incentive compensation	-	-	(2,874)	(2,874)
Impairment loss on transportation equipment	-	-	(2,266)	(2,266)
Medicare cap sequestration adjustment	(2,204)	-	-	(2,204)
Amortization of acquired and cancelled franchise agreements	-	(772)	-	(772)
Non cash ASC 842 (expenses)/benefit	(656)	(55)	163	(548)
Acquisition expenses	-	(97)	(120)	(217)
Total	$ (8,860)	$ (924)	$ (13,115)	$ (22,899)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (6,524)	$ (6,524)
Litigation settlement	(4,476)	-	-	(4,476)
Long-term incentive compensation	-	-	(2,429)	(2,429)
Impairment loss on transportation equipment	-	-	(1,733)	(1,733)
Medicare cap sequestration adjustment	(1,640)	-	-	(1,640)
Amortization of acquired and cancelled franchise agreements	-	(568)	-	(568)
Non cash ASC 842 (expenses)/benefit	(490)	(40)	124	(406)
Acquisition expenses	-	(71)	(91)	(162)
Excess tax benefits on stock compensation	-	-	9,944	9,944
Total	$ (6,606)	$ (679)	$ (709)	$ (7,994)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(in thousands)(unaudited)

2018 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 588,813	$ 292,176	$ -	$ 880,989
Cost of services provided and goods sold	460,329	149,948	-	610,277
Selling, general and administrative expenses	41,213	72,006	24,078	137,297
Depreciation	9,846	9,072	67	18,985
Amortization	-	61	-	61
Other operating expenses	(84)	(85)	-	(169)
Total costs and expenses	511,304	231,002	24,145	766,451
Income/(loss) from operations	77,509	61,174	(24,145)	114,538
Interest expense	(104)	(184)	(2,443)	(2,731)
Intercompany interest income/(expense)	6,218	3,417	(9,635)	-
Other income—net	380	37	1,639	2,056
Income/(expense) before income taxes	84,003	64,444	(34,584)	113,863
Income taxes	(20,203)	(16,208)	22,515	(13,896)
Net income/(loss)	$ 63,800	$ 48,236	$ (12,069)	$ 99,967

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (7,305)	$ (7,305)
Long-term incentive compensation	-	-	(3,142)	(3,142)
Medicare cap sequestration adjustment	(537)	-	-	(537)
Litigation settlement	204	-	-	204
Total	$ (333)	$ -	$ (10,447)	$ (10,780)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (5,791)	$ (5,791)
Long-term incentive compensation	-	-	(2,502)	(2,502)
Medicare cap sequestration adjustment	(401)	-	-	(401)
Litigation settlement	152	-	-	152
Excess tax benefits on stock compensation	-	-	15,500	15,500
Total	$ (249)	$ -	$ 7,207	$ 6,958

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies

(in thousands) For the three months ended June 30, 2019	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	**$ 37,339**	**$ 27,175**	**$ (13,785)**	**$ 50,729**
Add/(deduct):				
Interest expense	**53**	**100**	**1,084**	**1,237**
Income taxes	**12,137**	**8,231**	**(6,793)**	**13,575**
Depreciation	**4,831**	**5,017**	**39**	**9,887**
Amortization	**18**	**388**	**-**	**406**
EBITDA	**54,378**	**40,911**	**(19,455)**	**75,834**
Add/(deduct):				
Intercompany interest expense/(income)	**(4,382)**	**(2,180)**	**6,562**	**-**
Interest income	**(69)**	**(43)**	**-**	**(112)**
Stock option expense	**-**	**-**	**3,929**	**3,929**
Impairment loss on transportation equipment	**-**	**-**	**2,266**	**2,266**
Medicare cap sequestration adjustment	**1,689**	**-**	**-**	**1,689**
Long-term incentive compensation	**-**	**-**	**1,386**	**1,386**
Acquisition expense	**-**	**97**	**-**	**97**
Adjusted EBITDA	**$ 51,616**	**$ 38,785**	**$ (5,312)**	**$ 85,089**

For the three months ended June 30, 2018	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 31,785	$ 25,298	$ (2,112)	$ 54,971
Add/(deduct):				
Interest expense	53	92	1,379	1,524
Income taxes	9,565	8,196	(15,077)	2,684
Depreciation	5,050	4,628	40	9,718
Amortization	-	34	-	34
EBITDA	46,453	38,248	(15,770)	68,931
Add/(deduct):				
Intercompany interest expense/(income)	(3,124)	(1,739)	4,863	-
Interest income	(237)	(22)	-	(259)
Stock option expense	-	-	3,652	3,652
Long-term incentive compensation	-	-	1,222	1,222
Litigation settlement	(204)	-	-	(204)
Medicare cap sequestration adjustment	185	-	-	185
Amortization of stock awards	37	35	83	155
Adjusted EBITDA	$ 43,110	$ 36,522	$ (5,950)	$ 73,682

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies

(in thousands) **For the six months ended June 30, 2019**	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	$ 66,626	$ 50,162	$ (21,392)	$ 95,396
Add/(deduct):				
Interest expense	101	194	2,066	2,361
Income taxes	21,707	15,339	(17,351)	19,695
Depreciation	9,539	9,980	78	19,597
Amortization	35	890	-	925
EBITDA	98,008	76,565	(36,599)	137,974
Add/(deduct):				
Intercompany interest expense/(income)	(8,777)	(4,375)	13,152	-
Interest income	(157)	(56)	-	(213)
Stock option expense	-	-	8,018	8,018
Litigation settlement	6,000	-	-	6,000
Long-term incentive compensation	-	-	2,874	2,874
Impairment loss on transportation equipment	-	-	2,266	2,266
Medicare cap sequestration adjustment	2,204	-	-	2,204
Non cash ASC 842 expenses/(benefit)	656	55	(163)	548
Acquisition expenses	-	97	120	217
Adjusted EBITDA	$ 97,934	$ 72,286	$ (10,332)	$ 159,888

For the six months ended June 30, 2018	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	$ 63,800	$ 48,236	$ (12,069)	$ 99,967
Add/(deduct):				
Interest expense	104	184	2,443	2,731
Income taxes	20,203	16,208	(22,515)	13,896
Depreciation	9,846	9,072	67	18,985
Amortization	-	61	-	61
EBITDA	93,953	73,761	(32,074)	135,640
Add/(deduct):				
Intercompany interest expense/(income)	(6,218)	(3,417)	9,635	-
Interest income	(380)	(37)	-	(417)
Stock option expense	-	-	7,305	7,305
Long-term incentive compensation	-	-	3,142	3,142
Medicare cap sequestration adjustment	537	-	-	537
Stock award amortization	107	100	239	446
Litigation settlement	(204)	-	-	(204)
Adjusted EBITDA	$ 87,795	$ 70,407	$ (11,753)	$ 146,449

RECONCILIATION OF ADJUSTED NET INCOME
(in thousands, except per share data)(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	**2019**	2018
Net income as reported	**$ 50,729**	$ 54,971	**$ 95,396**	$ 99,967
Add/(deduct) pre-tax cost of:				
Stock option expense	**3,929**	3,652	**8,018**	7,305
Litigation settlement	**-**	(204)	**6,000**	(204)
Long-term incentive compensation	**1,386**	1,222	**2,874**	3,142
Impairment loss on transportation equipment	**2,266**	-	**2,266**	-

Medicare cap sequestration adjustment	**1,689**	185	**2,204**	537
Amortization of acquired and cancelled franchise agreements	**331**	-	**772**	-
Non cash ASC 842 expenses	**-**	-	**548**	-
Acquisition expenses	**97**	-	**217**	-
Add/(deduct) tax impacts:				
Tax impact of the above pre-tax adjustments (1)	**(2,000)**	(966)	**(4,961)**	(2,238)
Excess tax benefits on stock compensation	**(3,212)**	(11,702)	**(9,944)**	(15,500)
Adjusted net income	**$ 55,215**	$ 47,158	**$ 103,390**	$ 93,009
Diluted Earnings Per Share As Reported				
Net income	**$ 3.08**	$ 3.27	**$ 5.79**	$ 5.93
Average number of shares outstanding	**16,449**	16,811	**16,489**	16,854
Adjusted Diluted Earnings Per Share				
Adjusted net income	**$ 3.36**	$ 2.81	**$ 6.27**	$ 5.52
Adjusted average number of shares outstanding	**16,449**	16,811	**16,489**	16,854

(1) The tax impact of pre-tax adjustments was calculated using the effective tax rate of the operating unit for which each adjustment is associated.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
OPERATING STATISTICS FOR VITAS SEGMENT
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
OPERATING STATISTICS	**2019**	2018	**2019**	2018
Net revenue ($000)				
Homecare	**$ 266,461**	$ 250,381	**$ 525,312**	$ 491,412
Inpatient	**22,894**	20,077	**45,464**	42,186
Continuous care	**30,786**	30,513	**63,030**	61,279
Other	**2,237**	1,998	**4,242**	3,740
Subtotal	**$ 322,378**	$ 302,969	**$ 638,048**	$ 598,617
Room and board, net	**(2,710)**	(2,675)	**(5,252)**	(5,294)
Contractual allowances	**(3,720)**	(2,959)	**(6,667)**	(5,792)
Medicare cap allowance	**(3,198)**	(536)	**(6,598)**	1,282
Total	**$ 312,750**	$ 296,799	**$ 619,531**	$ 588,813
Net revenue as a percent of total before Medicare cap allowances				
Homecare	**82.7 %**	82.6 %	**82.3 %**	82.1 %
Inpatient	**7.1**	6.6	**7.1**	7.0
Continuous care	**9.5**	10.1	**9.9**	10.2
Other	**0.7**	0.7	**0.7**	0.7
Subtotal	**100.0**	100.0	**100.0**	100.0
Room and board, net	**(0.8)**	(0.9)	**(0.8)**	(0.9)
Contractual allowances	**(1.2)**	(1.0)	**(1.0)**	(1.0)
Medicare cap allowance	**(1.0)**	(0.1)	**(1.0)**	0.3
Total	**97.0 %**	98.0 %	**97.2 %**	98.4 %
Average daily census (days)				
Homecare	**14,482**	13,583	**14,364**	13,375
Nursing home	**3,382**	3,275	**3,318**	3,245
Routine homecare	**17,864**	16,858	**17,682**	16,620
Inpatient	**358**	318	**359**	335
Continuous care	**459**	467	**474**	473
Total	**18,681**	17,643	**18,515**	17,428
Total Admissions	**17,491**	16,658	**35,249**	35,137
Total Discharges	**17,008**	16,474	**34,350**	34,054
Average length of stay (days)	**91.1**	89.0	**91.2**	88.4
Median length of stay (days)	**16.0**	17.0	**15.0**	16.0
ADC by major diagnosis				
Cerebro	**35.7 %**	36.2 %	**35.8 %**	36.4 %
Neurological	**20.4**	18.6	**20.2**	18.6
Cancer	**12.7**	13.9	**12.7**	13.9
Cardio	**17.0**	16.6	**16.9**	16.4
Respiratory	**8.2**	8.3	**8.2**	8.2
Other	**6.0**	6.4	**6.2**	6.5
Total	**100.0 %**	100.0 %	**100.0 %**	100.0 %
Admissions by major diagnosis				
Cerebro	**20.6**	21.7 %	**20.7 %**	22.2 %
Neurological	**12.2**	11.1	**12.5**	11.2
Cancer	**29.2**	30.5	**28.6**	29.2
Cardio	**16.0**	15.6	**16.1**	15.6
Respiratory	**11.7**	10.8	**11.8**	11.3
Other	**10.3**	10.3	**10.3**	10.5
Total	**100.0 %**	100.0 %	**100.0 %**	100.0 %
Estimated uncollectible accounts as a percent of revenues	**1.2 %**	1.0 %	**1.1 %**	1.0 %
Accounts receivable --				
Days of revenue outstanding- excluding unapplied Medicare payments	**32.7**	31.9	**N.A.**	N.A.
Days of revenue outstanding- including unapplied Medicare payments	**27.7**	25.6	**N.A.**	N.A.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 Regarding Forward-Looking Information

Certain statements contained in this report are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believe”, “expect”, “hope”, “anticipate”, “plan” and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. These forward-looking statements are based on current expectations and assumptions and involve various known and unknown risks, uncertainties, contingencies and other factors, which could cause Chemed’s actual results to differ from those expressed in such forward-looking statements. Variances in any or all of the risks, uncertainties, contingencies, and other factors from our assumptions could cause actual results to differ materially from these forward-looking statements and trends. In addition, our ability to deal with the unknown outcomes of these events, many of which are beyond our control, may affect the reliability of projections and other financial matters. Investors are cautioned that such forward-looking statements are subject to inherent risk and there are no assurances that the matters contained in such statements will be achieved. Chemed does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of a new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company’s primary market risk exposure relates to interest rate risk exposure through its variable interest line of credit. At June 30, 2019, the Company had $85.0 million of variable rate debt outstanding. For each $10 million dollars borrowed under the credit facility, an increase or decrease of 100 basis points (1% point), increases or decreases the Company’s annual interest expense by $100,000.

The Company continually evaluates this interest rate exposure and periodically weighs the cost versus the benefit of fixing the variable interest rates through a variety of hedging techniques.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision of our President and Chief Executive Officer and with the participation of the Executive Vice President and Chief Financial Officer and the Vice President and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President and Controller have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. Except as discussed below, there has been no change in our internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In the first quarter of 2019, we implemented a new lease accounting system and process in response to the adoption of ASC 842, effective January 1, 2019. These implementations resulted in changes to components of our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding the Company’s legal proceedings, see note 11, Legal and Regulatory Matters, under Part I, Item I of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company’s most recent Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 2(c). Purchases of Equity Securities by Issuer and Affiliated Purchasers

The following table shows the activity related to our share repurchase program for the first six months of 2019:

	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share	Cumulative Shares Repurchased Under the Program	Dollar Amount Remaining Under The Program
February 2011 Program				
January 1 through January 31, 2019	-	$ -	8,376,864	$ 46,649,495
February 1 through February 28, 2019	91,893	327.84	8,468,757	166,522,918
March 1 through March 31, 2019	58,107	329.10	8,526,864	$ 147,399,943
First Quarter Total	150,000	$ 328.33		
April 1 through April 30, 2019	-	$ -	8,526,864	$ 147,399,943
May 1 through May 31, 2019	69,009	328.59	8,595,873	124,723,950
June 1 through June 30, 2019	-	-	8,595,873	$ 124,723,950
Second Quarter Total	69,009	$ 328.59		

On February 25, 2019 our Board of Directors authorized an additional $150 million under the February 2011 Repurchase Program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.2	Certification by David P. Williams pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.3	Certification by Michael D. Witzeman pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
32.1	Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by David P. Williams pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification by Michael D. Witzeman pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			Chemed Corporation (Registrant)
Dated:	July 31, 2019	By:	*/s/ Kevin J. McNamara* Kevin J. McNamara (President and Chief Executive Officer)
Dated:	July 31, 2019	By:	*/s/ David P. Williams* David P. Williams (Executive Vice President and Chief Financial Officer)
Dated:	July 31, 2019	By:	*/s/ Michael D. Witzeman* Michael D. Witzeman (Vice President and Controller)

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Kevin J. McNamara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");

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 officers 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 Rule 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 officers 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 function:

   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: July 31, 2019

/s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, David P. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");

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 officers 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 Rule 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 officers 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 function:

   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: July 31, 2019

/s/ David P. Williams
David P. Williams
(Executive Vice President and Chief Financial Officer)

EXHIBIT 31.3

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Michael D. Witzeman., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation (“registrant”);

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 officers 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 Rule 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 officers 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 function:

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: July 31, 2019

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President and Controller)

EXHIBIT 32.1

CERTIFICATION BY KEVIN J. MCNAMARA
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as President and Chief Executive Officer of Chemed Corporation (“Company”), does hereby certify that:

1) the Company’s Quarterly Report on Form 10-Q for the quarter ending June 30, 2019 (“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: July 31, 2019

/s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

EXHIBIT 32.2

CERTIFICATION BY DAVID P. WILLIAMS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Executive Vice President and Chief Financial Officer of Chemed Corporation ("Company"), does hereby certify that:

1) the Company's Quarterly Report on Form 10-Q for the quarter ending June 30, 2019 ("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: July 31, 2019

/s/ David P. Williams
David P. Williams
(Executive Vice President and Chief Financial Officer)

EXHIBIT 32.3

CERTIFICATION BY MICHAEL D. WITZEMAN
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Vice President and Controller of Chemed Corporation (“Company”), does hereby certify that:

1) the Company’s Quarterly Report on Form 10-Q for the quarter ending June 30, 2019 (“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: July 31, 2019

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President and Controller)