

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

FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported):
February 20, 2019

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

Delaware
(State or other
jurisdiction of
incorporation)

1-8351
(Commission File Number)

31-0791746
(I.R.S. Employer
Identification
Number)

2600 First Financial Center, 255 East 5th Street, Cincinnati, OH45202
(Address of principal executive offices)(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On February 20, 2019, Chemed Corporation issued a press release announcing its financial results for the quarter ended December 31, 2018. A copy of the release is furnished herewith as Exhibit 99.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

d) Exhibit

[\(99\) Registrant's press release dated February 20, 2019](#)

SIGNATURES

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

CHEMED CORPORATION

Dated: February 20, 2019

By: /s/ Michael D. Witzeman
Michael D. Witzeman
Vice President and Controller

Chemed Reports Fourth-Quarter 2018 Results

CINCINNATI--(BUSINESS WIRE)--February 20, 2019--Chemed Corporation (Chemed) (NYSE: CHE), which operates VITAS Healthcare Corporation (VITAS), one of the nation's largest providers of end-of-life care, and Roto-Rooter, the nation's largest commercial and residential plumbing and drain cleaning services provider, reported financial results for its fourth quarter ended December 31, 2018, versus the comparable prior-year period, as follows:

Consolidated operating results:

- Revenue increased 6.8% to \$458 million
- GAAP Diluted Earnings-per-Share (EPS) of \$3.26
- Adjusted Diluted EPS of \$3.35, an increase of 44.4%

VITAS segment operating results:

- Net Patient Revenue of \$307 million, an increase of 5.0%
- Average Daily Census (ADC) of 18,149, an increase of 7.3%
- Admissions of 16,579, essentially equal to prior year
- Net Income, excluding special items, of \$40.2 million, an increase of 40.7%
- Adjusted EBITDA, excluding cap, of \$55.5 million, an increase of 11.2%

Roto-Rooter segment operating results:

- Revenue of \$151 million, an increase of 10.6%
- Net Income, including special items, of \$26.2 million, an increase of 46.9%
- Adjusted EBITDA of \$36.1 million, an increase of 16.3%
- Adjusted EBITDA margin of 24.0%, an increase of 118-basis points

Effective January 1, 2018, the Financial Accounting Standards Board (FASB) mandated changes in revenue recognition under Generally Accepted Accounting Principles (GAAP). For Chemed, the accounting standard mandated reclassification of certain costs within the 2018 income statement when compared to prior-year formats. These reclassifications do not impact EBITDA, Adjusted EBITDA, pretax income or net income. This accounting standard has been adopted on a modified retrospective basis, meaning prior-year GAAP results are not reclassified and are reported using historical revenue recognition accounting standards.

This resulted in the reclassification of net room and board expenses associated with certain patients residing in nursing homes to be reclassified from cost of services to revenue, effectively reducing VITAS' fourth-quarter 2018 revenue and cost of sales by \$2.2 million. In addition, uncollectable accounts receivable, commonly referred to as bad debt expense, historically has been included in selling, general and administrative expenses for VITAS and Roto-Rooter, are now netted against service revenue and sales.

The discussion and analysis of operating results in this fourth-quarter 2018 earnings release narrative does reclassify the fourth-quarter 2017 net room and board and estimated uncollectable receivables to facilitate analysis of operating results in a format consistent with the 2018 revenue recognition accounting standard.

VITAS

VITAS net revenue was \$307 million in the fourth quarter of 2018, which is an increase of 7.3%, when compared to the prior-year period. This revenue increase is comprised primarily of a geographically weighted average Medicare reimbursement rate increase of approximately 1.1%; a 7.3% increase in average daily census; and a Medicare Cap liability that reduced revenue growth by 0.4%. This growth is partially offset by acuity mix shift that negatively impacted revenue growth 1.0% when compared to the prior-year period.

In the fourth quarter of 2018, VITAS accrued \$3.5 million in Medicare Cap billing limitations. At December 31, 2018, VITAS had 30 Medicare provider numbers, two of which have an estimated 2019 Medicare Cap billing limitation liability of approximately \$13.6 million.

Of VITAS' 30 Medicare provider numbers, on a trailing 12-month basis, 25 provider numbers have a Medicare Cap cushion of 10% or greater, one provider number has a cap cushion between 5% and 10%, two provider numbers have a cap cushion between 0% and 5%, and two provider numbers would have a Medicare Cap billing limitation.

Average revenue per patient per day in the quarter was \$189.06, which is 0.1% below the prior-year period. Reimbursement for routine home care and high acuity care averaged \$164.98 and \$741.21, respectively. During the quarter, high acuity days-of-care were 4.2% of total days of care, 31-basis points less than the prior-year quarter.

The fourth quarter of 2018 gross margin, excluding Medicare Cap, was 24.0%, which is a 13-basis point increase when compared to the fourth quarter of 2017.

Selling, general and administrative expense was \$19.4 million in the fourth quarter of 2018, which is an increase of 0.6% compared to the prior-year quarter. Adjusted EBITDA, excluding Medicare Cap, totaled \$55.5 million in the quarter, an increase of 11.2%. Adjusted EBITDA margin, excluding Medicare Cap, was 17.9% in the quarter which is a 59-basis point increase when compared to the prior-year period.

Roto-Rooter

Roto-Rooter generated quarterly revenue of \$151 million for the fourth quarter of 2018, an increase of \$15.6 million, or 11.6%, over the prior-year quarter. Revenue from the water restoration service segment totaled \$24.3 million, an increase of \$2.1 million, or 9.7%, when compared to the prior-year quarter. Approximately 90% of the water restoration revenue is generated from residential customers and the remaining 10% is generated from commercial accounts.

Commercial drain cleaning revenue increased 11.6%, commercial plumbing and excavation increased 12.5% and commercial water restoration increased 12.4%. Overall, commercial revenue increased 12.0%.

Residential drain cleaning increased 9.4%, plumbing and excavation increased 14.2% and residential water restoration increased 9.3%. Aggregate residential sales increased 11.4%.

Roto-Rooter's gross margin in the quarter was 48.8%, a 6-basis point decline when compared to the fourth quarter of 2017. Adjusted EBITDA in the fourth quarter of 2018 totaled \$36.1 million, an increase of 16.3%. The Adjusted EBITDA margin in the quarter was 24.0% which is a 98-basis point improvement over the prior year.

Chemed Consolidated

As of December 31, 2018, Chemed had total cash and cash equivalents of \$5 million and debt of \$89 million.

In June 2018, Chemed entered into a five-year Amended and Restated Credit Agreement that consists of a \$450 million revolving credit facility. The interest rate on this facility has a floating rate that is currently LIBOR plus 100-basis points. At December 31, 2018, the Company had approximately \$324 million of undrawn borrowing capacity under this credit agreement.

During the quarter, the Company repurchased 130,524 shares of Chemed stock for \$36.9 million which equates to a cost per share of \$282.77. On March 6, 2018, Chemed's Board of Directors authorized an additional \$150 million for stock repurchase under Chemed's existing share repurchase program. As of December 31, 2018, there was approximately \$47 million of remaining share repurchase authorization under this plan.

Chemed restarted its share repurchase program in 2007. Since that time Chemed has repurchased 13.9 million shares, aggregating over \$1.1 billion at an average share cost of \$80.92. Including dividends over this period, Chemed has returned approximately \$1.3 billion to shareholders.

Guidance for 2019

Revenue growth for VITAS in 2019, prior to Medicare Cap, is estimated to be in the range of 5.5% to 6.0%. Admissions are estimated to expand approximately 3.0% to 4.0% and Average Daily Census in 2019 is estimated to expand approximately 4.0% to 5.0%. Full-year Adjusted EBITDA margin, prior to Medicare Cap, is estimated to be 15.9%. We are currently estimating \$10 million for Medicare Cap billing limitations in 2019.

Roto-Rooter is forecasted to achieve full-year 2019 revenue growth of 9.0% to 10.0%. This revenue estimate is based upon increased job pricing of approximately 2%, continued growth in core plumbing and drain cleaning services as well as continued but slowing revenue growth from water restoration services. Roto-Rooter's Adjusted EBITDA margin for 2019 is estimated at 23.7%.

Based upon the above, full-year 2019 adjusted earnings per diluted share, excluding non-cash expense for stock options, tax benefits from stock options, costs related to litigation, and other discrete items, is estimated to be in the range of \$12.65 to \$12.85. This 2019 guidance assumes an effective corporate tax rate of 25.2%. Chemed's 2018 reported adjusted earnings per diluted share was \$11.93.

Conference Call

Chemed will host a conference call and webcast at 10 a.m., ET, on Thursday, February 21, 2019, to discuss the Company's quarterly results and to provide an update on its business. The dial-in number for the conference call is (844) 743-2500 for U.S. and Canadian participants and +1 (661) 378-9533 for international participants. The participant passcode/Conference ID is 8283536. A live webcast of the call can be accessed on Chemed's website at www.chemed.com by clicking on Investor Relations Home.

A taped replay of the conference call will be available beginning approximately 24 hours after the call's conclusion. It can be accessed by dialing (855) 859-2056 for U.S. and Canadian callers and +1 (404) 537-3406 for international callers and will be available for one week following the live call. The replay Conference ID is 8283536. An archived webcast will also be available at www.chemed.com.

Chemed Corporation operates in the healthcare field through its VITAS Healthcare Corporation subsidiary. VITAS provides daily hospice services to approximately 18,000 patients with severe, life-limiting illnesses. This type of care is focused on making the terminally ill patient's final days as comfortable and pain-free as possible.

Chemed operates in the residential and commercial plumbing and drain cleaning industry under the brand name Roto-Rooter. Roto-Rooter provides plumbing, drain cleaning, and water cleanup services through company-owned branches, independent contractors and franchisees in the United States and Canada. Roto-Rooter also has licensed master franchisees in the republics of Indonesia and Singapore, and the Philippines.

This press release contains information about Chemed's EBITDA, Adjusted EBITDA and Adjusted Diluted EPS, which are not measures derived in accordance with GAAP and which exclude components that are important to understanding Chemed's financial performance. In reporting its operating results, Chemed provides EBITDA, Adjusted EBITDA and Adjusted Diluted EPS measures to help investors and others evaluate the Company's operating results, compare its operating performance with that of similar companies that have different capital structures and evaluate its ability to meet its future debt service, capital expenditures and working capital requirements. Chemed's management similarly uses EBITDA, Adjusted EBITDA and Adjusted Diluted EPS to assist it in evaluating the performance of the Company across fiscal periods and in assessing how its performance compares to its peer companies. These measures also help Chemed's management to estimate the resources required to meet Chemed's future financial obligations and expenditures. Chemed's EBITDA, Adjusted EBITDA and Adjusted Diluted EPS should not be considered in isolation or as a substitute for comparable measures calculated and presented in accordance with GAAP. We calculated Adjusted EBITDA Margin by dividing Adjusted EBITDA by service revenue and sales. A reconciliation of Chemed's net income to its EBITDA, Adjusted EBITDA and Adjusted Diluted EPS is presented in the tables following the text of this press release.

Forward-Looking Statements

Certain statements contained in this press release and the accompanying tables 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. Chemed does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements are based on current expectations and assumptions and involve various risks and uncertainties, which could cause Chemed's actual results to differ from those expressed in such forward-looking statements.

These risks and uncertainties arise from, among other things, possible changes in regulations governing the hospice care or plumbing and drain cleaning industries; periodic changes in reimbursement levels and procedures under Medicare and Medicaid programs; difficulties predicting patient length of stay and estimating potential Medicare reimbursement obligations; challenges inherent in Chemed's growth strategy; the current shortage of qualified nurses, other healthcare professionals and licensed plumbing and drain cleaning technicians; Chemed's dependence on patient referral sources; and other factors detailed under the caption "Description of Business by Segment" or "Risk Factors" in Chemed's most recent report on form 10-Q or 10-K and its other filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance on such forward-looking statements and there are no assurances that the matters contained in such statements will be achieved.

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

| | Three Months Ended December 31, | | For the Years Ended December 31, | |
|---------------------------------------------------|---------------------------------|------------------|----------------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Service revenues and sales | \$ 457,507 | \$ 428,357 | \$ 1,782,648 | \$ 1,666,724 |
| Cost of services provided and goods sold | 313,054 | 291,493 | 1,228,644 | 1,150,532 |
| Selling, general and administrative expenses (aa) | 65,735 | 71,621 | 270,209 | 276,652 |
| Depreciation | 9,822 | 8,943 | 38,464 | 35,488 |
| Amortization | 303 | 26 | 399 | 137 |
| Other operating (income)/expenses | 1,212 | (258) | 1,300 | 90,880 |
| Total costs and expenses | <u>390,126</u> | <u>371,825</u> | <u>1,539,016</u> | <u>1,553,689</u> |
| Income from operations | 67,381 | 56,532 | 243,632 | 113,035 |
| Interest expense | (1,177) | (1,108) | (4,990) | (4,272) |
| Other income--net (bb) | <u>(3,398)</u> | <u>2,715</u> | <u>958</u> | <u>8,154</u> |
| Income before income taxes | 62,806 | 58,139 | 239,600 | 116,917 |
| Income taxes | (8,478) | (3,587) | (34,056) | (18,740) |
| Net income | <u>\$ 54,328</u> | <u>\$ 54,552</u> | <u>\$ 205,544</u> | <u>\$ 98,177</u> |

Earnings Per Share

| | | | | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Net income | \$ 3.39 | \$ 3.40 | \$ 12.80 | \$ 6.11 |
| Average number of shares outstanding | <u>16,026</u> | <u>16,026</u> | <u>16,059</u> | <u>16,057</u> |

Diluted Earnings Per Share

| | | | | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Net income | \$ 3.26 | \$ 3.25 | \$ 12.23 | \$ 5.86 |
| Average number of shares outstanding | <u>16,670</u> | <u>16,776</u> | <u>16,803</u> | <u>16,742</u> |

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

| | Three Months Ended December 31, | | For the Years Ended December 31, | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------|----------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| SG&A expenses before long-term incentive compensation, expenses related to the OIG investigation and the impact of market value adjustments related to deferred compensation plans | \$ 67,034 | \$ 66,821 | \$ 263,304 | \$ 258,034 |
| Market value adjustments related to deferred compensation plans | (3,541) | 2,811 | 287 | 8,430 |
| Long-term incentive compensation | 2,242 | 1,973 | 6,618 | 4,994 |
| Expenses related to the OIG investigation | - | 16 | - | 5,194 |
| Total SG&A expenses | <u>\$ 65,735</u> | <u>\$ 71,621</u> | <u>\$ 270,209</u> | <u>\$ 276,652</u> |

(bb) Other income--net comprises (in thousands):

| | Three Months Ended December 31, | | For the Years Ended December 31, | |
|-----------------------------------------------------------------|---------------------------------|-----------------|----------------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Market value adjustments related to deferred compensation plans | \$ (3,541) | \$ 2,811 | \$ 287 | \$ 8,430 |
| Interest income | 143 | 131 | 671 | 427 |
| Other | - | (227) | - | (703) |
| Total other income--net | <u>\$ (3,398)</u> | <u>\$ 2,715</u> | <u>\$ 958</u> | <u>\$ 8,154</u> |

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
(in thousands, except per share data)(unaudited)

| | | December 31, | |
|-----------------------------|-----------------------------------------------------------------|--------------|-------------|
| | | 2018 | 2017 |
| Assets | | | |
| Current assets | | | |
| | Cash and cash equivalents | \$ 4,831 | \$ 11,121 |
| | Accounts receivable less allowances | 119,504 | 113,651 |
| | Inventories | 5,705 | 5,334 |
| | Prepaid income taxes | 10,646 | 29,848 |
| | Prepaid expenses | 19,154 | 16,092 |
| | Total current assets | 159,840 | 176,046 |
| | Investments of deferred compensation plans held in trust | 65,624 | 62,067 |
| | Properties and equipment, at cost less accumulated depreciation | 162,033 | 143,034 |
| | Identifiable intangible assets less accumulated amortization | 68,253 | 54,865 |
| | Goodwill | 510,570 | 476,887 |
| | Other assets | 9,209 | 7,127 |
| | Total Assets | \$ 975,529 | \$ 920,026 |
| Liabilities | | | |
| Current liabilities | | | |
| | Accounts payable | \$ 50,150 | \$ 48,372 |
| | Current portion of long-term debt | - | 10,000 |
| | Accrued insurance | 46,095 | 46,968 |
| | Accrued compensation | 63,329 | 62,933 |
| | Accrued legal | 1,857 | 1,786 |
| | Other current liabilities | 30,239 | 23,463 |
| | Total current liabilities | 191,670 | 193,522 |
| | Deferred income taxes | 21,598 | 16,640 |
| | Long-term debt | 89,200 | 91,200 |
| | Deferred compensation liabilities | 64,616 | 61,800 |
| | Other liabilities | 17,111 | 16,510 |
| | Total Liabilities | 384,195 | 379,672 |
| Stockholders' Equity | | | |
| | Capital stock | 35,311 | 34,732 |
| | Paid-in capital | 774,358 | 695,797 |
| | Retained earnings | 1,225,617 | 1,038,955 |
| | Treasury stock, at cost | (1,446,296) | (1,231,332) |
| | Deferred compensation payable in Company stock | 2,344 | 2,202 |
| | Total Stockholders' Equity | 591,334 | 540,354 |
| | Total Liabilities and Stockholders' Equity | \$ 975,529 | \$ 920,026 |

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)(unaudited)

| | For the Years Ended December 31, | |
|---------------------------------------------------------------------------------------------------|----------------------------------|------------------|
| | 2018 | 2017 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 205,544 | \$ 98,177 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 38,863 | 35,625 |
| Stock option expense | 12,611 | 10,485 |
| Noncash long-term incentive compensation | 5,405 | 3,774 |
| Benefit for deferred income taxes | 5,187 | 2,407 |
| Noncash directors' compensation | 766 | 766 |
| Amortization of restricted stock awards | 446 | 1,231 |
| Amortization of debt issuance costs | 441 | 516 |
| Provision for uncollectible accounts receivable | - | 17,306 |
| Loss on sale of transportation equipment | - | 5,266 |
| Changes in operating assets and liabilities, excluding amounts acquired in business combinations: | | |
| (Increase)/decrease in accounts receivable | (5,570) | 1,072 |
| (Increase)/decrease in inventories | (351) | 421 |
| Increase in prepaid expenses | (2,665) | (2,987) |
| Decrease in accounts payable and other current liabilities | 8,935 | 12,890 |
| Change in current income taxes | 18,898 | (26,104) |
| Increase in other assets | (5,544) | (8,330) |
| Increase in other liabilities | 3,451 | 8,561 |
| Other sources | 721 | 1,419 |
| Net cash provided by operating activities | <u>287,138</u> | <u>162,495</u> |
| Cash Flows from Investing Activities | | |
| Capital expenditures | (52,872) | (64,300) |
| Business combinations, net of cash acquired | (53,177) | (4,725) |
| Other sources | 824 | 1,417 |
| Net cash used by investing activities | <u>(105,225)</u> | <u>(67,608)</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from revolving line of credit | 469,550 | 212,350 |
| Payments on revolving line of credit | (406,550) | (211,150) |
| Purchases of treasury stock | (158,884) | (94,640) |
| Payments on other long-term debt | (75,000) | (8,750) |
| Proceeds from exercise of stock options | 32,412 | 27,092 |
| Capital stock surrendered to pay taxes on stock-based compensation | (27,548) | (14,223) |
| Dividends paid | (18,662) | (17,371) |
| Change in cash overdrafts payable | (1,531) | 6,700 |
| Debt issuance costs | (1,052) | - |
| Other (uses)/sources | (938) | 916 |
| Net cash used by financing activities | <u>(188,203)</u> | <u>(99,076)</u> |
| Decrease in Cash and Cash Equivalents | <u>(6,290)</u> | <u>(4,189)</u> |
| Cash and cash equivalents at beginning of year | 11,121 | 15,310 |
| Cash and cash equivalents at end of period | <u>\$ 4,831</u> | <u>\$ 11,121</u> |

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017
(in thousands)(unaudited)

| | <u>VITAS</u> | <u>Roto-Rooter</u> | <u>Corporate</u> | <u>Chemed Consolidated</u> |
|--------------------------------------------------|------------------|--------------------|--------------------|--------------------------------|
| 2018 | | | | |
| Service revenues and sales | \$ 306,985 | \$ 150,522 | \$ - | \$ 457,507 |
| Cost of services provided and goods sold | 235,971 | 77,083 | - | 313,054 |
| Selling, general and administrative expenses (a) | 19,363 | 37,563 | 8,809 | 65,735 |
| Depreciation | 4,935 | 4,847 | 40 | 9,822 |
| Amortization | 12 | 291 | - | 303 |
| Other operating expense | 1,114 | 98 | - | 1,212 |
| Total costs and expenses | <u>261,395</u> | <u>119,882</u> | <u>8,849</u> | <u>390,126</u> |
| Income/(loss) from operations | 45,590 | 30,640 | (8,849) | 67,381 |
| Interest expense | (22) | (64) | (1,091) | (1,177) |
| Intercompany interest income/(expense) | 3,308 | 1,678 | (4,986) | - |
| Other income—net | 110 | 32 | (3,540) | (3,398) |
| Income/(loss) before income taxes | 48,986 | 32,286 | (18,466) | 62,806 |
| Income taxes (a) | (9,860) | (6,375) | 7,757 | (8,478) |
| Net income/(loss) | <u>\$ 39,126</u> | <u>\$ 25,911</u> | <u>\$ (10,709)</u> | <u>\$ 54,328</u> |
| 2017 | | | | |
| Service revenues and sales | \$ 292,283 | \$ 136,074 | \$ - | \$ 428,357 |
| Cost of services provided and goods sold | 222,497 | 68,996 | - | 291,493 |
| Selling, general and administrative expenses (b) | 22,607 | 35,330 | 13,684 | 71,621 |
| Depreciation | 4,568 | 4,344 | 31 | 8,943 |
| Amortization | - | 26 | - | 26 |
| Other operating expense/(income) | (5,524) | - | 5,266 | (258) |
| Total costs and expenses | <u>244,148</u> | <u>108,696</u> | <u>18,981</u> | <u>371,825</u> |
| Income/(loss) from operations | 48,135 | 27,378 | (18,981) | 56,532 |
| Interest expense | (27) | (65) | (1,016) | (1,108) |
| Intercompany interest income/(expense) | 3,177 | 1,562 | (4,739) | - |
| Other income/(expense)—net | (31) | (64) | 2,810 | 2,715 |
| Income/(loss) before income taxes | 51,254 | 28,811 | (21,926) | 58,139 |
| Income taxes (b) | (8,406) | (3,228) | 8,047 | (3,587) |
| Net income/(loss) | <u>\$ 42,848</u> | <u>\$ 25,583</u> | <u>\$ (13,879)</u> | <u>\$ 54,552</u> |

The "Footnotes to Financial Statements" are integral parts of this financial information.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(in thousands)(unaudited)

| | VITAS | Roto-Rooter | Corporate | Chemed Consolidated |
|--------------------------------------------------|--------------|--------------------|------------------|----------------------------|
| 2018 | | | | |
| Service revenues and sales | \$ 1,197,562 | \$ 585,086 | \$ - | \$ 1,782,648 |
| Cost of services provided and goods sold | 929,306 | 299,338 | - | 1,228,644 |
| Selling, general and administrative expenses (a) | 80,969 | 145,683 | 43,557 | 270,209 |
| Depreciation | 19,688 | 18,629 | 147 | 38,464 |
| Amortization | 12 | 387 | - | 399 |
| Other operating expenses | 1,130 | 170 | - | 1,300 |
| Total costs and expenses | 1,031,105 | 464,207 | 43,704 | 1,539,016 |
| Income/(loss) from operations | 166,457 | 120,879 | (43,704) | 243,632 |
| Interest expense | (175) | (319) | (4,496) | (4,990) |
| Intercompany interest income/(expense) | 12,832 | 6,908 | (19,740) | - |
| Other income—net | 579 | 93 | 286 | 958 |
| Income/(loss) before income taxes | 179,693 | 127,561 | (67,654) | 239,600 |
| Income taxes (a) | (40,847) | (28,850) | 35,641 | (34,056) |
| Net income/(loss) | \$ 138,846 | \$ 98,711 | \$ (32,013) | \$ 205,544 |
| 2017 | | | | |
| Service revenues and sales | \$ 1,148,260 | \$ 518,464 | \$ - | \$ 1,666,724 |
| Cost of services provided and goods sold | 886,062 | 264,470 | - | 1,150,532 |
| Selling, general and administrative expenses (b) | 95,215 | 136,248 | 45,189 | 276,652 |
| Depreciation | 18,616 | 16,667 | 205 | 35,488 |
| Amortization | 14 | 123 | - | 137 |
| Other operating expenses | 85,614 | - | 5,266 | 90,880 |
| Total costs and expenses | 1,085,521 | 417,508 | 50,660 | 1,553,689 |
| Income/(loss) from operations | 62,739 | 100,956 | (50,660) | 113,035 |
| Interest expense | (188) | (323) | (3,761) | (4,272) |
| Intercompany interest income/(expense) | 11,656 | 5,596 | (17,252) | - |
| Other income/(expense)—net | (126) | (148) | 8,428 | 8,154 |
| Income/(loss) before income taxes | 74,081 | 106,081 | (63,245) | 116,917 |
| Income taxes (b) | (16,436) | (32,782) | 30,478 | (18,740) |
| Net income/(loss) | \$ 57,645 | \$ 73,299 | \$ (32,767) | \$ 98,177 |

The "Footnotes to Financial Statements" are integral parts of this financial information.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING SUMMARY OF EBITDA
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017
(in thousands)(unaudited)

| | VITAS | Roto-Rooter | Corporate | Chemed Consolidated |
|------------------------------------------|------------------|--------------------|-------------------|--------------------------------|
| 2018 | | | | |
| Net income/(loss) | \$ 39,126 | \$ 25,911 | \$ (10,709) | \$ 54,328 |
| Add/(deduct): | | | | |
| Interest expense | 22 | 64 | 1,091 | 1,177 |
| Income taxes | 9,860 | 6,375 | (7,757) | 8,478 |
| Depreciation | 4,935 | 4,847 | 40 | 9,822 |
| Amortization | 12 | 291 | - | 303 |
| EBITDA | <u>53,955</u> | <u>37,488</u> | <u>(17,335)</u> | <u>74,108</u> |
| Add/(deduct): | | | | |
| Intercompany interest expense/(income) | (3,308) | (1,678) | 4,986 | - |
| Medicare cap sequestration adjustment | 456 | - | - | 456 |
| Acquisition expense | 32 | 371 | - | 403 |
| Litigation settlement costs | 1,000 | - | - | 1,000 |
| Interest income | (111) | (32) | - | (143) |
| Stock option expense | - | - | 3,251 | 3,251 |
| Long-term incentive compensation | - | - | 2,242 | 2,242 |
| Adjusted EBITDA | <u>\$ 52,024</u> | <u>\$ 36,149</u> | <u>\$ (6,856)</u> | <u>\$ 81,317</u> |
| 2017 | | | | |
| Net income/(loss) | \$ 42,848 | \$ 25,583 | \$ (13,879) | \$ 54,552 |
| Add/(deduct): | | | | |
| Interest expense | 27 | 65 | 1,016 | 1,108 |
| Income taxes | 8,406 | 3,228 | (8,047) | 3,587 |
| Depreciation | 4,568 | 4,344 | 31 | 8,943 |
| Amortization | - | 26 | - | 26 |
| EBITDA | <u>55,849</u> | <u>33,246</u> | <u>(20,879)</u> | <u>68,216</u> |
| Add/(deduct): | | | | |
| Intercompany interest expense/(income) | (3,177) | (1,562) | 4,739 | - |
| Interest income | (121) | (10) | - | (131) |
| Litigation settlement | (5,524) | - | - | (5,524) |
| Loss on sale of transportation equipment | - | - | 5,266 | 5,266 |
| Medicare cap sequestration adjustment | 342 | - | - | 342 |
| Expenses related to OIG investigation | 16 | - | - | 16 |
| Amortization of stock awards | 71 | 66 | 160 | 297 |
| Advertising cost adjustment | - | (664) | - | (664) |
| Stock option expense | - | - | 2,747 | 2,747 |
| Long-term incentive compensation | - | - | 1,973 | 1,973 |
| Adjusted EBITDA | <u>\$ 47,456</u> | <u>\$ 31,076</u> | <u>\$ (5,994)</u> | <u>\$ 72,538</u> |

The "Footnotes to Financial Statements" are integral parts of this financial information.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING SUMMARY OF EBITDA
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(in thousands)(unaudited)

| | <u>VITAS</u> | <u>Roto-Rooter</u> | <u>Corporate</u> | <u>Chemed Consolidated</u> |
|------------------------------------------|-------------------|--------------------|--------------------|--------------------------------|
| 2018 | | | | |
| Net income/(loss) | \$ 138,846 | \$ 98,711 | \$ (32,013) | \$ 205,544 |
| Add/(deduct): | | | | |
| Interest expense | 175 | 319 | 4,496 | 4,990 |
| Income taxes | 40,847 | 28,850 | (35,641) | 34,056 |
| Depreciation | 19,688 | 18,629 | 147 | 38,464 |
| Amortization | 12 | 387 | - | 399 |
| EBITDA | <u>199,568</u> | <u>146,896</u> | <u>(63,011)</u> | <u>283,453</u> |
| Add/(deduct): | | | | |
| Intercompany interest expense/(income) | (12,832) | (6,908) | 19,740 | - |
| Medicare cap sequestration adjustment | 1,496 | - | - | 1,496 |
| Interest income | (580) | (92) | 1 | (671) |
| Accrued litigation settlement | 796 | - | - | 796 |
| Acquisition Expense | 209 | 548 | - | 757 |
| Amortization of stock awards | 107 | 100 | 239 | 446 |
| Stock option expense | - | - | 12,611 | 12,611 |
| Long-term incentive compensation | - | - | 6,618 | 6,618 |
| Adjusted EBITDA | <u>\$ 188,764</u> | <u>\$ 140,544</u> | <u>\$ (23,802)</u> | <u>\$ 305,506</u> |
| 2017 | | | | |
| Net income/(loss) | \$ 57,645 | \$ 73,299 | \$ (32,767) | \$ 98,177 |
| Add/(deduct): | | | | |
| Interest expense | 188 | 323 | 3,761 | 4,272 |
| Income taxes | 16,436 | 32,782 | (30,478) | 18,740 |
| Depreciation | 18,616 | 16,667 | 205 | 35,488 |
| Amortization | 14 | 123 | - | 137 |
| EBITDA | <u>92,899</u> | <u>123,194</u> | <u>(59,279)</u> | <u>156,814</u> |
| Add/(deduct): | | | | |
| Intercompany interest expense/(income) | (11,656) | (5,596) | 17,252 | - |
| Interest income | (388) | (39) | - | (427) |
| Litigation settlement | 84,476 | 213 | - | 84,689 |
| Medicare cap sequestration adjustment | 447 | - | - | 447 |
| Loss on sale of transportation equipment | - | - | 5,266 | 5,266 |
| Expenses related to OIG investigation | 5,194 | - | - | 5,194 |
| Program closure expenses | 1,138 | - | - | 1,138 |
| Amortization of stock awards | 291 | 269 | 670 | 1,230 |
| Advertising cost adjustment | - | (1,371) | - | (1,371) |
| Stock option expense | - | - | 10,485 | 10,485 |
| Long-term incentive compensation | - | - | 4,994 | 4,994 |
| Adjusted EBITDA | <u>\$ 172,401</u> | <u>\$ 116,670</u> | <u>\$ (20,612)</u> | <u>\$ 268,459</u> |

The "Footnotes to Financial Statements" are integral parts of this financial information.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
RECONCILIATION OF ADJUSTED NET INCOME
(in thousands, except per share data)(unaudited)

| | Three Months Ended December 31, | | For the Years Ended December 31, | |
|-------------------------------------------------|---------------------------------|------------------|----------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income as reported | \$ 54,328 | \$ 54,552 | \$ 205,544 | \$ 98,177 |
| Add/(deduct) pre-tax cost of: | | | | |
| Stock option expense | 3,251 | 2,747 | 12,611 | 10,485 |
| Long-term incentive compensation | 2,242 | 1,973 | 6,618 | 4,994 |
| Litigation settlement | 1,000 | (5,524) | 796 | 84,689 |
| Medicare cap sequestration adjustments | 456 | 342 | 1,496 | 447 |
| Acquisition expenses | 403 | - | 757 | - |
| Loss on sale of transportation equipment | - | 5,266 | - | 5,266 |
| Expenses of OIG investigation | - | 16 | - | 5,194 |
| Program closure expenses | - | - | - | 1,138 |
| Add/(deduct) tax impacts: | | | | |
| Tax impact of the above pre-tax adjustments (1) | (1,527) | (1,379) | (4,586) | (42,102) |
| Impact of tax reform | - | (8,302) | - | (8,302) |
| Excess tax benefits on stock compensation | (4,244) | (10,811) | (22,862) | (18,932) |
| Adjusted net income | <u>\$ 55,909</u> | <u>\$ 38,880</u> | <u>\$ 200,374</u> | <u>\$ 141,054</u> |
| | | | | |
| Diluted Earnings Per Share As Reported | | | | |
| Net income | <u>\$ 3.26</u> | <u>\$ 3.25</u> | <u>\$ 12.23</u> | <u>\$ 5.86</u> |
| Average number of shares outstanding | <u>16,670</u> | <u>16,776</u> | <u>16,803</u> | <u>16,742</u> |
| | | | | |
| Adjusted Diluted Earnings Per Share | | | | |
| Adjusted net income | <u>\$ 3.35</u> | <u>\$ 2.32</u> | <u>\$ 11.93</u> | <u>\$ 8.43</u> |
| Average number of shares outstanding | <u>16,670</u> | <u>16,776</u> | <u>16,803</u> | <u>16,742</u> |

(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.

The "Footnotes to Financial Statements" are integral parts of this financial information.

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

| OPERATING STATISTICS | Three Months Ended December 31, | | For the Years Ended December 31, | |
|--------------------------------------------------------------------|---------------------------------|-------------------|----------------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net revenue (\$000) (c) | | | | |
| Homecare | \$ 261,972 | \$ 242,554 | \$ 1,010,518 | \$ 935,913 |
| Inpatient | 20,874 | 22,033 | 82,677 | 90,472 |
| Continuous care | 30,834 | 30,131 | 122,498 | 124,557 |
| Other | 1,986 | - | 7,831 | - |
| Subtotal | <u>\$ 315,666</u> | <u>\$ 294,718</u> | <u>\$ 1,223,524</u> | <u>\$ 1,150,942</u> |
| Room and board, net | (2,191) | - | (10,054) | - |
| Contractual allowances | (3,036) | - | (11,785) | - |
| Medicare cap allowance | (3,454) | (2,435) | (4,123) | (2,682) |
| Net Revenue | <u>\$ 306,985</u> | <u>\$ 292,283</u> | <u>\$ 1,197,562</u> | <u>\$ 1,148,260</u> |
| Net revenue as a percent of total before Medicare cap allowance | | | | |
| Homecare | 83.0 % | 82.3 % | 82.6 % | 81.2 % |
| Inpatient | 6.6 | 7.5 | 6.8 | 7.9 |
| Continuous care | 9.8 | 10.2 | 10.0 | 10.9 |
| Other | 0.6 | - | 0.6 | - |
| Subtotal | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| Room and board, net | (0.7) | - | (0.8) | - |
| Contractual allowances | (1.0) | - | (1.1) | - |
| Medicare cap allowance | (1.1) | (0.8) | (0.2) | (0.2) |
| Net Revenue | <u>97.2 %</u> | <u>99.2 %</u> | <u>97.9 %</u> | <u>99.8 %</u> |
| Average daily census ("ADC") (days) | | | | |
| Homecare | 14,062 | 12,861 | 13,652 | 12,549 |
| Nursing home | 3,297 | 3,265 | 3,298 | 3,177 |
| Routine homecare | <u>17,359</u> | <u>16,126</u> | <u>16,950</u> | <u>15,726</u> |
| Inpatient | 326 | 342 | 327 | 354 |
| Continuous care | 464 | 452 | 465 | 470 |
| Total | <u>18,149</u> | <u>16,920</u> | <u>17,742</u> | <u>16,550</u> |
| Total Admissions | 16,579 | 16,575 | 68,119 | 66,449 |
| Total Discharges | 16,623 | 16,553 | 66,868 | 65,637 |
| Average length of stay (days) | 92.6 | 91.4 | 89.9 | 88.8 |
| Median length of stay (days) | 17.0 | 16.0 | 17.0 | 16.0 |
| ADC by major diagnosis | | | | |
| Cerebro | 35.8 % | 36.1 % | 36.3 % | 35.5 % |
| Neurological | 18.6 | 18.5 | 19.0 | 19.2 |
| Cancer | 13.7 | 14.1 | 13.7 | 14.6 |
| Cardio | 16.3 | 16.4 | 16.4 | 16.5 |
| Respiratory | 8.0 | 8.0 | 8.2 | 7.9 |
| Other | 7.6 | 6.9 | 6.4 | 6.3 |
| Total | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| Admissions by major diagnosis | | | | |
| Cerebro | 20.9 % | 22.3 % | 21.8 % | 22.0 % |
| Neurological | 11.5 | 10.7 | 11.4 | 10.6 |
| Cancer | 31.1 | 30.0 | 30.2 | 30.6 |
| Cardio | 14.6 | 14.9 | 15.4 | 15.0 |
| Respiratory | 10.1 | 10.7 | 10.9 | 10.8 |
| Other | 11.8 | 11.4 | 10.3 | 11.0 |
| Total | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| Direct patient care margins (d) | | | | |
| Routine homecare | 53.9 % | 53.9 % | 53.0 % | 52.6 % |
| Inpatient | 3.9 | 8.5 | 4.7 | 5.4 |
| Continuous care | 18.4 | 16.8 | 17.7 | 16.9 |
| Homecare margin drivers (dollars per patient day) | | | | |
| Labor costs | \$ 56.82 | \$ 55.65 | \$ 57.59 | \$ 56.80 |
| Combined drug, home medical equipment and medical supplies cost | 13.58 | 14.30 | 14.06 | 14.65 |
| Inpatient margin drivers (dollars per patient day) | | | | |
| Labor costs | \$ 379.17 | \$ 355.96 | \$ 376.53 | \$ 366.41 |
| Continuous care margin drivers (dollars per patient day) | | | | |
| Labor costs | \$ 571.18 | \$ 583.45 | \$ 575.36 | \$ 584.49 |
| Bad debt expense as a percent of revenues | 1.0 % | 1.1 % | 1.0 % | 1.1 % |
| Accounts receivable -- | | | | |
| Days of revenue outstanding- excluding unapplied Medicare payments | 35.0 | 33.7 | n.a. | n.a. |
| Days of revenue outstanding- including unapplied Medicare payments | 24.6 | 25.0 | n.a. | n.a. |

The "Footnotes to Financial Statements" are integral parts of this financial information.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
FOOTNOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND YEARS ENDED DECEMBER 31, 2018 AND 2017
(unaudited)

(a) Included in the results of operations for 2018 are the following significant credits/(charges) which may not be indicative of ongoing operations (in thousands):

| | Three Months Ended December 31, 2018 | | | |
|-----------------------------------------------|---------------------------------------------|--------------------|------------------|---------------------|
| | VITAS | Roto-Rooter | Corporate | Consolidated |
| Service revenues and sales: | | | | |
| Medicare cap sequestration adjustment | \$ (456) | \$ - | \$ - | \$ (456) |
| Selling, general and administrative expenses: | | | | |
| Litigation settlement | (1,000) | - | - | (1,000) |
| Acquisition expense | (32) | (371) | - | (403) |
| Stock option expense | - | - | (3,251) | (3,251) |
| Long-term incentive compensation | - | - | (2,242) | (2,242) |
| Pretax impact on earnings | (1,488) | (371) | (5,493) | (7,352) |
| Excess tax benefits on stock compensation | - | - | 4,244 | 4,244 |
| Income tax benefit on the above | 381 | 98 | 1,048 | 1,527 |
| After-tax impact on earnings | <u>\$ (1,107)</u> | <u>\$ (273)</u> | <u>\$ (201)</u> | <u>\$ (1,581)</u> |

| | For the Year Ended December 31, 2018 | | | |
|-----------------------------------------------|---------------------------------------------|--------------------|------------------|---------------------|
| | VITAS | Roto-Rooter | Corporate | Consolidated |
| Service revenues and sales: | | | | |
| Medicare cap sequestration adjustment | \$ (1,496) | \$ - | \$ - | \$ (1,496) |
| Selling, general and administrative expenses: | | | | |
| Litigation settlement | (796) | - | - | (796) |
| Acquisition expense | (209) | (548) | - | (757) |
| Stock option expense | - | - | (12,611) | (12,611) |
| Long-term incentive compensation | - | - | (6,618) | (6,618) |
| Pretax impact on earnings | (2,501) | (548) | (19,229) | (22,278) |
| Excess tax benefits on stock compensation | - | - | 22,862 | 22,862 |
| Income tax benefit on the above | 637 | 145 | 3,804 | 4,586 |
| After-tax impact on earnings | <u>\$ (1,864)</u> | <u>\$ (403)</u> | <u>\$ 7,437</u> | <u>\$ 5,170</u> |

(b) Included in the results of operations for 2017 are the following significant credits/(charges) which may not be indicative of ongoing operations (in thousands):

| | Three Months Ended December 31, 2017 | | | |
|-----------------------------------------------|---------------------------------------------|--------------------|-------------------|---------------------|
| | VITAS | Roto-Rooter | Corporate | Consolidated |
| Service revenues and sales: | | | | |
| Medicare cap sequestration adjustment | \$ (342) | \$ - | \$ - | \$ (342) |
| Selling, general and administrative expenses: | | | | |
| Expenses related to OIG investigation | (16) | - | - | (16) |
| Stock option expense | - | - | (2,747) | (2,747) |
| Long-term incentive compensation | - | - | (1,973) | (1,973) |
| Other operating expenses: | | | | |
| Litigation settlements | 5,524 | - | - | 5,524 |
| Loss on sale of transportation equipment | - | - | (5,266) | (5,266) |
| Pretax impact on earnings | 5,166 | - | (9,986) | (4,820) |
| Impact of tax reform | 11,057 | 7,761 | (10,516) | 8,302 |
| Excess tax benefits on stock compensation | - | - | 10,811 | 10,811 |
| Income tax benefit on the above | (1,961) | - | 3,340 | 1,379 |
| After-tax impact on earnings | <u>\$ 14,262</u> | <u>\$ 7,761</u> | <u>\$ (6,351)</u> | <u>\$ 15,672</u> |

| | For the Year Ended December 31, 2017 | | | |
|-----------------------------------------------|---------------------------------------------|--------------------|-------------------|---------------------|
| | VITAS | Roto-Rooter | Corporate | Consolidated |
| Service revenues and sales: | | | | |
| Medicare cap sequestration adjustment | \$ (447) | \$ - | \$ - | \$ (447) |
| Selling, general and administrative expenses: | | | | |
| Expenses related to OIG investigation | (5,194) | - | - | (5,194) |
| Litigation settlement | - | (213) | - | (213) |
| Stock option expense | - | - | (10,485) | (10,485) |
| Long-term incentive compensation | - | - | (4,994) | (4,994) |
| Other operating expenses: | | | | |
| Litigation settlement | (84,476) | - | - | (84,476) |
| Loss on sale of transportation equipment | - | - | (5,266) | (5,266) |
| Program closure expenses | (1,138) | - | - | (1,138) |
| Pretax impact on earnings | (91,255) | (213) | (20,745) | (112,213) |
| Impact of tax reform | 11,057 | 7,761 | (10,516) | 8,302 |
| Excess tax benefits on stock compensation | - | - | 18,932 | 18,932 |
| Income tax benefit on the above | 34,722 | 84 | 7,296 | 42,102 |
| After-tax impact on earnings | <u>\$ (45,476)</u> | <u>\$ 7,632</u> | <u>\$ (5,033)</u> | <u>\$ (42,877)</u> |

(c) VITAS has 11 large (greater than 450 ADC), 18 medium (greater than 200 but less than 450 ADC) and 18 small (less than 200 ADC) hospice programs. Of VITAS' 30 Medicare provider numbers, 25 provider numbers have a Medicare cap cushion of 10% or greater during the current cap year, one provider number has a Medicare cap cushion between 5% and 10%, two provider numbers have a Medicare cap cushion between 0% and 5%, and two provider numbers would have a Medicare cap liability.

(d) Amounts exclude indirect patient care and administrative costs, as well as Medicare Cap billing limitation.

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