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

(Mark One)

☒ Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended September 30, 2024

☐ 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.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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 ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☐

Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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	14,982,607 Shares	September 30, 2024

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)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ **238,451**	$ 263,958
Accounts receivable less allowances	**196,481**	181,511
Inventories	**9,899**	12,004
Prepaid income taxes	**14,229**	13,166
Prepaid expenses	**31,377**	30,204
Total current assets	**490,437**	500,843
Investments of deferred compensation plans held in trust	**126,631**	106,126
Properties and equipment, at cost, less accumulated depreciation of $375,775 (2023- $354,872)	**200,939**	203,840
Lease right of use asset	**134,111**	126,387
Identifiable intangible assets less accumulated amortization of $56,581 (2023 - $48,965)	**94,753**	90,264
Goodwill	**666,860**	585,017
Other assets	**55,704**	55,618
Total Assets	$ **1,769,435**	$ 1,668,095
LIABILITIES		
Current liabilities		
Accounts payable	$ **44,938**	$ 64,034
Accrued insurance	**60,308**	58,568
Income taxes	**3,385**	6,858
Accrued compensation	**73,141**	88,381
Short-term lease liability	**42,490**	38,635
Other current liabilities	**40,517**	55,574
Total current liabilities	**264,779**	312,050
Deferred income taxes	**28,076**	30,321
Deferred compensation liabilities	**122,240**	104,069
Long-term lease liability	**105,416**	100,776
Other liabilities	**13,169**	13,003
Total Liabilities	**533,680**	560,219
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY		
Capital stock - authorized 80,000,000 shares $1 par; issued 37,394,553 shares (2023 - 37,183,681 shares)	**37,395**	37,184
Paid-in capital	**1,462,569**	1,341,273
Retained earnings	**2,639,011**	2,446,925
Treasury stock - 22,466,949 shares (2023 - 22,148,927 shares)	**(2,905,430)**	(2,719,588)
Deferred compensation payable in Company stock	**2,210**	2,082
Total Stockholders' Equity	**1,235,755**	1,107,876
Total Liabilities and Stockholders' Equity	$ **1,769,435**	$ 1,668,095

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 September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Service revenues and sales	**$ 606,181**	$ 564,532	$ **1,791,294**	$ 1,678,505
Cost of services provided and goods sold (excluding depreciation)	**396,187**	362,358	**1,171,064**	1,107,256
Selling, general and administrative expenses	**101,981**	99,602	**320,109**	294,684
Depreciation	**13,147**	12,858	**39,601**	37,778
Amortization	**2,550**	2,521	**7,617**	7,548
Other operating expense	**159**	343	**288**	2,064
Total costs and expenses	**514,024**	477,682	**1,538,679**	1,449,330
Income from operations	**92,157**	86,850	**252,615**	229,175
Interest expense	**(427)**	(444)	**(1,281)**	(2,766)
Other income - net	**9,299**	6,859	**28,008**	8,365
Income before income taxes	**101,029**	93,265	**279,342**	234,774
Income taxes	**(25,253)**	(18,307)	**(67,662)**	(52,318)
Net income	**$ 75,776**	$ 74,958	$ **211,680**	$ 182,456
Earnings Per Share:				
Net income	**$ 5.04**	$ 4.97	$ **14.04**	$ 12.14
Average number of shares outstanding	**15,025**	15,075	**15,082**	15,034
Diluted Earnings Per Share:				
Net income	**$ 5.00**	$ 4.93	$ **13.88**	$ 12.02
Average number of shares outstanding	**15,168**	15,200	**15,253**	15,178
Cash Dividends Per Share	**$ 0.50**	$ 0.40	$ **1.30**	$ 1.16

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2024	2023
Cash Flows from Operating Activities		
Net income	**$ 211,680**	$ 182,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**47,218**	45,326
Stock option expense	**23,933**	22,376
Noncash long-term incentive compensation	**15,783**	6,637
Litigation settlements	**(5,750)**	2,050
Benefit for deferred income taxes	**(2,245)**	(8,232)
Noncash directors' compensation	**1,282**	1,444
Amortization of debt issuance costs	**241**	500
Changes in operating assets and liabilities:		
Increase in accounts receivable	**(14,336)**	(27,843)
Decrease/(increase) in inventories	**2,125**	(2,239)
(Increase)/decrease in prepaid expenses	**(1,173)**	781
Decrease in accounts payable and other current liabilities	**(19,641)**	(15,815)
Change in current income taxes	**(4,545)**	12,314
Net change in lease assets and liabilities	**(400)**	(892)
Increase in other assets	**(21,101)**	(8,622)
Increase in other liabilities	**18,348**	11,426
Other sources	**1,165**	69
Net cash provided by operating activities	**252,584**	221,736
Cash Flows from Investing Activities		
Business combinations, net of cash acquired	**(97,400)**	(3,994)
Capital expenditures	**(36,770)**	(45,075)
Proceeds from sale of fixed assets	**3,060**	506
Other uses	**(281)**	(409)
Net cash used by investing activities	**(131,391)**	(48,972)
Cash Flows from Financing Activities		
Purchases of treasury stock	**(152,049)**	(27,769)
Proceeds from exercise of stock options	**49,906**	58,277
Dividends paid	**(19,594)**	(17,446)
Change in cash overdrafts payable	**(15,749)**	16,182
Capital stock surrendered to pay taxes on stock-based compensation	**(8,827)**	(5,446)
Payments on other long-term debt	**-**	(97,500)
Other uses	**(387)**	(38)
Net cash used by financing activities	**(146,700)**	(73,740)
(Decrease)/increase in Cash and Cash Equivalents	**(25,507)**	99,024
Cash and cash equivalents at beginning of period	**263,958**	74,126
Cash and cash equivalents at end of period	**$ 238,451**	$ 173,150

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)

For the three months ended September 30, 2024 and 2023:

	Capital Stock	**Paid-in Capital**	**Retained Earnings**	**Treasury Stock- at Cost**	**Deferred Compensation Payable in Company Stock**	Total
Balance at June 30, 2024	**$ 37,313**	**$ 1,416,166**	**$ 2,570,722**	**$ (2,819,053)**	**$ 2,149**	**$ 1,207,297**
Net income	**-**	**-**	**75,776**	**-**	**-**	**75,776**
Dividends paid ($0.50 per share)	**-**	**-**	**(7,487)**	**-**	**-**	**(7,487)**
Stock awards and exercise of stock options	**82**	**46,008**	**-**	**(28,523)**	**-**	**17,567**
Purchases of treasury stock	**-**	**-**	**-**	**(57,820)**	**-**	**(57,820)**
Other	**-**	**395**	**-**	**(34)**	**61**	**422**
Balance at September 30, 2024	**$ 37,395**	**$ 1,462,569**	**$ 2,639,011**	**$ (2,905,430)**	**$ 2,210**	**$ 1,235,755**

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at June 30, 2023	$ 36,996	$ 1,240,415	$ 2,294,004	$ (2,621,657)	$ 2,321	$ 952,079
Net income	-	-	74,958	-	-	74,958
Dividends paid ($0.40 per share)	-	-	(6,034)	-	-	(6,034)
Stock awards and exercise of stock options	17	14,462	-	(1,372)	-	13,107
Purchases of treasury stock	-	-	-	(14,344)	-	(14,344)
Other	-	(521)	-	271	(273)	(523)
Balance at September 30, 2023	$ 37,013	$ 1,254,356	$ 2,362,928	$ (2,637,102)	$ 2,048	$ 1,019,243

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)

For the nine months ended September 30, 2024 and 2023:

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2023	**$ 37,184**	**$ 1,341,273**	**$ 2,446,925**	**$ (2,719,588)**	**$ 2,082**	**$ 1,107,876**
Net income	**-**	**-**	**211,680**	**-**	**-**	**211,680**
Dividends paid ($1.30 per share)	**-**	**-**	**(19,594)**	**-**	**-**	**(19,594)**
Stock awards and exercise of stock options	**211**	**121,675**	**-**	**(39,809)**	**-**	**82,077**
Purchases of treasury stock	**-**	**-**	**-**	**(145,933)**	**-**	**(145,933)**
Other	**-**	**(379)**	**-**	**(100)**	**128**	**(351)**
Balance at September 30, 2024	**$ 37,395**	**$ 1,462,569**	**$ 2,639,011**	**$ (2,905,430)**	**$ 2,210**	**$ 1,235,755**

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2022	$ 36,796	$ 1,149,899	$ 2,197,918	$ (2,588,145)	$ 2,247	$ 798,715
Net income	-	-	182,456	-	-	182,456
Dividends paid ($1.16 per share)	-	-	(17,446)	-	-	(17,446)
Stock awards and exercise of stock options	217	104,457	-	(21,386)	-	83,288
Purchases of treasury stock	-	-	-	(27,769)	-	(27,769)
Other	-	-	-	198	(199)	(1)
Balance at September 30, 2023	$ 37,013	$ 1,254,356	$ 2,362,928	$ (2,637,102)	$ 2,048	$ 1,019,243

See Accompanying 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, 2023 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. The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or any other future period, and we make no representations related thereto. 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, 2023.

CLOUD COMPUTING

As of September 30, 2024, Roto-Rooter has no significant capitalized implementation costs related to cloud computing.

VITAS utilizes a human resources system that is considered a cloud computing arrangement. We have capitalized approximately $5.6 million related to implementation of this project which is included in prepaid assets in the accompanying balance sheets. The VITAS human resource system was placed into service in January 2020 and is being amortized over 5.7 years. For the three months ended September 30, 2024 and 2023, $249,000 has been amortized, respectively. For the nine months ended September 30, 2024 and 2023, $746,000 has been amortized, respectively.

INCOME TAXES

Our effective income tax rate was 25.0% in the third quarter of 2024 compared to 19.6% during the third quarter of 2023. Excess tax benefit on stock options exercised reduced our income tax expenses by $389,000 and $225,000 for the quarters ended September 30, 2024 and 2023, respectively.

Our effective income tax rate was 24.2% in the first nine months of 2024 compared to 22.3% during the first nine months of 2023. Excess tax benefit on stock options exercised reduced our income tax expenses by $4.3 million and $3.4 million for the first nine months ended September 30, 2024 and 2023, respectively.

During the third quarter of 2023, the Company recognized a tax benefit from realignment of its state and local corporate tax structure based on the location of operating resources and profitability by business segment. This benefit includes a reduction in current state and local tax expense and a one time benefit of $4.2 million in reduction of deferred tax liabilities reflecting the lower tax rates.

NON-CASH TRANSACTIONS

Included in the accompanying Consolidated Balance Sheets are $323,000 and $690,000 of capitalized property and equipment which were not paid for as of September 30, 2024 and December 31, 2023, respectively. Accrued property and equipment purchases have been excluded from capital expenditures in the accompanying Consolidated Statements of Cash Flow. There are no material non-cash amounts included in interest expense for any period presented.

BUSINESS COMBINATIONS

We account for acquired businesses using the acquisition method of accounting. All assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. The determination of fair value involves estimates and the use of valuation techniques when market value is not readily available. We use various techniques to determine fair value in accordance with accepted valuation models, primarily the income approach. The significant assumptions used in developing fair values include, but are not limited to, revenue growth rates, the amount and timing of future cash flows, discount rates, useful lives, royalty rates and future tax rates. The excess of purchase price over the fair value of assets and liabilities acquired is recorded as goodwill. See Note 17 for discussion of recent acquisitions.

ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying Notes. Actual results could differ from those estimates. Disclosures of after-tax expenses and adjustments are based on estimates of the effective income tax rates for the applicable segments.

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 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").

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 for the quarters ended September 30, 2024 and 2023 was $2.4 million and $2.0 million, respectively. The cost of providing charity care during the first nine months ended September 30, 2024 and 2023 was $6.8 million and $6.1 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 and change over time. Medicare and Medicaid programs have broad authority to audit and review compliance with such laws and regulations and impose payment suspensions or modifications when merited. 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 months ended September 30, 2024 and 2023.

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 September 30, 2024, 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.

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 September 30, 2024 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	**$ 319,151**	**$ 12,013**	**$ 7,180**	**$ 338,344**
Inpatient care	**25,647**	**2,111**	**2,165**	**29,923**
Continuous care	**23,657**	**942**	**1,200**	**25,799**
	$ 368,455	**$ 15,066**	**$ 10,545**	**$ 394,066**
All other revenue - self-pay, respite care, etc.				**5,082**
Subtotal				**$ 399,148**
Medicare cap adjustment				**(2,239)**
Implicit price concessions				**(2,167)**
Room and board, net				**(3,336)**
Net revenue				**$ 391,406**

The composition of patient care service revenue by payor and level of care for the quarter ended September 30, 2023 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 269,954	$ 11,187	$ 6,248	$ 287,389
Inpatient care	23,983	2,197	1,638	27,818
Continuous care	20,160	870	1,002	22,032
	$ 314,097	$ 14,254	$ 8,888	$ 337,239
All other revenue - self-pay, respite care, etc.				3,562
Subtotal				$ 340,801
Medicare cap adjustment				(125)
Implicit price concessions				(4,302)
Room and board, net				(2,646)
Net revenue				$ 333,728

The composition of patient care service revenue by payor and level of care for the nine months ended September 30, 2024 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	**$ 911,197**	**$ 36,691**	**$ 20,093**	**$ 967,981**
Inpatient care	**76,905**	**6,740**	**5,652**	**89,297**
Continuous care	**68,649**	**2,588**	**3,058**	**74,295**
	$ 1,056,751	**$ 46,019**	**$ 28,803**	**$ 1,131,573**
All other revenue - self-pay, respite care, etc.				**13,900**
Subtotal				**$ 1,145,473**
Medicare cap adjustment				**(5,989)**
Implicit price concessions				**(10,077)**
Room and board, net				**(9,437)**
Net revenue				**$ 1,119,970**

The composition of patient care service revenue by payor and level of care for the nine months ended September 30, 2023 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 781,639	$ 33,143	$ 17,772	$ 832,554
Inpatient care	73,402	6,477	4,433	84,312
Continuous care	58,071	2,384	2,599	63,054
	$ 913,112	$ 42,004	$ 24,804	$ 979,920
All other revenue - self-pay, respite care, etc.				9,738
Subtotal				$ 989,658
Medicare cap adjustment				(5,625)
Implicit price concessions				(10,650)
Room and board, net				(8,317)
Net revenue				$ 965,066

Roto-Rooter

Roto-Rooter provides plumbing, drain cleaning, excavation, 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 ("independent contractors"). 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 cash collection from weekly 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 and payment from customers are received. 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 third quarter is as follows (in thousands):

	September 30, 2024	September 30, 2023
Drain cleaning	**$ 56,049**	$ 59,164
Plumbing	**43,471**	49,113
Excavation	**53,935**	56,904
Other	**218**	334
Subtotal - short term core	**153,673**	165,515
Water restoration	**42,412**	45,435
Independent contractors	**17,698**	20,509
Franchisee fees	**1,454**	1,457
Other	**5,408**	4,246
Gross revenue	**220,645**	237,162
Implicit price concessions and credit memos	**(5,870)**	(6,358)
Net revenue	**$ 214,775**	$ 230,804

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

	September 30, 2024	September 30, 2023
Drain cleaning	**$ 175,535**	$ 186,016
Plumbing	**137,614**	148,285
Excavation	**168,266**	174,032
Other	**665**	711
Subtotal - short term core	**482,080**	509,044
Water restoration	**131,867**	141,176
Independent contractors	**55,569**	65,684
Franchisee fees	**4,344**	4,195
Other	**17,287**	13,292
Gross revenue	**691,147**	733,391
Implicit price concessions and credit memos	**(19,823)**	(19,952)
Net revenue	**$ 671,324**	$ 713,439

3. Segments

Service revenues and sales by business segment are shown in Note 2. After-tax income/(loss) by business segment are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
VITAS	**$ 53,486**	$ 44,331	**$ 146,707**	$ 95,223
Roto-Rooter	**37,955**	50,327	**119,326**	142,354
Total	**91,441**	94,658	**266,033**	237,577
Corporate	**(15,665)**	(19,700)	**(54,353)**	(55,121)
Net income	**$ 75,776**	$ 74,958	**$ 211,680**	$ 182,456

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):

For the Three Months Ended September 30,	Net Income Income	Shares	Earnings per Share
2024			
Earnings	**$ 75,776**	**15,025**	**$ 5.04**
Dilutive stock options	**-**	**99**	
Nonvested stock awards	**-**	**44**	
Diluted earnings	**$ 75,776**	**15,168**	**$ 5.00**
2023			
Earnings	$ 74,958	15,075	$ 4.97
Dilutive stock options	-	82	
Nonvested stock awards	-	43	
Diluted earnings	$ 74,958	15,200	$ 4.93

For the Nine Months Ended September 30,	Net Income Income	Shares	Earnings per Share
2024			
Earnings	**$ 211,680**	**15,082**	**$ 14.04**
Dilutive stock options	**-**	**122**	
Nonvested stock awards	**-**	**49**	
Diluted earnings	**$ 211,680**	**15,253**	**$ 13.88**
2023			
Earnings	$ 182,456	15,034	$ 12.14
Dilutive stock options	-	98	
Nonvested stock awards	-	46	
Diluted earnings	$ 182,456	15,178	$ 12.02

For the three and nine months ended September 30, 2024, there were 307,000 and 302,000, respectively, stock options excluded from the computation of dilutive earnings per share because they would have been anti-dilutive.

For the three and nine months ended September 30, 2023, there were 309,000 stock options excluded from the computation of dilutive earnings per share because they would have been anti-dilutive.

5. Long-Term Debt and Lines of Credit

On June 28, 2022, we replaced our existing credit facility with a fifth amended and restated Credit Agreement ("2022 Credit Facilities"). Terms of the 2022 Credit Facilities consist of a five-year $450.0 million revolver as well as a five-year $100.0 million term loan. The 2022 Credit Facilities have a floating interest rate that is generally the secured overnight financing rate ("SOFR") plus an additional tiered rate which varies based on our current leverage ratio. As of September 30, 2024, the interest rate is SOFR plus 100 basis points. The 2022 Credit Facilities include an expansion feature that provides the Company the opportunity to increase its revolver and/or term loan by an additional $250.0 million.

We made prepayments totaling $75.0 million plus a regularly scheduled payment of $1.25 million in the first quarter of 2023, on the $100.0 million term loan. We paid the remaining balance of $21.3 million in April 2023. There were no prepayment penalties associated with this repayment. There are no significant deferred debt issuance costs capitalized related to the term loan. This prepayment reduced the total borrowing capacity of the 2022 Credit Facilities from $550.0 million to $450.0 million.

The 2022 Credit Facilities contain the following quarterly financial covenants effective as of September 30, 2024:

Description	Requirement
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00
Interest Coverage Ratio (Consolidated Adj. EBITDA/Consolidated Interest Expense)	> 3.00 to 1.00

We are in compliance with all debt covenants as of September 30, 2024. We have issued $45.2 million in standby letters of credit as of September 30, 2024, mainly for insurance purposes. Issued letters of credit reduce our available credit under the 2022 Credit Facilities. As of September 30, 2024, we have approximately $404.8 million of unused lines of credit available and eligible to be drawn down under the revolving credit facility.

6. Other Income – Net

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Market value adjustment on assets held in deferred compensation trust	**$ 5,629**	$ 4,257	**$ 16,600**	$ 5,441
Interest income	**3,668**	2,600	**11,405**	2,863
Other-net	**2**	2	**3**	61
Total other income - net	**$ 9,299**	$ 6,859	**$ 28,008**	$ 8,365

7. 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 inpatient units ("IPUs") and/or contract beds within hospitals. Roto-Rooter mainly has leased office space. Our leases have remaining terms of under 1 year to 13 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.

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 capitalizes the equipment underlying these leases, depreciates the equipment and recognizes rental income.

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

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

	September 30, 2024	December 31, 2023
Assets		
Operating lease assets	**$ 134,111**	$ 126,387
Liabilities		
Current operating leases	**42,490**	38,635
Noncurrent operating leases	**105,416**	100,776
Total operating lease liabilities	**$ 147,906**	$ 139,411

The components of lease expense for the third quarter are as follows (in thousands):

	Three months ended September 30,	
	2024	2023
Lease Expense (a)		
Operating lease expense	$ **16,548**	$ 14,999
Sublease income	**(103)**	(23)
Net lease expense	$ **16,445**	$ 14,976

The components of lease expense for the first nine months are as follows (in thousands):

	Nine months ended September 30,	
	2024	2023
Lease Expense (a)		
Operating lease expense	$ **47,821**	$ 44,811
Sublease income	**(216)**	(70)
Net lease expense	$ **47,605**	$ 44,741

(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:

	Nine months ended September 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from leases	$ **38,564**	$ 37,352
Leased assets obtained in exchange for new operating lease liabilities	$ **43,759**	$ 21,630

Weighted Average Remaining Lease Term at September 30, 2024	
Operating leases	4.71 years
Weighted Average Discount Rate at September 30, 2024	
Operating leases	3.64%

Maturity of Operating Lease Liabilities (in thousands)

2024	$ **13,037**
2025	46,769
2026	36,143
2027	23,190
2028	16,816
Thereafter	26,388
Total lease payments	$ 162,343
Less: interest	(14,437)
Total liability recognized on the balance sheet	$ 147,906

For leases commencing prior to April 2019, minimum rental payments exclude payments to landlords for real estate taxes and common area maintenance. Operating lease payments include $3.1 million related to extended lease terms that are reasonably certain of being exercised and exclude $1.8 million of lease payments for leases signed but not yet commenced.

8. Stock-Based Compensation Plans

On February 16, 2024, the Compensation/Incentive Committee of the Board of Directors ("CIC") granted 7,133 Performance Stock Units ("PSUs") that vest 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, 2026, 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 $4.8 million.

On February 16, 2024, the CIC also granted 7,133 PSUs that vest contingent upon the achievement of certain earnings per share ("EPS") targets for the three-year period ending December 31, 2026. 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 $4.2 million.

At the end of 2023, the then Chief Financial Officer (CFO) transitioned to an employee advisor role. In early 2024, in connection with this change of roles, the CFO's employment agreement terminated, and the CFO was given a one-time grant of 6,424 PSUs to be paid based on the Company's TSR performance for the fiscal years 2024 to 2026. This one-time grant is structured the same as the Company's standard TSR-based PSU grants with the exception that there are no future service requirements to be satisfied by the employee and a minimum value of shares are guaranteed. Based on the structure of the one-time award, the entire value of the award, $5.3 million, was recognized as compensation expense in SG&A in the consolidated statements of income for the period ended March 31, 2024.

9. 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. Net gains for the Company's retirement and profit-sharing plans, excess benefit plans and other similar plans are as follows (in thousands):

Three months ended September 30,		**Nine months ended September 30,**	
2024	2023	**2024**	2023
$ 8,876	$ 8,551	**$ 29,114**	$ 19,974

10. 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, which can result in penalties including repayment obligations, funding withholding, or debarment, 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.

Regulatory Matters and Litigation

VITAS is one of a group of hospice providers selected by the Office of the Inspector General's ("OIG") Office of Audit Services ("OAS") for inclusion in an audit of the provision of elevated level-of-care hospice services. On July 14, 2022, VITAS received the final audit report from OAS. Per this report, the OAS audit examined VITAS inpatient and continuous care claims for the period April 2017 to March 2019. The audit covered a total population of 50,850 claims representing total Medicare reimbursement of $210.0 million during this two-year time period. From this population, OAS selected 100 claims, representing $688,000 of reimbursement, for detailed review. The final OAS audit report includes a series of recommendations, including that VITAS repay approximately $140.0 million of the $210.0 million VITAS received from Medicare for hospice services during this two-year period, despite the fact that at the time of the release of the results of the audit, many of the disputed claims were time-barred from being challenged. VITAS believes that the OAS audit process and related final report contain significant flaws including in methodology, medical reviews, technical reviews, proposed extrapolation methodology, and contravene the "reasonable physician standard" set forth in the appliable Aseracare precedent.

On August 29, 2022, six weeks subsequent to the OAS finalizing its audit, VITAS received a demand letter from its Medicare Administrative Contractor ("MAC") seeking repayment of $50.3 million. This demand letter is $90.0 million lower than the final OAS audit recommendation, as a significant portion of the 100 claims reviewed were closed pursuant to applicable law and ineligible to be reopened. VITAS timely filed its initial appeal of the overpayment decision and deposited $50.3 million under the "Immediate Recoupment" process to preserve its appeal rights. To date, VITAS has been refunded $3.34 million of the amount deposited and continues to appeal the remaining claims through the Office of Medicare Hearings and Appeals process. The amount deposited has been recorded as an "other long-term asset" in the consolidated balance sheets, as detailed in Note 13.

Regardless of the outcome of the preceding matter, dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, withholding of governmental funding, diversion of management time, and related publicity. Although the Company intends to defend it vigorously, there can be no assurance that the audit will not have a material adverse effect on the Company.

11. Concentration of Risk

As of September 30, 2024, and December 31, 2023, approximately 73% and 75%, respectively, of VITAS' total accounts receivable balance were from Medicare and 22% and 19%, respectively, of VITAS' total accounts receivable balance were due from various state Medicaid or managed Medicaid programs. Combined accounts receivable from Medicare, Medicaid, and managed Medicaid represent approximately 83% of the consolidated net accounts receivable in the accompanying consolidated balance sheets as of September 30, 2024.

VITAS has a pharmacy services contract with one service provider for specified pharmacy services related to its hospice operations. Similarly, VITAS obtains the majority of its medical supplies from a single vendor. A large majority of VITAS' pharmaceutical and medical supplies purchases are from these vendors. The pharmaceutical and medical supplies purchased by VITAS are available through many providers in the United States. However, a disruption from VITAS' main service providers could adversely impact VITAS' operations, including temporary logistical challenges and increased cost associated with getting medication and medical supplies to our patients.

12. Cash Overdrafts and Cash Equivalents

There is no cash overdraft included in accounts payable at September 30, 2024. There was $15.7 million of cash overdrafts included in accounts payable at December 31, 2023.

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. In 2023, Chemed began investing excess cash in money market funds holding US Treasuries. Deposits and withdrawals are made daily, based on the Company's excess cash balance. There are no penalties associated with withdrawals. The accounts bear interest at a normal market rate.

13. Other Assets

Other assets comprise the following (in thousands):

		September 30, 2024		December 31, 2023
Deposit with OAS	**$**	**46,968**	$	46,968
Cash surrender value life insurance		**3,767**		3,651
Noncurrent advances and deposits		**2,249**		2,139
Deferred debt costs		**1,008**		1,197
Other		**1,712**		1,663
Total other assets	**$**	**55,704**	$	55,618

14. Other Current Liabilities

		September 30, 2024		December 31, 2023
Medicare cap	**$**	**11,154**	$	13,245
Accrued advertising		**3,236**		4,641
Accrued legal		**450**		6,386
Healthcare worker retention bonus		**117**		8,901
All other		**25,560**		22,401
Total other current liabilities	**$**	**40,517**	$	55,574

There are no individual amounts exceeding 5% of the total current liabilities in the "all other" line for either period presented.

15. 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 September 30, 2024 (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)**
Investments of deferred compensation plans held in trust	**$ 126,631**	**$ 126,631**	**$ -**	**$ -**
Cash equivalents	**249,659**	**249,659**	**-**	**-**

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2023 (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)
Investments of deferred compensation plans held in trust	$ 106,126	$ 106,126	$ -	$ -
Cash equivalents	257,343	257,343	-	-

For cash, 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 Note 5, our outstanding long-term debt has a floating interest rate that is 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 approximates its carrying value.

16. Capital Stock Repurchase Plan Transactions

We repurchased the following capital stock:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Total cost of repurchased shares (in thousands)	**$ 57,820**	$ 14,344	**$ 145,933**	$ 27,769
Shares repurchased	**100,000**	28,457	**250,000**	53,457
Weighted average price per share	**$ 578.21**	$ 504.07	**$ 583.73**	$ 519.46

In November 2023, the Board of Directors authorized $300.0 million for additional stock repurchase under the February 2011 repurchase program. In May and November 2021, the Board of Directors authorized a total of $600.0 million for additional stock repurchase under Chemed's existing share repurchase program. We currently have $168.1 million of authorization remaining under this share repurchase plan.

17. Acquisitions

On March 11, 2024, Roto-Rooter completed the acquisition of one franchise in New Jersey for $5.8 million in cash. On March 27, 2024, Roto-Rooter completed the acquisition of one franchise in Texas for $1.5 million in cash. On August 20, 2024, Roto-Rooter completed the acquisition of one franchise in Kentucky for $5.1 million in cash.

On April 17, 2024, VITAS completed the purchase of all hospice operations and an assisted living facility from Covenant Health and Community Services, Inc d/b/a/ Covenant Care ("Covenant") for an aggregated purchase price of $85.0 million in cash.

The purchase price allocation of the acquired VITAS business is as follows (in thousands):

Goodwill	$	70,803
Operating licenses		10,960
Property, plant, and equipment		3,237
	$	85,000

Revenue for the Covenant acquisition for the third quarter of 2024, was approximately $10.0 million to $11.0 million and this translated to net income of approximately $1.8 million to $2.0 million. The revenue for the Covenant acquisition for the first nine months of 2024, was approximately $18.2 million to $19.7 million and this translated to net income of approximately $3.4 to $3.8 million.

The pro forma revenue and earnings for the Company for the three and nine months ended September 30, as if the Covenant acquisition made in 2024 was completed on January 1, 2023 are as follows (in thousands, except per share data):

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		**2024**		2023	
Service revenues and sales	**$**	**606,181**	$	578,472	**$**	**1,808,426**	$	1,720,325
Net income	**$**	**75,776**	$	76,735	**$**	**215,905**	$	187,786
Earnings per share	**$**	**5.04**	$	5.09	**$**	**14.32**	$	12.49
Diluted earnings per share	**$**	**5.00**	$	5.05	**$**	**14.15**	$	12.37

Revenue and net income from other acquisitions made in 2024 and 2023 are not material.

Goodwill is assessed for impairment on a yearly basis as of October 1. The primary factor that contributed to the purchase price resulting in the recognition of goodwill is operational efficiencies expected as a result of integrating the operations of the Covenant locations into the existing VITAS organizational structure. All goodwill recognized is deductible for tax purposes.

Shown below is movement in Goodwill (in thousands):

	VITAS		Roto-Rooter		Total	
Balance at December 31, 2023	$	334,063	$	250,954	$	585,017
Business combinations		70,803		11,069		81,872
Foreign currency adjustments		-		(29)		(29)
Balance at September 30, 2024	$	404,866	$	261,994	$	666,860

18. Recent Accounting Standards

In November 2023, the FASB issued Accounting Standards Update "ASU 2023-07 – Reportable Segments". The guidance provides enhanced disclosures about significant segment expenses. The purpose of the amendment is to provide investors with a better understanding of an entity's overall performance and assess potential future cash flows. The guidance is effective for fiscal periods beginning after December 31, 2023, and interim periods within fiscal years beginning after December 31, 2024. The ASU will require additional footnote disclosures but will not have a material impact on the Company's consolidated financial statements.

In December 2023, the FASB issued Accounting Standards Update "ASU 2023-09 – Income Tax Disclosure". The guidance provides increased transparency related to tax risk and tax planning through (1) disclosure in specific categories in the rate reconciliation and (2) provide additional information for reconciling items when a quantitative threshold is met. The guidance is effective for fiscal periods beginning after December 31, 2024. The ASU will require additional footnote disclosures but we do not expect it to have a material impact on the Company's consolidated financial statements.

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, excavation, 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 vast majority of the Company's operations are located in the United States. As both operations are service companies, our employees are the most critical resource of the Company. We have very little exposure related to customers, vendors, or employees in other regions of the world.

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Service revenues and sales	**$ 606,181**	$ 564,532	**$ 1,791,294**	$ 1,678,505
Net income	**$ 75,776**	$ 74,958	**$ 211,680**	$ 182,456
Diluted EPS	**$ 5.00**	$ 4.93	**$ 13.88**	$ 12.02
Adjusted net income	**$ 85,485**	$ 80,866	**$ 248,735**	$ 207,701
Adjusted diluted EPS	**$ 5.64**	$ 5.32	**$ 16.31**	$ 13.68
Adjusted EBITDA	**$ 122,994**	$ 115,836	**$ 357,505**	$ 312,253
Adjusted EBITDA as a % of revenue	**20.3 %**	20.5 %	**20.0 %**	18.6 %

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 35-37.

For the three months ended September 30, 2024, the increase in consolidated service revenues and sales was driven by a 17.3% increase at VITAS offset by a 6.9% decrease at Roto-Rooter. The increase in service revenues at VITAS is comprised primarily of a 15.5% increase in days-of-care and a geographically weighted average Medicare reimbursement rate increase of approximately 2.6%. Acuity mix shift negatively impacted revenue growth by 140-basis points in the quarter when compared to the prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes increased revenue growth by 64-basis points. The decrease in service revenues at Roto-Rooter was driven by a decrease in all service lines.

For the nine months ended September 30, 2024, the increase in consolidated service revenues and sales was driven by a 16.1% increase at VITAS offset by a 5.9% decrease at Roto-Rooter. The increase in service revenues at VITAS is comprised primarily of a 13.9% increase in days-of-care and a geographically weighted average Medicare reimbursement rate increase of approximately 2.6%. Acuity mix shift negatively impacted revenue growth by 110-basis points in the quarter when compared to the prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes increased revenue growth by 70-basis points. The decrease in service revenues at Roto-Rooter was driven by a decrease in all service lines.

On April 17, 2024, VITAS completed the purchase of all hospice operations and an assisted living facility from Covenant Health and Community Services, Inc d/b/a/ Covenant Care ("Covenant") for an aggregated purchase price of $85.0 million in cash.

The pro forma revenue and earnings for the Company for the three and nine months ended September 30, as if the Covenant acquisition made in 2024 was completed on January 1, 2023 are as follows (in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Service revenues and sales	**$ 606,181**	$ 578,472	**$ 1,808,426**	$ 1,720,325
Net income	**$ 75,776**	$ 76,735	**$ 215,905**	$ 187,786
Earnings per share	**$ 5.04**	$ 5.09	**$ 14.31**	$ 12.49
Diluted earnings per share	**$ 5.00**	$ 5.05	**$ 14.15**	$ 12.37

Hurricane Helene, which impacted the panhandle of Florida and other parts of the southeastern United States in late September, did not result in any significant property loss or damage to VITAS. However, as with other similar events, we did experience a slowdown in admission activity while health systems prepared for the hurricane and then dealt with the aftermath. We estimate that admissions were negatively impacted during the quarter by approximately 60-100 patients. We also believe that the Florida admission impact will be more significant in the fourth quarter with the combination of Hurricanes Helene and Milton.

VITAS continues to perform as anticipated, and we reiterate the metrics for VITAS as presented in our second quarter 2024 press release. Roto-Rooter's revenue and resulting adjusted EBITDA and adjusted net income was softer than anticipated during the third quarter of 2024. As a result of these factors, full-year 2024 earnings per diluted share, excluding non-cash expense for stock options, tax benefits from stock option exercises, costs related to litigation and other discrete items, is estimated to be in the range of $23.00 to $23.15. This range represents a 13.3% to 14.0% increase from Chemed's reported adjusted earnings per diluted share of $20.30. This guidance assumes an effective corporate tax rate on adjusted earnings of 24.3% and a diluted share count of 15.22 million shares.

Financial Condition

Liquidity and Capital Resources

Material changes in the balance sheet accounts from December 31, 2023 to September 30, 2024 include the following:

A $20.5 million increase in investments of deferred compensation plans due mainly to market valuation gains. This resulted in a similar increase in the liability associated with deferred compensation plans.

A $7.7 million increase in lease right of use asset due to lease renewals. This resulted in a similar increase in the lease liability accounts.
A $4.5 million increase in identifiable intangible assets due primarily to the Covenant acquisition at VITAS.

A $81.8 million increase in goodwill due primarily to the Covenant acquisition at VITAS.

A $19.1 million decrease in accounts payable due to timing of payments.

A $3.5 million decrease in income taxes payable due to timing of payments.

A $15.2 million decline in accrued compensation due primarily to the payment of 2023 bonuses in the first quarter of 2024.

A $15.1 million decrease in other current liabilities due to payments of legal settlements at VITAS and Roto-Rooter, payments of the Retention Bonus Program implemented at VITAS and a decrease in the Medicare Cap liability at VITAS.

Net cash provided by operating activities increased $30.8 million from September 30, 2023 to September 30, 2024. The main driver is an increase in earnings of $29.2 million.

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 $50.0 million from the Federal government for hospice services every other Friday. The timing of a 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.

We anticipate that our operating income and cash flows will be sufficient to operate our business and meet any commitments for the foreseeable future.

Commitments and Contingencies

On June 28, 2022, we replaced our existing credit facility with a fifth amended and restated Credit Agreement ("2022 Credit Facilities"). Terms of the 2022 Credit Facilities consist of a five-year $450.0 million revolver as well as a five-year $100.0 million term loan. The 2022 Credit Facilities have a floating interest rate that is generally SOFR plus an additional tiered rate which varies based on our current leverage ratio. As of September 30, 2024, the interest rate is SOFR plus 100 basis points. The 2022 Credit Facilities include an expansion feature that provides the Company the opportunity to increase its revolver and/or term loan by an additional $250.0 million.

We made prepayments totaling $75.0 million in the first quarter of 2023, on the $100.0 million term loan. We paid the remaining balance of $21.3 million on April 28, 2023. There were no prepayment penalties associated with this repayment. This prepayment reduced the total borrowing capacity of the 2022 Credit Facilities from $550.0 million to $450.0 million.

We have issued $45.2 million in standby letters of credit as of September 30, 2024, mainly for insurance purposes. Issued letters of credit reduce our available credit under the 2022 Credit Facilities. As of September 30, 2024, we have approximately $404.8 million of unused lines of credit available and are 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.

Collectively, the terms of the 2022 Credit Facilities require us to meet various financial covenants, to be tested quarterly. We are in compliance with all financial and other debt covenants as of September 30, 2024 and anticipate remaining in compliance throughout the foreseeable future.

We are subject to various lawsuits and claims in the normal course of our business. In addition, we periodically receive communications from governmental and regulatory agencies concerning compliance with Medicare and Medicaid billing requirements at our VITAS subsidiary. We establish reserves for specific, uninsured liabilities in connection with regulatory and legal action that we deem to be probable and estimable. We disclose the existence of regulatory and legal actions when we believe it is reasonably possible that a loss could occur in connection with the specific action. In most instances, we are unable to make a reasonable estimate of any reasonably possible liability due to the uncertainty of the outcome and stage of litigation. We record legal fees associated with legal and regulatory actions as the costs are incurred.

See Note 10 in the Notes to the Unaudited Consolidated Financial Statements in Item 1 above for a description of current material legal matters.

Results of Operations
Three months ended September 30, 2024 versus 2023 - Consolidated Results

Our service revenues and sales for the third quarter of 2024 increased 7.4% versus services and sales revenues for the third quarter of 2023. Of this increase, a $57.7 million increase was attributable to VITAS, offset by a $16.0 million decrease at Roto-Rooter. The following chart shows the components of revenue by operating segment (in thousands):

	Three months ended September 30,		Increase/(Decrease)
	2024	2023	**Percent**
VITAS			
Routine homecare	$ **338,344**	$ 287,389	17.7
General inpatient	**29,923**	27,818	7.6
Continuous care	**25,799**	22,032	17.1
Other	**5,082**	3,562	42.7
Subtotal	**399,148**	340,801	17.1
Medicare cap adjustment	**(2,239)**	(125)	(1,691.2)
Room and board - net	**(3,336)**	(2,646)	(26.1)
Implicit price concessions	**(2,167)**	(4,302)	49.6
Net revenue	$ **391,406**	$ 333,728	17.3
Roto-Rooter			
Drain cleaning	$ **56,049**	$ 59,164	(5.3)
Plumbing	**43,471**	49,113	(11.5)
Excavation	**53,935**	56,904	(5.2)
Other	**218**	334	(34.7)
Subtotal - short term core	**153,673**	165,515	(7.2)
Water restoration	**42,412**	45,435	(6.7)
Independent contractors	**17,698**	20,509	(13.7)
Outside franchisee fees	**1,454**	1,457	(0.2)
Other	**5,408**	4,246	27.4
Gross revenue	**220,645**	237,162	(7.0)
Implicit price concessions	**(5,870)**	(6,358)	7.7
Net revenue	**214,775**	230,804	(6.9)
Total Revenues	$ **606,181**	$ 564,532	7.4

Days of care at VITAS during the quarters were as follows:

	Three months ended September 30,		Increase/(Decrease)
	2024	2023	**Percent**
Routine homecare	**1,622,680**	1,391,377	16.6
Nursing home	**320,664**	287,785	11.4
Respite	**9,952**	7,292	36.5
Subtotal routine homecare and respite	**1,953,296**	1,686,454	15.8
General inpatient	**26,524**	25,493	4.0
Continuous care	**24,365**	23,071	5.6
Total days of care	**2,004,185**	1,735,018	15.5

The increase in service revenues at VITAS is comprised primarily of a 15.5% increase in days-of-care and a geographically weighted average Medicare reimbursement rate increase of approximately 2.6%. Acuity mix shift negatively impacted revenue growth by 140-basis points in the quarter when compared to the prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes increased revenue growth by 64-basis.

The decrease in drain cleaning revenues for the third quarter of 2024 versus 2023 is attributable to a 3.6% increase in price and service mix offset by an 8.9% decrease in job count. The decrease in plumbing revenues for the third quarter of 2024 versus 2023 is attributable to a 1.8% decrease in price and service mix shift and a 9.7% decrease in job count. Excavation and water restoration jobs are generally sold as a result of initial calls from customers regarding drain cleaning issues.

The consolidated gross margin was 34.6% in the third quarter of 2024 as compared with 35.8% in the third quarter of 2023. On a segment basis, VITAS' gross margin was 24.6% in the third quarter of 2024 as compared with 24.0%, in the third quarter of 2023. The increase in gross margin at VITAS is mostly the result of increased revenues. The Roto-Rooter segment's gross margin was 52.9% for the third quarter of 2024 and the third quarter of 2023.

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

	Three months ended September 30,	
	2024	2023
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	**$ 93,269**	$ 91,792
Impact of market value adjustments related to assets held in deferred compensation trusts	**5,629**	4,257
Long-term incentive compensation	**3,083**	3,553
Total SG&A expenses	**$ 101,981**	$ 99,602

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for the third quarter of 2024 were up 1.6% when compared to third quarter of 2023 due mainly to normal salary increases and an increase in variable selling expenses, primarily increased marketing expense at Roto-Rooter.

Other income – net comprise (in thousands):

	Three months ended September 30,	
	2024	2023
Market value adjustment on assets held in deferred compensation trusts	**$ 5,629**	$ 4,257
Interest income	**3,668**	2,600
Other	**2**	2
Total other income - net	**$ 9,299**	$ 6,859

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. In 2023, Chemed began investing excess cash in money market funds holding US Treasuries. Deposits and withdrawals are made daily, based on the Company's excess cash balance. There are no penalties associated with withdrawals. The accounts bear interest at a normal market rate.

Our effective tax rate reconciliation is as follows (in thousands):

	Three months ended September 30,	
	2024	2023
Income tax provision calculated at the statutory federal rate	**$ 21,216**	$ 19,586
State and local income taxes	**2,857**	2,105
Stock compensation tax benefits	**(389)**	(225)
Effect of rate change on deferred tax	**-**	(4,241)
Other--net	**1,569**	1,082
Income tax provision	**$ 25,253**	$ 18,307
Effective tax rate	**25.0 %**	19.6 %

During the third quarter of 2023, the Company recognized a tax benefit from realignment of its state and local corporate tax structure based on the location of operating resources and profitability by business segment. This benefit includes a reduction in current state and local tax expense and a one time benefit of $4.2 million in reduction of deferred tax liabilities reflecting the lower tax rates.

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

	Three months ended September 30,	
	2024	2023
VITAS		
Acquisition expense	**$ (298)**	$ -
Impact of deferred rate tax change	**-**	1,772
Roto-Rooter		
Amortization of reacquired franchise agreements	**(1,804)**	(1,954)
Acquisition expense	**6**	-
Impact of deferred rate tax change	**-**	3,559
Litigation settlements	**-**	(286)
Corporate		
Stock option expense	**(5,240)**	(4,924)
Long-term incentive compensation	**(2,762)**	(3,210)
Excess tax benefits on stock compensation	**389**	225
Impact of deferred rate tax change	**-**	(1,090)
Total	**$ (9,709)**	$ (5,908)

<u>Three months ended September 30, 2024 versus 2023 - Segment Results</u>

Net income/(loss) for the third quarter of 2024 versus the third quarter of 2023 by segment (in thousands):

	Three months ended September 30,	
	2024	2023
VITAS	**$ 53,486**	$ 44,331
Roto-Rooter	**37,955**	50,327
Corporate	**(15,665)**	(19,700)
	$ 75,776	$ 74,958

After-tax earnings as a percent of revenue at VITAS in the third quarter of 2024 was 13.7% as compared to 13.3% in the third quarter of 2023. VITAS' after-tax earnings increased primarily due to increased revenues.

Roto-Rooter's net income was negatively impacted in the third quarter of 2024 compared to the third quarter of 2023 primarily due to declining revenue and higher SG&A related to enhanced marketing efforts. After-tax earnings as a percent of revenue at Roto-Rooter in the third quarter of 2024 was 17.7%, as compared to 21.8% in the third quarter of 2023.

After-tax Corporate expenses for the third quarter of 2024 decreased 20.5% when compared to the third quarter in 2023 due primarily to the tax benefit from the realignment of state and local corporate tax structure change recognized in September 2023, and market gains and interest income from excess cash invested in money market funds.

Results of Operations
Nine months ended September 30, 2024 versus 2023 - Consolidated Results

Our service revenues and sales for the first nine months of 2024 increased 6.7% versus services and sales revenues for the first nine months of 2023. Of this increase, a $154.9 million increase was attributable to VITAS, offset by a $42.1 million decrease at Roto-Rooter. The following chart shows the components of revenue by operating segment (in thousands):

	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Increase/(Decrease) Percent
VITAS			
Routine homecare	**$ 967,981**	$ 832,554	16.3
General inpatient	**89,297**	84,312	5.9
Continuous care	**74,295**	63,054	17.8
Other	**13,900**	9,738	42.7
Subtotal	**1,145,473**	989,658	15.7
Medicare cap adjustment	**(5,989)**	(5,625)	(6.5)
Room and board - net	**(9,437)**	(8,317)	(13.5)
Implicit price concessions	**(10,077)**	(10,650)	5.4
Net revenue	**$ 1,119,970**	$ 965,066	16.1
Roto-Rooter			
Drain cleaning	**$ 175,535**	$ 186,016	(5.6)
Plumbing	**137,614**	148,285	(7.2)
Excavation	**168,266**	174,032	(3.3)
Other	**665**	711	(6.5)
Subtotal - short term core	**482,080**	509,044	(5.3)
Water restoration	**131,867**	141,176	(6.6)
Independent contractors	**55,569**	65,684	(15.4)
Outside franchisee fees	**4,344**	4,195	3.6
Other	**17,287**	13,292	30.1
Gross revenue	**691,147**	733,391	(5.8)
Implicit price concessions	**(19,823)**	(19,952)	0.6
Net revenue	**671,324**	713,439	(5.9)
Total Revenues	**$ 1,791,294**	$ 1,678,505	6.7

Days of care at VITAS during the nine months ended September 30 were as follows:

	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Increase/(Decrease) Percent
Routine homecare	**4,621,755**	4,018,469	15.0
Nursing home	**908,013**	833,112	9.0
Respite	**26,806**	19,211	39.5
Subtotal routine homecare and respite	**5,556,574**	4,870,792	14.1
General inpatient	**79,064**	76,987	2.7
Continuous care	**72,335**	65,630	10.2
Total days of care	**5,707,973**	5,013,409	13.9

The increase in service revenues at VITAS is comprised primarily of a 13.9% increase in days-of-care and a geographically weighted average Medicare reimbursement rate increase of approximately 2.6%. Acuity mix shift negatively impacted revenue growth by 110-basis points when compared to the prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes increased revenue growth by 70-basis points.

The decrease in drain cleaning revenues for the first nine months of 2024 versus 2023 is attributable to a 2.6% increase in price and service mix offset by an 8.2% decrease in job count. The decrease in plumbing revenues for the first nine months of 2024 versus 2023 is attributable to a 1.2% decrease in price and service mix shift and by a 6.0% decrease in job count. Excavation and water restoration jobs are generally sold as a result of initial calls from customers regarding drain cleaning issues.

The consolidated gross margin was 34.6% in the first nine months of 2024 as compared with 34.0% in the first nine months of 2023. On a segment basis, VITAS' gross margin was 23.9% in the first nine months of 2024 as compared with 20.2%, in the first nine months of 2023. The increase in gross margin at VITAS is mostly the result of increased revenues and the expiration of the licensed healthcare worker Retention Bonus Program in 2023. The expense recorded in the first nine months of 2023 related to the VITAS Retention Bonus Program was $23.8 million. The Roto-Rooter segment's gross margin was 52.5% for the first nine months of 2024 as compared with 52.8% in the first nine months of 2023.

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

	Nine months ended September 30,	
	2024	2023
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	**$ 287,712**	$ 281,426
Impact of market value adjustments related to assets held in deferred compensation trusts	**16,600**	5,441
Long-term incentive compensation	**15,797**	7,817
Total SG&A expenses	**$ 320,109**	$ 294,684

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for the first nine months of 2024 were up 2.2% when compared to the first nine months of 2023 due mainly to normal salary increases and an increase in variable selling expenses, primarily increased marketing expense at Roto-Rooter.

Other income – net comprise (in thousands):

	Nine months ended September 30,	
	2024	2023
Market value adjustment on assets held in deferred compensation trusts	**$ 16,600**	$ 5,441
Interest income	**11,405**	2,863
Other	**3**	61
Total other income - net	**$ 28,008**	$ 8,365

Our effective tax rate reconciliation is as follows (in thousands):

	Nine months ended September 30,	
	2024	2023
Income tax provision calculated at the statutory federal rate	**$ 58,662**	$ 49,303
State and local income taxes	**8,279**	7,333
Stock compensation tax benefits	**(4,308)**	(3,376)
Effect of rate change on deferred tax	**-**	(4,241)
Other--net	**5,029**	3,299
Income tax provision	**$ 67,662**	$ 52,318
Effective tax rate	**24.2 %**	22.3 %

During the third quarter of 2023, the Company recognized a tax benefit from realignment of its state and local corporate tax structure based on the location of operating resources and profitability by business segment. This benefit includes a reduction in current state and local tax expense and a one time benefit of $4.2 million in reduction of deferred tax liabilities reflecting the lower tax rates.

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

	Nine months ended September 30,	
	2024	2023
VITAS		
Acquisition expense	**$ (985)**	$ -
Impact of deferred rate tax change	**-**	1,772
Roto-Rooter		
Amortization of reacquired franchise agreements	**(5,412)**	(5,412)
Acquisition expense	**(29)**	-
Impact of deferred rate tax change	**-**	3,559
Litigation settlements	**-**	(1,577)
Corporate		
Stock option expense	**(20,203)**	(18,884)
Long-term incentive compensation	**(9,397)**	(6,989)
Severance arrangement	**(5,337)**	-
Excess tax benefits on stock compensation	**4,308**	3,376
Impact of deferred rate tax change	**-**	(1,090)
Total	**$ (37,055)**	$ (25,245)

<u>Nine months ended September 30, 2024 versus 2023 - Segment Results</u>

Net income/(loss) for the first nine months of 2024 versus the first nine months of 2023 by segment (in thousands):

	Nine months ended September 30,	
	2024	2023
VITAS	**$ 146,707**	$ 95,223
Roto-Rooter	**119,326**	142,354
Corporate	**(54,353)**	(55,121)
	$ 211,680	$ 182,456

After-tax earnings as a percent of revenue at VITAS in the first nine months of 2024 was 13.1% as compared to 9.9% in the first nine months of 2023. VITAS' after-tax earnings increased primarily due to increased revenues and the expiration of the licensed healthcare worker Retention Bonus Program in 2023.

Roto-Rooter's net income was negatively impacted in the first nine months of 2024 compared to the first nine months of 2023 primarily due to declining revenue and higher SG&A related to enhanced marketing efforts. After-tax earnings as a percent of revenue at Roto-Rooter in the first nine months of 2024 was 17.8%, as compared to 20.0% in the first nine months of 2023.

After-tax Corporate expenses for the first nine months of 2024 decreased by 1.4% compared to the first nine months in 2023 primarily due to the tax benefit from the realignment of state and local corporate tax structure change recognized in September 2023.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024
(in thousands)(unaudited)

2024 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 391,406	$ 214,775	$ -	$ 606,181
Cost of services provided and goods sold	294,936	101,251	-	396,187
Selling, general and administrative expenses	25,883	57,072	19,026	101,981
Depreciation	5,063	8,071	13	13,147
Amortization	26	2,524	-	2,550
Other operating expense	97	62	-	159
Total costs and expenses	326,005	168,980	19,039	514,024
Income/(loss) from operations	65,401	45,795	(19,039)	92,157
Interest expense	(46)	(114)	(267)	(427)
Intercompany interest income/(expense)	4,920	3,656	(8,576)	-
Other income—net	62	18	9,219	9,299
Income/(expense) before income taxes	70,337	49,355	(18,663)	101,029
Income taxes	(16,851)	(11,400)	2,998	(25,253)
Net income/(loss)	$ 53,486	$ 37,955	$ (15,665)	$ 75,776

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

Pretax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Stock option expense	$ -	$ -	$ (6,038)	$ (6,038)
Long-term incentive compensation	-	-	(3,083)	(3,083)
Amortization of reacquired franchise agreements	-	(2,352)	-	(2,352)
Acquisition expense	(394)	8	-	(386)
Total	$ (394)	$ (2,344)	$ (9,121)	$ (11,859)

After-tax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Stock option expense	$ -	$ -	$ (5,240)	$ (5,240)
Long-term incentive compensation	-	-	(2,762)	(2,762)
Amortization of reacquired franchise agreements	-	(1,804)	-	(1,804)
Acquisition expense	(298)	6	-	(292)
Excess tax benefits on stock compensation	-	-	389	389
Total	$ (298)	$ (1,798)	$ (7,613)	$ (9,709)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023
(in thousands)(unaudited)

2023 (a)	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Service revenues and sales	$ 333,728	$ 230,804	$ -	$ 564,532
Cost of services provided and goods sold	253,731	108,627	-	362,358
Selling, general and administrative expenses	25,256	55,141	19,205	99,602
Depreciation	5,009	7,836	13	12,858
Amortization	26	2,495	-	2,521
Other operating expense/(income)	(53)	396	-	343
Total costs and expenses	283,969	174,495	19,218	477,682
Income/(loss) from operations	49,759	56,309	(19,218)	86,850
Interest expense	(52)	(131)	(261)	(444)
Intercompany interest income/(expense)	4,935	3,040	(7,975)	-
Other income—net	849	34	5,976	6,859
Income/(expense) before income taxes	55,491	59,252	(21,478)	93,265
Income taxes	(11,160)	(8,925)	1,778	(18,307)
Net income/(loss)	$ 44,331	$ 50,327	$ (19,700)	$ 74,958

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

	VITAS	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (5,495)	$ (5,495)
Long-term incentive compensation	-	-	(3,553)	(3,553)
Amortization of reacquired franchise agreements	-	(2,352)	-	(2,352)
Litigation settlements	-	(300)	-	(300)
Total	$ -	$ (2,652)	$ (9,048)	$ (11,700)

	VITAS	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (4,924)	$ (4,924)
Impact of deffered rate tax change	1,772	3,559	(1,090)	4,241
Long-term incentive compensation	-	-	(3,210)	(3,210)
Amortization of reacquired franchise agreements	-	(1,954)	-	(1,954)
Litigation settlements	-	(286)	-	(286)
Excess tax benefits on stock compensation	-	-	225	225
Total	$ 1,772	$ 1,319	$ (8,999)	$ (5,908)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(in thousands)(unaudited)

2024 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,119,970	$ 671,324	$ -	$ 1,791,294
Cost of services provided and goods sold	852,347	318,717	-	1,171,064
Selling, general and administrative expenses	73,968	175,683	70,458	320,109
Depreciation	15,288	24,275	38	39,601
Amortization	79	7,538	-	7,617
Other operating expense	160	128	-	288
Total costs and expenses	941,842	526,341	70,496	1,538,679
Income/(loss) from operations	178,128	144,983	(70,496)	252,615
Interest expense	(138)	(349)	(794)	(1,281)
Intercompany interest income/(expense)	15,096	10,638	(25,734)	-
Other income—net	138	64	27,806	28,008
Income/(expense) before income taxes	193,224	155,336	(69,218)	279,342
Income taxes	(46,517)	(36,010)	14,865	(67,662)
Net income/(loss)	$ 146,707	$ 119,326	$ (54,353)	$ 211,680

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (23,933)	$ (23,933)
Long-term incentive compensation	-	-	(10,460)	(10,460)
Amortization of reacquired franchise agreements	-	(7,056)	-	(7,056)
Severance arrangement	-	-	(5,337)	(5,337)
Acquisition expense	(1,302)	(37)	-	(1,339)
Total	$ (1,302)	$ (7,093)	$ (39,730)	$ (48,125)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (20,203)	$ (20,203)
Long-term incentive compensation	-	-	(9,397)	(9,397)
Amortization of reacquired franchise agreements	-	(5,412)	-	(5,412)
Severance arrangement	-	-	(5,337)	(5,337)
Acquisition expense	(985)	(29)	-	(1,014)
Excess tax benefits on stock compensation	-	-	4,308	4,308
Total	$ (985)	$ (5,441)	$ (30,629)	$ (37,055)

CONSOLIDATING STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(in thousands)(unaudited)

2023 (a)	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Service revenues and sales	$ 965,066	$ 713,439	$ -	$ 1,678,505
Cost of services provided and goods sold	770,470	336,786	-	1,107,256
Selling, general and administrative expenses	71,248	171,966	51,470	294,684
Depreciation	14,907	22,830	41	37,778
Amortization	78	7,470	-	7,548
Other operating expense/(income)	(15)	2,079	-	2,064
Total costs and expenses	856,688	541,131	51,511	1,449,330
Income/(loss) from operations	108,378	172,308	(51,511)	229,175
Interest expense	(154)	(387)	(2,225)	(2,766)
Intercompany interest income/(expense)	14,393	8,652	(23,045)	-
Other income - net	1,109	96	7,160	8,365
Income/(expense) before income taxes	123,726	180,669	(69,621)	234,774
Income taxes	(28,503)	(38,315)	14,500	(52,318)
Net income/(loss)	$ 95,223	$ 142,354	$ (55,121)	$ 182,456

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

	VITAS	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (22,376)	$ (22,376)
Long-term incentive compensation	-	-	(7,817)	(7,817)
Amortization of reacquired franchise agreements	-	(7,056)	-	(7,056)
Litigation settlements	-	(2,056)	-	(2,056)
Total	$ -	$ (9,112)	$ (30,193)	$ (39,305)

	VITAS	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (18,884)	$ (18,884)
Long-term incentive compensation	-	-	(6,989)	(6,989)
Amortization of reacquired franchise agreements	-	(5,412)	-	(5,412)
Impact of deferred rate tax change	1,772	3,559	(1,090)	4,241
Litigation settlements	-	(1,577)	-	(1,577)
Excess tax benefits on stock compensation	-	-	3,376	3,376
Total	$ 1,772	$ (3,430)	$ (23,587)	$ (25,245)

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies

(in thousands) **For the three months ended September 30, 2024**	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	**$ 53,486**	**$ 37,955**	**$ (15,665)**	**$ 75,776**
Add/(deduct):				
Interest expense	**46**	**114**	**267**	**427**
Income taxes	**16,851**	**11,400**	**(2,998)**	**25,253**
Depreciation	**5,063**	**8,071**	**13**	**13,147**
Amortization	**26**	**2,524**	**-**	**2,550**
EBITDA	**75,472**	**60,064**	**(18,383)**	**117,153**
Add/(deduct):				
Intercompany interest expense/(income)	**(4,920)**	**(3,656)**	**8,576**	**-**
Interest income	**(59)**	**(18)**	**(3,589)**	**(3,666)**
Stock option expense	**-**	**-**	**6,038**	**6,038**
Long-term incentive compensation	**-**	**-**	**3,083**	**3,083**
Acquisition Expense	**394**	**(8)**	**-**	**386**
Adjusted EBITDA	**$ 70,887**	**$ 56,382**	**$ (4,275)**	**$ 122,994**

For the three months ended September 30, 2023	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 44,331	$ 50,327	$ (19,700)	$ 74,958
Add/(deduct):				
Interest expense	52	131	261	444
Income taxes	11,160	8,925	(1,778)	18,307
Depreciation	5,009	7,836	13	12,858
Amortization	26	2,495	-	2,521
EBITDA	60,578	69,714	(21,204)	109,088
Add/(deduct):				
Intercompany interest expense/(income)	(4,935)	(3,040)	7,975	-
Interest income	(847)	(34)	(1,719)	(2,600)
Stock option expense	-	-	5,495	5,495
Long-term incentive compensation	-	-	3,553	3,553
Litigation settlements	-	300	-	300
Adjusted EBITDA	$ 54,796	$ 66,940	$ (5,900)	$ 115,836

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies

(in thousands) **For the nine months ended September 30, 2024**	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	**$ 146,707**	**$ 119,326**	**$ (54,353)**	**$ 211,680**
Add/(deduct):				
Interest expense	**138**	**349**	**794**	**1,281**
Income taxes	**46,517**	**36,010**	**(14,865)**	**67,662**
Depreciation	**15,288**	**24,275**	**38**	**39,601**
Amortization	**79**	**7,538**	**-**	**7,617**
EBITDA	**208,729**	**187,498**	**(68,386)**	**327,841**
Add/(deduct):				
Intercompany interest expense/(income)	**(15,096)**	**(10,638)**	**25,734**	**-**
Interest income	**(136)**	**(64)**	**(11,205)**	**(11,405)**
Stock option expense	**-**	**-**	**23,933**	**23,933**
Long-term incentive compensation	**-**	**-**	**10,460**	**10,460**
Severance arrangement	**-**	**-**	**5,337**	**5,337**
Acquisition expense	**1,302**	**37**	**-**	**1,339**
Adjusted EBITDA	**$ 194,799**	**$ 176,833**	**$ (14,127)**	**$ 357,505**

For the nine months ended September 30, 2023	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 95,223	$ 142,354	$ (55,121)	$ 182,456
Add/(deduct):				
Interest expense	154	387	2,225	2,766
Income taxes	28,503	38,315	(14,500)	52,318
Depreciation	14,907	22,830	41	37,778
Amortization	78	7,470	-	7,548
EBITDA	138,865	211,356	(67,355)	282,866
Add/(deduct):				
Intercompany interest expense/(income)	(14,393)	(8,652)	23,045	-
Interest income	(1,046)	(96)	(1,720)	(2,862)
Stock option expense	-	-	22,376	22,376
Long-term incentive compensation	-	-	7,817	7,817
Litigation settlements	-	2,056	-	2,056
Adjusted EBITDA	$ 123,426	$ 204,664	$ (15,837)	$ 312,253

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Net income as reported	**$ 75,776**	$ 74,958	**$ 211,680**	$ 182,456
Add/(deduct) pre-tax cost of:				
Stock option expense	**6,038**	5,495	**23,933**	22,376
Long-term incentive compensation	**3,083**	3,553	**10,460**	7,817
Amortization of reacquired franchise agreements	**2,352**	2,352	**7,056**	7,056
Severance arrangement	**-**	-	**5,337**	-
Acquisition expense	**386**	-	**1,339**	-
Litigation settlements	**-**	300	**-**	2,056
Add/(deduct) tax impacts:				
Tax impact of the above pre-tax adjustments (1)	**(1,761)**	(1,326)	**(6,762)**	(6,443)
Tax impact of deferred tax rate change	**-**	(4,241)	**-**	(4,241)
Excess tax benefits on stock compensation	**(389)**	(225)	**(4,308)**	(3,376)
Adjusted net income	**$ 85,485**	$ 80,866	**$ 248,735**	$ 207,701
Diluted Earnings Per Share As Reported				
Net income	**$ 5.00**	$ 4.93	**$ 13.88**	$ 12.02
Average number of shares outstanding	**15,168**	15,200	**15,253**	15,178
Adjusted Diluted Earnings Per Share				
Adjusted net income	**$ 5.64**	$ 5.32	**$ 16.31**	$ 13.68
Adjusted average number of shares outstanding	**15,168**	15,200	**15,253**	15,178

(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 September 30,		Nine Months Ended September 30,	
OPERATING STATISTICS	**2024**	2023	**2024**	2023
Net revenue ($000)				
Homecare	**$ 338,344**	$ 287,389	**$ 967,981**	$ 832,554
Inpatient	**29,923**	27,818	**89,297**	84,312
Continuous care	**25,799**	22,032	**74,295**	63,054
Other	**5,082**	3,562	**13,900**	9,738
Subtotal	**$ 399,148**	$ 340,801	**$ 1,145,473**	$ 989,658
Room and board, net	**(3,336)**	(2,646)	**(9,437)**	(8,317)
Contractual allowances	**(2,167)**	(4,302)	**(10,077)**	(10,650)
Medicare cap allowance	**(2,239)**	(125)	**(5,989)**	(5,625)
Total	**$ 391,406**	$ 333,728	**$ 1,119,970**	$ 965,066
Net revenue as a percent of total before Medicare cap allowances				
Homecare	**84.8%**	84.3%	**84.5%**	84.1%
Inpatient	**7.5**	8.2	**7.8**	8.5
Continuous care	**6.5**	6.5	**6.5**	6.4
Other	**1.2**	1.0	**1.2**	1.0
Subtotal	**100.0**	100.0	**100.0**	100.0
Room and board, net	**(0.8)**	(0.8)	**(0.8)**	(0.8)
Contractual allowances	**(0.5)**	(1.3)	**(0.9)**	(1.1)
Medicare cap allowance	**(0.6)**	-	**(0.5)**	(0.6)
Total	**98.1%**	97.9%	**97.8%**	97.5%
Days of care				
Homecare	**1,622,680**	1,391,377	**4,621,755**	4,018,469
Nursing home	**320,664**	287,785	**908,013**	833,112
Respite	**9,952**	7,292	**26,806**	19,211
Subtotal routine homecare and respite	**1,953,296**	1,686,454	**5,556,574**	4,870,792
Inpatient	**26,524**	25,493	**79,064**	76,987
Continuous care	**24,365**	23,071	**72,335**	65,630
Total	**2,004,185**	1,735,018	**5,707,973**	5,013,409
Number of days in relevant time period	**92**	92	**274**	273
Average daily census (days)				
Homecare	**17,639**	15,124	**16,867**	14,720
Nursing home	**3,485**	3,128	**3,314**	3,052
Respite	**108**	79	**98**	70
Subtotal routine homecare and respite	**21,232**	18,331	**20,279**	17,842
Inpatient	**288**	277	**289**	282
Continuous care	**265**	251	**264**	240
Total	**21,785**	18,859	**20,832**	18,364
Total Admissions	**16,775**	15,774	**51,020**	47,564
Total Discharges	**16,217**	15,328	**48,285**	45,837
Average length of stay (days)	**102.0**	103.1	**102.2**	100.8
Median length of stay (days)	**18.0**	17.0	**17.0**	16.0
ADC by major diagnosis				
Cerebro	**43.6%**	42.0%	**43.7%**	42.2%
Neurological	**13.3**	14.7	**13.3**	15.9
Cancer	**10.0**	10.6	**10.0**	10.6
Cardio	**16.3**	16.4	**16.2**	16.1
Respiratory	**7.1**	7.2	**7.2**	7.1
Other	**9.7**	9.1	**9.6**	8.1
Total	**100.0%**	100.0%	**100.0%**	100.0%
Admissions by major diagnosis				
Cerebro	**28.4%**	26.6%	**27.7%**	26.3%
Neurological	**7.7**	8.8	**7.9**	9.9
Cancer	**25.7**	26.1	**25.1**	26.0
Cardio	**15.1**	16.0	**15.7**	16.2
Respiratory	**9.5**	9.7	**9.9**	10.1
Other	**13.6**	12.8	**13.7**	11.5
Total	**100.0%**	100.0%	**100.0%**	100.0%
Estimated uncollectible accounts as a percent of revenues	**1.0%**	1.3%	**0.9%**	1.1%
Accounts receivable --				
Days of revenue outstanding- excluding unapplied Medicare payments	**37.5**	36.4	**n.a.**	n.a.
Days of revenue outstanding- including unapplied Medicare payments	**35.5**	33.8	**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 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 September 30, 2024, the Company had no variable rate debt outstanding. For each $10 million borrowed under the credit facility, an increase or decrease of 100 basis points (1%), 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 the Company's President and Chief Executive Officer and with the participation of the Vice President, Chief Financial Officer 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 and Vice President, Chief Financial Officer and Controller have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

On October 4, 2024, CMS released a memo outlining the hospice Special Focus Program ("SFP") criteria, and announcing that in November 2024, they would select the 50 hospices for participation in the SFP during the next calendar year.

As we disclosed in our Annual Report on form 10-K, filed February 29,2024, the SFP is intended to identify "poor performing" hospices based on a number of indicators. Under an algorithm that it has developed for the SFP, CMS will identify the bottom 10% of performers and provide additional oversight over the lowest 1% of performers to assist the programs with "continuous improvement." It is possible that certain VITAS hospice locations are included in the hospices that the algorithm identifies within the bottom 10% or even bottom 1% of hospices, and therefore selected for the SFP. Although CMS has stated that providers will not be able to replicate the results of the algorithm because not all information utilized by CMS has been made public, given what is known, large providers appear to be significantly more likely to be identified as poor performers because the formula does not account for size of program when analyzing the number of substantiated complaints. Additionally, providers who submit Consumer Assessment of Healthcare Providers and Systems ("CAHPS") scores (as VITAS does) appear to be more likely to be identified as poor performers.

Although there are no direct financial fines, fees, or other penalties or operational changes imposed due to selection in the SFP, the selection of one or more of VITAS programs in the SFP could have a material adverse effect on VITAS due to adverse effects on VITAS' brand reputation and patient referral patterns. Additionally, participation in the SFP could materially increase costs of regulatory compliance for the programs selected to participate in the SFP due to additional government oversight and intervention in that program.

There have been no other 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 nine months of 2024:

	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, 2024	-	$ -	10,591,123	$ 314,054,431
February 1 through February 29, 2024	-	-	10,591,123	314,054,431
March 1 through March 31, 2024	50,000	646.87	10,641,123	$ 281,710,685
First Quarter Total	50,000	$ 646.87		
April 1 through April 30, 2024	11,500	$ 566.75	10,652,623	$ 275,193,028
May 1 through May 31, 2024	54,231	562.69	10,706,854	244,677,666
June 1 through June 30, 2024	34,269	546.69	10,741,123	$ 225,943,169
Second Quarter Total	100,000	$ 557.68		
July 1 through July 31, 2024	6,417	$ 554.49	10,747,540	$ 222,385,017
August 1 through August 31, 2024	43,583	577.04	10,791,123	197,235,685
September 1 through September 30, 2024	50,000	582.27	10,841,123	$ 168,122,188
Third Quarter Total	100,000	$ 578.21		

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 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 Michael D. Witzeman pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Chemed Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) The Condensed Consolidated Balance Sheet, (ii) The Condensed Consolidated Statement of Income, (iii) The Condensed Consolidated Statement of Cash Flows, (iv) The Condensed Statement of Equity, and (v) Notes to the Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in iXBRL and contained in Exhibit 101.

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:	November 1, 2024	By:	*/s/ Kevin J. McNamara* Kevin J. McNamara (President and Chief Executive Officer)
Dated:	November 1, 2024	By:	*/s/ Michael D. Witzeman* Michael D. Witzeman (Vice President, Chief Financial Officer and Controller)

EXHIBIT 31.1

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: November 1, 2024

/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, 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: November 1, 2024

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President, Controller, and Chief Financial Officer)

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 September 30, 2024 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2024

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

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 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 September 30, 2024 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2024

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President, Controller and Chief Financial Officer)