Section 1: 8-K/A (8-K/A)

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

FORM 8-K/A
(Amendment No. 1)

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934**

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): February 1, 2019

Commission File Number: 0-24260

AMEDISYS, INC.
(Exact Name of Registrant as specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**11-3131700** (I.R.S. Employer Identification No.)

3854 American Way, Suite A, Baton Rouge, LA 70816
(Address of principal executive offices, including zip code)

(225) 292-2031 or (800) 467-2662
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Emerging growth company ☐

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

SECTION 2 — FINANCIAL INFORMATION

ITEM 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

As reported in the Current Report on Form 8-K filed by Amedisys, Inc. (“we,” “us,” “our” or the “Company”) on February 4, 2019, the Company completed the acquisition of Compassionate Care Hospice Group, Inc. (“CCH”) on February 1, 2019.

This Current Report on Form 8-K/A is being filed as an amendment (“Amendment No. 1”) to the Current Report on Form 8-K filed by the Company on February 4, 2019. This Amendment No. 1 is being filed solely to provide the historical financial statements of CCH and unaudited pro forma information described in Item 9.01 below.

SECTION 9 – FINANCIAL STATEMENTS AND EXHIBITS

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements of businesses acquired

The audited consolidated and combined financial statements of Compassionate Care Hospice Group, Inc. and Subsidiaries and Affiliates as of and for the years ended December 31, 2017 and 2016 and the unaudited interim condensed consolidated and combined financial statements as of September 30, 2018 and for the nine-month periods ended September 30, 2018 and 2017, are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are included herein.

(b) Pro forma financial information

The unaudited pro forma consolidated and combined financial information as of and for the year ended December 31, 2018 is attached hereto as Exhibit 99.3.

(d) Exhibits

23.1	Consent of BDO USA, LLP, Independent Auditors for CCH and Subsidiaries and Affiliates.
99.1	Audited consolidated and combined financial statements of Compassionate Care Hospice Group, Inc. and Subsidiaries and Affiliates as of and for the years ended December 31, 2017 and 2016.
99.2	Unaudited interim condensed consolidated and combined financial statements of Compassionate Care Hospice Group, Inc. and Subsidiaries and Affiliates as of September 30, 2018 and for the nine-month periods ended September 30, 2018 and 2017.
99.3	Unaudited pro forma consolidated and combined financial information as of and for the year ended December 31, 2018.

Signatures

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

AMEDISYS, INC.
(Registrant)

By: /s/ Scott G. Ginn
Scott G. Ginn
Chief Financial Officer
(Principal Financial Officer)

DATE: April 17, 2019

(Back To Top)

Section 2: EX-23.1 (EX-23.1)

Exhibit 23.1

Consent of Independent Auditor

Amedisys, Inc.
Baton Rouge, LA

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-138255 and 333-145582) and Form S-8 (Nos. 333-60525, 333-51704, 333-53786, 333-143967, 333-152359, 333-182347, 333-205267 and 333-225461) of Amedisys, Inc. of our report dated April 16, 2019, relating to the consolidated and combined financial statements and supplementary information, which appear in this Form 8-K/A.

/s/ BDO USA, LLP

New York, NY

April 16, 2019

(Back To Top)

Section 3: EX-99.1 (EX-99.1)

Exhibit 99.1

**COMPASSIONATE CARE HOSPICE GROUP, INC.
AND SUBSIDIARIES AND AFFILIATES**

Consolidated and Combined Financial Statements
and Supplementary Information
Years Ended December 31, 2017 and 2016

COMPASSIONATE CARE HOSPICE GROUP, INC.
AND SUBSIDIARIES AND AFFILIATES

Contents

Independent Auditor's Report

The Board of Directors
Compassionate Care Hospice Group, Inc.
and Subsidiaries and Affiliates
Parsippany, New Jersey

We have audited the accompanying consolidated and combined financial statements of Compassionate Care Hospice Group, Inc. and Subsidiaries and Affiliates (collectively referred to as the Company), which comprise the consolidated and combined balance sheets as of December 31, 2017 and 2016, and the related consolidated and combined statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated and combined financial statements.

Management's Responsibility for the Consolidated and Combined Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of Compassionate Care Hospice Group, Inc. and Subsidiaries and Affiliates as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Restatement

As discussed in Note 3, the accompanying consolidated and combined financial statements have been restated as of December 31, 2017 and 2016 and for each of the years then ended. Our opinion is not modified with respect to this matter.

Other Matter

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The accompanying combining balance sheet schedule and combining schedule of income for the year ended December 31, 2017 are presented for purposes of additional analysis and are not a required part of the basic consolidated and combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated and combined financial statements, and subjected to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated and combined financial statements, and to the basic consolidated and combined financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated and combined financial statements as a whole.

/s/ BDO USA, LLP

August 31, 2018, except for the revisions described in the reissuance of consolidated and combined financial statement in Note 3, as to which the date is April 16, 2019

COMPASSIONATE CARE HOSPICE GROUP, INC. AND SUBSIDIARIES AND AFFILIATES
CONSOLIDATED AND COMBINED BALANCE SHEETS

December 31,	2017 (Restated)	2016 (Restated)
Assets		
Current		
Cash and cash equivalents	$24,015,044	$ 6,481,124
Patient accounts receivable, less estimated allowance for uncollectible accounts of $33,990,617 and $23,732,049, respectively	38,016,265	37,154,135
Prepaid expenses and other current assets	2,108,286	867,949
Total Current Assets	64,139,595	44,503,208
Property and Equipment, Net	219,959	84,300
Total Assets	$64,359,554	$44,587,508
Liabilities and Stockholders' Equity		
Liabilities		
Accounts payable and accrued expenses	$11,740,711	$12,786,325
Accrued salaries, benefits and other payroll liabilities	4,500,455	4,462,911
Self-insured liability	768,000	704,000
Deferred tax liability	404,252	183,333
Income tax payable	743,935	189,416
Due to third-party payors	11,940,323	13,966,463
Total Liabilities	30,097,676	32,292,448
Commitments and Contingencies (Note 8)		
Stockholders' Equity		
Common Stock:		
Class A, no par value; 100 shares authorized; 100 shares issued and outstanding	100	100
Class B, no par value; 900 shares authorized; 900 shares issued and outstanding	900	900
Retained earnings	37,352,669	15,965,713
Noncontrolling Interest in Affiliates	(3,091,791)	(3,671,653)
Total Stockholders' Equity and Noncontrolling Interest	34,261,878	12,295,060
Total Liabilities, Stockholders' Equity and Noncontrolling Interest	$64,359,554	$44,587,508

See accompanying notes to consolidated and combined financial statements.

COMPASSIONATE CARE HOSPICE GROUP, INC. AND SUBSIDIARIES AND AFFILIATES
CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

Year ended December 31,	**2017 (Restated)**	**2016 (Restated)**
Operating Revenue		
Net patient service revenue	$204,181,571	$186,168,825
Less: provision for uncollectibles, net	(2,140,452)	(1,996,901)
Total Operating Revenue	202,041,119	184,171,924
Expenses		
General and administrative	27,681,152	25,679,903
Salaries and wages	114,342,577	109,573,127
Supplies and other expenses	30,650,997	29,824,881
Rent expense	3,347,605	3,264,804
Total Expenses	176,022,331	168,342,715
Total Operating Income	26,018,788	15,829,209
Non-Operating Expenses		
Depreciation and amortization	(52,986)	(18,147)
Interest expense	(152,781)	(194,688)
Total Non-Operating Expense	(205,767)	(212,835)
Income Before Taxes	25,813,021	15,616,374
Income tax expense	(775,438)	(378,897)
Net Income	25,037,583	15,237,477
Net Income Attributable to Noncontrolling Interests	1,725,672	1,059,785
Net Income Attributable to Compassionate Care Hospice Group, Inc.	$ 23,311,911	$ 14,177,692

See accompanying notes to consolidated and combined financial statements.

COMPASSIONATE CARE HOSPICE GROUP, INC. AND SUBSIDIARIES AND AFFILIATES
CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2017 and 2016	(Restated)				
	Class A Common Stock	**Class B Common Stock**	**Retained Earnings**	**Noncontrolling Interest in Affiliates**	**Total**
Balance, January 1, 2016	$ 100	$ 900	$ 3,680,262	$ (4,522,268)	$ (841,006)
Net income	—	—	14,177,692	1,059,785	15,237,477
Capital distributions	—	—	(1,892,241)	(209,170)	(2,101,411)
Balance, December 31, 2016	100	900	15,965,713	(3,671,653)	12,295,060
Net income	—	—	23,311,911	1,725,672	25,037,583
Capital distributions	—	—	(1,924,955)	(1,145,810)	(3,070,765)
Balance, December 31, 2017	$ 100	$ 900	$37,352,669	$ (3,091,791)	$34,261,878

See accompanying notes to consolidated and combined financial statements.

COMPASSIONATE CARE HOSPICE GROUP, INC. AND SUBSIDIARIES AND AFFILIATES
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

Year ended December 31,	2017 (Restated)	2016 (Restated)
Cash Flows from Operating Activities		
Net income	$ 25,037,583	$ 15,237,477
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for uncollectibles	10,258,568	1,996,901
Depreciation and amortization	52,986	18,147
Changes in operating assets and liabilities:		
Increase in assets:		
Patient accounts receivable	(11,120,698)	(15,458,474)
Prepaid expenses and other current assets	(1,240,337)	(234,201)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,045,614)	(1,729,708)
Self-insured liability	64,000	704,000
Accrued salaries, benefits and other payroll liabilities	37,544	122,491
Deferred tax liability	220,919	216,025
Income tax payable	554,519	189,416
Due to third-party payors	(2,026,140)	223,999
Net cash provided by operating activities	20,793,330	1,286,073
Cash flows from Investing Activities		
Purchase of property and equipment	(188,645)	(112,114)
Purchase of interest in affiliate	(1,062,500)	—
Net cash used in investing activities	(1,251,145)	(112,114)
Cash Flows from Financing Activities Capital Distributions	(2,008,265)	(2,101,411)
Net increase (decrease) in cash and cash equivalents	17,533,920	(927,452)
Cash and cash equivalents, beginning of year	6,481,124	7,408,576
Cash and cash equivalents, end of year	$ 24,015,044	$ 6,481,124

See accompanying notes to consolidated and combined financial statements.

1. Description of the Organization

Compassionate Care Hospice Group, Inc. (CCH Group) was incorporated in the State of Florida on September 21, 2015. The purpose of CCH Group is to be a holding company for its subsidiaries. CCH Group, along with its wholly owned subsidiaries and affiliates (collectively referred to as the Company), offer hospice and palliative care throughout the country. The Company is committed to providing the highest quality care to patients and their families.

CCH Group's capital structure includes two classes of Common Stock: Class A Voting Common Stock and Class B Non-Voting Common Stock.

2. Principles of Consolidation and Combination

These consolidated and combined financial statements include the accounts of CCH Group, its consolidated wholly-owned subsidiaries and affiliates combined under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810-10-55-1B, "Combined Financial Statements." All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated and combined financial statements.

The wholly-owned subsidiaries of CCH Group consolidated within these financial statements are as follows:

- Compassionate Care Hospice of Delaware, LLC
- Compassionate Care Hospice of the Delmar Peninsula, LLC
- Compassionate Care Hospice of Central Georgia, LLC
- Compassionate Care Hospice of Northern Georgia, LLC
- Compassionate Care Hospice of Savannah, LLC
- Compassionate Care Hospice of Illinois, LLC
- Compassionate Care Hospice of Kansas City, LLC
- Compassionate Care Hospice of Central Louisiana, LLC
- Compassionate Care Hospice of Massachusetts, LLC
- Compassionate Care Hospice of Michigan, LLC
- Compassionate Care Hospice of Minnesota, LLC
- Compassionate Care Hospice of Southern Mississippi, LLC
- Pathways to Compassion, LLC
- Compassionate Care Hospice of New Hampshire, LLC
- Compassionate Care Hospice of Clifton, LLC
- Compassionate Care Hospice of Marlton, LLC
- Compassionate Care Hospice of Northern NJ, LLC
- Compassionate Care Hospice of Ohio, LLC
- Compassionate Care Hospice, Inc.
- Compassionate Care Hospice of Gwynedd, Inc.
- Compassionate Care Hospice of Northwestern Pennsylvania, LLC

- Compassionate Care Hospice of South Carolina, LLC
- Compassionate Care Hospice of The Midwest, LLC
- Compassionate Care Hospice of Bryan Texas, LLC
- Compassionate Care Hospice of Central Texas, LLC
- Compassionate Care Hospice of Houston, LLC
- Compassionate Care Hospice of North Texas, LLC
- Compassionate Care Hospice of Southeastern Texas, LLC
- Compassionate Care Hospice of The Chesapeake Bay, LLC
- Compassionate Care Hospice of Wisconsin, LLC

The affiliates of CCH Group combined within these financial statements are as follows:

- Pathways to Compassion of California, LLC
- Compassionate Care Hospice of New York, LLC
- Compassionate Care Hospice of Central Florida, Inc.
- Compassionate Care Hospice of Miami Dade and the Florida Keys, Inc.
- Compassionate Care Hospice of Lake and Sumter, Inc.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated and combined financial statements of the Company have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America (U.S. GAAP). In the consolidated and combined balance sheet, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Restatement

The consolidated and combined financial statements for the years ended December 31, 2017 and 2016 are being restated due to the following:

Corporate Integrity Agreement/Overpayment

In connection with a settlement agreement with the U.S. Department of Justice, on January 30, 2015, the Company entered into a corporate integrity agreement (CIA) with the Office of Inspector General—Health and Human Services (OIG). The CIA requires that the Company report substantial overpayments that the Company discovers it has received from federal health care programs, as well as probable violations of federal health care laws.

In accordance with the CIA, in 2017, the Company reported to the OIG overpayments in the amount of $2,422,636. $956,373 of the revenue associated with the overpayments was recognized during the year ended December 31, 2015 and $1,466,263 was recognized during the year ended December 31, 2016. The balance due was subsequently paid during the three-month period ended March 31, 2019. The consolidated and combined financial statements for the years ended December 31, 2017 and 2016 are being restated to reflect a reduction to net patient service revenue and an increase to amounts due to third party payors.

Medicare Hospice CAP

Medicare hospice is subject to an inpatient cap limit and an overall payment cap for each of their provider numbers. The Company monitors these caps and estimates amounts due back to Medicare if a cap has been exceeded. The initial calculations of the amounts due back to Medicare for caps were incomplete for the years ended December 31, 2017 and 2016. The consolidated and combined financial statements for the years ended December 31, 2017 and 2016 are being restated to reflect a reduction to net patient service revenue and an increase to amounts due to third party payors totaling $236,403 and $1,336,266, respectively.

In addition, the cap amounts previously reflected in the consolidated and combined financial statements for the years ended December 31, 2017 and 2016 were incorrectly recorded as an increase to general and administrative expenses rather than a reduction to net patient service revenue. As a result, the consolidated and combined financial statements for the years ended December 31, 2017 and 2016 are being restated to reduce net patient service revenue and to reduce general and administrative expenses by $1,612,238 and $736,207, respectively.

Hospice Room and Board

Hospice room and board expenses and the related reimbursements associated with these expenses should be recorded net within the statement of income. In the Company's historical financial records, these amounts were reported gross within net patient service revenue and supplies and other expenses. The consolidated and combined statements of income for the years ended December 31, 2017 and 2016 are being restated to reflect a reduction to both net patient service revenue and supplies and other expenses totaling $33,289,795 and $31,478,527, respectively.

Paid Time Off (PTO) Accrual

There was an error in the PTO accrual for the year ended December 31, 2017. The consolidated and combined financial statements for the year ended December 31, 2017 are being restated to reflect a reduction in salaries and wages expenses and accrued salaries, benefits and other payroll liabilities totaling $884,537.

Loss on Repurchase of Interest in Affiliate

As of December 31, 2016, Pathways to Compassion of California, LLC (PCC) had a 50% ownership interest in Compassionate Care Hospice of Los Angeles, LLC (CCHLA). The remaining 50% interest was controlled by a non-affiliated company. During 2017, PCC completed the purchase of the remaining 50% ownership interest in CCHLA. The difference between the absorbed equity balance and the purchase price was recognized as a reduction to net patient service revenue. The consolidated and combined financial statements for the year ended December 31, 2017 are being restated to reflect an increase to net patient service revenue and an adjustment to equity totaling $1,062,500.

Impact of Restatement

The following table presents the impacted line items of the Company's consolidated and combined balance sheets as previously reported, restatement adjustments and as restated as of December 31, 2017 and 2016:

December 31,	2017			2016		
	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated
Accrued salaries, benefits and other payroll liabilities	$ 5,384,992	$ (884,537)	$ 4,500,455	$ 4,462,911	$ —	$ 4,462,911
Deferred tax liability	403,448	804	404,252	311,824	(128,491)	183,333
Income tax payable	892,486	(148,551)	743,935	189,416	—	189,416
Due to third-party payors	7,945,018	3,995,305	11,940,323	10,207,561	3,758,902	13,966,463
Retained earnings	39,671,036	(2,318,367)	37,352,669	19,413,051	(3,447,338)	15,965,713
Noncontrolling interest in affiliates	(2,447,137)	(644,654)	(3,091,791)	(3,488,580)	(183,073)	(3,671,653)

The following table presents the impacted line items of the Company's consolidated and combined statements of income as previously reported, restatement adjustments and as restated for the years ended December 31, 2017 and 2016:

Year ended December 31,	2017			2016		
	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated
Total Operating Revenue	$ 236,117,055	$ (34,075,936)	$ 202,041,119	$ 219,189,187	$ (35,017,263)	$ 184,171,924
Expenses—General and administrative	29,293,390	(1,612,238)	27,681,152	26,416,110	(736,207)	25,679,903
Expenses—Salaries and wages	115,227,114	(884,537)	114,342,577	109,573,127	—	109,573,127
Expenses—Supplies and other expenses	63,940,792	(33,289,795)	30,650,997	61,303,408	(31,478,527)	29,824,881
Total Operating Income	24,308,154	1,710,634	26,018,788	18,631,738	(2,802,529)	15,829,209
Income tax expense	(794,694)	19,256	(775,438)	(474,696)	95,799	(378,897)
Net Income	23,307,693	1,729,890	25,037,583	17,944,207	(2,706,730)	15,237,477
Net Income Attributable to Noncontrolling Interests	1,124,753	600,919	1,725,672	1,242,858	(183,073)	1,059,785
Net Income Attributable to Compassionate Care Hospice Group, Inc.	22,182,940	1,128,971	23,311,911	16,701,349	(2,523,657)	14,177,692

The following table presents the impacted line items of the Company's consolidated and combined statements of stockholders' equity as previously reported, restatement adjustments and as restated for the years ended December 31, 2017 and 2016:

Year ended December 31,	2017			2016		
	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated
Retained Earnings—Balance January 1	$ 19,413,051	$ (3,447,338)	$ 15,965,713	$ 4,603,943	$ (923,681)	$ 3,680,262
Retained Earnings—Net income (loss)	22,182,940	1,128,971	23,311,911	16,701,349	(2,523,657)	14,177,692
Noncontrolling Interest in Affiliates—Net income (loss)	1,124,753	600,919	1,725,672	1,242,858	(183,073)	1,059,785
Noncontrolling Interest in Affiliates—Capital distributions	(83,310)	(1,062,500)	(1,145,810)	(209,170)	—	(209,170)

The following table presents the impacted line items of the Company's consolidated and combined statements of cash flows as previously reported, restatement adjustments and as restated for the years ended December 31, 2017 and 2016:

Year ended December 31,	2017			2016		
	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated
Net income	$ 23,307,693	$ 1,729,890	$ 25,037,583	$ 17,944,207	$ (2,706,730)	$ 15,237,477
Loss on purchase of interest in affiliate	1,062,500	(1,062,500)	—	—	—	—
Changes in operating assets and liabilities:						
Accrued salaries, benefits and other payroll liabilities	922,081	(884,537)	37,544	122,491	—	122,491
Deferred tax liability	91,624	129,295	220,919	311,824	(95,799)	216,025
Income tax payable	703,070	(148,551)	554,519	189,416	—	189,416
Due to third-party payors	(2,262,543)	236,403	(2,026,140)	(2,578,530)	2,802,529	223,999

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with original maturity dates of three months or less from the date purchased to be cash equivalents.

Financial instruments that potentiality subject the Company to concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. At various times during the year, the Company may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Use of Estimates

The preparation of consolidated and combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of the contingent assets and liabilities at the date of the consolidated and combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates used by management in the preparation of these consolidated and combined financial statements.

Patient Accounts Receivable, Net

Patient accounts receivable, net is recorded at the reimbursed or contracted amount due from Medicare, Medicaid, other third-party payors and patients and do not bear interest. The allowance for uncollectible accounts is management's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. Management determines the allowance based on historical write-off experience and reviews the adequacy of the allowance for uncollectible accounts periodically. Past due balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions, renewals and betterments are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of various asset classes are as follows:

Furniture and fixtures	5-7 years
Equipment	3-7 years
Software	5 years

Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful lives of the improvements.

Impairment of Long-Lived Assets

Management assesses whether the value of the long-lived assets may be impaired whenever events or changes in the circumstances indicate that the carrying amount of an asset may not be recoverable. The value of long-lived assets may be impaired if management's estimate of the aggregate, undiscounted future cash flows to be generated from the use or disposition of a long-lived asset are less than the carrying value of the asset. Based on management's judgment, no such indicators of impairment have occurred.

Revenue Recognition

Net patient service revenue is recognized in the period services are performed and consists primarily of net patient service revenue that is reported at estimated net realizable amounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Charity Care

The Company provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Income Taxes

CCH Group is an S corporation and all wholly owned subsidiaries are disregarded for federal income tax purposes. As a result, the income of these entities passes through to the tax returns of the respective owners for federal income tax purposes. CCH Group and all wholly owned subsidiaries are taxed at the entity level by certain state jurisdictions and the related tax is included as a component of income tax expense in the consolidated and combined statements of income.

Related affiliates Compassionate Care Hospice of Central Florida, Inc., Compassionate Care Hospice of Miami Dade and the Florida Keys, Inc., and Compassionate Care Hospice of Lake and Sumter, Inc. combined within the financial statements account for income taxes in accordance with ASC 740, "Income Taxes," which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated and combined financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and income tax bases using presently enacted tax rates in effect. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company adopted certain provisions of ASC 740, which clarifies the accounting for uncertainty in income taxes. This pronouncement prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company has not taken an unsubstantiated tax position that would require provision of a liability under ASC 740. The Company's policy is to classify all interest and penalties related to uncertain tax positions as a component of income tax expense in the consolidated and combined statements of income.

Noncontrolling Interest

In accordance with U.S. GAAP, the Company reports noncontrolling interest, sometimes referred to as minority interest, as part of stockholders' equity in the consolidated and combined balance sheet. Furthermore, the Company reports the changes in the stockholders' equity of both the controlling and noncontrolling interests, for all periods presented, in the consolidated and combined statements of stockholders' equity.

As of December 31, 2016, Pathways to Compassion of California, LLC (PCC) had a 50% ownership interest in Compassionate Care Hospice of Los Angeles, LLC (CCHLA). The remaining 50% interest was controlled by a non-affiliated company. During 2017, PCC completed the purchase of the remaining 50% ownership interest in CCHLA. As a result, PCC eliminated the increase in investment and the increase in members' equity for combination purposes. The difference between the absorbed equity balance and purchase price was recognized as an adjustment to equity.

Concentration of Credit Risk

The Company operates in over 20 states nationwide. The Company grants credit without collateral to its patients, most of whom are local residents and are insured under various third-party payor agreements.

The mix of receivables from patients and third-party payors is as follows:

December 31,	**2017**	**2016**
Medicare	54%	59%
Medicaid	34	29
Self and other third-party payors	12	12
	100%	100%

Accounting Pronouncements Issued but Not Yet Adopted

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for the Company until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated and combined financial statements.

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the consolidated and combined statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this ASU on its consolidated and combined financial statements.

4. Net Patient Service Revenue and Third-Party Reimbursement

Hospice Medicare Revenue

Revenue is recorded on an accrual basis based upon the date of service at amounts equal to the estimated reimbursement rates. The estimated reimbursement rates are daily or hourly rates for each of the four levels of care delivered by the Company: routine care, general inpatient care, continuous home care and respite care. Beginning January 1, 2016, the Center for Medicare and Medicaid Services (CMS) has provided for two separate payment rates for routine care: payments for the first 60 days of care and care beyond 60 days. In addition to the two new routine rates, beginning January 1, 2016, Medicare is also reimbursing for a service intensity add-on (SIA). The SIA is based on visits made in the last seven days of life by a registered nurse or medical social worker for patients in a routine level of care.

The Company adjusts Medicare revenue for an inability to obtain appropriate billing documentation or acceptable authorizations and other reasons unrelated to credit risk. These amounts are estimated based on historical experience inclusive of the Company's historical collection rate on Medicare claims, and are recorded during the period services are rendered as an estimated revenue adjustment and as a reduction to net patient accounts receivable.

Additionally, Medicare hospice is subject to an inpatient cap limit and an overall payment cap for each of their provider numbers. The Company monitors these caps and estimates amounts due back to Medicare if in fact a cap has been exceeded. These amounts are reported as a reduction to revenue and an increase to third-party payor liabilities. As of December 31, 2017 and 2016, the Company has recorded $2,706,275 and $1,876,613, respectively, related to the Medicare cap liability.

In addition to the Medicare cap liability, amounts related to government settlements are also recorded as a reduction to revenue and an increase to amounts due to third-party payors. As of December 31, 2017 and 2016, the Company has recorded $9,234,048 and $12,089,850, respectively, related to government settlements.

Hospice Non-Medicare Revenue

The Company records revenue on an accrual basis based upon the date of service at amounts equal to our established rates or estimated per day rates, as applicable. Contractual adjustments are recorded for the difference between the Company's established rates and the amounts estimated to be realizable from patients, third parties and others for service provided and are deducted from the gross revenue to determine net patient service revenue and net patient accounts receivable.

5. Property and Equipment, Net

Property and equipment, net and accumulated depreciation are summarized as follows:

December 31,	2017	2016
Property and equipment	$ 296,116	$ 282,831
Less: accumulated depreciation and amortization	(76,157)	(198,531)
Property and Equipment, Net	$ 219,959	$ 84,300

During 2017 and 2016, the Company wrote off $175,360 and $0, respectively, for fully depreciated assets.

Depreciation expense was $52,986 and $18,147 for the years ended December 31, 2017 and 2016.

6. Income Taxes

The Company's income taxes expense for 2017 and 2016 consists of the following:

December 31,	2017	2016
Current Tax Expense		
Federal	$ —	$ —
State	554,518	189,416
Current Tax Expense	554,518	189,416
Deferred Tax Expense		
Federal	—	(131,245)
State	220,920	320,726
Deferred Tax Expense	220,920	189,481
Total Income Tax Expense	$ 775,438	$ 378,897

At December 31, 2017 and 2016, deferred taxes reflect the net tax effect of temporary differences between the financial reporting and tax basis of assets and liabilities and are primarily attributable to the following:

December 31,	2017	2016
Deferred Tax Assets		
Accounts payable	$ 996,562	$ 1,140,023
Depreciation	2,720	2,720
Net operating losses	1,739,459	1,399,341
Total Deferred Tax Assets	2,738,741	2,542,084
Less: valuation allowance	(596,728)	(817,580)
Net Deferred Tax Assets	$ 2,142,013	$ 1,724,504
Deferred Tax Liabilities		
Accounts receivable	$(2,209,147)	$(1,880,099)
Prepaid expenses	(337,118)	(27,738)
Total Deferred Tax Liability	(2,546,265)	(1,907,837)
Net Deferred Tax Liability	$ (404,252)	$ (183,333)

The difference between the provision for income taxes and taxes computed using the statutory income tax rate results primarily from the effect of certain state taxes imposed on CCH Group and its wholly owned limited liability subsidiaries and certain federal and state taxes imposed on related affiliated corporations.

The related affiliated corporations have federal and state net operating losses of $6,863,123 which begin to expire in 2036. The Company has provided for a full valuation allowance against the net deferred tax assets of the affiliated corporations, as the Company has determined it is more likely than not that they will not be realized.

As of December 31, 2017 and 2016, the Company does not believe it has any uncertain tax positions that would require either recognition or disclosure in the accompanying consolidated and combined financial statements. The Company files in federal and certain state jurisdictions of which have varying statutes of limitations subject to exam by taxing authorities. The Company does not have any open federal or state exams as of December 31, 2017 and 2016.

7. Employee Benefit Plan

The Company sponsors a contributory 401(k) plan covering substantially all employees. For the years ended December 31, 2017 and 2016, other than Internal Revenue Service contribution limitations, there were no plan-imposed limits on employee elected deferrals. The Company does not match employee contributions to the plan but may make other types of qualified non-elective contributions.

8. Commitments and Contingencies

Self-Insured

The Company self-insures a portion of certain insurable risks consisting of employee medical and prescription claims. The Company records its estimated ultimate liability for reported claims plus an estimate for claims incurred but not reported. Accruals for self-insurance claims are included in accounts payable and accrued expenses and, as of December 31, 2017 and 2016, the estimated claims incurred but not reported were $768,000 and $704,000, respectively.

Litigation

The Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management and the Company’s legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the Company’s financial position, results of operations or liquidity.

Leases

The Company conducts its operations from facilities that are under noncancelable operating leases, which expire at varying intervals through the year 2022. The Company has also entered into certain operating leases for equipment, which are renewed annually.

The following is a schedule of future minimum rental payments under the above operating leases as of December 31, 2017:

Year ending December 31,	
2018	$ 2,370,544
2019	2,004,058
2020	1,410,974
2021	463,109
2022	169,371
Total	$ 6,418,056

9. Subsequent Events

The Company has performed subsequent events procedures through August 31, 2018 which is the date the consolidated and combined financial statements were available to be issued and there were no subsequent events requiring adjustment to the consolidated and combined financial statements or disclosures as stated herein, except the following:

In February 2018, CCH Group formed a new wholly-owned subsidiary that provides palliative care in the state of Georgia, and two new wholly-owned subsidiaries that provide hospice and palliative care in the states of Maine and California.

On October 25, 2017, the Company received a letter of intent for the purchase of 100% of the equity interest in Compassionate Care Hospice Group, Inc. and its subsidiaries and affiliates.

COMPASSIONATE CARE HOSPICE GROUP, INC. AND SUBSIDIARIES AND AFFILIATES
COMBINING BALANCE SHEET SCHEDULE

December 31, 2017

	CCH and Subsidiaries	Pathways to Compassion of California, LLC	Compassionate Care Hospice of Central Florida, Inc.	Compassionate Care Hospice of Miami Dade and the Florida Keys, Inc.	Compassionate Care Hospice of Lake Sumter, Inc.	Compassionate Care Hospice of New York, LLC	Elimination Entries	Total
Assets								
Current								
Cash and cash equivalents	$ 23,497,581	$ 517,448	$ —	$ —	$ 15	$ —	$ —	$24,015,044
Patient accounts receivable, less estimated allowance for uncollectible accounts	30,680,794	1,129,532	882,651	2,204,482	1,491,214	1,627,592	—	38,016,265
Investment in Pathways to Compassion of California, LLC	(12,571)	—	—	—	—	—	12,571	—
Investment in Central Florida/Florida and Lake Sumter	(196,949)	—	—	—	—	—	196,949	—
Intercompany receivables	41,176,644	—	—	—	—	2,519,411	(43,696,055)	—
Prepaid expenses and other current assets	855,238	7,750	11,658	1,186,955	16,158	30,527	—	2,108,286
Total Current Assets	96,000,737	1,654,730	894,309	3,391,437	1,507,387	4,177,530	(43,486,535)	64,139,595
Property and Equipment, Net	219,471	488	—	—	—	—	—	219,959
Total Assets	96,220,208	1,655,218	894,309	3,391,437	1,507,387	4,177,530	(43,486,535)	64,359,554
Liabilities and Stockholders' Equity								
Liabilities								
Accounts payable and accrued expenses	9,770,985	164,187	317,866	261,428	216,621	1,009,624	—	11,740,711
Accrued salaries, benefits and other payroll liabilities	3,727,238	58,863	168,750	154,118	165,634	225,852	—	4,500,455
Self-insured liability	768,000	—	—	—	—	—	—	768,000
Deferred tax liability	404,252	—	—	—	—	—	—	404,252
Income tax payable	743,935	—	—	—	—	—	—	743,935
Due to third-party payors	8,482,614	1,027,709	—	—	—	2,430,000	—	11,940,323
Intercompany payables	34,913,854	2,303,994	1,041,684	2,979,943	2,456,580	—	(43,696,055)	—
Total Liabilities	58,810,878	3,554,753	1,528,300	3,395,489	2,838,835	3,665,476	(43,696,055)	30,097,676
Commitments and Contingencies (Note 8)								
Stockholders' Equity								
Common Stock:								
Class A Common Stock, no par value; 100								

shares authorized; 100 shares issued and outstanding	100	—	—	—	—	—	—	100
Class B Common Stock, no par value; 900 shares authorized; 900 shares issued and outstanding	900	—	—	—	—	—	—	900
Retained earnings (accumulated deficit)	37,408,330	(1,899,535)	(633,991)	(4,052)	(1,331,448)	512,054	209,520	34,260,878
Total Stockholders' Equity	37,409,330	(1,899,535)	(633,991)	(4,052)	(1,331,448)	512,054	209,520	34,261,878
Total Liabilities and Stockholders' Equity	$ 96,220,208	$ 1,655,218	$ 894,309	$ 3,391,437	$ 1,507,387	$ 4,177,530	$(43,486,535)	$64,359,554

COMPASSIONATE CARE HOSPICE GROUP, INC. AND SUBSIDIARIES AND AFFILIATES
COMBINING SCHEDULE OF INCOME

December 31, 2017

	CCH and Subsidiaries	Pathways to Compassion of California, LLC	Compassionate Care Hospice of Central Florida, Inc.	Compassionate Care Hospice of Miami Dade and the Florida Keys, Inc.	Compassionate Care Hospice of Lake Sumter, Inc.	Compassionate Care Hospice of New York, LLC	Elimination Entries	Total
Operating Revenue								
Net patient service revenue	$173,154,859	$ 3,223,737	$ 4,828,758	$ 6,798,167	$ 5,493,230	$ 10,682,820	$ —	$204,181,571
Less: Provision for uncollectibles, net	(1,605,221)	(172,306)	(60,249)	(94,365)	(17,878)	(190,433)	—	(2,140,452)
Total Operating Revenue	171,549,638	3,051,431	4,768,509	6,703,802	5,475,352	10,492,387	—	202,041,119
Expenses								
General and administrative	21,509,527	823,728	547,759	1,218,480	1,753,825	1,827,833	—	27,681,152
Salaries and wages	97,047,017	1,489,940	3,792,046	3,613,476	3,125,675	5,274,423	—	114,342,577
Supplies and other expenses	25,785,839	452,516	795,776	1,310,373	765,987	1,540,506	—	30,650,997
Rent expense	2,959,978	46,618	77,632	53,814	74,561	135,002	—	3,347,605
Total Expenses	147,302,361	2,812,802	5,213,213	6,196,143	5,720,048	8,777,764	—	176,022,331
Total Operating Income (Loss)	24,247,277	238,629	(444,704)	507,659	(244,696)	1,714,623	—	26,018,788
Non-Operating Income (Expense)								
Gain (loss) from investment in affiliates	(209,520)	—	—	—	—	—	209,520	—
Depreciation and Amortization	(52,986)	—	—	—	—	—	—	(52,986)
Interest expense	(91,154)	—	—	—	—	(61,627)	—	(152,781)
Total Non-Operating Income (Expense)	(353,660)	—	—	—	—	(61,627)	209,520	(205,767)
Income before Taxes	23,893,617	238,629	(444,704)	507,659	(244,696)	1,652,996	209,520	25,813,021
Income tax expense	(775,438)	—	—	—	—	—	—	(775,438)
Net Income (Loss)	$ 23,118,179	$ 238,629	$ (444,704)	$ 507,659	$ (244,696)	$ 1,652,996	$ 209,520	$ 25,037,583

(Back To Top)

Section 4: EX-99.2 (EX-99.2)

Exhibit 99.2

COMPASSIONATE CARE HOSPICE GROUP, INC.
AND SUBSIDIARIES AND AFFILIATES

Unaudited Condensed Consolidated and Combined Financial Statements
Nine Months Ended September 30, 2018 and 2017

COMPASSIONATE CARE HOSPICE GROUP, INC.
AND SUBSIDIARIES AND AFFILIATES

Contents

COMPASSIONATE CARE HOSPICE GROUP, INC. AND SUBSIDIARIES AND AFFILIATES
CONDENSED CONSOLIDATED AND COMBINED BALANCE SHEETS

	September 30, 2018 (unaudited)	December 31, 2017
Assets		
Current		
Cash and cash equivalents	$ 13,675,133	$ 24,015,044
Patient accounts receivable, less estimated allowance for uncollectible accounts of $39,572,661 and $33,990,617, respectively	35,650,439	38,016,265
Prepaid expenses and other current assets	999,563	2,108,286
Total Current Assets	50,325,135	64,139,595
Property and Equipment, Net	224,365	219,959
Goodwill	350,000	—
Total Assets	$ 50,899,500	$ 64,359,554
Liabilities and Stockholders' Equity		
Liabilities		
Accounts payable and accrued expenses	$ 11,953,769	$ 11,740,711
Accrued salaries, benefits and other payroll liabilities	4,390,572	4,500,455
Self-insured liability	768,000	768,000
Deferred tax liability	171,304	404,252
Income tax payable	182,537	743,935
Due to third-party payors	9,396,958	11,940,323
Total Liabilities	26,863,140	30,097,676
Commitments and Contingencies (Note 6)		
Stockholders' Equity		
Common Stock:		
Class A, no par value; 100 shares authorized; 100 shares issued and outstanding	100	100
Class B, no par value; 900 shares authorized; 900 shares issued and outstanding	900	900
Retained earnings	25,855,646	37,352,669
Noncontrolling Interest in Affiliates	(1,820,286)	(3,091,791)
Total Stockholders' Equity and Noncontrolling Interest	24,036,360	34,261,878
Total Liabilities, Stockholders' Equity and Noncontrolling Interest	$ 50,899,500	$ 64,359,554

The accompanying notes are an integral part of these condensed consolidated and combined financial statements.

COMPASSIONATE CARE HOSPICE GROUP, INC. AND SUBSIDIARIES AND AFFILIATES
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF INCOME
(Unaudited)

	For the Nine-Month Periods Ended September 30, 2018	2017
Net patient service revenue	$157,374,796	$152,097,568
Expenses:		
General and administrative	16,881,649	20,200,545
Salaries and wages	92,590,540	84,960,496
Supplies and other expenses	23,293,168	23,375,806
Rent expense	2,593,130	2,501,361
Total Expenses	135,358,487	131,038,208
Total Operating Income	22,016,309	21,059,360
Non-Operating Expenses		
Depreciation and amortization	(55,350)	(36,475)
Interest expense	(42,388)	(72,725)
Total Non-Operating Expense	(97,738)	(109,200)
Income Before Taxes	21,918,571	20,950,160
Income tax expense	(678,414)	(629,355)
Net Income	21,240,157	20,320,805
Net Income Attributable to Noncontrolling Interests	1,271,505	1,763,898
Net Income Attributable to Compassionate Care Hospice Group, Inc.	$ 19,968,652	$ 18,556,907

The accompanying notes are an integral part of these condensed consolidated and combined financial statements.

COMPASSIONATE CARE HOSPICE GROUP, INC. AND SUBSIDIARIES AND AFFILIATES
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine-Month Periods Ended September 30, 2018	2017
Cash Flows from Operating Activities:		
Net income	$ 21,240,157	$ 20,320,805
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for uncollectibles	5,582,044	9,132,278
Depreciation and amortization	55,350	36,475
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Patient accounts receivable	(3,216,218)	(17,032,966)
Prepaid expenses and other current assets	1,108,723	(4,638)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	213,058	(1,176,106)
Self-insured liability	—	64,000
Accrued salaries, benefits and other payroll liabilities	(109,883)	(99,205)
Deferred tax liability	(232,948)	179,301
Income tax payable	(561,398)	450,054
Due to third-party payors	(2,543,365)	(898,755)
Net cash provided by operating activities	21,535,520	10,971,243
Cash flows from Investing Activities:		
Purchase of property and equipment	(59,756)	(131,623)
Purchase of business	(350,000)	—
Net cash used in investing activities	(409,756)	(131,623)
Cash flows from Financing Activities:		
Capital distributions	(31,465,675)	(1,175,403)
Net cash used in financing activities	(31,465,675)	(1,175,403)
Net increase (decrease) in cash and cash equivalents	(10,339,911)	9,664,217
Cash and cash equivalents, beginning of period	24,015,044	6,481,124
Cash and cash equivalents, end of period	$ 13,675,133	$ 16,145,341

The accompanying notes are an integral part of these condensed consolidated and combined financial statements.

1. Description of the Organization

Compassionate Care Hospice Group, Inc. (CCH Group) was incorporated in the State of Florida on September 21, 2015. The purpose of CCH Group is to be a holding company for its subsidiaries. CCH Group, along with its wholly owned subsidiaries and affiliates (collectively referred to as the Company), offer hospice and palliative care throughout the country. The Company is committed to providing the highest quality care to patients and their families.

CCH Group’s capital structure includes two classes of Common Stock: Class A Voting Common Stock and Class B Non-Voting Common Stock.

2. Principles of Consolidation and Combination

These unaudited condensed consolidated and combined financial statements include the accounts of CCH Group, its consolidated wholly-owned subsidiaries and affiliates combined under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810-10-55-1B, “Combined Financial Statements.” All significant intercompany accounts and transactions have been eliminated in the accompanying unaudited condensed consolidated and combined financial statements.

The wholly-owned subsidiaries of CCH Group consolidated within these financial statements are as follows:

- Compassionate Care Hospice of Delaware, LLC
- Compassionate Care Hospice of the Delmar Peninsula, LLC
- Compassionate Care Hospice of Central Georgia, LLC
- Compassionate Care Hospice of Northern Georgia, LLC
- Compassionate Care Hospice of Savannah, LLC
- Compassionate Care Hospice of Illinois, LLC
- Compassionate Care Hospice of Kansas City, LLC
- Compassionate Care Hospice of Central Louisiana, LLC
- Compassionate Care Hospice of Massachusetts, LLC
- Compassionate Care Hospice of Michigan, LLC
- Compassionate Care Hospice of Minnesota, LLC
- Compassionate Care Hospice of Southern Mississippi, LLC
- Pathways to Compassion, LLC
- Compassionate Care Hospice of New Hampshire, LLC
- Compassionate Care Hospice of Clifton, LLC
- Compassionate Care Hospice of Marlton, LLC
- Compassionate Care Hospice of Northern NJ, LLC
- Compassionate Care Hospice of Ohio, LLC
- Compassionate Care Hospice, Inc.
- Compassionate Care Hospice of Gwynedd, Inc.
- Compassionate Care Hospice of Northwestern Pennsylvania, LLC

- Compassionate Care Hospice of South Carolina, LLC
- Compassionate Care Hospice of The Midwest, LLC
- Compassionate Care Hospice of Bryan Texas, LLC
- Compassionate Care Hospice of Central Texas, LLC
- Compassionate Care Hospice of Houston, LLC
- Compassionate Care Hospice of North Texas, LLC
- Compassionate Care Hospice of Southeastern Texas, LLC
- Compassionate Care Hospice of The Chesapeake Bay, LLC
- Compassionate Care Hospice of Wisconsin, LLC

The affiliates of CCH Group combined within these financial statements are as follows:

- Pathways to Compassion of California, LLC
- Compassionate Care Hospice of New York, LLC
- Compassionate Care Hospice of Central Florida, Inc.
- Compassionate Care Hospice of Miami Dade and the Florida Keys, Inc.
- Compassionate Care Hospice of Lake and Sumter, Inc.

3. Summary of Significant Accounting Policies

Basis of Presentation

In our opinion, the accompanying unaudited condensed consolidated and combined financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the Company's financial position, results of operations, and cash flows in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial reporting. The Company's results of operations for the interim periods presented are not necessarily indicative of results of operations for the entire year and have not been audited by our independent auditors.

This report should be read in conjunction with the audited financial statements and notes thereto for the periods ended December 31, 2017 and 2016.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with original maturity dates of three months or less from the date purchased to be cash equivalents.

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. At various times during the year, the Company may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Use of Estimates

The preparation of the unaudited condensed consolidated and combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated and combined financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ significantly from those estimates used by management in the preparation of these unaudited condensed consolidated and combined financial statements.

Patient Accounts Receivable, Net

Patient accounts receivable, net is recorded at the reimbursed or contracted amount due from Medicare, Medicaid, other third-party payors and patients and do not bear interest. The allowance for uncollectible accounts is management's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. Management determines the allowance based on historical write-off experience and reviews the adequacy of the allowance for uncollectible accounts periodically. Past due balances are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Revenue Recognition

Net patient service revenue is recognized in the period services are performed and consists primarily of net patient service revenue that is reported at estimated net realizable amounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Charity Care

The Company provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Noncontrolling Interest

In accordance with U.S. GAAP, the Company reports noncontrolling interest, sometimes referred to as minority interest, as part of stockholders' equity in the condensed consolidated and combined balance sheet.

Concentration of Credit Risk

The Company operates in over 20 states nationwide. The Company grants credit without collateral to its patients, most of whom are local residents and are insured under various third-party payor agreements.

The mix of receivables from patients and third party payors is as follows:

	September 30, 2018	December 31, 2017
Medicare	48%	54%
Medicaid	39	34
Self and other third-party payors	13	12
	100%	100%

Accounting Pronouncements Issued but Not Yet Adopted

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with

Customers (Topic 606): Deferral of the Effective Date," which deferred the effective date for the Company until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated and combined financial statements.

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the consolidated and combined statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842): Targeted Improvements," which provides for a prospective transition method for the recognition and disclosure requirements under the new guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this ASU on its consolidated and combined financial statements.

4. Net Patient Service Revenue and Third-Party Reimbursement

Hospice Medicare Revenue

Revenue is recorded on an accrual basis based upon the date of service at amounts equal to the estimated reimbursement rates. The estimated reimbursement rates are daily or hourly rates for each of the four levels of care delivered by the Company: routine care, general inpatient care, continuous home care and respite care. Beginning January 1, 2016, the Center for Medicare and Medicaid Services (CMS) has provided for two separate payment rates for routine care: payments for the first 60 days of care and care beyond 60 days. In addition to the two routine rates, beginning January 1, 2016, Medicare is also reimbursing for a service intensity add-on (SIA). The SIA is based on visits made in the last seven days of life by a registered nurse or medical social worker for patients in a routine level of care.

The Company adjusts Medicare revenue for an inability to obtain appropriate billing documentation or acceptable authorizations and other reasons unrelated to credit risk. These amounts are estimated based on historical experience inclusive of the Company's historical collection rate on Medicare claims, and are recorded during the period services are rendered as an estimated revenue adjustment and as a reduction to net patient accounts receivable.

Additionally, Medicare hospice is subject to an inpatient cap limit and an overall payment cap for each of their provider numbers. The Company monitors these caps and estimates amounts due back to Medicare if a cap has been exceeded. These amounts are reported as a reduction to revenue and an increase to amounts due to third-party payors. As of September 30, 2018 and December 31, 2017, the Company has recorded $2,528,029 and $2,706,275, respectively, related to the Medicare cap liability.

In addition to the Medicare cap liability, amounts related to government settlements are also recorded as a reduction to revenue and an increase to amounts due to third-party payors. As of September 30, 2018 and December 31, 2017, the Company has recorded $6,868,929 and $9,234,048, respectively, related to government settlements.

Hospice Non-Medicare Revenue

The Company records revenue on an accrual basis based upon the date of service at amounts equal to our established rates or estimated per day rates, as applicable. Contractual adjustments are recorded for the difference between the Company's established rates and the amounts estimated to be realizable from patients, third parties and others for services provided and are deducted from the gross revenue to determine net patient service revenue and net patient accounts receivable.

5. Acquisitions

In June 2018, the Company acquired the assets of Peaceful Days Hospice, Inc. which services the state of California for a total purchase price of $350,000. The purchase price was paid with cash on hand on the date of the transaction. During the three-month period ended June 30, 2018, the Company recorded goodwill of $350,000 in connection with the acquisition.

6. Commitments and Contingencies

Self-Insured

The Company self-insures a portion of certain insurable risks consisting of employee medical and prescription claims. The Company records its estimated ultimate liability for reported claims plus an estimate for claims incurred but not reported. Accruals for self-insurance claims are included in accounts payable and accrued expenses; the estimated claims incurred but not reported were $768,000 as of each September 30, 2018 and December 31, 2017, respectively.

Litigation

The Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management and the Company's legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

Corporate Integrity Agreement

In connection with a settlement agreement with the U.S. Department of Justice, on January 30, 2015, the Company entered into a corporate integrity agreement (CIA) with the Office of Inspector General—Health and Human Services (OIG). The CIA requires that the Company report substantial overpayments that the Company discovers it has received from federal health care programs, as well as probable violations of federal health care laws. Upon breach of the CIA, the Company could become liable for payment of certain stipulated penalties, or could be excluded from participation in federal health care programs. The CIA has a term of five years.

In accordance with the CIA, the Company has reported overpayments to the OIG; these amounts have been recorded within due to third-party payors within the condensed consolidated and combined balance sheets as of September 30, 2018 and December 31, 2017.

(Back To Top)

Section 5: EX-99.3 (EX-99.3)

Exhibit 99.3

AMEDISYS, INC. AND SUBSIDIARIES

Contents

Unaudited Pro Forma Consolidated and Combined Financial Statements

On February 1, 2019, Amedisys, Inc. (the "Company") and Amedisys Hospice, L.L.C., a wholly-owned subsidiary of the Company ("Amedisys Hospice"), acquired all of the issued and outstanding equity interests in Compassionate Care Hospice Group, Inc. and its subsidiaries (collectively, "CCH") pursuant to a Stock Purchase Agreement (the "Stock Purchase Agreement") entered into on October 9, 2018 among the Company and Amedisys Hospice and Milton Heching and the Heching 2012 Exempt Irrevocable Trust, as Sellers, (the "CCH Acquisition").

The unaudited pro forma consolidated and combined balance sheet as of December 31, 2018 has been prepared as if the CCH Acquisition had occurred on such date and combines Amedisys, Inc.'s audited historical balance sheet as of December 31, 2018 with CCH's unaudited consolidated and combined balance sheet as of September 30, 2018. The unaudited pro forma consolidated and combined statement of operations for the year ended December 31, 2018 has been prepared as if the CCH Acquisition had occurred on January 1, 2018 and combines Amedisys, Inc.'s historical results for the year ended December 31, 2018 with CCH's historical results for the twelve-months ended September 30, 2018.

The historical consolidated financial information of Amedisys, Inc. and CCH have been adjusted in the unaudited pro forma consolidated and combined financial statements to give effect to pro forma events that are (i) directly attributable to the CCH Acquisition, (ii) factually supportable, and (iii) with respect to the statement of operations, expected to have a continuing impact on the combined results. The unaudited pro forma consolidated and combined financial information should be read in conjunction with the accompanying notes thereto. In addition, the unaudited pro forma consolidated and combined financial information was based on and should be read in conjuntion with the following:

- The historical audited consolidated financial statements as of and for the year ended December 31, 2018 and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Amedisys, Inc. included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2019;
- The historical audited consolidated and combined financial statements of Compassionate Care Hospice Group, Inc. and Subsidiaries and Affiliates as of and for the years ended December 31, 2017 and 2016 included as Exhibit 99.1 to this Current Report on Form 8-K/A; and
- The historical unaudited condensed consolidated and combined financial statements of Compassionate Care Hospice Group, Inc. and Subsidiaries and Affiliates as of September 30, 2018 and for the nine-month periods ended September 30, 2018 and 2017 included as Exhibit 99.2 to this Current Report on Form 8-K/A.

The historical audited and unaudited financial statements included in Exhibits 99.1 and 99.2 include Compassionate Care Hospice Group, Inc., its wholly-owned subsidiaries and affiliates, which are listed in Note 2 to the historical financial statements. One of the affiliates, Compassionate Care Hospice of New York, LLC ("CCH NY"), was not acquired by the Company. The unaudited pro forma consolidated and combined financial statements include adjustments to remove CCH NY from the historical financial statements.

The unaudited pro forma consolidated and combined financial statements are provided for information purposes only and are not intended to represent or be indicative of what the actual combined results of operations or the combined financial position of Amedisys, Inc. would have been had the CCH Acquisition been completed as of the dates presented. In addition, the unaudited consolidated and combined financial information does not purport to project the future financial position or operating results of Amedisys, Inc. nor does it reflect any operational efficiencies that may have been achieved if the acquisition had occurred on January 1, 2018 or December 31, 2018.

The unaudited pro forma consolidated and combined financial statements have been prepared using the acquisition method of accounting which requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. We believe the fair values assigned to the assets acquired and the liabilities assumed, as reflected in the pro forma financial statements, are based on reasonable assumptions; however, all components of the purchase price allocation are considered preliminary and are subject to change as the Company finalizes the valuations of the assets acquired and liabilities assumed.

AMEDISYS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED BALANCE SHEET
(Amounts in thousands)

	As of December 31, 2018				
	Amedisys, Inc.	CCH including CCH NY (Note 2)	CCH NY (a)	Pro Forma Adjustments	Combined Pro Forma
ASSETS					
Current assets:					
Cash and cash equivalents	$ 20,229	$ 13,675	$ —	$ (12,176)(b)	$ 21,728
Patient accounts receivable	188,972	35,650	(1,300)	—	223,322
Prepaid expenses	7,568	767	(10)	—	8,325
Other current assets	7,349	233	(16)	—	7,566
Total current assets	224,118	50,325	(1,326)	(12,176)	260,941
Property and equipment, net	29,449	224	—	—	29,673
Goodwill	329,480	350	—	302,845 (c)	632,675
Intangible assets, net	44,132	—	—	18,785 (d)	62,917
Deferred income taxes	35,794	—	—	—	35,794
Other assets	54,145	—	—	—	54,145
Total assets	$ 717,118	$ 50,899	$ (1,326)	$ 309,454	$1,076,145
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$ 28,531	$ 10,556	$ (499)	$ —	$ 38,588
Payroll and employee benefits	92,858	5,159	(226)	5,369 (e)	103,160
Accrued expenses	99,475	10,977	(1,674)	320 (f)	109,098
Current portion of long-term obligations	1,612	—	—	—	1,612
Total current liabilities	222,476	26,692	(2,399)	5,689	252,458
Deferred income taxes	—	171	—	(171)(g)	—
Long-term obligations, less current portion	5,775	—	—	329,153 (h)	334,928
Other long-term obligations	6,234	—	—	—	6,234
Total liabilities	234,485	26,863	(2,399)	334,671	593,620
Equity:					
Preferred stock	—	—	—	—	—
Common stock	36	1	—	(1)(i)	36
Additional paid-in capital	603,666	—	—	—	603,666
Treasury stock, at cost	(241,685)	—	—	—	(241,685)
Accumulated other comprehensive income	15	—	—	—	15
Retained earnings	119,550	25,855	2,492	(28,455)(i)	119,442
Total Amedisys, Inc. stockholders' equity	481,582	25,856	2,492	(28,456)	481,474
Noncontrolling interests	1,051	(1,820)	(1,419)	3,239 (i)	1,051
Total equity	482,633	24,036	1,073	(25,217)	482,525
Total liabilities and equity	$ 717,118	$ 50,899	$ (1,326)	$ 309,454	$1,076,145

See accompanying notes to the unaudited pro forma consolidated and combined financial statements.

AMEDISYS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS
(Amounts in thousands, except per share data)

	For the Year Ended December 31, 2018				
	Amedisys, Inc.	CCH including CCH NY (Note 2)	CCH NY (a)	Pro Forma Adjustments	Combined Pro Forma
Net service revenue	$1,662,578	$ 207,318	$ (9,355)	$ (8,066)(b)	$1,852,475
Cost of service, excluding depreciation and amortization	992,863	117,792	(5,218)	—	1,105,437
General and administrative expenses:					
Salaries and benefits	316,522	34,781	(1,610)	—	349,693
Non-cash compensation	17,887	—	—	—	17,887
Other	166,897	27,769	(1,367)	(9,002)(c)	184,297
Depreciation and amortization	13,261	72	—	5,033(d)	18,366
Operating expenses	1,507,430	180,414	(8,195)	(3,969)	1,675,680
Operating income	155,148	26,904	(1,160)	(4,097)	176,795
Other income (expense):					
Interest income	278	69	—	—	347
Interest expense	(7,370)	(192)	60	(13,369)(e)	(20,871)
Equity in earnings from equity method investments	7,692	—	—	—	7,692
Miscellaneous, net	3,240	—	—	—	3,240
Total other income (expense), net	3,840	(123)	60	(13,369)	(9,592)
Income before income taxes	158,988	26,781	(1,100)	(17,466)	167,203
Income tax expense	(38,859)	(824)	—	(1,312)(f)	(40,995)
Net income (loss)	120,129	25,957	(1,100)	(18,778)	126,208
Net income attributable to noncontrolling interests	(783)	(1,233)	1,100	133(g)	(783)
Net income (loss) attributable to Amedisys, Inc.	$ 119,346	$ 24,724	$ —	$ (18,645)	$ 125,425
Basic earnings per common share:					
Net income attributable to Amedisys, Inc. common stockholders	$ 3.64				$ 3.82
Weighted average shares outstanding	32,791				32,791
Diluted earnings per common share:					
Net income attributable to Amedisys, Inc. common stockholders	$ 3.55				$ 3.73
Weighted average shares outstanding	33,609				33,609

See accompanying notes to the unaudited pro forma consolidated and combined financial statements.

1. Description of Transaction

On February 1, 2019, Amedisys, Inc. (the “Company”) and Amedisys Hospice, L.L.C., a wholly-owned subsidiary of the Company (“Amedisys Hospice”), completed the acquisition of all of the issued and outstanding equity interests in Compassionate Care Hospice Group, Inc. and its subsidiaries (collectively “CCH”) pursuant to a Stock Purchase Agreement (the “Stock Purchase Agreement”) entered into on October 9, 2018 among the Company and Amedisys Hospice and Milton Heching and the Heching 2012 Exempt Irrevocable Trust, as Sellers, for a base purchase price of $340 million (which purchase price was subject to customary purchase price adjustments based on the amount of cash of the acquired companies as of the closing as well as certain tax payments owed by CCH) (the “CCH Acquisition”). A portion of the purchase price was paid by the issuance of a one business day promissory note, which the Company paid off in full on February 4, 2019 pursuant to the proceeds from the Term Loan Facility advanced under the Company’s Amended Credit Agreement.

2. Basis of Presentation

The unaudited pro forma consolidated and combined balance sheet as of December 31, 2018 and the unaudited pro forma consolidated and combined statement of operations for the year ended December 31, 2018 are based on the historical financial statements of the Company after giving effect to the Company’s acquisition of CCH and the assumptions and adjustments described in the notes herein. The unaudited pro forma consolidated and combined balance sheet as of December 31, 2018 is presented as if the acquisition occurred on December 31, 2018 and combines Amedisys, Inc.’s audited historical balance sheet as of December 31, 2018 with CCH’s unaudited consolidated and combined balance sheet as of September 30, 2018. The unaudited pro forma consolidated and combined statement of operations for the year ended December 31, 2018 is presented as if the acquisition occurred on January 1, 2018 and combines Amedisys, Inc.’s historical results for the year ended December 31, 2018 with CCH’s historical results for the twelve-months ended September 30, 2018.

The unaudited pro forma consolidated and combined financial statements are not intended to represent or be indicative of the results of operations or financial position of the Company that would have been reported had the acquisition been completed as of the dates presented, and should not be taken as representative of the future results of operations or financial position of the Company. The unaudited pro forma consolidated and combined financial statements, including the notes thereto, do not reflect any potential operating synergies that the Company may achieve with respect to the combined companies. The unaudited pro forma consolidated and combined financial statements and notes thereto should be read in conjunction with the historical financial statements of the Company included in the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission (“SEC”) on February 28, 2019, and in conjunction with the historical financial statements of CCH as presented in Exhibits 99.1 and 99.2 of this Form 8-K/A.

The historical audited and unaudited financial statements of CCH include Compassionate Care Hospice Group, Inc., its wholly-owned subsidiaries and affiliates, which are listed in Note 2 to the historical financial statements. One of the affiliates, Compassionate Care Hospice of New York, LLC (“CCH NY”), was not acquired by the Company. The unaudited pro forma consolidated and combined financial statements include adjustments to remove CCH NY from the historical financial statements.

The tax rate used for the CCH pro forma financial information is the Company’s statutory tax rate of 26.0%, which will likely vary from the actual effective tax rate in periods subsequent to completion of the pro forma events.

The unaudited pro forma consolidated and combined financial statements have been prepared using the acquisition method of accounting which requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. We believe the fair values assigned to the assets acquired and the liabilities assumed, as reflected in the pro forma financial statements, are based on reasonable assumptions; however, all components of the purchase price allocation are considered preliminary and are subject to change as the Company finalizes the valuations of the assets acquired and liabilities assumed.

3. Accounting Policies

Based on the Company's review of CCH's significant accounting policies, the following pro forma adjustments are necessary to conform CCH's accounting policies to the Company's accounting policies.

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* (collectively, "ASC 606") on a full retrospective basis. The pro forma financial statements assume that CCH also adopted ASC 606 on January 1, 2018, on a full retrospective basis.

In addition, certain balances from CCH's historical financial statements were reclassified to conform to the Company's financial statement presentation. The reclassifications reflected within the "CCH including CCH NY" column of the unaudited pro forma consolidated and combined balance sheet are as follows:

- The "prepaid expenses and other current assets" line item in CCH's historical balance sheet was split into two separate line items, "prepaid expenses" and "other current assets," in the unaudited pro forma consolidated and combined balance sheet. The amounts reclassified are as follows:

	Amount (in thousands)
CCH Historical Financial Statements:	
Prepaid expenses and other current assets	$ 1,000
CCH Pro Forma Financial Statements:	
Prepaid expenses	$ 767
Other current assets	233
Total	$ 1,000

- The "accounts payable and accrued expenses" line item in CCH's historical balance sheet was split into two separate line items, "accounts payable" and "accrued expenses," in the unaudited pro forma consolidated and combined balance sheet. The amounts reclassified are as follows:

	Amount (in thousands)
CCH Historical Financial Statements:	
Accounts payable and accrued expenses	$ 11,954
CCH Pro Forma Financial Statements:	
Accounts payable	$ 10,556
Accrued expenses	1,398
Total	$ 11,954

- The "self-insured liability" and "accrued salaries, benefits and other payroll liabilities" line items in CCH's historical balance sheet were combined and included in the "payroll and employee benefits" line item in the unaudited pro forma consolidated and combined balance sheet. The amounts reclassified are as follows:

	Amount (in thousands)
CCH Historical Financial Statements:	
Self-insured liability	$ 768
Accrued salaries, benefits and other payroll liabilities	4,391
Total	$ 5,159
CCH Pro Forma Financial Statements:	
Payroll and employee benefits	$ 5,159

- The “income tax payable” and “due to third-party payors” line items in CCH’s historical balance sheet were included in the “accrued expenses” line item in the unaudited pro forma consolidated and combined balance sheet. The amounts reclassified are as follows:

		Amount (in thousands)
CCH Historical Financial Statements:		
Income tax payable	$	182
Due to third-party payors		9,397
Total	$	9,579
CCH Pro Forma Financial Statements:		
Accrued expenses	$	9,579

The reclassifications reflected within the “CCH including CCH NY” column of the unaudited pro forma consolidated and combined statement of operations are as follows:

- The “general and administrative” line item in CCH’s historical consolidated and combined statement of income includes medical insurance and workers compensation insurance expenses as well as other general and administrative expenses.
  - Expenses related to CCH’s self-insured medical insurance plan as well as CCH’s workers’ compensation insurance plan have been reclassified to either “cost of service, excluding depreciation and amortization” or “general and administrative expenses: salaries and benefits” in the unaudited pro forma consolidated and combined statement of operations based on the classification of the employee that the expenses relate to.
  - The remaining expenses have been reclassified to “general and administrative expenses: other” in the unaudited pro forma consolidated and combined statement of operations.

  The amounts reclassified are as follows:

		Amount (in thousands)
CCH Historical Financial Statements:		
General and administrative expenses	$	24,362
CCH Pro Forma Financial Statements:		
Cost of service, excluding depreciation and amortization	$	4,720
General and administrative expenses: salaries and benefits		1,876
General and administrative expenses: other		17,766
Total	$	24,362

- The “salaries and wages” line item in CCH’s historical consolidated and combined statement of income includes salaries and wages for all employees, as well as medical director fees. These amounts have been reclassified to either “cost of service, excluding depreciation and amortization,” “general and administrative expenses: salaries and benefits” or “general and administrative expenses: other” in the unaudited pro forma consolidated and combined statement of operations based on the classification of the employee that the expenses relate to. The amounts reclassified are as follows:

		Amount (in thousands)
CCH Historical Financial Statements:		
Salaries and wages	$	121,973
CCH Pro Forma Financial Statements:		
Cost of service, excluding depreciation and amortization	$	82,504
General and administrative expenses: salaries and benefits		32,905
General and administrative expenses: other		6,564
Total	$	121,973

- The “supplies and other expenses” line item in CCH’s historical consolidated and combined statement of income has been reclassified to “cost of service, excluding depreciation and amortization” in the unaudited pro forma consolidated and combined statement of operations. The amounts reclassified are as follows:

		Amount (in thousands)
CCH Historical Financial Statements:		
Supplies and other expenses	$	30,568
CCH Pro Forma Financial Statements:		
Cost of service, excluding depreciation and amortization	$	30,568

- The “rent expense” line item in CCH’s historical consolidated and combined statement of income has been reclassified to “general and administrative expenses: other” in the unaudited pro forma consolidated and combined statement of operations. The amounts reclassified are as follows:

		Amount (in thousands)
CCH Historical Financial Statements:		
Rent expense	$	3,439
CCH Pro Forma Financial Statements:		
General and administrative expenses: other	$	3,439

At this time, the Company is not aware of any other differences that would have a material impact on the pro forma financial statements.

4. Preliminary Purchase Price Allocation

The Company’s acquisition of CCH was accounted for using the acquisition method of accounting which requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair value as of the acquisition date. The initial purchase consideration paid to acquire CCH was $334.5 million or $327.9 million, net of cash acquired.

The Company is in the process of finalizing its valuation of the assets acquired and liabilities assumed. Based on the Company’s preliminary valuation, the total estimated consideration net of cash acquired of $327.9 million has been allocated to assets acquired and liabilities assumed as of the acquisition date as follows:

		Amount (in thousands)
Current assets	$	35,324
Property and equipment, net		224
Intangible assets		18,785
Total assets acquired		**54,333**
Current liabilities		(29,662)
Total liabilities assumed		**(29,662)**
Net identifiable assets acquired		**24,671**
Goodwill		303,195
Total consideration transferred	**$**	**327,866**

5. Pro Forma Adjustments—Balance Sheet

The following pro forma adjustments are included in the unaudited pro forma consolidated and combined balance sheet:

(a) To eliminate assets and liabilities of CCH NY, which was not acquired in the acquisition.

(b) To reflect the cash inflows and outflows as a result of the CCH Acquisition, as follows:

	Amount (in thousands)
Proceeds from borrowings under Amended Credit Agreement	$ 330,000
Cash paid to seller/deposited into escrow account at closing	(333,503)
Cash in excess of $6.7 million retained by seller	(7,008)
Payment of transaction costs on behalf of seller	(1,030)
Payment of financing fees	(527)
Payment of Amedisys transaction costs	(108)
Adjustment to cash and cash equivalents	**$ (12,176)**

(c) To reflect changes in goodwill that would have been recognized if the acquisition occurred on December 31, 2018 as follows:

	Amount (in thousands)
Eliminate the historical goodwill of CCH	$ (350)
Record estimated excess of purchase price over net assets acquired	303,195
Adjustment to goodwill	**$ 302,845**

(d) To record the estimated fair value of the intangible assets acquired, which include Medicare licenses, certificates of need, non-compete agreements and trade names. The non-compete agreements and trade names will be amortized over a weighted average period of 2.3 and 2.0 years, respectively.

(e) To record the accrual of retention and change-in-control bonus payments.

(f) To record the accrual of deferred financing fees that were not paid as of closing.

(g) To eliminate the historical deferred tax liability of CCH.

(h) To reflect changes in long-term obligations, less current portion, as follows:

	Amount (in thousands)
Borrowings under Amended Credit Agreement to fund acquisition	$ 330,000
Deferred financing fees associated with additional borrowings	(847)
Adjustment to long-term obligations, less current portion	**$ 329,153**

(i) To eliminate the historical equity of CCH and to adjust for transaction costs totaling approximately $108,000.

6. Pro Forma Adjustments—Statement of Operations

The following pro forma adjustments are included in the unaudited pro forma consolidated and combined statement of operations:

(a) To eliminate revenue and expenses of CCH NY, which was not acquired in the acquisition.

(b) To record changes in net service revenue as a result of changes in accounting policy due to the adoption of ASC 606 on January 1, 2018.

(c) To reflect changes in general and administrative expenses—other as follows:

	Amount (in thousands)
Adoption of ASC 606 on January 1, 2018	$ (8,066)
Elimination of non-recurring transaction costs related to the acquisition	(936)
Adjustment to general and administrative expenses—other	**$ (9,002)**

(d) To record estimated amortization expense associated with the acquired intangible assets.

(e) To reflect changes in interest expense as follows:

	Amount (in thousands)	
Estimated interest expense associated with additional Amedisys borrowings	$	(13,200)
Amortization of deferred financing fees associated with additional Amedisys borrowings		(169)
Adjustment to interest expense	**$**	**(13,369)**

Estimated interest expense associated with the additional Amedisys, Inc. borrowings was computed using an interest rate of 4.02%, which represents the interest rate in effect at December 31, 2018.

(f) To record changes in income tax expense as follows:

	Amount (in thousands)	
Adjustment to record the income tax effect of pro forma adjustments based on the Company’s statutory rate of 26%	$	4,541
Adjustment to record the income tax expense of CCH excluding NY at the Company’s statutory rate of 26%		(5,853)
Adjustment to income tax expense	**$**	**(1,312)**

(g) To eliminate the historical noncontrolling interests of CCH.

(Back To Top)