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**Section 1: 10-Q (10-Q)**

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

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**FORM 10-Q**

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-24260



amedisys

**AMEDISYS, INC.**

(Exact Name of Registrant as Specified in its Charter)

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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)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.001 per share	AMED	The NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date, is as follows: Common stock, \$0.001 par value, 32,255,257 shares outstanding as of October 25, 2019.

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## SPECIAL CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

*When included in this Quarterly Report on Form 10-Q, or in other documents that we file with the Securities and Exchange Commission (“SEC”) or in statements made by or on behalf of the Company, words like “believes,” “belief,” “expects,” “plans,” “anticipates,” “intends,” “projects,” “estimates,” “may,” “might,” “would,” “should” and similar expressions are intended to identify forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve a variety of risks and uncertainties that could cause actual results to differ materially from those described therein. These risks and uncertainties include, but are not limited to the following: changes in or our failure to comply with existing federal and state laws or regulations or the inability to comply with new government regulations on a timely basis, changes in Medicare and other medical payment levels, our ability to open care centers, acquire additional care centers and integrate and operate these care centers effectively, competition in the healthcare industry, changes in the case mix of patients and payment methodologies, changes in estimates and judgments associated with critical accounting policies, our ability to maintain or establish new patient referral sources, our ability to consistently provide high-quality care, our ability to attract and retain qualified personnel, changes in payments and covered services by federal and state governments, future cost containment initiatives undertaken by third-party payors, our access to financing, our ability to meet debt service requirements and comply with covenants in debt agreements, business disruptions due to natural disasters or acts of terrorism, our ability to integrate, manage and keep our information systems secure, our ability to realize the anticipated benefits of the acquisition of Compassionate Care Hospice (“CCH”), our ability to comply with requirements stipulated in the CCH corporate integrity agreement, and changes in law or developments with respect to any litigation relating to the Company, including various other matters, many of which are beyond our control.*

*Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on any forward-looking statement as a prediction of future events. We expressly disclaim any obligation or undertaking and we do not intend to release publicly any updates or changes in our expectations concerning the forward-looking statements or any changes in events, conditions or circumstances upon which any forward-looking statement may be based, except as required by law. For a discussion of some of the factors discussed above as well as additional factors, see our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 28, 2019, particularly, Part I, Item 1A - Risk Factors therein, which are incorporated herein by reference and Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q. Additional risk factors may also be described in reports that we file from time to time with the SEC.*

### **Available Information**

*Our company website address is [www.amedisys.com](http://www.amedisys.com). We use our website as a channel of distribution for important company information. Important information, including press releases, analyst presentations and financial information regarding our company, is routinely posted on and accessible on the Investor Relations subpage of our website, which is accessible by clicking on the tab labeled “Investors” on our website home page. Visitors to our website can also register to receive automatic e-mail and other notifications alerting them when new information is made available on the Investor Relations subpage of our website. In addition, we make available on the Investor Relations subpage of our website (under the link “SEC filings”), free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, ownership reports on Forms 3, 4 and 5 and any amendments to those reports as soon as reasonably practicable after we electronically file or furnish such reports with the SEC. Further, copies of our Certificate of Incorporation and Bylaws, our Code of Ethical Business Conduct, our Corporate Governance Guidelines and the charters for the Audit, Compensation, Quality of Care, Compliance and Ethics and Nominating and Corporate Governance Committees of our Board are also available on the Investor Relations subpage of our website (under the link “Governance”). Reference to our website does not constitute incorporation by reference of the information contained on the website and should not be considered part of this document. Our electronically filed reports can also be obtained on the SEC’s internet site at <http://www.sec.gov>.*

**PART I. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**AMEDISYS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except share data)

	September 30, 2019 (unaudited)	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 20,757	\$ 20,229
Patient accounts receivable	254,703	188,972
Prepaid expenses	10,601	7,568
Other current assets	13,458	7,349
Total current assets	299,519	224,118
Property and equipment, net of accumulated depreciation of \$101,446 and \$95,472	29,969	29,449
Operating lease right of use assets	84,124	—
Goodwill	660,472	329,480
Intangible assets, net of accumulated amortization of \$36,799 and \$33,050	66,468	44,132
Deferred income taxes	17,568	35,794
Other assets	54,260	54,145
Total assets	\$ 1,212,380	\$ 717,118
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 35,901	\$ 28,531
Payroll and employee benefits	115,899	92,858
Accrued expenses	127,111	99,475
Current portion of long-term obligations	8,959	1,612
Current portion of operating lease liabilities	26,783	—
Total current liabilities	314,653	222,476
Long-term obligations, less current portion	231,641	5,775
Operating lease liabilities, less current portion	56,619	—
Other long-term obligations	6,002	6,234
Total liabilities	608,915	234,485
Commitments and Contingencies—Note 6		
Equity:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.001 par value, 60,000,000 shares authorized; 36,599,273 and 36,252,280 shares issued; and 32,246,575 and 31,973,505 shares outstanding	37	36
Additional paid-in capital	634,854	603,666
Treasury stock, at cost 4,352,698 and 4,278,775 shares of common stock	(251,070)	(241,685)
Accumulated other comprehensive income	15	15
Retained earnings	218,728	119,550
Total Amedisys, Inc. stockholders' equity	602,564	481,582
Noncontrolling interests	901	1,051
Total equity	603,465	482,633
Total liabilities and equity	\$ 1,212,380	\$ 717,118

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

**AMEDISYS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands, except per share data)  
(Unaudited)

	For the Three-Month Periods Ended September 30		For the Nine-Month Periods Ended September 30	
	2019	2018	2019	2018
Net service revenue	\$ 494,631	\$ 417,335	\$ 1,454,955	\$ 1,228,200
Cost of service, excluding depreciation and amortization	288,708	249,739	854,734	730,612
General and administrative expenses:				
Salaries and benefits	99,941	79,367	293,127	232,213
Non-cash compensation	6,298	4,842	18,451	12,653
Other	48,474	40,335	140,284	124,119
Depreciation and amortization	4,366	3,164	12,440	9,882
Operating expenses	447,787	377,447	1,319,036	1,109,479
Operating income	46,844	39,888	135,919	118,721
Other income (expense):				
Interest income	15	29	59	263
Interest expense	(3,778)	(1,991)	(11,459)	(5,834)
Equity in (losses) earnings from equity method investments	(812)	1,625	4,120	6,461
Miscellaneous, net	1,975	1,822	2,404	2,782
Total other (expense) income, net	(2,600)	1,485	(4,876)	3,672
Income before income taxes	44,244	41,373	131,043	122,393
Income tax expense	(9,919)	(9,825)	(31,105)	(29,984)
Net income	34,325	31,548	99,938	92,409
Net income attributable to noncontrolling interests	(193)	(171)	(760)	(524)
Net income attributable to Amedisys, Inc.	\$ 34,132	\$ 31,377	\$ 99,178	\$ 91,885
Basic earnings per common share:				
Net income attributable to Amedisys, Inc. common stockholders	\$ 1.06	\$ 0.99	\$ 3.09	\$ 2.78
Weighted average shares outstanding	32,211	31,815	32,096	33,075
Diluted earnings per common share:				
Net income attributable to Amedisys, Inc. common stockholders	\$ 1.03	\$ 0.96	\$ 3.01	\$ 2.71
Weighted average shares outstanding	33,002	32,691	32,944	33,852

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

**AMEDISYS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Amounts in thousands, except common stock shares)  
(Unaudited)

**For the Three-Months Ended September 30, 2019**

	Total	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Noncontrolling Interests
		Shares	Amount					
Balance, June 30, 2019	\$562,942	36,445,591	\$ 36	\$ 623,309	\$(246,175)	\$ 15	\$184,596	\$ 1,161
Issuance of stock – employee stock purchase plan	850	8,230	—	850	—	—	—	—
Issuance of stock – 401(k) plan	2,353	19,381	—	2,353	—	—	—	—
Issuance/(cancellation) of non-vested stock	—	88,334	1	(1)	—	—	—	—
Exercise of stock options	2,045	37,737	—	2,045	—	—	—	—
Non-cash compensation	6,298	—	—	6,298	—	—	—	—
Surrendered shares	(4,895)	—	—	—	(4,895)	—	—	—
Noncontrolling interest distribution	(453)	—	—	—	—	—	—	(453)
Net income	34,325	—	—	—	—	—	34,132	193
Balance, September 30, 2019	<u>\$603,465</u>	<u>36,599,273</u>	<u>\$ 37</u>	<u>\$ 634,854</u>	<u>\$(251,070)</u>	<u>\$ 15</u>	<u>\$218,728</u>	<u>\$ 901</u>

**For the Three-Months Ended September 30, 2018**

	Total	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Noncontrolling Interests
		Shares	Amount					
Balance, June 30, 2018	\$409,061	36,044,177	\$ 36	\$ 585,137	\$(237,947)	\$ 15	\$ 60,712	\$ 1,108
Issuance of stock – employee stock purchase plan	630	8,673	—	630	—	—	—	—
Issuance of stock – 401(k) plan	2,404	28,123	—	2,404	—	—	—	—
Issuance/(cancellation) of non-vested stock	—	63,098	—	—	—	—	—	—
Exercise of stock options	140	2,578	—	140	—	—	—	—
Non-cash compensation	4,842	—	—	4,842	—	—	—	—
Surrendered shares	(2,589)	—	—	—	(2,589)	—	—	—
Noncontrolling interest distribution	(180)	—	—	—	—	—	—	(180)
Repurchase of noncontrolling interest	(361)	—	—	(614)	—	—	—	253
Net income	31,548	—	—	—	—	—	31,377	171
Balance, September 30, 2018	<u>\$445,495</u>	<u>36,146,649</u>	<u>\$ 36</u>	<u>\$ 592,539</u>	<u>\$(240,536)</u>	<u>\$ 15</u>	<u>\$ 92,089</u>	<u>\$ 1,352</u>

**For the Nine-Months Ended September 30, 2019**

	Total	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Noncontrolling Interests
		Shares	Amount					
Balance, December 31, 2018	\$482,633	36,252,280	\$ 36	\$ 603,666	\$(241,685)	\$ 15	\$119,550	\$ 1,051
Issuance of stock – employee stock purchase plan	2,384	23,267	—	2,384	—	—	—	—
Issuance of stock – 401(k) plan	6,966	57,783	—	6,966	—	—	—	—
Issuance/(cancellation) of non-vested stock	—	185,515	1	(1)	—	—	—	—
Exercise of stock options	3,388	80,428	—	3,388	—	—	—	—
Non-cash compensation	18,451	—	—	18,451	—	—	—	—
Surrendered shares	(9,385)	—	—	—	(9,385)	—	—	—
Noncontrolling interest distribution	(910)	—	—	—	—	—	—	(910)
Net income	99,938	—	—	—	—	—	99,178	760
Balance, September 30, 2019	<u>\$603,465</u>	<u>36,599,273</u>	<u>\$ 37</u>	<u>\$ 634,854</u>	<u>\$(251,070)</u>	<u>\$ 15</u>	<u>\$218,728</u>	<u>\$ 901</u>

**For the Nine-Months Ended September 30, 2018**

Accumulated

	Common Stock		Additional Paid-in Capital	Treasury Stock	Other Comprehensive Income	Retained Earnings	Noncontrolling Interests	
	Total	Shares						Amount
Balance, December 31, 2017	\$516,426	35,747,134	\$ 35	\$ 568,780	\$ (53,713)	\$ 15	\$ 204	\$ 1,105
Issuance of stock – employee stock purchase plan	1,787	32,909	—	1,787	—	—	—	—
Issuance of stock – 401(k) plan	7,185	113,082	—	7,185	—	—	—	—
Issuance/(cancellation) of non-vested stock	—	169,811	1	(1)	—	—	—	—
Exercise of stock options	2,749	83,713	—	2,749	—	—	—	—
Non-cash compensation	12,653	—	—	12,653	—	—	—	—
Surrendered shares	(5,421)	—	—	—	(5,421)	—	—	—
Shares repurchased	(181,402)	—	—	—	(181,402)	—	—	—
Noncontrolling interest distribution	(530)	—	—	—	—	—	—	(530)
Repurchase of noncontrolling interest	(361)	—	—	(614)	—	—	—	253
Net income	92,409	—	—	—	—	—	91,885	524
Balance, September 30, 2018	\$445,495	36,146,649	\$ 36	\$ 592,539	\$(240,536)	\$ 15	\$ 92,089	\$ 1,352

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



**AMEDISYS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)  
(Unaudited)

	For the Nine-Month Periods Ended September 30	
	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 99,938	\$ 92,409
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,440	9,882
Non-cash compensation	18,451	12,653
401(k) employer match	7,545	6,934
Amortization and impairment of operating lease right of use assets	27,014	—
Loss on disposal of property and equipment	6	738
Deferred income taxes	17,798	14,916
Equity in earnings from equity method investments	(4,120)	(6,461)
Amortization of deferred debt issuance costs/debt discount	653	596
Return on equity investment	3,727	4,373
Changes in operating assets and liabilities, net of impact of acquisitions:		
Patient accounts receivable	(39,469)	6,166
Other current assets	(10,194)	(32)
Other assets	202	726
Accounts payable	(8,145)	(670)
Accrued expenses	27,903	14,758
Other long-term obligations	(231)	2,462
Operating lease liabilities	(24,116)	—
Operating lease right of use assets	(2,622)	—
Net cash provided by operating activities	126,780	159,450
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of deferred compensation plan assets	287	563
Proceeds from the sale of property and equipment	158	51
Investments in equity method investees	(210)	(3,477)
Purchases of property and equipment	(6,337)	(5,684)
Acquisitions of businesses, net of cash acquired	(345,460)	(4,074)
Net cash used in investing activities	(351,562)	(12,621)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of stock upon exercise of stock options	3,388	2,749
Proceeds from issuance of stock to employee stock purchase plan	2,384	1,787
Shares withheld upon stock vesting	(9,385)	(5,421)
Noncontrolling interest distribution	(910)	(530)
Proceeds from borrowings under term loan	175,000	—
Proceeds from borrowings under revolving line of credit	192,500	127,500
Repayments of borrowings under revolving line of credit	(133,000)	(70,000)
Principal payments of long-term obligations	(3,820)	(91,071)
Debt issuance costs	(847)	(2,433)
Purchase of company stock	—	(181,402)
Repurchase of noncontrolling interest	—	(361)
Net cash provided by (used in) financing activities	225,310	(219,182)
Net increase (decrease) in cash and cash equivalents	528	(72,353)
Cash and cash equivalents at beginning of period	20,229	86,363
Cash and cash equivalents at end of period	\$ 20,757	\$ 14,010
<b>Supplemental Disclosures of Cash Flow Information:</b>		

Cash paid for interest	\$ 7,756	\$ 2,989
Cash paid for income taxes, net of refunds received	\$ 17,656	\$ 11,017

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

**AMEDISYS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. NATURE OF OPERATIONS, CONSOLIDATION AND PRESENTATION OF FINANCIAL STATEMENTS**

Amedisys, Inc., a Delaware corporation, (together with its consolidated subsidiaries, referred to herein as “Amedisys,” “we,” “us,” or “our”) is a multi-state provider of home health, hospice and personal care services with approximately 74% of our revenue derived from Medicare for the three and nine-month periods ended September 30, 2019 and approximately 73% and 74% of our revenue derived from Medicare for the three and nine-month periods ended September 30, 2018, respectively. As of September 30, 2019, we owned and operated 321 Medicare-certified home health care centers, 137 Medicare-certified hospice care centers and 12 personal-care care centers in 38 states within the United States and the District of Columbia.

***Basis of Presentation***

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

This report should be read in conjunction with our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission (“SEC”) on February 28, 2019 (the “Form 10-K”), which includes information and disclosures not included herein. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from the interim financial information presented, as allowed by SEC rules and regulations.

***Recently Adopted Accounting Pronouncements***

On January 1, 2019, the Company adopted Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*; ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU 2018-11, *Targeted Improvements* (collectively, “Topic 842”) using a modified retrospective transition approach, which requires the new standards to be applied to all leases existing at the date of initial application. Under Topic 842, lessees are required to recognize a lease liability and right-of-use asset (“ROU asset”) for all leases with a term greater than twelve months and to disclose key information about leasing arrangements. Additionally, leases will be classified as either financing or operating; the classification will determine the pattern of expense recognition and classification within the statement of operations.

We are using the standards' effective date as our date of initial application. Consequently, our financial information was not updated and the disclosures required under the new standard are not provided for dates and periods prior to January 1, 2019.

The new standard provides several optional practical expedients that can be adopted at transition. We have elected the “package of practical expedients” which allows us to not reassess our prior conclusions regarding lease identification, lease classification and initial direct costs. We did not elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to us.

The most significant effects related to this adoption relate to (1) the recognition of new ROU assets and lease liabilities on our balance sheet for our real estate and fleet operating leases; and (2) significant new disclosures about our leasing activities. Upon adoption, we recognized approximately \$80 million in additional operating lease liabilities with corresponding ROU assets of approximately the same amount.

The new standard also provides practical expedients for an entity's ongoing accounting. We have elected the practical expedient that allows us to not separate lease and non-lease components for all of our leases. We are applying the short-term lease recognition exemption to certain information technology leases; therefore, we did not recognize ROU assets and lease liabilities for these leases.

***Use of Estimates***

Our accounting and reporting policies conform with U.S. GAAP. In preparing the unaudited condensed consolidated financial statements, we are required to make estimates and assumptions that impact the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**AMEDISYS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

***Principles of Consolidation***

These unaudited condensed consolidated financial statements include the accounts of Amedisys, Inc. and our wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in our accompanying unaudited condensed consolidated financial statements, and business combinations accounted for as purchases have been included in our unaudited condensed consolidated financial statements from their respective dates of acquisition. In addition to our wholly owned subsidiaries, we also have certain equity investments that are accounted for as set forth below.

***Investments***

We consolidate investments when the entity is a variable interest entity and we are the primary beneficiary or if we have controlling interests in the entity, which is generally ownership in excess of 50%. Third party equity interests in our consolidated joint ventures are reflected as noncontrolling interests in our condensed consolidated financial statements.

We account for investments in entities in which we have the ability to exercise significant influence under the equity method if we hold 50% or less of the voting stock and the entity is not a variable interest entity in which we are the primary beneficiary. The book value of investments that we account for under the equity method of accounting was \$35.4 million and \$35.1 million as of September 30, 2019 and December 31, 2018, respectively, and is reflected in other assets within our condensed consolidated balance sheets.

We account for investments in entities in which we have less than a 20% ownership interest under the cost method of accounting if we do not have the ability to exercise significant influence over the investee.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Revenue Recognition***

We account for revenue from contracts with customers in accordance with 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"), and as such, we recognize revenue in the period in which we satisfy our performance obligations under our contracts by transferring our promised services to our customers in amounts that reflect the consideration to which we expect to be entitled in exchange for providing patient care, which are the transaction prices allocated to the distinct services. The Company's cost of obtaining contracts is not material.

Revenues are recognized as performance obligations are satisfied, which varies based on the nature of the services provided. Our performance obligation is the delivery of patient care services in accordance with the nature and frequency of services outlined in physicians' orders, which are determined by a physician based on a patient's specific goals.

The Company's performance obligations relate to contracts with a duration of less than one year; therefore, the Company has elected to apply the optional exemption provided by ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

We determine the transaction price based on gross charges for services provided, reduced by estimates for explicit and implicit price concessions. Explicit price concessions include contractual adjustments provided to patients and third-party payors. Implicit price concessions include discounts provided to self-pay, uninsured patients or other payors, adjustments resulting from payment reviews and adjustments arising from our inability to obtain appropriate billing documentation, authorizations or face-to-face documentation. Subsequent changes to the estimate of the transaction price are recorded as adjustments to net service revenue in the period of change.

Explicit price concessions are recorded for the difference between our standard rates and the contractual rates to be realized from patients, third party payors and others for services provided.

Implicit price concessions are recorded for self-pay, uninsured patients and other payors by major payor class based on our historical collection experience, aged accounts receivable by payor and current economic conditions. The implicit price concession represents

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the difference between amounts billed and amounts we expect to collect based on our collection history with similar payors. The Company assesses its ability to collect for the healthcare services provided at the time of patient admission based on the Company's verification of the patient's insurance coverage under Medicare, Medicaid, and other commercial or managed care insurance programs. Medicare represents approximately 74% of the Company's consolidated net service revenue for the three and nine-month periods ended September 30, 2019 and approximately 73% and 74% of our consolidated net service revenue for the three and nine-month periods ended September 30, 2018, respectively.

Amounts due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), include variable consideration for retroactive revenue adjustments due to settlements of audits and payment reviews. We determine our estimates for price concessions related to payment reviews based on our historical experience and success rates in the claim appeals and adjudication process. Revenue is recorded at amounts we estimate to be realizable for services provided.

We determine our estimates for implicit price concessions related to our inability to obtain appropriate billing documentation, authorizations, or face-to-face documentation based on our historical experience, which primarily includes a historical collection rate of over 99% on Medicare claims.

Revenue by payor class as a percentage of total net service revenue is as follows:

	<b>For the Three-Month Periods Ended September 30</b>		<b>For the Nine-Month Periods Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b><u>Home Health:</u></b>				
Medicare	43%	50%	44%	51%
Non-Medicare - Episodic-based	9%	9%	9%	8%
Non-Medicare - Non-episodic based	11%	12%	12%	12%
<b><u>Hospice (1):</u></b>				
Medicare	31%	23%	30%	23%
Non-Medicare	2%	1%	1%	1%
<b><u>Personal Care</u></b>	4%	5%	4%	5%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Acquired Compassionate Care Hospice on February 1, 2019 and RoseRock Healthcare on April 1, 2019.

*Home Health Revenue Recognition*

Medicare Revenue

Net service revenue is recorded under the Medicare prospective payment system ("PPS") based on an established Federal Medicare home health episode payment rate, that is subject to adjustment based on certain variables, including, but not limited to (a) an outlier payment if our patient's care was unusually costly (capped at 10% of total reimbursement per provider number); (b) a low utilization payment adjustment ("LUPA") if the number of visits was four or fewer; (c) a partial payment if a patient transferred to another provider or we admitted a patient transferring from another provider before completing the episode; (d) a payment adjustment based upon the level of therapy services required (with various incremental adjustments made for additional visits, with larger payment increases associated with the sixth, fourteenth and twentieth visit thresholds); (e) the number of episodes of care provided to a patient, regardless of whether the same home health provider provided care for the entire series of episodes; (f) changes in the base episode payments established by the Medicare Program; and (g) adjustments to the base episode payments for case mix and geographic wages. Medicare rates are based on the severity of the patient's condition, service needs and goals, and other factors relating to the cost of providing services and supplies, bundled into an episode of care, not to exceed 60 days. An episode starts the first day a billable visit is performed and ends 60 days later or upon discharge, if earlier, with multiple continuous episodes allowed.

The Medicare home health benefit requires that beneficiaries be homebound (meaning that the beneficiary is unable to leave their home without a considerable and taxing effort), require intermittent skilled nursing, physical therapy or speech therapy services, and receive treatment under a plan of care established and periodically reviewed by a physician. All Medicare contracts are required to have a signed plan of care which represents a single performance obligation, comprised of the delivery of a series of distinct

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services that are substantially similar and have a similar pattern of transfer to the customer. Accordingly, the Company accounts for the series of services ("episode") as a single performance obligation satisfied over time, as the customer simultaneously receives and consumes the benefits of the goods and services provided. Expected Medicare revenue per episode is recognized based on a pro-rated service output method, utilizing our historical average length of episode prior to discharge.

The base episode payment can be adjusted based on each patient's health including clinical condition, functional abilities and service needs, as well as for the applicable geographic wage index, low utilization, patient transfers and other factors. The services covered by the episode payment include all disciplines of care in addition to medical supplies. Medicare can also make various adjustments to payments received if we are unable to produce appropriate billing documentation or acceptable authorizations. In addition, we make adjustments to Medicare revenue if we find we are unable to obtain appropriate billing documentation, authorizations or face-to-face documentation. We estimate the impact of such adjustments based on our historical experience, which primarily includes a historical collection rate of over 99% on Medicare claims, and record this estimate during the period in which services are rendered as an estimated price concession and a corresponding reduction to patient accounts receivable.

A portion of reimbursement from each Medicare episode is billed near the start of each episode, and cash is typically received before all services are rendered. The amount of revenue recognized for episodes of care which are incomplete at period end is based on the company's average percentage of days complete on episodes as of the end of the year. As of September 30, 2019, the difference between the cash received from Medicare for a request for anticipated payment ("RAP") on episodes in progress and the associated estimated revenue was recorded to accrued expenses within our condensed consolidated balance sheets.

Non-Medicare Revenue

*Episodic-based Revenue.* We recognize revenue in a similar manner as we recognize Medicare revenue for episodic-based rates that are paid by other insurance carriers, including Medicare Advantage programs; however, these rates can vary based upon the negotiated terms which generally range from 90% to 100% of Medicare rates.

*Non-episodic based Revenue.* Gross revenue is recorded on an accrual basis based upon the date of service at amounts equal to our established or estimated per-visit rates. Explicit price concessions are recorded for the difference between our standard rates and the contracted rates to be realized from patients, third parties and others for services provided and are deducted from gross revenue to determine net service revenue. We also make adjustments to non-episodic revenue for any implicit price concessions, based on historical experience, to reflect the estimated transaction price. We receive a minimal amount of our net service revenue from patients who are either self-insured or are obligated for an insurance co-payment.

*Hospice Revenue Recognition*

Hospice Medicare Revenue

Gross revenue is recorded on an accrual basis based upon the date of service at amounts equal to the estimated payment rates. The estimated payment rates are predetermined daily or hourly rates for each of the four levels of care we deliver. The four levels of care are routine care, general inpatient care, continuous home care and respite care. Routine care accounted for 98% and 99% of our gross Medicare hospice service revenue for the three and nine-month periods ended September 30, 2019, respectively, and 98% and 97% of our gross Medicare hospice service revenue for the three and nine-month periods ended September 30, 2018, respectively. There are 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, we may also receive a service intensity add-on ("SIA"). The SIA is based on visits made in the last seven days of life by a registered nurse ("RN") or medical social worker ("MSW") for patients in a routine level of care.

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

We make adjustments to Medicare revenue for implicit price concessions, which include our inability to obtain appropriate billing documentation or acceptable authorizations and other reasons unrelated to credit risk. We estimate the impact of these adjustments based on our historical experience, which primarily includes a historical collection rate of over 99% on Medicare claims, and record it during the period services are rendered.

Additionally, our hospice service revenue is subject to certain limitations on payments from Medicare which are considered variable consideration. We are subject to an inpatient cap limit and an overall Medicare payment cap for each provider number. We monitor these caps on a provider-by-provider basis and estimate amounts due back to Medicare if we estimate a cap has been exceeded. We record these adjustments as a reduction to revenue and an increase in accrued expenses within our condensed consolidated balance

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sheet. Beginning for the cap year ending October 31, 2017, providers are required to self-report and pay their estimated cap liability by February 28th of the following year. As of September 30, 2019, we have recorded \$5.3 million in accrued expenses for estimated amounts due back to Medicare for the Federal cap years ended October 31, 2013 through September 30, 2019; approximately \$1.9 million of this amount is related to the cap liability acquired as part of the Compassionate Care Hospice ("CCH") acquisition. As of December 31, 2018, we had recorded \$1.7 million for estimated amounts due back to Medicare in accrued expenses for the Federal cap years ended October 31, 2013 through September 30, 2019.

Hospice Non-Medicare Revenue

Gross revenue is recorded on an accrual basis based upon the date of service at amounts equal to our established rates or estimated per day rates, as applicable. Explicit price concessions are recorded for the difference between our standard rates and the contractual rates to be realized from patients, third party payors and others for services provided and are deducted from gross revenue to determine our net service revenue. We also make adjustments to non-Medicare revenue for any implicit price concessions, based on historical experience, to reflect the estimated transaction price.

*Personal Care Revenue Recognition*

Personal Care Revenue

We generate net service revenues by providing our services directly to patients based on authorized hours, visits or units determined by the relevant agency, at a rate that is either contractual or fixed by legislation. Net service revenue is recognized at the time services are rendered based on gross charges for the services provided, reduced by estimates for price concessions. We receive payment for providing such services from payors, including state and local governmental agencies, managed care organizations, commercial insurers and private consumers. Payors include the following elder service agencies: Aging Services Access Points (ASAPs), Senior Care Options (SCOs), Program of All-Inclusive Care for the Elderly (PACE) and the Veterans Administration (VA).

*Patient Accounts Receivable*

We report accounts receivable from services rendered at their estimated transaction price, which includes price concessions based on the amounts expected to be due from payors. Our patient accounts receivable are uncollateralized and consist of amounts due from Medicare, Medicaid, other third-party payors and patients. As of September 30, 2019, there is no single payor, other than Medicare, that accounts for more than 10% of our total outstanding patient receivables. Thus, we believe there are no other significant concentrations of receivables that would subject us to any significant credit risk in the collection of our patient accounts receivable. We write off accounts on a monthly basis once we have exhausted our collection efforts and deem an account to be uncollectible. We believe the collectibility risk associated with our Medicare accounts, which represent 59% and 56% of our patient accounts receivable at September 30, 2019 and December 31, 2018, respectively, is limited due to our historical collection rate of over 99% from Medicare and the fact that Medicare is a U.S. government payor.

We do not believe there are any significant concentrations of revenues from any payor that would subject us to any significant credit risk in the collection of our accounts receivable.

*Medicare Home Health*

For our home health patients, our pre-billing process includes verifying that we are eligible for payment from Medicare for the services that we provide to our patients. Our Medicare billing begins with a process to ensure that our billings are accurate through the utilization of an electronic Medicare claim review. We submit a RAP for 60% of our estimated payment for the initial episode at the start of care or 50% of the estimated payment for any subsequent episodes of care contiguous with the first episode for a particular patient. The full amount of the episode is billed after the episode has been completed ("final billed"). The RAP received for that particular episode is then deducted from our final payment. If a final bill is not submitted within the greater of 120 days from the start of the episode, or 60 days from the date the RAP was paid, any RAPs received for that episode will be recouped by Medicare from any other claims in process for that particular provider number. The RAP and final claim must then be resubmitted.

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*Medicare Hospice*

For our hospice patients, our pre-billing process includes verifying that we are eligible for payment from Medicare for the services that we provide to our patients. Our Medicare billing begins with a process to ensure that our billings are accurate through the utilization of an electronic Medicare claim review. We bill Medicare on a monthly basis for the services provided to the patient.

*Non-Medicare Home Health, Hospice and Personal Care*

For our non-Medicare patients, our pre-billing process primarily begins with verifying a patient's eligibility for services with the applicable payor. Once the patient has been confirmed for eligibility, we will provide services to the patient and bill the applicable payor. Our review and evaluation of non-Medicare accounts receivable includes a detailed review of outstanding balances and special consideration to concentrations of receivables from particular payors or groups of payors with similar characteristics that would subject us to any significant credit risk.

*Debt Issuance Costs*

During the nine-month period ended September 30, 2019, we recorded \$0.8 million in deferred debt issuance costs as a reduction to long-term obligations, less current portion in our condensed consolidated balance sheet in connection with our entry into the Amended Credit Agreement (See Note 5 - Long-Term Obligations). As of September 30, 2019 and December 31, 2018, we had unamortized debt issuance costs of \$3.7 million and \$3.5 million, respectively, recorded as long-term obligations, less current portion in our condensed consolidated balance sheet. We amortize deferred debt issuance costs related to our long-term obligations over the term of the obligation through interest expense, unless the debt is extinguished, in which case unamortized balances are immediately expensed. We amortized \$0.2 million and \$0.6 million in deferred debt issuance during the three and nine-month periods ended September 30, 2019, respectively. The unamortized debt issuance costs of \$3.7 million will be amortized over a weighted-average amortization period of 4.3 years.

*Fair Value of Financial Instruments*

The following details our financial instruments where the carrying value and the fair value differ (amounts in millions):

<u>Financial Instrument</u>	<u>Fair Value at Reporting Date Using</u>			
	<u>Carrying Value as of September 30, 2019</u>	<u>Quoted Prices in Active Markets for Identical Items (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Long-term obligations	\$ 240.6	\$ —	\$ 236.0	\$ —

The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Our deferred compensation plan assets are recorded at fair value and are considered a level 2 measurement. For our other financial instruments, including our cash and cash equivalents, patient accounts receivable, accounts payable, payroll and employee benefits and accrued expenses, we estimate the carrying amounts approximate fair value.



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**Weighted-Average Shares Outstanding**

Net income per share attributable to Amedisys, Inc. common stockholders, calculated on the treasury stock method, is based on the weighted average number of shares outstanding during the period. The following table sets forth, for the periods indicated, shares used in our computation of the weighted-average shares outstanding, which are used to calculate our basic and diluted net income attributable to Amedisys, Inc. common stockholders (amounts in thousands):

	For the Three- Month Periods Ended September 30,		For the Nine- Month Periods Ended September 30,	
	2019	2018	2019	2018
Weighted average number of shares outstanding - basic	32,211	31,815	32,096	33,075
Effect of dilutive securities:				
Stock options	532	561	543	464
Non-vested stock and stock units	259	315	305	313
Weighted average number of shares outstanding - diluted	33,002	32,691	32,944	33,852
Anti-dilutive securities	133	51	154	76

**Business Combinations**

We account for acquisitions using the acquisition method of accounting in accordance with Accounting Standards Codification (“ASC”) 805, *Business Combinations*. Acquisitions are accounted for as purchases and are included in our condensed consolidated financial statements from their respective acquisition dates. Assets acquired and liabilities assumed, if any, are measured at fair value on the acquisition date using the appropriate valuation method. Goodwill generated from acquisitions is recognized for the excess of the purchase price over tangible and identifiable intangible assets.

**3. ACQUISITIONS**

We complete acquisitions from time to time in order to pursue our strategy of increasing our market presence by expanding our service base and enhancing our position in certain geographic areas as a leading provider of home health, hospice and personal care services. The purchase price paid for acquisitions is negotiated through arm’s length transactions, with consideration based on our analysis of, among other things, comparable acquisitions and expected cash flows. Acquisitions are accounted for as purchases and are included in our condensed consolidated financial statements from their respective acquisition dates. Goodwill generated from acquisitions is recognized for the excess of the purchase price over tangible and identifiable intangible assets because of the expected contributions of the acquisitions to our overall corporate strategy. We typically engage outside appraisal firms to assist in the fair value determination of identifiable intangible assets for significant acquisitions. The preliminary purchase price allocation is adjusted, as necessary, up to one year after the acquisition closing date if management obtains more information regarding asset valuations and liabilities assumed.

On February 1, 2019, we acquired Compassionate Care Hospice (“CCH”), a national hospice care provider headquartered in New Jersey, for a purchase price of \$327.9 million, net of cash acquired of \$6.7 million.

The Company is in the process of finalizing its valuation of the assets acquired and liabilities assumed. During the three-month period ended September 30, 2019, we recorded measurement period adjustments based on changes to management's estimates and assumptions related to the assets acquired and liabilities assumed. Based on the Company's preliminary valuation, the total estimated consideration of \$327.9 million has been allocated to assets acquired and liabilities assumed as of the acquisition date as follows (amounts in millions):

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	<b>Amount</b>
Patient accounts receivable	\$ 26.3
Prepaid expenses	0.8
Other current assets	0.2
Property and equipment	0.2
Intangible assets	24.4
Operating lease right of use assets	3.4
<b>Total assets acquired</b>	<b>55.3</b>
Accounts payable	(15.9)
Payroll and employee benefits	(11.8)
Accrued expenses	(11.0)
Deferred tax liability	(0.4)
Operating lease liabilities	(3.4)
<b>Total liabilities acquired</b>	<b>(42.5)</b>
<b>Net identifiable assets acquired</b>	<b>12.8</b>
Goodwill	315.1
<b>Total estimated consideration</b>	<b>\$ 327.9</b>

Intangible assets acquired include Medicare licenses, certificates of need, trade names and non-compete agreements. The trade names and non-compete agreements will be amortized over a weighted-average period of 2.0 and 2.3 years, respectively.

CCH contributed approximately \$45.6 million in net service revenue and operating income of \$0.9 million (inclusive of acquisition and integration costs totaling \$3.4 million) during the three-month period ended September 30, 2019 and \$123.6 million in net service revenue and an operating loss of \$4.2 million (inclusive of acquisition and integration costs totaling \$13.4 million) during the nine-month period ended September 30, 2019.

The following table contains unaudited pro forma condensed consolidated statement of operations information for the three and nine-month periods ended September 30, 2019 and 2018 assuming that the CCH acquisition closed on January 1, 2018 (amounts in millions, except per share data):

	<b>For the Three- Month Periods Ended September 30,</b>		<b>For the Nine- Month Periods Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net service revenue	\$ 494.6	\$ 467.3	\$ 1,471.0	\$ 1,373.4
Operating income	46.8	47.0	142.2	136.9
Net income attributable to Amedisys, Inc.	34.1	34.2	102.9	97.9
Basic earnings per share	1.06	1.07	3.21	2.96
Diluted earnings per share	\$ 1.03	\$ 1.05	\$ 3.12	\$ 2.89

The pro forma information presented above includes adjustments for (i) amortization of identifiable intangible assets, (ii) interest on additional debt required to fund the CCH acquisition, (iii) non-recurring transaction costs and (iv) income taxes based on the Company's statutory tax rate. This pro forma information is presented for illustrative purposes only and may not be indicative of the results of operations that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro forma information.

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On April 1, 2019, we acquired RoseRock Healthcare ("RoseRock"), an Oklahoma based hospice provider, for a purchase price of \$17.5 million. The purchase price was paid with cash on hand on the date of the transaction. Based on the Company's preliminary valuation, we recorded goodwill of \$15.8 million and other intangibles including non-compete agreements of \$0.7 million and tradenames of \$1.0 million during the three-month period ended June 30, 2019. The non-compete agreement will be amortized over a weighted-average period of 2.8 years. RoseRock contributed approximately \$2.2 million in net service revenue and \$0.3 million in operating income during the three-month period ended September 30, 2019 and approximately \$4.7 million in net service revenue and \$0.8 million in operating income during the nine-month period ended September 30, 2019.

#### **4. LEASES**

We determine whether an arrangement is a lease at inception. We have operating leases, primarily for offices and fleet, that expire at various dates over the next nine years. We also have finance leases covering certain office equipment that expire at various dates over the next three years. Our leases do not contain any restrictive covenants.

Our office leases generally contain renewal options for periods ranging from one to five years. Because we are not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term, and payments associated with the option years are excluded from lease payments. Our office leases also generally include termination options, which allow for early termination of the lease after the first one to three years. Because we are not reasonably certain to exercise these termination options, the options are not considered in determining the lease term; payments for the full lease term are included in lease payments. Our office leases do not contain any material residual value guarantees.

Our fleet leases include a term of 367 days with monthly renewal options thereafter. Our fleet leases also include terminal rental adjustment clauses ("TRAC"), which provide for a final rental payment adjustment at the end of the lease, typically based on the amount realized from the sale of the vehicle. The TRAC is structured such that it will almost always result in a significant payment by us to the lessor if the renewal option is not exercised. Based on the significance of the TRAC adjustment at the initial lease expiration, we believe that it is reasonably certain that we will exercise the monthly renewal options; therefore, the renewal options are considered in determining the lease term, and payments associated with the renewal options are included in lease payments.

For our fleet and office equipment leases, we use the implicit rate in the lease as the discount rate. For our office leases, the implicit rate is typically not available, so we use our incremental borrowing rate as the discount rate. Our lease agreements include both lease and non-lease components. We have elected the practical expedient that allows us to not separate lease and non-lease components for all of our leases.

Payments due under our operating and finance leases include fixed payments as well as variable payments. For our office leases, variable payments include amounts for our proportionate share of operating expenses, utilities, property taxes, insurance, common area maintenance and other facility-related expenses. For our vehicle and equipment leases, variable payments consist of sales tax.

The components of lease cost for the three and nine-month periods ended September 30, 2019 are as follows (amounts in millions):

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	For the Three-Month Period Ended September 30, 2019	For the Nine-Month Period Ended September 30, 2019
<b>Operating lease cost:</b>		
Operating lease cost	\$ 8.8	\$ 26.0
Impairment of operating lease ROU assets	0.7	1.0
Total operating lease cost	9.5	27.0
<b>Finance lease cost:</b>		
Amortization of ROU assets	0.5	1.3
Interest on lease liabilities	—	0.1
Total finance lease cost	0.5	1.4
Variable lease cost	0.7	1.9
Short-term lease cost	0.1	0.2
Total lease cost	<u>\$ 10.8</u>	<u>\$ 30.5</u>

Amounts reported in the condensed consolidated balance sheet as of September 30, 2019 for our operating leases are as follows (amounts in millions):

	September 30, 2019
Operating lease ROU assets	<u>\$ 84.1</u>
Current portion of operating lease liabilities	26.8
Operating lease liabilities, less current portion	56.6
Total operating lease liabilities	<u>\$ 83.4</u>

Amounts reported in the condensed consolidated balance sheet as of September 30, 2019 for finance leases are included in the table below. The finance lease ROU assets are recorded within property and equipment, net of accumulated depreciation within our condensed consolidated balance sheet. The finance lease liabilities are recorded within current portion of long-term obligations and long-term obligations, less current portion within our condensed consolidated balance sheet.

	September 30, 2019
Finance lease ROU assets	\$ 5.1
Accumulated amortization	(1.4)
Finance lease ROU assets, net	<u>3.7</u>
Current installments of obligations under finance leases	1.7
Long-term portion of obligations under finance leases	2.0
Total finance lease liabilities	<u>\$ 3.7</u>

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Supplemental cash flow information and non-cash activity related to our leases are as follows (amounts in millions):

	<b>For the Nine-Month Period Ended September 30, 2019</b>
<b>Cash paid for amounts included in the measurement of lease liabilities and ROU assets:</b>	
Operating cash flow from operating leases	\$ (26.7)
Financing cash flow from finance leases	(1.2)
<b>ROU assets obtained in exchange for lease obligations:</b>	
Operating leases	106.9
Finance leases	2.7
<b>Reductions to ROU assets resulting from reductions to lease obligations:</b>	
Operating leases	(1.2)
Finance leases	—

Amounts disclosed for ROU assets obtained in exchange for lease obligations include amounts added to the carrying amount of ROU assets resulting from lease modifications and reassessments.

Weighted average remaining lease terms and discount rates for our leases as of September 30, 2019 are as follows:

	<b>Years</b>
<b>Weighted average remaining lease term:</b>	
Operating leases	4.0
Finance leases	2.3
	<b>Rate</b>
<b>Weighted average discount rate:</b>	
Operating leases	4.0%
Finance leases	5.3%

Maturities of lease liabilities as of September 30, 2019 are as follows (amounts in millions):

	<b>Operating Leases</b>	<b>Finance Leases</b>
2019 (a)	\$ 6.3	\$ 0.5
2020	29.8	1.8
2021	22.1	1.4
2022	13.1	0.2
2023	8.2	—
Thereafter	11.0	—
Total undiscounted lease payments	90.5	3.9
Less: Imputed interest	(7.1)	(0.2)
Total lease liabilities	\$ 83.4	\$ 3.7

(a) Excludes the nine-month period ended September 30, 2019.

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**5. LONG-TERM OBLIGATIONS**

Long-term debt consisted of the following for the periods indicated (amounts in millions):

	September 30, 2019	December 31, 2018
\$175.0 million Term Loan; interest rate at Base Rate plus Applicable Rate or Eurodollar Rate plus Applicable Rate (3.6% at September 30, 2019); due February 4, 2024	\$ 172.8	\$ —
\$550.0 million Revolving Credit Facility; interest only payments; interest rate at Base Rate plus Applicable Rate or Eurodollar Rate plus Applicable Rate (3.5% at September 30, 2019); due February 4, 2024	67.0	7.5
Promissory notes	0.8	1.1
Finance leases	3.7	2.3
Principal amount of long-term obligations	244.3	10.9
Deferred debt issuance costs	(3.7)	(3.5)
	240.6	7.4
Current portion of long-term obligations	(9.0)	(1.6)
Total	\$ 231.6	\$ 5.8

***First Amendment to Amended and Restated Credit Agreement***

On February 4, 2019, we entered into the First Amendment to our Credit Agreement (as amended by the First Amendment, the "Amended Credit Agreement"). The Amended Credit Agreement provides for a senior secured credit facility in an initial aggregate principal amount of up to \$725.0 million, which includes a \$550.0 million Revolving Credit Facility under the Credit Agreement and a term loan facility with a principal amount of up to \$175.0 million (the "Term Loan Facility" and collectively with the Revolving Credit Facility, the "Credit Facility"), which was added by the First Amendment.

We borrowed the entire principal amount of the Term Loan Facility on February 4, 2019 in order to fund a portion of the purchase price of the CCH acquisition, with the remainder of the purchase price and associated transactional fees and expenses funded by proceeds from the Revolving Credit Facility.

The loans issued under the Credit Facility bear interest on a per annum basis, at our election, at either: (i) the Base Rate plus the Applicable Rate or (ii) the Eurodollar Rate plus the Applicable Rate. The "Base Rate" means a fluctuating rate per annum equal to the highest of (a) the federal funds rate plus 0.50% per annum, (b) the prime rate of interest established by the Administrative Agent, and (c) the Eurodollar Rate plus 1% per annum. The "Eurodollar Rate" means the quoted rate per annum equal to the London Interbank Offered Rate ("LIBOR") or a comparable successor rate approved by the Administrative Agent for an interest period of one, two, three or six months (as selected by us). The "Applicable Rate" is based on the consolidated leverage ratio and is presented in the table below. As of September 30, 2019, the Applicable Rate is 0.50% per annum for Base Rate loans and 1.50% per annum for Eurodollar Rate loans. We are also subject to a commitment fee and letter of credit fee under the terms of the Amended Credit Agreement, as presented in the table below.

Pricing Tier	Consolidated Leverage Ratio	Commitment Fee	Letter of Credit		Base Rate Loans
			Fee	Eurodollar Rate Loans	
I	≥ 3.00 to 1.0	0.35%	1.75%	2.00%	1.00%
II	< 3.00 to 1.0 but ≥ 2.00 to 1.0	0.30%	1.50%	1.75%	0.75%
III	< 2.00 to 1.0 but ≥ 0.75 to 1.0	0.25%	1.25%	1.50%	0.50%
IV	< 0.75 to 1.0	0.20%	1.00%	1.25%	0.25%

The final maturity date of the Credit Facility is February 4, 2024. The Revolving Credit Facility will terminate and be due and payable as of the final maturity date. The Term Loan Facility, however, is subject to quarterly amortization of principal in the amount of (i) 0.625% for the period commencing on February 4, 2019 and ending on March 31, 2020, (ii) 1.250% for the period commencing on April 1, 2020 and ending on March 31, 2023, and (iii) 1.875% for the period commencing on April 1, 2023 and



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ending on February 4, 2024. The remaining balance of the Term Loan Facility must be paid upon the final maturity date. In addition to the scheduled amortization of the Term Loan Facility, and subject to customary exceptions and reinvestment rights, we are required to prepay the Term Loan Facility, first, and the Revolving Credit Facility, second, with 100% of all net cash proceeds received by any loan party or any subsidiary thereof in connection with (a) any asset sale or disposition where such loan party receives net cash proceeds in excess of \$5 million or (b) any debt issuance that is not permitted under the Amended Credit Agreement.

The Amended Credit Agreement requires maintenance of two financial covenants: (i) a consolidated leverage ratio of funded indebtedness to EBITDA, as defined in the Amended Credit Agreement, and (ii) a consolidated interest coverage ratio of EBITDA to cash interest charges, as defined in the Amended Credit Agreement. Each of these covenants is calculated over rolling four-quarter periods and also is subject to certain exceptions and baskets. The Amended Credit Agreement also contains customary covenants, including, but not limited to, restrictions on: incurrence of liens, incurrence of additional debt, sales of assets and other fundamental corporate changes, investments, and declarations of dividends. These covenants contain customary exclusions and baskets as detailed in the Amended Credit Agreement. In connection with our entry into the Amended Credit Agreement, we recorded \$0.8 million in deferred debt issuance costs as long-term obligations, less current portion within our condensed consolidated balance sheet during the nine-month period ended September 30, 2019.

The Revolving Credit Facility is guaranteed by substantially all of our wholly-owned direct and indirect subsidiaries. The Amended Credit Agreement requires at all times that we (i) provide guarantees from wholly-owned subsidiaries that in the aggregate represent not less than 95% of our consolidated net revenues and adjusted EBITDA from all wholly-owned subsidiaries and (ii) provide guarantees from subsidiaries that in the aggregate represent not less than 70% of consolidated adjusted EBITDA, subject to certain exceptions.

Our weighted average interest rate for borrowings under our \$550.0 million Revolving Credit Facility was 3.8% and 3.9% for the three and nine-month periods ended September 30, 2019, respectively. Our weighted average interest rate for borrowings under our \$175.0 million Term Loan Facility was 3.8% and 3.9% for the three-month period ended September 30, 2019 and for the period February 4, 2019 to September 30, 2019, respectively.

As of September 30, 2019, our consolidated leverage ratio was 1.0, our consolidated interest coverage ratio was 19.5 and we are in compliance with our covenants under the Amended Credit Agreement. In the event we are not in compliance with our debt covenants in the future, we would pursue various alternatives in an attempt to successfully resolve the non-compliance, which might include, among other things, seeking debt covenant waivers or amendments.

As of September 30, 2019, our availability under our \$550.0 million Revolving Credit Facility was \$452.8 million as we have \$67.0 million outstanding in borrowings and \$30.2 million outstanding in letters of credit.

***Joinder Agreement***

In connection with the CCH acquisition, we entered into a Joinder Agreement, dated as of February 4, 2019, pursuant to which CCH and its subsidiaries were made parties to, and became subject to the terms and conditions of, the Amended Credit Agreement, the Amended and Restated Security Agreement, dated as of June 29, 2018, and the Amended and Restated Pledge Agreement, dated as of June 29, 2018. Pursuant to the Joinder, the Amended and Restated Security Agreement and the Amended and Restated Pledge Agreement, CCH and its subsidiaries granted in favor of the Administrative Agent a first lien security interest in substantially all of their personal property assets and pledged to the Administrative Agent each of their respective subsidiaries' issued and outstanding equity interests. CCH and its subsidiaries also guaranteed our obligations, whether now existing or arising after the effective date of the Joinder, under the Amended Credit Agreement pursuant to the terms of the Joinder and the Amended Credit Agreement.



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**6. COMMITMENTS AND CONTINGENCIES**

***Legal Proceedings - Ongoing***

We are involved in the following legal actions:

***Subpoena Duces Tecum and Civil Investigative Demands Issued by the U.S. Department of Justice***

On May 21, 2015, we received a Subpoena Duces Tecum (“Subpoena”) issued by the U.S. Department of Justice. The Subpoena requests the delivery of information regarding 53 identified hospice patients to the United States Attorney’s Office for the District of Massachusetts. It also requests the delivery of documents relating to our hospice clinical and business operations and related compliance activities. The Subpoena generally covers the period from January 1, 2011 through May 21, 2015. We are fully cooperating with the U.S. Department of Justice with respect to this investigation.

On November 3, 2015, we received a civil investigative demand (“CID”) issued by the U.S. Department of Justice pursuant to the federal False Claims Act relating to claims submitted to Medicare and/or Medicaid for hospice services provided through designated facilities in the Morgantown, West Virginia area. The CID requests the delivery of information to the United States Attorney’s Office for the Northern District of West Virginia regarding 66 identified hospice patients, as well as documents relating to our hospice clinical and business operations in the Morgantown area. The CID generally covers the period from January 1, 2009 through August 31, 2015. We are fully cooperating with the U.S. Department of Justice with respect to this investigation.

On June 27, 2016, we received a CID issued by the U.S. Department of Justice pursuant to the federal False Claims Act relating to claims submitted to Medicare and/or Medicaid for hospice services provided through designated facilities in the Parkersburg, West Virginia area. The CID requests the delivery of information to the United States Attorney’s Office for the Southern District of West Virginia regarding 68 identified hospice patients, as well as documents relating to our hospice clinical and business operations in the Parkersburg area. The CID generally covers the period from January 1, 2011 through June 20, 2016. We are fully cooperating with the U.S. Department of Justice with respect to this investigation.

Based on our analysis of sample claims data in connection with preliminary settlement discussions with the U.S. Department of Justice regarding the above matters, we have recorded a total of \$6.5 million to accrued expenses in our condensed consolidated balance sheet related to this matter as of September 30, 2019. Due to the ongoing nature of the investigations and current stage of the settlement discussions, we are unable to estimate a range of potential loss at this time, and we cannot predict the timing or outcome of these investigations.

In addition to the matters referenced in this note, we are involved in legal actions in the normal course of business, some of which seek monetary damages, including claims for punitive damages. We do not believe that these normal course actions, when finally concluded and determined, will have a material impact on our consolidated financial condition, results of operations or cash flows.

Legal fees related to all legal matters are expensed as incurred.

***Other Investigative Matters - Ongoing***

***Corporate Integrity Agreement***

On April 23, 2014, with no admissions of liability on our part, we entered into a settlement agreement with the U.S. Department of Justice relating to certain of our clinical and business operations. Concurrently with our entry into this agreement, we entered into a corporate integrity agreement (“CIA”) with the Office of Inspector General-HHS (“OIG”). The CIA formalized various aspects of our already existing ethics and compliance programs and contained other requirements designed to help ensure our ongoing compliance with federal health care program requirements. Among other things, the CIA required us to maintain our existing compliance program, executive compliance committee and compliance committee of the Board of Directors; provide certain compliance training; continue screening new and current employees to ensure they are eligible to participate in federal health care programs; engage an independent review organization to perform certain auditing and reviews and prepare certain reports regarding our compliance with federal health care programs, our billing submissions to federal health care programs and our compliance and risk mitigation programs; and provide certain reports and management certifications to the OIG. Additionally, the CIA required that we report substantial overpayments that we discover we have received from federal health care programs, as well as probable violations of federal health care laws. The corporate integrity agreement had a term of five years that ended on April 21, 2019. We filed our final annual report on July 19, 2019.

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*Compassionate Care Hospice Corporate Integrity Agreement*

On January 30, 2015, Compassionate Care Hospice (“CCH”) entered into a CIA with the OIG. The CIA requires that CCH provide annual on-site compliance training; develop and implement policies to ensure compliance with federal health care program requirements; screen new and current employees to ensure that they are eligible to participate in federal health care programs; establish a compliance committee that contains both a Compliance Officer and a Chief Quality Officer; retain a Governing Authority expert who will periodically complete a compliance program review; and retain an independent review organization (IRO) to complete claims review for hospice services rendered in New York. The OIG has waived the claims review for the final year of the CCH CIA based on the closure of the New York operations. Additionally, the CIA requires that CCH report substantial overpayments that CCH discovers it has received from federal health care programs, as well as probable violations of federal criminal, civil or administrative health care laws. Upon breach of the CIA, CCH 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 that will end on January 30, 2020.

***Third Party Audits - Ongoing***

From time to time, in the ordinary course of business, we are subject to audits under various governmental programs including Recovery Audit Contractors (“RACs”), Zone Program Integrity Contractors (“ZPICs”), Uniform Program Integrity Contractors (“UPICs”), Program Safeguard Contractors (“PSCs”) and Medicaid Integrity Contributors (“MICs”) in which third party firms engaged by the Centers for Medicare and Medicaid Services (“CMS”) conduct extensive reviews of claims data to identify potential improper payments. We cannot predict the ultimate outcome of any regulatory reviews or other governmental audits and investigations.

In July 2010, our subsidiary that provides hospice services in Florence, South Carolina received from a ZPIC a request for records regarding a sample of 30 beneficiaries who received services from the subsidiary during the period of January 1, 2008 through March 31, 2010 (the “Review Period”) to determine whether the underlying services met pertinent Medicare payment requirements. We acquired the hospice operations subject to this review on August 1, 2009; the Review Period covers time periods both before and after our ownership of these hospice operations. Based on the ZPIC’s findings for 16 beneficiaries, which were extrapolated to all claims for hospice services provided by the Florence subsidiary billed during the Review Period, on June 6, 2011, the Medicare Administrative Contractor (“MAC”) for the subsidiary issued a notice of overpayment seeking recovery from our subsidiary of an alleged overpayment. We dispute these findings, and our Florence subsidiary has filed appeals through the Original Medicare Standard Appeals Process, in which we are seeking to have those findings overturned. An administrative law judge (“ALJ”) hearing was held in early January 2015. On January 18, 2016, we received a letter dated January 6, 2016 referencing the ALJ hearing decision for the overpayment issued on June 6, 2011. The decision was partially favorable with a new overpayment amount of \$3.7 million with a balance owed of \$5.6 million, including interest, based on 9 disputed claims (originally 16). We filed an appeal to the Medicare Appeals Council on the remaining 9 disputed claims and also argued that the statistical method used to select the sample was not valid. No assurances can be given as to the timing or outcome of the Medicare Appeals Council decision. As of September 30, 2019, Medicare has withheld payments of \$5.7 million (including additional interest) as part of their standard procedures once this level of the appeal process has been reached. In the event we are not able to recoup this alleged overpayment, we are entitled to be indemnified by the prior owners of the hospice operations for amounts relating to the period prior to August 1, 2009. On January 10, 2019, an arbitration panel from the American Health Lawyers Association determined that the prior owners’ liability for their indemnification obligation was \$2.8 million. Accordingly, the Company reduced its indemnity receivable from \$4.9 million to \$2.8 million. The \$2.1 million impact was recorded to general and administrative expenses, other within our consolidated statements of operations during the three-month period ended December 31, 2018. As of September 30, 2019, we have an indemnity receivable of approximately \$2.8 million for the amount withheld related to the period prior to August 1, 2009.

In July 2016, the Company received a request for medical records from SafeGuard Services, L.L.C (“SafeGuard”), a ZPIC, related to services provided by some of the care centers that the Company acquired from Infinity Home Care, L.L.C. The review period covers time periods both before and after our ownership of the care centers, which were acquired on December 31, 2015. In August 2017, the Company received Requests for Repayment from Palmetto GBA, LLC (“Palmetto”) regarding Infinity Home Care of Lakeland, LLC (“Lakeland Care Centers”) and Infinity Home Care of Pinellas, LLC (“Clearwater Care Center”). The Palmetto letters are based on a statistical extrapolation performed by SafeGuard which alleged an overpayment of \$34.0 million for the Lakeland Care Centers on a universe of 72 Medicare claims totaling \$0.2 million in actual claims payments using a 100% error rate and an overpayment of \$4.8 million for the Clearwater Care Center on a universe of 70 Medicare claims totaling \$0.2 million in actual claims payments using a 100% error rate.

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The Lakeland Request for Repayment covers claims between January 2, 2014 and September 13, 2016. The Clearwater Request for Repayment covers claims between January 2, 2015 and December 9, 2016. As a result of partially successful Level I and Level II Administrative Appeals, the alleged overpayment for the Lakeland Care Centers has been reduced to \$26.0 million and the alleged overpayment for the Clearwater Care Center has been reduced to \$3.3 million. The Company has now filed Level III Administrative Appeals, and will continue to vigorously pursue its appeal rights, which include contesting the methodology used by the ZPIC contractor to perform statistical extrapolation. The Company is contractually entitled to indemnification by the prior owners for all claims prior to December 31, 2015, for up to \$12.6 million.

At this stage of the review, based on the information currently available to the Company, the Company cannot predict the timing or outcome of this review. The Company estimates a low-end potential range of loss related to this review of \$6.5 million (assuming the Company is successful in seeking indemnity from the prior owners and unsuccessful in demonstrating that the extrapolation method used by SafeGuard was erroneous). The Company has reduced its high-end potential range of loss from \$38.8 million (the maximum amount Palmetto claims has been overpaid for both the Lakeland Care Centers and the Clearwater Care Center, of which amount \$12.6 million is subject to indemnification by the prior owners) to \$29.3 million based on the partial success achieved by the Company in prosecuting its Level I and II Administrative Appeals.

As of September 30, 2019, we have an accrued liability of approximately \$17.4 million related to this matter. We expect to be indemnified by the prior owners for approximately \$10.9 million of the total \$12.6 million available indemnification related to this matter and have recorded this amount within other assets in our condensed consolidated balance sheet as of September 30, 2019. The net of these two amounts, \$6.5 million, was recorded as a reduction in revenue in our condensed consolidated statements of operations during the three-month period ended September 30, 2017. As of September 30, 2019, \$1.5 million of receivables have been impacted by this payment suspension.

#### ***Insurance***

We are obligated for certain costs associated with our insurance programs, including employee health, workers' compensation and professional liability. While we maintain various insurance programs to cover these risks, we are self-insured for a substantial portion of our potential claims. We recognize our obligations associated with these costs, up to specified deductible limits in the period in which a claim is incurred, including with respect to both reported claims and claims incurred but not reported. These costs have generally been estimated based on historical data of our claims experience. Such estimates, and the resulting reserves, are reviewed and updated by us on a quarterly basis.

Our health insurance has an exposure limit of \$1.3 million for any individual covered life. Our workers' compensation insurance has a retention limit of \$1.0 million per incident and our professional liability insurance has a retention limit of \$0.3 million per incident.

#### **7. SEGMENT INFORMATION**

Our operations involve servicing patients through our three reportable business segments: home health, hospice and personal care. Our home health segment delivers a wide range of services in the homes of individuals who may be recovering from surgery, have a chronic disability or terminal illness or need assistance with completing important personal tasks. Our hospice segment provides palliative care and comfort to terminally ill patients and their families. Our personal care segment provides patients with assistance with the essential activities of daily living. The "other" column in the following tables consists of costs relating to executive management and administrative support functions, primarily information services, accounting, finance, billing and collections, legal, compliance, risk management, procurement, marketing, clinical administration, training, human resources and administration.

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Management evaluates performance and allocates resources based on the operating income of the reportable segments, which includes an allocation of corporate expenses directly attributable to the specific segment and includes revenues and all other costs directly attributable to the specific segment. Segment assets are not reviewed by the company's chief operating decision maker and therefore are not disclosed below (amounts in millions).

**For the Three-Month Period Ended September 30, 2019**

	<b>Home Health</b>	<b>Hospice</b>	<b>Personal Care</b>	<b>Other</b>	<b>Total</b>
Net service revenue	\$ 311.5	\$ 162.4	\$ 20.7	\$ —	\$ 494.6
Cost of service, excluding depreciation and amortization	188.9	84.5	15.3	—	288.7
General and administrative expenses	75.5	35.8	3.0	40.4	154.7
Depreciation and amortization	1.0	0.4	0.1	2.9	4.4
Operating expenses	265.4	120.7	18.4	43.3	447.8
Operating income (loss)	\$ 46.1	\$ 41.7	\$ 2.3	\$ (43.3)	\$ 46.8

**For the Three-Month Period Ended September 30, 2018**

	<b>Home Health</b>	<b>Hospice</b>	<b>Personal Care</b>	<b>Other</b>	<b>Total</b>
Net service revenue	\$ 294.9	\$ 103.4	\$ 19.0	\$ —	\$ 417.3
Cost of service, excluding depreciation and amortization	181.8	53.4	14.5	—	249.7
General and administrative expenses	68.8	21.4	3.0	31.3	124.5
Depreciation and amortization	0.8	0.3	0.1	2.0	3.2
Operating expenses	251.4	75.1	17.6	33.3	377.4
Operating income (loss)	\$ 43.5	\$ 28.3	\$ 1.4	\$ (33.3)	\$ 39.9

**For the Nine-Month Period Ended September 30, 2019**

	<b>Home Health</b>	<b>Hospice</b>	<b>Personal Care</b>	<b>Other</b>	<b>Total</b>
Net service revenue	\$ 940.2	\$ 452.6	\$ 62.1	\$ —	\$ 1,454.9
Cost of service, excluding depreciation and amortization	562.4	245.9	46.4	—	854.7
General and administrative expenses	220.9	99.7	9.3	122.0	451.9
Depreciation and amortization	3.1	1.2	0.2	7.9	12.4
Operating expenses	786.4	346.8	55.9	129.9	1,319.0
Operating income (loss)	\$ 153.8	\$ 105.8	\$ 6.2	\$ (129.9)	\$ 135.9

**For the Nine-Month Period Ended September 30, 2018**

	<b>Home Health</b>	<b>Hospice</b>	<b>Personal Care</b>	<b>Other</b>	<b>Total</b>
Net service revenue	\$ 870.5	\$ 302.1	\$ 55.6	\$ —	\$ 1,228.2
Cost of service, excluding depreciation and amortization	532.7	155.2	42.7	—	730.6
General and administrative expenses	205.2	61.7	9.5	92.6	369.0
Depreciation and amortization	2.4	0.8	0.2	6.5	9.9
Operating expenses	740.3	217.7	52.4	99.1	1,109.5
Operating income (loss)	\$ 130.2	\$ 84.4	\$ 3.2	\$ (99.1)	\$ 118.7

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**8. SHARE REPURCHASE**

***2019 Stock Repurchase Program***

On February 25, 2019, we announced that our Board of Directors authorized a stock repurchase program, under which we may repurchase up to \$100 million of our outstanding common stock through March 1, 2020.

Under the terms of the program, we are allowed to repurchase shares from time to time in open market transactions, block purchases or in private transactions in accordance with applicable federal securities laws and other legal requirements. We are allowed to enter into Rule 10b5-1 plans to effect some or all of the repurchases. The timing and the amount of the repurchases will be determined by management based on a number of factors, including but not limited to share price, trading volume and general market conditions, as well as on working capital requirements, general business conditions and other factors.

We did not repurchase any shares pursuant to this stock repurchase program during the three or nine-month periods ended September 30, 2019.

***2018 Share Repurchase***

On June 4, 2018, we purchased 2,418,304 of our common shares from affiliates of KKR Credit Advisors (US) LLC ("KKR"), representing one-half of KKR's then-current holdings in the Company and 7.1% of the aggregate outstanding shares of the Company's common stock for a total purchase price of \$181.4 million including related direct costs. The Company repurchased the shares at \$73.96 which represents 96% of the closing stock price of the Company's common stock on June 4, 2018. The repurchased shares are classified as treasury shares.

**9. RELATED PARTY TRANSACTIONS**

During 2018, we made a \$7.0 million investment in Medalogix, a healthcare predictive data and analytics company; this investment is accounted for under the equity method. During the three and nine-month periods ended September 30, 2019, we incurred costs of approximately \$0.1 million and \$0.2 million, respectively, in connection with the usage of Medalogix's analytics platforms.

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

The following discussion and analysis provides information we believe is relevant to an assessment and understanding of our results of operations and financial condition for the three and nine-month periods ended September 30, 2019. This discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included herein, and the consolidated financial statements and notes and the related Management's Discussion and Analysis of Financial Condition and Results of Operations in our 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 (the "Form 10-K"), which are incorporated herein by this reference. Historical results that appear in the condensed consolidated financial statements should not be interpreted as being indicative of future operations.

Unless otherwise provided, "Amedisys," "we," "our," and the "Company" refer to Amedisys, Inc. and our consolidated subsidiaries.

### Overview

We are a provider of high-quality in-home healthcare and related services to the chronic, co-morbid, aging American population, with approximately 74% of our revenue derived from Medicare for the three and nine-month periods ended September 30, 2019 and approximately 73% and 74% of our revenue derived from Medicare for the three and nine-month periods ended September 30, 2018, respectively.

Our operations involve servicing patients through our three reportable business segments: home health, hospice and personal care. Our home health segment delivers a wide range of services in the homes of individuals who may be recovering from an illness, injury or surgery. Our hospice segment provides care that is designed to provide comfort and support for those who are facing a terminal illness. Our personal care segment provides patients with assistance with the essential activities of daily living. As of September 30, 2019, we owned and operated 321 Medicare-certified home health care centers, 137 Medicare-certified hospice care centers and 12 personal-care care centers in 38 states within the United States and the District of Columbia.

### Care Centers Summary (Includes Unconsolidated Joint Ventures)

	Home Health	Hospice	Personal Care
As of December 31, 2018	323	84	12
Acquisitions/Startups	3	57	—
Closed/Consolidated	(5)	(4)	—
As of September 30, 2019	321	137	12

### Recent Developments

#### Governmental Inquiries and Investigations and Other Litigation

See Note 6 – Commitments and Contingencies to our condensed consolidated financial statements for additional information regarding our corporate integrity agreements and for a discussion of and updates regarding other legal proceedings and investigations we are involved in. No assurances can be given as to the timing or outcome of these items.

#### Payment

On July 31, 2019, the Centers for Medicare and Medicaid Services ("CMS") issued a final rule to update hospice payment rates and the wage index for fiscal year 2020. The rule includes a rebasing of continuous home care, inpatient respite care and general inpatient care to better reflect the costs of care. This rebasing will be offset by a reduction in routine home care payments of 2.7% to achieve budget neutrality. In addition, CMS eliminated the one-year "lag" in the use of the hospital wage index in an effort to align with the Inpatient Prospective Payment System ("IPPS") and other payment systems. CMS estimates hospices serving Medicare beneficiaries would see an estimated 2.6% increase in payments. This increase is the result of a 3.0% market basket adjustment less a 0.4% productivity adjustment. We have estimated the impact of the final rule on us to be an increase in revenue of approximately 0.5%; however, we are expecting the impact on gross margin percentage to be a reduction of approximately 0.6% as the majority of the revenue increase will be passed through to the general inpatient and respite facilities. These estimates are subject to change as our mix of work changes.

In November 2018, CMS issued the Calendar Year 2019 Home Health Final Rule, which provided for the first payment rate increase for home health providers since 2010. CMS estimated that the net impact of the payment provisions of the final rule

would result in an increase of 2.2% in reimbursement to home health providers. The increase is the result of a 3.0% market basket increase less a 0.8% productivity adjustment. We have estimated the impact of the final rule on us to be an increase in revenue of 1.2%.

In the 2019 rule, CMS also issued proposed payment changes for Medicare home health providers for 2020. These proposed changes included changes to the Home Health Prospective Payment System ("HHPPS") case-mix adjustment methodology through the use of a new Patient-Driven Groupings Model ("PDGM") for home health payments, a change in the unit of payment from a 60-day payment period to a 30-day payment period and the elimination of the use of therapy visits in the determination of payments. While the proposed changes are to be implemented in a budget neutral manner to the industry, the ultimate impact will vary by provider based on factors including patient mix and admission source.

In July 2019, CMS issued a proposed rule for 2020 which reaffirmed the 2020 changes included in the 2019 rule including implementation of PDGM and a change in the unit of payment from 60-day episodes of care to 30-day periods of care. Additionally, in an effort to eliminate fraud risks, CMS proposed to phase out requests for anticipated payment ("RAPs") over 2020 with the full elimination of RAPs in 2021. CMS estimates that the proposed rule will result in a 1.3% increase in payments to home health providers. The increase is the result of a 1.5% market basket increase reduced by 0.2% for the rural add-on. CMS is also assuming that the industry will make certain behavioral changes resulting in a decrease in reimbursement of 8.01%. We have estimated the impact of the proposed rule on us to be a reduction in revenue of 6.8%. Our current view is that we can offset approximately 50% of the impact via behavioral changes, while mitigating the remainder of the impact via a mix of cost levers, including optimizing clinical mix and utilization. We will continue to refine our estimate and will reassess upon the release of the final rule.

### ***Acquisitions***

On February 1, 2019, we acquired Compassionate Care Hospice ("CCH"), a national hospice care provider headquartered in New Jersey, for a purchase price of \$327.9 million, net of cash acquired.

On April 1, 2019, we acquired the assets of RoseRock Healthcare ("RoseRock"), an Oklahoma based hospice provider for a purchase price of \$17.5 million.

As we continue to focus on inorganic expansion in all three segments, we anticipate incurring acquisition and integration costs throughout 2019. During the three and nine-month periods ended September 30, 2019, we incurred approximately \$4 million and \$14 million, respectively, in costs related to various acquisitions and the integration of CCH. Our total acquisition and integration costs related to CCH for 2019 are expected to be approximately \$15 million to \$16 million.

### ***Partnerships***

In July 2019, we signed an agreement with ClearCare, Inc. ("ClearCare"), the personal care industry's leading software platform, representing 4,000 personal care agencies in every zip code in the United States. Our agreement with ClearCare creates an opportunity to establish a network partnership between Amedisys and personal care agencies using ClearCare in order to better coordinate patient care. Long term, this allows us to build a nation-wide network of personal care agencies and furthers our efforts to provide patients with a true care continuum in the home. This relationship will also help us as we continue to have innovative payment conversations with Medicare Advantage plans who have begun to recognize the value that combined home health, hospice and personal care services brings to their members and care delivery infrastructure.

## Results of Operations

### Three-Month Period Ended September 30, 2019 Compared to the Three-Month Period Ended September 30, 2018

#### Consolidated

The following table summarizes our consolidated results of operations (amounts in millions):

	For the Three-Month Periods Ended September 30,	
	2019	2018
Net service revenue	\$ 494.6	\$ 417.3
Gross margin, excluding depreciation and amortization	205.9	167.6
<i>% of revenue</i>	<i>41.6 %</i>	<i>40.2 %</i>
Other operating expenses	154.7	124.5
<i>% of revenue</i>	<i>31.3 %</i>	<i>29.8 %</i>
Depreciation and amortization	4.4	3.2
Operating income	46.8	39.9
Total other (expense) income, net	(2.6)	1.5
Income tax expense	(9.9)	(9.8)
<i>Effective income tax rate</i>	<i>22.4 %</i>	<i>23.7 %</i>
Net income	34.3	31.6
Net income attributable to noncontrolling interests	(0.2)	(0.2)
Net income attributable to Amedisys, Inc.	\$ 34.1	\$ 31.4

Overall, our operating income increased \$7 million on a revenue increase of \$77 million. Our results for the three-month period ended September 30, 2019 include the acquisitions of CCH on February 1, 2019 and RoseRock on April 1, 2019. For the quarter, CCH and RoseRock contributed approximately \$48 million in revenue and approximately \$1 million in operating income which is inclusive of \$3 million in acquisition and integration costs and \$1 million in intangibles amortization.

Our quarterly performance reflects growth and operating improvement within all three segments of our legacy operations. Our gross margin was positively impacted by 2019 changes in reimbursement for both home health and hospice totaling \$5 million, increases in the acuity level of our patients and improved utilization within our home health segment. Our other operating expenses as a percentage of revenue increased 1.5% compared to prior year; this increase is inclusive of approximately \$4 million in acquisition and integration costs. Excluding the acquisition and integration costs, our other operating expenses as a percentage of revenue increased less than 1% compared to prior year despite planned wage increases that became effective during the three-month period ended September 30, 2019.



## Home Health Segment

The following table summarizes our home health segment results of operations:

	For the Three-Month Periods Ended September 30,	
	2019	2018
<b>Financial Information (in millions):</b>		
Medicare	\$ 211.5	\$ 208.0
Non-Medicare	100.0	86.9
Net service revenue	311.5	294.9
Cost of service	188.9	181.8
Gross margin	122.6	113.1
Other operating expenses	76.5	69.6
Operating income	\$ 46.1	\$ 43.5
<b>Same Store Growth (1):</b>		
Medicare revenue	2%	10%
Non-Medicare revenue	16%	20%
Total admissions	9%	4%
Total volume (2)	6%	6%
Total Episodic admissions (3)	8%	3%
Total Episodic volume (4)	5%	5%
<b>Key Statistical Data - Total (5):</b>		
<b>Medicare:</b>		
Admissions	48,295	46,371
Recertifications	27,662	28,551
Total volume	75,957	74,922
Completed episodes	74,355	73,114
Visits	1,281,380	1,301,090
Average revenue per completed episode (6)	\$ 2,909	\$ 2,855
Visits per completed episode (7)	17.1	17.6
<b>Non-Medicare:</b>		
Admissions	33,642	29,325
Recertifications	15,678	14,539
Total volume	49,320	43,864
Visits	775,804	698,181
<b>Total (5):</b>		
Visiting Clinician Cost per Visit	\$ 83.68	\$ 82.78
Clinical Manager Cost per Visit	\$ 8.09	\$ 8.18
Total Cost per Visit	\$ 91.77	\$ 90.96
Visits	2,057,184	1,999,271

- (1) Same store information represents the percent change in our Medicare, Non-Medicare, Total and Episodic revenue, admissions or volume for the period as a percent of the Medicare, Non-Medicare, Total and Episodic revenue, admissions or volume of the prior period. Effective July 1, 2019, same store is defined as care centers that we have operated for at least the last twelve months and startups that are an expansion of a same store care center.
- (2) Total volume includes all admissions and recertifications.
- (3) Total Episodic admissions includes admissions for Medicare and Non-Medicare payors that bill on a 60-day episode of care basis.
- (4) Total Episodic volume includes admissions and recertifications for Medicare and Non-Medicare payors that bill on a 60-day episode of care basis.

- (5) Total includes acquisitions and denovos.
- (6) Average Medicare revenue per completed episode is the average Medicare revenue earned for each Medicare completed episode of care.
- (7) Medicare visits per completed episode are the home health Medicare visits on completed episodes divided by the home health Medicare episodes completed during the period.

### Operating Results

Overall, our operating income increased \$3 million on a \$17 million increase in net service revenue. Our gross margin as a percentage of revenue was positively impacted by growth in volumes, an increase in the acuity level of our patients and improved utilization. The impact of the 2019 change in reimbursement resulted in an increase in net service revenue and gross margin of approximately \$3 million. These items were partially offset by planned wage increases that became effective during the three-month period ended September 30, 2019 and an increase in revenue price concessions. In addition, our operating expenses increased due to the addition of resources to support volume growth.

### Net Service Revenue

Our revenue increased \$17 million on a 6% increase in total volume and a 2% increase in Medicare revenue per episode, partially offset by an increase in our revenue price concessions. The volume growth was driven by a 9% increase in admissions. The increase in Medicare revenue per episode is the result of a 1.2% increase in reimbursement with the remainder due to an increase in the acuity level of our patients. Additionally, our non-Medicare (per visit and episodic) rates increased approximately 2% which is a combination of increases in rate and the acuity level of our patients.

### Cost of Service, Excluding Depreciation and Amortization

Our cost of service consists of costs associated with direct clinician care in the homes of our patients as well as the cost of clinical managers who monitor the overall delivery of care. Our cost of service increased 4% on a 3% increase in total visits which was driven by a 6% growth in volumes. Our total cost per visit increased less than 1% as an improvement in clinician utilization and optimization of discipline mix partially offset planned wage increases that became effective during the three-month period ended September 30, 2019. Additionally, changes in our home health care center staffing resulted in a shift of some office staff from cost of service to other operating expenses totaling approximately \$2 million.

### Other Operating Expenses

Other operating expenses increased approximately \$7 million primarily due to an increase in salaries and benefits expense as a result of the addition of resources to support volume growth, planned wage increases that became effective during the three-month period ended September 30, 2019 and a shift of some of our home health office staff from cost of service to other operating expenses.

## Hospice Segment

The following table summarizes our hospice segment results of operations:

	For the Three-Month Periods Ended September 30,	
	2019	2018
<b>Financial Information (in millions):</b>		
Medicare	\$ 153.5	\$ 98.0
Non-Medicare	8.9	5.4
Net service revenue	162.4	103.4
Cost of service	84.5	53.4
Gross margin	77.9	50.0
Other operating expenses	36.2	21.7
Operating income	\$ 41.7	\$ 28.3
<b>Same Store Growth (1):</b>		
Medicare revenue	10%	7%
Hospice admissions	4%	8%
Average daily census	5%	11%
<b>Key Statistical Data - Total (2):</b>		
Hospice admissions	9,914	6,765
Average daily census	11,565	7,768
Revenue per day, net	\$ 152.67	\$ 144.71
Cost of service per day	\$ 79.51	\$ 74.72
Average discharge length of stay	98	101

- (1) Same store information represents the percent change in our Medicare revenue, Hospice admissions or average daily census for the period as a percent of the Medicare revenue, Hospice admissions or average daily census of the prior period. Effective July 1, 2019, same store is defined as care centers that we have operated for at least the last twelve months and startups that are an expansion of a same store care center.
- (2) Total includes acquisitions and denovos.

## Operating Results

On February 1, 2019, we acquired CCH, which owned and operated 53 hospice care centers. On April 1, 2019, we acquired RoseRock Healthcare, which owned and operated one hospice care center. Acquisitions are included in our consolidated financial statements from their respective acquisition dates. As a result, our hospice segment operating results for 2019 and 2018 are not fully comparable.

Overall, our operating income increased \$13 million on a \$59 million increase in net service revenue. Our operating results for the quarter were positively impacted by the 2019 change in reimbursement, which resulted in an increase in net service revenue and gross margin of approximately \$2 million, by continued growth and by our acquisitions. Our acquisitions contributed approximately \$48 million in revenue and \$7 million in operating income to our hospice segment's results for the three-month period ended September 30, 2019.

## Net Service Revenue

Our hospice revenue increased \$59 million, approximately \$48 million of which is attributable to our acquisition activity. The remaining \$11 million increase is the result of a 5% increase in our average daily census, a 1.6% increase in reimbursement effective for services provided from October 1, 2018 and a reduction in our revenue price concessions.

### Cost of Service, Excluding Depreciation and Amortization

Our hospice cost of service increased \$31 million, approximately \$29 million of which is attributable to our acquisition activity. The remaining \$2 million increase is primarily due to a 5% increase in average daily census and the impact of planned wage increases that became effective during the three-month period ended September 30, 2019.

### Other Operating Expenses

Other operating expenses increased \$15 million; approximately \$12 million of the increase is related to our acquisition activity. The remaining \$3 million increase is due to increases in other care center related expenses, primarily salaries and benefits due to the addition of resources to support census growth and planned wage increases that became effective during the three-month period ended September 30, 2019.

### Personal Care Segment

The following table summarizes our personal care segment results of operations:

	For the Three-Month Periods Ended September 30,	
	2019	2018
<b>Financial Information (in millions):</b>		
Medicare	\$ —	\$ —
Non-Medicare	20.7	19.0
Net service revenue	20.7	19.0
Cost of service	15.3	14.5
Gross margin	5.4	4.5
Other operating expenses	3.1	3.1
Operating income	\$ 2.3	\$ 1.4
<b>Key Statistical Data - Total (1):</b>		
Billable hours	824,251	810,427
Clients served	12,687	12,380
Shifts	370,451	357,382
Revenue per hour	\$ 25.12	\$ 23.40
Revenue per shift	\$ 55.90	\$ 53.06
Hours per shift	2.2	2.3

(1) Total includes acquisitions.

### Operating Results

On October 1, 2018, we acquired the assets of Bring Care Home which serviced the state of Massachusetts. Acquisitions are included in our consolidated financial statements from their respective acquisition dates. As a result, our personal care operating results for 2019 and 2018 are not fully comparable.

Operating income related to our personal care segment increased approximately \$1 million on a \$2 million increase in net service revenue offset by a \$1 million increase in cost of service; other operating expenses remained flat.

## Corporate

The following table summarizes our corporate results of operations:

	For the Three-Month Periods Ended September 30,	
	2019	2018
<b>Financial Information (in millions):</b>		
Other operating expenses	\$ 40.4	\$ 31.3
Depreciation and amortization	2.9	2.0
Total operating expenses	<u>\$ 43.3</u>	<u>\$ 33.3</u>

Corporate expenses consist of costs relating to our executive management and corporate and administrative support functions, primarily information services, accounting, finance, billing and collections, legal, compliance, risk management, procurement, marketing, clinical administration, training, human resources and administration.

During the three-month period ended September 30, 2019, corporate operating expenses increased \$10 million; approximately \$6 million of which is attributable to the CCH acquisition: \$2 million relates to CCH corporate and administrative support functions, \$1 million relates to CCH intangibles amortization and approximately \$3 million relates to CCH acquisition and integration costs. Excluding the impact of the CCH acquisition, other operating expenses increased \$4 million which represents 5% of our \$77 million increase in revenue. The increase is due to increases in salaries and benefits expense, information technology expense and rent expense which were partially offset by a decrease in professional fees.

## *Nine-Month Period Ended September 30, 2019 Compared to the Nine-Month Period Ended September 30, 2018*

### Consolidated

The following table summarizes our consolidated results of operations (amounts in millions):

	For the Nine-Month Periods Ended September 30,	
	2019	2018
Net service revenue	\$ 1,454.9	\$ 1,228.2
Gross margin, excluding depreciation and amortization	600.2	497.6
<i>% of revenue</i>	<i>41.3 %</i>	<i>40.5 %</i>
Other operating expenses	451.9	369.0
<i>% of revenue</i>	<i>31.1 %</i>	<i>30.0 %</i>
Depreciation and amortization	12.4	9.9
Operating income	<u>135.9</u>	<u>118.7</u>
Total other (expense) income, net	(4.9)	3.7
Income tax expense	(31.1)	(30.0)
<i>Effective income tax rate</i>	<i>23.7 %</i>	<i>24.5 %</i>
Net income	<u>99.9</u>	<u>92.4</u>
Net income attributable to noncontrolling interests	(0.7)	(0.5)
Net income attributable to Amedisys, Inc.	<u>\$ 99.2</u>	<u>\$ 91.9</u>

Overall, our operating income increased \$17 million on a revenue increase of \$227 million. Our results for the nine-month period ended September 30, 2019 include the acquisitions of CCH and RoseRock. CCH and RoseRock contributed approximately \$129 million in revenue and an operating loss of approximately \$3 million which is inclusive of \$13 million in acquisition and integration costs and \$3 million in intangibles amortization.

Additionally, our operating income was negatively impacted by a \$7 million accrual related to settlement discussions with the U.S. Department of Justice (see Note 6 - Commitments and Contingencies to our condensed consolidated financial statements for additional information).

Our year-to-date performance reflects growth and operating improvement in all three segments of our legacy operations. Our gross margin was positively impacted by 2019 changes in reimbursement totaling \$15 million. We also continue to remain focused on costs as our other operating expenses as a percentage of revenue increased only 1.1% compared to prior year; this increase is inclusive of approximately \$14 million in acquisition and integration costs. Excluding the acquisition and integration costs, our other operating expenses as a percentage of revenue remained flat compared to prior year despite planned wage increases and the addition of resources to support growth.

## Home Health Segment

The following table summarizes our home health segment results of operations:

	For the Nine-Month Periods Ended September 30,	
	2019	2018
<b>Financial Information (in millions):</b>		
Medicare	\$ 644.0	\$ 619.3
Non-Medicare	296.2	251.2
Net service revenue	940.2	870.5
Cost of service	562.4	532.7
Gross margin	377.8	337.8
Other operating expenses	224.0	207.6
Operating income	\$ 153.8	\$ 130.2
<b>Same Store Growth (1):</b>		
Medicare revenue	4%	7%
Non-Medicare revenue	18%	18%
Total admissions	7%	4%
Total volume (2)	6%	7%
Total Episodic admissions (3)	6%	3%
Total Episodic volume (4)	4%	6%
<b>Key Statistical Data - Total (5):</b>		
<b>Medicare:</b>		
Admissions	147,485	142,884
Recertifications	82,551	84,218
Total volume	230,036	227,102
Completed episodes	224,635	220,726
Visits	3,935,182	3,933,290
Average revenue per completed episode (6)	\$ 2,922	\$ 2,841
Visits per completed episode (7)	17.4	17.5
<b>Non-Medicare:</b>		
Admissions	100,184	88,485
Recertifications	45,945	40,862
Total volume	146,129	129,347
Visits	2,303,576	2,049,662
<b>Total (5):</b>		
Visiting Clinician Cost per Visit	\$ 82.23	\$ 81.06
Clinical Manager Cost per Visit	7.91	7.98
Total Cost per Visit	\$ 90.14	\$ 89.04
Visits	6,238,758	5,982,952

- (1) Same store information represents the percent change in our Medicare, Non-Medicare, Total and Episodic revenue, admissions or volume for the period as a percent of the Medicare, Non-Medicare, Total and Episodic revenue, admissions or volume of the prior period. Effective July 1, 2019, same store is defined as care centers that we have operated for at least the last twelve months and startups that are an expansion of a same store care center.
- (2) Total volume includes all admissions and recertifications.
- (3) Total Episodic admissions includes admissions for Medicare and Non-Medicare payors that bill on a 60-day episode of care basis.
- (4) Total Episodic volume includes admissions and recertifications for Medicare and Non-Medicare payors that bill on a 60-day episode of care basis.
- (5) Total includes acquisitions and denovos.

- (6) Average Medicare revenue per completed episode is the average Medicare revenue earned for each Medicare completed episode of care.
- (7) Medicare visits per completed episode are the home health Medicare visits on completed episodes divided by the home health Medicare episodes completed during the period.

### Operating Results

Overall, our operating income increased \$24 million on a \$70 million increase in net service revenue. Our gross margin as a percentage of revenue was positively impacted by the 2019 changes in reimbursement, growth in volumes, the acuity level of our patients and improved utilization. The impact of the 2019 change in reimbursement was an increase in net service revenue and gross margin of approximately \$9 million.

### Net Service Revenue

Our revenue increased \$70 million (8%) on a 6% increase in total volume and a 3% increase in Medicare revenue per episode. The volume growth was driven by a 7% increase in admissions. The increase in Medicare revenue per episode is the result of a 1.2% increase in reimbursement with the remainder due to an increase in the acuity level of our patients. Additionally, our non-Medicare (per visit and episodic) rates increased approximately 3% which is a combination of rate increases and increases in the acuity level of our patients. The increase in revenue for the nine-month period ended September 30, 2019 was also positively impacted by a reduction in our revenue price concessions.

### Cost of Service, Excluding Depreciation and Amortization

Our cost of service consists of costs associated with direct clinician care in the homes of our patients as well as the cost of clinical managers who maintain the overall delivery of care. Our cost of service increased 6% on a 4% increase in total visits. Our total cost per visit increased approximately 1% as improvements in clinician utilization and optimization of discipline mix partially offset planned wage increases. Additionally, changes in our home health care center staffing resulted in a shift of some office staff from cost of service to other operating expenses totaling approximately \$3 million.

### Other Operating Expenses

Other operating expenses increased approximately \$16 million primarily due to an increase in salaries and benefits expense as a result of the addition of resources to support volume growth, planned wage increases and the home health staffing shifts referenced above.



## Hospice Segment

The following table summarizes our hospice segment results of operations:

	For the Nine-Month Periods Ended September 30,	
	2019	2018
<b>Financial Information (in millions):</b>		
Medicare	\$ 430.0	\$ 286.7
Non-Medicare	22.6	15.4
Net service revenue	452.6	302.1
Cost of service	245.9	155.2
Gross margin	206.7	146.9
Other operating expenses	100.9	62.5
Operating income	\$ 105.8	\$ 84.4
<b>Same Store Growth (1):</b>		
Medicare revenue	6%	11%
Hospice admissions	5%	7%
Average daily census	6%	12%
<b>Key Statistical Data - Total (2):</b>		
Hospice admissions	30,055	20,444
Average daily census	10,997	7,514
Revenue per day, net	\$ 150.77	\$ 147.28
Cost of service per day	\$ 81.92	\$ 75.65
Average discharge length of stay	98	98

- (1) Same store information represents the percent change in our Medicare revenue, Hospice admissions or average daily census for the period as a percent of the Medicare revenue, Hospice admissions or average daily census of the prior period. Effective July 1, 2019, same store is defined as care centers that we have operated for at least the last twelve months and startups that are an expansion of a same store care center.
- (2) Total includes acquisitions and denovos.

## Operating Results

As a result of our 2019 acquisitions, our hospice segment operating results for 2019 and 2018 are not fully comparable.

Overall, our operating income increased \$21 million on a \$150 million increase in net service revenue. Our operating income was negatively impacted by a \$7 million reduction to revenue and gross margin related to settlement discussions with the U.S. Department of Justice (see Note 6 - Commitments and Contingencies to our condensed consolidated financial statements for additional information). Our operating results for the nine-month period ended September 30, 2019 were positively impacted by the 2019 change in reimbursement, which resulted in an increase in net service revenue and gross margin of approximately \$6 million, by continued growth and by our acquisitions which contributed approximately \$128 million in revenue and \$18 million in operating income to our hospice segment's results for the nine-month period ended September 30, 2019.

## Net Service Revenue

Our hospice revenue increased \$150 million; approximately \$128 million of which is attributable to our acquisition activities. The remaining \$22 million increase is the result of a 6% increase in our average daily census and a 1.6% increase in reimbursement effective for services provided from October 1, 2018, partially offset by an increase in our revenue price concessions, which include a \$7 million reduction to revenue and gross margin related to the U.S. Department of Justice matter noted above.

### Cost of Service, Excluding Depreciation and Amortization

Our hospice cost of service increased \$91 million, approximately \$80 million of which is attributable to our acquisition activity. The remaining \$11 million increase is primarily due to a 6% increase in average daily census and planned wage increases. The increase in cost of service per day of 8% is driven by our acquisitions as our same store cost of service per day increased less than 1%. We expect our acquisitions' cost of service per day to approximate our legacy metric as we fully integrate them during 2020.

### Other Operating Expenses

Other operating expenses increased \$38 million; approximately \$30 million of the increase is related to our acquisition activity. The remaining \$8 million increase is due to increases in other care center related expenses, primarily salaries and benefits due to the addition of resources to support census growth and planned wage increases and travel and training expense.

### Personal Care Segment

The following table summarizes our personal care segment results of operations:

	For the Nine-Month Periods Ended September 30,	
	2019	2018
<b>Financial Information (in millions):</b>		
Medicare	\$ —	\$ —
Non-Medicare	62.1	55.6
Net service revenue	62.1	55.6
Cost of service	46.4	42.7
Gross margin	15.7	12.9
Other operating expenses	9.5	9.7
Operating income	\$ 6.2	\$ 3.2
<b>Key Statistical Data - Total (1):</b>		
Billable hours	2,506,113	2,357,608
Clients served	16,134	15,731
Shifts	1,128,920	1,062,422
Revenue per hour	\$ 24.77	\$ 23.57
Revenue per shift	\$ 55.00	\$ 52.30
Hours per shift	2.2	2.2

(1) Total includes acquisitions.

### Operating Results

Operating income related to our personal care segment increased \$3 million on a \$7 million increase in net service revenue. Cost of service increased approximately \$4 million; other operating expenses remained relatively flat. These results are inclusive of the acquisitions of East Tennessee Personal Care Services on May 1, 2018 and Bring Care Home on October 1, 2018. As a result, our personal care operating results for 2019 and 2018 are not fully comparable.

## Corporate

The following table summarizes our corporate results of operations:

	For the Nine-Month Periods Ended September 30,	
	2019	2018
<b>Financial Information (in millions):</b>		
Other operating expenses	\$ 122.0	\$ 92.6
Depreciation and amortization	7.9	6.5
Total operating expenses	<u>\$ 129.9</u>	<u>\$ 99.1</u>

During the nine-month period ended September 30, 2019, corporate operating expenses increased \$31 million; approximately \$21 million of which is attributable to the CCH acquisition: \$5 million relates to CCH corporate and administrative support functions, \$3 million relates to CCH intangibles amortization and approximately \$13 million relates to CCH acquisition and integration costs. Excluding the impact of the CCH acquisition, other operating expenses increased \$10 million which represents 4% of our \$227 million increase in revenue. The remaining increase is primarily due to increases in salaries and benefits expense and information technology expense which were partially offset by decreases in professional fees, depreciation and gains on the sale of fleet vehicles.

## **Liquidity and Capital Resources**

### *Cash Flows*

The following table summarizes our cash flows for the periods indicated (amounts in millions):

	For the Nine-Month Periods Ended September 30,	
	2019	2018
Cash provided by operating activities	\$ 126.8	\$ 159.4
Cash used in investing activities	(351.5)	(12.6)
Cash provided by (used in) financing activities	225.3	(219.2)
Net increase (decrease) in cash and cash equivalents	0.6	(72.4)
Cash and cash equivalents at beginning of period	20.2	86.4
Cash and cash equivalents at end of period	<u>\$ 20.8</u>	<u>\$ 14.0</u>

Cash provided by operating activities decreased \$32.6 million during the nine-month period ended September 30, 2019 compared to the nine-month period ended September 30, 2018 primarily due to the payment of acquisition and integration costs, a decrease in our cash collections and an increase in the payment of acquired liabilities related to our acquisition activity.

Cash used in investing activities increased \$338.9 million during the nine-month period ended September 30, 2019 compared to the nine-month period ended September 30, 2018 as a result of our acquisitions of CCH and RoseRock.

Cash provided by financing activities increased \$444.5 million during the nine-month period ended September 30, 2019 compared to the nine-month period ended September 30, 2018 primarily due to our borrowings under our Amended Credit Agreement to fund acquisitions.

### *Liquidity*

Typically, our principal source of liquidity is the collection of our patient accounts receivable, primarily through the Medicare program. In addition to our collection of patient accounts receivable, from time to time, we can and do obtain additional sources of liquidity by the incurrence of additional indebtedness.

During the nine-month period ended September 30, 2019, we spent \$6.3 million in capital expenditures as compared to \$5.7 million during the nine-month period ended September 30, 2018. Our capital expenditures for 2019 are expected to be approximately \$8.0 million to \$10.0 million, excluding the impact of any future acquisitions.

As of September 30, 2019, we had \$20.8 million in cash and cash equivalents and \$452.8 million in availability under our \$550.0 million Revolving Credit Facility.

Based on our operating forecasts and our debt service requirements, we believe we will have sufficient liquidity to fund our operations, capital requirements and debt service requirements.

### ***Outstanding Patient Accounts Receivable***

Our patient accounts receivable increased \$65.7 million from December 31, 2018 to September 30, 2019; \$44.6 million of the increase is related to CCH. Our cash collection as a percentage of revenue was 102% and 104% for the nine-month periods ended September 30, 2019 and 2018, respectively. Our days revenue outstanding at September 30, 2019 was 44.5 days which is an increase of 6.5 days from December 31, 2018 and an increase of 3.4 days from June 30, 2019. As anticipated, our acquisition activity has negatively impacted our days revenue outstanding. The estimated impact is 4.3 days.

Our patient accounts receivable includes unbilled receivables and are aged based upon our initial service date. We monitor unbilled receivables on a care center by care center basis to ensure that all efforts are made to bill claims within timely filing deadlines. Our unbilled patient accounts receivable can be impacted by acquisition activity, probe edits or regulatory changes which result in additional information or procedures needed prior to billing. The timely filing deadline for Medicare is one year from the date the episode was completed and varies by state for Medicaid-reimbursable services and among insurance companies and other private payors.

The following schedules detail our patient accounts receivable, by payor class, aged based upon initial date of service (amounts in millions, except days revenue outstanding):

	<b>0-90</b>	<b>91-180</b>	<b>181-365</b>	<b>Over 365</b>	<b>Total</b>
<b>At September 30, 2019:</b>					
Medicare patient accounts receivable	\$ 125.4	\$ 18.8	\$ 4.0	\$ 0.9	\$ 149.1
Other patient accounts receivable:					
Medicaid	22.7	6.9	3.4	—	33.0
Private	62.4	7.2	3.0	—	72.6
Total	\$ 85.1	\$ 14.1	\$ 6.4	\$ —	\$ 105.6
Total patient accounts receivable					\$ 254.7
Days revenue outstanding (1)					44.5
	<b>0-90</b>	<b>91-180</b>	<b>181-365</b>	<b>Over 365</b>	<b>Total</b>
<b>At December 31, 2018:</b>					
Medicare patient accounts receivable	\$ 95.5	\$ 8.1	\$ 1.0	\$ 1.8	\$ 106.4
Other patient accounts receivable:					
Medicaid	13.1	2.7	1.1	—	16.9
Private	51.3	6.7	4.4	3.3	65.7
Total	\$ 64.4	\$ 9.4	\$ 5.5	\$ 3.3	\$ 82.6
Total patient accounts receivable					\$ 189.0
Days revenue outstanding (1)					38.0

- (1) Our calculation of days revenue outstanding is derived by dividing our ending patient accounts receivable at September 30, 2019 and December 31, 2018 by our average daily patient revenue for the three-month periods ended September 30, 2019 and December 31, 2018, respectively.

## ***Indebtedness***

### ***First Amendment to Amended and Restated Credit Agreement***

On February 4, 2019, we entered into the First Amendment to the Credit Agreement (as amended by the First Amendment, the "Amended Credit Agreement"). The Amended Credit Agreement provides for a senior secured credit facility in an initial aggregate principal amount of up to \$725.0 million, which includes a \$550.0 million Revolving Credit Facility under the Credit Agreement and a term loan facility with a principal amount of up to \$175.0 million (the "Term Loan Facility" and collectively with the Revolving Credit Facility, the "Credit Facility"), which was added by the First Amendment.

We borrowed the entire principal amount of the Term Loan Facility on February 4, 2019 in order to fund a portion of the purchase price of the CCH acquisition, with the remainder of the purchase price and associated transactional fees and expenses funded by proceeds from the Revolving Credit Facility.

Our weighted average interest rate for borrowings under our \$550.0 million Revolving Credit Facility was 3.8% and 3.9% for the three and nine-month periods ended September 30, 2019, respectively. Our weighted average interest rate for our borrowings under our \$175.0 million Term Loan Facility was 3.8% and 3.9% for the three-month period ended September 30, 2019 and for the period February 4, 2019 to September 30, 2019, respectively.

As of September 30, 2019, our consolidated leverage ratio was 1.0, our consolidated interest coverage ratio was 19.5 and we are in compliance with our covenants under the Amended Credit Agreement.

As of September 30, 2019, our availability under our \$550.0 million Revolving Credit Facility was \$452.8 million as we have \$67.0 million outstanding in borrowings and \$30.2 million outstanding in letters of credit.

See Note 5 - Long Term Obligations to our condensed consolidated financial statements for additional details on our outstanding long-term obligations.

## ***Share Repurchase***

### ***2019 Stock Repurchase Program***

On February 25, 2019, we announced that our Board of Directors authorized a stock repurchase program, under which we may repurchase up to \$100 million of our outstanding common stock through March 1, 2020.

Under the terms of the program, we are allowed to repurchase shares from time to time in open market transactions, block purchases or in private transactions in accordance with applicable federal securities laws and other legal requirements. We are allowed to enter into Rule 10b5-1 plans to effect some or all of the repurchases. The timing and the amount of the repurchases will be determined by management based on a number of factors, including but not limited to share price, trading volume and general market conditions, as well as on working capital requirements, general business conditions and other factors.

We did not repurchase any shares pursuant to this stock repurchase program during the three or nine-month periods ended September 30, 2019.

### ***2018 Share Repurchase***

On June 4, 2018, we purchased 2,418,304 of our common shares from affiliates of KKR Credit Advisors (US) LLC ("KKR"), representing one-half of KKR's then-current holdings in the Company and 7.1% of the aggregate outstanding shares of the Company's common stock for a total purchase price of \$181.4 million including related direct costs. The Company repurchased the shares at \$73.96 which represents 96% of the closing stock price of the Company's common stock on June 4, 2018. The repurchased shares are classified as treasury shares.

## **Inflation**

We do not believe inflation has significantly impacted our results of operations.

## **Critical Accounting Estimates**

See Part II, Item 7 – Critical Accounting Estimates and our consolidated financial statements and related notes in Part II, Item 8 of our 2018 Annual Report on Form 10-K, for accounting policies and related estimates we believe are the most critical to understanding our condensed consolidated financial statements, financial condition and results of operations and which require complex management judgment and assumptions, or involve uncertainties. These critical accounting estimates include revenue recognition and goodwill and other intangible assets. There have not been any changes to our significant accounting policies or their application since we filed our 2018 Annual Report on Form 10-K except for the changes related to the adoption of Accounting Standards Updates 2016-02, 2018-01, 2018-10 and 2018-11 as disclosed in Note 1 - Nature of Operations, Consolidation and Presentation of Financial Statements to our condensed consolidated financial statements.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk from fluctuations in interest rates. Our Revolving Credit Facility carries a floating interest rate which is tied to the Eurodollar rate (*i.e.* LIBOR) and the Prime Rate and therefore, our condensed consolidated statements of operations and our condensed consolidated statements of cash flows are exposed to changes in interest rates. As of September 30, 2019, the total amount of outstanding debt subject to interest rate fluctuations was \$239.8 million. A 1.0% interest rate change would cause interest expense to change by approximately \$2.4 million annually, assuming the Company makes no principal repayments.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

We have established disclosure controls and procedures which are designed to provide reasonable assurance of achieving their objectives and to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized, disclosed and reported within the time periods specified in the SEC’s rules and forms. This information is also accumulated and communicated to our management and Board of Directors to allow timely decisions regarding required disclosure.

In connection with the preparation of this Quarterly Report on Form 10-Q, as of September 30, 2019, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act.

Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2019, the end of the period covered by this Quarterly Report.

### **Changes in Internal Controls**

There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that have occurred during the quarter ended September 30, 2019, that have materially impacted, or are reasonably likely to materially impact, our internal control over financial reporting.

### ***Inherent Limitations on Effectiveness of Controls***

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls or our internal controls over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls’ effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies and procedures. Our disclosure controls and procedures are designed to provide reasonable

assurance of achieving their objectives and, based on an evaluation of our controls and procedures, our principal executive officer and our principal financial officer concluded our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2019, the end of the period covered by this Quarterly Report.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

See Note 6 - Commitments and Contingencies to the condensed consolidated financial statements for information concerning our legal proceedings.

### ITEM 1A. RISK FACTORS

In addition to other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors included in Part I, Item 1A. – Risk Factors of our Annual Report on Form 10-K. These risk factors could materially impact our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely impact our business, financial condition and/or operating results.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides the information with respect to purchases made by us of shares of our common stock during each of the months during the three-month period ended September 30, 2019:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
July 1, 2019 to July 31, 2019	37,291	\$ 131.27	—	\$ —
August 1, 2019 to August 31, 2019	—	—	—	—
September 1, 2019 to September 30, 2019	—	—	—	—
	<u>37,291</u> <sup>(1)</sup>	<u>\$ 131.27</u>	<u>—</u>	<u>\$ —</u>

- (1) Includes shares of common stock surrendered to us by certain employees to satisfy tax withholding obligations in connection with the vesting of non-vested stock previously awarded to such employees under our 2008 and 2018 Omnibus Incentive Compensation Plans.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.



## ITEM 6. EXHIBITS

The exhibits marked with the cross symbol (†) are filed and the exhibits marked with a double cross (††) are furnished with this Form 10-Q. Any exhibits marked with the asterisk symbol (\*) are management contracts or compensatory plans or arrangements filed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

Exhibit Number	Document Description	Report or Registration Statement	SEC File or Registration Number	Exhibit or Other Reference
3.1	<a href="#"><u>Composite of Certificate of Incorporation of the Company inclusive of all amendments through June 14, 2007</u></a>	The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007	0-24260	3.1
†3.2	<a href="#"><u>Composite of By-Laws of the Company inclusive of all amendments through October 17, 2019</u></a>			
†10.1	<a href="#"><u>Amedisys Holding, L.L.C. Amended and Restated Severance Plan for Executive Officers (inclusive of all amendments through July 25, 2019)</u></a>			
†31.1	<a href="#"><u>Certification of Paul B. Kusserow, President and Chief Executive Officer (principal executive officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>			
†31.2	<a href="#"><u>Certification of Scott G. Ginn, Chief Financial Officer (principal financial officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>			
††32.1	<a href="#"><u>Certification of Paul B. Kusserow, President and Chief Executive Officer (principal executive officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>			
††32.2	<a href="#"><u>Certification of Scott G. Ginn, Chief Financial Officer (principal financial officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>			
†101.INS	Inline XBRL Instance - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
†101.SCH	Inline XBRL Taxonomy Extension Schema Document			
†101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
†101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase			
†101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document			
†101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMEDISYS, INC.  
(Registrant)

By:           /s/ SCOTT G. GINN            
**Scott G. Ginn,**  
**Principal Financial Officer and**  
**Duly Authorized Officer**

Date: October 30, 2019

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## Section 2: EX-3.2 (EXHIBIT 3.2)

Exhibit 3.2

### COMPOSITE BY-LAWS OF AMEDISYS, INC.

**Incorporated under the Laws of the State of Delaware  
(Inclusive of Amendments Dated October 17, 2019)**

#### ARTICLE I. OFFICES AND RECORDS

**SECTION 1.1.** Delaware Office. The principal office of the Corporation in the State of Delaware shall be located in the City of Wilmington, County of New Castle.

**SECTION 1.2.** Other Offices. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

**SECTION 1.3.** Books and Records. The books and records of the Corporation may be kept outside the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

#### ARTICLE II. STOCKHOLDER MEETINGS

**SECTION 2.1.** Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held on such date and at such place and time as may be fixed by resolution of the Board of Directors.

**SECTION 2.2.** Special Meetings. Subject to the rights, if any, of the holders of any series of stock having a preference over the Common Stock of the Corporation as to dividends or upon liquidation ("Preferred Stock") with respect to such series of Preferred Stock, special meetings of the stockholders may be called only by the Chairman of the Board or by the President or by the Board of Directors or a Committee thereof, or by the holders of at least 30% of all the shares entitled to vote at the proposed special meeting. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the

meeting pursuant to the Corporation's notice of meeting (or any supplement thereto). Notice of any special meeting shall be delivered by the Corporation pursuant to Section 2.5 of these By-Laws. The holders of the requisite percentage of voting power may request a special meeting by submitting a written notice of demand to the Secretary of the Corporation at the Corporation's principal executive offices stating the purpose or purposes

of the meeting. Such written notice of demand shall be signed by the stockholder or stockholders holding the requisite percentage of the voting power to demand a special meeting and shall also set forth the information required by Section 2.8(c) of these By-Laws.

**SECTION 2.3. Business at Annual and Special Stockholder Meetings.**

- (a) No business (including nominating persons to be elected or re-elected to the Corporation's Board of Directors) may be transacted at an annual meeting of the Corporation's stockholders other than business that is:
  - (i) specified in a notice of meeting (or any supplement thereto) given by or at the direction of the Corporation's Board of Directors or an authorized committee thereof;
  - (ii) otherwise brought before the meeting by or at the direction of the Corporation's Board of Directors or an authorized committee thereof; or
  - (iii) otherwise brought before the meeting:
    - (A) by a stockholder who was a stockholder of record at the time of giving notice provided in Section 2.8 and at the time of the meeting and who is entitled to vote at the meeting on such business (including electing or re-electing persons to the Corporation's Board of Directors) (a "Record Holder"); and
    - (B) who complies with the notice procedures set forth in Section 2.8 (any such Record Holder being hereafter referred to as a "Noticing Stockholder").

For the avoidance of doubt, clause (a)(iii) of this Section 2.3 shall be the exclusive means for a stockholder to nominate persons to be elected or re-elected to the Corporation's Board of Directors at an annual meeting of stockholders or to bring or submit other business before an annual meeting of stockholders (other than proposals properly brought pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and included in the Corporation's notice of and proxy materials submitted in connection with such meeting). Nothing in this Section 2.3(a) shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors under specified circumstances.

- (b) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting (or any supplement thereto). Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected or re-elected pursuant to the Corporation's notice of meeting only:

- (i) by or at the direction of the Corporation's Board of Directors or an authorized committee thereof; or
- (ii) provided that the Board of Directors has determined that directors are to be elected at such special meeting, by a Noticing Stockholder who complies with the notice procedures set forth in Section 2.8.

For the avoidance of doubt, clause (b)(ii) of this Section 2.3 shall be the exclusive means for a stockholder to nominate persons to be elected or re-elected to the Corporation's Board of Directors at a special meeting of stockholders. Nothing in this Section 2.3(b) shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors under specified circumstances.

**SECTION 2.4. Place of Meeting.** The Board of Directors, the Chairman of the Board, or President, as the case may be, may designate the place of meeting for any annual meeting or for any special meeting of the stockholders called by the Board of Directors, the Chairman of the Board or President. If no designation is so made, the place of meeting shall be the principal office of the Corporation.

**SECTION 2.5. Notice of Meeting.** Written or printed notice, stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called, shall be delivered by the Corporation not less than 10 days nor more than 60 days before the date of the meeting, either personally or by mail, to each stockholder of record entitled to notice of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation. Such further notice shall be given as may be required by law. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Section 6.4 of these By-Laws. Any previously scheduled meeting of the stockholders may be postponed, and (unless the Certificate of Incorporation otherwise provides) any special meeting of the stockholders (other than a special meeting called at the request of holders of at least 30% of all the shares entitled to vote at the proposed special meeting) may be cancelled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

**SECTION 2.6. Quorum and Adjournment.** Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the voting power of the outstanding shares of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on separately by a class or series of stock voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. The Chairman of the meeting or a majority of the shares so represented may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place of adjourned meetings need be given except as required

by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

**SECTION 2.7. Proxies.** At all meetings of stockholders, a stockholder may vote by proxy executed in writing (or in such manner prescribed by the General Corporation Law of the State of Delaware) by the stockholder, or by his duly authorized attorney in fact.

**SECTION 2.8. Notice of Stockholder Business to be Conducted at a Meeting of Stockholders.** In order for a Noticing Stockholder to (i) properly bring any item of business (including nominating persons to be elected or re-elected to the Corporation's Board of Directors) before an annual meeting of stockholders in accordance with Section 2.3(a) or (ii) nominate persons for election to the Board of Directors at a special meeting of stockholders (at which directors are to be elected or re-elected pursuant to the Corporation's notice of meeting) in accordance with Section 2.3(b), the Noticing Stockholder must have given timely notice of that business in proper form in writing to the Secretary of the Corporation in compliance with the requirements of this Section 2.8 and such business must otherwise be a proper matter for stockholder action under relevant law. This Section 2.8 shall constitute an "advance notice provision" for annual meetings of stockholders for purposes of Rule 14a-4(c) (1) under the Exchange Act. Certain capitalized terms used in this Section 2.8 are defined in subsection (d), below.

- (a) To be timely, a Noticing Stockholder's notice required by these By-Laws must be delivered to the Secretary at the Corporation's principal executive offices in proper written form:
  - (i) **Annual Meeting Deadlines.** In connection with business (including nominating persons to be elected or re-elected to the Corporation's Board of Directors) to be properly brought at an annual meeting of stockholders in accordance with Section 2.3(a), not earlier than the close of business on the one hundred twentieth (120th) day and not later than the close of business on the ninetieth (90th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to the date of such annual meeting and not later than the close of business on the later of: (A) the ninetieth (90th) day prior to the date of such annual meeting or, (B) if the first Public Announcement of the date of such annual meeting is less than one hundred (100) days prior to the date of such annual meeting, the tenth (10th) day following the day on which Public Announcement of the date of such annual meeting is first made by the Corporation; and

- (ii) Special Meeting Deadlines. In connection with the nomination of persons for election to the Board of Directors at a special meeting of stockholders (at which directors are to be elected or re-elected pursuant to the Corporation's notice of meeting) in accordance with Section 2.3(b), not earlier than the close of business on the one-hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of: (A) the ninetieth (90th) day prior to such special meeting, or (B) the tenth (10th) day following the day on which Public Announcement of the date of the special meeting is first made by the Corporation.

In no event shall any adjournment, deferral or postponement of an annual or special meeting of stockholders, or the announcement thereof, commence a new time period for the giving of a stockholder's notice as described above.

- (b) Notwithstanding anything in Section 2.8(a) to the contrary, if the number of persons to be elected to the Corporation's Board of Directors is increased and there is no Public Announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a Noticing Stockholder's notice required by these By-Laws shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered to the Secretary at the Corporation's principal executive offices not later than the close of business on the tenth (10th) day following the day on which the Public Announcement naming all nominees or specifying the size of the increased Board of Directors is first made by the Corporation.
- (c) To be in proper form, whether in regard to nominating persons to be elected or re-elected to the Corporation's Board of Directors or any other business, a Noticing Stockholder's written notice required by these By-Laws must completely and accurately:
  - (i) Set forth, as to each Noticing Stockholder and, if a Noticing Stockholder holds for the benefit of another, the beneficial owner on whose behalf the nomination or proposal is made (any Noticing Stockholder or such beneficial owner a "Holder" and, collectively, "Holders"), the following information together with a representation as to the completeness and accuracy of the information:
    - (A) (i) the name and address of the Noticing Stockholder as they appear on the Corporation's books and the residence address (if different from the Corporation's books) of the Noticing Stockholder,
    - (ii) if the Noticing Stockholder holds for the benefit of another, the name and

address of such beneficial owner and (iii) the name and address of any Holder Associated Person covered by this Section 2.8(c)(i);

- (B) the class or series and number of shares of the Corporation that are, directly or indirectly, owned beneficially or of record by each Holder and each Holder Associated Person covered by this Section 2.8(c)(i), and the date such ownership was acquired;
- (C) a description of any Derivative Instrument that is directly or indirectly owned beneficially by any Holder or Holder Associated Person and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares or other securities of the Corporation;
- (D) any proxy, contract, arrangement, understanding, or relationship pursuant to which any Holder or Holder Associated Person has a right to vote or has granted a right to vote any securities (including the shares of common stock) of the Corporation;
- (E) a description of any Hedging Transaction entered into by or on behalf of any Holder or Holder Associated Person;
- (F) any rights to dividends or other distributions on the shares or other securities of the Corporation owned beneficially by any Holder or Holder Associated Person that are separated or separable from the underlying shares or other securities of the Corporation;
- (G) any proportionate interest in shares or other securities of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership or limited liability company or other entity in which any Holder or Holder Associated Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, is the manager, managing member or directly or indirectly beneficially owns an interest in the manager or managing member of a limited liability company or similar entity;
- (H) any performance-related fees (other than an asset-based fee) that any Holder or Holder Associated Person is entitled to based on any increase or decrease in the value of shares or other securities of the Corporation or Derivative Instruments, if any;
- (I) a representation that the Noticing Stockholder intends to appear in person or by proxy at the meeting to nominate the persons named or



propose the business specified in the notice, together with a statement whether the Noticing Stockholder intends to deliver a proxy statement or form of proxy to holders of at least the percentage of the Corporation's outstanding shares required to approve the nomination or the business proposed or otherwise to solicit proxies from Corporation's stockholders in support of the nomination or the business proposed; and

- (J) any other information relating to the Holder and any Holder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations thereunder (even if an election contest or proxy solicitation is not involved), or is otherwise required pursuant to Section 14 of the Exchange Act.
- (ii) If a Noticing Stockholder's notice required by these By-Laws relates to any business other than the nomination of one or more persons to be elected or re-elected to the Corporation's Board of Directors that is proposed to be brought before the meeting, the notice also must set forth:
- (A) a brief description of the business desired to be brought before the meeting (including the specific text of any resolutions or actions proposed for consideration and if such business includes the proposal to amend the Corporation's Certificate of Incorporation or By-Laws, the specific language of the proposed amendment) and the reasons for conducting such business at the meeting; and
  - (B) a description of all direct and indirect agreements, arrangements or understandings between the Holder, any Holder Associated Person and any other Person (including their names) in connection with the proposal of such business by the Holder and any material direct or indirect interest of the Holder, any Holder Associated Person or any such other Person in such business.
- (iii) If a Noticing Stockholder's notice required by these By-Laws relates to the nomination of a person (each such person a "Nominee" and collectively, "Nominees") to be elected or re-elected to the Corporation's Board of Directors, the written notice, as to each Nominee, also must:
- (A) set forth the Nominee's name, age, business and residence address and principal occupation or employment and the class or series and

number of shares of common stock or other securities of the Corporation that are directly or indirectly owned beneficially or of record by the Nominee and all such other information that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election (even if an election contest or proxy solicitation is not involved), or is otherwise required, pursuant to Section 14 of the Exchange Act and the rules and regulations thereunder (including the Nominee's written consent to being named in the proxy statement as a nominee, if applicable, and to serving as a director if elected);

(B) set forth a description (including party names) of any agreements, arrangements or understandings (including financial transactions) between or among the Holder, any Holder Associated Person or any Nominee, on the one hand, and any other Persons (including any Holder Associated Person and any Nominee), on the other hand, in connection with the Nominee's nomination; and

(C) set forth a description of all direct and indirect compensation and any other material monetary agreements, arrangements or understandings during the past three years, and any other material relationships, between or among the Holder, any Holder Associated Person and their respective Affiliates and Associates, or other Persons acting in concert therewith, on the one hand, and each Nominee, and his or her respective Affiliates and Associates, or other Persons acting in concert therewith, on the other hand.

(iv) Any notice submitted pursuant to this Section 2.8(c) shall be updated and supplemented by the Holder in writing and delivered to the Secretary at the Corporation's principal executive offices not later than 10 days after the record date for the meeting, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

(d) In addition to the other terms that are defined in these By-Laws, for purposes of these By-Laws, the following terms shall have the respective meanings ascribed thereto:

(i) "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another specified Person.

- (ii) “Associate” means, with respect to a specified Person:
  - (A) any corporation or organization of which that Person is an officer or partner or of which that Person is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities;
  - (B) any trust or other estate in which that Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; or
  - (C) any Immediate Family Member of that Person.
- (iii) “Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract, or otherwise.
- (iv) “Derivative Instrument” means any derivative positions including, without limitation, any option, warrant, convertible security, stock appreciation right, profits interest or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares or other securities of the Corporation or with a value derived in whole or in part from the value of any class or series of shares or other securities of the Corporation, whether or not the instrument or right shall be subject to settlement in the underlying class or series of shares or other securities of the Corporation or otherwise and any performance-related fees to which such Holder or Holder Associated Person is entitled based, directly or indirectly, on any increase or decrease in the value of shares or other securities of the Corporation.
- (v) “Hedging Transaction” means, any hedging or other transaction (such as borrowed or loaned shares) or series of transactions, or any other agreement, arrangement or understanding, the effect or intent of which is to increase or decrease the voting power or economic or pecuniary interest of a Holder or Holder Associated Person with respect to the Corporation’s securities, including, without limitation, a short interest in any securities (including the shares of common stock) of the Corporation (for purposes of these By-Laws a person shall be deemed to have a short interest in a security if a Holder or Holder Associated Person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value or price of the subject security).

- (vi) “Holder Associated Person” means, with respect to any Holder, (A) any person acting in concert with such Holder, (B) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such Holder (other than a stockholder that is a depository) and (C) any Person, directly or indirectly, controlling, controlled by or under common control with any Holder, or any Holder Associated Person identified in clauses (A) or (B) above.
  - (vii) “Immediate Family Member” means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of a specified person, and any person (other than a tenant or employee) sharing the household of such specified person.
  - (viii) “Person” means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.
  - (ix) “Public Announcement” means disclosure by the Corporation in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or comparable national news service or in a document publicly filed with or furnished by the Corporation to the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act and the rules and regulations thereunder.
- (e) Only those persons who are nominated in accordance with the procedures set forth in these By-Laws shall be eligible to serve as directors. Only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in these By-Laws. Except as otherwise provided by law, the Certificate of Incorporation, or these By-Laws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in compliance with the procedures set forth in these By-Laws and, if any nomination or proposed business is not in compliance with these By-Laws, to declare that such nomination or proposed business is defective, in which case it shall be disregarded.
- (f) In addition to the foregoing provisions of these By-Laws, a Holder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in these By-Laws; provided, however, that any references in these By-Laws to the Exchange Act or the rules and regulations thereunder are not intended to and shall not limit the requirements applicable to

nominations or proposals as to any other business to be considered pursuant to Section 2.3 or Section 2.8.

- (g) Nothing in these By-Laws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act. In addition, nothing in these By-Laws shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors under specified circumstances.

**SECTION 2.9.** Procedure for Election of Directors; Required Vote. Election of directors at all meetings of the stockholders at which directors are to be elected shall be by ballot unless the presiding officer at the meeting determines that written ballots are unnecessary, and subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, a plurality of the votes cast thereat shall elect directors. Except as otherwise provided by law, the Certificate of Incorporation, or these By-Laws, in all matters other than the election of directors, the affirmative vote of the holders of a majority of the voting power represented by the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

**SECTION 2.10.** Inspectors of Elections; Opening and Closing the Polls. The Board of Directors by resolution may appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the Chairman of the meeting may appoint one or more inspectors to act at the meeting. Each inspector, before discharging such inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability. The inspectors shall have the duties prescribed by law.

The Chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

**SECTION 2.11.** Record Date for Action by Written Consent. In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary (which written notice must set forth the information required by Section 2.8(c) of these By-Laws and include a copy of the proposed written consent), request the Board of Directors to fix a record date. The

Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within 10 days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business or to any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

**SECTION 2.12.** Inspectors of Written Consent. In the event of the delivery, in the manner provided by Section 2.11, to the Corporation of the requisite written consent or consents to take corporate action and/or any related revocation or revocations, the Corporation shall engage nationally recognized independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be effective until such date as the independent inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with Section 2.11 represent at least the minimum number of votes that would be necessary to take the corporate action. Nothing contained in this paragraph shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

**SECTION 2.13.** Effectiveness of Written Consent. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated written consent received in accordance with Section 2.11, a written consent or consents signed by a sufficient number of holders to take such action are delivered to the Corporation in the manner prescribed in Section 2.11.

### **ARTICLE III. BOARD OF DIRECTORS**

**SECTION 3.1.** General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities by

these By-Laws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

**SECTION 3.2.** Number and Tenure. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, the business and affairs of the Corporation shall be managed by the Board of Directors of not less than three nor more than 15 persons, the exact number thereof to be determined from time to time by resolution of the Board of Directors. Each director shall serve for a term expiring at the next annual meeting of stockholders and until his successor shall have been duly elected and qualified. Directors need not be stockholders.

**SECTION 3.3.** Chairman of the Board. The Chairman of the Board shall be chosen from among the Directors. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board shall perform all duties incidental to his office which may be required by law and all such other duties as are properly required of him by the Board of Directors. In the event the Board has elected Co-Chairmen of the Board, each Co-Chairman shall have the authority to act as a Chairman of the Board as provided in these By-laws.

**SECTION 3.4.** Lead Director. Whenever the Chairman of the Board is an executive officer of the Corporation, the independent directors, within the meaning of then effective NASDAQ Marketplace Rules, shall appoint one of the independent directors as Lead Director of the Corporation to lead the Board in fulfilling its duties effectively, efficiently and independent of management. The Lead Director's responsibilities will be set forth in the Company's Corporate Governance Guidelines, as amended from time to time.

**SECTION 3.5.** Regular Meetings. Regular meetings of the Board of Directors shall be held without notice at such time and at such place as shall from time to time be determined by the Board.

**SECTION 3.6.** Special Meetings. Special meetings of the Board of Directors shall be called at the request of the Chairman of the Board or a majority of the Board of Directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of the meetings.

**SECTION 3.7.** Notice of Board Meetings. Notice of any special meeting of directors shall be given to each director at the director's business or residence in writing by hand delivery, first-class or overnight mail or courier service or by telegram or facsimile transmission, by electronic transmission or orally by telephone. If mailed by first-class mail, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least five days before such meeting. If by telegram, overnight mail or courier service, such notice shall be deemed adequately delivered when the telegram is delivered to the telegraph company or the notice is delivered to the overnight mail or courier service company at least

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hours before such meeting. If by facsimile transmission or by electronic transmission, such notice shall be deemed adequately delivered when the notice is transmitted at least 12 hours before such meeting. If by telephone or by hand delivery, the notice shall be given at least 12 hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice of such meeting, except for amendments to these By-Laws, as provided under Section 8.1. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in accordance with Section 6.4 of these By-Laws.

**SECTION 3.8.** Action by Consent of Board of Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

**SECTION 3.9.** Conference Telephone Meetings. Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

**SECTION 3.10.** Quorum. Subject to Section 3.9, a whole number of directors equal to at least a majority of the total number of directors which the Corporation would have if there were no vacancies (“Whole Board”) shall constitute a quorum for the transaction of business, but if at any meeting of the Board of Directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

**SECTION 3.11.** Vacancies. Subject to applicable law and the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, and unless the Board of Directors otherwise determines, vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders and until such director’s successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the Whole Board shall shorten the term of any incumbent director.



**SECTION 3.12. Executive and Other Committees.** The Board of Directors may, by resolution adopted by a majority of the Whole Board, designate an Executive Committee to exercise, subject to and to the full extent of applicable provisions of law, all the powers of the Board in the management of the business and affairs of the Corporation when the Board is not in session and may, by resolution similarly adopted, designate one or more other committees. The Executive Committee may not, however (i) approve or adopt, or recommend to the stockholders of the Corporation, any action or matter expressly required by the General Corporation Law of the State of Delaware to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any By-Law of the Corporation. The Executive Committee and each such other committee shall consist of two or more directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, other than the Executive Committee (the powers of which are expressly provided for herein), may to the extent permitted by law exercise such powers and shall have such responsibilities as shall be specified in the designating resolution. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Each committee shall keep written minutes of its proceedings and shall report such proceedings to the Board when required.

A majority of any committee may determine its action and fix the time and place of its meetings, unless the Board shall otherwise provide. Notice of such meetings shall be given to each member of the committee in any such manner as the committee may determine from time to time. A majority of the Whole Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board.

**SECTION 3.13. Removal.** Subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, any director, or the entire Board of Directors, may be removed from office at any time, either with or without cause, by the affirmative vote of holders of a majority of the voting power of shares of Voting Stock.

**SECTION 3.14. Records.** The Board of Directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

## **ARTICLE IV.**

### **OFFICERS**

**SECTION 4.1. Elected Officers.** The elected officers of the Corporation shall be a Chief Executive Officer, a President, a Secretary, a Treasurer, and such other officers (including, without limitation, a Chief Financial Officer) as the Board of Directors from time to time may deem proper. All officers elected by the Board of Directors shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof. The Board or any committee thereof may from time to time elect, or the Chief Executive Officer may appoint, such other officers (including one or more Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers, and Assistant Controllers) and such agents, as may be necessary or desirable for the conduct of the business of the Corporation. Such other officers and agents shall have such duties and shall hold their offices for such terms as shall be provided in these By-Laws or as may be prescribed by the Board or such committee or by the Chief Executive Officer, as the case may be.

**SECTION 4.2. Election and Term of Office.** The elected officers of the Corporation shall be elected annually by the Board of Directors at the regular meeting of the Board of Directors held after the annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until his successor shall have been duly elected and shall have been qualified or until his death, resignation or removal.

**SECTION 4.3. Chief Executive Officer.** The Chief Executive Officer shall be responsible for the general management of the affairs of the Corporation and shall perform all duties incidental to this office which may be required by law and all such other duties as are properly required of this officer by the Board of Directors. The Chief Executive Officer shall make reports to the Board of Directors and the stockholders, and shall see that all orders and resolutions of the Board of Directors and of any committee thereof are carried into effect. The Chief Executive Officer may also serve as President, if so elected by the Board.

**SECTION 4.4. President.** The President shall act in a general executive capacity and shall assist the Chief Executive Officer in the administration and operation of the Corporation's business and general supervision of its policies and affairs. The President shall, in the absence of or because of the inability to act of the Chief Executive Officer, perform all duties of the Chief Executive Officer.

**SECTION 4.5. Vice-Presidents.** Each Vice President shall have such powers and shall perform such duties as shall be assigned to him by the Board of Directors or the Chief Executive Officer.

**SECTION 4.6. Chief Financial Officer.** The Chief Financial Officer (if any) shall be a Vice President and act in an executive financial capacity. He shall assist the Chief Executive Officer and the President in the general supervision of the Corporation's financial policies and affairs.

**SECTION 4.7. Treasurer.** The Treasurer shall exercise general supervision over the receipt, custody and disbursement of corporate funds. The Treasurer shall cause the funds of the Corporation to be deposited in such banks as may be authorized by the Board of Directors, or in such banks as maybe designated as depositories in the manner provided by resolution of the Board of Directors. He shall have such further powers and duties and shall be subject to such directions as may be granted or imposed upon him from time to time by the Board of Directors or the Chief Executive Officer.

**SECTION 4.8. Secretary.** The Secretary shall keep or cause to be kept in one or more books provided for that purpose, the minutes of all meetings of the Board, the committees of the Board and the stockholders; he shall see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; he shall be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal; and he shall see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and in general, he shall perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board or the Chief Executive Officer.

**SECTION 4.9. Removal.** Any officer or agent may be removed at any time by the affirmative vote of a majority of the Whole Board or, except in the case of an officer or agent elected by the Board, by the Chief Executive Officer. Such removal shall be without prejudice to the contractual rights, if any, of the person so removed. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of his successor, his death, his resignation or his removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

**SECTION 4.10. Vacancies.** A newly created elected office and a vacancy in any elected office because of death, resignation, or removal may be filled by the Board of Directors for the unexpired portion of the term at any meeting of the Board of Directors. Any vacancy in an office appointed by the Chief Executive Officer because of death, resignation, or removal may be filled by the Chief Executive Officer.

## **ARTICLE V.**

### **STOCK CERTIFICATES AND TRANSFERS**

#### **SECTION 5.1. Stock Certificates and Transfers.**

- (a) The interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the appropriate officers of the Corporation may from time to time prescribe; provided that the Board of Directors may provide by

resolution or resolutions that some or all of any or all classes or series of the stock of the Corporation shall be represented by uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

- (b) The shares of stock represented by certificates shall be signed, countersigned and registered in such manner as the Board of Directors may by resolution prescribe, which resolutions may permit all or any of the signatures on such certificates (if any) to be by facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.
- (c) The shares of the stock of the Corporation represented by certificates shall be transferred on the books of the Corporation by the holder thereof in person or by his attorney, upon surrender for cancellation of certificates for at least the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares, such uncertificated shares shall be canceled and issuance of new equivalent uncertificated shares or certificated shares (if authorized) shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the Corporation.
- (d) Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to the General Corporation Law of the State of Delaware or, unless otherwise provided by the General Corporation Law of the State of Delaware, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

**SECTION 5.2. Lost, Stolen or Destroyed Certificates.** No certificate for shares of stock nor uncertificated shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft and on delivery to the Corporation of a bond of indemnity in such amount, upon

such terms and secured by such surety, as the Board of Directors or any financial officer may in its or his discretion require.

## **ARTICLE VI. MISCELLANEOUS PROVISIONS**

**SECTION 6.1.** Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January and end on the 31st day of December of each year.

**SECTION 6.2.** Dividends. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation.

**SECTION 6.3.** Seal. The Corporation need not have a corporate seal, but if it does the corporate seal shall have inscribed thereon the words “Corporate Seal”, the year of incorporation and around the margin thereof the words “Amedisys, Inc. – Delaware”

**SECTION 6.4.** Waiver of Notice. Whenever any notice is required to be given to any stockholder or director of the Corporation under the provisions of the General Corporation Law of the State of Delaware or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the Board of Directors or committee thereof need be specified in any waiver of notice of such meeting.

**SECTION 6.5.** Audits. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board of Directors, and it shall be the duty of the Board of Directors to cause such audit to be done annually.

**SECTION 6.6.** Resignations. Any director or any officer, whether elected or appointed, may resign at any time by giving written notice of such resignation to the Chief Executive Officer, the President, or the Secretary, and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chief Executive Officer, the President, or the Secretary, or at such later time as is specified therein. No formal action shall be required of the Board of Directors or the stockholders to make any such resignation effective.

**SECTION 6.7.** Indemnification and Insurance. In addition to the indemnification rights provided in the Certificate of Incorporation:

- (a) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that such person

or a person of whom such person is the legal representative is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of such person's heirs, executors and administrators; provided, however, that except as provided in paragraph (c) of this By-Law, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification conferred in this By-Law shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the Corporation within 20 days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director or officer in such persons capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this By-Law or otherwise.

- (b) To obtain indemnification under this By-Law, a claimant shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this paragraph (b), a determination, if required by applicable law, with respect to

the claimant's entitlement thereto shall be made as follows: (i) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined), or (ii) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the claimant, or (iii) if a quorum of Disinterested Directors so directs, by the stockholders of the Corporation. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 10 days after such determination.

- (c) If a claim under paragraph (a) of this By-Law is not paid in full by the Corporation within 30 days after a written claim pursuant to paragraph (b) of this By-Law has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because such claimant has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.
- (d) If a determination shall have been made pursuant to paragraph (b) of this By-Law that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to paragraph (c) of this By-Law.
- (e) The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to paragraph (C) of this By-Law that the procedures and presumptions of this By-Law are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of this By-Law.

- (f) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this By-Law shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Laws, agreement, vote of stockholders or Disinterested Directors or otherwise. No repeal or modification of this By-Law shall in anyway diminish or adversely affect the rights of any director, officer, employee or agent of the Corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.
- (g) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware. To the extent that the Corporation maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to which rights to indemnification have been granted as provided in paragraph (h) of this By-Law, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.
- (h) The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Corporation to the fullest extent of the provisions of this By-Law with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.
- (i) If any provision or provisions of this By-Law shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this By-Law (including, without limitation, each portion of any paragraph of this By-Law containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in anyway be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this By-Law (including, without limitation, each such portion of any paragraph of this By-Law containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.
- (j) For purposes of this By-Law:



- (i) “Disinterested Director” means a director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.
- (ii) “Independent Counsel” means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant’s rights under this By-Law.
- (k) Any notice, request or other communication required or permitted to be given to the Corporation under this By-Law shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

**ARTICLE VII.  
CONTRACTS, PROXIES, ETC.**

**SECTION 7.1.** Contracts. Except as otherwise required by law, the Certificate of Incorporation or these By-Laws, any contracts or other instruments may be executed and delivered in the name and on the behalf of the Corporation by such officer or officers of the Corporation as the Board of Directors may from time to time direct. Such authority may be general or confined to specific instances as the Board may determine. The Chief Executive Officer, the President or any Vice President may execute bonds, contracts, deeds, leases and other instruments to be made or executed for or on behalf of the Corporation. Subject to any restrictions imposed by the Board of Directors or the Chief Executive Officer, the President or any Vice President of the Corporation may delegate contractual powers to others under his jurisdiction, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

**SECTION 7.2.** Proxies. Unless otherwise provided by resolution adopted by the Board of Directors, the Chief Executive Officer, the President or any Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

**ARTICLE VIII.**  
**AMENDMENTS**

**SECTION 8.1. Amendments.** Except as expressly provided otherwise by the Delaware General Corporation Law, the Certificate of Incorporation of the Corporation, or other provisions of these By-Laws, these By-Laws may be altered, amended or repealed and new By-Laws adopted at any regular or special meeting of the Board of Directors by an affirmative vote of a majority of the Whole Board.

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**Section 3: EX-10.1 (EXHIBIT 10.1)**

**Exhibit 10.1**

**AMEDISYS HOLDING, L.L.C.**  
**AMENDED AND RESTATED SEVERANCE PLAN FOR EXECUTIVE OFFICERS**  
JULY 25, 2019

**1. Purpose.** The purpose of this Amedisys Holding, L.L.C. Amended and Restated Severance Plan for Executive Officers (this “Plan”) is to provide a fair framework in the event of the termination of employment in certain circumstances of certain executive officers of the Company. This document supersedes any prior plan, program or arrangement that provides severance benefits to a Covered Executive (as defined below) eligible for benefits under this Plan. This document is intended to serve both as the official plan document and the summary plan description for this Plan. The Plan is sponsored by Amedisys Holding, L.L.C. (“Company”). The Company is the Plan Administrator.

**2. Covered Executives.** To be eligible for benefits under this Plan an executive must (1) be employed by the Company in the position of an executive officer of the Company as appointed by the Board of Directors (the “Board”) of Amedisys, Inc.; or have been designated in writing by the Board of Directors (the “Board”) of Amedisys, Inc. or the Compensation Committee of the Board (the “Committee”), as appropriate, as being covered by this Plan; and (2) have executed and delivered to the Company (and not have revoked or attempted to revoke) the Company’s Executive Protective Covenants Agreement (“EPCA” or other similarly named agreement) (a “Covered Executive”).

This Plan shall not be applicable to any employee who is a party to a separate employment agreement with the Company.

**3. Definitions.**

(a) **Cause.** “Cause,” as it applies to the determination by the Company to terminate the employment of a Covered Executive, shall mean any one or more of the following: (i) Covered Executive’s default or breach of any of the provisions of any agreement that the Covered Executive may have with the Company or any affiliate or subsidiary; (ii) Covered Executive engages in an act or series of acts constituting fraud, abuse, dishonesty, embezzlement, destruction or theft of Company property, or breach of the duty of loyalty owed by Covered Executive to the Company; (iii) Covered Executive’s violation of any applicable laws, rules or regulations (including, without limitation, all Medicare and other health care laws, rules and regulations pertaining to the provision of home health care, hospice or any other services provided by the Company); (iv) Covered Executive’s furnishing materially false, inaccurate, misleading or incomplete information to the Company; (v) Covered Executive engages in an act or series of acts constituting a material breach of the Company’s Code of Ethical Business Conduct, the Company’s employee handbook or any other Company policy; (vi) Covered Executive’s willful failure to follow reasonable and lawful directives of

Covered Executive's supervisor, or any of the Company's senior executive officers,

which are consistent with Covered Executive's job responsibilities and performance; or (vii) Covered Executive's failure to satisfy the requirements of Covered Executive's job, regardless whether or not such failure is willful, including the failure to satisfy the objectives of any action plan or performance improvement plan that Covered Executive may be under. In the event of a termination by the Company for Cause, Covered Executive shall have no right to any severance benefits under this Plan.

(b) **Code.** "Code" shall mean the United States Internal Revenue Code of 1986, as amended, or any successor provision of law, and the regulations promulgated thereunder.

(c) **Good Reason.** "Good Reason," as it applies to the determination by a Covered Executive to terminate Covered Executive's employment with the Company at his or her initiative shall mean the occurrence of any of the following events without Covered Executive's written consent: (i) Covered Executive suffers a material diminution in authority, responsibilities, or duties; or (ii) Covered Executive suffers a material reduction in base salary other than in connection with a proportionate reduction in the base salaries of all similarly situated senior officer-level employees. Good Reason shall not be deemed to have occurred unless (i) Covered Executive provides the Company with notice of one of the conditions described above within 90 days of the existence of the condition, (ii) the Company is provided at least 30 days to cure the condition and fails to cure same within such 30 day period and (iii) Covered Executive terminates employment within at least 150 days of the existence of the condition.

(d) **Employment Termination.** "Employment Termination" shall mean a Covered Executive no longer being an employee of the Company as a result of a termination by the Company without Cause or by Covered Executive with Good Reason.

(e) **Change in Control.** A "Change in Control" shall be deemed to have occurred if:

a. any person or entity, including a "group" as defined in Section 13(d)(3) of the Exchange Act or in Section 409A of the Code, other than the Company or a wholly-owned Subsidiary, or any employee benefit plan of the Company or any Subsidiary, becomes the beneficial owner of the Company's securities having 50% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business); or

b. as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sales of assets or contested election, or any combination of the foregoing transactions, after the transaction less than a majority of the combined voting power of the then outstanding securities of the Company, or any successor corporation or cooperative or entity, entitled to vote generally in the election of the directors of the Company, or other successor corporation or other entity, are held in the aggregate by the holders of the Company's securities who immediately prior to the transaction had been entitled to vote generally in the election of directors of the Company; or

c. during any period of 12 consecutive months, individuals who at the beginning of the period constitute the Board cease for any reason to constitute at least a majority of the Board, unless the election, or the nomination for election by the Company's stockholders, of each director of the Company first elected during the relevant 12 month period was approved by a vote of at least 2/3 of the directors of the Company then still in office who were directors of the Company at the beginning of that period.

**4. Result of Termination by the Company without Cause or by Covered Executive with Good Reason Prior to a Change in Control.** The following provisions shall apply should the Company terminate a Covered Executive's employment without Cause or should a Covered Executive terminate Covered Executive's employment with Good Reason:

(a) **Salary and Bonus.** The Company shall pay to Covered Executive an amount equal to one (1) times the sum of (A) the Covered Executive's base salary, as in effect on the date of Employment Termination (or in the event a reduction in base salary is a basis for a termination with Good Reason, then the base salary in effect immediately prior to such reduction) and (B) the greater of (x) an amount equal to the cash bonus earned by the Covered Executive for the previous fiscal year or (y) an amount equal to the Covered Executive's short-term incentive bonus target percentage for the fiscal year of the Employment Termination times the Covered Executive's base salary, as in effect on the date of the Employment Termination (or, in the event a reduction in base salary is a basis for termination for Good Reason, then the base salary in effect immediately prior to such reduction), which amount shall be payable in substantially equal monthly installments in accordance with the Company's normal payroll practices for a period of 12 months and which payments shall commence in accordance with the provisions of Section 6, herein (unless otherwise required to be paid in accordance with Section 7 below).

(b) **Stock Vesting.** Any unvested equity awards issued in the name of Covered Executive as of the date of termination, will vest in accordance with the terms contained in the applicable Award Agreement for such awards.

**5. Termination by the Company without Cause or Termination by Covered Executive with Good Reason Following a Change in Control.** The following provisions shall apply should the Company terminate a Covered Executive's employment without Cause or should a Covered Executive terminate Covered Executive's employment with Good Reason, in either case within two years following a Change in Control (as defined above):

(a) **Salary and Bonus.** The Company shall pay to Covered Executive (i) an amount equal to two (2) times the sum of (A) the Covered Executive's base salary, as in effect on the date of Employment Termination (or in the event a reduction in base salary is a basis for a termination with Good Reason, then the base salary in effect immediately prior to such reduction) and (B) the greater of (x) an amount equal to the cash bonus earned by the Covered Executive for the previous fiscal year or (y) an amount equal to the Covered Executive's short-term incentive bonus target percentage for the fiscal year of the Employment Termination times the Covered Executive's base salary, as in effect on the date of the Employment Termination (or, in the event a

reduction in base salary is a basis for termination for Good Reason, then the base salary in effect immediately prior to such reduction), which amount shall be payable in a lump sum on the date or dates specified in Section 6, herein (unless otherwise required to be paid in accordance with Section 7 below).

(b) **Stock Vesting.** Any unvested equity awards issued in the name of Covered Executive as of the occurrence of a Change in Control will vest in accordance with the provisions of the Amedisys, Inc. 2018 Omnibus Incentive Compensation Plan, as the same may be amended from time to time, or any successor plan thereto.

**6. Release of Claims.** The Company's obligations under this Plan are contingent upon Covered Executive's executing (and not revoking during any applicable revocation period) a valid, enforceable, full and unconditional release of all claims Covered Executive may have against the Company, Amedisys, Inc. and their respective directors, officers, employees, subsidiaries, stockholders, successors, assigns, agents, representatives subsidiaries and affiliates (whether known or unknown) as of the date of Employment Termination in such form as provided by the Company no later than 60 days after the date of Employment Termination. If the foregoing release is executed and delivered and no longer subject to revocation within 60 days after the date of Employment Termination, then the following shall apply:

(a) To the extent any payments due to Covered Executive under this Plan are not "deferred compensation" for purposes of Section 409A of the Code then such payments shall commence upon the first regularly-scheduled payment date immediately following the date the release is executed and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Plan had such payments commenced after the date of Employment Termination, and any payments to be made thereafter shall continue as provided herein. The delayed payments shall in any event expire at the time such payments would have expired had such payments commenced after the date of Employment Termination.

(b) To the extent any payments due to Covered Executive under this Plan above are "deferred compensation" for purposes of Section 409A, then such payments shall commence upon the 60th day following the date of Employment Termination. The first such cash payment shall include payment of all amounts that otherwise would have been due prior thereto under the terms of this Plan had such payments commenced after the date of Employment Termination, and any payments to be made thereafter shall continue as provided herein. The delayed payments shall in any event expire at the time such payments would have expired had such payments commenced immediately following the date of Employment Termination.

**7. Section 409A.** Notwithstanding any provisions in this Plan to the contrary, if at the time of the Employment Termination the Covered Executive is a "specified employee" as defined in Section 409A and the deferral of the commencement of any payments or benefits otherwise payable as a result of such Employment Termination is necessary to avoid the additional tax under Section 409A, the Company will defer the payment or commencement of the payment of any such payments or benefits (without any reduction in such payments or benefits ultimately paid or provided

to Covered Executive) until one day after the day which is six months from the date of Employment Termination. Any monthly payment amounts deferred will be accumulated and paid to Covered Executive (without interest) six months after the date of Employment Termination in a lump sum, and the balance of payments due to Covered Executive will be paid as otherwise provided in this Plan. Each monthly payment described in this Plan is designated as a “separate payment” for purposes of Section 409A and, subject to the six-month delay, if applicable, and the first monthly payment shall commence on the payroll date as in effect on termination following the termination. For purposes of this Plan, a termination of employment means a separation from service as defined in Section 409A. No reimbursement payable to Covered Executive pursuant to any provisions of this Plan or pursuant to any plan or arrangement of the Company shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that the right to reimbursement does not provide for a “deferral of compensation” within the meaning of Section 409A. This Plan will be interpreted, administered and operated in accordance with Section 409A, although nothing herein will be construed as an entitlement to or guarantee of any particular tax treatment to Covered Executive.

**8. Claims Procedure.** If a Covered Executive does not receive a benefit to which the Covered Executive believes he or she is entitled under the Plan, or if the Covered Executive believes that the Covered Executive is entitled to a greater benefit than was approved, the Covered Executive must, within 60 days following the date of Employment Termination, file a written claim with the Plan Administrator. The Plan Administrator will investigate the claim and will send the Covered Executive a written decision within 60 days from the date upon which it receives the claim. If the claim is denied, the written decision will specify the reasons for the denial (including the pertinent Plan provisions upon which the denial is based), as well as an explanation of how the Covered Executive may obtain a further review by the Plan Administrator. If special circumstances require an extension of time for the Plan Administrator to render a decision, the Plan Administrator will send the Covered Executive a written notice of the extension prior to the commencement of the extension and will explain the reasons for the delay.

If the Covered Executive disagrees with the Plan Administrator's decision, in whole or in part, the Covered Executive has 60 days following receipt of written notice from the Plan Administrator to request a review in writing. The request must describe the reasons why the Covered Executive believes the denial was wrong and whatever evidence the Covered Executive believes supports his or her position. If the Covered Executive wishes to examine any Company documents, he or she must request an examination and specify the documents requested.

Within 60 days following a request for review, the Plan Administrator will send the Covered Executive its written decision specifying the reasons for the decision, including the pertinent Plan provisions upon which it is based. This decision shall be final and binding.

If special circumstances require an extension of time for the Plan Administrator to render a decision, the Plan Administrator will send the Covered Executive a written notice of the extension prior to the commencement of the extension and will explain the reasons for the delay.

The Company, as Plan Administrator, has the exclusive discretionary authority to construe and interpret the Plan, to decide all questions of eligibility for severance benefits under the Plan and to determine the amount of any such severance benefits, and its decisions on such matters are final and conclusive. Any interpretations or determinations made pursuant to such discretionary authority will be upheld on judicial review, unless it is shown that the interpretation or determination was an abuse of discretion (i.e., arbitrary and capricious).

**9. Your Rights Under ERISA.** As a participant in the Plan, a Covered Executive is entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). ERISA provides that all Plan participants shall be entitled to:

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the Plan, including a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including a copy of the latest annual report (Form 5500 Series) and updated summary plan description. The Administrator may make a reasonable charge for the copies.
- Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of the Covered Executive and other Plan participants and beneficiaries. No one, including the employer, or any other person, may fire the Covered Executive or otherwise discriminate against the Covered Executive in any way to prevent the Covered Executive from obtaining a welfare benefit or exercising his or her rights under ERISA. If the Covered Executive's claim for a welfare benefit is denied, in whole or in part, he or she must receive a written explanation of the reason for the denial. The Covered Executive has the right to have the Plan review and reconsider his or her claim.

Under ERISA, there are steps a Covered Executive can take to enforce the above rights. For instance, if the Covered Executive requests materials from the Plan and does not receive them within 30 days, he or she may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay the Covered Executive up to \$110 a day until he or she receives the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If the Covered Executive has a claim for benefits which is denied or ignored, in whole or in part, the Covered Executive may file suit in a state or Federal court. In addition, if the Covered Executive disagrees with the Plan's decision or lack thereof concerning the qualified status of a medical child support order, he or she may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if the Covered Executive is discriminated against for asserting



his or her rights, the Covered Executive may seek assistance from the U.S. Department of Labor, or may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If the Covered Executive is successful, the court may order the person the Covered Executive has sued to pay these costs and fees. If the Covered Executive loses, the court may order him or her to pay these costs and fees — for example, if the court finds the Covered Executive’s claim is frivolous.

If the Covered Executive has any questions about the Plan, he or she should contact the Plan Administrator. If the Covered Executive has any questions about this statement or about his or her rights under ERISA, the Covered Executive should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in the telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

**10. Additional Important Information.** The name of the Plan is the Amedisys Holding, L.L.C. Amended and Restated Severance Plan for Executive Officers.

The sponsor of the Plan is Amedisys Holding, L.L.C. and its employer identification number is 36-4576454. The sponsor's address and telephone number is 3854 American Way, Suite A, Baton Rouge, LA 70816, (888) 777-4312.

Amedisys Holding, L.L.C. also serves as the Plan Administrator under ERISA for the Plan, and can be contacted at 3854 American Way, Suite A, Baton Rouge, LA 70816, (888) 777-4312.

The agent for service of process for the Plan is Secretary, Amedisys Holding, L.L.C., 209 10<sup>th</sup> Avenue South, Suite 512, Nashville, TN 37203.

The Plan is an employee welfare benefit plan providing severance pay and benefits as described in this Plan document under the Amedisys Employees' Health and Welfare Benefit Plan (the BenefitPlan”). All Severance Benefits under the Benefit Plan shall be paid directly by the Company from its general assets, and the rights of an eligible employee to any benefits hereunder shall not be superior to those of an unsecured general creditor of the Company.

The Benefit Plan’s plan year is the calendar year and the Plan Number is 502.

Severance benefits under the Plan may not be assigned, transferred or pledged to a third party.

**11. At-Will Employment.** No provision of the Plan is intended to provide any Covered Executive with any right to continue as an employee or in any other capacity with the Company, for any specific period of time, or otherwise affect the right of the Company to terminate the employment or service of any individual at any time for any reason with or without cause.

**12. Amendment and Termination.** The Company reserves the right in its discretion to terminate the Plan and to amend the Plan in any manner at any time, subject to the prior approval

of the Board and/or the Committee, as applicable. Any such action will be in writing and signed by the Chief Executive Officer or the Chief Human Resources Officer of the Company or such other persons as he or she shall designate. Oral or other informal communications made by the Company or its representatives shall not give rise to any rights or benefits other than those contained in the Plan described herein, and such communications will not diminish the Company's rights to amend or terminate the Plan in any manner.

This document is executed as of this 25th day of July 2019.

**AMEDISYS HOLDING, L.L.C.**

By: AMEDISYS, INC.  
Its Sole Member and Manager

By: /S/ Sharon Brunecz  
Sharon Brunecz  
Chief Human Resources Officer

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## **Section 4: EX-31.1 (EXHIBIT 31.1)**

**Exhibit 31.1**

### **CERTIFICATION**

I, Paul B. Kusserow, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, of Amedisys, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2019

/s/ Paul B. Kusserow

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**Paul B. Kusserow**

**President and Chief Executive Officer  
(Principal Executive Officer)**

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## **Section 5: EX-31.2 (EXHIBIT 31.2)**

**Exhibit 31.2**

### **CERTIFICATION**

I, Scott G. Ginn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, of Amedisys, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's

internal control over financial reporting.

Date: October 30, 2019

/s/ Scott G. Ginn

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**Scott G. Ginn**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

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## **Section 6: EX-32.1 (EXHIBIT 32.1)**

**Exhibit 32.1**

### **CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amedisys, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2019 (the "Report"), I, Paul B. Kusserow, President and Chief Executive Officer of the Company, hereby certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2019

/s/ Paul B. Kusserow

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**Paul B. Kusserow**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

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## **Section 7: EX-32.2 (EXHIBIT 32.2)**

**Exhibit 32.2**

### **CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amedisys, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2019 (the "Report"), I, Scott G. Ginn, Chief Financial Officer of the Company, hereby certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2019

/s/ Scott G. Ginn

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**Scott G. Ginn**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

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