PARTICIPANTS

Corporate Participants

Crissy Buchanan Carlisle – Chief Investor Relations Officer, Encompass Health Corp.
Mark J. Tarr – President, Chief Executive Officer & Director, Encompass Health Corp.
Douglas E. Coltharp – Executive Vice President & Chief Financial Officer, Encompass Health Corp.
April K. Anthony – Chief Executive Officer-Home Health and Hospice, Encompass Health Corp.
Barbara A. Jacobsmeyer – Executive Vice President & President-Inpatient Hospitals, Encompass Health Corp.

Other Participants

Whit Mayo – Analyst, UBS Securities LLC
Kevin Fischbeck – Analyst, BofA Securities, Inc.
Matt Larew – Analyst, William Blair & Co. LLC
Pito Chickering – Analyst, Deutsche Bank Securities, Inc.
Frank George Morgan – Analyst, RBC Capital Markets LLC
Matthew Dale Gillmor – Analyst, Robert W. Baird & Co., Inc.
Brian Gil Tanquilut – Analyst, Jefferies LLC
A.J. Rice – Analyst, Credit Suisse Securities (USA) LLC
John W. Ransom – Analyst, Raymond James & Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to Encompass Health's Second Quarter 2020 Earnings Conference Call. At this time, I would like to inform all participants that their lines will be in a listen-only mode. After the speakers' remarks, there will be a question-and-answer period. [Operator Instructions] Today's conference call is being recorded. If you have any objections, you may disconnect at this time.

I will now turn the call over to Crissy Carlisle, Encompass Health's Chief Investor Relations Officer. Please go ahead.

Crissy Buchanan Carlisle, Chief Investor Relations Officer, Encompass Health Corp.

Thank you, operator, and good morning, everyone. Thank you for joining Encompass Health's second quarter 2020 earnings call. With me on the call today are Mark Tarr, President and Chief Executive Officer; Doug Coltharp, Chief Financial Officer; Barb Jacobsmeyer, President, Inpatient Rehabilitation Hospitals; Patrick Darby, General Counsel and Corporate Secretary; and, April Anthony, Chief Executive Officer of Encompass Home Health and Hospice.

Before we begin, if you do not already have a copy, the second quarter earnings release, supplemental information and related Form 8-K filed with the SEC are available on our website at encompasshealth.com. On page 2 of the supplemental information, you will find the Safe Harbor statements, which are also set forth in greater detail on the last page of the earnings release.

During the call, we will make forward-looking statements, which are subject to risk and uncertainties, many of which are beyond our control. Certain risk and uncertainties, like the magnitude and impact of the COVID-19 pandemic, that could cause our actual results to differ

materially from our projections, estimates and expectations are discussed in the company's SEC filings, including the earnings release and related Form 8-K, the Form 10-K for the year ended December 31, 2019 and the Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020, when filed. We encourage you to read them.

You are cautioned not to place undue reliance on the estimates, projections, guidance and other forward-looking information presented which are based on current estimates of future events and speak only as of today. We do not undertake a duty to update these forward-looking statements.

Our supplemental information and discussion on this call will include certain non-GAAP financial measures. For such measures, reconciliations to the most directly comparable GAAP measure is available at the end of the supplemental information, at the end of the earnings release and as part of the Form 8-K filed yesterday with the SEC, all of which are available on our website.

Before I turn it over to Mark, I would like to remind everyone that we will adhere to the one question, one follow-up question rule to allow everyone to submit a question. If you have additional questions, please feel free to put yourself back in the queue.

With that, I'll turn the call over to Mark.

Mark J. Tarr, President, Chief Executive Officer & Director, Encompass Health Corp.

Thank you, Crissy, and good morning, everyone. The challenges presented by the ongoing COVID-19 pandemic have been and continue to be significant, but thanks to the amazing efforts of our talented and devoted team members throughout the organization. We believe we have implemented plans across our organization that will allow us to continue to succeed in the face of the ongoing challenges.

Now, let's first talk about our volumes. Our patient volumes in both business segments have substantially rebounded from the low point experienced in April. At the end of June, inpatient rehabilitation census had rebounded to 95% of pre-pandemic levels and home health starts of care had rebounded to pre-pandemic levels. These positive volume trends had continued in July.

Volume disruptions caused by the pandemic vary by market. Most of our markets have seen a meaningful level of recovery. Factors that have impacted our volumes include the number of COVID-19 cases in a community; the status of operations at acute care hospitals; the number of exposed or positive staff in quarantine; delays in obtaining COVID-19 test results for patients and employees; and capacity limitations created by semi-private rooms in some of our hospitals.

While COVID patients do not comprise a large percentage of our patients, many of our hospitals, home health agencies and hospice agencies treat patients recovering from the virus. These patients, many of whom have spent time on ventilators, have endured extended stays in an acute care hospital. They are extremely weak and require intense rehabilitation to regain both their strength and cognitive abilities.

Unfortunately, some facilities in the post-acute space have faced significant challenges with COVID-19. In contrast, our rehabilitation hospitals and home health agencies have been able to help recovering patients return to their independence and pre-COVID lives. The resurgence of the pandemic in some markets that had previously reopened, such as Florida, Texas and Arizona, may temporarily inhibit further growth volume.

However, these resurging markets also are where we are seeing Medicare Advantage plans, once again, relax pre-authorization requirements. When the pre-authorization requirements were relaxed in May, we experienced a higher conversion rate of these patients.

Let's move now to pricing, where the COVID-19 pandemic is impacting each of our segments differently. Net revenue per discharge is being positively impacted in our in-patient rehabilitation segment by a higher acuity patient mix resulting from the pandemic and the suspension of sequestration that began May 1. The acuity of our patients increased in the second quarter of 2020 due to the deferral of elective procedures and patient anxiety causing only the most acute patients to seek medical treatment.

While revenue per episode in our home health business is also benefiting from the suspension of sequestration, the COVID-19 pandemic is exacerbating the expected negative effects of implementing PDGM. LUPAs remain higher than we'd like, but they have significantly improved as of the end of the second quarter. Some patients, families and senior living facilities remain cautious about allowing our clinicians into their homes and buildings, but the treatment refusals have decreased.

To further reduce patient anxiety, we have improved communication with patients and families regarding our infection control procedures and adapted our visits to ensure proper social distancing during periods where hands-on treatment is not required.

In addition, as acute care hospital simply declined and visitation restrictions were implemented, our mission source mix shifted from institutional to more community-based, which carries a lower reimbursement under PDGM. Additionally, the declines in admissions, coupled with the need to maintain proper COVID risk monitoring of patients in later stages of their care plan, resulted in the patient mix shifting from early payment periods to late payment periods, which also carry a lower reimbursement level.

The COVID-19 pandemic-related impact on patient volumes, staff productivity and medical supplies also is increasing our operating expenses. The safety of our patients and employees is of paramount importance to us, making the availability of personal protective equipment a priority for our supply chain management teams.

Increased PPE utilization and increased unit cost has been a significant challenge to healthcare industry. PPE cost had increased eight times on average. In our inpatient rehabilitation segment, utilization of PPE has increased approximately 12 times for mask and 4 times for gowns. This type of PPE was not widely used historically in our home health and hospice segment. So, these costs are predominately new for that segment.

We've taken a number of actions to address ongoing PPE issues. This includes identifying and contracting with secondary supply sources as well securing additional warehouse space and logistical support from our primary distributors, so we can have larger levels of inventory on hand. We are confident we now have adequate inventories of PPE and we have secured supply sources to meet our immediate foreseeable needs.

While these challenges remain in the near term, they will eventually abate. And as the population ages, the demand for high-quality care we provide across our three service lines will increase. Throughout this pandemic, we've continued to expand our national footprint. We've opened three new hospitals in 2020, including two added in the second quarter in two states that are new for us, Iowa and South Dakota. And we expect to open a new 40-bed hospital in Toledo, Ohio, in the fourth quarter.

In addition, we expect to add at least 120 beds to existing hospitals in 2020 with 53 of these beds already operational. Recall that at our Investor Day earlier this year, we discussed a growth target of 6 to 10 de novos per year starting in 2021. For 2021, we've already announced plans to build eight new hospitals and we've announced five new hospitals planned for 2022.

Specifically, at our Investor Day, we announced we had identified 15 high-potential de novo markets in Florida. As of today, our expected 2021 and 2022 hospital openings include five new Encompass Health IRFs in Florida and we're not done in Florida or in other under-bedded markets across the country. You can expect more announcements in the coming months. All of this demonstrates our commitment to and confidence in our future.

We also continue to seek opportunities to expand our national presence in home health and hospice. While we continue to believe PDGM will result in consolidation of the home health industry, current M&A activity is minimal as even small agencies are focused solely on their response to COVID-19 pandemic and are being supported by the PPP and CARES Act funds. Thus far, in 2020, we've opened or acquired two new home health locations and one new hospice location.

We remain diligent in assessing opportunities and keeping our ear to the ground in local markets. We believe depressed volumes, the inability to easily flex cost and the expanding of all government support may bring small agencies to the forefront soon. And we are hopeful there are also will be opportunities of scale that will choose to come to market later this year or early next year.

Now, no healthcare earnings call would be complete without a regulatory update. In the second quarter, CMS released the fiscal year 2021 proposed rule for inpatient rehabilitation facilities and calendar year 2021 proposed rule for home health agencies. Both rules were largely in line with our expectations and contained minimal changes to the 2020 rules.

The IRF-proposed rule includes a net market basket update of 2.5%. The home health proposed rule includes a net market basket update of 2.7%. For home health, it is also important to note that CMS acknowledged in the proposal that it had insufficient information to determine if the negative 4.36% behavioral adjustment was an accurate assumption for 2020. CMS indicated they will revisit it in future years.

Also, on a regulatory front, CMS announced plans to extend the RCD program into North Carolina and Florida effective August 31, 2020. We and many in the industry believe the timing of such a rule-out is ill-advised given the amount of added interaction the RCD process requires with physicians in already taxed environments like Florida. However, we have proven our ability to meet the standard in Texas, Ohio and Illinois and we are equally confident we can do so in Florida and North Carolina if necessary.

In summary, our business fundamentals aren't changing and we believe the pandemic has created an even stronger awareness of the level we provide in our hospitals and the value of our home care service lines.

While our operating environment continues to change rapidly along with the COVID-19 pandemic and each market's response to it, we remain confident in the prospects of both of our business segments based on the increasing demands for the services we provide to an aging population. This confidence is further supported by our strong financial foundation and the substantial investments we have made in our businesses.

We have a proven track record of working through difficult situations and I believe in our ability to overcome current and future challenges.

With that, I'll turn it over to Doug.

Douglas E. Coltharp, Executive Vice President & Chief Financial Officer, Encompass Health Corp.

Thanks, Mark, and good morning, everyone. I'm going to summarize some of the key metrics and trends for the quarter and then we'll move into the Q&A. As Mark stated, volumes rebounded across all three service lines as the quarter progressed. In the IRF segment, discharges declined 10.7% for the second quarter of 2020 as compared to the second quarter of 2019.

We experienced a steep drop at the outset of the pandemic, but rallied to increase 1.3% for the month of June. The recovery of discharge volume was bolstered by strong growth in Medicare Advantage, which increased 66% in Q2, climbing to 20.1% of our payer mix as compared to 11.1% in the same period last year.

This shift in our payer mix impacted our year-to-date clinical collaboration rate. The all-payer clinical collaboration rate for the first half of 2020 of 33.9% declined 150 basis points as compared to the first half 2019. This decline was attributable to the accelerated growth in our Medicare Advantage discharges on which we have a lower clinical collaboration rate than on Medicare fee-for-service.

Going a layer deeper reveals that our Medicare fee-for-service clinical collaboration rate for the first half of 2020 increased 110 basis points over the first half 2019 to 43.9% and our Medicare Advantage clinical collaboration rate increased 390 basis points over the first half 2019 to 16.7%. We believe our clinical collaboration protocols continue to enhance our value proposition and serve as a competitive advantage.

Home health volumes followed a similar trajectory to the IRF segment, with admissions declining 7.9% in the second quarter as compared to the prior-year period, but rising to an increase of 8.4% in June after having dropped 23.5% in April. As a reminder, the anniversary of the Alacare acquisition was July 1.

Initial decline in hospice admissions was much less severe and recovered very quickly. The effects of lower volumes were partially offset by better-than-expected pricing for both our IRF and home health service lines.

IRF revenue per discharge increased 6.2% in the second quarter, driven by higher acuity and the suspension of sequestration beginning May 1. Home health revenue per episode decreased 1.3% as the negative impact of PDGM, the effects of which have been exacerbated by the pandemic were partially offset by the sequestration suspension as well as the increase in episode starts late in the quarter.

Our operating expenses in both segments were elevated by our response to the pandemic. Labor productivity was adversely impacted by revised clinical protocols and operating procedures required for infectious disease management. Along with all other healthcare providers, we incurred higher costs related to increased utilization and pricing of PPE and cleaning supplies.

In addition, we elected to reward our frontline employees with extra PTO, resulting in a $43 million incremental expense in the second quarter. Our labor productivity metrics improved over the course of the quarter as volumes rebounded and we expect a continuing impact from the pandemic for at least the balance of this year. Similarly, we assume that utilization and pricing of PPE and cleaning supplies will remain elevated.

Putting this all together, our consolidated adjusted EBITDA for the second quarter of $162.2 million declined 35.7% from the prior-year period. Accepting the $43 million extra PTO benefit, the decline would have been 18.6% with the trend line improving throughout the quarter. As a further reminder, we returned 100% of the CARES Act relief funds we received from HHS. So, our adjusted EBITDA does not include any benefit related to those distributions.

Our free cash flow generation for the first half of 2020 remained strong as the decline in adjusted EBITDA was largely offset by a decrease in working capital and a reduction in cash taxes. Adjusted free cash flow for the first six months was $242.8 million.

We took additional steps to bolster our liquidity in Q2. We amended our $1 billion revolving credit facility to provide financial covenant relief through the end of 2021 in order to accommodate the effects of the pandemic and issued $600 million of new senior notes as add-ons, split equally between our 2028 and 2030 maturities.

A portion of the proceeds from these notes offerings were used to repay the outstanding principal under our revolving credit facility. As a result of these actions and with our free cash flow generation, we ended the quarter with approximately $419 million of cash on hand and $964 million available under our revolving credit facility.

Given the strength of our liquidity and cash flow and the confidence we have in our business model and strategy, we have continued to vigorously pursue our business development opportunities and to augment the returns we generate from our operating investments with a quarterly cash dividend on our common stock.

And now, operator, we'll open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. The floor is now open for questions. [Operator Instructions] And your first question is from Whit Mayo of UBS.

<A – Mark Tarr – Encompass Health Corp.>: Good morning, Whit.

<A – Doug Coltharp – Encompass Health Corp.>: Good morning, Whit.

<Q – Whit Mayo – UBS Securities LLC>: Hey. Thanks. Good morning, guys. By my math, it looks like you were able to offset perhaps 70% of the revenue shortfall versus what I would guess you had in your original plan, give or take a few percent. Can you maybe elaborate and talk about some of the cost and productivity initiatives that you implemented to align your clinical staff with the reduction in volume and just how sustainable you think that is as the volume begins to build back?

<A – Mark Tarr – Encompass Health Corp.>: Yeah. Whit, let me just make a couple of comments. Both operating segments looked at their provision of the clinical teams. When you factor in the pandemic, you had a number of things that concerned you about staffing. One is the amount of staff that we had quarantined at any given time. You had other staff when the pandemic first started that were concerned about treating these patients to begin with.

And then, you had the whole PPE issue that required a fair amount of education just in terms of how to wear it and just being able to treat patients in this different environment. So, the home health sector looked at additional productivity opportunities in the structure of their compensation package.

And I'll ask April to give additional details on that. And then, Barb and her team also looked at how to offset those vacancies that were created by the quarantined staff that needed to be out there particularly as we started to see volumes come back.

So, with that, let me turn it over to April first to talk about her productivity.

<A – April Anthony – Encompass Health Corp.>: Hi, Whit. One of the things that we did was – as you can imagine, one of the areas that we saw, one of the most significant declines in volume was in the physical therapy discipline as elective surgeries ended, as assisted living facilities started locking people out of the building. They would often let our nurses in, but not our therapists. So, we found ourselves in a situation where we had significant excess of therapist capacity relative to our needs.

And so, in early May, we made a shift in our reimbursement structure for therapists, lowering each therapist-based pay by 20% and in turn lowering their productivity expectations for the pay period by the same 20% factor. And that proved to be a really successful strategy for us both in the near term and I think ultimately in the long term.

We gave our employees the ability to earn back their extra work if they could actually complete it, if their region wasn't as heavily affected, by paying them over-productivity points. And we found that as a result, if you look at the periods of March and April compared to what happened since that May second change, we've seen about a $20 per visit improvement in our cost per visit.

Now, obviously in April or May, we were kind of right in the thick of COVID and that was a high-cost period. But that structure allowed us to really lower our cost per visit, but it also gave us the opportunity to maintain 100% of our therapy staff. We didn't have to furlough anyone with that approach.

We were able to keep them benefit-eligible and keep them available to us and allow them to use flex capacity to get back to their full compensation. And so, it's really proven to be a good strategy. And we have announced that we intend to maintain that with our physical therapy team for the foreseeable future that we don't intend to go back to the 100% pay. And that was probably the biggest single structural change we've made.

<A – Mark Tarr – Encompass Health Corp.>: We also made changes in the hospitals too relative to just staying on top of this every day. I'm going to ask Barb just to give a couple comments on that.

<A – Barb Jacobsmeyer – Encompass Health Corp.>: Right. So, as you're aware, we're pretty data rich and have daily information that our leaders in the field look at as they manage their labor, historically, when there has been any sort of volume impact that's been handled by flexing. But what we did was we started having daily calls with our operators in the field to look at what market were the flexing not going to help us hit our labor target.

So, in late March, early April, about half of our market needed to implement a furlough to align their staffing with their volumes. Substantially, all those furloughed employees are now back to work with our volume recovery, but that daily information as it relates to labor productivity really helps our team flex appropriately so that their staffing match the needs for the hospital centers each day.

<A – Mark Tarr – Encompass Health Corp.>: So, with those same investments that we've made in IT that produced the management reports of which you've seen some of these that we used in managing labor in a normal course of business were even more important during the pandemic in terms of us just being able to make sure that we knew where staffing was given the volume levels and provide our management teams on the local level an opportunity to use that data that Barb alluded to to make the necessary adjustments.

<A – Doug Coltharp – Encompass Health Corp.>: And maybe to pull some of this together to how you might think about the back half of the year, as you suggested in your question, we don't anticipate that we'll have another item like the $43 million PTO. But beyond that, even as we are very pleased with the improvements that we made in labor productivity in those business segments through the end of the second quarter and continuing into July and even as we are now better positioned than we were at the outset of the pandemic to flex our labor costs with the volume fluctuations, we do not anticipate returning to pre-COVID-19 labor productivity standards in the second half of the year. The incremental protocols and procedures that we've had to put in place to deal with an infectious population are going to remain in place.

I also want to remind you that from a margin perspective, we benefited significantly in the second quarter from higher pricing in the IRF segment than we had anticipated, much of that due to the acuity that Mark discussed. And we just don't know what that patient mix is going to look like on a more stabilized basis. So, some portion at least of that pricing increase may not be sustainable in the second half.

It's also the case that during the first half, we benefited from lower self-insurance costs in all three of our programs in medical, in GP&L and in workers' comp. And at a minimum in the group medical program to the extent things begin to open up again, we would expect that there is some pent-up demand. And so, those expenses will be higher in the second half.

And then, finally, we've said it a couple times, Mark mentioned in his script, I mentioned it in mine, but we have every anticipation that the increased utilization and increased cost of PPE and clinical supplies are going to be with us at least for the balance of this year.

<Q – Whit Mayo – UBS Securities LLC>: Okay. Maybe just one quick follow-up, Doug, just to follow up on your comment about the composition of the volume and the inability to roughly forecast

that, I'd just be curious to see what changes you saw in the quarter, I mean I presume stroke or those still down a good bit in inpatient rehab. For home health, I'm not sure how things are that different. I think April mentioned PT is down a good bit. So, just any color around the trends that you saw in the composition of the volume mix?

<A – Doug Coltharp – Encompass Health Corp.>: We were actually pretty pleased that in the higher acuity care categories like stroke and you would expect this, because those are, by nature, less discretionary in nature. Our volumes hung in there really pretty well. It was across the ortho categories that we saw our largest decrease and that's likely to persist into the second half.

I'll let April comment on any changes that we saw on the patient mix within home health.

<A – April Anthony – Encompass Health Corp.>: Yeah. Good. We definitely saw kind of a strong pullback in the therapy-related diagnoses, joint replacements in particular during the April and May timeframe and late March as well. But we began to see those really recover, kind of late May and June actually got up to a pretty similar level to our pre-COVID experience. I would say we've kind of popped out now at about 90% to 95% of that pre-COVID level as we see different markets sort of come in and out of different stages of COVID.

For example, Florida has remained a hotspot. And as a result, we have not seen a recovery of our volumes in Florida. Texas recovered and now it's drawn back a little bit as it turns into a hotspot. Other markets are actually well above their pre-COVID level. Idaho, a pretty significant market for us, has been performing above its pre-COVID level.

So, it's really regionally focused and I think, at this point, we see our balance of patients kind of being back for the most part at a pre-COVID level as far as the mix. So, just a little bit behind in MS rehab.

<A – Mark Tarr – Encompass Health Corp.>: Whit, in hospitals, one of the things that drove up the acuity was the continued growth of our stroke program. If you look at it just in terms of percentage of discharges, we had – 19.4 of our total cases were stroke and that was the highest we've seen going back for three years. So, that also helped drive the Case Mix Index just to put this acuity in perspective for you.

We've been running 1.37 on the Case Mix Index now very consistently for the past 2.5, 3 years. We were at 1.44 this last quarter. So, that's a pretty steep jump in acuity. And a lot of it's driven with the increase in stroke and more complicated cases and in the hospitals, that reduction in any of the lower acuity cases, like the elective procedures, were joint replacements. So, both of those were pretty major factors on pushing that acuity up.

<A – Doug Coltharp – Encompass Health Corp.>: And at the risk of piling on, because I know we've given you a very long-winded response to your question and your follow-up. The other thing we're keeping an eye on within the IRF segment is that we did see an increase in our average length of stay in the second quarter. Some of that is appendant to the increase in acuity.

As you would expect, we tend to see a longer length of stay with a more acute patient. But the other thing that we're seeing and it's too early to call it a trend is for those patient – that portion of our patients that came to us from either a skilled nursing facility or an assisted living facility and are getting ready for discharge back into that environment, sometimes the testing requirements and the turnaround time on the testing required for patients before they can return to their homes is causing us to delay the discharge of the patient, which had a number of repercussions for us.

In many cases, that doesn't result in a higher reimbursement for us, but we continue to have the cost of servicing that patient in the additional time that they're in our facility. Again, way too early to

call a trend around that one, but that is something that adds to a little bit of the uncertainty that we have regarding the trends in the second half of the year.

Operator: Thank you. Your next question is from Kevin Fischbeck of Bank of America.

<A – Mark Tarr – Encompass Health Corp.>: Good morning, Kevin.

<A – Doug Coltharp – Encompass Health Corp.>: Kevin.

<Q – Kevin Fischbeck – BofA Securities, Inc.>: Just a little bit of – another question on the payer mix here. So, you're talking about the MA mix being up in the quarter on the IRF side, but kind of as an offset, you saw fee-for-service revenue coming down as a percentage. Would you say that that's kind of a sign that you might be seeing some increase in the fee-for-service patients coming back in the back half of the year as like kind of a pent-up volumes there?

<A – Doug Coltharp – Encompass Health Corp.>: We definitely saw that in June. So, for the quarter, our MA discharges were up 66%, fee-for-service were down a little over 26%, but then – and that had a lot to do with the suspension of the Medicare Advantage preauthorization requirement beginning the second half of April and extending through May. Those preauthorization requirements in the most markets were reinstated towards the end of May. And yet, we saw in aggregate a 1.3% discharge volume increase in the IRF segment for the month of June. And so, that happened on the basis of a significant rebound in fee-for-service.

As we moved into July and more hotspots developed in markets like Florida and Texas, we've seen the preauthorization suspension come back in for MA plans. We're now seeing much more moderation between the volume impacts on fee-for-service and Medicare Advantage. I think some of the increase in Medicare Advantage, fortunately, because we've been riding this trend line even pre-COVID is here to stay and that's a good thing. [indiscernible] (00:35:12) selling our value proposition to those plans, but there're still good growth opportunities in fee-for-service as well.

<Q – Kevin Fischbeck – BofA Securities, Inc.>: Got it. And then, as a quick follow-up here, so is there any talk of these prior auth changes kind of changing for the long term or is this the type of thing that you would think will be coming in and out as markets go in and out of being like a hotspot?

<A – Doug Coltharp – Encompass Health Corp.>: I think it's the latter.

<Q – Kevin Fischbeck – BofA Securities, Inc.>: Okay. Got it. Appreciate the color. Thank you.

Operator: Thank you. Your next question is from Matt Larew of William Blair.

<A – Mark Tarr – Encompass Health Corp.>: Good morning, Matt.

<A – Doug Coltharp – Encompass Health Corp.>: Good morning, Matt.

<Q – Matt Larew – William Blair & Co. LLC>: Hi. Good morning. Doug, on the first quarter call, you alluded to the potential for the 2021 outlook not being materially different than when you entered the year. And that was caveated with all the uncertainty at the time and obviously a lot of that uncertainty has continued. But, Mark, you also mentioned today the progress you've made towards the IRF de novo goals for next year as well as the progress to expand the bed count this year.

So, Doug, maybe, again, there may be a number of caveats, but just some thoughts on the 2021 outlook at this point given your long-term confidence obviously remains very strong?

<A – Doug Coltharp – Encompass Health Corp.>: Matt, I think it really depends on the status of the pandemic during the first half of 2021 and around the development of vaccines and therapeutics. So, to the extent that I think the more optimistic timeframes we're seeing out there is the availability – the development and availability of a vaccine by the end of this year. That's able to change the trajectory of the pandemic in the first half of that year. That's going to put us back on a footing that would have resembled our original 2020 plan much sooner.

I would certainly expect that not later than the second half of 2021, we're back to business at normal and that optimistically it could be sooner than that. And our confidence in that being the case is evidenced in the steps that we've been continuing to make in the development pipeline.

<A – Mark Tarr – Encompass Health Corp.>: Matt, the fact that our volumes rebounded as the initial phase of the pandemic kind of flattened down the growth and we saw that come back, I mean it is a testament to the resiliency of the services that we provide and the ongoing demand that's out there. So, to the point of our future development and opportunities we see going forward, we're very confident in that and feel that this pandemic and the fluctuations have only proven our case as we move forward.

<A – Doug Coltharp – Encompass Health Corp.>: Matt, I think it's not a question of do we get back to that kind of trajectory? It's just a matter of when and the wildcard remains around the status of the pandemic as we enter the first few months of 2021.

<Q – Matt Larew – William Blair & Co. LLC>: Yes. Makes sense. And then, April, I wanted to follow up on your comment about the mix of institutional first community, maybe to get a sense for how that trended throughout the quarter for you and where you are at today. And then, I think in the past, you've mentioned that elective procedures were about 20% of the home health business. I just want to get a sense for what that mix looked like in the second quarter and whether you've now started to see sort of a recovery on the elective side.

<A – April Anthony – Encompass Health Corp.>: We've definitely seen a recovery on the elective side. I don't have that exact percentage that we presented in the Investor Day handy for the second quarter, but it obviously dropped down dramatically in the late March through mid-May timeframe and then began recovering as markets began to reopen and alternative surgery centers came back online. And so, we began to see that recover kind of in that mid-May timeframe.

We also – as it relates to kind of the early-late situation, as you saw the volumes decline significantly in that April timeframe, then it created sort of an out-of-balance situation. If you remember in home health, early episodes are only the first 30 days of care. And so, as we saw admissions decline and patients continuing into the second 30-day periods and some of those patients then in turn recertifying, it obviously tilted the balance in patients to the late segment.

And in turn, similarly, as we saw admissions decline, those were primarily institutional discharges that we were no longer getting during that April and mid-May – through mid-May timeframe. And so, we also saw the proportions shift from institutional to community. We're beginning to see recovery in all those things. If you remember, as you think about a 60-day episode period and again recertifications leading into that as well, we're going to have to get and stay at that new run rate for at least a 60 to 90-day period before we'll actually see a complete rebalancing of our patient mix back to pre-COVID levels.

<Q – Matt Larew – William Blair & Co. LLC>: Thank you.

Operator: Thank you. Next question is from Pito Chickering of Deutsche Bank.

<A – Mark Tarr – Encompass Health Corp.>: Pito.

<A – Doug Coltharp – Encompass Health Corp.>: Good morning, Pito.

<Q – Pito Chickering – Deutsche Bank Securities, Inc.>: Good morning, guys. Thanks for taking my questions. I just want to say you did a pretty incredible job managing through this quarter.

<A – Mark Tarr – Encompass Health Corp.>: Thank you.

<Q – Pito Chickering – Deutsche Bank Securities, Inc.>: April, going back to Whit's question on home health, historically, you've run a much higher percentage of salary employees versus permanent payments like many of your peers. With the success you've seen the change of therapists comp in the quarter, are there any other changes that you're considering to non-therapists?

And can you remind us what percent of your visits are therapists versus nurses in 2Q? And does that change as we think about the back half of the year?

<A – April Anthony – Encompass Health Corp.>: So, we're not looking at any further changes at this point in time, at the same time that we made the change to the therapy. We did change our weekly productivity goals for our RN personnel from an average of about 28, we had some employees at 30, some at 27. We moved them all to the 30-point range for their productivity goals. And so, we have seen some ability to elevate production for our salaried staff, the RN discipline, but we don't intend to make that same adjustment that we made to therapists to the nursing staff. One, because of the available supply and demand dynamics, but also just because of relative base salaries between therapists and nursing are pretty materially different. We just don't feel like that strategy is doing that 80% plan for the nurses would be a workable strategy for our RN staff.

<Q – Pito Chickering – Deutsche Bank Securities, Inc.>: Okay. And then, obviously, the markets – sorry, go ahead.

<A – April Anthony – Encompass Health Corp.>: Oh, I was going to say relative to the ratios, I don't have those percentages right in front of me. I would tell you, as we moved into June, we began to see a return to the normal balance and splits and remain just slightly – ever so slightly behind the therapy compared to others. But our therapy volume is back to about 94% of its pre-COVID level as far as our therapy visit volume. So, we're just about back to our normal balance.

<Q – Pito Chickering – Deutsche Bank Securities, Inc.>: Okay. And then, for a follow-up either for Mark or for Doug, obviously, the markets were extremely dynamic. That's an understatement during 2Q. But we've heard that good operators have one market share is able to deal with the volatility. As you guys have leveraged your IT systems and processes, do you think that the success of managing through COVID during 2Q has gained market share from your hospitals over the last few months?

<A – Mark Tarr – Encompass Health Corp.>: Well, I think that will play out in the longer-term statistics, but I'd tell you, I am very proud of the way our teams have managed through this. I do think that it is superior to a lot of the providers that are in our marketplaces and it has provided us an opportunity to show the outcomes and the quality that we provide.

And we are caring for a number of these COVID patients that other post-acute providers would not accept and getting great outcomes for them. So, Pito, to answer your question, I am going to be surprised if we don't see this as having longer-term opportunities to gain market share for us and it certainly provided our reputation in the communities as an outstanding post-acute provider.

<A – Doug Coltharp – Encompass Health Corp.>: Yeah. Just to echo what Mark said, I think we have embellished our reputation with two key constituencies based on how we've responded to the

pandemic and those are the acute care providers who are such an important referral source for us and then the Medicare Advantage plans. And there will certainly be some stickiness to both of those.

Operator: Thank you. Your next question is from Frank Morgan of RBC Capital.

<A – Mark Tarr – Encompass Health Corp.>: Hello, Frank.

<A – Doug Coltharp – Encompass Health Corp.>: Good morning, Frank.

<Q – Frank Morgan – RBC Capital Markets LLC>: Good morning. This one may be a little bit difficult to answer. It's on home health care in trying to isolate PDGM from the effects of COVID. Obviously, that's a complicating factor, but I'd just be – at a very high level, if you could do that, if you could exclude the impact of COVID, how would you characterize PDGM relative to what you had expected?

And what is your sense that how other operators, so maybe smaller operators, are handling that out in the marketplace? And any thoughts around when we may actually see the M&A activity that a lot of us are hoping for? Thanks.

<A – April Anthony – Encompass Health Corp.>: Sure. So, it is a very muddled picture a little bit as you try to break down the PDGM implications and try to cull out what PDGM versus what is COVID related. I would tell you that we've been on balance in spite of some of the noise in the corridor with LUPA percentages being up and the early-late being out of balance and the institutional versus community is all being out of balance. We feel like in spite of those things, we're pretty encouraged with what we're seeing on a revenue per period basis. We feel like that's actually come in pretty close to our estimation even with all of that noise in the quarter.

And so, we think as those things begin to settle out as we get back to a normal ratio of institutional admissions, a normal volume of new admissions and we see our LUPA percentages coming down, which has continued to happen since they sort of hit their peak in the 14% to 15% range in mid-April, all those things lead us to believe that when we get fully through this COVID period that our PDGM revenue will actually be at or above our initial expectations and that we're really being able to get back to some of our strategies.

A lot of the strategies that we had for mitigation of the remaining revenue implications with PDGM had been pretty hard to implement during this time. For example, realizing some of what Medicare believes would be the assumed behavior changes is particularly difficult. And one of those things as an example is the LUPA percentage. They believe we would lower LUPAs, but as you know, we've seen LUPAs expand dramatically during this COVID period.

So, it's noisy, but I feel like I'm pretty encouraged and I feel like things are going pretty well. As we look out at some of our smaller competitors, we do feel like they have really been bolstered by some of the federal programs, those PPP loans as well as the CARES Act funds for those smaller providers have really hidden the realities of PDGM for them. And so, we believe that as those dollars begin to be fully expended and they are left kind of to their own accord that it won't take them very long to realize that they're in a bit of a pickle relative to their financial situation.

And so, we're hopeful that some of that acquisition opportunity, particularly in the mid and small end of the market, will return as we move into fall, that they will have extended all of those dollars and come to the reality of what PDGM will mean to them. So, we're hopeful that the late third and early fourth quarter will return to some normal level of M&A activity for the small to midsized transactions.

<Q – Frank Morgan – RBC Capital Markets LLC>: And just to clarify, you said that you expect to be at or above kind of what you initially thought of? Is that predicated just on the decline in the LUPAs or is there anything else that might be driving that? Is that a requirement to get at or above what you would expect it or is there any other factor there?

<A – April Anthony – Encompass Health Corp.>: I'm not sure I'm fully following your question. We have number of mitigation strategies that were going to help us offset some of our PDGM implications, managing productivity, optimizing the use of LPNs. All those things have been particularly difficult in a COVID market where employees are quarantined. And so, there's just again a lot of noise not only in the revenue side, but also in our cost mitigation side. There's been a lot of noise as a result of COVID, but as we get volumes back in place, we're seeing some of that noise is beginning to abate and we're able to really get back to some of the strategies that we were planning to put in place in the early part of the year before COVID hit.

Operator: Thank you. Your next question is from Matthew Gillmor of Baird.

<A – Mark Tarr – Encompass Health Corp.>: Good morning, Matt.

<A – Doug Coltharp – Encompass Health Corp.>: Good morning, Matt.

<Q – Matt Gillmor – Robert W. Baird & Co., Inc.>: Hey. Thanks for the question. Hey. Good morning, everybody. Hey. Mark had mentioned that the higher COVID cases in certain markets, Florida, Texas and Arizona may inhibit growth and April provided some commentary on the home health side in terms of the impact you're seeing. I was curious if Mark or Barb could give us a sense for what you're seeing in those markets with the rising COVID cases on the IRF side.

<A – Mark Tarr – Encompass Health Corp.>: Let me take a stab with a broader and then I'll let Barb weigh in on some of the more details. But if you look at Texas, Arizona and Florida and just I'll start with Texas. Texas has been extremely resilient. In spite of clearly the acute care has been full of COVID cases in their ICUs, we've not seen much of an impact, if at all, on our hospitals instead of Texas.

State of Florida is very market specific. And there, if you start thinking about the South Florida, which has certainly been identified as a hotspot, probably seen a little bit more of an impact there, but as I've put in my comments, it is the very market-by-market driven situation. So, it's tough to look at an entire state and say, okay, it's a hot state so to speak. But there is certainly some markets that have been impacted disproportionately more than others.

<A – Barb Jacobsmeyer – Encompass Health Corp.>: And I guess to go just in a little bit into the weeds on that, there's several things that impact us when you have markets like Florida. First, when you look back really towards like the end of May, markets were starting to open. Elective surgeries were starting back up. They were allowing our clinical liaisons back into the hospitals. As some of the surges have occurred in some of these markets, those things have started to go back to the way they were in March and April. Elective surgeries are now back on hold. Our liaisons are not – now back allowed in the hospital. So, those impact us in each market.

I would say the other impact and this is more at a hospital level, we don't have a lot of them, but we do have some hospitals that because of community exposures, we have employees out on quarantine. And in a few of our hospitals, that has impacted the capacity at those hospitals, because at a certain point, if we have nurses and therapists in a large numbers out on quarantine, it creates a cap for how high our census can go. So, when you're looking at markets like Florida, those are some of the impacts that we're feeling this go around.

<A – Mark Tarr – Encompass Health Corp.>: Matt, the testing has been an influence here too relative to quarantine staff and our ability to get staff back in. It's taking longer to get the test results

than what it was even 60 days ago. So, as we see that start to improve, I think that will improve some of the staffing challenges that both April and Barb have pointed out.

<A – Barb Jacobsmeyer – Encompass Health Corp.>: One thing that's going to actually help on the staffing front is that the CDC did come out with new recommendations of moving away from a tax strategy to a time strategy of when a employee or a patient could come off of a transmission precaution. They're saying – CDC is saying that some people can test positive for up to three months. And so, actually that's been a good thing for us that they've moved to this time strategy, it's allowing us to bring some of these employees back sooner than what maybe we were able to bring back before they changed the recommendation.

So, we do think that will have a positive impact on getting employees back and removing some of these census caps.

<Q – Matt Gillmor – Robert W. Baird & Co., Inc.>: Got it. Let me try one follow-up on it. Are these – influences and impacts you're calling out, is that enough to interrupt the momentum in the recovery you've seen in the IRF volumes or are these small enough where it doesn't impact the whole portfolio and the positive momentum you've seen [ph] in there (00:52:50)?

<A – Barb Jacobsmeyer – Encompass Health Corp.>: I think the impact it's had is more of kind of you're seeing things – we know we had great rebound and then things have been kind of flattened a little bit. And that's because market-by-market we're feeling this. So, I don't think it's something that's going to impact as a whole, but it does, I think, prevent us getting to that next level right now, because as one market recovers, we're seeing this occur in another market.

<A – Doug Coltharp – Encompass Health Corp.>: And, Matt, it's very temporary too. I mean you may have two weeks that become a challenge in the marketplace and then, it kind of goes off your radar screen, the volumes come back and some other market pops up on your radar screen. But, overall, from a portfolio standpoint, I don't think it's going to impact us for the long term.

<A – Mark Tarr – Encompass Health Corp.>: Yeah. We have definitely plateaued here recently for volume gains in both the IRF segment and in home health and we would expect that may be an issue that's with us for the next couple of months with a – on the IRF side with a portfolio of 135-plus hospitals, unfortunately, we're playing a little bit a game of Whac-a-Mole, which is as soon as we get staffing, our other issues resolved in one particular market, it pops up in another market. And it just feels like based on the course of the pandemic, that's going to be with us for a while.

So, whereas we don't necessarily believe that we'll see a reduction in volumes like we saw in April, gaining that next foot up over the next couple of months may be a challenge.

Operator: Thank you. Your next question is from Brian Tanquilut of Jefferies.

<A – Mark Tarr – Encompass Health Corp.>: Hey Brian.

<Q – Brian Tanquilut – Jefferies LLC>: Hey. Good morning, guys. Good morning. I guess I'll go back to one of the earlier questions. So, Doug, I get the lack of visibility into some of the COVID stuff. But if we think about the de novos that you've already lined up, right, I mean is there a sort of growth goal? I mean you already announced almost like 5% bed growth for next year and then another 3.5% for 2022. So, is that sort of the right level to be thinking about kind of like the M&A department's goal or is it the development's new goal kind of like 5% to 6% bed adds?

And then, I guess to layer onto that, how should we be thinking about the track record of your de novo beds over the last two years in terms of getting it up to capacity as we think about filling the beds that you're adding?

<A – Doug Coltharp – Encompass Health Corp.>: So, I think as Mark stated during his comments, we remain committed to the goals that we've put out at the Investor Day regarding the number of new IRFs to be opened on an annual basis. And certainly, we've got a very solid number with eight new hospitals lined up for 2021 and already commitments to five. And this is pretty early on. We're going to add more to it for 2022.

So, from a capacity addition perspective, we feel very good about that. And the track record – one of the reasons that we're accelerating, the development of these is because our track record on building census and achieving very favorable financial returns on de novos is really solid. Not just for the last 2 years, but really for the last 10 years, which has been when we restarted this program.

In terms of growth percentages, I need a base and we don't know what the base is right now.

<Q – Brian Tanquilut – Jefferies LLC>: Right. Okay. Got you. And then, I guess, shifting gears to home health, my follow-up for April, obviously, we're hearing a lot of anecdotal discussions about how the SNFs are losing share or they're turning patients away or patients not going there, what are you seeing and what are those discussions with the hospitals in terms of their referral flows?

And I guess I can ask the same thing to Barb, this last quarter, you guys talked about how some of the hospitals are keeping their patients instead of discharging them. Yeah. So, what are we seeing in terms of discharge patterns and how sustainable, especially in the home health side, do you think this is post-COVID?

<A – April Anthony – Encompass Health Corp.>: Well, I think we – it's hard to say when your overall volume is down whether or not – we just have trades going on that are kind of getting us back to our pre-COVID levels. But when we look at some of the statistics, specifically we see a pretty significant decline in patients that are coming to us from assisted living, independent living and SNF environments. And yet, even though that's only recovered to about 70% of its pre-COVID level in the last few weeks, we actually are getting back to about 98% of our pre-COVID level on Medicare admissions and other areas.

And so, we think that that inherently suggests that there is a new cohort of patients that are coming our way. The area where we've seen growth over our pre-COVID levels have been in our physician-based referrals and in our short-term acute care hospitals as we've now gotten those kind of back online, those are actually growing above their historic levels.

So, all of that would lead us to believe that we're getting some SNF patients that we wouldn't have otherwise gotten, particularly directly from physicians. But it's a hard thing to prove what could have, might have, should have happened or would have happened in the prior world. So it's hard for us to really nail it down specifically, but we do feel encouraged that even with a significant drop in our AL, IL and SNF discharge-based volumes that we're seeing overall return to volume. And we think that's because of displacement.

<A – Barb Jacobsmeyer – Encompass Health Corp.>: And we certainly heard – on the IRF side, I would say our referrals sources of the acute care hospitals have kind of dealt with the patients that they could get home as April just alluded to. And then, there are the patients that are – they need a facility level and yet they found that many of the skilled facilities in the market were hesitant to take them, especially if they were a recovering COVID or what we call a patient under investigation, meaning they have some sort of exposure to COVID.

So, our ability to take those patients, and our outcomes have been really strong with those patients, has been something that I think has been a huge help to the acute care referral sources, so that they could get those patients out of their hospital and into our facilities.

Operator: Thank you. Your next question is from A.J. Rice of Credit Suisse.

<A – Mark Tarr – Encompass Health Corp.>: Hey, A.J.

<Q – A.J. Rice – Credit Suisse Securities (USA) LLC>: Hey. How are you? How are you, guys?

<A – Mark Tarr – Encompass Health Corp.>: Good.

<Q – A.J. Rice – Credit Suisse Securities (USA) LLC>: First of all, obviously there's a lot of discussion around telemedicine and the opportunities maybe to apply that in home health. I would first ask, what are you guys seeing? Are you taking advantage of all the opportunities or is some of that still to come and is there anything in particular you're advocating to CMS to try get further clarification or change related to telemedicine and home health?

<A – April Anthony – Encompass Health Corp.>: Yeah. So, I would say, for us in home health, the main thing we've seen is the ability for physicians to complete their face-to-face requirements using telehealth and certainly we're leaning into that as we gather documentation from physicians to support that face-to-face.

When it comes to our ability to actually use telehealth, as you know, in home health, even with the waivers, we still are not being paid and visits aren't being recognized as billable visits that are being done via telehealth. So, we are utilizing some telephonic visits and even some two-way audio, video communication-based visits with patients who have the capacity both technologically and mental capacity to do that. But we're finding that still be a fairly small percentage.

We think there remains a lot of opportunity there, but until Medicare really treats those as billable services and until we move to a kind of a point in time where our advanced stage patients are capable of managing successfully with two-way communication, we think it will remain a fairly small percentage.

<Q – A.J. Rice – Credit Suisse Securities (USA) LLC>: Okay.

<A – Mark Tarr – Encompass Health Corp.>: A.J., it has been an immaterial impact so far. But we are keeping our eye on it. And like we've done in other areas of technology, if we see – because this is going to be around – CMS has a big push for telemedicine as you know. So, we'll be very committed to it and make the necessary investments in it once it's clear in terms of what platform is needed in either of our segments because our IRFs, they dipped their toe in the water and it's – this last quarter as well.

<Q – A.J. Rice – Credit Suisse Securities (USA) LLC>: Okay. And maybe my follow-up would be another sort of emerging area, in the CARES Act, on the IRF side, it allowed for certification by non-physician practitioners. And now, I guess in the proposed rule for 2021, they talked about making that permanent. How significant is that for you guys and are you positioned to make meaningful use of NPs and TAs as doing the certifications for you? Does that move the needle on margin or anything else?

<A – Mark Tarr – Encompass Health Corp.>: Let me ask Barb to weigh in on that, A.J.

<A – Barb Jacobsmeyer – Encompass Health Corp.>: Yeah. So, we certainly already have our NPs and TAs that support our physicians. We actually – at this point, actually prefer that it remain like it is now, because we feel it does really differentiate us from a skilled level when we have the regular physician oversight of our patients. So, we actually would continue to prefer that the NPs and the TAs support the physicians as they have been doing for a long time.

Operator: Thank you. Your final question is coming from John Ransom of Raymond James.

<A – Mark Tarr – Encompass Health Corp.>: Hey, John.

<Q – John Ransom – Raymond James & Associates, Inc.>: Hey. Good morning. Hey. We saw Nava Health get traded again and they've expanded to 20 markets. And then, you have the probability maybe of a Biden presidency and a revival of some of the post-acute management strategies in BPCI and CJR. Just at a high level, you being kind of a relatively high cost, but effective post-acute provider, how do you navigate the pencil pushers on the other side trying to push volume into the lowest cost place?

<A – Mark Tarr – Encompass Health Corp.>: Yeah, John. As we've talked about, relative just to our value proposition, you have to look beyond the cost per day and look at it from a longer-term perspective and including an episode. And what we have the opportunity to do is to move a patient between our IRFs and the home setting and the opportunity to work with the IT investments that we've made, have that clinical collaboration. And we've proven that we can get more patients back onto the home setting and fewer re-admissions back to the acute care, which increases costs.

So, I guess I would counter the implications that you said that we are a high-cost provider. I would say we're actually a high-value provider when you look at it more from a longer-term perspective.

<A – Doug Coltharp – Encompass Health Corp.>: And, John, specifically, those initiatives that you're talking about, those theories, from a post-acute perspective, the patients that we're treating in our IRF really cannot go directly home from the hospital. They require an in-patient stay. So, those patients, it becomes a choice between an IRF and SNF in almost all cases. And I would ask you for your opinion as to how the skilled nursing facilities have distinguished themselves during this pandemic.

<Q – John Ransom – Raymond James & Associates, Inc.>: That's a pretty easy one. And my follow-up would be if we look a year down the road, two years down the road, what permanent changes do you think will be the result of this pandemic? And what ways have you changed workflows, gotten smarter, become more efficient? I mean, we've talked about the market share gains, which I don't think there'll be any doubt about that. But what other kind of permanent changes do you think would – that would have not happened otherwise?

<A – Mark Tarr – Encompass Health Corp.>: I think a longer-term impact, John, just going to be market-by-market where we have developed a willingness or had the willingness to take these COVID patients. In other words, we exercised our skills at taking the higher acuity patient in both our home health as well as our hospitals. We have put ourselves in an even more enviable position with our relationship with the acute care hospitals. And I think that's going to have long-term implications for us moving forward versus other post-acute providers that have tried or were unwilling to participate in a productive manner during this pandemic episode.

<A – Doug Coltharp – Encompass Health Corp.>: John, I think you're going to see a real formalization of either call them contingency plans or operational plans for dealing with another breakout of an infectious disease. And so, I think it's going to be the identification of critical care beds through our market in all kinds of facilities, well-defined and documented protocols for how caregivers are going to don and doff PPE. I think you're going to see a real shift and you're already seeing a shift in supply sources for critical medical equipment and PPEs from overseas in US. And I think there's going to be a real efficiency that's created in the supply chain as well.

So, I think there are a lot of things that relate to how we deal with the next pandemic that are going to be formalized in a very significant way. I think there is the potential that you will see some regulatory changes designed to make more efficient flows for patients from setting to setting. And anytime that happens, we generally believe it's in our favor.

Operator: And thank you with that. I will turn the floor back over to Crissy Carlisle for any additional or closing remarks.

Crissy Buchanan Carlisle, Chief Investor Relations Officer, Encompass Health Corp.

Anyone has additional questions, please call me at 205 970-5860. Thank you again for joining today's call.

Operator: Thank you, everyone. This does conclude today's conference call. You may now disconnect.