



Sustainability

 Encompass Health®

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

A letter from Mark Tarr

PRESIDENT AND CHIEF EXECUTIVE OFFICER



At Encompass Health, our commitment to sustainability is nothing new. As our purpose states, “We exist to provide a better way to care that elevates expectations and outcomes.”

Our services support sustainable goals: primarily, we get our patients back to their communities and independence, and the need for the care we provide is only increasing.

As the population continues to age, it will continue to need our services, and as one of the largest providers of inpatient rehabilitation and home health and hospice care, we will be there to meet that need.

That commitment we have to caring for our patients extends to our employees, as well as the communities in which we serve.

In the following pages, we'll tell you our approach to sustainability as it relates to our patients, employees and communities. Like the healthcare industry, our sustainability efforts are ever changing and evolving. We hope you'll visit [our sustainability page](#) often to see how our sustainability efforts continue to grow and evolve with our Company.

A handwritten signature in black ink that reads "Mark Tarr". The signature is written in a cursive, flowing style.



Our Company

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

About us

As one of the nation's leading providers of integrated care services, we offer both facility-based and home-based patient care through our network of inpatient rehabilitation hospitals, home health agencies and hospice agencies. Learn more in our [Investor Reference Book](#).

INPATIENT REHABILITATION

~31,300 employees

~184,000 discharges

~\$3.5 billion revenue



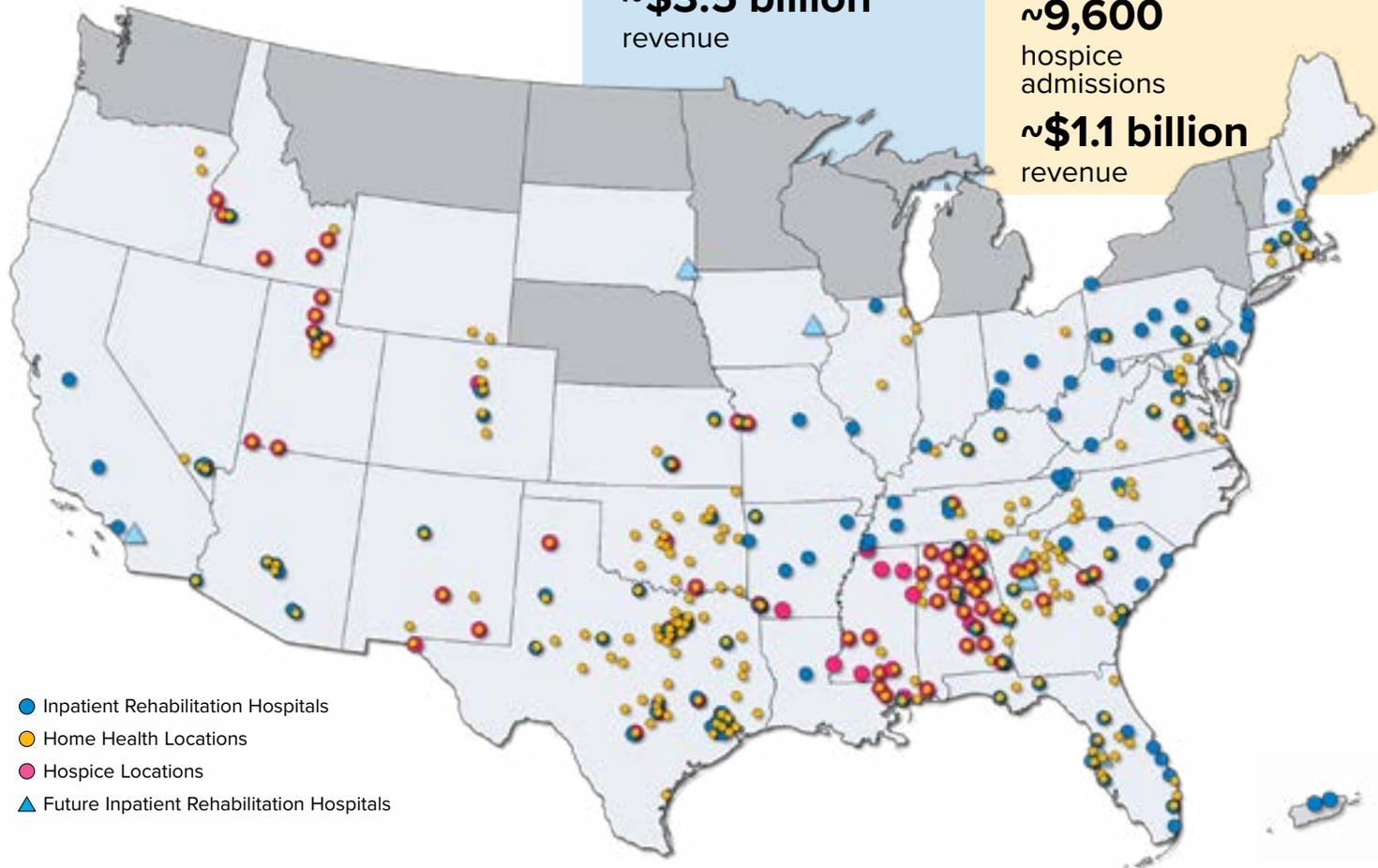
HOME HEALTH & HOSPICE

~12,000 employees

~153,000 home health admissions

~9,600 hospice admissions

~\$1.1 billion revenue



- Inpatient Rehabilitation Hospitals
- Home Health Locations
- Hospice Locations
- ▲ Future Inpatient Rehabilitation Hospitals

133

Inpatient rehabilitation hospitals

245

Home health locations

83

Hospice locations

47

Joint ventures

Data as of and for the twelve months ended September 30, 2019

A letter from Mark Tarr

Our Company

About us

[Board of Directors](#)

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Board of Directors

In evaluating the suitability of individual candidates for board membership, our board of directors consider relevant factors, including, but not limited to: a general understanding of marketing, finance, information technology and cybersecurity; corporate strategy and other elements relevant to the operation of a large publicly-traded company in today's business environment; senior leadership experience; an understanding of our business; educational and professional background; diversity of skills, perspectives and experiences; character; and whether the candidate would satisfy the independence standards of the New York Stock Exchange.

Our board is comprised of skilled directors who represent a diverse set of experiences, expertise and attributes. The board is almost entirely independent, with Mark Tarr (our president and CEO) being the only non-independent member. We have a beneficial mix of short- and long-tenured directors, which gives our board the benefit of fresh perspectives while maintaining experience, continuity and stability on our board. The board's membership guidelines recognize that diversity of skills, perspectives and experiences promotes improved monitoring and evaluation of management on behalf of the stockholders and produces more creative thinking and solutions. Accordingly, the board considers the distinctive skills, perspectives and experiences that candidates diverse in gender, ethnic background, geographic origin and professional experience bring to the board.

[Learn about our board succession plan](#)



[Leo I. Higdon Jr.](#)
Chairman



[Greg Carmichael](#)



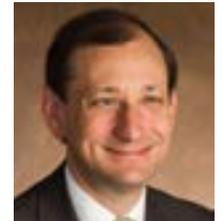
[John W. Chidsey](#)



[Donald L. Correll](#)



[Yvonne M. Curl](#)



[Charles M. Elson](#)



[Joan E. Herman](#)



[Leslye G. Katz](#)



[Patricia Maryland](#)



[John E. Maupin Jr.](#)



[Nancy Schlichting](#)



[L. Edward Shaw Jr.](#)



[Terrance Williams](#)



[Mark Tarr](#)

Our Company

About us

Board of Directors

[The Encompass Health Way](#)

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

The Encompass Health Way

Encompass Health is a purpose-driven company. Our business provides real value to the communities and patients we serve. As our purpose states, “We believe integrated care delivery across the healthcare continuum is critical to achieving the best outcomes for patients. We exist to provide a better way to care that elevates expectations and outcomes.”

To further embed our purpose, [The Encompass Health Way](#), our core set of values, was created by our employees for our employees. At Encompass Health we:



Set the standard

We are committed to going above and beyond, never settling for anything less than excellence. We pride ourselves on being industry leaders and challenge ourselves to continuously improve.



Lead with empathy

We start with empathy, taking the time to understand the physical, mental and emotional needs of each other and those we support. We listen, make deep connections and engage on a personal level to better serve others.



Do what's right

We do the right thing the right way, no matter how difficult, even when no one is looking. We're not afraid to have hard conversations. If we make a mistake, we acknowledge it, proactively find a resolution and make it right going forward.



Focus on the positive

We have a positive spirit and find the light even in the most difficult situations. We bring our whole self to work. We celebrate successes and inspire others to create meaningful impact.



Stronger together

We believe our individual strengths make us stronger together. We take accountability for our actions, connect across teams and lean in to get it done – at all levels of the Company.



Our Approach

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Ethics & Compliance

Encompass Health has a comprehensive ethics and compliance program based on the “Seven Elements of an Effective Compliance Program,” that government regulators deem necessary to demonstrate a culture that encourages ethical conduct and a commitment to compliance with legal requirements. The program employs an ongoing awareness model and risk management framework to promote compliance and appropriate standards of business conduct. It is administered by the Chief Compliance Officer (CCO) with guidance and support of an executive compliance committee and has been embedded into every level of company operations.

The program empowers people and others to work in a legal and ethical manner by providing the necessary tools, oversight and guidance to foster compliance with legal requirements, support ethical business decision making and promote a “speak-up” culture. These include:

- Mandatory compliance training annually
- Open lines of communication, including a hotline administered by a third-party vendor that allows for anonymous reporting 24 hours a day, seven days a week
- A code of conduct, compliance policies and other written materials that provide practical guidance on compliance obligations and expectations
- Open and unfettered access to the CCO, privacy officer, general counsel, Inspector General (IG) and other key leaders to ask questions about compliance obligations or report suspected noncompliance

In addition, to continuously monitor various operational functions, we use independent audits, data mining and analytics, risk assessments, ongoing performance evaluation, trending and other risk identification techniques. We immediately address audit or monitor findings that fall below stated thresholds and substantiated allegations of noncompliance. We track the resulting corrective actions to completion and, in some instances, we retest at a later date to verify effectiveness of remedial efforts.

Our board and its committees maintain direct lines of communication with our executives overseeing compliance matters. The Compliance and Quality of Care Committee of the board of directors appoints and oversees our CCO and receives direct reports from the CCO, the Chief Information Officer and the Chief Medical Officer. The Audit Committee appoints and oversees our IG and receives direct reports from the IG.

“We embrace the Standards of Ethics and Business Conduct as the foundation of our corporate culture, which is based on honesty, openness and integrity. Our shared commitment to these core principles is the cornerstone of a strong Encompass Health.”

— Dawn Rock, Chief Compliance Officer

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Inclusion & Diversity

We maintain an inclusion and diversity program that is overseen by our human resources team at the Home Office. The program is also supported by an employee-led inclusion and diversity council that is comprised of a broad, cross-functional segment of our home office and hospital leadership, management and administration. [View our 2018 Diversity Report.](#)

The four components of our inclusion & diversity program are:



Workforce development

We endeavor to attract, develop, and retain a talented workforce, as well as to foster an open and inclusive work environment that is knowledgeable and responsive to diverse communities. Specific initiatives we have undertaken or are considering include, but are not limited to, a recruiting program that targets historically black colleges; the launch of a new Encompass Health career site tool to help veterans find jobs that closely align with their specific skills; diversity and inclusion competency training for our employees; and policy reviews to incorporate language that supports inclusion and diversity.



Patient experience

We foster an inclusive healthcare environment conducive to exceptional patient care where all patients feel welcome and have equal access to high-quality care. Specific initiatives we have undertaken or are considering include, but are not limited to, completion of a language assessment process to evaluate oral and written skills of employees who elect to serve as language translators and the addition of diversity questions to our annual employee engagement survey to assess our ability to provide culturally competent care to patients.



Community partnership

We cultivate relationships with community organizations that can help improve the workforce and health needs of the diverse communities we serve. Specific initiatives we have undertaken or are considering include, but are not limited to, launching a quarterly inclusion and diversity digest to better communicate our inclusion and diversity initiatives across our Company; joining the National Association of Health Service Executives (NAHSE), an organization that promotes the advancement and development of minority healthcare leaders; participating in NAHSE's minority male leadership academy; and participating in a regional working group of Alabama-based businesses convened to discuss and share diversity and recruiting best practices.



Supplier diversity

We maintain a supplier base program that offers contracting opportunities with manufacturers, distributors and service providers that are certified as minority-owned, veteran-owned and small disadvantage-owned businesses. Specific initiatives we have undertaken or are considering include, but are not limited to, refinement of our national diverse supplier reporting and research on diverse supplier certifying organizations.

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Cybersecurity

The proper function, availability and security of our information systems are critical to our business. Our electronic clinical information systems, ACE-IT and HCHB, play a substantial role in the operations of our hospitals and our home health and hospice segment.

We undertake substantial measures to protect the safety and security of these systems and the data maintained within them. We regularly test the adequacy of our security and disaster recovery measures and have implemented administrative, technical and physical controls on our systems and processes in an attempt to prevent unauthorized access.

We maintain a privacy and security committee that meets at least quarterly and oversees our programs and initiatives that seek to protect and secure our data and systems. For example, this committee is responsible for our IT-Security Incident Response Plan and various training and awareness programs that promote good patient privacy and system security practices by employees.

We have a Chief Security Officer (CSO) who reports directly to our Chief Information Officer (CIO). Our CIO provides quarterly reports on our cybersecurity program to the Board's Compliance and Quality of Care Committee and at least annually to our full board of directors.

We follow the National Institute of Standards Technology Cybersecurity Framework, which provides best practices to prevent, detect and respond to cyberattacks.

Cybersecurity program

As part of an aggressive cybersecurity program, we continually evaluate and test the tactics, techniques and processes used by "bad actors" to adequately prepare and provide a secure and trusted environment for our patients, clinicians, employees and other stakeholders.

Our external risk assessment process includes:

- Cybersecurity maturity reviews
- Penetration Tests
- Department of Homeland Security led Cyber Resilience reviews
- External dependencies management assessments
- Incident Response exercises
- Continuous internet perimeter vulnerability scanning
- Industry and expert security collaboration on current and emerging threats

We practice resilience on a routine basis through:

- Multi-disciplinary participation in an annual incident response plan exercise
- Quarterly disaster recovery exercises
- Annual corporate business continuity exercise
- External parties perform disinterested cybersecurity penetration tests and risk assessments
- Continual security awareness training for all employees, including quarterly email phishing exercises
- Continual advancements of tools and techniques to protect and defend our environment with a focus on vulnerability discovery, patching and mitigation

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Environmental Initiatives

Our greatest contribution to sustainability is the nature of our services. We provide high-quality, cost-effective patient care to the communities we serve.

Our inpatient rehabilitation hospitals are substantially smaller than the typical acute care hospital and consume fewer resources. Our care, by nature, transfers patients from higher-cost, more resource-intensive facilities to lower-cost settings. A high percentage of our hospital patients go home, and home health and hospice segment treats patients at home. Not only does this create better care for our patients, but it also reduces the total cost of healthcare and the burden on the healthcare system.

We undertake various recycling and energy conservation efforts. Current initiatives include recycling of non-medical waste and sharps containers, replacement of interior and exterior lighting in our hospitals with LED fixtures and migrating to energy efficient HVAC equipment. We also trend and benchmark energy utilization by hospital and region on a quarterly basis to identify significant energy usage outliers.

Building materials

- Standard paint has zero volatile organic compounds and is Greenguard certified.
- Vinyl and porcelain tile and wall coverings include recycled content and is recyclable.

LED Lighting

- LED lighting is installed in all new hospitals in order to reduce energy consumption and maintenance costs. A program to upgrade all facility lighting at our hospitals began in 2019 and is projected to be complete by 2024.

Waste Recycling

- We have national pharmaceutical and medical waste programs to ensure all these materials are disposed of properly and their containers are recycled.
- All of our home health agencies and ~80% of our hospitals utilize reusable sharps collection containers.

[Learn about our first LEED certified hospital in Ludlow, Massachusetts](#)



Home Office

In April 2018, we relocated to a new Home Office. Building design and environmental initiatives include:

- Intelligent lighting controls with occupancy sensors
- Walking trail surface engineered in wood fiber
- Native plants and tree placement to minimize heat gain in summer and block winds in the winter
- Centralized printing stations that default to two-sided paper printing
- Cafeteria containers made from recyclable materials
- Plastic and aluminum container recycling

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental initiatives

[Supply Chain Operations](#)

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Supply Chain Operations

Through our purchasing supply chain technology systems, we monitor our suppliers' invoice pricing compared to underlying contracts and confirm necessary corrections.

We solicit feedback from our hospitals on our top 45 vendors through an annual satisfaction survey on service levels, product quality and other metrics. Corrective action is taken for poor performance. We also have an internal digital tool that any employee can utilize to submit a concern about a national supplier. Supply chain staff reviews all concerns submitted.

Through our group purchasing organization, we benchmark our supply chain contracts with competing suppliers to ensure we are maximizing our purchasing leverage.

Through our clinical committees, we routinely evaluate our patient care products and services for clinical best practices and desired outcomes.

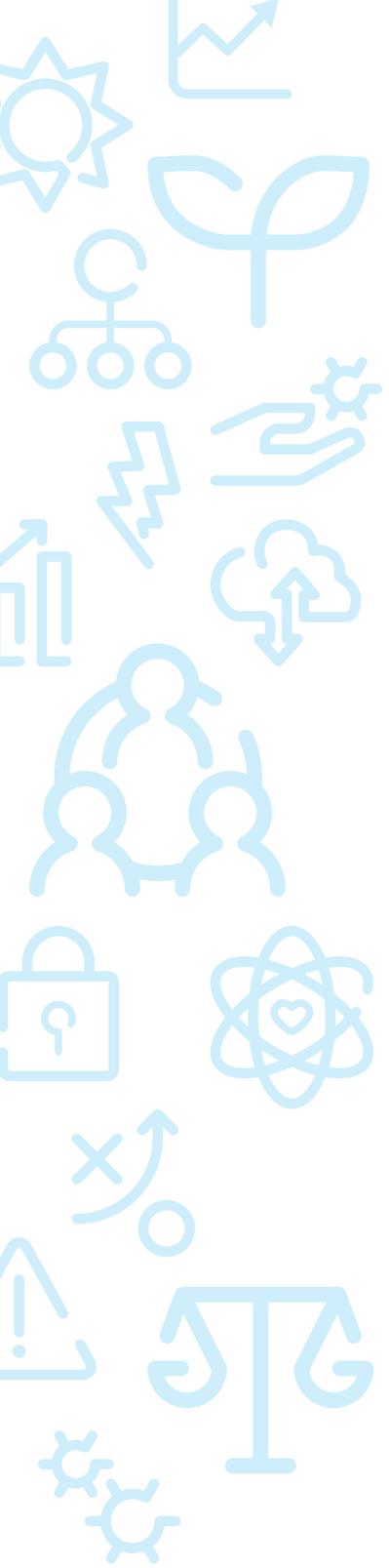
[Learn more about how we're ensuring compliance with all of our vendors.](#)

Our purchasing system identifies sustainable products via an icon. Vendors must meet at least one of the following criteria to be considered sustainable:

1. Biodegradable
2. Certified sustainable
3. Compostable
4. Energy conservation
5. Green cleaning
6. Product-recycled content
7. Raw material reclamation
8. Third-party certified
9. USDA organic

We also identify diverse vendors. Businesses designated as diverse include:

1. Small businesses
2. Women-owned businesses
4. Minority-owned businesses
5. Veteran-owned businesses
6. A combination of any of the above



Our Patients

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Design & Construction

Supply Chain Operations

Our Patients

[Our commitment to quality](#)

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Our commitment to quality

We are proud of our quality of care track record as benchmarked against national industry standards. In our inpatient rehabilitation segment, our patients consistently achieve higher functional gains compared to the national risk-adjusted data. All our hospitals are certified by The Joint Commission. Additionally, our hospitals participate in The Joint Commission's Disease-Specific Care Certification program with 119 of our hospitals holding one or more disease-specific certifications, including 118 hospitals with stroke-specific certifications. Our stroke-specific certifications represent approximately 60% of all stroke-specific certifications issued by The Joint Commission.

Similarly, our home health agencies have developed institutional programs to create physician-specific custom treatment protocols and provide care transition from inpatient facilities to home for higher acuity patients. Our home health and hospice locations typically exceed industry standards with star ratings above national benchmarks.

All data on this page reflects available information as of October 2019

INPATIENT REHABILITATION

EHC | Benchmark

Discharge to community

80.3% | 78.8%

higher is better

Discharge to acute

10.2% | 9.6%

lower is better

Discharge to SNF

8.9% | 10.9%

lower is better

HOME HEALTH

EHC | Benchmark

**30-day hospitalization
readmission**

16.0% | 17.5%

lower is better

Patient satisfaction

4.0 stars | 3.7 stars

higher is better

Quality of care

3.9 stars | 3.3 stars

higher is better

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass

Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Quality initiatives

Some examples of clinical initiatives we have to further improve quality include:



- **Reduce Acute Care Transfers (known as ReACT)** – To improve patient outcomes and reduce healthcare expenditures and penalties, we use our extensive proprietary database of inpatient rehabilitation patient records to develop a predictive model to identify patients at risk of an acute care transfer and implement intervention strategies as part of the plan of care.



- **Pain control and reducing the use of opioids** – We do not employ physicians, so we have no control over the prescription process. However, we have a multidisciplinary approach to improve pain management, including educating our clinicians on nonpharmacologic treatment of pain and vigilant opioid stewardship.



- **Infection control** – Working with a contracted infection control expert, we have standardized and improved our infection control practices across the Company in order to reduce the risk of infection to patients and apply evidenced-based decision making to prevent the spread of infections. We developed a white paper that describes an approach to preventing infections that maximizes patient safety, promotes optimal clinical outcomes, increases patient satisfaction and avoids unnecessary limitations on participation in therapy. We presented this white paper at the national conferences for the Association for Professionals of Infection Control and the American Congress of Rehabilitation Medicine.



- **Patient falls** - In response to the Institute of Medicine's report "To Err is Human," Congress developed the Patient Safety and Quality Improvement Act of 2005. This Act authorized the creation of Patient Safety Organizations for improving quality and safety by reducing the incidence of events that adversely affect patients. In 2016, we developed the Encompass Health Patient Safety Organization and obtained the applicable certification as a Patient Safety Organization from the Agency for Healthcare Research and Quality of the Department of Health and Human Services. Since the inception of our Patient Safety Organization, our patient fall rates have decreased 10% while our total patient days has increased 7%.



- **Nutrition** – We have developed an early intervention malnutrition screening tool that prompts nurses to start the correct supplement to meet the patient's nutritional needs based on diet and diagnosis.

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Clinical collaboration

Clinical collaboration between our inpatient rehabilitation hospitals and home health agencies furthers our pursuit of quality patient outcomes and improved patient experiences. Institutional programs and advanced treatment protocols connect facility- and home-based care and provide our patients a seamless transition across the healthcare continuum. An important component of clinical collaboration has been to place care transition coordinators in markets where we operate both inpatient rehabilitation hospitals and home health agencies, which we refer to as “overlap markets.” In our overlap and other markets, the patient is always given a choice of home health agencies. When a patient chooses to continue their care with Encompass Health at home, our care transition coordinators collaborate with clinicians and case managers in our hospitals to assess patients who require home health services and prepare these patients for the care they will receive at home. The coordinators also work with patients’ families to ensure those family members are prepared to bring their loved ones home safely. We believe our clinical collaboration efforts are contributing to reductions in discharges to skilled nursing facilities, higher discharges to home and improved patient satisfaction.

Clinical collaboration between our hospitals and home health agencies offers an excellent means to deliver the quality of care and the cost effectiveness healthcare partners seek. We have focused, and will continue to focus, on increasing this collaboration.

TeamWorks Clinical Collaboration was developed and implemented in all our overlap markets in 2017. Members of our home health and inpatient rehabilitation teams worked with an outside firm to develop a standardized process when transitioning a patient from one of our inpatient rehabilitation hospitals to one of our home health agencies.

“We’ve tried to do everything we can to make sure we have a very smooth, well-orchestrated transition ... If we do a good job with that, then we’ll have better outcomes and better patient satisfaction.”

— Mark Tarr, President and CEO, on clinical collaboration to Home Health Care News (June 2018)

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Patient privacy

Our Company is subject to the Health Insurance Portability and Accountability Act of 1996, commonly known as HIPAA. We spend a significant amount of time and expense protecting the privacy of our patients, and our board of directors receives regular reports on our privacy and security compliance program. The privacy program is designed to foster a culture of privacy compliance that demonstrates our commitment to appropriately safeguarding the privacy of an individual's protected health information (PHI).

The goals of the privacy program are to:

- Establish policies and procedures to ensure compliance with all applicable federal and state privacy related laws and regulations
- Outline institutional privacy and compliance roles
- Conduct audits and otherwise proactively identify risks to patient PHI
- Provide education and training
- Establish other mechanisms to implement the privacy program

The privacy program is managed and overseen by a privacy officer in our compliance department with guidance from the privacy and security committee and the executive compliance committee. Each hospital has an assigned employee who acts as a hospital HIPAA officer (HHO). The HHO's role is to coordinate the privacy function at the hospital level and act as a liaison between the privacy officer and the hospital.

Privacy requirements and expectations are spelled out in our HIPAA Policy and Procedure Manual, which is accessible to all employees on our intranet. All employees receive detailed training on what constitutes PHI and procedures for the appropriate collection, usage, retention, disclosure and destruction of PHI within 30 days of hire and annually thereafter. We employ both physical and electronic safeguards to protect PHI, including card only access to certain areas, encrypted electronic transmissions, required quarterly system access reviews, electronic auditing functions to help identify inappropriate system access and centralized mobile device management. We require a Business Associate Agreement when entering into agreements with companies that handle, use, distribute or access patient PHI. Our compliance department maintains and publicizes a telephone line and email address that may be used to report possible violations of these and other HIPAA requirements or our privacy policies or standard practices.

The privacy officer and if warranted, additional staff from across departments such as legal and IT, investigates all possible data breaches. They perform root cause analyses on all substantiated breaches, taking appropriate actions to mitigate consequences of an existing breach while also applying safeguards to prevent future failures. They also monitor breach activity and reports to the privacy and security committee, executive compliance committee and the compliance and quality of care committee of our board of directors. A third-party conducts an annual security simulation exercise where we test and prepare for our responses to cybersecurity and privacy breach related matters.



Our People

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

C.A.R.E. Fund

The C.A.R.E. Fund was created as a means for Encompass Health employees to assist their colleagues in the face of adversity. Employees may contribute to the fund either through a one-time donation or payroll deduction to assist employees impacted by a presidentially declared major disaster. To ensure the fund is always prepared to assist our employees, Encompass Health is proud to match all donations given to the C.A.R.E. Fund dollar for dollar.



Employees at Encompass Health Rehabilitation Hospital of Manati in Puerto Rico thanked employees for their contributions to the C.A.R.E. Fund following Hurricane Maria, which devastated the island in 2017.

The Fund has assisted over 600 employees impacted by six different hurricanes.

Hurricane Matthew, 2016
over 90 employees

Hurricanes Harvey, Irma, & Maria, 2017
over 375 employees

Hurricanes Florence and Michael, 2018
over 150 employees

“I got the call from the C.A.R.E. Fund that we had been awarded funding, and with that, we were able to make the down payment on a camper and get our family out of the elements. Encompass Health was a blessing to my family. I’m thankful to work here and can’t imagine myself working anywhere else.”

— An Encompass Health Panama City employee, who lost her home during Hurricane Michael

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Education

Through grant and scholarship opportunities, we are committed to assisting future healthcare employees and funding important research to benefit our patients. Some of those opportunities include:

Encompass Health and Chamberlain University

Encompass Health teamed up with Chamberlain University to offer its nurses an opportunity to seek higher education at a reduced rate. Through the partnership, nurses can advance their degrees at a tuition rate of 20 to 50 percent of the total program cost, depending on the program, which include a registered nurse with an associate's degree to bachelor of science in nursing degree, master of science in nursing degree, doctor of nursing practice degree and other graduate and post baccalaureate certificates.

Tuition reimbursement/scholarship programs

Employees have the opportunity to advance their education through Encompass Health's tuition reimbursement and scholarship programs.

Academic endowments

Encompass Health has established five endowed scholarships for deserving students who are inspired to follow their calling to serve others through health professions, positively influencing healthcare and society. Scholarships were awarded to the following universities in 2018:

- University of Alabama
- Auburn University
- University of Alabama at Birmingham
- Samford University
- Tuskegee University

Encompass Health therapy grants

Each year, the Company awards grants to fund research projects aimed at the investigation of the impact and effectiveness of therapy in the inpatient rehabilitation setting or home health setting. In recent years, grants have been awarded to fund studies and research on topics ranging from caregiver education to the effectiveness of occupation-centered interventions. The program is open to employees, as well as other qualified candidates offering research projects aimed at improving rehabilitation in post-acute care.

"Samford revitalized my life. What this scholarship stands for is the most important thing to me." HANS RICE, SAMFORD UNIVERSITY

"I am very grateful and thankful ... Because of your scholarship, I am one step closer to graduating." NATASHIA FANNING, TUSKEGEE UNIVERSITY

"Thank you ... This scholarship has directly impacted my family." ERIC GONZALEZ DIAZ, SAMFORD UNIVERSITY

"Thank you for supporting me ... and allowing me to continue my dreams. Your generosity truly makes a difference." NINA BATTLE, TUSKEGEE UNIVERSITY

"I really have a heart for missions, and I love getting to do service learning projects as part of my curriculum." JOY DEES, SAMFORD UNIVERSITY

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Talent development

Developing talent internally and attracting top talent is an integral part of our recruitment and retention strategies. We recruit from top professional organizations across the country as a way to source talent with diverse experiences and backgrounds. We have identified top colleges for nursing, therapy and healthcare administration to recruit candidates. We have also implemented programs to develop future hospital chief executive officers and chief nursing officers, which are two of the most critical positions in our hospitals. These programs provide an experiential and hands-on development opportunity for internal and external candidates to fill these critical positions.

Employee development programs include but are not limited to:

- **Career Ladders** – Paths to develop, demonstrate, and be rewarded for expanded responsibility in nursing and therapy
- **Online Development Library** – Access to a wide range of readily available internal and external content on many topics important for success in current or desired jobs
- **Developing Future Leaders** – Develops nurses and therapists for supervisory positions, and develops nurse and therapy supervisors for higher level positions
- **Leadership Precepting** – Provides new leaders 6-12 months of structured mentoring from experienced, high-performing peers.
- **Leadership Coaching** – Provides six months of executive coaching to high performing leaders
- **Developing Future Chief Nursing Officers** – Provides 12-18 months of intensive on-the-job experience to develop participants for future chief nursing officer job openings
- **Developing Future Chief Executive Officers** – Provides 18-24 months of intensive on-the-job experience to develop participants for future hospital chief executive officer openings

“From hiring the first employee to opening the doors, the Developing Future CEOs program gave me a deep understanding of those key areas of operations and really prepared me for my role as CEO of Encompass Health Franklin. It was an invaluable experience.”

— Scott Peterson, CEO of Encompass Health Rehabilitation Hospital of Franklin

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

[Succession planning](#)

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Succession planning

We annually review our talent to identify potential successors for key positions and to identify candidates for accelerated development based on their performance and potential. This process supports business continuity during management transitions. It includes an assessment of each employee's promotability based on a set of leadership core competencies defined as part of the Company's talent strategy. There are times we have to hire externally, but we always look to promote within when possible.

In addition to executive and management succession, the Nominating/Corporate Governance Committee regularly oversees and plans for director succession and refreshment of our board of directors to ensure a mix of skills, experience, tenure and diversity that promote and support our long-term strategy. In connection with ongoing long-term succession planning, the Nominating/Corporate Governance Committee engaged a search firm to identify director candidates for our board in anticipation of replacing the directors who are approaching the tenure limits set forth in our [Corporate Governance Guidelines](#) over the next few years.

We added three new directors to our board as of Jan. 1, 2020 as part of that succession planning process.





Our Communities

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Charitable giving

Encompass Health is committed to making a difference in the communities it serves by providing financial and volunteer support to non-profit organizations in local communities.

Our Home Office, as well as our individual locations, focus charitable giving in the following five areas:

- **Rehabilitation-related healthcare:** Charities that focus on providing information, research or treatment in the healthcare arena. Special consideration is given to organizations conducting physical rehabilitation research and patient support.
- **Human services:** Charities that focus on supporting human service organizations, particularly ones that improve the lives of those who are at risk or are facing unique challenges.
- **Education:** Charities that are committed to education as a means of helping young people prepare for the future with special consideration given to schools serving low- or moderate-income communities. Also included in this focus area are higher education initiatives and training programs, particularly those relevant to the healthcare industry.
- **Art and culture:** Encompass Health believes art and culture make life more vibrant for everyone.
- **Diversity:** Organizations that focus on creating and maintaining an environment that fosters and promotes diversity and opportunities for higher education in the minority community.

Each year, we give nearly

\$2 million



In addition to monetary donations, locations also routinely take part in fundraisers and local charity events.

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

United Way

Together to End Stroke

While stroke is one of our top treated conditions, Encompass Health still has a great opportunity to expand our stroke market share. Research from the American Stroke Association's Guidelines for Adult Stroke Rehabilitation and Recovery shows that of the 800,000 patients who have a stroke each year, two-thirds will require rehabilitation. Encompass Health currently is treating approximately 32,000 stroke patients per year. To increase awareness of stroke deficits, risks and treatment options in 2019 we began a three-year strategic sponsorship of the American Heart Association and American Stroke Association's Together to End Stroke initiative. Through our sponsorship, we are developing educational materials for healthcare professionals and patients/caregivers as well as providing local sponsorships and educational activities at 20 Go Red for Women luncheons to highlight strong patient outcomes and how our care differs from other providers. We will also continue to share the findings from the 2016 AHA/ASA guidelines that state, "Stroke survivors who qualify for and have access to inpatient rehabilitation facility care should receive treatment in an inpatient rehabilitation facility in preference to a skilled nursing facility." A JAMA article published in December 2019 also supports the guidelines concluding that "inpatient rehabilitation in IRFs for patients with stroke was associated with substantially improved physical mobility and self-care function compared with rehabilitation in SNFs."



123

Encompass Health
hospitals holding
stroke-specific
certifications from [The Joint Commission](#) as
of Dec. 31, 2020

One of the first co-branded educational materials from our sponsorship is the Life After Stroke guide, which is available in [English](#) and [Spanish](#) and may be downloaded. Since we launched the guide in March, there have been approximately 43,000 downloaded and distributed from our website or the AHA/ASA website and our print shop.

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

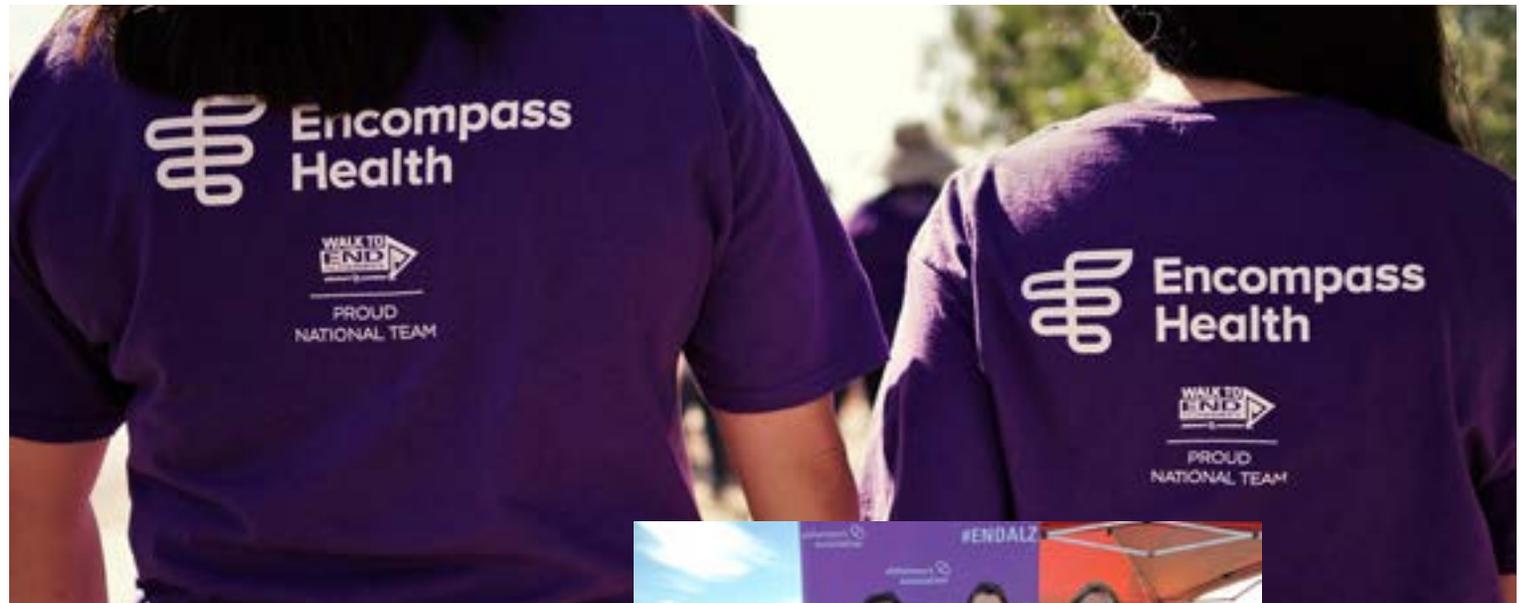
Together to End Stroke

Walk to End Alzheimer's

United Way

Walk to End Alzheimer's

Encompass Health employees have come together to support The Walk to End Alzheimer's, forming teams to raise funds and awareness of Alzheimer's and other types of dementia impacting our communities. Starting in 2018, the Company became a Gold National team, exceeding its \$250,000 fundraising goal. Encompass Health's fundraising efforts last year earned the Company the No. 9 spot on the list of top performers nationwide.



Encompass Health employees across the country participate in the Walk to End Alzheimer's.

\$276,000

2018 fundraising

No. 9

Rank among top national teams

A letter from Mark Tarr

Our Company

About us

Board of Directors

The Encompass
Health Way

Our Approach

Ethics & Compliance

Inclusion & Diversity

Cybersecurity

Environmental Initiatives

Supply Chain Operations

Our Patients

Our commitment to quality

Quality initiatives

Clinical collaboration

Patient privacy

Our People

C.A.R.E. Fund

Education

Talent development

Succession planning

Our Communities

Charitable giving

Together to End Stroke

Walk to End Alzheimer's

[United Way](#)

United Way

United Way supports a network of health and human service organizations to improve the lives and conditions of the community. Our Home Office is proud to serve as a pacesetter for the United Way of Central Alabama.



Encompass Health employees volunteer at a local Habitat for Humanity build. The organization is one of many supported by the United Way.

Percentage of Home Office employees contributing:

82% **75%**
2019 2018

Home Office employee and corporate total gift:

\$476,000
2019

\$415,000
2018



This is only part of sustainability at Encompass Health. Learn more about [the people and the stories](#) that are helping sustain Encompass Health and its patients, people and communities for generations to come.