Encompass Health

Q4 2018 Earnings Call

February 8, 2019

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
Matt Larew – Analyst, William Blair & Co. LLC
Matthew D. Gillmor – Analyst, Robert W. Baird & Co., Inc.
Sarah E. James – Analyst, Piper Jaffray & Co.
Brian Gil Tanquilut – Analyst, Jefferies LLC
A.J. Rice – Analyst, Credit Suisse Securities (USA) LLC
Kevin Mark Fischbeck – Analyst, Bank of America Merrill Lynch
Peter Costa – Analyst, Wells Fargo Securities LLC
Patrick Feeley – Analyst, Barclays Capital, Inc.
Kevin Ellich – Analyst, Craig-Hallum Capital Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to Encompass Health's Fourth Quarter 2018 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'll now turn the call over to Crissy Carlisle, Encompass Health's Chief Investor Relations Officer.

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

Thank you, operator, and good morning, everyone. Thank you for joining Encompass Health's fourth quarter 2018 earnings call. With me on the call in Birmingham 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; Andy Price, Chief Accounting Officer; Ed Fay, Treasurer; and Julie Duck, Senior Vice President of Financial Operations. April Anthony, Chief Executive Officer of our Home Health and Hospice segment also is participating in today's call via phone.

Before we begin, if you do not already have a copy, the fourth 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 that could cause 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 and the Form 10-K for the year ended December 31, 2018 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, reconciliation to the most directly comparable GAAP measure is available at the end of the supplemental information, at the end of the related press 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 and 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 to everyone joining today's call. The fourth quarter was another strong quarter for Encompass Health and a great conclusion to 2018. Before I get into the specifics of our financial results, I wanted to address one item highlighted in our earnings release. We have accrued a loss contingency of $48 million related to an investigation by the Department of Justice regarding of alleged improper or fraudulent Medicare and Medicaid claims.

As we previously disclosed, this investigation has been pending since 2013, and we've cooperated fully. We are not aware of any evidence of fraud, falsity or wrongdoing. However, based on recent discussions with DOJ and having considered the burdens and distractions associated with continuing the investigation and the likely costs of future litigation, the company now estimates a settlement value of $48 million. Although we are hopeful we can conclude these matters, discussions are ongoing and we can provide no certainty about the nature, timing or likelihood of a settlement. Given the sensitive and confidential nature of the discussions, we can't say more about it at present.

Now, let's move on to our financial results. Doug will cover the fourth quarter in his comments; I'm going to comment on the full year. During 2018, our company increased consolidated revenues by 9.3% and consolidated adjusted EBITDA by 9.5%. This growth was driven by strong organic volume growth in both of our business segments. Same-store discharge growth in our inpatient rehabilitation segment was 2.8% and same-store admission growth in our home health was 5.6%.

The growth in adjusted EBITDA, along with favorable working capital changes resulted primarily from improved collections of accounts receivable yielded $538.1 million in adjusted free cash flow for the full year, an increase of 14.8%. We used our free cash flow to fund growth opportunities in both of our business segments and to invest in our strategic initiatives.

Relative to growth, we opened four new hospitals and expanded our existing hospitals by 26 beds. The 26 number was less than our target of 100 beds, but remember that we added 166 beds in 2017, and we

expect to add 150 or more beds in 2019 to our existing hospitals. We also added 23 home health locations and 22 hospice locations, with the majority of those coming from the acquisition of Camellia Healthcare in May.

In terms of our strategic initiatives, in 2018, we completed our rebranding and name change, advanced our use of data analytics, continued the development of post-acute solutions and increased clinical collaboration between our two segments. Our clinical collaboration rate for 2018 was 34%, an increase of 450 basis points over 2017, and the number of Encompass Health IRF patients who receive the benefits of clinical collaboration increased 20%.

Remember, the primary objectives of clinical collaboration are to improve the patient experience and outcomes, and to reduce the total cost of care across a post-acute episode. We continue to see increasing evidence these objectives are being achieved. The coordination between our IRF and home health teams is resulting in lower discharges to skilled nursing facilities and higher discharges to home in overlap markets. And within our overlap markets, patient satisfaction scores are increasing, while hospital readmission rates are decreasing.

Our priorities for 2019 build on the momentum carrying over from 2018. In 2019, we continue to be focused on growth. We have four new hospitals scheduled to open in 2019, including one in Boise, Idaho, which is a new state for us. We also have $50 million to $100 million earmarked for home health and hospice acquisitions.

We will also focus on continuing to build our stroke market share. In 2019, we're excited to officially launch our three-year strategic sponsorship with the American Heart Association/American Stroke Association. This sponsorship allows us to bolster stroke awareness through provider, patient and community education, highlighting the 2016 AHA/ASA guidelines that strongly recommend stroke patients be treated in an inpatient rehabilitation hospital rather than a skilled nursing facility.

With 112 of our inpatient rehabilitation hospitals holding stroke-specific certifications from The Joint Commission, we believe we are well-positioned to continue to build market share in stroke. We will use data analytics to determine where stroke patients are being discharged in each of our markets and we will present patient outcome data for those patients to providers and payers to demonstrate our value proposition.

Another area of focus in 2019 is our continued development of post-acute solutions. Our post-acute solutions leverage our clinical expertise, large post-acute data sets, EMR technology and strategic partnerships to drive improved patient outcomes and lower cost of care across the entire episode of care.

In 2018, we developed a 90-day post-acute readmission prediction model, piloting it at two of our hospitals. In 2019, we will continue to refine the model and deploy to additional EHC hospitals. These enhanced capabilities are facilitated by the investments we've made in the IT platforms in both of our business segments, as well as our strategic relationships with Cerner and Medalogix. With these growth and operational initiatives underway, we are reaffirming our 2019 guidance as communicated last month.

Full year 2019 guidance for net operating revenue is between $4.5 billion and $4.6 billion, while full year guidance for adjusted EBITDA is between $925 million and $945 million. Full year adjusted EPS guidance is a range of $3.71 to $3.85 per share. 2019 will also include a focus on reimbursement payment model changes scheduled to become effective in 2020 for both of our business segments.

As we've discussed previously, beginning October 1, 2019, CMS will remove the Functional Independent Measure (sic) [Functional Independence Measure] (00:11:10) or FIM tool from the IRF Patient Assessment Instrument. The FIM tool will be replaced by a new patient assessment tool called, the CARE Tool. This new patient assessment tool has been used concurrently with the established Functional Independent Measure (sic) [Functional Independence Measure] (00:11:27) since the CMS fiscal year 2017. Guidance from CMS on the new functional assessment tool continues to be released as questions from the industry are brought forward.

Our efforts in 2019 to prepare for the implementation of the new payment system will include improving the documentation that captures each patient's functional abilities. One of the ways we will do this is by using data analytics to compare the functional status of patients measured using the FIM tool to patients using the CARE Tool. We will measure the correlation between our hospitals as they use the CARE Tool to ensure consistent patient assessments across our staff or interrater reliability. All this data can be shared with CMS to address implementation concerns and can be used to refine our education efforts on specific hospitals.

Our primary area of concern with the new payment system is the accuracy and completeness of the data used to build the new payment system as it is likely to require CMS to make substantial changes to the case mix groups or CMGs, relative weights and average length of stay values or the IRF-PPS. We expect to know more about the changes to case mix groups and the new system's impact on our pricing once the fiscal year 2020 proposed rule for IRFs is released in late April or early May.

In home health, CMS is replacing the current home health prospective payment system with the patient-driven groupings model or PDGM. Among other changes, this system will revise the current 60-day episodic payment to 30-day payment periods. Reimbursement under this new system also relies more heavily on a patient's clinical characteristics and eliminates therapy service use thresholds.

In addition, to achieve budget neutrality, CMS assumed behavioral changes will offset a 6.4% reduction in the base rate. We will spend 2019 preparing ourselves for these changes. Our preparation will include the continued use of technology to generate objective, evidence-based care plans and to drive incremental efficiencies and administrative support functions.

We don't expect to have any additional updates regarding PDGM until the calendar year 2020 proposed rule for home health is released in late June or early July. We will continue to work individually and as part of our trade associations to provide feedback to CMS and Congress on both new payment systems, but we assume these payment systems will go in place as is and are preparing now. If these systems go into effect as currently designed, their implementation could make 2020 a little bumpy for providers. However, that does not change the long-term outlook for our company which is predicated on demographic trend driving increasing demand for the services we provide.

We believe we're well-positioned as a company to work through these changes and we have a proven track record of being able to do so. We have successfully managed through economic recessions, regulatory changes, sequestration and Medicare payment freezes and cuts, growing adjusted EBITDA in 39 of the last 40 quarters. We provide necessary services to an aging population and consistently produce high-quality patient outcomes in a cost effective manner. As the population continues to age, the demand for facility and home-based services will grow, and we will meet that demand with enhanced capabilities and expanded capacity.

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

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

Thank you, Mark, and good morning, everyone. Q4 was another strong quarter with regard to our operating and financial results. Our Q4 consolidated revenues increased 8.6%, adjusted EBITDA increased 6.5%, and adjusted EPS increased 14.3%. We had an exceptionally strong year in terms of cash flow generation, with adjusted free cash flow for 2018 of $538.1 million, up 14.8% over 2017. The growth in cash flow was driven by the increase in adjusted EBITDA and favorable working capital changes, primarily related to improved collections of accounts receivable.

Our strong cash flow generation during 2018 facilitated $267 million in capacity expansions across both business segments and allowed us to fund $100 million in common stock dividends and $65 million in Home Health Holdings rollover share purchases, while reducing funded debt by $63 million. We ended

the year with our leverage ratio at 2.8 times, down from 3.1 times at the end of 2017, and with our balance sheet well-positioned to support continued investments in capacity growth, strategic initiatives and shareholder distributions.

During 2018, we achieved our objectives for growth investments, opening four new IRFs and consummating $144 million of home health and hospice acquisitions. These investments furthered our strategic positioning by increasing the number of IRF and home health overlap markets from 76 to 81, and building the scale of our hospice service line, which grew revenues by 66% in 2018 and now exceeds $115 million in annual revenues.

Moving to the results by business segment, IRF revenues grew 5.4% in Q4, driven by discharge growth of 3.6%, 1.9% same-store, and a 2.2% increase in net patient revenue per discharge. Same-store discharge growth in Q4 was negatively impacted by approximately 50 basis points due to the continued disruption in the Panama City, Florida market, attributable to Hurricane Michael.

Revenue reserve related to bad debt increased by 50 basis points to 1.5% in Q4, primarily due to new pre-payment claims denials and post-payment reserves for Medicare Advantage contractual claims reviews with one managed care organization. New pre-payment claims denials for Q4 reached the highest level since Q3 2017, primarily due to TPE activity at MACs other than Palmetto.

Our experience resolving claims for the TPE process remains generally positive and we still do not have a sufficient track record TPE to suggest that the level of new pre-payment claims denials experienced in Q4 represents a new run rate. Once again, little to no progress has been made resolving the enormous backlog of claims through the ALJ appeals process.

The Medicare Advantage contractual claims review was a new event. Our discussions with the MCO regarding these reviews have thus far been productive and we are cautiously optimistic this will not be a chronic situation. Nonetheless, our experience in Q4 2018 on both prepayment and post-payment claims denials informs the 2019 guidance consideration of reserves related to bad debt in a 1.4% to 1.6% range.

IRF segment adjusted EBITDA for Q4 increased 2.2% to $211.7 million. Revenue growth for the quarter was partially offset by increases in SWB and other operating expenses as a percent of revenue. SWB increased by 80 basis points over Q4 2017 to 51.7%, primarily due to increased group medical costs and to a lesser extent the ramp up of new stores.

We talked a lot about our expectations for group medical cost to normalize during 2018 and the second half of the year served to validate that assumption. We ended 2018 with group medical costs of 9.3% for the year, with the increase most pronounced in Q4 due to both an increase in claims activity and a favorable reserve adjustment in Q4 2017.

Our 2019 guidance considerations include an increase of 6% to 8% in bad debt expense, which we believe is in line with the expected level of healthcare cost inflation. Our labor productivity improved for the quarter as EPOB decreased to 3.48 from 3.50 in the prior year. The deleveraging in the other operating expense line was driven by the incurrence of repairs and maintenance cost at our Panama City, Florida hospital which was damaged by Hurricane Michael.

Turning now to our home health and hospice segment, Q4 revenue increased 21.3%, with strong growth in both the home health and hospice service lines. Home health revenue growth was driven by volume as admissions for Q4 increased 10.7%, with same-store up 5.4% and new store growth resulting largely from the acquisition of Camellia.

We continue to make good progress on the integration of the Camellia acquisition and are pleased with the results we have generated thus far. Similar to our IRF segment, we estimate that the disruption to the Panama City market negatively impacted same-store admissions growth by approximately 50 basis points in Q4.

Home health and hospice segment adjusted EBITDA increased 28.2% as we generated operating leverage across both cost of services and support and overhead cost. The leverage within cost of services stemmed from our continued focus on caregiver optimization and productivity in home health and from increased scale efficiencies in hospice. The leveraging support in overhead cost is attributed primarily to scale economies.

Now, while it is our practice to provide annual guidance only, we believe a few reminders about factors potentially impacting the pacing of quarterly earnings growth in 2019, particularly between Q1 and Q4, may prove useful to you. Q1 2018 benefited from the lowest revenue reserve for bad debt of the year at 1.1% and from a non-impacted Panama City market. Q4 of 2018 conversely had the highest revenue reserve for bad debt at 1.5% and a significantly disrupted Panama City market. As we enter 2019, the Panama City market is recovering, but it's still contributing below its normalized run rate. We expect the market to continue to recover as we progress through the year.

Finally, Mark mentioned that we hope to bring on approximately 150 beds via a bed additions in 2019. None of those beds will be online in Q1, and we expect to enter Q4 with approximately 120 of those beds operational. These factors benefiting Q4 2019, notwithstanding the pricing impact from the transition to the CARE Tool remains unknown at this time.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Whit Mayo of UBS.

<Q – Whit Mayo – UBS Securities LLC>: Hey, good morning. I think we all get the clinical focus on the stroke patients and the opportunities that you see for the rehab hospitals, but PDGM seems to create a clear incentive for stroke or neurological cases as well, and it seems like almost every home health operator has stressed this is a patient population that they are interested in. Is this a risk for you or do you see this more of an opportunity to collaborate between your rehab hospitals and home health, just trying to reconcile this?

<A – Mark Tarr – Encompass Health Corp.>: Yeah. Hey, Whit, this is Mark. I'm going to make couple of comments and then ask April to expand on it. No, we see this is an absolute opportunity. Since 2014 and our collaboration efforts between our two business segments, we've been increasing the opportunity from a clinical standpoint. Both our hospitals and our home health agencies have well-coordinated, collaborated clinical programs that offer an opportunity to benefit the stroke patients that we have, converting from our hospitals into our home health sites or directly into our home health locations. So with that, let me ask April to expand on that.

<A – April Anthony – Encompass Health Corp.>: Yeah, Whit, we definitely see that in PDGM there are payment shifts that are going to be more valuable for patients that have that traditional heavy nursing influence. And so, we think that programs continue to align, but I want to also stress that although patient mix is certainly important in PDGM, we've been down this road before even in the HHRG system when our competitors started to try to shift away, don't take any outlier, diabetic type patients and we just continue to think that the right thing to do is to learn how to create an efficient model that allows us to take all patients. And although we will certainly do our best to drive our opportunities to bring in patients that have higher nursing acuity, patients that are more facility-based, there are some obvious places to pursue, we also want to be clear that we're not going to start playing a cherrypicking game. But we just think that we've got patients that qualify for home health services and we're going to provide those services and we'll use our operational efficiencies and our acumen in managing care plans to do so efficiently for all patients.

<Q – Whit Mayo – UBS Securities LLC>: That's helpful. And maybe just one last one on the rebranding efforts and then the cost have come in a little bit less than you had expected. Just curious, Mark, Doug, what you guys have learned through this process? What the feedback's been in the field, in the market, with your current partners, future acute partners, just maybe how this broadly ties into your post-acute strategy?

<A – Mark Tarr – Encompass Health Corp.>: Yeah. Whit, as you know, we completed the rollout in January to all of our markets for the rebranding initiatives and I'll tell you, first of all, our teams did a great job in rolling that out across their various marketplaces that went extremely smooth. The feedback we've been getting back from our referral sources and our joint venture partners and our own internal staff is that the branding initiative has initially been very successful. It has eliminated any confusion in the marketplace between Encompass Health sales and HealthSouth. We're now under one name, one brand and will help to advance our continuum from a integrated post-acute service provider.

<A – Doug Coltharp – Encompass Health Corp.>: Yeah. Hey, Whit, it's Doug. Just to elaborate on that, one of our primary goals in just getting through the actual rebranding of the field assets was to first do no harm, in other words, not providing an opportunity in the marketplace for our competitors to perceive some disruption and some confusion about the rebranding. We believe that we successfully navigated that through the course of 2018 getting all of the field assets rebranded. And now, we just like to see what we can do to leverage the brand that we have in place on a go-forward basis.

Certainly, specific partnerships like that we formed with the American Heart Association/American Stroke Association are examples of what we think we can do. But overall, we had high expectations for the rebranding effort, and thus far, they have been exceeded.

<Q – Whit Mayo – UBS Securities LLC>: Great. Thanks.

Operator: Your next question comes from the line of 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. Thanks for taking my question. I first wanted to ask about EBITDA margins in 2019. In 2018, you did modestly expand them, and there are better rate updates in play for 2019. So I understand there are costs associated with CARE Tool, PDGM prep and then salaries and benefits growth. But, Doug, maybe could you just talk about where there might be opportunities for upside or downside to EBITDA margin, because I think right now guidance implies around 50 basis points of deterioration in 2019?

<A – Doug Coltharp – Encompass Health Corp.>: You're exactly right, Matt. And you've got some puts and takes that are embedded in our 2019 guidance. So weighing on the positive side, and as we just discussed, we're largely completed with our branding expenditures in 2018, and maybe a little bit of trickle over into the first quarter of 2019. And we will also have a full year contribution from Camellia in 2019. And then on top of that, as you just mentioned, for the first time in a long time, we've got Medicare price increases in 2019 in both segments. So those are on the positive side.

On the other side of the ledger, and potentially creating a little bit of pressure on the consolidated EBITDA margin, we've received the hurricane insurance proceeds in 2018 and we have no assurance on when or to what magnitude we'll have any recoveries from the Hurricane Michael impact in 2019. We discussed in our comments that we have the lingering effect of Panama City in both business segments. We expect IRF bad debt to be up over 2018 and, again, provided some evidence of that with regard to Q4 2018, even though we've been successful with TPE and are making progress with that MCO.

And then, even with the price increases in both business segments, we'll be de-levering against the SWB line item predominately because of the level of expected benefits increase and then we will continue to be making incremental investments both in strategic initiatives such as the post-acute solutions and in preparation for the 2020 payment model revisions, as well as RCD. So when you throw all of that into the soup, I think there's a little bit more pressure on the headwinds versus the tailwinds, and that leads to potentially some implied margin compression. Let's hope it doesn't come to fruition, but we felt that was the most prudent way to lay it out for you.

<Q – Matt Larew – William Blair & Co. LLC>: Okay. Understood, Doug. That's helpful. And then – so that was about 2019. The second one would be more about 2020. Obviously, we'll see what happens with regards to some of the reimbursement changes, but you're certainly planning for them to be implemented as written and you do have net leverage right now, I think, the lowest in about five years. Doug, could you just maybe talk about how you're thinking about positioning the balance sheet going into 2020, where you might have an opportunity to pursue some other shareholder accretive activities to offset any headwinds you might encounter on the operational side on home health and IRF.

<A – Doug Coltharp – Encompass Health Corp.>: Yeah, absolutely. Certainly, the very strong free cash flow that both Mark and I referenced for 2018 help put us in even a better position at the end of 2018 with regard to the overall balance sheet and leverage. We do think that as we head into 2020, it's an appropriate time to have a little extra capacity in the balance sheet, because we think it could open up some incremental consolidation opportunities in both of the business segments. But we want to be clear also that we're not putting the brakes on pursuing those opportunities through the course of 2019.

We believe that there are a number of assets that are at or about the same scale of Camellia that could be actionable here in the near-term. And to the extent they fit within our franchise and do things like increase the number of overlap markets and the opportunity for clinical collaboration, we'll be

appropriately aggressive in pursuing those. And we continue to believe that it's appropriate, given the demographic tailwind, seek to build incremental capacity and market share in the IRF space. So, the prioritization for spending free cash flow and how we might use some of that excess balance sheet capacity really hasn't shifted.

<Q – Matt Larew – William Blair & Co. LLC>: Okay. Thanks for the detail.

Operator: Your next question comes from the line of Matthew Gillmor of Robert 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, good morning. Thanks for the question. Maybe following up on some of the stroke conversation, you talked about the partnership formally launching this year. Can you talk about some of the activity that will take place over the next three years? And then also remind us about your overall market share? My sense is most of those patients are still going to SNFs, but just kind of curious what your overall share is for those patients today?

<A – Mark Tarr – Encompass Health Corp.>: Yeah. Matt, I'm going to ask Barb Jacobsmeyer to elaborate on it. She is one of the leaders in the American Heart Association partnership.

<A – Barb Jacobsmeyer – Encompass Health Corp.>: Yeah. So, we've been working – actually all of 2018, we've been working with the Heart and Stroke Association to co-develop and co-brand a Life After Stroke Guide that's going to be available to our patients, our caregivers and the healthcare providers. Part of that guide does reinforce the Stroke Association's recommendation that came out a few years ago regarding the recommendation that stroke survivors receive their care in an inpatient rehab hospital. So, these are going to be available to everyone via the Stroke Association's website as well as ours and various channels that will be available to healthcare providers as well. So, that's kind of the first thing that we've worked with them on.

And then we are having some strong presence, we're starting in 20 pilot markets as their Go Red for Women luncheons where there's usually a really high attendance of local leadership at these luncheons. And we will be spending a lot of effort to educate on stroke awareness and again reinforcing where stroke patients should receive their rehabilitation care. So that's kind of the first thing that will come out in 2019 and then we continue to work on other things we'll do this year as well as the next two years.

<A – Mark Tarr – Encompass Health Corp.>: Matt, in terms of stroke market share, I think what we would stress to you is that there's a lot of headroom for growth there. So there are approximately 800,000 strokes per year in the U.S. and we treat currently in our IRFs about 31,000 of those, with that number growing on average over the last three years for us at about a 6% clip. There are roughly 640,000 strokes that aren't resulting in a death and then aren't currently coming to us, and too many of those are winding up in SNFs where they really aren't getting the level of treatment that they require. So, we're going to spend 2019 utilizing our clinical expertise and the results and the advocacy that we've been generating for stroke patients who come through us to sell that value proposition to other referral sources and to capture market share that is currently going to other SNFs or to lesser performing IRFs.

<A – Doug Coltharp – Encompass Health Corp.>: So Matt, we saw this as a great strategic opportunity not only to advance our initiatives and growing our stroke market share, but also just in our overall branding initiative as a whole as just a next step to lever this Encompass Health brand.

<Q – Matt Gillmor – Robert W. Baird & Co., Inc.>: Got it. Thanks. And then following up on some of the PGDM (sic) [PDGM] (00:37:27) comments, Mark, you talked about the development of some of these evidence-based care plans and I know it may still be early, but could you maybe just kind of describe some of the changes that may take place in those care plans that you're developing?

<A – Mark Tarr – Encompass Health Corp.>: Yeah. Like many things that we're doing in our company right now, we're utilizing data analytics with the help of Medalogix to advance our cause on this. I might ask April to expand on it, but Matt, it's yet another opportunity for us to use this available data and through our IT systems that we have invested in over the years.

<A – April Anthony – Encompass Health Corp.>: Yeah. What we're finding with Medalogix, it's a tool that goes back and really uses our best practice, so it's not trying to force fit some other organization's practices into ours, but really looking at the best practices from the years past within our own organization and saying how can we learn from the greatest success that we've had in our own past with the use of our resources and utilize that same – that knowledge to achieve the same results for the next patient.

And so what we're finding, we've rolled out this tool really for about the last 18 months, we've been using it in our non-Medicare patient population that we have in the Houston area, we've now begun to expand it beyond the Houston area and beyond the non-Medicare population, and consistently are finding the opportunity to achieve the same high-quality outcomes in a visit to two visits less, depending on the scenario. And that ability to really hone the utilization practice based on our own historical best practice is what we're trying to leverage. It's simply the knowledge of this is what we've done best; go do it again. And that's – we're finding that it's very consistently allowing us to achieve those outcomes with a more efficient care plan model. And it's not changing the way we deliver care, it's just leveraging the knowledge of how we delivered care most effectively in our history, making sure we do that in the future.

<Q – Matt Gillmor – Robert W. Baird & Co., Inc.>: Got it. Thanks very much.

Operator: Your next question comes from the line of Sarah James of Piper Jaffray.

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

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

<Q – Sarah James – Piper Jaffray & Co.>: Thank you. Good morning. So, I wanted to better understand the current exposure to performance bonus payments and the opportunity. Can you give us an idea for both IRF and home health, what percent of your Medicare Advantage contracts include a component of performance bonus? And then, what percent of the revenue per discharge or admission that bonus makes up?

<A – Mark Tarr – Encompass Health Corp.>: It's a relatively small percentage on the IRF side. It's a little bit larger – to some extent, it's not really a bonus incentive, but there's more of a risk sharing on a couple of Medicare Advantage contracts that have been placed on the home health side. I would say, generally speaking, our experience has been that we are actually more willing and perhaps in some ways more prepared to engage in a risk sharing which we have, I suppose if you'd like a gain sharing component of it as well with the MA plans than they have expressed an interest in thus far.

I will say that one of the things that we've talked about before is just the progress that we have made selling our value proposition to Medicare Advantage plans. And you saw a lot of evidence of that in Q4 as well, both in terms of the relative growth from a payer mix perspective in our Medicare Advantage book of business versus Medicare fee-for-service, we were encouraged by that.

And during the fourth quarter, the gap between Medicare fee-for-service payments and Medicare Advantage payments continued to narrow. For the full year of 2018, that gap was approximately 13%, for a number of reasons it was even lower in the fourth quarter. And the percentage of our Medicare Advantage payments that are on a contractual basis versus a per diem basis is in excess of 70% right now. So that's kind of an indirect way of answering your question. Low percentage of actual bonus payments [ph] and/or (00:41:52) risk sharing with MA plans of continued progress in terms of selling the value proposition.

<Q – Sarah James – Piper Jaffray & Co.>: That's very helpful context. And just bringing that forward to 2019, that 13% gap in MA to fee-for-service payments, where could that go in 2019?

<A – Mark Tarr – Encompass Health Corp.>: It's hard to set a specific objective. The renewals for most of our MA contracts are in June. So we are gearing ourselves up for a lot of those [ph] recuts (00:42:23) in June. But I will tell you again, the progress that we've made in the fourth quarter where the gap was closer to 10% is encouraging and that might serve as an appropriate intermediate term objective.

<Q – Sarah James – Piper Jaffray & Co.>: Thank you.

Operator: Your next question comes from the line of Brian Tanquilut of Jefferies.

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

<Q – Brian Tanquilut – Jefferies LLC>: Hey, good morning, guys. Good morning. Guys, you've talked about the post-acute solutions offering. So I just wonder if you can give us some color in terms of your view on how that initiative or that new service offering that's differentiated will ramp and then how you think you can roll that out from, I'm guessing, currently with your hospital partners that offer health plans to a broader offering with different managed care plans and how does that hit the P&L over time?

<A – Mark Tarr – Encompass Health Corp.>: So, Brian, there's going to be number of us contribute to the answer, I'm going to ask Barb Jacobsmeyer, she's been involved with our two pilot sites that we rolled out this year and she can give some feedback on that and then we'll go over to Doug.

<A – Barb Jacobsmeyer – Encompass Health Corp.>: Yeah. So as far as the two pilot sites, I mean, the focus has really been on how can we start looking at not only preventing our patients going back to acute care while they're with us, but more importantly for our long-term value propositions, how can we make sure when our patients get home that they remain home. So, it's important for us to identify those patients that are at greatest risk of readmitting after they get home, so that we can work even more collaboratively with our home health and with other home health on specific things to prevent that readmission from occurring.

And so, right now, we're in the stages of these two pilots on refining the methodology that we're using, so that we're identifying those patients at highest risk and then identifying what are those actions that we're doing both from the IRF case management side and when we do the handoff to home health. What are those things that we can do that are really responding in a positive way in preventing those readmissions. So, we will be looking to increase the number of pilot sites here in the next few months. But at this point, we're really pleased with the results at the two pilots that we have.

<A – Doug Coltharp – Encompass Health Corp.>: Brian, to follow-up in terms of how we might expect to see this over a number of years impact the P&L, so we're in phase one right now and phase one is going to be investments, so just as we called out, as part of our 2019 guidance considerations and as we had discussed through the course of 2018, there's going to be some investment required for us to build these capabilities, appropriately pilot those, make sure that they're producing the types of results that we want and get them in place.

Phase two is what I would call as incremental growth. And so we would expect to benefit in both of our business segments in terms of referral patterns, in terms of increased clinical collaboration opportunities and in terms of new JV opportunities or incremental JV opportunities facilitating our development pipeline. And then phase three is, I think, going to be a new source of fee income, which is, as we begin to service an administrator and a coordinator of post-acute networks, predominately serving in that capacity on behalf of acute care systems in a particular market, we're going to expect to get paid for that and that will allow us over time to recoup the investment that we're making.

<Q – Brian Tanquilut – Jefferies LLC>: No, I appreciate that. Those are great answers. I guess my follow-up is for April. As I was thinking about PDGM and the discussions you're having with the CMS in

terms of the behavioral adjustments and I guess, maybe even the OIG, do you mind just giving us some updates on how those discussions are going or how they're going and the feedback you're getting from the administration?

<A – April Anthony – Encompass Health Corp.>: Yeah. I would say, at this time, our feedback is that they're going. We are having some meaningful conversations. CMS always place their cards pretty close to the vest as it relates to how they're receiving those conversations. So I don't think I could really put a good perspective on whether or not we're getting anywhere. I think, certainly, we're having credible conversations. Our points are being understood by the other side. How they'll ultimately respond to those is hard to know at this stage, but we are having the opportunity to share our perspectives and they're not – they seem to be resonating as far as an understanding level. So we'll be hopeful that that will result in some moderation in some – of some of rule elements that are problematic.

Operator: Your next question comes from the line of A.J. Rice of Credit Suisse.

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

<Q – A.J. Rice – Credit Suisse Securities (USA) LLC>: Hi, everybody. As we're talking about some of the investments you're making, I know in late 2017, you talked about the Post-Acute Innovation Center partnership with Cerner. Any update on that and how that fits in with some of the things you've talked about on the call?

<A – Barb Jacobsmeyer – Encompass Health Corp.>: Sure. This is Barb. So one of the things on the Post-Acute Innovation Center has been using the acute care data that we've been able to gain from Cerner as well as all of our data that we have in the EMR for our IRFs and our home care home base information so that we can have that full longitudinal record to be able to find the data elements that are most helpful in this predictive methodology that we're working on on reducing readmissions.

<A – Mark Tarr – Encompass Health Corp.>: I think we also made good progress on building the provider scorecard and that's going to be an essential element of allowing us to develop post-acute networks in any particular market, even in those markets where we don't have overlap. We want to make sure that when a patient is either being discharged from our IRF after an acute care stay or if it's not appropriate for them to come into the IRF and to go to another setting that we are aligned with absolutely the best providers in those markets, ranking them on their efficacy to date as they join the network, but most importantly making sure that they are adhering to the clinical protocols that are developed through these data analytics and then producing the types of results that we want to be produced.

<Q – A.J. Rice – Credit Suisse Securities (USA) LLC>: Okay. And then a follow-up, obviously, telehealth has become sort of a hot topic in the marketplace and a lot of different innovative things being considered there. Is there anything either with respect to your home health or your rehab business, IRF business that you're looking at telehealth being a facilitator or an avenue for incremental growth?

<A – Mark Tarr – Encompass Health Corp.>: A.J., it's Mark. I mean, we obviously aren't shy about utilizing technology and we think it advances our operational efficiencies or the opportunity to increase the level of care, whether it's in a home setting or facility setting. So we keep an eye on all the telehealth opportunities that are out there. We're not seeing anything right now that would be groundbreaking application for us. But if and when there's something available that we think that would be appropriate to roll out in either one of our segments, we would be prepared to move and implement such an opportunity.

<Q – A.J. Rice – Credit Suisse Securities (USA) LLC>: Okay. All right. Thanks a lot.

Operator: Your next question comes from the line of Kevin Fischbeck of Bank of America.

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

Operator: Kevin, your line is open. Please state your question.

<Q – Kevin Fischbeck – Bank of America Merrill Lynch>: Hey, sorry. Can you hear me now?

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

<Q – Kevin Fischbeck – Bank of America Merrill Lynch>: Okay. Good morning. Sorry about that. So, yeah, I had a question for you on the settlement that you guys disclosed today. I guess whenever there's an investigation and then a settlement, the market gets concerned about two things. One is the payment itself and then the other is kind of what actions you might have to take afterwards as a result of the settlement.

Is it fair to say that since you've found no evidence of wrongdoing and that this is a long-going investigation that you believe that your current operations are in line with how the government wants you to be running the business and you wouldn't expect run rate EBITDA impact from any kind of settlement going forward.

<A – Mark Tarr – Encompass Health Corp.>: Yeah. Kevin, we are very confident, as we've stated, that we have not been made aware of any wrongdoing or falsity and we're very confident that our operations moving forward are positioned well where they need to be and there will not be an interruption going forward.

<A – Doug Coltharp – Encompass Health Corp.>: We have a robust compliance effort. We take compliance in both of our business segments extremely seriously. We think that we have been engaging in appropriate activities and treating the right types of patients and treating them very well in both of those settings. We're not anticipating any changes to our business model as a result of any settlement that may arise out of these discussions.

<Q – Kevin Fischbeck – Bank of America Merrill Lynch>: Great. Thanks. And then as far as the IRF rate, I understand again that CMS has not given you the exact data you need to do the analysis yourself. But CMS did put out an impact analysis kind of saying that for-profit IRFs to see about a 2% rate cut. Is there a reason why that 2% off of the market basket is not a good starting point for you and that it might be significantly different from that number?

<A – Doug Coltharp – Encompass Health Corp.>: I think the primary reason – again, it's based on 2016 data and for reasons that we have discussed previously, we believe that that data is significantly flawed. It was data that was gathered at a time when CARE was being run simultaneously with FIM; FIM remained the basis for payment, and there were a great deal of ambiguities in the guidance from CMS that came out with regard to the utilization of the CARE Tool. So there was a very low level of interrater reliability, meaning that the same patients in different hospitals even within our franchise and certainly across different companies were being rated by the CARE Tool in a highly different manner that made that data highly unreliable. We expect to see some revisions to those CMGs and therefore, resulting revision in terms of the relative impact of various types of providers when the 2018 data is loaded in. And again, as Mark outlined in his comments, our expectation is that we'll get some glimpse of that by no later than the provision of the proposed rule for the IRFs in April.

<A – Mark Tarr – Encompass Health Corp.>: Doug, you may recall that initially CMS was going to roll out this new tool with only one year worth of data and we lobbied hard in D.C. along with the trade associations that they should have more than one year worth of data to make such a change. They added a second year, which is still not ideal, but certainly better than just one year worth of data to use as the ground for such a change.

<Q – Kevin Fischbeck – Bank of America Merrill Lynch>: But it sounds it's more...

<A – Mark Tarr – Encompass Health Corp.>: Kevin, if you look back over history, there have certainly been times when well-intended payment system revisions by CMS have resulted in unintended consequences. And what has happened in all of those cases is, even if there is a period of time when that

takes place, ultimately those are rectified. So, we're hopeful that the mapping to the CMGs will get better with the additional data that goes in and with some additional thought based on the feedback that has been provided by the industry to CMS. But even if it doesn't, we would expect any disruption to be at most temporary in nature.

<Q – Kevin Fischbeck – Bank of America Merrill Lynch>: But your sense is better data means less of a cut, not potentially more of a cut?

<A – Mark Tarr – Encompass Health Corp.>: That's correct.

<Q – Kevin Fischbeck – Bank of America Merrill Lynch>: Okay, great. Thanks.

Operator: Your next question comes from the line of Kevin Ellich of Craig-Hallum.

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

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

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

Operator: Sir, if your line is muted, please unmute it. Your next question comes from the line of Peter Costa of Wells Fargo Securities.

<A – Mark Tarr – Encompass Health Corp.>: Hi, Peter.

<Q – Peter Costa – Wells Fargo Securities LLC>: Good morning. Good morning. How are you? I wanted to ask you about 2020 and I know you're not giving guidance for 2020 at this point, but as we go from 2019 to 2020, do you think that some of the improvements that you're putting in place in 2019 to get ready for PDGM and then maybe for CMG changes, will show up as positives in 2019 before and then you get the negative at one point when the rates change, or do you think the spending, as you mentioned there's some headwind spending to get ready for PDGM and the CMG changes that you're doing now so that you end up with actually a positive going into 2020, or other step function changes that you can make that aren't necessarily referrals or productivity or something, but like a step function where you're going to get some improvement to counteract the rate changes?

<A – Mark Tarr – Encompass Health Corp.>: I think the prudent way to think about and the way that it's embedded in our guidance is that it's an investment through the course of 2019 to try to soften the blow in 2020. Certainly, some of the things that we're doing in preparation are things that we probably would have been doing anyway just to try to improve the efficiency of our business. And so, to some extent, those are always having a marginal incremental benefit as we progress through any fiscal year. So there's not a distinct line between the two of them, but the line items that we carved out in our guidance considerations are specifically related to investments to prepare ourselves during the course of 2019 with the advent of these payment model changes beginning in 2020.

<Q – Peter Costa – Wells Fargo Securities LLC>: And can you quantify that for us at all, the investment?

<A – Doug Coltharp – Encompass Health Corp.>: We did. Yeah, for the most part, we've given you the suggested level of investments in some of the new strategic initiatives which are part of that. The administrative cost that go along with that are a little bit harder to quantify. It's not a $1 million, it's not $5 million, so it's somewhere in that range.

<Q – Peter Costa – Wells Fargo Securities LLC>: Okay. Thank you.

<A – Doug Coltharp – Encompass Health Corp.>: And I say that not just to be in any way opaque. It's really just a matter of, we've got to get through the course of the year to see what's coming out of the

rulemaking cycles to determine how much if any incremental training and so forth we have to do to be fully prepared.

<Q – Peter Costa – Wells Fargo Securities LLC>: Makes sense. Thank you.

<A – Doug Coltharp – Encompass Health Corp.>: There's going to be some real-time adjustment that takes place through the course of the year. What we can assure you is that as we get additional information, one, we're going to in a very timely manner report back to you on what we think that information does to change the potential impact and our business beginning in 2020, and to the extent it requires an incremental response in the way of preparation on our part, we'll shine a light on those activities as well.

<A – Mark Tarr – Encompass Health Corp.>: Peter, also double down on one of the comments I made in my script, if you look at our company and our ability to adapt and respond to changes, regulatory or otherwise, we have a very strong track record in both of our segments with the ability to do so and we have no reason to believe that that'll be different going forward into 2020.

<A – Doug Coltharp – Encompass Health Corp.>: And just to further on, on Mark's point, none – I mean, none of the activity regarded to payment model changes in 2020 does anything to damp our enthusiasm for these service lines that we operate in. We've stated before, if you just look at the demographics in this country, the CAGR between 75 years and 85 years old, which is the primary demographic that we serve, is going to be in excess of 5% for the next decade.

And so the demand for the services that we are providing is only going to continue to grow and somebody got to be there to meet that demand. And when you combine that with the fact, particularly on the IRF side, the supply of IRF beds in the U.S. over the last decade has been relatively stagnant. We see great opportunity for continued growth in the decade ahead and payment system revisions notwithstanding, we're going to be pursuing that growth.

<Q – Peter Costa – Wells Fargo Securities LLC>: Sounds good, Thank you.

Operator: [Operator Instructions] Your next question comes from the line of Patrick Feeley of Barclays.

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

<Q – Patrick Feeley – Barclays Capital, Inc.>: Hey. Good morning, everyone. Thanks for taking the question. Going back to mix on the inpatient side, the Medicare Advantage bucket obviously continues to grow pretty nicely, up another 85 basis points or so in 2018. I was hoping you could just unpack that growth a little bit. So – and I think you alluded to this a little bit on the last call, but is there any way to quantify sort of the growth in Medicare Advantage enrollment across your service areas versus the fee-for-service enrollment growth?

<A – Mark Tarr – Encompass Health Corp.>: Yeah. So, actually we track that and so it was kind of interesting, because I'd say over about the last six or eight quarters preceding Q4, when we looked at the number of new Medicare beneficiaries in each of the counties in which we currently operate an EHC IRF, about 50% of those new beneficiaries were fee-for-service and about 50% of those beneficiaries were Medicare Advantage.

In the fourth quarter, interestingly enough, it was about 60/40 fee-for-service versus Medicare Advantage. So we've had a theory for a period of time that you see a higher percentage of newly minted Medicare beneficiaries adopt Medicare Advantage and has a lot to do with the fact that at the younger age limit on Medicare beneficiaries are not currently experiencing a lot of the chronic conditions that come with increased aging and they're also more accustomed and more comfortable with an employee-sponsored plan, which in many ways resembles Medicare Advantage, and then over time they shift over. But this was the first time we've really seen a shift towards new enrollees move towards fee-for-service. That's only one quarter of data and we'll continue to monitor that.

The other thing that impacts relative Medicare Advantage growth in any particular quarter is where we're having growth in terms of the new market. So, we can point to a couple of markets that have a higher overall Medicare Advantage penetration than an average market where we had significant bed additions during the course of 2017 or 2018 and that's enough to move the needle a little bit. So just a couple of different points there, I hope that's helpful.

<Q – Patrick Feeley – Barclays Capital, Inc.>: Yeah, that's great. Thanks. And just to follow-up on that, on the commercial managed care bucket, because it seems like there isn't as much growth there, just not intuitive to me why the payers kind of seeing the value in the Medicare Advantage side and why those payers wouldn't be recognizing the value on the commercial side of their book. So is there – is it just a case of the types of patients that you're seeing in the commercial book are just so different that there's not the same type of opportunity in terms of the strokes and things like that, so any color on that dynamic.

<A – Mark Tarr – Encompass Health Corp.>: Exactly. Yeah, that's exactly – the types of conditions that we're treating most frequently in both of our business segments occur with the older population, that's the average age of our patients in both business segments being 76. So where we tend to get more of the commercial patients, it's actually things like TMI and spinal cord, which we're very effective but those are just occurring at a lower overall rate in the general population.

<Q – Patrick Feeley – Barclays Capital, Inc.>: Got it. Thank you.

Operator: Your next question comes from the line of Kevin Ellich of Craig-Hallum.

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

<Q – Kevin Ellich – Craig-Hallum Capital Group LLC>: Hey, guys. Hey, guys. Can you hear me now?

<A – Mark Tarr – Encompass Health Corp.>: We can. Yeah.

<Q – Kevin Ellich – Craig-Hallum Capital Group LLC>: Okay. I have no idea what happened. But anyway, I know the call is going on a long time and lot's been answered, but can you – two quick things. Doug, can you guys talk about maybe home health valuations and I know you plan to spend $50 million to $100 million this year, wondering if you expect valuations to come in as we get closer to 2020?

And then I don't know if anyone's really asked much about the Review Choice Demonstration, I'm just wondering if you have any early findings and if you're going to give us any commentary on that front? Thank you.

<A – Doug Coltharp – Encompass Health Corp.>: Yeah. So, I'll go ahead and touch on the valuations and then kick it over to April and then she can correct me if anything that I said on that was wrong and then she can cover RCD as well.

But on the valuation side, it really depends on what you're buying. And we talked before about the fact that when we're doing some of these one-off fill in locations, a lot of times we're just buying a CON or a license for a particular territory, in many instances, it's underperforming from an EBITDA perspective. So although the multiple of the trailing EBITDA might look relatively high when we do it on a pro forma basis, we're still seeing opportunities to acquire businesses in the mid-single digits, and those are attractive for us.

As you move up in scale, you tend to get businesses that are attracting a wider buyer universe, given some of the consolidation that continues to go on, participant of which we tend to be as well. And so, the multiples begin to compress up towards, but not all the way to the publicly-traded multiples. But you're definitely seeing an increase in multiples over the last four or five years on those acquisition candidates, particularly when you're targeting opportunities that are the size of Camellia or even larger.

In terms of any impact on those multiples just based on the payments system changes that are coming in 2020, it's not like the year that we had HHGM and the proposed rule and everybody kind of took a hiatus. I think that there's enough of an understanding of what is in the rules and enough of a belief that some form of this is going to come to fruition in 2020 that buyers and sellers can reasonably negotiate an expected impact of the rule adoption on valuations. And therefore, and the comments that I made earlier on, we're not anticipating that there'll be a hiatus with regard to M&A activity in 2019 simply because of that pending change in 2020.

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

<A – April Anthony – Encompass Health Corp.>: So, on the RCD front, that program seems to be sitting on hold at the moment. To our understanding, it's sitting at [indiscernible] (01:05:18) and with some of the changes there, it just isn't making it out of the gate. That being said, we would still anticipate that it would at some point in the first half of this year probably come out for Illinois. We believe we're pretty well prepared for that. We were not in Illinois during the prior demonstration project, but we are there now and the organization we acquired in that market ended up bearing well as they moved through that program at the end. And so we're pretty confident that we have, through our [indiscernible] (01:05:51) technology and other pieces, all that is necessary to both handle that review process effectively, but also efficiently from an administrative perspective utilizing our toolset. So don't know when, but we think we're prepared when it does come out.

<Q – Kevin Ellich – Craig-Hallum Capital Group LLC>: Sounds good. Thank you.

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

Operator: Thank you. I will now return the call to Crissy Carlisle for any additional or closing remarks.

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

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

Operator: Thank you for participating in Encompass Health's fourth quarter 2018 earnings conference call. You may now disconnect.