2019 J.P. Morgan Healthcare Conference

Mark Tarr, President and Chief Executive Officer

January 8, 2019
Forward-looking statements

The information contained in this presentation includes certain estimates, projections and other forward-looking information that reflect Encompass Health’s current outlook, views and plans with respect to future events, including legislative and regulatory developments, strategy, capital expenditures, acquisition and other development activities, cyber security, dividend strategies, repurchases of securities, effective tax rates, financial performance, financial assumptions, business model, balance sheet and cash flow plans, disintermediation, and shareholder value-enhancing transactions. These estimates, projections and other forward-looking information are based on assumptions the Company believes, as of the date hereof, are reasonable. Inevitably, there will be differences between such estimates and actual events or results, and those differences may be material.

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You are cautioned not to place undue reliance on the estimates, projections and other forward-looking information in this presentation as they are based on current expectations and general assumptions and are subject to various risks, uncertainties and other factors, including those set forth in the Form 10-K for the year ended December 31, 2017, Form 10-Q for the quarters ended March 31, 2018, June 30, 2018, and September 30, 2018, and in other documents Encompass Health previously filed with the SEC, many of which are beyond Encompass Health’s control, that may cause actual events or results to differ materially from the views, beliefs and estimates expressed herein.

Note regarding presentation of non-GAAP financial measures

The following presentation includes certain “non-GAAP financial measures” as defined in Regulation G under the Securities Exchange Act of 1934, including Adjusted EBITDA, leverage ratios, adjusted earnings per share, and adjusted free cash flow. The Company’s Form 8-K, dated January 7, 2019, to which the following presentation is attached as Exhibit 99.1, provides further explanation and disclosure regarding Encompass Health’s use of non-GAAP financial measures and should be read in conjunction with this presentation. Schedules that reconcile the non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States are included in that Form 8-K.
Company overview

National leader of inpatient rehabilitation hospitals and home-based care

130 IRFs
220 Home Health locations
58 Hospice locations

States and Puerto Rico

Committed to delivering high-quality, cost-effective care across the post-acute continuum
Company overview - Inpatient Rehabilitation

- Largest owner and operator of IRFs
  - 22% of Licensed beds
  - 30% of Medicare patients served
- 130 Inpatient Rehabilitation Hospitals
- 45 Operate as joint ventures with acute care hospitals
- 114 Hospitals hold one or more disease-specific certifications
- ~30,100 employees
- ~178,300 patients
- ~$3.3 billion revenues
Company overview - Home Health and Hospice

4th largest provider of Medicare-certified skilled home health services

220 Home Health locations
58 Hospice locations
30 States

95% Home health agencies ≥3 stars for quality of care

90% Home health agencies ≥3 stars in patient satisfaction

~10,300 employees
~134,000 home health admissions
~6,800 hospice admissions
~$887 million revenues
Clinical collaboration in overlap markets

Improving the patient experience and reducing total costs through integrated care delivery

Encompass Health IRF discharges to:

- EHC Home Health
- Non-EHC Home Health

Collaboration rate

- Q3 2017: 28.7% Collaboration rate (4,395)
- Q3 2018: 34.3% Collaboration rate (5,323)

81 of the Company's IRFs have an EHC home health location within the service area.

560 Basis points year-over-year increase

Near-term goal = 35% - 40%

Encompass Health
Preliminary Q4 2018 results

- Preliminary and subject to change
- Earnings Release scheduled for February 7, 2019

<table>
<thead>
<tr>
<th>Q4 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Metrics</strong></td>
</tr>
<tr>
<td>• IRF discharge growth of 3.5%; same store = 1.8%</td>
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<tr>
<td>✔ same-store discharge growth negatively impacted by ~50 basis points due to ongoing effects of Hurricane Michael on operations in Panama City, Florida</td>
</tr>
<tr>
<td>• Home health admissions growth of 10.6%; same store = 5.4%</td>
</tr>
<tr>
<td>• Clinical collaboration rate of 34.9%, a 320 basis points increase over Q4 2017</td>
</tr>
<tr>
<td><strong>Expansion Activity</strong></td>
</tr>
<tr>
<td>• Began operating new 68-bed inpatient rehabilitation hospital in Winston-Salem, North Carolina, a joint venture with Novant Health, Inc.</td>
</tr>
<tr>
<td>• Added four home health locations in Alabama, Massachusetts and South Carolina and two hospice locations in Alabama and Texas</td>
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# Updated 2018 guidance

<table>
<thead>
<tr>
<th>2018 previous guidance</th>
<th>2018 updated guidance</th>
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<tbody>
<tr>
<td><strong>Net operating revenues</strong></td>
<td><strong>Net operating revenues</strong></td>
</tr>
<tr>
<td>$4,250 million to $4,300 million</td>
<td>$4,260 million to $4,280 million</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td><strong>Adjusted EBITDA</strong></td>
</tr>
<tr>
<td>$880 million to $890 million</td>
<td>$890 million to $895 million</td>
</tr>
<tr>
<td><strong>Adjusted earnings per share from continuing operations attributable to Encompass Health</strong></td>
<td><strong>Adjusted earnings per share from continuing operations attributable to Encompass Health</strong></td>
</tr>
<tr>
<td>$3.55 to $3.63</td>
<td>$3.62 to $3.66</td>
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## 2018 Highlights

### FINANCE (2018 Updated Guidance Ranges)

<table>
<thead>
<tr>
<th>Category</th>
<th>Range</th>
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<tbody>
<tr>
<td>Net operating revenues</td>
<td>$4.26 to $4.28 billion</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$890 to $895 million</td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td>$3.62 to $3.66</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$480 to $505 million</td>
</tr>
</tbody>
</table>

### GROWTH

- Opened 4 new hospitals
- Expanded existing hospitals by 26 beds
- Acquired or opened 23 home health locations
- Acquired 22 hospice locations

### OPERATIONAL INITIATIVES

- Completed rebranding and name change
- Enhanced data analytics
- Increased clinical collaboration
- Piloted post-acute solutions

### CAPITAL STRUCTURE

- Reduced leverage below 3.0x
- Continued shareholder distributions
Rebranding and name change

The Company’s rebranding and name change reinforce its existing strategy and position as an integrated provider of inpatient and home-based care.

**JULY 2017**
Announced planned name change

**APRIL 2018**
Phase 1 field asset conversions

**OCT. 2018**
Phase 3 field asset conversions

**JAN. 2018**
Legally changed name and stock ticker to Encompass Health Corporation (EHC)

**JULY 2018**
Phase 2 field asset conversions

**JAN. 2019**
Phase 4 field asset conversions; transition complete

As of January 1, 2019, all of the Company’s hospitals and home health and hospice locations have been transitioned to the Encompass Health brand.
### 2019 Priorities

#### Growth

<table>
<thead>
<tr>
<th>Hospitals</th>
<th>Home Health Locations</th>
<th>Hospice Locations</th>
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<tbody>
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</table>

**Continued Growth**
- Organic
- De Novos
- Acquisitions

#### Operational Initiatives

<table>
<thead>
<tr>
<th>Increase clinical collaboration</th>
<th>Build stroke market share</th>
<th>Further develop post-acute solutions</th>
<th>Transition to CARE Tool payment system</th>
<th>Prepare for PDGM</th>
<th>Implement RCD</th>
</tr>
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#### Capital Structure

<table>
<thead>
<tr>
<th>Maintain flexibility</th>
<th>Consider opportunistic refinancings</th>
<th>Continue shareholder distributions</th>
</tr>
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</table>
Building stroke market share

Leveraging our:
- strategic partnership with the AHA/ASA
- clinical collaboration
- joint commission certifications

~800,000
Strokes per year in the U.S.

~639,000 strokes

~130,000
Deaths from stroke

~31,000
Strokes treated in EHC IRFs

EHC’s 3-year stroke CAGR is ~6%.

112 EHC IRFs hold stroke-specific certifications.

Continue to increase market share by focusing on IRF-eligible stroke patients going to SNFs and non-EHC IRFs

~800,000 strokes

Stroke cases account for ~1/3 of EHC’s Medicare Advantage volume.
# Post-acute solutions

Our post-acute solutions will leverage our clinical expertise, large post-acute datasets, EMR technologies, and strategic partnerships to drive improved patient outcomes and lower cost of care across the entire post-acute episode.

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
</table>
| • Modified and implemented Cerner’s HealtheCare module; created a longitudinal patient record to manage patients across the post-acute continuum  
  - piloting in Tyler, Texas  
• Deployed ReAct in all of our hospitals  
• Developed 90-day post-acute readmission prediction model  
  - piloting in Tyler, Texas and Petersburg, Virginia  
• Began utilizing care navigators to follow a patient throughout an episode of care | • Refine 90-day post-acute readmission prediction model; deploy to additional EHC hospitals  
• Design and implement post-acute care clinical decision support tools  
• Design and implement quality reporting tool for building preferred provider networks  
• Create a provider hub to automate market analysis tools for quality reporting across episodes  
• Use Medalogix for home health care plan optimization and to reduce emergency room visits and hospital readmissions |
Inpatient Rehabilitation: Transition to CARE Tool payment system

Elimination of FIM™ Functional Assessment items from IRF-PPS

- Effective October 1, 2019, CMS will replace the FIM™ functional assessment measures with the CARE Tool measures for reporting and payment purposes.
- This change will require CMS to make substantial changes to the CMGs, relative weights and average length of stay values for the IRF-PPS, likely impacting Medicare revenue per discharge for certain cases.

Transition to CARE Tool payment system

- Provide feedback to CMS on potential effects of care assessment measures on CMGs, relative weights and average length of stay
- Continue education of hospital staff on CARE Tool utilization, including documentation requirements
- Monitor FIM™ assessment to CARE Tool assessment comparative measures to ensure consistent representation of patients’ functional status
Home Health: Patient Driven Groupings Model (PDGM)

Background

Move to the Patient-Driven Groupings Model

• Effective January 1, 2020, PDGM will:
  - move from 60-day episodes for payment to 30-day payment periods;
  - rely more heavily on clinical characteristics; and
  - eliminate therapy service use thresholds in case-mix adjustments.

• To achieve budget neutrality, CMS assumed behavioral changes will offset a 6.4% reduction in the base rate.

Home Health PDGM Preparation Strategies

• Pursue legislative avenues to require CMS to use observed (vs. assumed) behavior changes to achieve budget neutrality
• Provide feedback to CMS on magnitude and timing of assumed behavioral changes.
• Ensure productivity levels are realized for full-time staff
• Optimize acuity-scaled care planning
• Maximize the economies generated by scale and density
• Utilize technology to drive incremental efficiencies
Background

Start of the Review Choice Demonstration

- Scheduled to begin no earlier than December 10, 2018; has not yet started; expected to begin in early 2019 in Illinois with a staggered implementation
- Gives three choices to providers
  - 100% pre-claim review
  - 100% post-payment review
  - Minimal post-payment review with a 25% payment reduction for all Medicare home health services

Review Choice Demonstration Preparation

- Reviewed all documentation requirements
- Implemented system features to make electronic submission easier
- Continue to work with physicians to ensure consistency between their supporting documentation and our supporting documentation
- Add administrative resources as staggered implementation occurs
- Apply learnings from our Illinois locations that successfully navigated PCRD with an affirmation rate in excess of 90%
We posted a year-over-year increase in Adjusted EBITDA in 38 of the last 39 quarters despite these challenges.

Proven Track Record

Adj. EBITDA % Change History

Period Ending

Q1-09, Q2-09, Q3-09, Q4-09, Q1-10, Q2-10, Q3-10, Q4-10, Q1-11, Q2-11, Q3-11, Q4-11, Q1-12, Q2-12, Q3-12, Q4-12, Q1-13, Q2-13, Q3-13, Q4-13, Q1-14, Q2-14, Q3-14, Q4-14, Q1-15, Q2-15, Q3-15, Q4-15, Q1-16, Q2-16, Q3-16, Q4-16, Q1-17, Q2-17, Q3-17, Q4-17, Q1-18, Q2-18, Q3-18

Year-over-Year Percent Change

-5 0 5 10 15 20 25 30 35 40

Guidance

### 2018 updated guidance

- **Net operating revenues**: $4,260 million to $4,280 million
- **Adjusted EBITDA**: $890 million to $895 million
- **Adjusted earnings per share from continuing operations attributable to Encompass Health**: $3.62 to $3.66

### 2019 preliminary guidance

- **Net operating revenues**: $4,500 million to $4,600 million
- **Adjusted EBITDA**: $925 million to $945 million
- **Adjusted earnings per share from continuing operations attributable to Encompass Health**: $3.71 to $3.85
2019 Guidance considerations

Inpatient Rehabilitation

- Estimated 1.2% increase in Medicare pricing for Q1 through Q3 and estimated 2.4% increase for Q4
  - Transition to CARE Tool may negatively impact Q4 pricing
- Salary increase of approx. 3.0%; benefits increase of approx. 6.0% to 8.0%
- Revenue reserve (formerly bad debt expense) of 1.4% to 1.6% of net operating revenues
- Panama City hospital expected to run at lower capacity in 2019
- Administrative costs related to transition to CARE Tool payment system

Home Health and Hospice

- Estimated 1.5% net Medicare pricing increase for CY 2019
- Salary increase of approx. 3.0%; benefits increase of approx. 6.0% to 8.0%
- Inclusive of home health and hospice acquisitions in 2019
- Administrative costs related to the Review Choice Demonstration program and preparation for PDGM

Consolidated

- Investments of $3 million to $5 million in strategic initiatives, including post-acute solutions
- Diluted share count of ~100 million shares
- Tax rate of ~27%
- Adoption of new lease accounting standard is expected to result in a gross-up of fixed assets and corresponding liabilities of $300 million to $400 million and is not expected to have a material impact on our income statement or statement of cash flows.
**Adjusted free cash flow assumptions**

<table>
<thead>
<tr>
<th>Certain cash flow items (millions)</th>
<th>2018 Estimates</th>
<th>2019 Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cash interest expense (net of amortization of debt discounts and fees)</td>
<td>~$144</td>
<td>$145 to $155</td>
</tr>
<tr>
<td>• Cash payments for taxes, net of refunds</td>
<td>~$116</td>
<td>$140 to $150</td>
</tr>
<tr>
<td>• Working capital and other</td>
<td>($0 to $20)</td>
<td>$30 to $50</td>
</tr>
<tr>
<td>• Maintenance CAPEX</td>
<td>~$150</td>
<td>$160 to $170</td>
</tr>
<tr>
<td>• Adjusted free cash flow</td>
<td>$480 to $505</td>
<td>$400 to $470</td>
</tr>
</tbody>
</table>
## Free cash flow priorities

### Growth in core business

<table>
<thead>
<tr>
<th></th>
<th>2018 Estimates</th>
<th>2019 Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IRF bed expansions</strong></td>
<td>~$25</td>
<td>$40 to $50</td>
</tr>
<tr>
<td><strong>New IRFs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- De novos</td>
<td>~80</td>
<td>85 to 115</td>
</tr>
<tr>
<td>- Acquisitions</td>
<td>-</td>
<td>opportunistic</td>
</tr>
<tr>
<td>- Replacement IRFs and other</td>
<td>~25</td>
<td>90 to 110</td>
</tr>
<tr>
<td><strong>New home health and hospice acquisitions</strong></td>
<td>~143</td>
<td>50 to 100</td>
</tr>
<tr>
<td></td>
<td>~$273</td>
<td>$265 to $375, excluding IRF acquisitions</td>
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### Debt reduction

<p>| | |</p>
<table>
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<tbody>
<tr>
<td><strong>Debt redemptions (borrowings), net</strong></td>
<td>~$64 opportunistic</td>
</tr>
</tbody>
</table>

### Shareholder distributions

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<tbody>
<tr>
<td><strong>Cash dividends on common stock</strong></td>
<td>~$101 ~$108</td>
</tr>
<tr>
<td><strong>Purchase of Home Health Rollover shares and exercise of SARs</strong></td>
<td>~65 TBD</td>
</tr>
<tr>
<td><strong>Common stock repurchases</strong></td>
<td>- opportunistic</td>
</tr>
<tr>
<td></td>
<td>~$166 $TBD</td>
</tr>
</tbody>
</table>
Strong and sustainable business fundamentals

- Attractive healthcare sectors
- Industry leading positions
- Cost-effectiveness
- Real estate ownership
- Financial strength
- Growth opportunities
Committed to delivering high-quality, cost-effective care across the post-acute continuum