UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
☑ ANNUAL REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period from ________ to________
Commission File Number: 1-8351

CHEMED CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**31-0791746** (I.R.S. Employer Identification Number)
Suite 2600, 255 East Fifth Street, Cincinnati, Ohio (Address of principal executive offices)	45202-4726 (Zip Code)

(513) 762-6690
(Registrant's Telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Capital Stock – Par Value $1 Per Share	CHE	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See definition of "accelerated filer, large accelerated filer, smaller reporting company and emerging growth company" in Rule 12b-2 of the Exchange Act.

(Check One): Large Accelerated Filer ☑ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☐
Emerging Growth Company ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b) ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price of said stock on the New York Stock Exchange – Composite Transaction Listing on June 30, 2023 ($541.67 per share), was $8,049,913,329.

On February 9, 2024, 15,117,093 shares of Chemed Capital Stock (par value $1 per share) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Where Incorporated
2023 Annual Report to Stockholders (specified portions)	Parts I, II, and IV
Proxy Statement for Annual Meeting to be held May 20, 2024	Part III

CHEMED CORPORATION
2023 FORM 10-K ANNUAL REPORT

Table of Contents

Item 1. Business

General

Chemed Corporation (the “Company” or “Chemed”) was incorporated in Delaware in 1970 as a subsidiary of W.R. Grace & Co. and succeeded to the business of W.R. Grace & Co.’s Special Products Group as of April 30, 1971 and remained a subsidiary of W.R. Grace & Co. until March 10, 1982.

Chemed purchases, operates and divests subsidiaries engaged in diverse business activities for the purposes of maximizing shareholder value. The Company’s day to day operating businesses are managed on a decentralized basis. There are few integrated business functions between the operating units and Chemed (such as sales, marketing or purchasing). Chemed’s corporate office management participates in and is ultimately responsible for long term strategic planning, significant capital allocation decisions, investment activities, financial reporting, tax, legal and the selection of the key executives of each of the operating businesses. Since its inception, the Company has engaged in twelve significant acquisitions or divestitures of diverse business units.

During 2023, Chemed conducted its business operations in two segments: the VITAS segment (“VITAS”) and the Roto-Rooter segment (“Roto-Rooter”). VITAS provides hospice and palliative care services to its patients through a network of physicians, registered nurses, home health aides, social workers, clergy and volunteers. Roto-Rooter provides plumbing, drain cleaning, excavation, water restoration and other related services to residential and commercial customers.

Forward Looking Statements

This Annual Report contains or incorporates by reference certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company intends such statements to be subject to the safe harbors created by that legislation. Such statements involve risks and uncertainties that could cause actual results of operations to differ materially from these forward-looking statements.

Financial Information about Industry Segments

The required segment and geographic data for the Company’s continuing operations (as described below) for three years ended December 31, 2021, 2022 and 2023 are shown in Note 5 of the Notes to Consolidated Financial Statements on pages 59-60 of the 2023 Annual Report to Stockholders and are incorporated herein by reference.

Description of Business by Segment

The information called for by this item is included within Note 5 of the Notes to Consolidated Financial Statements appearing on pages 59-60 of the 2023 Annual Report to Stockholders is incorporated herein by reference.

Product and Market Development

Each segment of the Company’s business analyzes opportunities for the development and marketing of new services and products. While new products and services and new market development are important factors for the long term growth of each active segment of the Company’s business, the Company does not expect that any new products and services or marketing effort, including those in the development stage, will require the investment of a material amount of the Company’s assets.

Patents, Service Marks and Licenses

The Roto-Rooter trademarks and service marks have been used and advertised since 1935 by Roto-Rooter Corporation, a wholly owned indirect subsidiary of the Company. The Roto-Rooter marks are among the most highly recognized trademarks and service marks in the United States. The Company considers the Roto-Rooter marks to be a valuable asset and a significant factor in the marketing of Roto-Rooter’s franchises, products and services and the products and services provided by its franchises.

“VITAS” and “Innovative Hospice Care” are trademarks and servicemarks of VITAS Healthcare Corporation. The Company and its subsidiaries also own certain trade secrets including training manuals, cost information, patient information and software source code. Certain states require certificates of need to conduct hospice operations. In those states, we consider certificates of need valuable assets.

Seasonality

Roto-Rooter's revenue and operating results are impacted by significant weather patterns across the United States. Significant changes in precipitation or temperatures in areas we have company-owned and Independent Contractor operations will generally affect the revenue and operating results at Roto-Rooter.

A significant portion of our VITAS business is operated in the state of Florida. The vast majority of our patients are Medicare recipients. Medicare patients relocating to Florida during the winter months generally result in higher admissions and revenue for our Florida programs during that period.

Customer Concentration

Roto-Rooter's business has a large and diverse customer base. Over 90% of VITAS' revenue is from the United States government through the Medicare program. The loss of a portion or all of our Medicare revenue would have a material adverse effect on the Company.

Competition

Roto-Rooter

All aspects of the sewer, drain and pipe cleaning, plumbing repair, excavation and water restoration businesses are highly competitive. Competition is fragmented in most markets with local and regional firms providing the primary competition. The principal methods of competition are advertising, range of services provided, name recognition, emergency-service availability, speed and quality of customer service, service guarantees, and pricing.

VITAS

Hospice care in the United States is competitive. Plans of care for hospice services are not proprietary. As a result, VITAS competes and differentiates itself primarily on the basis of its ability to deliver quality, responsive services within the requirements of Medicare's hospice conditions of participation. VITAS is one of the nation's largest providers of hospice services in an industry dominated primarily by small, community-based hospices. Approximately one quarter of all hospice providers are not-for-profit. Because the hospice care industry is highly fragmented, VITAS competes with a large number of organizations.

VITAS also competes with a number of national and regional hospice providers, hospitals, nursing homes, home health agencies and other health care providers. Many providers offer home care to patients who are terminally ill, and some actively market palliative care and hospice-like programs. In addition, various health care companies have diversified into the hospice market. Some of these health care companies have greater financial resources than VITAS. Relatively few barriers to entry exist in many of the markets served by VITAS. Accordingly, other companies that are not currently providing hospice care may enter these markets and expand the variety of services they offer to include hospice.

Research and Development

The Company continuously works to develop new services, products and processes, improve existing services, products and processes, and develop new and different uses of existing products. The research and development expenditures from continuing operations have not been nor are they expected to be material.

Government Regulations

Roto-Rooter

Roto-Rooter's franchising activities are subject to various federal and state franchising laws and regulations, including the rules and regulations of the Federal Trade Commission (the "FTC") regarding the offering or sale of franchises. The rules and regulations of the FTC require that Roto-Rooter provide all the prospective franchises with specific information regarding the franchise program and Roto-Rooter in the form of a detailed franchise offering circular. In addition, a number of states require Roto-Rooter to register its franchise offering prior to offering or selling franchises in the state. Various state laws also provide for certain rights in favor of franchisees, including (i) limitations on the franchisor's ability to terminate a franchise except for good cause, (ii) restrictions on the franchisor's ability to deny renewal of a franchise, (iii) circumstances under which the franchisor may be required to purchase certain inventory of franchisees when a franchise is terminated or not renewed in violation of such laws, and (iv) provisions relating to arbitration. Roto-Rooter's ability to engage in the plumbing repair business is also subject to certain limitations and restrictions imposed by state and local licensing laws and regulations.

VITAS

General. The health care industry and VITAS' hospice programs are subject to extensive federal and state regulation. VITAS' hospices are licensed as required under state law as either hospices or home health agencies, or both, depending on the regulatory requirements of each particular state. In addition, VITAS' hospices are required to meet certain conditions of participation to be eligible to receive payments as hospices under Medicare and Medicaid programs. All of VITAS' hospices, other than those currently in development, are certified for participation as hospices in the Medicare program, and are also eligible to receive payments as hospices from the Medicaid program in each of the states in which VITAS operates. VITAS' hospices are subject to periodic survey by governmental authorities or private accrediting entities to assure compliance with state licensing, certification and accreditation requirements.

Medicare Conditions of Participation. Federal regulations require that a hospice program satisfy certain Conditions of Participation ("COP") to be certified and receive Medicare payment for the services it provides. Failure to comply with the conditions of participation may result in sanctions, up to and including decertification from the Medicare program. See "*Surveys and Audits*" below.

The Medicare COP for hospice programs include the following:

Governing Body. Each hospice must have a governing body that assumes full responsibility for the policies and the overall operation of the hospice and for ensuring that all services are provided in a manner consistent with accepted standards of practice. The governing body must designate one individual who is responsible for the day-to-day management of the hospice.

Medical Director. Each hospice must have a medical director who is a physician and who assumes responsibility for overseeing the medical component of the hospice's patient care program.

Direct Provision of Core Services. Medicare limits those services for which the hospice may use individual independent contractors or contract agencies to provide care to patients. Specifically, substantially all nursing, social work, and counseling services must be provided directly by hospice employees meeting specific educational and professional standards. During periods of peak patient loads or under extraordinary circumstances, the hospice may be permitted to use contract workers, but the hospice must agree in writing to maintain professional, financial and administrative responsibility for the services provided by those individuals or entities.

Professional Management of Non-Core Services. A hospice may arrange to have non-core services such as therapy services, home health aide services, medical supplies or drugs provided by a non-employee or outside entity. If the hospice elects to use an independent contractor to provide non-core services, however, the hospice must retain professional management responsibility for the arranged services and ensure that the services are furnished in a safe and effective manner by qualified personnel, and in accordance with the patient's plan of care.

Plan of Care. The patient's attending physician, the medical director or the designated hospice physician, and interdisciplinary team must establish an individualized written plan of care prior to providing care to any hospice patient. The plan must assess the patient's needs and identify services to be provided to meet those needs and must be reviewed and updated at specified intervals.

Continuation of Care. A hospice may not discontinue or reduce care provided to a Medicare beneficiary if the individual becomes unable to pay for that care.

Informed Consent. The hospice must obtain the informed consent of the hospice patient, or the patient's legal representative, that specifies the type of care services that may be provided as hospice care, which is palliative and not curative care. The patient or the patient's legal representative must also acknowledge that by choosing hospice care, certain other Medicare benefits are waived.

Training. A hospice must provide ongoing training for its employees.

Quality Assurance. A hospice must conduct ongoing and comprehensive self-assessments of the quality and appropriateness of care it provides and that its contractors provide under arrangements to hospice patients. In the fourth quarter of 2023, CMS finalized its regulations implementing a Special Focus Program ("SFP") that is intended to identify "poor performing" hospices based on a number of indicators. The SFP will identify the bottom 10% of performers and provide additional oversight over the lowest 1% of performers to assist the programs with "continuous improvement." While the effective date of the program was January 1, 2024, CMS has indicated that selection of hospices for the SFP is not anticipated to start until late in 2024.

Interdisciplinary Team. A hospice must designate an interdisciplinary team to provide or supervise hospice care services. The interdisciplinary team develops and updates plans of care, and establishes policies governing the day-to-day provision of hospice services. The team must include at least a physician, registered nurse, social worker and spiritual or other counselor. A registered nurse must be designated to coordinate the plan of care.

Volunteers. Hospice programs are required to recruit and train volunteers to provide patient care services or administrative services. Volunteer services must be provided in an amount equal to at least five percent of the total patient care hours provided by all paid hospice employees and contract staff.

Licensure. Each hospice and all hospice personnel must be licensed, certified or registered in accordance with applicable federal, state and local laws and regulations.

Central Clinical Records. Hospice programs must maintain clinical records for each hospice patient that are organized in such a way that they may be easily retrieved. The clinical records must be complete and accurate and protected against loss, destruction and unauthorized use.

Surveys and Audits. Hospice programs are subject to periodic survey by federal and state regulatory authorities and private accrediting entities to ensure compliance with applicable licensing and certification requirements and accreditation standards.   Regulators conduct periodic surveys of hospice programs and provide reports containing statements of deficiencies for alleged failure to comply with various regulatory requirements. Survey reports and statements of deficiencies are common in the healthcare industry. In most cases, the hospice program and regulatory authorities will agree upon any steps to be taken to bring the hospice into compliance with applicable regulatory requirements. In some cases, however, a state or federal regulatory authority may take a number of adverse actions against a hospice program, including the imposition of fines, civil monetary penalties, payment suspensions, insertion of temporary management, temporary suspension of admission of new patients to the hospice’s service, implementing directed plans of correction or, in extreme circumstances, decertification from participation in the Medicare or Medicaid programs or revocation of the hospice’s license.

CMS is conducting a Targeted Probe and Educate (“TPE”) program, designed to improve compliance in submitting Medicare claims and reduce deficiencies. In the TPE program, a healthcare provider has up to three rounds of review to sufficiently improve results, or the provider may face significant action from CMS. During the rounds of a TPE review, payment of claims subject to the review is delayed.

From time to time VITAS receives survey reports containing statements of deficiencies and sustains related adverse actions. VITAS reviews such reports and takes appropriate corrective action, including where appropriate, appealing the reports and any adverse actions discussed in the reports. VITAS believes that its hospices are in material compliance with applicable licensure and certification requirements. If a VITAS hospice were found to be out of compliance and actions were taken against a VITAS hospice, they could materially adversely affect the hospice’s ability to continue to operate, to provide certain services and to participate in the Medicare and Medicaid programs, which could materially adversely affect VITAS.

Billing Audits/Claims Reviews. The Medicare program and its Medicare Administrative Contractors and other payors periodically conduct pre-payment or post-payment reviews and other reviews and audits of health care claims, including hospice claims. There is pressure from state and federal governments and other payors to scrutinize health care claims to determine their validity and appropriateness. In order to conduct these reviews, the payor requests documentation from VITAS and then reviews that documentation to determine compliance with applicable rules and regulations, including the eligibility of patients to receive hospice benefits, the appropriateness of the care provided to those patients and the documentation of that care. VITAS’ claims are periodically subject to review and audit. We make appropriate provisions in our accounting records to reduce our revenue for anticipated denial or delay of payment related to these audits and reviews. We believe our hospice programs comply with all payor requirements at the time of billing. However, we cannot predict whether future billing reviews or similar audits by payors will result in material delays, suspensions, denials or reductions in revenue.

Corporate Integrity Agreement.   VITAS and certain of its subsidiaries entered into a Corporate Integrity Agreement (“CIA”) with the Office of the Inspector General (“OIG”) on October 30, 2017 in connection with the settlement of a False Claims Act case. The CIA formalized various aspects of VITAS’ already existing Compliance Program and contained requirements designed to document ongoing compliance with federal healthcare program requirements. It had a term of five years, during which it imposed monitoring, reporting, certification, oversight, screening and training obligations, certain of which had previously been implemented by VITAS. The term of the CIA has lapsed, and on June 22, 2023 the OIG confirmed that VITAS satisfied its requirements under the CIA and that the CIA was concluded.

Certificate of Need Laws and Other Restrictions. Some states, including Florida and California, have certificate of need laws, restrictions on new licenses, or other similar health planning laws that apply to hospice care providers. These states may require some form of state agency review or approval prior to opening a new hospice program, to adding or expanding hospice services, to undertaking significant capital expenditures or under other specified circumstances.   Approval under these certificate of need laws is generally conditioned on the showing of a demonstrable need for services in the community. VITAS may seek to develop, acquire or expand hospice programs in states having certificate of need laws. To the extent that state agencies require VITAS to obtain a certificate of need or other similar approvals to expand services at existing hospice programs or to make acquisitions or develop hospice programs in new or existing geographic markets, VITAS' plans could be adversely affected by a failure to obtain such certificate or approval. In addition, competitors may seek administratively or judicially to challenge such an approval or proposed approval by the state agency. Such a challenge, whether or not ultimately successful, could adversely affect VITAS. In the event that these restrictions are removed or their impact is lessened in any geography in which VITAS already operates, additional competitors may more easily be able to enter those markets, and potentially adversely affect VITAS.

Limitations on For-Profit Ownership. A few states have laws that restrict the development and expansion of for-profit hospice programs. For example, in New York, a hospice generally cannot be owned by a corporation that has another corporation as a stockholder. These types of restrictions could affect VITAS' ability to expand into New York, or in other jurisdictions with similar restrictions.

Limits on Acquisitions or Conversions. A number of states have enacted laws that restrict the ability of for-profit entities to acquire or otherwise assume the operations of a non-profit health care provider. Some states may require government review, public hearings, and/or government approval of transactions in which a for-profit entity proposes to purchase certain non-profit healthcare organizations. Heightened scrutiny of these transactions may significantly increase the costs associated with future acquisitions of non-profit hospice programs in some states, otherwise increase the difficulty in completing those acquisitions or prevent them entirely. Additionally, sizable healthcare transaction have recently received heighten scrutiny from antitrust regulators with respect to both horizontal and vertical mergers, which may affect VITAS' prospects for acquisition. VITAS cannot assure that it will not encounter regulatory or governmental obstacles in connection with any proposed acquisition of non-profit hospice programs in the future.

Professional Licensure and Participation Agreements. Many hospice employees are subject to federal and state laws and regulations governing the ethics and practice of their profession, including physicians, physical, speech and occupational therapists, social workers, home health aides, pharmacists and nurses. In addition, those professionals who are eligible to participate in the Medicare, Medicaid or other federal health care programs as individuals must not have been excluded from participation in those programs at any time.

State Licensure of Hospice. Each of VITAS' hospices must be licensed in the state in which it operates. State licensure rules and regulations require that VITAS' hospices maintain certain standards and meet certain requirements, which may vary from state to state. VITAS believes that its hospices are in material compliance with applicable licensure requirements. If a VITAS hospice were found to be out of compliance and actions were taken against a VITAS hospice, they could materially adversely affect the hospice's ability to continue to operate, to provide certain services and to participate in the Medicare and Medicaid programs, which could materially adversely affect VITAS.

Overview of Government Payments—General. Over 95% of VITAS' revenue consisted of payments from the Medicare and Medicaid programs. Such payments are made primarily on a "per diem" basis. Under the per diem reimbursement methodology, VITAS is essentially at risk for the cost of eligible services provided to hospice patients. Profitability is therefore largely dependent upon VITAS' ability to manage the costs of providing hospice services to patients. Increases in operating costs, such as labor and supply costs that are subject to inflation and other increases, without a compensating increase in Medicare and Medicaid rates, could have a material adverse effect on VITAS' business in the future. The Medicare and Medicaid programs are increasing pressure to control health care costs and to decrease or limit increases in reimbursement rates for health care services. As with most government programs, the Medicare and Medicaid programs are subject to statutory and regulatory changes, possible retroactive and prospective rate and payment adjustments, administrative rulings, freezes and funding reductions, all of which may adversely affect the level of program payments and could have a material adverse effect on VITAS' business. VITAS' levels of revenues and profitability are subject to the effect of legislative and regulatory changes, including possible reductions in coverage or payment rates, increased scrutiny of claims necessitating additional resources to respond, or changes in methods of payment, by the Medicare and Medicaid programs.

Overview of Government Payments – Medicare

Medicare Eligibility Criteria. To receive Medicare payment for hospice services, the hospice medical director and, if the patient has one, the patient's attending physician, must certify and describe in a brief narrative that the patient has a life expectancy of six months or less if the illness runs its normal course. This determination is made based on the physician's clinical judgment. Due to the uncertainty of such prognoses, however, it is likely and expected that some percentage of hospice patients will not die within six months of entering a hospice program. The Medicare program (among other third-party payers) recognizes that terminal illnesses often do not follow an entirely predictable course, and therefore the hospice benefit remains available to beneficiaries so long as the hospice physician or the patient's attending physician continues to certify that the patient's life expectancy remains six months or less and the patient or patient's legal representative, continues to maintain the hospice election. Specifically, the Medicare hospice benefit provides for two initial 90 day benefit periods followed by an unlimited number of 60 day periods. In order to qualify for hospice care, a Medicare beneficiary must elect hospice care and waive any right to other Medicare benefits related to his or her terminal illness. A Medicare beneficiary may revoke his or her election of the Medicare hospice benefit at any time and resume receiving regular Medicare benefits. The patient may elect the hospice benefit again at a later date so long as he or she remains eligible. The Medicare program, however, has reaffirmed that Medicare hospice beneficiaries are not limited to six months of coverage and that there is no limit on how long a Medicare beneficiary can continue to receive hospice benefits and services, provided that the beneficiary continues to meet the eligibility criteria under the Medicare hospice program.

Levels of Care. Medicare pays for hospice services on a prospective payment system basis under which VITAS receives an established payment rate for each day that it provides hospice services to a Medicare beneficiary. These rates are subject to annual adjustments for inflation and vary based upon the geographic location where the services are provided. The rate VITAS receives depends on which level of care is being provided to the beneficiary.

There are four levels of care and related reimbursement within the Medicare Hospice Benefit. These levels of care are Routine Home Care, Continuous Care, Inpatient Care and Respite Care. Medicare hospice providers are required under Medicare's Conditions of Participation and their regulations to provide all four levels of care, available on a 24/7 basis, when appropriate.

VITAS, as required under Medicare's Conditions of Participation and their regulations, has the ability to provide all levels of care to its patients. The actual level of care a patient receives on any given day is based upon the clinical needs of the patient.

Routine Home Care. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. The routine home care rate is a two tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to 4 hours per day in 15 minute increments at the continuous care rate.

General Inpatient Care. The general inpatient care rate is paid when a patient requires inpatient services for a short period for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care. Continuous home care, which VITAS refers to as "Intensive Comfort Care," is provided to patients while at home, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24 hour day, which begins and ends at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed practical nurse. While the published Medicare continuous home care rates are daily rates, Medicare actually pays for continuous home care in 15 minute increments. This 15 minute rate is calculated by dividing the daily rate by 96.

Respite Care. Respite care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

Medicare Payment for Physician Services. Payment for direct patient care physician services delivered by hospice physicians is billed separately by the hospice to the Medicare Administrative Contractors and paid at the lesser of the actual charge or the Medicare allowable charge for these services. This payment is in addition to the per diem rates VITAS receives for hospice care. Payment for hospice physicians' administrative and general supervisory activities is included in the daily rates discussed above. Payments for attending physician professional services (other than services furnished by hospice physicians) are not paid to the hospice, but rather are paid directly to the attending physician by the Medicare Administrative Contractors. For fiscal 2023, less than 2% of VITAS' net revenue was attributable to physician services.

Medicare Limits on Hospice Care Payments. Medicare payments for hospice services are subject to two additional limits or "caps". Each of VITAS' hospice programs is separately subject to both of these "caps". Both of these "caps" are determined on an annual basis for the period running from October 1 through September 30 of each year.

First, under a Medicare rule known as the "80-20" rule applicable to the Medicare inpatient services, if the number of inpatient care days furnished by a hospice to Medicare beneficiaries exceeds 20% of the total days of hospice care furnished by such hospice to Medicare beneficiaries, Medicare payments to the hospice for inpatient care days exceeding the cap are reduced to the routine home care rate.

Second, Medicare payments to a hospice are also subject to a separate cap based on overall average payments per admission. Any payments exceeding this overall hospice cap must be refunded by the hospice. This cap was set at $32,486.92 per admission for the twelve month period ended on September 30, 2023, increased to $33,494.01 for the twelve month period ending on September 30, 2024, and is adjusted annually to account for inflation. VITAS' hospices may be subject to future payment reductions or recoupments as the result of this cap.

Medicare Managed Care Programs. The Medicare program has entered into contracts with managed care companies to provide managed care benefits to Medicare beneficiaries who elect to participate in managed care programs. These managed care programs are commonly referred to as Medicare HMOs, Medicare Advantage or Medicare risk products. VITAS provides hospice care to Medicare beneficiaries who participate in these managed care programs, and VITAS is paid for services provided to these beneficiaries in the same way and at the same rates as those of other Medicare beneficiaries who are not in a Medicare managed care program. Under current Medicare policy, Medicare pays the hospice directly for services provided to these managed care program participants.

Overview of Government Payments – Medicaid

Medicaid Coverage and Reimbursements. State Medicaid programs are another source of VITAS' net patient revenue. Medicaid is a state-administered program financed by state funds and federal funds to provide medical assistance to the indigent and certain other eligible persons. For those states that elect to provide a hospice benefit, the Medicaid program is required to pay the hospice at rates at least equal to the rates provided under Medicare and calculated using the same methodology. States maintain flexibility to establish their own hospice election procedures and to limit the number and duration of benefit periods for which they will pay for hospice services. Reimbursement from state Medicaid programs in 2023 accounted for approximately 5% of VITAS' revenues.

Nursing Home Residents. For VITAS' patients who receive nursing home care under a state Medicaid program and who elect hospice care under Medicare or Medicaid, VITAS contracts with nursing homes for the nursing homes' provision of room and board services. In addition to the applicable Medicare or Medicaid hospice daily or hourly rate, the state generally must pay VITAS an amount equal to at least 95% of the Medicaid daily nursing home rate for room and board services furnished to the patient by the nursing home. Under VITAS' standard nursing home contracts, VITAS pays the nursing home for these room and board services at the Medicaid daily nursing home rate.

Managed Medicaid. In some states in which VITAS operates, the state legislatures have established managed Medicaid programs. Managed Medicaid programs outsource the process of eligibility determination and payment by Medicaid to private insurance companies. In some states, participants are required to choose a managed Medicaid provider. VITAS negotiates participant eligibility and documentation requirements, as well as hospice pay rates with each managed Medicaid provider. These requirements and pay rates may or may not align with the applicable Medicare hospice regulations and pay rates.

Adjustments to Medicare and Medicaid Payment Rates.

Payment rates under the Medicare and Medicaid programs are adjusted annually for inflation based upon the Hospital Market Basket Index and the Consumer Price Index; however, the adjustments have historically been less than actual inflation. These base rates are further modified by the Hospice Wage Index to reflect local differences in wages according to the revised wage index. Effective April 1, 2013, the Federal government implemented a 2% reimbursement cut for all Medicare programs, including hospice. In response to COVID-19, this 2% reimbursement cut was suspended or reduced to 1% through a series of legislative measures for the period May 1, 2020 through June 30, 2022. It is possible that there will be further modifications to the rate structure under which the Medicare or Medicaid programs pay for hospice care services; the current cut is scheduled to last through the Federal Government's fiscal year 2027. Any future reductions in the rate of increase or an actual decrease in Medicare and Medicaid payments may have an adverse impact on VITAS' net patient service revenue and profitability.

On August 6, 2019, the Centers for Medicare and Medicaid Services released the fiscal year 2020 hospice wage index and payment rate update (FY 2020 update). The FY 2020 update includes the normal yearly inflationary increase by level of care plus a rebasing of the continuous care, inpatient care and respite care rates. The rebasing of these levels of care was to reflect non-inflationary changes in providers' costs over time. The rebasing increased the national average reimbursement rate for continuous care by 39.9% and inpatient care by 34.7%. Respite care is not material to our operations. The rebasing of these levels of care was effective on October 1, 2019. On August 10, 2023, the Centers for Medicare and Medicaid Services released the 2024 inflationary increase effective October 1, 2023, which was 3.1%

Other Healthcare Regulations

Federal and State Anti-Kickback Laws and Safe Harbor Provisions. The federal Anti-Kickback Law makes it a felony to knowingly and willingly offer, pay, solicit or receive any form of remuneration in exchange for referring, recommending, arranging, purchasing, leasing or ordering items or services covered by a federal health care program including Medicare or Medicaid. The Anti-

Kickback Law applies regardless of whether the remuneration is provided directly or indirectly, in cash or in kind. Although the Anti-Kickback statute does not prohibit all financial transactions or relationships that providers of healthcare items or services may have with each other, interpretations of the law have been very broad. Under current law, courts and federal regulatory authorities have stated that this law is violated if even one purpose (as opposed to the sole or primary purpose) of the arrangement is to induce referrals.

Violations of the Anti-Kickback Law carry potentially severe penalties including imprisonment of up to ten years, criminal fines of up to $100,000 per act, civil money penalties of up to $100,000 per act, and additional damages of up to three times the amounts claimed or remuneration offered or paid. Federal law also authorizes exclusion from the Medicare and Medicaid programs for violations of the Anti-Kickback Law.

The Anti-Kickback Law contains several statutory exceptions to the broad prohibition. In addition, Congress authorized the OIG to publish numerous "safe harbors" that exempt some practices from enforcement action under the Anti-Kickback Law and related laws. These statutory exceptions and regulatory safe harbors protect various bona fide employment relationships, contracts for the rental of space or equipment, personal service arrangements, and management contracts, among other things, provided that certain conditions set forth in the statute or regulations are satisfied. The safe harbor regulations, however, do not comprehensively describe all lawful relationships between healthcare providers and referral sources, and the failure of an arrangement to satisfy all of the requirements of a particular safe harbor does not mean that the arrangement is unlawful. Failure to comply with the safe harbor provisions, however, may mean that the arrangement will be subject to scrutiny.

Many states, including states where VITAS does business, have adopted similar prohibitions against payments that are intended to induce referrals of patients, regardless of the source of payment. Some of these state laws lack explicit "safe harbors" that may be available under federal law. Sanctions under these state anti-kickback laws may include civil money penalties, license suspension or revocation, exclusion from the Medicare or Medicaid programs, and criminal fines or imprisonment. Little precedent exists regarding the interpretation or enforcement of these statutes.

VITAS is required under the Medicare conditions of participation and some state licensing laws to contract with numerous healthcare providers and practitioners, including physicians, hospitals and nursing homes, and to arrange for these individuals or entities to provide services to VITAS' patients. In addition, VITAS has contracts with other suppliers, including pharmacies, ambulance services and medical equipment companies. Some of these individuals or entities may refer, or be in a position to refer, patients to VITAS, and VITAS may refer, or be in a position to refer, patients to these individuals or entities. These arrangements may not qualify for a safe harbor. VITAS from time to time seeks guidance from regulatory counsel as to the changing and evolving interpretations and the potential applicability of these anti-kickback laws to its programs, and in response thereto, takes such actions as it deems appropriate. The Company generally believes that VITAS' contracts and arrangements with providers, practitioners and suppliers do not violate applicable anti-kickback laws. However, the Company cannot assure that such laws will ultimately be interpreted in a manner consistent with VITAS' practices.

HIPAA Anti-Fraud Provisions. HIPAA includes several revisions to existing health care fraud laws by permitting the imposition of civil monetary penalties in cases involving violations of the anti-kickback statute or contracting with excluded providers. In addition, HIPAA created statutes making it a federal felony to engage in fraud, theft, embezzlement, or the making of false statements with respect to healthcare benefit programs, which include private, as well as government programs. In addition, federal enforcement officials have the ability to exclude from the Medicare and Medicaid programs any investors, officers and managing employees associated with business entities that have committed healthcare fraud, even if the investor, officer or employee had no actual knowledge of the fraud.

OIG Fraud Alerts, Advisory Opinions and Other Program Guidance. The OIG identifies and seeks to eliminate fraud, abuse and waste in HHS programs. The OIG conducts audits, investigations and inspections and issues public pronouncements identifying practices that may be subject to heightened scrutiny. There have been a number of hospice related audits and reviews conducted. These reviews and recommendations have included:

- Ensuring that Medicare hospice eligibility determinations are made in accordance with the Medicare regulations; and

- Revising the annual cap on hospice benefits to better reflect the cost of care provided.

Currently, VITAS is one of a group of hospice providers selected by the OIG's Office of Audit Services ("OAS") for inclusion in an audit of the provision of elevated level-of-care hospice services to a sample of patients. Please see Note 18 "Legal and Regulatory Matters" for a further description of the audit and claims that have risen from the audit.

From time to time, various federal and state agencies, such as HHS and the OIG, issue a variety of pronouncements, including fraud alerts, the OIG's Annual Work Plan and other reports, identifying practices that may be subject to heightened governmental scrutiny. The Company cannot predict what, if any, changes may be implemented in coverage, reimbursement, or enforcement policies as a result of these OIG reviews and recommendations.

On October 30, 2017, the Company entered into a settlement agreement to resolve civil litigation under the False Claims Act brought by the United States Department of Justice (“DOJ”) on behalf of the OIG and various relators concerning VITAS, filed in the U.S. District Court of the Western District of Missouri. The Company denied any violation of law and agreed to settlement without admission of wrongdoing.

In connection with the settlement, VITAS and certain of its subsidiaries entered into a corporate integrity agreement (“CIA”) on October 30, 2017. The CIA formalized various aspects of VITAS’ already existing Compliance Program and contained requirements designed to document compliance with federal healthcare program requirements. It had a term of five years during which it imposed monitoring, reporting, certification, oversight, screening and training obligations, certain of which had previously been implemented by VITAS. It also required VITAS to engage an Independent Review Organization (“IRO”) to perform audit and review functions and to prepare reports regarding compliance with federal healthcare programs. The term of the CIA has lapsed, and on June 22, 2023, the OIG confirmed that VITAS satisfied its obligation under the CIA and that the CIA was concluded.

Federal False Claims Acts. The federal law includes several criminal and civil false claims provisions, which provide that knowingly submitting claims for items or services that were not provided as represented may result in the imposition of multiple damages, administrative civil money penalties, criminal fines, imprisonment, and/or exclusion from participation in federally funded healthcare programs, including Medicare and Medicaid. In addition, the OIG may impose extensive and costly corporate integrity requirements upon a healthcare provider that is the subject of a false claims judgment or settlement. These requirements may include the creation of a formal compliance program, the appointment of a government monitor, and the imposition of annual reporting requirements and audits conducted by an independent review organization to monitor compliance with the terms of the agreement and relevant laws and regulations. The Affordable Care Act also contains provisions aimed at strengthening fraud and abuse enforcement.

The Civil False Claims Act prohibits the known filing of a false claim or the known use of false statements to obtain payments. Penalties for violations include fines ranging from $5,500 to $11,000 (as adjusted for inflation), plus treble damages, for each claim filed. Provisions in the Civil False Claims Act also permit individuals to bring actions against individuals or businesses in the name of the government as “qui tam” relators. If a *qui tam* relator’s claim is successful, he or she is entitled to share the government’s recovery.

Both direct enforcement activity by the government and *qui tam* actions have increased significantly and have increased the risk that a healthcare company may have to defend a false claims action, pay fines or be excluded from the Medicare and/or Medicaid programs as a result of an investigation arising out of this type of an action. Because of the complexity of the government regulations applicable to the healthcare industry, the Company cannot assure that VITAS will not be the subject of other actions under the False Claims Act.

State False Claims Laws. Several states in which VITAS currently operates have adopted state false claims laws that mirror to some degree the federal false claims laws. While these statutes vary in scope and effect, the penalties for violating these false claims laws include administrative, civil and/or criminal fines and penalties, imprisonment, and the imposition of multiple damages.

The Stark Law and State Physician Self-Referral Laws. Section 1877 of the Social Security Act, commonly known as the “Stark Law”, prohibits physicians from referring Medicare or Medicaid patients for “designated health services” to entities in which they hold an ownership or investment interest or with whom they have a compensation arrangement, subject to a number of statutory and regulatory exceptions. Penalties for violating the Stark Law are severe and include:

Denial of payment;

Civil monetary penalties of $15,000 per referral or $100,000 for “circumvention schemes;” (each adjusted for inflation)

Assessments equal to 200% of the dollar value of each such service provided; and

Exclusion from the Medicare and Medicaid programs.

Hospice care itself is not specifically listed as a designated health service; however, certain services that VITAS provides, or in the future may provide, are among the services identified as designated health services for purposes of the self-referral laws. The Company cannot assure that future regulatory changes will not result in hospice services becoming subject to the Stark Law’s ownership, investment or compensation prohibitions in the future.

Many states where VITAS operates have laws similar to the Stark Law, but with broader effect because they apply regardless of the source of payment for care. Penalties similar to those listed above as well as the loss of state licensure may be imposed in the event of a violation of these state self-referral laws. Little precedent exists regarding the interpretation or enforcement of these statutes.

Civil Monetary Penalties. The Civil Monetary Penalties Statute provides that civil penalties ranging between $20,000 and $100,000 per claim or act (each adjusted for inflation) may be imposed on any person or entity that knowingly submits improperly filed claims for federal health benefits or that offers or makes payment to induce a beneficiary or provider to reduce or limit the use of health care services or to use a particular provider or supplier. Civil monetary penalties may be imposed for violations of the anti-kickback statute and for the failure to return known overpayments, among other things.

Prohibition on Employing or Contracting with Excluded Providers. The Social Security Act and federal regulations state that individuals or entities that have been convicted of a criminal offense related to the delivery of an item or service under Medicare or Medicaid programs or that have been convicted, under state and federal law, of a criminal offense relating to neglect or abuse of residents in connection with the delivery of a healthcare item or service cannot participate in any federal health care programs, including Medicare and Medicaid. Additionally, individuals and entities convicted of fraud, that have had their licenses revoked or suspended, or that have failed to provide services of adequate quality also may be excluded from the Medicare and Medicaid programs. Federal regulations prohibit Medicare providers, including hospice programs, from submitting claims for items or services or their related costs if an excluded provider furnished those items or services. The OIG maintains a list of excluded persons and entities. Nonetheless, it is possible that VITAS might unknowingly bill for services provided by an excluded person or entity with whom it contracts. The penalty for contracting with an excluded provider may range from civil monetary penalties of $100,000 (as adjusted for inflation) and damages of up to three times the amount of payment that was inappropriately received.

Corporate Practice of Medicine and Fee Splitting. Most states have laws that restrict or prohibit anyone other than a licensed physician, including business entities such as corporations, from employing physicians and/or prohibit payments or fee-splitting arrangements between physicians and corporations or unlicensed individuals. Penalties for violations of corporate practice of medicine and fee-splitting laws vary from state to state, but may include civil or criminal penalties, the restructuring or termination of the business arrangements between the physician and unlicensed individual or business entity, or even the loss of the physician's license to practice medicine. These laws vary widely from state to state both in scope and origin (e.g. statute, regulation, Attorney General opinion, court ruling, agency policy) and in most instances have been subject to only limited interpretation by the courts or regulatory bodies.

VITAS employs or contracts with physicians to provide medical direction and patient care services to its patients. VITAS has made efforts in those states where certain contracting or fee arrangements are restricted or prohibited to structure those arrangements, including its palliative care offerings, in compliance with the applicable laws and regulations. Despite these efforts, however, the Company cannot assure that agency officials charged with enforcing these laws will not interpret VITAS' contracts with employed or independent contractor physicians as violating the relevant laws or regulations. Future determinations or interpretations by individual states with corporate practice of medicine or fee splitting restrictions may force VITAS to restructure its arrangements with physicians in those locations.

Health Information Practices. There currently are numerous legislative and regulatory initiatives at both the state and federal levels that address patient privacy concerns. In particular, federal regulations issued under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Health Information Technology for Electronic and Clinical Health Act ("HITECH") require VITAS to protect the privacy and security of patients' individual health information and report any breaches. HIPAA and HITECH do not automatically preempt applicable state laws and regulations concerning VITAS' use, disclosure and maintenance of patient health information, which means that VITAS is subject to a complex regulatory scheme that, in many instances, requires VITAS to comply with both federal and state laws and regulations and the continuing evolution of interpretations of them. If we are found to have violated these laws, we could be subject to sanctions, fines, damages, and other civil and criminal penalties. Additionally, the Department of Health and Human Services' Office of the National Coordinator for the Health Information Technology recently published its final rule regarding interoperability and information blocking, designed to improve coordination within the healthcare system and patients' access to their electronic health information. The penalty for violating the information blocking regulation may include civil monetary penalties.

Additional Federal and State Regulation. Federal and state governments also regulate various aspects of the hospice industry. In particular, VITAS' operations are subject to federal and state health regulatory laws covering professional services, the dispensing of drugs and certain types of hospice activities. Some of VITAS' employees are subject to state laws and regulations governing the ethics and professional practice of medicine, respiratory therapy, pharmacy and nursing.

Compliance with Health Regulatory Laws. VITAS maintains an internal regulatory compliance review program and from time to time retains regulatory counsel for guidance on compliance matters. The Company cannot assure, however, that VITAS' practices, if reviewed, would be found to be in compliance with applicable health regulatory laws, as such laws ultimately may be interpreted, or that any non-compliance with such laws would not have a material adverse effect, including an effect on its brand reputation, on VITAS.

Environmental Matters

Roto-Rooter's operations are subject to various federal, state, and local laws and regulations regarding environmental matters and other aspects of the operation of a sewer and drain cleaning, plumbing, and water restoration services business. For certain other activities, such as septic tank and grease trap pumping, Roto-Rooter is subject to state and local environmental health and sanitation regulations.

At December 31, 2023, the Company's accrual for its estimated liability for potential environmental cleanup and related costs arising from the 1991 sale of DuBois Chemicals Inc. ("DuBois") amounted to $1.7 million. Of this balance, $896,000 is included in other liabilities and $826,000 is included in other current liabilities. The Company is contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of $14.9 million. On the basis of a continuing evaluation of the Company's potential liability, and in consultation with the Company's environmental attorney, management believes that it is not probable this additional liability will be paid. Accordingly, no provision for this contingent liability has been recorded. Although it is not presently possible to reliably project the timing of payments related to the Company's potential liability for environmental costs, management believes that any adjustments to its recorded liability will not materially adversely affect its financial position or results of operations.

The Company, to the best of its knowledge, is currently in compliance in all material respects with the environmental laws and regulations affecting its operations. Such environmental laws, regulations and enforcement proceedings have not required the Company to make material increases in or modifications to its capital expenditures and they have not had a material adverse effect on sales or net income. Capital expenditures for the purpose of complying with environmental laws and regulations during 2022 and 2023 with respect to continuing operations are not material in amount; there can be no assurance, however, that presently unforeseen legislative enforcement actions will not require additional expenditures.

In October 2023, California enacted the Climate Corporate Data Accountability Act (SB 253) and Greenhouse Gases Climate-Related Financial Risk (SB 261). Although regulations for these laws have not yet been finalized, these statutes will require the Company to report on its greenhouse gas emissions and report its climate-related financial risk, as well as efforts taken to mitigate that risk, beginning in 2026.

The Company's environmental policy is available on its website at ir.chemed.com/corporate-governance/highlights under governance documents.

Human Capital Resources

As of December 31, 2023, the Company, including its subsidiaries Roto-Rooter and VITAS, had a total of 15,087 employees.

As Roto-Rooter and VITAS are both service businesses, the Company recognizes and appreciates that our employees are crucial to our success, and that the attraction and retention of top talent, as well as the training and promotion of that talent, must be key focuses of our businesses.

The Company's Human Rights Policy is available on its website at: chemed.com/company/documents-charters under Governance Documents.

Workforce Safety and Training

The Company's continued success depends on maintaining a safe and healthy workforce. Both Roto-Rooter and VITAS operate businesses where the safety of its employees is a significant focus. During the pandemic, both businesses adapted to new safety challenges, including sourcing PPE for employees and ensuring that it is available as needed, implementing new protocols in their offices or in dealing with customers and patients (including expanding telehealth offerings), contracting with third parties to ensure that COVID tests and vaccines were available, and making work-from-home or other different working arrangements available when feasible.

Roto-Rooter's safety program is designed to help ensure the safety of our employees and customers. Its "Safety Certified Program" is deployed to all field employees, including supervisors, managers, and sales personnel. The program includes trainings and policies that cover hazard assessment, environmental issues (including lead and asbestos), personal protective equipment, back support injury prevention, fire safety, and infectious disease (specifically including COVID-19 awareness and protocols). Roto-Rooter's safety training also includes OSHA specific compliance and specialty training depending on the role of the individual, including topics such as electrical safety, torch safety, mainline drain machine safety, driving safety, and other OSHA awareness topics. Roto-Rooter employs regional safety managers, who are all OSHA authorized trainers, as well as other employees across its geographies who are authorized to provide OSHA training. Specialized roles, such as excavation and water restoration, receive specialized training.

Roto-Rooter's training also extends beyond safety and into human resources and other topics, depending on the role of the employee. All managers receive training in human resources topics, ranging from discrimination, to harassment, to workplace violence, leaves of absence, and other relevant matters. Additional training is given in other topics throughout employees' careers, both on the job and in the classroom, specific to the roles of the employees.

Similarly, VITAS has developed a safety program designed to help keep its employees and patients healthy and safe. In addition to its standard program, that includes trainings on standard safety issues including OSHA matters and other regulatory safety matters, throughout the COVID-19 pandemic, VITAS has adapted to the changing landscape of the disease and guidance from the CDC and other regulatory agencies, and has put together dozens of trainings for its employees to help deal with continuing to provide safe patient care. These trainings covered topics such as information about the disease itself and transmissibility, hygiene, PPE usage and guidelines, telehealth visits, isolation and quarantining precautions, health checks, and other related areas, and were targeted to employees based on their roles within the Company.

VITAS employs a learning management system to deploy and track training provided to its employees on a regular basis, across a range of topics in addition to the safety ones discussed above, including clinical areas, processes, functional areas, leadership topics, human resources topics (including diversity) and regulatory compliance (including HIPAA). Employees are provided training upon onboarding with the Company, and then periodically as appropriate for their individual roles. VITAS continually reviews and revises its trainings depending on business and regulatory risks, as well as the needs of its employees. For example, VITAS also has developed and made available personal healthcare wellness trainings, to help provide assistance to its employees deal with the stresses faced throughout the pandemic.

Hiring, Retention, and Compensation

Both Roto-Rooter and VITAS are service providers, whose employees engage with their customers and patients on a daily basis. For both businesses, hiring and keeping productive employees is an essential function and focus of the business.

Roto-Rooter's focus on hiring and retaining the right people starts during the recruitment process, where both local and centralized teams are involved in the process. After hire, new employees are given appropriate training for their individual roles, with new hires in many roles being managed by a "Hiring Manager" for their first year of employment. Roto-Rooter instills as key values that part of each employee's job is to both "Take Care of the Customer" and "Make it a Great Place to Work." Through this focus, as well as a competitive compensation structure and promote-from-within culture, Roto-Rooter has been able to increase its workforce of technicians across the company during the difficult labor market of the COVID-19 pandemic.

VITAS also focuses on hiring, training and promoting the right talent, and believes that its vision of providing the best available patient and family care is delivered by its committed and compassionate employees. It has an automated recruitment process, designed to increase efficiencies and decrease the time to fill open positions, as well as continue to grow its brand presence in the talent market. It has continued to adapt to the new hiring and retention challenges brought on by the pandemic and current healthcare labor environment on a market-by-market and role-by-role basis. For example, in order to help with the attraction and retention of healthcare workers during the pandemic induced healthcare worker shortage, VITAS adopted the "Difference Maker Program" in July 2022 which provided stay-bonuses, for eligible existing employees and new employees who were hired during the application of the program. Throughout the program, VITAS paid over $31.6 million in bonuses, and has $8.9 million remaining accrued at December 31, 2023 to pay bonuses earned through June 2024.

Diversity

Maintaining a diverse and inclusive workforce is necessary to continue our success. Diverse perspectives help foster continued innovation. Moreover, as a provider of services, our businesses understand that a diverse and inclusive workforce is necessary to best identify and build relationships with our equally diverse customers and patients. Both Roto-Rooter and VITAS highly value diversity in their workplaces and have established and maintained diverse workforces that are constantly evolving to better resemble the communities and populations that we serve.

Acquisitions

In 2023, Roto-Rooter completed the acquisition of one franchise in South Carolina for $305,000 in cash and one franchise in Georgia for $3.689 million in cash.

In 2022, Roto-Rooter acquired three franchises in New Jersey for a total of $2.29 million in cash. VITAS purchased the hospice assets of one Florida provider for $1.24 million in cash.

No acquisitions were completed in 2021.

Available Information

The Company's Internet address is www.chemed.com. The Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are electronically available through the SEC (http://www.sec.gov) or the Company's website as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC.

Annual reports, press releases, Board Committee charters, Code of Ethics, Corporate governance guidelines and other printed materials may be obtained from the website or from Chemed Investor Relations without charge by writing to, 255 East Fifth Street, Suite 2600, Cincinnati, Ohio 45202. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting such information on its website, in the event of any such amendment or waiver.

Item 1A. Risk Factors

You should carefully consider the risks described below, together with all of the information included in this Annual Report on Form 10-K, in evaluating us and our Capital Stock. They are not the only ones facing the Company. Other risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition, or results of operations.

ROTO-ROOTER

We face intense competition from numerous, fragmented competitors. If we do not compete effectively, our business may suffer.

We face intense competition from numerous competitors. The sewer, drain and pipe cleaning, excavation, plumbing repair and water restoration businesses are highly fragmented, with the bulk of the competitors consisting of local and regional entities. We compete primarily on the basis of advertising, range of services provided, name recognition, availability of emergency service, speed and quality of customer service, service guarantees and pricing. Our competitors may succeed in developing new or enhanced products and services more successful than ours and in marketing and selling existing and new products and services better than we do. In addition, new competitors may emerge. We cannot make any assurances that we will continue to be able to compete successfully with any of these companies.

Our operations are subject to numerous laws and regulations, exposing us to potential claims and compliance costs that could adversely affect our business.

We are subject to federal, state and local laws and regulations relating to franchising, insurance and other aspects of our business. These are discussed in greater detail under "Government Regulations" in the Description of Business section hereof. If we fail to comply with existing or future laws and regulations, we may be subject to governmental or judicial fines and sanctions. Our franchising activities are subject to various federal and state franchising laws and regulations, including the rules and regulations of the FTC regarding the offering or sale of franchises. These rules and regulations require us to provide all of our prospective franchisees with specific information regarding us and our franchise program in the form of a detailed franchise offering circular. In addition, a number of states require us to register our franchise offering prior to offering or selling franchises in such states. Various state laws also provide for certain rights in favor of franchisees, including (i) limitations on the franchisor's ability to terminate a franchise except for good cause, (ii) restrictions on the franchisor's ability to deny renewal of a franchise, (iii) circumstances under which the franchisor may be required to purchase certain inventory of franchisees when a franchise is terminated or not renewed in violation of such laws and (iv) provisions relating to arbitration. The ability to engage in the plumbing repair business is also subject to certain limitations and restrictions imposed by the state and local licensing laws and regulations. We cannot predict what legislation or regulations affecting our business will be enacted in the future, how existing or future laws or regulations will be enforced, administered and interpreted, or the amount of future expenditures that may be required to comply with these laws or regulations. Compliance costs associated with governmental regulations could have a material adverse effect on our business, financial condition and results of operations.

Roto-Rooter's loss of key management personnel or its inability to hire and retain skilled employees could adversely affect its business, financial condition and results of operations.

Roto-Rooter's future success significantly depends upon the continued service of its senior management personnel. The loss of one or more of Roto-Rooter's key senior management personnel or its inability to hire and retain new skilled employees could negatively impact its ability to maintain or increase customer calls and jobs, a key aspect of its growth strategy, and could adversely affect its future operating results.

Competition for skilled employees, particularly licensed plumbers, is intense, and the process of locating and recruiting skilled employees with the combination of qualifications and attributes required to adequately perform plumbing duties can be difficult and lengthy. We cannot assure you that Roto-Rooter will be successful in attracting, retaining or training highly skilled personnel. Roto-Rooter's business could be disrupted and its growth and profitability negatively impacted if it is unable to attract and retain skilled employees.

Cybersecurity

Our information technology systems hold sensitive customer information in the ordinary course of business, including names, addresses, and partial credit card information. We utilize those same systems to perform our day-to-day activities, such as receiving customer calls, dispatching technicians to jobs, and maintaining an accurate record of all transactions. We have not experienced any known modern system/data breaches on our information technology systems that compromised customer data or the company's proprietary data. We maintain our information technology systems with safeguard protection against cyber-attacks, including intrusion detection and protection services, firewalls, and virus detection software. Every month, we test our information technology systems using cyber-scanning software and other methods to learn how a successful system/data breach may occur. If a deficiency is detected, our IT staff will log and remediate the deficiency prescribed by the vendor or manufacturer. Roto-Rooter has developed and tested a response plan in the event of a successful system/data breach and maintains commercial insurance related to cyber-security. We obtain internal control reports from key vendors that maintain company data or process company transactions on a yearly basis. We review these reports to detect any potential cybersecurity issues. However, these safeguards do not ensure that a significant system/data breach may occur. Due to the pandemic, certain roles have been conducted remotely, increasing the role and importance of our information technology and security systems. A successful attack on our information technology systems could significantly affect the business, including liability for compromised customer information and business interruption.

Roto-Rooter's success is highly dependent on its brand reputation

Roto-Rooter's national reputation and brand image for performing necessary, high quality services in a timely manner is critical to Roto-Rooter's continued success. Adverse publicity, litigation or on-line negative reviews focused on the Roto-Rooter brand could negatively impact Roto-Rooter's national reputation resulting in decreased future demand for Roto-Rooter branded services. Roto-Rooter maintains a reputation management risk program, however, a loss of brand reputation at Roto-Rooter could adversely affect consumer willingness to use our service and thus, adversely affect our future operating performance.

VITAS

VITAS is highly dependent on payments from Medicare and Medicaid. If there are changes in the rate or methods governing these payments, VITAS' net patient service revenue and profits could be materially affected.

In excess of 95% of VITAS' net patient service revenue consists of payments from the Medicare and Medicaid programs. Such payments are made primarily on a "per diem" basis, subject to annual reimbursement caps. Because VITAS receives a per diem fee to provide eligible services to all patients, VITAS' profitability is largely dependent upon its ability to manage the costs of providing hospice services to patients. Increases in operating costs, such as labor and supply costs that are subject to inflation, without a compensating increase in Medicare and Medicaid rates, could have a material adverse effect on VITAS' business in the future. Additionally, regulators are increasing scrutiny of claims, including through the new TPE program, which may require additional resources to respond to audits, and which may cause additional delays or denials in receiving payments. Medicare and Medicaid currently adjust the various hospice payment rates annually based primarily on the increase or decrease of the hospital wage index basket, regionally adjusted. However, the increases may be less than actual inflation. VITAS' profitability could be negatively impacted if this adjustment were eliminated or reduced, or if VITAS' costs of providing hospice services increased more than the annual adjustment. In addition, cost pressures resulting from shorter patient lengths of stay and the use of more expensive forms of palliative care, including drugs and drug delivery systems, could negatively impact VITAS' profitability. Many payors are increasing pressure to control health care costs. The U.S. federal budget remains in flux, which could, among other things, cut Medicare payments to providers. The Medicare program is frequently mentioned as a target for spending cuts and within the Medicare program the hospice benefit is often specifically targeted for cuts and a lowering of the Medicare Caps. The full impact on our business of any future cuts in Medicare (including lowering of the Medicare Caps) or other programs is uncertain. In addition, both public and private payors are increasing pressure to decrease, or limit increases in, reimbursement rates for health care services. VITAS' levels of revenue and profitability will be subject to the effect of possible reductions in coverage or payment rates by third-party payors, including payment rates from Medicare and Medicaid.

Each state that maintains a Medicaid program has the option to provide reimbursement for hospice services at reimbursement rates generally required to be at least as much as Medicare rates. All states in which VITAS operates cover Medicaid hospice services; however, we cannot assure you that the states in which VITAS is presently operating or states into which VITAS could expand operations will continue to cover Medicaid hospice services. In addition, the Medicare and Medicaid programs are subject to statutory and regulatory changes, retroactive and prospective rate and payment adjustments, administrative rulings, freezes and funding reductions, all of which may adversely affect the level of program payments and could have a material adverse effect on VITAS' business. We cannot assure that Medicare and/or Medicaid payments to hospices will not decrease. Reductions in amounts paid by government programs for services or changes in methods or regulations governing payments could cause VITAS' net patient service revenue and profits to materially decline.

15% to 20% of VITAS' days of care are provided to patients who reside in nursing homes. Changes in the laws and regulations regarding payments for hospice services and "room and board" provided to VITAS' hospice patients residing in nursing homes could reduce its net patient service revenue and profitability.

For VITAS' hospice patients receiving nursing home care under certain state Medicaid programs who elect hospice care under Medicare and Medicaid, the state generally must pay VITAS, in addition to the applicable Medicare or Medicaid hospice per diem rate, an amount equal to at least 95% of the Medicaid per diem nursing home rate for "room and board" furnished to the patient by the nursing home. VITAS contracts with various nursing homes for the nursing homes' provision of certain "room and board" services that the nursing homes would otherwise provide Medicaid nursing home patients. VITAS bills and collects from the applicable state Medicaid program an amount equal to approximately 95% of the amount that would otherwise have been paid directly to the nursing home under the state's Medicaid plan. Under VITAS' standard nursing home contracts, it pays the nursing home for these "room and board" services at approximately 100% of the Medicaid per diem nursing home rate.

The reduction or elimination of Medicare and Medicaid payments for hospice patients residing in nursing homes would reduce VITAS' net patient service revenue and profitability. In addition, changes in the way nursing homes are reimbursed for "room and board" services provided to hospice patients residing in nursing homes could affect VITAS' ability to serve patients in nursing homes.

If VITAS is unable to maintain relationships with existing patient referral sources or to establish new referral sources, VITAS' growth and profitability could be adversely affected.

VITAS' success is heavily dependent on referrals from physicians, long-term care facilities, hospitals and other institutional health care providers, managed care companies, insurance companies and other patient referral sources in the communities that its hospice locations serve, as well as on its ability to maintain good relations with these referral sources. VITAS' referral sources may refer their patients to other hospice care providers or not to a hospice provider at all. Additionally, during the pandemic, VITAS experienced significant changes in referral patterns and sources. VITAS' growth and profitability depend significantly on its ability to establish and maintain close working relationships with these patient referral sources and to increase awareness and acceptance of hospice care by its referral sources and their patients. We cannot assure that VITAS will be able to maintain its existing relationships or that it will be able to develop and maintain new relationships in existing or new markets. Moreover, if pandemic-related or other shifts to referrals continue, it could materially adversely affect the business. VITAS' loss of existing relationships or its failure to develop new relationships could adversely affect its ability to expand or maintain its operations and operate profitably. Moreover, we cannot assure you that awareness or acceptance of hospice care will increase or remain at current levels.

VITAS operates in an industry that is subject to extensive government regulation and claims reviews, and changes in law and regulatory interpretations could reduce its net patient service revenue and profitability and adversely affect its financial condition and results of operations.

The healthcare industry is subject to extensive federal, state and local laws, rules and regulations relating to, among others:

- Payment for services;
- Conduct of operations, including quality assurance, fraud and abuse, anti-kickback prohibitions, self-referral prohibitions and false claims;
- Privacy and security of medical records;
- Employment practices; and
- Various state approval requirements, such as facility and professional licensure, certificate of need, compliance surveys and other certification or recertification requirements.

Changes in these laws, rules and regulations or their interpretations or methods of enforcement, including the elimination of any certificate of need laws or other license restrictions, could reduce VITAS' net patient service revenue and profitability, or increase VITAS' liabilities, cost of compliance, or legal and other costs in defending any claims. VITAS' ability to comply with such regulations is a key factor in determining the success of its business. See the "Government Regulations" section of this 10-K for a greater description of these matters.

VITAS maintains an internal regulatory compliance review program and from time to time retains regulatory counsel for guidance on compliance matters. We cannot assure you, however, that VITAS' practices, if reviewed, would be found to be in compliance with applicable health regulatory laws, as such laws ultimately may be interpreted, or that any non-compliance with such laws would not have a material adverse effect on VITAS.

Federal and state legislative and regulatory initiatives could require VITAS to expend substantial sums on acquiring, implementing and supporting new information systems, which could negatively impact its profitability and cash flows.

There are currently numerous legislative and regulatory initiatives at both the state and federal levels that address patient privacy concerns. We cannot predict the total financial or other impact of the regulations on VITAS' operations. In addition, although VITAS' management believes it is in compliance with the requirement of patient privacy regulations, we cannot assure you that VITAS will not be found to have violated state and federal laws, rules or guidelines surrounding patient privacy. Compliance with current and future HIPAA and HITECH requirements or any other federal or state privacy initiatives could require VITAS to make substantial investments, which could negatively impact its profitability and cash flows.

VITAS' growth strategies may not be successful, which could adversely affect its business.

A significant element of VITAS' growth strategy is expected to include expansion of its business in new and existing markets. This aspect of VITAS' growth strategy may not be successful, which could adversely impact its growth and profitability. We cannot assure you that VITAS will be able to:

Identify markets that meet its selection criteria for new hospice locations;

Hire and retain qualified management teams to operate each of its new hospice locations;

Manage a large and geographically diverse group of hospice locations;

Become Medicare and Medicaid certified in new markets;

Generate sufficient hospice admissions to operate profitably in these new markets;

Compete effectively with existing hospices in new markets; or

Obtain state licensure and/or a certificate of need from appropriate state agencies in new markets.

VITAS' loss of key management personnel or its inability to hire and retain skilled employees could adversely affect its business, financial condition and results of operations.

VITAS' future success significantly depends upon the continued service of its senior management personnel. The loss of one or more of VITAS' key senior management personnel or its inability to hire and retain new skilled employees could negatively impact VITAS' ability to maintain or increase patient referrals, a key aspect of its growth strategy, and could adversely affect its future operating results.

Competition for skilled employees is intense, and the process of locating and recruiting skilled employees with the combination of qualifications and attributes required to care effectively for terminally ill patients and their families can be difficult and lengthy. We cannot assure you that VITAS will be successful in attracting, retaining or training highly skilled nursing, management, community education, operations, admissions and other personnel. VITAS' business could be disrupted and its growth and profitability negatively impacted if it is unable to attract and retain skilled employees.

A nationwide shortage of qualified nurses and aides could adversely affect VITAS' profitability, growth and ability to continue to provide quality, responsive hospice services to its patients as nursing and health aides' wages and benefits increase.

A significant portion of VITAS' workforce is licensed nurses. VITAS depends on qualified nurses to provide quality, responsive hospice services to its patients. The current nationwide shortage of qualified nurses impacts some of the markets in which VITAS provides hospice services. In response to this shortage, VITAS has adjusted its wages and benefits to recruit and retain nurses and to engage contract nurses. Similarly, there recently has been a shortage of home health aides, who provide many of the hospice services provided by VITAS. VITAS has also adjusted its wages and benefits to recruit and retain home health and other aides. VITAS' inability to attract and retain qualified nurses and aides as well as other healthcare workers, could adversely affect its ability to provide quality, responsive hospice services to its patients and its ability to increase or maintain patient census in those markets. Increases in the wages and benefits required to attract and retain qualified nurses or an increase in reliance on contract nurses could negatively impact profitability.

VITAS may not be able to compete successfully against other hospice providers, and competitive pressures may limit its ability to maintain or increase its market position, which could adversely affect its profitability, financial condition and cash flows.

Hospice care in the United States is highly competitive. In many areas in which VITAS' hospices are located, they compete with a large number of organizations, including:

Community-based hospice providers;

National and regional companies;

Hospital-based hospice and palliative care programs;

Physician groups;

Nursing homes;

Home health agencies;

Infusion therapy companies; and

Nursing agencies.

Various health care companies have diversified into the hospice industry and there is an increasing consolidation across hospice industry. Other companies, including hospitals and health care organizations that are not currently providing hospice care, may enter the markets VITAS serves and expand the variety of services offered to include hospice care. Additionally, jurisdictions where VITAS operates where competition is limited by Certificates of Need, may remove or lessen these restrictions, which could increase competition. We cannot assure you that VITAS will not encounter increased competition in the future that could limit its ability to maintain or increase its market position, including competition from parties in a position to impact referrals to VITAS. Such increased competition could have a material adverse effect on VITAS' business, financial condition and results of operations.

Changes in rates or methods of payment for VITAS' services could adversely affect its revenues and profits.

Managed care organizations have grown substantially in terms of the percentage of the population they cover and their control over an increasing portion of the health care economy. Managed care organizations have continued to consolidate to enhance their ability to influence the delivery of health care services and to exert pressure to control health care costs. VITAS has a number of contractual arrangements with managed care organizations and other similar parties.

VITAS provides hospice care to many Medicare beneficiaries who have elected Medicare managed care. Under such contracts between HMOs and the federal Department of Health and Human Services, the Medicare payments for hospice services are excluded from the per-member, per-month payment from Medicare to HMOs and instead are paid directly by Medicare to the hospices. As a result, VITAS' payments for Medicare beneficiaries enrolled in Medicare risk HMOs are processed in the same way with the same rates as other Medicare beneficiaries. We cannot assure, however, that payment for hospice services will continue to be excluded from HMO payment under Medicare risk contracts and similar Medicare managed care plans or that if not excluded, managed care organizations or other large third-party payors would not use their power to influence and exert pressure on health care providers to reduce costs in a manner that could have a material adverse effect on VITAS' business, financial condition and results of operations.

Liability claims may have an adverse effect on VITAS, and its insurance coverage may be inadequate.

Participants in the hospice industry are subject to lawsuits alleging negligence, professional liability, wage and hour or other similar legal theories, many of which involve large claims and significant defense costs. Additionally, the pandemic may lead to different claims or a higher volume of claims than we typically face. We are also subject to the risk of lawsuits under the False Claims Act and comparable state laws for allegedly submitting fraudulent bills for services to the Medicare and Medicaid programs and other federal and state healthcare programs. These lawsuits, which may be initiated by "whistleblowers", subpoenas or Civil Investigative Demands can involve significant monetary damages, fines, attorneys' fees and the award of bounties to private qui tam plaintiffs. From time to time, VITAS is subject to such claims and other types of lawsuits. See the description below under Legal Proceedings in the Notes to the Consolidated Financial Statements. The ultimate liability for claims, if any, could have a material adverse effect on its financial condition or operating results. Although VITAS currently maintains liability insurance intended to cover certain claims, we cannot assure you that the coverage limits of such insurance policies will be adequate or that all such claims will be covered by the insurance. In addition, VITAS' insurance policies must be renewed annually and may be subject to cancellation during the policy period. While VITAS has been able to obtain liability insurance in the past, such insurance varies in cost, and may not be available in the future on terms acceptable to VITAS, if at all.

A successful claim in excess of the insurance coverage could have a material adverse effect on VITAS. Claims, regardless of their merit or eventual outcome, also may have a material adverse effect on VITAS' business and reputation due to the costs of litigation, diversion of management's time and related publicity.

VITAS procures professional liability coverage on a claims-made basis. The insurance contracts specify that coverage is available only during the term of each insurance contract. VITAS' management intends to renew or replace the existing claims-made policy annually but such coverage is difficult to obtain, may be subject to cancellation and may be written by carriers that are unable, or unwilling to pay claims. Additionally, some risks and liabilities, including claims for punitive damages, are not covered by insurance.

Cybersecurity

In the normal course of business, our information technology systems hold sensitive patient information including patient demographic data, eligibility for various medical plans including Medicare and Medicaid and protected health information. We utilize those same systems to perform our day-to-day activities, such as receiving referrals, assigning medical teams to patients, documenting medical information and maintaining an accurate record of all transactions. Recently healthcare organizations have been the focus of increased cybersecurity attacks. We have not experienced any known attacks on our information technology systems that have compromised patient data or the Company's proprietary data. We maintain our information technology systems with safeguard protection against cyber-attacks including active intrusion protection, firewalls and virus detection software. As discussed previously, we are subject to and comply with HIPAA and HITECH regulations. We have developed and tested a response plan in the event of a successful attack and we maintain commercial insurance related to a cyber-attack. We obtain internal control reports from key vendors that maintain company data or process company transactions on a yearly basis. We review these reports to detect any potential cybersecurity issues. However, these safeguards do not ensure that a significant cyber-attack could not occur. Increases in working from home and the provision of telehealth services due to the pandemic have significantly increased our usage of information technology systems and heightened the need for security of those systems. A successful attack on our information technology systems could have significant consequences to the business including liability for compromised patient information and business interruption.

We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. Insider or employee cyber and security threats are increasingly a concern for all large companies, including ours.

VITAS' success is highly dependent on its brand reputation

VITAS' reputation for performing quality routine and high acuity patient hospice care within the regulations mandated by Medicare, Medicaid and commercial payors is critical to our success. Failure to provide quality patient care within the regulations mandated by our third-party payors, or the perception of inappropriate care resulting in adverse publicity, litigation or a campaign of negative on-line reviews are some of the factors that could negatively impact VITAS' national reputation. VITAS maintains a reputation management risk program however, a loss of brand reputation at VITAS could adversely affect referral sources' willingness to refer our service and thus, adversely affect our future operating performance.

It is unclear what affects that CMS' new Special Focus Program ("SFP") may have on VITAS' brand reputation. In the event that CMS selects hospices for the SFP program utilizing the current algorithm, it is possible that certain VITAS hospice locations are included in the hospices that the algorithm identifies within the bottom 10% or even bottom 1% of hospices. Although CMS has stated that providers will not be able to replicate the results of the algorithm because not all information utilized by CMS has been made public, given what is known, large providers appear to be significantly more likely to be identified as poor performers because the formula does not account for size of program when analyzing the number of substantiated complaints. Additionally, providers who submit Consumer Assessment of Healthcare Providers and Systems ("CAHPS") scores (as VITAS does) appear to be more likely to be identified as poor performers. In the event that one or more VITAS programs is identified in the bottom 10% of hospices, it could negatively affect VITAS' brand reputation in a material adverse manner. Additionally, if any VITAS program is identified in the bottom 1% of hospices and placed in the SFP, it will have additional governmental oversight and intervention that could materially adversely affect the operations and profitability of such program.

VITAS' headquarters and a significant portion of its operations are in south Florida

The occurrence of a natural disaster in any region that VITAS has significant operations could have a negative impact on the business. VITAS' headquarters are located in south Florida. In addition, two of our largest programs and an office complex are in south

Florida. The location of our headquarters and these large programs increases our exposure to hurricanes. A major hurricane in south Florida could impede our ability to bill for our services, operate our businesses and serve our patients in the affected area. VITAS maintains a disaster recovery program to mitigate this risk; however, natural disasters could have an adverse effect on our future operating performance.

GENERAL

The agreements and instruments governing borrowing capacity contain restrictions and limitations that could significantly impact our ability to operate our business and adversely affect the price of our Capital Stock.

The operating and financial restrictions and covenants in our instruments of indebtedness restrict our ability to incur additional debt; issue and sell capital stock of subsidiaries; sell assets; engage in transactions with affiliates; restrict distributions from subsidiaries; incur liens; engage in business other than permitted businesses; engage in sale/leaseback transactions; engage in mergers or consolidations; make capital expenditures; make guarantees; make investments and acquisitions; enter into operating leases; hedge interest rates; and prepay other debt.

Moreover, if we are unable to meet the terms of the financial covenants or if we breach any of these covenants, a default could result under one or more of these agreements. A default, if not waived by our lenders, could accelerate repayment of our outstanding indebtedness. If acceleration occurs, we may not be able to repay our debt and it is unlikely that we would be able to borrow sufficient additional funds to refinance such debt on acceptable terms. In the event of any default under our credit facilities, the lenders thereunder could elect to declare all outstanding borrowings, together with accrued and unpaid interest and other fees, to be due and payable, and to require us to apply all of our available cash to repay these borrowings, any of which would be an event of default.

We depend on our management team and the loss of their service could have a material adverse effect on our business, financial condition and results of operations.

Our success depends to a large extent upon the continued services of our executive management team. The loss of key personnel could have a material adverse effect on our business, financial condition, results of operations and cash flows. Additionally, we cannot assure you that we will be able to attract or retain other skilled personnel in the future.

Environmental and safety compliance costs and liabilities could increase our expenses and adversely affect our financial condition.

Our operations are subject to numerous environmental, health and safety laws and regulations that prohibit or restrict the discharge of pollutants into the environment and regulate employee exposure to hazardous substance in the workplace. Failure to comply with these laws could subject us to material costs and liabilities, including civil and criminal fines, costs to cleanup contamination we cause and, in some circumstances, costs to cleanup contamination we discover on our own property but did not cause.

Because we use and generate hazardous materials in some of our operations, we are potentially subject to material liabilities relating to the cleanup of contamination and personal injury claims. In addition, we have retained certain environmental liabilities in connection with the sale of former businesses. We are currently funding the cleanup of historical contamination at one of our former properties and contributing to the cleanup of third-party sites as a result of our sale of our former subsidiary DuBois Chemicals Inc. Although we have established a reserve for these liabilities, actual cleanup costs may exceed our current estimates due to factors beyond our control, such as the discovery of additional contamination or the enforcement of more stringent cleanup requirements. New laws and regulations or their stricter enforcement, the discovery of presently unknown conditions or the receipt of additional claims for indemnification could require us to incur costs or become the basis for new or increased liabilities including impairment of our brand that could have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain anti-takeover statutes that might make it more difficult to effect a change in control of the Company.

We are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which prohibits us from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 could have the effect of delaying or preventing a change of control that could be advantageous to stockholders. Additionally, the FTC and other antitrust regulators have recently heightened their scrutiny of both horizontal and vertical merges in healthcare which could delay or prevent potential acquisitions, divestitures or a change in control.

An adverse ruling against us in certain litigation could have an adverse effect on our financial condition and results of operations.

We are involved in litigation incidental to the conduct of our business currently and from time to time. The damages claimed against us in some of these cases can be substantial. See the "Legal Proceedings" sections of this 10-K and the Notes to the Consolidated Financial Statements for discussion of particular matters. We cannot assure you that we will prevail in pending cases. Regardless of the outcome, such litigation is costly to manage, investigate and defend, and the related defense costs, diversion of management's time and related publicity may adversely affect the conduct of our business and the results of our operations.

We have historically incurred debt to finance the operations of the Company.

The Company has historically had debt service obligations and has the ability through its existing credit facility to incur debt that may restrict our operating flexibility. We cannot assure you that our cash flow from operations would be sufficient to service our future operating needs, which would require us to borrow additional funds, or restructure or otherwise refinance our debt. In addition, the Company has the ability to expand its existing debt and borrowing capacity subject to various restrictions and covenants defined by its creditors. The interest rate the Company pays will fluctuate from time to time based upon a number of factors including current SOFR rates and Company operating performance. Significant changes in these factors could result in a material change in the Company's interest expense.

Our future ability to repay or to refinance our indebtedness and to pay interest on our indebtedness will depend on our operating performance, which may be affected by factors beyond our control. These factors could include operating difficulties, increased operating costs, our competitors' actions and regulatory developments. Our ability to meet our debt service and other obligations may depend in significant part on the extent to which we successfully implement our business strategy. We cannot assure you that we will be able to implement our strategy fully or that the anticipated results of our strategy will be realized. Credit market conditions may make it difficult for us to obtain new financing or refinance our current debt on terms and conditions acceptable to us.

If our cash flows and capital resources are insufficient to fund our potential debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional equity capital or restructure our debt. We cannot assure you that our cash flows and capital resources would be sufficient to make scheduled payments of principal and interest on our indebtedness in the future or that alternative measures would successfully meet our debt service obligations.

Issues associated with the actual or perceived effects of another epidemic, pandemic, or similar widespread public health concern, could adversely affect our businesses.

Our businesses may be negatively impacted by the fear of exposure to or actual effects of another epidemic, pandemic, or similar widespread public health concern as we experienced with the COVID-19 pandemic. Negative impacts may include, but not be limited to: restrictions or limitations on our ability to continue operations and service our patients and customers in-person, changes in demand for our services or mix of services demanded, additional costs for personal protection equipment and other items or processes necessitated to maintain the health and safety of our employees, customers and patients, isolated outbreaks of disease that may affect our ability to provide services in certain areas for a period of time, and increasing difficulty in our ability to hire employees to provide in-person services for our patients and customers during the pendency of any public health concern.

Despite our efforts to manage and remedy these impacts, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of any such outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

The Company treats cybersecurity risk seriously and is focused on maintaining and regularly updating the security of our systems, networks, technologies and data.

The number and sophistication of attempts to disrupt or penetrate our systems continues to grow, specifically including the rapid increase of attempts against healthcare companies that was observed in early 2022. To combat the ever-increasing sophistication of cyberattacks, we continuously work to improve methods for detecting and preventing attacks. We have implemented policies and procedures and developed specific training for our employees, including regular updates and reminders, to help prevent and mitigate any issues that may be caused by any attacks. Further, we regularly engage independent third-party cyber experts to test for vulnerabilities in our environment. We also conduct our own internal simulations to help assess and strengthen our defenses.

We acknowledge that cyberattack risk may occur with our third-party technology service providers. High-profile cyberattacks have occurred at healthcare companies, credit bureaus, financial institutions, and other businesses for the purpose of acquiring the confidential information of individuals, including potential customers and patients. We take significant measures to prevent and mitigate issues caused by any such attacks, including outreach to our providers and other third-parties that we engage with, in order to ascertain any potential downstream implications of known breaches.

The Company has integrated our cybersecurity prevention and mitigation processes into our overall risk management system and processes. The Chief Technology Officer of Roto-Rooter and the Chief Technology Officer and Chief Information Officer of VITAS are senior executives, with decades of experience in preventing, assessing and managing cybersecurity threats in the private sector as well as government. Both Roto-Rooter and VITAS employ teams of experienced cybersecurity professionals who report to the respective Chief Technology Officer and Chief Information Officer. Both businesses have security incident response plans, pursuant to which they report on the cybersecurity status of the businesses to the Company's Chief Financial Officer and Controller and Chief Legal Officer both regularly as a matter of course, as well as in the event of any potentially material incident. Additionally, Company senior management reports to the Audit Committee on cybersecurity issues on a regular basis, multiple times a year. The Audit Committee's reports to the board after these sessions, include the discussions of the cybersecurity risk management process.

The reports include information on any attacks or potential breaches within the Company as well as security events at third-party providers when the breach or potential breach may affect the Company. This process allows the Company to involve both senior management and third-party service providers, including forensic analysts, other cyber experts, and outside counsel, as necessary in order to combat potential threats and help ensure appropriate and timely responses to threats, and mitigation and remediation of any incidents.

To date, the increase in cyberattacks has not resulted in any material disruption of our operations or material harm to our customers or patients. However, while we have significant internal resources, policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur in the future, or if they do occur, that they will be adequately addressed.

Please also reference additional disclosures about cybersecurity in Item 1A Risk Factors, under both Roto-Rooter and VITAS sections.

Item 2. Properties

The Company's corporate offices and the headquarters for Roto-Rooter are located in Cincinnati, Ohio. Roto-Rooter has manufacturing and distribution center facilities in West Des Moines, Iowa and has 369 leased and owned office and service facilities in 34 states. VITAS, headquartered in south Florida, operates 50 programs from 170 leased and owned facilities and 25 inpatient units in 16 states and the District of Columbia.

All "owned" property is held in fee and is subject to the security interests of the holders of our debt instruments. The leased properties have lease terms ranging from monthly to ten years. Management does not foresee any difficulty in renewing or replacing the remainder of its current leases. The Company considers all of its major operating properties to be maintained in good operating condition and to be generally adequate for present and anticipated needs.

Item 3. Legal Proceedings

The Company's disclosure related to legal proceedings is set forth in Note 18 "Legal and Regulatory Matters" included in the Notes to the Consolidated Financial Statements included with this report, and is incorporated herein by reference.

Item 4. Mine Safety Disclosures

None

Executive Officers of the Company

Name	Age	Office	First Elected
Kevin J. McNamara	70	President and Chief Executive Officer	August 2, 1994 (1)
Spencer S. Lee	68	Executive Vice President	May 15, 2000 (2)
Nicholas M. Westfall	45	Executive Vice President	June 16, 2016 (3)
Michael D. Witzeman	53	Vice President, Chief Financial Officer, and Controller	May 21, 2012 (4)
Brian C. Judkins	43	Vice President and Chief Legal Officer	August 31, 2020 (5)

(1) Mr. K.J. McNamara is President and Chief Executive Officer of the Company and has held these positions since August 1994 and May 2001, respectively. Previously, he served as an Executive Vice President, Secretary and General Counsel of the Company, since November 1993, August 1986 and August 1986, respectively. He previously held the position of Vice President of the Company, from August 1986 to May 1992.

(2) Mr. S.S. Lee is an Executive Vice President of the Company and has held this position since May 2000. Mr. Lee is also Chairman and Chief Executive Officer of Roto-Rooter Services Company, a wholly owned subsidiary of the Company, and has held this position since January 1999. Previously, he served as a Senior Vice President of Roto-Rooter Services Company from May 1997 to January 1999.

(3) Mr. N.M. Westfall is an Executive Vice President of the Company and has held this position since June 2016. He is also Chief Executive Officer of VITAS, a wholly owned subsidiary of the Company, and has held this position since June 2016. Previously, from May 2015 to June 2016, he also served as Chief Operating Officer of VITAS. Previously, he served as Senior Vice President of VITAS from April 2012 to April of 2015. Prior to that he served as Director of Information Technology and Operations for Chemed from May 2009 to April 2012.

(4) Mr. M.D. Witzeman is a Vice President, Chief Financial Officer, and Controller of the Company. Mr. Witzeman was promoted to Chief Financial Officer in January of 2024. He has held these positions since May 2012, January 2024, and May 2017 respectively. Prior to that he served as Assistant Vice President and Assistant Controller from July 2005.

(5) Mr. B.C. Judkins is a Vice President and the Secretary and Chief Legal Officer of the Company. He has held these positions since August 2020. Prior to that he served as Vice President and Counsel from January 2019.

Each executive officer holds office until the annual election at the next annual organizational meeting of the Board of Directors of the Company which is scheduled to be held on May 20, 2024.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company has historically paid cash dividends quarterly. However, future dividends are dependent upon the Company's earnings and financial condition, compliance with certain debt covenants and other factors not presently determinable.

As of February 9, 2024, there were approximately 1,231 stockholders of record of the Company's Capital Stock. This number only includes stockholders of record and does not include stockholders with shares beneficially held in nominee name or within clearinghouse positions of brokers, banks or other institutions.

During 2023, the number of shares of Capital Stock repurchased by the Company, the weighted average price paid for each share, the cumulative shares repurchased under each program and the dollar amounts remaining under each program were as follows:

Company Purchase of Shares of Capital Stock

	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share	Cumulative Shares Repurchased Under the Program	Dollar Amount Remaining Under The Program
February 2011 Program				
January 1 through January 31, 2023	-	$ -	10,458,154	$ 87,867,735
February 1 through February 28, 2023	-	-	10,458,154	87,867,735
March 1 through March 31, 2023	-	-	10,458,154	$ 87,867,735
First Quarter Total	-	$		
April 1 through April 30, 2023	-	$	10,458,154	$ 87,867,735
May 1 through May 31, 2023	16,620	537.12	10,474,774	78,940,805
June 1 through June 30, 2023	8,380	536.71	10,483,154	$ 74,443,156
Second Quarter Total	25,000	$ 536.98		
July 1 through July 31, 2023	-	$ -	10,483,154	$ 74,443,156
August 1 through August 31, 2023	11,206	508.01	10,494,360	68,750,411
September 1 through September 30, 2023	17,251	501.52	10,511,611	$ 60,098,765
Third Quarter Total	28,457	$ 504.07		
October 1 through October 31, 2023	-	$ -	10,511,611	$ 60,098,765
November 1 through November 30, 2023 (1)	40,000	581.62	10,551,611	336,834,085
December 1 through December 31, 2023	39,512	576.52	10,591,123	$ 314,054,431
Fourth Quarter Total	79,512	$ 579.09		

(1) In November 2023, our Board of Directors authorized an additional $300 million under the February 2011 Repurchase Program.

As of December 31, 2023, the number of stock options and performance share units outstanding under the Company's equity compensation plans, the weighted average exercise price of outstanding options, and the number of securities remaining available for issuance were as follows:

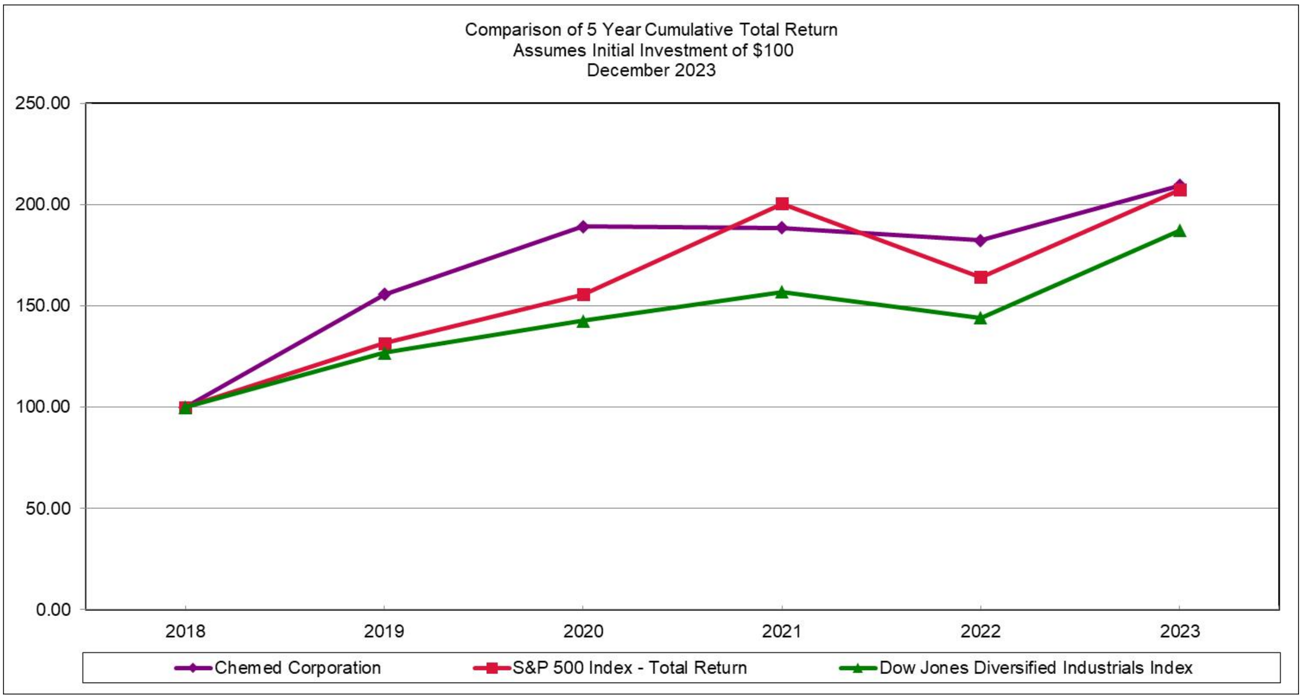
EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column)
Equity compensation plans approved by stockholders (1)	1,161,957	$ 445.12	1,117,223

(1) Amount includes 44,734 shares allocated to certain employees which vest upon attainment of specified earnings per share targets and specified total shareholder return targets.

Comparative Stock Performance

The graph below compares the yearly percentage change in the Company's cumulative total stockholder return on Capital Stock (as measured by dividing (i) the sum of (A) the cumulative amount of dividends for the period December 31, 2018, to December 31, 2023, assuming dividend reinvestment, and (B) the difference between the Company's share price at December 31, 2018 and December 31, 2023; by (ii) the share price at December 31, 2018) with the cumulative total return, assuming reinvestment of dividends, of the (1) S&P 500 Stock Index and (2) Dow Jones Industrial Diversified Index.



December 31	2018	2019	2020	2021	2022	2023
Chemed Corporation	100.00	155.58	189.18	188.47	182.36	209.49
S&P 500	100.00	131.49	155.68	200.37	164.08	207.21
Dow Jones Diversified Industrials	100.00	126.90	142.68	156.94	144.17	187.16

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The information called for by this Item is set forth on pages 74 through 92 of the 2023 Annual Report to Stockholders and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure relates to interest rate risk exposure through its variable interest credit facility. For each $10 million dollars borrowed under the credit facility, an increase or decrease of 100 basis points (1% point), increases or decreases the Company's annual interest expense by $100,000.

The Company continually evaluates this interest rate exposure and periodically weighs the cost versus the benefit of fixing the variable interest rates through a variety of hedging techniques.

The Company did not have long-term debt at December 31, 2023.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 29, 2024, appearing on pages 39 through 70 of the 2023 Annual Report to Stockholders are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision of and with the participation of the Company's President and Chief Executive Officer and the Vice President, Chief Financial Officer, and Controller has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on such evaluation, the Company's President and Chief Executive Officer, and Vice President, Chief Financial Officer, and Controller have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective and are reasonably designed to ensure that all material information relating to the Company required to be included in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to management, including the President and Chief Executive Officer, and Vice President, Chief Financial Officer, and Controller, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Refer to Management's Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm on pages 39 through 41 of the Company's 2023 Annual Report to Stockholders, which are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act during the Company's fiscal quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The directors of the Company are:

Kevin J. McNamara
Ron DeLyons
Patrick P. Grace
Christopher J. Heaney
Thomas C. Hutton
Andrea R. Lindell
Eileen P. McCarthy
John M. Mount Jr.
Thomas P. Rice
George J. Walsh III

The additional information required under this Item is set forth in the Company's 2024 Proxy Statement and in Part I hereof under the caption "Executive Officers of the Registrant" and is incorporated herein by reference.

The Company has adopted a Code of Ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer, directors and employees. A copy of this Code of Ethics is incorporated with this report as Exhibit 14 and it is also posted on the Company's Web site, www.chemed.com.

Item 11. Executive Compensation

Information required under this Item is set forth in the Company's 2024 Proxy Statement, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required under this Item is set forth in the Company's 2024 Proxy Statement, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Information required under this Item is set forth in the Company's 2024 Proxy Statement, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Audit Fees

PricewaterhouseCoopers LLP charged the Company $2,325,000 for 2022 and $2,430,000 for 2023. These fees were for professional services rendered for the integrated audit of the Company's annual financial statements and of its internal control over financial reporting, review of the financial statements included in the Company's Forms 10-Q and review of documents filed with the SEC.

Audit-Related Fees

PricewaterhouseCoopers LLP charged the Company $248,000 for 2022 and $171,000 for 2023, for audit-related services. These services were related primarily to the audit of one of VITAS' Florida subsidiaries and the Provider Relief Fund Audit in 2022.

Tax Fees

No such services were rendered in 2022 or 2023.

All Other Fees

No such other services were rendered in 2022 or 2023.

The Audit Committee has adopted a policy which requires the Committee's pre-approval of audit and non-audit services performed by the independent auditor to assure that the provision of such services does not impair the auditor's independence. The Audit Committee pre-approved all of the audit and non-audit services rendered by PricewaterhouseCoopers LLP as listed above.

PART IV

Item 15 **Exhibits and Financial Statement Schedule**

Exhibits

3.1	Certificate of Incorporation of Chemed Corporation.*
3.2	Certificate of Amendment to Certificate of Incorporation, dated May 15, 2006.*
3.3	By-Laws of Chemed Corporation, as amended December 9, 2022*
4.1	Description of Securities.*
10.1	2006 Stock Incentive Plan, as amended August 11, 2006.*,**
10.2	2010 Stock Incentive Plan.*,**
10.3	2015 Stock Incentive Plan*,**
10.4	2018 Stock Incentive Plan*,**
10.5	2022 Stock Incentive Plan*,**
10.6	Employment Agreement with David P. Williams dated December 1, 2006.*,**
10.7	First Amendment to Employment Agreement with David P. Williams dated July 9, 2009.*,**
10.8	Consulting Agreement with Timothy S. O'Toole dated June 16, 2016.*,**
10.9	Employment Agreement with Kevin J. McNamara dated May 3, 2008.*,**
10.10	First Amendment to Employment Agreement with Kevin J. McNamara dated July 9, 2009.*,**
10.11	Excess Benefits Plan, as restated and amended, effective June 1, 2001.*,**
10.12	Amendment No. 1 to Excess Benefits Plan, effective July 1, 2001.*,**
10.13	Amendment No. 2 to Excess Benefits Plan, effective November 7, 2003.*,**
10.14	Non-Employee Directors’ Deferred Compensation Plan.*,**
10.15	Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 1999.*,**
10.16	First Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective September 6, 2000.*,**
10.17	Second Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 2001.*,**
10.18	Third Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective December 12, 2001.*,**
10.19	Directors Emeriti Plan.*,**
10.20	Chemed Corporation Change in Control Severance Plan, as amended August 3, 2018.**
10.21	Chemed Corporation Senior Executive Severance Policy, as amended August 3, 2018**

10.22	Roto-Rooter Deferred Compensation Plan No. 1, as amended January 1, 1998.*,**
10.23	Roto-Rooter Deferred Compensation Plan No. 2.*,**
10.24	Form of Performance-Based Restricted Stock Units Award*,**
10.25	Form of Stock Option Grant, pre-2013.*,**
10.26	Form of Stock Option Grant, 2013.*,**
10.27	Form of Stock Option Grant, 2015. *,**
10.28	Form of Stock Option Grant, 2018. *,**
10.29	Form of Stock Option Grant, 2022. *,**
10.30	Settlement Agreement, effective October 30, 2017 by and among the United States of America, acting through the United States Department of Justice and on behalf of the Office of the Inspector General of the Department of Health and Human Services, VITAS Hospice Services, L.L.C., VITAS Healthcare Corporation, VITAS Healthcare Corporation of California, VITAS Healthcare Corporation of Illinois, VITAS Healthcare Corporation of Florida, Vitas Healthcare Corporation of Ohio, VITAS Healthcare Corporation of Atlantic, VITAS Healthcare of Texas, L.P., VITAS Healthcare Corporation Midwest, VITAS Healthcare Corporation of Georgia, Chemed Corporation, and the various Relators named therein.*
10.31	Corporate Integrity Agreement, effective October 30, 2017 between the Office of Inspector General of the Department of Health and Human Services and VITAS Hospice Services, L.L.C., VITAS Healthcare Corporation, VITAS Healthcare Corporation of California, VITAS Healthcare Corporation of Illinois, VITAS Healthcare Corporation of Florida, VITAS Healthcare Corporation of Ohio, VITAS Healthcare Corporation of Atlantic, VITAS Healthcare of Texas, L.P., VITAS Healthcare Corporation Midwest and VITAS Healthcare Corporation of Georgia.*
10.32	Fifth Amended and Restated Credit Agreement by and among Chemed Corporation, JP Morgan Chase Bank NA, and other lenders as of June 28, 2022*
10.33	David P. Williams Performance Share Units Grant Letter dated January 29, 2024
13	2023 Annual Report to Stockholders.
14	Policies on Business Ethics of Chemed Corporation
21	Subsidiaries of Chemed Corporation.
23	Consent of Independent Registered Public Accounting Firm.
24	Powers of Attorney.
31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.2	Certification by Michael D. Witzeman pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
32.1	Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Michael D. Witzeman pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97	Compensation Recovery Policy
101.INS	XBRL Instance Document*

101.SCH	XBRL Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

*This exhibit is being filed by means of incorporation by reference (see Index to Exhibits on page E-1). Each other exhibit is being filed with this Annual Report on Form 10-K.

**Management contract or compensatory plan or arrangement.

Financial Statement Schedule

See Index to Financial Statements and Financial Statement Schedule on page S-1.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

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

February 29, 2024

CHEMED CORPORATION

/s/ Kevin J. McNamara
Kevin J. McNamara
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Kevin J. McNamara Kevin J. McNamara	President and Chief Executive Officer and a Director (Principal Executive Officer)	February 29, 2024
/s/ Michael D. Witzeman Michael D. Witzeman	Vice President, Chief Financial Officer, and Controller (Principal Financial and Accounting Officer)	
Ron DeLyons* Patrick P. Grace* Christopher J. Heaney* Thomas C. Hutton* Andrea R. Lindell* Eileen P. McCarthy* John M. Mount Jr.* Thomas P. Rice* George J Walsh III*	-- Directors	

* Brian C. Judkins by signing his name hereto signs this document on behalf of each of the persons indicated above pursuant to powers of attorney duly executed by such persons and filed with the Securities and Exchange Commission.

February 29, 2024
Date

/s/ Brian C. Judkins
Brian C. Judkins
(Attorney-in-Fact)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES

INDEX TO FINANCIAL STATEMENTS
2021, 2022 AND 2023

	Page(s)
Chemed Corporation Consolidated Financial Statements	

*Indicates page numbers in Chemed Corporation 2023 Annual Report to Stockholders

The consolidated financial statements of Chemed Corporation listed above, appearing in the 2023 Annual Report to Stockholders, are incorporated herein by reference. Schedules not included have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto as listed above.

INDEX TO EXHIBITS

Exhibit Number		File No. and Filing Date	Page Number or Incorporation by Reference Previous Exhibit No.
3.1	Certificate of Incorporation of Chemed Corporation (p)	Form S-3 Reg. No. 33-44177 11/26/91	4.1
3.2	Certificate of Amendment to Certificate Incorporation, dated May 15, 2006	Form 8-K 5/16/06	3.1
3.3	By-Laws of Chemed Corporation as amended December 9, 2022	Form 8-K 12/9/22	3.1
4.1	Description of Securities	Form 10-K 2/26/20	4.1
10.1	2006 Stock Incentive Plan, as amended August 11, 2006	Form 10-Q 8/14/06, **	10.1
10.2	2010 Stock Incentive Plan	Form 8-K 5/18/10, **	99.1
10.3	2015 Stock Incentive Plan	Form S-8 7/15/15, **	4.5
10.4	2018 Stock Incentive Plan	Form S-8 5/23/18, **	4.5
10.5	2022 Stock Incentive Plan	Form S-8 5/16/22, **	4.6
10.6	Employment Agreement with David P. Williams dated December 1, 2006	Form 8-K 12/1/06, **	10.01
10.7	First Amendment to Employment Agreement with David P. Williams dated July 9, 2009	Form 10-Q 10/30/09,**	10.20
10.8	Consulting Agreement with Timothy S. O'Toole dated June 16, 2016	Form 8-K 6/8/16, **	10.10
10.9	Employment Agreement with Kevin J. McNamara dated May 3, 2008.	Form 8-K 5/6/08,**	10.01
10.10	First Amendment to Employment Agreement with Kevin J. McNamara dated July 9, 2009	Form 10-Q 10/30/09, **	10.10
10.11	Excess Benefits Plan, as restated and amended, effective June 1, 2001	Form 10-K 3/12/04,**	10.24
10.12	Amendment No. 1 to Excess Benefits Plan, effective July 1, 2002	Form 10-K 3/12/04,**	10.25

10.13	Amendment No. 2 to Excess Benefits Plan, effective November 7, 2003	Form 10-K 3/12/04,**	10.26
10.14	Non-Employee Directors' Deferred Compensation Plan (p)	Form 10-K 3/24/88,**	10.10
10.15	Chemed/Roto-Rooter Saving & Retirement Plan effective January 1, 1999	Form 10-K 3/25/99,**	10.25
10.16	First Amendment to Chemed/Roto-Rooter Savings & Retirement Plan effective September 6, 2000	Form 10-K 3/28/02,**	10.22
10.17	Second Amendment to Chemed/Roto-Rooter Savings & Retirement Plan effective January 1, 2001	Form 10-K 3/28/02,**	10.23
10.18	Third Amendment to Chemed/Roto-Rooter Savings & Retirement Plan effective December 12, 2001	Form 10-K 3/28/02,**	10.24
10.19	Directors Emeriti Plan (p)	Form 10-Q 5/12/88, **	10.11
10.20	Change in Control Severance Plan as amended August 3, 2018	Form 10-K 2/28/22, **	10.19
10.21	Senior Executive Severance Policy as amended August 3, 2018	Form 10-K 2/28/22, **	10.20
10.22	Roto-Rooter Deferred Compensation Plan No.1, as amended January 1, 1998	Form 10-K 3/28/01,**	10.37
10.23	Roto-Rooter Deferred Compensation Plan No. 2	Form 10-K 3/28/01,**	10.38
10.24	Form of Performance Based Restricted Stock Unit Award	Form 10-K 2/27/14,**	10.32
10.25	Form of Stock Option Grant Pre-2013	Form 10-K 3/28/05,**	10.51
10.26	Form of Stock Option Grant - 2013	Form 10-K 2/27/14,**	10.35
10.27	Form of Stock Option Grant - 2015	Form 10-K 2/26/16,**	10.30
10.28	Form of Stock Option Grant - 2018	Form 10-K 2/26/20,**	10.29
10.29	Form of Stock Option Grant - 2022	Form 10-K 2/27/23,**	10.29

10.30	Settlement Agreement, effective October 30, 2017 by and among the United States of America, acting through the United States Department of Justice and on behalf of the Office of the Inspector General of the Department of Health and Human Services, VITAS Hospice Services, L.L.C., VITAS Healthcare Corporation, VITAS Healthcare Corporation of California, VITAS Healthcare Corporation of Illinois, VITAS Healthcare Corporation of Florida, VITAS Healthcare Corporation of Ohio, VITAS Healthcare Corporation of Atlantic, VITAS Healthcare of Texas, L.P., VITAS Healthcare Corporation Midwest, VITAS Healthcare Corporation of Georgia, Chemed Corporation, and the various Relators named therein	Form 8-K 11/2/17	10.01
10.31	Corporate Integrity Agreement, effective October 30, 2017 between the Office of Inspector General of the Department of Health and Human Services and VITAS Hospice Services, L.L.C., VITAS Healthcare Corporation, VITAS Healthcare Corporation of California, VITAS Healthcare Corporation of Illinois, VITAS Healthcare Corporation of Florida, VITAS Healthcare Corporation of Ohio, VITAS Healthcare Corporation of Atlantic, VITAS Healthcare of Texas, L.P., VITAS Healthcare Corporation Midwest, and VITAS Healthcare Corporation of Georgia	Form 8-K 11/2/17	10.02
10.32	Fifth Amended and Restated Credit Agreement by and among Chemed Corporation, JP Morgan Chase Bank NA, and other lenders as of June 28, 2022	Form 8-K 6/29/22**	10.10
10.33	David P. Williams Performance Share Units Grant Letter dated January 29, 2024	Form 8-K 2/1/24	10.1
14	Policies on Business Ethics of Chemed Corporation	Form 10-K 2/27/14,**	14
21	Subsidiaries of Chemed Corporation	*	
23	Consent of Independent Registered Public Accounting Firm	*	
24	Powers of Attorney	*	
31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934	*	
31.2	Certification by Michael D. Witzeman pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934	*	
32.1	Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes Oxley Act of 2002	*	
32.2	Certification by Michael D. Witzeman pursuant to Section 906 of the Sarbanes Oxley Act of 2002	*	

97	Compensation Recovery Policy	*
101.INS	XBRL Instance Document	*
101.SCH	XBRL Extension Schema	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	*
101.DEF	XBRL Taxonomy Definition Linkbase	*
101.LAB	XBRL Taxonomy Extension Label Linkbase	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	*

* Filed herewith.

** Management contract or compensatory plan arrangement.

EXHIBIT 13

Financial Review

Contents

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the President and Chief Executive Officer, and Vice President, Chief Financial Officer, and Controller, has conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2023, based on the framework established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management concluded that internal control over financial reporting was effective as of December 31, 2023, based on criteria in *Internal Control—Integrated Framework* issued by COSO.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, as stated in their report which appears on pages 40 through 41.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Chemed Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Chemed Corporation and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

VITAS Revenue Implicit Price Concessions

As described in Note 2 to the consolidated financial statements, service revenue for VITAS is reported at the amount that reflects the ultimate consideration management expects to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid). Management estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Settlement with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and the Company's historical settlement activity. The impact of these estimates is disclosed as implicit price concessions and totaled $14.2 million for the year-ended December 31, 2023.

The principal considerations for our determination that performing procedures relating to VITAS revenue implicit price concessions is a critical audit matter are the significant judgment by management when developing the estimate of implicit price concessions used in determining the transaction price for each third-party payor. This in turn led to significant auditor judgment, subjectivity, and effort in performing procedures to evaluate the ultimate consideration management expects to receive, related to estimates of implicit price concessions including retroactive adjustments due to audits, reviews or investigations, the assessment of management's evaluation of correspondence from the payor and the Company's historical settlement activity.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the VITAS revenue implicit price concessions estimate. These procedures also included, among others, (i) developing an independent estimate of the implicit price concessions by utilizing historical settlement activity; (ii) comparing the independent estimate to management's estimate; and (iii) evaluating and testing management's process for developing the estimate related to retroactive adjustments due to audits, reviews or investigations, which included evaluating the reasonableness of the estimate based on existing correspondence from the payor and the Company's historical settlement activity. Evaluating the reasonableness of the implicit price concessions estimate involved inspecting evidence of correspondence from payors, testing the completeness and accuracy of historical settlement activity on a sample basis, and performing a retrospective review of consideration received subsequent to prior and current year-end to evaluate the reasonableness of the prior and current period estimated implicit price concessions applied by management.

/s/ PricewaterhouseCoopers LLP

Cincinnati, Ohio

February 29, 2024

We have served as the Company's auditor since 1971.

CONSOLIDATED STATEMENTS OF INCOME

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

For the Years Ended December 31,	**2023**	2022	2021
Service revenues and sales (Note 2)	**$ 2,264,417**	$ 2,134,963	$ 2,139,261
Cost of services provided and goods sold (excluding depreciation)	**1,465,602**	1,369,877	1,369,458
Selling, general and administrative expenses	**395,120**	358,727	366,727
Depreciation	**50,802**	49,102	49,011
Amortization	**10,063**	10,070	10,040
Other operating expenses (Note 20)	**2,261**	3,691	987
Total costs and expenses	**1,923,848**	1,791,467	1,796,223
Income from operations	**340,569**	343,496	343,038
Interest expense	**(3,108)**	(4,584)	(1,868)
Other income/(expense)--net (Note 10)	**12,906**	(9,233)	9,144
Income before income taxes	**350,367**	329,679	350,314
Income taxes (Note 11)	**(77,858)**	(80,055)	(81,764)
Net Income	**$ 272,509**	$ 249,624	$ 268,550
Earnings Per Share (Note 16)			
Net Income	**$ 18.11**	$ 16.72	$ 17.14
Average number of shares outstanding	**15,050**	14,929	15,671
Diluted Earnings Per Share (Note 16)			
Net Income	**$ 17.93**	$ 16.53	$ 16.85
Average number of shares outstanding	**15,200**	15,099	15,938

The Notes to Consolidated Financial Statements are integral parts of these statements.

CONSOLIDATED BALANCE SHEETS

Chemed Corporation and Subsidiary Companies
(in thousands, except shares and per share data)

December 31,	**2023**	2022
Assets		
Current assets		
Cash and cash equivalents (Note 9)	**$ 263,958**	$ 74,126
Accounts receivable	**181,511**	139,408
Inventories	**12,004**	10,272
Prepaid income taxes	**13,166**	18,515
Prepaid expenses	**30,204**	30,291
Total current assets	**500,843**	272,612
Investments of deferred compensation plans held in trust (Notes 15 and 17)	**106,126**	93,196
Properties and equipment, at cost, less accumulated depreciation (Note 13)	**203,840**	199,714
Lease right of use asset (Note 14)	**126,387**	135,662
Identifiable intangible assets less accumulated amortization (Note 6)	**90,264**	99,726
Goodwill	**585,017**	581,295
Other assets (Note 12)	**55,618**	59,807
Total Assets	**$ 1,668,095**	$ 1,442,012
Liabilities		
Current liabilities		
Accounts payable	**$ 64,034**	$ 41,884
Current portion of long-term debt (Note 3)	**-**	5,000
Income taxes (Note 11)	**6,858**	-
Accrued insurance	**58,568**	58,515
Accrued compensation	**88,381**	87,350
Accrued legal	**6,386**	4,456
Short-term lease liability (Note 14)	**38,635**	38,996
Other current liabilities (Note 21)	**49,188**	61,004
Total current liabilities	**312,050**	297,205
Deferred income taxes (Note 11)	**30,321**	38,613
Long-term debt (Note 3)	**-**	92,500
Deferred compensation liabilities (Note 15)	**104,069**	92,330
Long-term lease liability (Note 14)	**100,776**	110,513
Other liabilities	**13,003**	12,136
Total Liabilities	**560,219**	643,297
Commitments and contingencies (Note 18)		
Stockholders' Equity		
Capital stock - authorized 80,000,000 shares $1 par; issued 37,183,681 shares (2022 - 36,795,792 shares)	**37,184**	36,796
Paid-in capital	**1,341,273**	1,149,899
Retained earnings	**2,446,925**	2,197,918
Treasury stock - 22,148,927 shares (2022 - 21,920,993 shares), at cost	**(2,719,588)**	(2,588,145)
Deferred compensation payable in Company stock (Note 15)	**2,082**	2,247
Total Stockholders' Equity	**1,107,876**	798,715
Total Liabilities and Stockholders' Equity	**$ 1,668,095**	$ 1,442,012

The Notes to Consolidated Financial Statements are integral parts of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,	**2023**	2022	2021
Cash Flows from Operating Activities			
Net income	**$ 272,509**	$ 249,624	$ 268,550
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	**60,865**	59,172	59,051
Stock option expense	**30,082**	26,254	22,502
Deferred payroll taxes	**-**	(18,175)	(18,175)
Noncash portion of long-term incentive compensation	**9,267**	6,188	7,745
(Benefit)/provision for deferred income taxes	**(8,027)**	14,827	2,400
Litigation settlements	**2,050**	4,000	(9,440)
Noncash directors' compensation	**1,444**	1,170	1,173
Amortization of debt issuance costs	**580**	342	306
Changes in operating assets and liabilities:			
Increase in accounts receivable	**(41,488)**	(2,414)	(8,431)
Increase in inventories	**(1,732)**	(162)	(3,014)
Decrease/(increase) in prepaid expenses	**87**	2,397	(6,511)
(Decrease)/increase in accounts payable and other current liabilities	**(9,348)**	15,343	9,832
Change in current income taxes	**11,748**	(996)	(20,401)
Net change in lease assets and liabilities	**(1,424)**	1,471	(44)
Increase in other assets	**(9,952)**	(45,779)	(10,305)
Increase/(decrease) in other liabilities	**12,802**	(3,350)	12,074
Other sources/(uses)	**836**	(26)	1,285
Net cash provided by operating activities	**330,299**	309,886	308,597
Cash Flows from Investing Activities			
Capital expenditures	**(56,854)**	(57,325)	(58,675)
Business combinations, net of cash acquired	**(3,994)**	(3,529)	-
Proceeds from sale of fixed assets	**640**	2,330	904
Other (uses)/sources	**(434)**	(878)	14
Net cash used by investing activities	**(60,642)**	(59,402)	(57,757)
Cash Flows from Financing Activities			
Proceeds from exercise of stock options	**102,192**	44,968	35,848
Payments on other long-term debt	**(97,500)**	(2,500)	-
Proceeds from other long-term debt	**-**	100,000	-
Purchases of treasury stock	**(67,697)**	(114,515)	(576,042)
Dividends paid	**(23,502)**	(22,017)	(22,016)
Change in cash overdraft payable	**15,749**	(11,884)	11,884
Capital stock surrendered to pay taxes on stock-based compensation	**(9,557)**	(15,611)	(15,129)
Payments on revolving line of credit	**-**	(306,800)	(25,300)
Proceeds from revolving line of credit	**-**	121,800	210,300
Debt issuance costs	**-**	(1,586)	-
Other sources/(uses)	**490**	(1,108)	(165)
Net cash used by financing activities	**(79,825)**	(209,253)	(380,620)
Increase/(decrease) in cash and cash equivalents	**189,832**	41,231	(129,780)
Cash and cash equivalents at beginning of year	**74,126**	32,895	162,675
Cash and cash equivalents at end of year	**$ 263,958**	$ 74,126	$ 32,895

The Notes to Consolidated Financial Statements are integral parts of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2020	36,259	961,404	1,723,777	(1,822,579)	2,339	901,200
Net income	-	-	268,550	-	-	268,550
Dividends paid ($1.40 per share)	-	-	(22,016)	-	-	(22,016)
Stock awards and exercise of stock options (Note 4)	255	82,921	-	(31,037)	-	52,139
Purchases of treasury stock (Note 19)	-	-	-	(576,483)	-	(576,483)
Other	-	16	-	5	(138)	(117)
Balance at December 31, 2021	36,514	1,044,341	1,970,311	(2,430,094)	2,201	623,273
Net income	-	-	249,624	-	-	249,624
Dividends paid ($1.48 per share)	-	-	(22,017)	-	-	(22,017)
Stock awards and exercise of stock options (Note 4)	282	106,619	-	(43,932)	-	62,969
Purchases of treasury stock (Note 19)	-	-	-	(114,074)	-	(114,074)
Other	-	(1,061)	-	(45)	46	(1,060)
Balance at December 31, 2022	**36,796**	**1,149,899**	**2,197,918**	**(2,588,145)**	**2,247**	**798,715**
Net income	**-**	**-**	**272,509**	**-**	**-**	**272,509**
Dividends paid ($1.56 per share)	**-**	**-**	**(23,502)**	**-**	**-**	**(23,502)**
Stock awards and exercise of stock options (Note 4)	**388**	**190,835**	**-**	**(57,796)**	**-**	**133,427**
Purchases of treasury stock (Note 19)	**-**	**-**	**-**	**(73,813)**	**-**	**(73,813)**
Other	**-**	**539**	**-**	**166**	**(165)**	**540**
Balance at December 31, 2023	**$ 37,184**	**$ 1,341,273**	**$ 2,446,925**	**$ (2,719,588)**	**$ 2,082**	**$ 1,107,876**

The Notes to Consolidated Financial Statements are integral parts of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS

We operate through our two wholly-owned subsidiaries: VITAS Healthcare Corporation (“VITAS”) and Roto-Rooter Group, Inc. (“Roto-Rooter”). VITAS focuses on hospice care that helps make terminally ill patients' final days as comfortable as possible. Through its team of doctors, nurses, home health aides, social workers, clergy and volunteers, VITAS provides direct medical services to patients, as well as spiritual and emotional counseling to both patients and their families. Roto-Rooter provides plumbing, drain cleaning and water restoration services to both residential and commercial customers. Through its network of company-owned branches, Independent Contractors and franchisees, Roto-Rooter offers plumbing, drain cleaning service and water restoration to over 90% of the U.S. population.

PRINCIPLES OF ACCOUNTING

The consolidated financial statements have been prepared on a going-concern basis. The consolidated financial statements include the accounts of Chemed Corporation and its wholly owned subsidiaries. All intercompany transactions have been eliminated. We have analyzed the provisions of the Financial Accounting Standards Board (“FASB”) authoritative guidance on the consolidation of variable interest entities relative to our contractual relationships with Roto-Rooter’s Independent Contractors and franchisees. The guidance requires the primary beneficiary of a Variable Interest Entity (“VIE”) to consolidate the accounts of the VIE. We have concluded that neither the Independent Contractors nor the franchisees are VIEs.

CURRENT EXPECTED CREDIT LOSSES

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments, Credit Losses. The Company’s only material financial asset subject to ASU No. 2016-13 is accounts receivable, trade and other. The Company recognizes an allowance for credit losses related to accounts receivable to present the net amount expected to be collected as of the balance sheet date. Accounts receivable are written-off when it is determined that the amount is deemed uncollectible. The following presents a detailed discussion of the operating subsidiaries’ accounts receivable and their evaluation of credit risk related to those accounts:

Roto-Rooter’s trade accounts receivable are comprised mainly of amounts due from commercial entities and commercial insurance carriers. Roto-Rooter’s accounts receivable are generally outstanding for 90 days or less and there are no significant amounts outstanding greater than one year. Roto-Rooter historically has not experienced significant write-offs due to credit losses. For amounts due from commercial entities, Roto-Rooter utilizes a provision matrix based on historical credit losses by aging category. For amounts due from commercial insurance carriers, mainly from water restoration revenue, Roto-Rooter periodically reviews published default tables related to commercial insurance carriers and provides an allowance. As further discussed below, Roto-Rooter assesses on a quarterly basis whether the historical rates used are expected to be representative of credit risk over the life of the account taking into consideration existing economic conditions.

In excess of 90% of VITAS’ accounts receivable are from the Federal or state governments under Medicare and Medicaid. VITAS believes that it is reasonable to expect that the risk of non-payment as a result of credit issues from these government entities is zero. As such, there is no allowance for credit losses established related to these accounts. The remainder of VITAS’ accounts are from commercial insurance carriers. VITAS’ accounts are generally outstanding for 90 days or less and there are no significant amounts outstanding greater than one year. VITAS historically has not experienced significant write-offs due to credit losses. VITAS periodically reviews published default tables related to commercial insurance carriers and provides an allowance. VITAS assesses on a quarterly basis whether these default rates are expected to be representative of credit risk over the life of the account taking into consideration existing economic conditions.

As further discussed in Note 3, Chemed has $45.2 million in standby letters of credit outstanding. These letters of credit are with large, highly rated financial institutions. The Company periodically reviews published default tables related to these institutions to assess the need for an allowance. Chemed believes that any expected credit loss related to outstanding letters of credit based on current economic conditions is not material. The allowance for doubtful accounts is not material at December 31, 2023.

CORONAVIRUS IMPACT

We have closely monitored the impact of the pandemic on all aspects of our business including impacts to employees, customers, patients, suppliers and vendors.

On March 27, 2020, the CARES Act was passed. It provided economic relief to individuals and businesses affected by the coronavirus pandemic. It also contained provisions related to healthcare providers' operations and the issues caused by the coronavirus pandemic.

Chemed and its subsidiaries deferred $36.4 million of certain employer payroll taxes as permitted by the CARES Act in 2020. $18.2 million was paid in 2021 and the remaining $18.2 million was paid in 2022.

During the period from May 1, 2020 through March 31, 2022, the 2% Medicare sequestration reimbursement cut was suspended. Sequestration was phased back into place at 1% from April 1, 2022 to June 30, 2022 and the full 2% thereafter. For the years ended December 31, 2022, 2021 and 2020 approximately $8.6 million, $23.9 million and $16.8 million, respectively, was recognized as revenue due to the suspension of sequestration.

The Company recognized $14.0 million of expense in 2021 for COVID-19 related costs. VITAS provided its workers an extra week of paid time off resulting in a $10.0 million charge. The remaining costs are primarily for personal protection equipment.

CASH EQUIVALENTS

Cash equivalents comprise short-term, highly liquid investments, including overnight deposits and money market funds that have original maturities of three months or less.

CONCENTRATION OF RISK

As of December 31, 2023, and 2022, approximately 75% and 64%, respectively, of VITAS' total accounts receivable balances were from Medicare and 19% and 29%, respectively, of VITAS' total accounts receivable balances were due from various state Medicaid or managed Medicaid programs. Combined accounts receivable from Medicare, Medicaid, and managed Medicaid represent approximately 80% of the consolidated net accounts receivable in the accompanying consolidated balance sheets as of December 31, 2023.

VITAS has a pharmacy services contract with one service provider for specified pharmacy services related to its hospice operations. Similarly, effective January 1, 2022, VITAS obtains the majority of its medical supplies from a single vendor. A large majority of VITAS' pharmaceutical and medical supplies purchases are from these vendors. The pharmaceutical and medical supplies purchased by VITAS are available through many providers in the United States. However, a disruption from VITAS' main service providers could adversely impact VITAS' operations, including temporary logistical challenges and increased cost associated with getting medication and medical supplies to our patients.

INVENTORIES

Substantially all of the inventories are either general merchandise or finished goods. Inventories are stated at the lower of cost or net realizable value. For determining the value of inventories, cost methods that reasonably approximate the first-in, first-out ("FIFO") method are used.

DEPRECIATION AND PROPERTIES AND EQUIPMENT

Depreciation of properties and equipment is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the remaining lease terms (excluding option terms) or their useful lives. Expenditures for maintenance, repairs, renewals and betterments that do not materially prolong the useful lives of the assets are expensed as incurred. The cost of property retired or sold and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected currently in other operating expense or other income, net.

Expenditures for major software purchases and software developed for internal use are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets. For software developed for internal use, external direct costs for materials and services and certain internal payroll and related fringe benefit costs are capitalized in accordance with the FASB's authoritative guidance on accounting for the costs of computer software developed or obtained for internal use.

The weighted average lives of our property and equipment at December 31, 2023, were:

Buildings and building improvements	14.6 yrs.
Transportation equipment	8.5
Machinery and equipment	5.1
Computer software	3.8
Furniture and fixtures	4.4

GOODWILL AND INTANGIBLE ASSETS

The table below shows a rollforward of Goodwill (in thousands):

	Vitas	Roto-Rooter	Total
Balance at December 31, 2021	$ 333,331	$ 245,260	$ 578,591
Business combinations	732	2,061	2,793
Foreign currency adjustments	-	(89)	(89)
Balance at December 31, 2022	$ 334,063	$ 247,232	$ 581,295
Business combinations	**-**	**3,682**	**3,682**
Foreign currency adjustments	**-**	**40**	**40**
Balance at December 31, 2023	**$ 334,063**	**$ 250,954**	**$ 585,017**

Identifiable, definite-lived intangible assets arise from purchase business combinations and are amortized using either an accelerated method or the straight-line method over the estimated useful lives of the assets. The selection of an amortization method is based on which method best reflects the economic pattern of usage of the asset. Reacquired franchise rights are amortized over the remaining term of the franchise agreement at the time of acquisition. The weighted average lives of our identifiable, definite-lived intangible assets at December 31, 2023, were:

Covenants not to compete	6.4 yrs.
Reacquired franchise rights	7.4
Referral networks	14.0
Customer lists	16.8

The date of our annual goodwill and indefinite-lived intangible asset impairment analysis is October 1. The VITAS trade name is considered to have an indefinite life. We also capitalize the direct costs of obtaining licenses to operate either hospice programs or plumbing operations subject to a minimum capitalization threshold. These costs are amortized over the life of the license using the straight-line method. Certificates of Need (“CON”), which are required in certain states for hospice operations, are generally granted without expiration and thus, we believe them to be indefinite-lived assets subject to impairment testing.

We consider that Roto-Rooter Corp. (“RRC”), Roto-Rooter Services Co. (“RRSC”) and VITAS are appropriate reporting units for testing goodwill impairment. We consider RRC and RRSC separate reporting units but one operating segment. This is appropriate as they each have their own set of general ledger accounts that can be analyzed at “one level below an operating segment” per the definition of a reporting unit in FASB guidance.

We completed our qualitative analysis for impairment of goodwill and our indefinite-lived intangible assets as of October 1, 2023. Based on our assessment, we do not believe that it is more likely than not that our reporting units or indefinite-lived assets fair values are less than their carrying values.

LONG-LIVED ASSETS

If we believe a triggering event may have occurred that indicates a possible impairment of our long-lived assets, we perform an estimate and valuation of the future benefits of our long-lived assets (other than goodwill, the VITAS trade name and capitalized CON costs) based on key financial indicators. If the projected undiscounted cash flows of a major business unit indicate that properties and equipment or identifiable, definite-lived intangible assets’ have been impaired, a write-down to fair value is made.

LEASE ACCOUNTING

In February 2016, the FASB issued Accounting Standards Update “ASU No. 2016-02 Leases” which introduced a lessee model that brings most leases onto the balance sheet and updates lessor accounting to align with changes in the lessee model and the revenue recognition standard. This standard is also referred to as Accountings Standards Codification No.842 (“ASC 842”).

Our leases have remaining terms of less than 1 year to 10 years, some of which include options to extend the lease for up to 5 years, and some of which include options to terminate the lease within 1 year. We made a policy election to exclude leases with a lease term less than 12 months from being recorded on the balance sheet. We adopted the practical expedient related to the combining of lease and non-lease components, which allows us to account for the lease and non-lease components as a single lease component. We do not currently have any finance leases, all lease information disclosed is related to operating leases.

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for inpatient units ("IPUs") and/or contract beds within hospitals. Roto-Rooter mainly has leased office space.

Roto-Rooter purchases equipment and leases it to certain of its Independent Contractors. We analyzed these leases in accordance with ASC 842 and determined they are operating leases. As a result, Roto-Rooter will continue to capitalize the equipment underlying these leases, depreciate the equipment and recognize rental income. See Note 14 for the detail of lease accounting.

CLOUD COMPUTING

As of December 31, 2023, Roto-Rooter has no significant capitalized implementation costs related to cloud computing.

VITAS utilizes a human resource system that is considered a cloud computing arrangement. We have capitalized approximately $5.6 million related to implementation of this project which are included in prepaid assets in the accompanying balance sheets. The VITAS human resource system was placed into service in January 2020 and is being amortized over 5.7 years. For each of the years ending December 31, 2023, 2022 and 2021, amortization expense of $995,000 has been recognized, respectively.

OTHER ASSETS

Debt issuance costs are included in other assets. Issuance costs related to revolving credit agreements are amortized using the straight-line method, over the life of the agreement. All other issuance costs are amortized using the effective interest method over the life of the debt. See Note 12 for the detail of other assets.

SALES TAX

The Roto-Rooter segment collects sales tax from customers when required by state and federal laws. We record the amount of sales tax collected net in the accompanying consolidated statements of income.

OPERATING EXPENSES

Cost of services provided and goods sold (excluding depreciation) includes salaries, wages and benefits of service providers and field personnel, material costs, medical supplies and equipment, pharmaceuticals, insurance costs, service vehicle costs and other expenses directly related to providing service revenues or generating sales. Selling, general and administrative expenses include salaries, wages, stock-based compensation expense and benefits of selling, marketing and administrative employees, advertising expenses, communications and branch telephone expenses, office rent and operating costs, legal, banking and professional fees and other administrative costs. The cost associated with VITAS sales personnel is included in cost of services provided and goods sold (excluding depreciation).

ADVERTISING

We expense the production costs of advertising the first time the advertising takes place. We pay for and expense the cost of internet advertising and placement on a "per click" basis. Similarly, the majority of our telephone directory listings and certain types of internet advertising are paid for and expensed on a "cost per call" basis. For those directories that are not on this billing basis, the cost of the directory is expensed when the directories are placed in circulation. Advertising expense for the year ended December 31, 2023 was $72.2 million (2022 – $68.6 million; 2021 - $62.1 million).

OTHER CURRENT LIABILITIES

See Note 21 for the detail of other current liabilities.

STOCK-BASED COMPENSATION PLANS

Stock-based compensation cost is measured at the grant date, based on the fair value of the award and recognized as expense over the employee's requisite service period on a straight-line basis. See Note 4 for the detail on stock-based compensation.

INSURANCE ACCRUALS

For our Roto-Rooter segment and Corporate Office, we initially self-insure for all casualty insurance claims (workers' compensation, auto liability and general liability). As a result, we closely monitor and frequently evaluate our historical claims experience to estimate the appropriate level of accrual for self-insured claims. Our third-party administrator ("TPA") processes and reviews claims on a monthly basis. Currently, our exposure on any single claim is capped by stop-loss coverage at $750,000. In developing our estimates, we accumulate historical claims data for the previous 10 years to calculate loss development factors (“LDF”) by insurance coverage type. LDFs are applied to known claims to estimate the ultimate potential liability for known and unknown claims for each open policy year. LDFs are updated annually. Because this methodology relies heavily on historical claims data, the key risk is whether the historical claims are an accurate predictor of future claims exposure. The risk also exists that certain claims have been incurred and not reported on a timely basis. To mitigate these risks, in conjunction with our TPA, we closely monitor claims to ensure timely accumulation of data and compare claims trends with the industry experience of our TPA.

For the VITAS segment, we initially self-insure for workers’ compensation claims. Currently, VITAS’ exposure on any single claim is capped by stop-loss coverage at $1,000,000. For VITAS’ self-insurance accruals for workers’ compensation, the valuation methods used are similar to those used internally for our other business units. We are also insured for other risks with respect to professional liability with a deductible of $1,000,000.

Our casualty insurance liabilities are recorded gross before any estimated recovery for amounts exceeding our stop loss limits. Estimated recoveries from insurance carriers are recorded as accounts receivable. Claims experience adjustments to our casualty and workers’ compensation accrual for the years ended December 31, 2023, 2022 and 2021, were net pretax credits of ($6,862,000), ($5,790,000), and ($6,332,000) respectively.

INCOME TAXES

Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in our opinion, it is more likely than not that some portion or all of the deferred tax assets will not be realized due to insufficient taxable income within the carryback or carryforward period available under the tax laws. Deferred tax assets and liabilities are adjusted for the effects of changes in law and rates on the date of enactment.

We are subject to income taxes in Canada, U.S. federal and most state jurisdictions. Judgement is required to determine our provision for income taxes. Our financial statements reflect expected future tax consequences of such uncertain positions assuming the taxing authorities’ full knowledge of the position and all relevant facts.

Our effective income tax rate was 22.2%, 24.3% and 23.3% for the years ended December 31, 2023, 2022, and 2021, respectively. Excess tax benefit on stock options reduced our income tax expenses by $4.3 million, $5.9 million, and $9.9 million for the years ended December 31, 2023, 2022 and 2021, respectively.

During the third quarter of 2023, the Company recognized a tax benefit from realignment of its state and local corporate tax structure based on the location of operating resources and profitability by business segment. This benefit includes a reduction in current state and local tax expense and a one time benefit of $4.2 million in reduction of deferred tax liabilities reflecting the lower tax rates.

CONTINGENCIES

As discussed in Note 18, we are subject to various lawsuits and claims in the normal course of our business. In addition, we periodically receive communications from governmental and regulatory agencies concerning compliance with Medicare and Medicaid billing requirements at our VITAS subsidiary. We establish reserves for specific, uninsured liabilities in connection with regulatory and legal action that we deem to be probable and reasonably estimable. We record legal fees associated with legal and regulatory actions as the costs are incurred. We disclose material loss contingencies that are probable but not reasonably estimable and those that are at least reasonably possible.

BUSINESS COMBINATIONS

We account for acquired businesses using the acquisition method of accounting. All assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. The determination of fair value involves estimates and the use of valuation techniques when market value is not readily available. We use various techniques to determine fair value in accordance with accepted valuation models, primarily the income approach. The significant assumptions used in developing fair values include, but are not limited to, revenue growth rates, the amount and timing of future cash flows, discount rates, useful lives, royalty rates and future tax rates. The excess of purchase price over the fair value of assets and liabilities acquired is recorded as goodwill. See Note 7 for discussion of recent acquisitions.

ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

2. Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update "ASU No. 2014-09 – Revenue from Contracts with Customers." The standard and subsequent amendments are theoretically intended to develop a common revenue standard for removing inconsistencies and weaknesses, improve comparability, provide for more useful information to users through improved disclosure requirements and simplify the preparation of financial statements. The standard is also referred to as Accounting Standards Codification No. 606 ("ASC 606").

VITAS

Service revenue for VITAS is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and includes variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a per diem basis regardless of the type of service provided or the payor. Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model. The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to 4 hours per day in 15 minute increments at the continuous home care rate.

General Inpatient Care occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24 hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare continuous home care rates are daily rates, Medicare pays for continuous home care in 15 minute increments. This 15 minute rate is calculated by dividing the daily rate by 96.

Respite Care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

Each level of care represents a separate promise under the contract of care and is provided independently for each patient contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that, each patient is subject to the same payor rules and regulations. As a result, we have concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, we have determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care. We believe that the performance obligations for each level of care meet criteria to be satisfied over time. VITAS recognizes revenue based on the service output. VITAS believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by our performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. VITAS' performance obligations relate to contracts with an expected duration of less than one year. Therefore, VITAS has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for at least 12 months after discharge.

Care is provided to patients regardless of their ability to pay. Patients who meet our criteria for charity care are provided care without charge. There is no revenue or associated accounts receivable in the accompanying consolidated financial statements related to charity care. The cost of providing charity care during the years ended December 31, 2023, 2022 and 2021, was \$8.1 million, \$7.8 million and \$8.5 million, respectively and is included in cost of services provided and goods sold. The cost of charity care is calculated by taking the ratio of charity care days to total days of care and multiplying by total cost of care.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. VITAS also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. VITAS estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e. change in credit risk) are recorded as bad debt expense. VITAS has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may be subject to future government review and interpretation. Additionally, the contracts we have with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available.

We are subject to certain limitations on Medicare payments for services which are considered variable consideration, as follows:

Inpatient Cap. If the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of hospice care such program provided to all Medicare patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. None of VITAS' hospice programs exceeded the payment limits on inpatient services during the years ended December 31, 2023, 2022, and 2021.

Medicare Cap. We are also subject to a Medicare annual per-beneficiary cap ("Medicare cap"). Compliance with the Medicare cap is measured in one of two ways based on a provider election. The "streamlined" method compares total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number with the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs from September 28 through September 27 of the following year. At December 31, 2023, all our programs except one are using the "streamlined" method.

The "proportional" method compares the total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by the Medicare provider number between September 28 and September 27 of the following year with the product of the per beneficiary cap amount and a pro-rated number of Medicare beneficiaries receiving hospice services from that program during the same period. The pro-rated number of Medicare beneficiaries is calculated based on the ratio of days the beneficiary received hospice services during the measurement period to the total number of days the beneficiary received hospice services.

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether revenues are likely to exceed the annual per-beneficiary Medicare cap. Should we determine that revenues for a program are likely to exceed the Medicare cap based on projected trends, we attempt to institute corrective actions, which include changes to the patient mix and increased patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare cap, we estimate revenue recognized during the government fiscal year that will require repayment to the Federal government under the Medicare cap and record an adjustment to revenue of an amount equal to a ratable portion of our best estimate for the year.

In 2013, the U.S. government implemented automatic budget reductions of 2.0% for all government payees, including hospice benefits paid under the Medicare program. In 2015, Centers for Medicare and Medicaid Services ("CMS") determined that the Medicare cap should be calculated "as if" sequestration did not occur. As a result of this decision, VITAS had received notification from our third-party intermediary that an additional $9.0 million was owed for Medicare cap in three programs for the 2013 through 2022 measurement periods. The amounts were automatically deducted from our semi-monthly PIP payments and we did not recognize any revenue for these disputed amounts, but recorded a receivable offset by a reserve of equal amount. Due to recent court decisions, we are no longer appealing the CMS's methodology change. During the year ended December 31, 2022, we reversed the related receivable and reserve.

During the year ended December 31, 2023 we recorded $8.0 million in Medicare cap revenue reduction related to two programs' projected 2023 measurement period liability and six programs' 2024 measurement period liability.

During the year ended December 31, 2022 we recorded $7.9 million in Medicare cap revenue reduction related to two programs' projected 2022 measurement period liability and five programs' 2023 measurement period liability.

During the year ended December 31, 2021 we recorded $6.6 million in Medicare cap revenue reduction related to two programs' projected 2021 measurement period liability and two programs' 2022 measurement period liability.

At December 31, 2023 and 2022, the Medicare cap liability included in other current liabilities on the accompanying balance sheets was $13.2 million and $14.4 million, respectively.

For VITAS' patients in the nursing home setting in which Medicaid pays the nursing home room and board, VITAS serves as a pass-through between Medicaid and the nursing home. We are responsible for paying the nursing home for that patient's room and board. Medicaid reimburses us for 95% of the amount we have paid. This results in a 5% net expense for VITAS related to nursing home room and board. This transaction creates a performance obligation in that VITAS is facilitating room and board being delivered to our patient. As a result, the 5% net expense is recognized as a contra-revenue account under ASC 606 in the accompanying financial statements.

The composition of patient care service revenue by payor and level of care for the year ended December 31, 2023 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	**$ 1,067,629**	**44,833**	**23,975**	**$ 1,136,437**
Continuous care	**78,994**	**3,123**	**3,557**	**85,674**
Inpatient care	**97,873**	**8,698**	**5,848**	**112,419**
	$ 1,244,496	**$ 56,654**	**$ 33,380**	**$ 1,334,530**
All other revenue - self-pay, respite care, etc.				**13,582**
Subtotal				**$ 1,348,112**
Medicare cap adjustment				**(8,000)**
Implicit price concessions				**(14,196)**
Room and board, net				**(10,851)**
Net revenue				**$ 1,315,065**

The composition of patient care service revenue by payor and level of care for the year ended December 31, 2022 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 973,206	$ 43,340	$ 22,665	$ 1,039,211
Continuous care	70,712	3,159	3,129	77,000
Inpatient care	89,866	7,533	4,962	102,361
	$ 1,133,784	$ 54,032	$ 30,756	$ 1,218,572
All other revenue - self-pay, respite care, etc.				12,438
Subtotal				$ 1,231,010
Medicare cap adjustment				(7,868)
Implicit price concessions				(12,004)
Room and board, net				(9,574)
Net revenue				$ 1,201,564

The composition of patient care service revenue by payor and level of care for the year ended December 31, 2021 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 997,846	$ 46,785	$ 25,135	$ 1,069,766
Continuous care	85,626	4,689	4,023	94,338
Inpatient care	98,243	9,486	5,458	113,187
	$ 1,181,715	$ 60,960	$ 34,616	$ 1,277,291
All other revenue - self-pay, respite care, etc.				12,142
Subtotal				$ 1,289,433
Medicare cap adjustment				(6,597)
Implicit price concessions				(11,530)
Room and board, net				(10,060)
Net revenue				$ 1,261,246

Roto-Rooter

Roto-Rooter provides plumbing, drain cleaning, water restoration and other related services to both residential and commercial customers primarily in the United States. Services are provided through a network of company-owned branches, Independent Contractors and franchisees. Service revenue for Roto-Rooter is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing services.

Roto-Rooter owns and operates branches focusing mainly on large population centers in the United States. Roto-Rooter's primary lines of business in company-owned branches consist of plumbing, sewer and drain cleaning, excavation and water restoration. For purposes of ASC 606 analysis, plumbing, sewer and drain cleaning, and excavation have been combined into one portfolio and are referred to as "short-term core services". Water restoration is analyzed as a separate portfolio. The following describes the key characteristics of these portfolios:

Short-term Core Services are plumbing, drain and sewer cleaning and excavation services. These services are provided to both commercial and residential customers. The duration of services provided in this category range from a few hours to a few days. There are no significant warranty costs or on-going obligations to the customer once a service has been completed. For residential customers, payment is usually received at the time of job completion before the Roto-Rooter technician leaves the residence. Commercial customers may be granted credit subject to internally designated authority limits and credit check guidelines. If credit is granted, payment terms are generally 30 days or less.

Each job in this category is a distinct service with a distinct performance obligation to the customer. Revenue is recognized at the completion of each job. Variable consideration consists of pre-invoice discounts and post-invoice discounts. Pre-invoice discounts are given in the form of coupons or price concessions. Post-invoice discounts consist of credit memos generally granted to resolve customer service issues. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

Water Restoration Services involve the remediation of water and humidity after a flood. These services are provided to both commercial and residential customers. The duration of services provided in this category generally ranges from 3 to 5 days. There are no significant warranties or on-going obligations to the customer once service has been completed. The majority of these services are paid in part by the customer's insurance company. Variable consideration relates primarily to allowances taken by insurance companies upon payment. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

For both short-term core services and water restoration services, Roto-Rooter satisfies its performance obligation at a point in time. The services provided generally involve fixing plumbing, drainage or flood-related issues at the customer's property. At the time service is complete, the customer acknowledges its obligation to pay for service and its satisfaction with the service performed. This provides evidence that the customer has accepted the service and Roto-Rooter is now entitled to payment. As such, Roto-Rooter recognizes revenue for these services upon completion of the job and receipt of customer acknowledgement. Roto-Rooter's performance obligations for short-term core services and water restoration services relate to contracts with an expected duration of less than a year. Therefore, Roto-Rooter has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Roto-Rooter does not have significant unsatisfied or partially unsatisfied performance obligations at the time of initial revenue recognition for short-term core or water restoration services.

Roto-Rooter owns the rights to certain territories and contracts with independent third-parties to operate the territory under Roto-Rooter's registered trademarks ("Independent Contractors"). Such contracts are for a specified term but cancellable by either party without penalty with 90 days' advance notice. Under the terms of these arrangements, Roto-Rooter provides certain back office support and advertising along with a limited license to use Roto-Rooter's registered trademarks. The Independent Contractor is responsible for all day-to-day management of the business including staffing decisions and pricing of services provided. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Independent Contractors pay Roto-Rooter a standard fee calculated as a percentage of their cash collection from weekly sales. The primary value for the Independent Contractors under these arrangements is the right to use Roto-Rooter's registered trademarks. Roto-Rooter recognizes revenue from Independent Contractors over-time (weekly) as the Independent Contractor's labor sales are completed and payment from customers are received. Payment from Independent Contractors is also received on a weekly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the Independent Contractor as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

Roto-Rooter has licensed the rights to operate under Roto-Rooter's registered trademarks in other territories to franchisees. The contract is for a 10 year term but cancellable by Roto-Rooter for cause with 60 day advance notice without penalty. The franchisee may cancel the contract for any reason with 60 days advance notice without penalty. Under the terms of the contract, Roto-Rooter provides national advertising and consultation on various aspects of operating a Roto-Rooter business along with the right to use Roto-Rooter's registered trademarks. The franchisee is responsible for all day-to-day management of the business including staffing decisions, pricing of services provided and local advertising spend and placement. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Franchisees pay Roto-Rooter a standard monthly fee based on the population within the franchise territory. The standard fee is revised on a yearly basis based on changes in the Consumer Price Index for All Urban Consumers. The primary value for the franchisees under this arrangement is the right to use Roto-Rooter's registered trademarks for plumbing, drain care cleaning and water restoration services. Roto-Rooter recognizes revenue from franchisees over-time (monthly). Payment from franchisees is also received on a monthly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the franchisees as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

The composition of disaggregated revenue for the years ended December 31, 2023, 2022 and 2021 is as follows (in thousands):

	2023	2022	2021
Drain cleaning	**$ 249,069**	$ 261,606	$ 254,773
Plumbing	**196,695**	194,274	176,051
Excavation	**233,196**	222,945	215,190
Other	**936**	708	1,138
Subtotal - short term core	**679,896**	679,533	647,152
Water restoration	**185,550**	169,434	153,115
Independent contractors	**85,749**	84,442	76,858
Franchisee fees	**5,658**	5,591	5,068
Other	**19,083**	16,859	15,576
Gross revenue	**$ 975,936**	$ 955,859	$ 897,769
Implicit price concessions and credit memos	**(26,584)**	(22,460)	(19,754)
Net revenue	**$ 949,352**	$ 933,399	$ 878,015

3. Long-Term Debt and Lines of Credit

On June 28, 2022, we replaced our existing credit facility with a fifth amended and restated Credit Agreement ("2022 Credit Facilities"). Terms of the 2022 Credit Facilities consist of a five-year $450 million revolver as well as a five-year $100 million term loan. Principal payments of $1.25 million on the term loan are due on the last day of each fiscal quarter, with a final payment due at the end of the agreement. The 2022 Credit Facilities have a floating interest rate that is generally the secured overnight financing rate ("SOFR") plus an additional tiered rate which varies based on our current leverage ratio. As of December 31, 2023 and 2022, the interest rate is SOFR plus 100 basis points. The 2022 Credit Facilities include an expansion feature that provides the Company the opportunity to increase its revolver and or term loan by an additional $250 million.

We made prepayments totaling $75.0 million plus a regularly scheduled payment of $1.25 million in the first quarter of 2023 on the $100.0 million term loan. We paid the remaining balance of $21.3 million in April 2023. There were no prepayment penalties associated with repayments. There are no significant deferred debt issuance costs capitalized related to the term loan. This prepayment reduced the total borrowing capacity of the 2022 Credit Facilities from $550.0 million to $450.0 million as of December 31, 2023.

The debt outstanding at December 31, 2023 and 2022 consists of the following (in thousands):

	December 31,	
	2023	2022
Revolver	**$ -**	$ -
Term loan	**-**	97,500
Total	**-**	97,500
Current portion of long-term debt	**-**	(5,000)
Long-term debt	**$ -**	$ 92,500

Capitalized interest was not material for any of the periods shown. Summarized below are the total amounts of interest paid during the years ended December 31 (in thousands):

2023	**$ 2,645**
2022	3,704
2021	1,403

The 2022 Credit Facilities contains the following quarterly financial covenants effective as of December 31, 2023:

Description	Requirement	Chemed December 31, 2023
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00	**(0.06) to 1.00**
Interest Coverage Ratio (Consolidated Adj. EBITDA/Consolidated Interest Expense)	> 3.00 to 1.00	**151.10 to 1.00**

We are in compliance with all debt covenants as of December 31, 2023. We have issued $45.2 million in standby letters of credit as of December 31, 2023 for insurance purposes. Issued letters of credit reduce our available credit under the 2022 Credit Facilities. As of December 31, 2023, we have approximately $404.8 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility.

4. Stock-Based Compensation Plans

We have four stock incentive plans under which a total of 6.1 million shares were able to be issued to key employees and directors through a grant of stock options, stock awards and/or performance stock units (“PSUs”). The Compensation/Incentive Committee (“CIC”) of the Board of Directors administers these plans.

We grant stock options, stock awards and PSUs to our officers, other key employees and directors to better align their long-term interests with those of our shareholders. We grant stock options at an exercise price equal to the market price of our stock on the date of grant. Options vest ratably annually over a three year period. Those granted after 2014 have a contractual life of 5 years; those granted prior to 2014 have a contractual life of 10 years. Unrestricted stock awards generally are granted to our non-employee directors annually at the time of our annual meeting. PSUs are contingent upon achievement of multi-year earnings per share (“EPS”) targets or total shareholder return (“TSR”) targets. Upon achievement of targets, PSUs are converted to unrestricted shares of stock.

We recognize the cost of stock options, stock awards and PSUs on a straight-line basis over the service life of the award, generally the vesting period. We include the cost of all stock-based compensation in selling, general and administrative expense.

In May 2023, the CIC granted 2,646 unrestricted shares of stock to the Company’s outside directors.

PERFORMANCE AWARDS

The CIC determines a targeted number of PSUs to be granted to each participant. A participant can ultimately receive up to 200% of the targeted PSUs based upon exceeding the respective EPS and TSR targets.

In February 2021, 2022, and 2023, the CIC granted PSUs contingent upon the achievement of certain TSR targets as compared to the TSR of a group of peer companies for the three-year measurement period, at which date the awards may vest. We utilize a Monte Carlo simulation approach in a risk-neutral framework with inputs including historical volatility and the risk-free rate of interest to value these TSR awards. We amortize the total estimated cost over the service period of the award.

In February 2021, 2022, and 2023, the CIC granted PSUs contingent on the achievement of certain EPS targets over the three-year measurement period. At the end of each reporting period, we estimate the number of shares of stock we believe will ultimately vest and record that expense over the service period of the award.

Comparative data for the PSUs include:

	2023 Awards	2022 Awards	2021 Awards
TSR Awards			
Shares of stock granted - target	**8,107**	7,983	6,277
Per-share fair value	**$ 633.32**	$ 595.70	$ 599.04
Volatility	**25.5 %**	30.4 %	30.2 %
Risk-free interest rate	**4.3 %**	1.7 %	0.2 %
EPS Awards			
Shares of stock granted - target	**8,107**	7,983	6,277
Per-share fair value	**$ 515.12**	$ 459.77	$ 491.34
Common Assumptions			
Service period (years)	**2.9**	2.9	2.9
Three-year measurement period ends December 31,	**2025**	2024	2023

The following table summarizes total stock option, stock award and PSU activity during 2023:

	Stock Options				Stock Awards		Performance Units (PSUs)	
		Weighted Average						
	Number of Options	Exercise Price	Remaining Contractual Life (Years)	Aggregate Intrinsic Value (thousands)	Number of Awards	Weighted Average Grant-Date Per-Share Fair Value	Number of Target Units	Weighted Average Grant-Date Price
Outstanding at December 31, 2022	1,181,154	$ 432.75			-	$ -	37,490	$ 543.11
Granted	315,555	509.46			2,646	545.69	21,802	557.23
Exercised/Vested	(370,105)	406.45			(2,646)	545.69	(15,138)	544.36
Canceled/ Forfeited	(9,381)	455.42			-	-	-	-
Outstanding at December 31, 2023	1,117,223	$ 462.94	3.3	$ 134,531	-	$ -	44,154	$ 549.65
Vested and expected to vest at December 31, 2023	1,117,223	$ 462.94	3.3	$ 134,531	-	$ -	49,231*	$ 546.47
Exercisable at December 31, 2023	494,064	437.24	2.2	72,191	n.a.	n.a.	n.a.	n.a.

* Amount includes 9,918 share units which vested and were converted to shares of stock and distributed in the first quarter of 2024.

We estimate the fair value of stock options using the Black-Scholes valuation model. We determine expected term, volatility, and dividend yield and forfeiture rate based on our historical experience. We believe that historical experience is the best indicator of these factors.

Comparative data for stock options, stock awards and PSUs include (in thousands, except per-share amounts):

	Years Ended December 31,		
	2023	2022	2021
Total compensation expense of stock-based compensation plans charged against income	**$ 40,793**	$ 33,613	$ 31,420
Total income tax benefit recognized in income for stock based compensation expense charged against income	**9,709**	8,487	7,918
Total intrinsic value of stock options exercised	**54,681**	53,339	62,038
Total intrinsic value of stock awards vested during the period	**1,444**	1,170	1,173
Per-share weighted average grant-date fair value of stock awards granted	**545.69**	496.25	482.66

The assumptions we used to value stock option grants are as follows:

	2023	2022	2021
Stock price on date of issuance	$ **509.46**	$ 462.04	$ 445.35
Grant date fair value per option	$ **111.24**	$ 104.69	$ 96.91
Number of options granted	**315,555**	312,598	326,806
Expected term (years)	**3.5**	3.5	3.5
Risk free rate of return	**4.99%**	4.39%	0.87%
Volatility	**19.24%**	22.29%	28.81%
Dividend yield	**0.3%**	0.3%	0.3%
Forfeiture rate	**-**	-	-

Other data for stock options, stock awards and PSUs for 2023 include (dollar amounts in thousands):

	Stock Options	**Stock Awards**	**PSUs**
Total unrecognized compensation at the end of the year	$ 60,819	$ -	$ 10,125
Weighted average period over which unrecognized compensation to be recognized (years)	2.2	-	1.6
Actual income tax benefit realized	$ 12,139	$ 321	$ 1,478
Aggregate intrinsic value vested and expected to vest	$ 134,531	$ -	$ 28,719

EMPLOYEE STOCK PURCHASE PLAN ("ESPP")

The ESPP allows eligible participants to purchase shares of stock through payroll deductions at current market value. We pay administrative and broker fees associated with the ESPP. Shares of stock purchased for the ESPP are purchased on the open market and credited directly to participants' accounts. In accordance with the FASB's guidance, the ESPP is non-compensatory.

5. Segments and Nature of the Business

Our segments include the VITAS segment and the Roto-Rooter segment. Relative contributions of each segment to service revenues and sales were 58% and 42% in 2023, 56% and 44% in 2022 and 59% and 41% in 2021. The vast majority of our service revenues and sales from continuing operations are generated from business within the United States. Service revenues and sales by business segment are shown in Note 2.

The reportable segments have been defined along service lines, which is consistent with the way the businesses are managed. In determining reportable segments, the RRSC and RRC operating units of the Roto-Rooter segment have been aggregated on the basis of possessing similar operating and economic characteristics. The characteristics of these operating segments and the basis for aggregation are reviewed annually.

We report corporate administrative expenses and unallocated investing and financing income and expense not directly related to either segment as "Corporate". Corporate administrative expense includes the stewardship, accounting and reporting, legal, tax and other costs of operating a publicly held corporation. Corporate investing and financing income and expenses include the costs and income associated with corporate debt and investment arrangements.

Segment data are set forth below (in thousands):

	For the Years Ended December 31,		
	2023	2022	2021
After-tax Segment Earnings/(Loss)			
VITAS	**$ 158,509**	$ 131,452	$ 162,431
Roto-Rooter	**188,241**	186,120	166,333
Total	**346,750**	317,572	328,764
Corporate	**(74,241)**	(67,948)	(60,214)
Net income	**$ 272,509**	$ 249,624	$ 268,550
Interest Income			
VITAS	**$ 20,478**	$ 19,119	$ 18,378
Roto-Rooter	**12,043**	9,483	7,304
Total	**32,521**	28,602	25,682
Corporate	**5,067**	(1)	-
Intercompany eliminations	**(31,318)**	(28,246)	(25,305)
Total interest income	**$ 6,270**	$ 355	$ 377
Interest Expense			
VITAS	**$ 180**	$ 172	$ 160
Roto-Rooter	**442**	396	595
Total	**622**	568	755
Corporate	**2,486**	4,016	1,113
Total interest expense	**$ 3,108**	$ 4,584	$ 1,868
Income Tax Provision			
VITAS	**$ 46,115**	$ 43,000	$ 52,426
Roto-Rooter	**50,125**	58,695	51,420
Total	**96,240**	101,695	103,846
Corporate	**(18,382)**	(21,640)	(22,082)
Total income tax provision	**$ 77,858**	$ 80,055	$ 81,764
Identifiable Assets			
VITAS	**$ 778,950**	$ 750,483	$ 693,490
Roto-Rooter	**523,450**	512,424	513,191
Total	**1,302,400**	1,262,907	1,206,681
Corporate	**365,695**	179,105	136,042
Total identifiable assets	**$ 1,668,095**	$ 1,442,012	$ 1,342,723
Additions to Long-Lived Assets			
VITAS	**$ 17,450**	$ 22,580	$ 28,583
Roto-Rooter	**43,514**	39,111	30,249
Total	**60,964**	61,691	58,832
Corporate	**274**	177	24
Total additions to long-lived assets	**$ 61,238**	$ 61,868	$ 58,856
Depreciation and Amortization			
VITAS	**$ 20,063**	$ 22,056	$ 23,185
Roto-Rooter	**40,749**	37,044	35,785
Total	**60,812**	59,100	58,970
Corporate	**53**	72	81
Total depreciation and amortization	**$ 60,865**	$ 59,172	$ 59,051

6. Intangible Assets

Amortization of definite-lived intangible assets for the years ended December 31, 2023, 2022, and 2021, was $10.1 million, $10.1 million and $10.0 million, respectively. The following is a schedule by year of projected amortization expense for definite-lived intangible assets (in thousands):

2024	$	10,049
2025		10,035
2026		9,688
2027		458
2028		308
Thereafter		1,768

The balance in identifiable intangible assets comprises the following (in thousands):

		Gross Asset		Accumulated Amortization		Net Book Value
December 31, 2023						
Referral networks	**$**	**1,228**	**$**	**(413)**	**$**	**815**
Covenants not to compete		**2,476**		**(2,354)**		**122**
Customer lists		**4,746**		**(2,220)**		**2,526**
Reacquired franchise rights		**72,821**		**(43,978)**		**28,843**
Subtotal - definite-lived intangibles		**81,271**		**(48,965)**		**32,306**
VITAS trade name		**51,300**		**-**		**51,300**
Roto-Rooter trade name		**150**		**-**		**150**
Operating licenses		**6,508**		**-**		**6,508**
Total	**$**	**139,229**	**$**	**(48,965)**	**$**	**90,264**
December 31, 2022						
Referral networks	$	22,368	$	(21,458)	$	910
Covenants not to compete		10,141		(9,928)		213
Customer lists		4,746		(2,005)		2,741
Reacquired franchise rights		72,609		(34,325)		38,284
Subtotal - definite-lived intangibles		109,864		(67,716)		42,148
VITAS trade name		51,300		-		51,300
Roto-Rooter trade name		150		-		150
Operating licenses		6,128		-		6,128
Total	$	167,442	$	(67,716)	$	99,726

7. Acquisitions

In 2023, Roto-Rooter completed the acquisition of one franchise in South Carolina for $305,000 in cash and one franchise in Georgia for $3.689 million in cash.

In 2022, Roto-Rooter acquired three franchises in New Jersey for a total of $2.29 million in cash. VITAS purchased the hospice assets of one Florida provider for $1.24 million in cash.

No acquisitions were completed during the year ended December 31, 2021.

Revenue and net income from acquisitions made in 2023, 2022, and 2021 was not material.

On August 2, 2019, we entered into an Asset Purchase Agreement (the "Agreement") to purchase substantially all of the assets of HSW RR, Inc., a Delaware corporation ("HSW") and certain related assets of its affiliates, for $120.0 million, subject to a working capital adjustment that resulted in an additional $1.4 million payment to HSW. HSW owned and operated fourteen Roto-Rooter franchises mainly in the southwestern section of the United States, including Los Angeles, Dallas and Phoenix.

On July 1, 2019, we completed the acquisition of a Roto-Rooter franchise and the related assets in Oakland, CA for $18.0 million in cash.

Included in the allocation of the purchase price for these 2019 acquisitions was $59.2 million related to reacquired franchise rights. Reacquired franchise rights, included in identifiable intangibles on the Consolidated Balance Sheets, are amortized over the period remaining in each individual franchise agreement. The average amortization period for reacquired franchise rights for the acquisitions made in 2019 is 7.4 years. In 2023, amortization expense from the reacquired franchise rights for these two acquisitions was $8.1 million compared to the franchise fee revenue recognized from all other Roto-Rooter franchises, nationwide, of $5.7 million.

Goodwill is assessed for impairment on a yearly basis as of October 1. The primary factor that contributed to the purchase price resulting in the recognition of goodwill is operational efficiencies expected as a result of consolidating stand- alone franchises and Roto-Rooter's network of nationwide branches. All goodwill recognized is deductible for tax purposes.

8. Discontinued Operations

At December 31, 2023 and 2022, the accrual for our estimated liability for potential environmental cleanup and related costs arising from the 1991 sale of DuBois amounted to $1.7 million. Of the 2023 balance, $826,000 is included in other current liabilities and $896,000 is included in other liabilities (long-term). The estimated amounts and timing of payments of these liabilities follows (in thousands):

2024	$	826
2025		300
Thereafter		596
	$	1,722

We are contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of $14.9 million. On the basis of a continuing evaluation of the potential liability, we believe it is not probable this additional liability will be paid. Accordingly, no provision for this contingent liability has been recorded. The potential liability is not insured, and the recorded liability does not assume the recovery of insurance proceeds. Also, the environmental liability has not been discounted because it is not possible to reliably project the timing of payments. We believe that any adjustments to our recorded liability will not materially adversely affect our financial position, results of operations or cash flows.

9. Cash Overdrafts, Cash Equivalents, and Supplemental Cash Flow Disclosure

Included in the accompanying Consolidated Balance Sheets are $690,000, $1.9 million, and $1.9 million of capitalized property and equipment which were not paid for as of December 31, 2023, 2022, and 2021, respectively. These amounts have been excluded from capital expenditures in the accompanying Consolidated Statements of Cash Flows. There are no material non-cash amounts included in interest expense for any period presented.

There is $15.7 million of cash overdrafts included in accounts payable as of December 31, 2023. There were no cash overdrafts included in accounts payable as of December 31, 2022

From time to time throughout the year, we invest excess cash in money market funds directly with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. In 2023, Chemed began investing excess cash in a money market fund holding US Treasuries. Deposits and withdrawals are made daily, based on the Company's excess cash balance. There are no penalties associated with withdrawals. The accounts bear interest at a normal market rate.

10. Other Income/(Expense) -- Net

Other income/(expense) -- net comprises the following (in thousands):

	For the Years Ended December 31,		
	2023	2022	2021
Market value gains/(losses) related to deferred compensation trusts	**$ 6,404**	$ (9,970)	$ 8,310
Interest income	**6,270**	355	377
Other	**232**	382	457
Total other income/(expense)	**$ 12,906**	$ (9,233)	$ 9,144

The market value gain or loss relates to realized and unrealized activity on the assets in the deferred compensation trust. There is an offsetting amount in selling, general and administrative expense to reflect the corresponding increase or decrease in the liability.

11. Income Taxes

The provision for income taxes comprises the following (in thousands):

	For the Years Ended December 31,		
	2023	2022	2021
Current			
U.S. federal	$ **75,333**	$ 52,910	$ 64,620
U.S. state and local	**9,983**	11,813	14,233
Foreign	**569**	505	511
Deferred			
U.S. federal, state and local	**(8,029)**	14,821	2,358
Foreign	**2**	6	42
Total	$ **77,858**	$ 80,055	$ 81,764

A summary of the temporary differences that give rise to deferred tax assets/ (liabilities) follows (in thousands):

	December 31,	
	2023	2022
Accrued liabilities	$ **39,436**	$ 38,620
Lease liabilities	**34,028**	39,057
Stock compensation expense	**9,023**	9,102
Implicit price concessions	**7,294**	7,572
State net operating loss carryforwards	**1,652**	1,443
Other	**1,259**	1,330
Deferred income tax assets	**92,692**	97,124
Amortization of intangible assets	**(40,747)**	(43,205)
Accelerated tax depreciation	**(32,411)**	(36,519)
Right of use lease assets	**(30,891)**	(35,514)
Deposit with OAS	**(11,413)**	(12,769)
Currents assets	**(4,272)**	(5,064)
State income taxes	**(2,552)**	(2,634)
Market valuation of investments	**(600)**	102
Other	**(127)**	(134)
Deferred income tax liabilities	**(123,013)**	(135,737)
Net deferred income tax liabilities	$ **(30,321)**	$ (38,613)

At December 31, 2023 and 2022, state net operating loss carryforwards were $36.0 million and $41.9 million, respectively. These net operating losses will expire, in varying amounts, between 2024 and 2043. Based on our history of operating earnings, we have determined that our operating income will, more likely than not, be sufficient to ensure realization of our deferred income tax assets.

A reconciliation of the beginning and ending of year amount of our unrecognized tax benefit is as follows (in thousands):

	2023	2022	2021
Balance at January 1,	$ **1,313**	$ 1,379	$ 1,304
Decrease due to expiration of statute of limitations	**(355)**	(422)	(258)
Unrecognized tax benefits due to positions taken in current year	**263**	356	333
Balance at December 31,	$ **1,221**	$ 1,313	$ 1,379

We file tax returns in the U.S. federal jurisdiction and various states. The years ended December 31, 2020 and forward remain open for review for federal income tax purposes. The earliest open year relating to any of our major state jurisdictions is the fiscal year ended December 31, 2018. During the next twelve months, we do not anticipate a material net change in unrecognized tax benefits.

We classify interest related to our accrual for uncertain tax positions in separate interest accounts. As of December 31, 2023, and 2022, we have approximately $145,000 and $112,000, respectively, accrued in interest payable related to uncertain tax positions. These accruals are included in other current liabilities in the accompanying consolidated balance sheet. Net interest expense related to uncertain tax positions included in interest expense in the accompanying consolidated statement of income is not material.

The difference between the actual income tax provision for continuing operations and the income tax provision calculated at the statutory U.S. federal tax rate is explained as follows (in thousands):

	For the Years Ended December 31,		
	2023	2022	2021
Income tax provision calculated using the statutory rate of 21%	$ **73,577**	$ 69,233	$ 73,566
State and local income taxes, less federal income tax effect	**2,306**	10,207	10,025
Nondeductible expenses	**6,600**	6,958	7,443
Excess stock compensation tax benefits	**(4,330)**	(5,928)	(9,884)
Other--net	**(295)**	(415)	614
Income tax provision	$ **77,858**	$ 80,055	$ 81,764
Effective tax rate	**22.2** %	24.3 %	23.3 %

Summarized below are the total amounts of income taxes paid during the years ended December 31 (in thousands):

2023	**$ 73,876**
2022	65,894
2021	99,430

Provision has not been made for additional taxes on $35.1 million of undistributed earnings of our domestic subsidiaries. Should we elect to sell our interest in these businesses rather than to affect a tax-free liquidation, additional taxes amounting to approximately $8.0 million would be incurred based on current income tax rates.

12. Other Assets

Other assets comprise of the following (in thousands):

	December 31,	
	2023	2022
Deposit with OAS (Note 18)	**$ 46,968**	$ 50,274
Cash surrender value life insurance	**3,651**	3,636
Noncurrent advances and deposits	**2,139**	2,368
Deferred debt costs (Note 3)	**1,197**	1,703
Other	**1,663**	1,826
	$ 55,618	$ 59,807

13. Properties and Equipment

A summary of properties and equipment follows (in thousands):

	December 31, 2023	December 31, 2022
Land	$ **14,356**	$ 11,862
Buildings and building improvements	**130,695**	123,845
Transportation equipment	**89,910**	79,810
Machinery and equipment	**164,249**	154,603
Computer software	**72,646**	69,283
Furniture and fixtures	**78,068**	76,042
Projects under development	**8,788**	20,189
Total properties and equipment	**558,712**	535,634
Less accumulated depreciation	**(354,872)**	(335,920)
Net properties and equipment	$ **203,840**	$ 199,714

The net book value of computer software at December 31, 2023 and 2022, was $8.0 million and $8.9 million, respectively. Depreciation expense for computer software was $4.5 million, $5.5 million and $5.8 million for the years ended December 31, 2023, 2022 and 2021, respectively.

14. Leases

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for IPUs and/or contract beds within hospitals. Roto-Rooter has leased office space.

The components of balance sheet information related to leases were as follows:

	December 31, 2023	December 31, 2022
Assets		
Operating lease assets	$ **126,387**	$ 135,662
Liabilities		
Current operating leases	**38,635**	38,996
Noncurrent operating leases	**100,776**	110,513
Total operating lease liabilities	$ **139,411**	$ 149,509

The components of lease expense were as follows:

	December 31, 2023	December 31, 2022
Lease Expense (a)		
Operating lease expense	$ **59,769**	$ 59,530
Sublease income	**(93)**	(181)
Net lease expense	$ **59,676**	$ 59,349

(a) Includes short-term leases and variable lease costs, which are immaterial. Included in both cost of services provided and goods sold and selling, general and administrative expenses.

The components of cash flow information related to leases were as follows:

	December 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from leases	**$ 49,777**	$ 49,571
Leased assets obtained in exchange for new operating lease liabilities	**$ 37,111**	$ 57,551
Weighted Average Remaining Lease Term		
Operating leases		**4.32 yrs**
Weighted Average Discount Rate		
Operating leases		**3.09%**

Maturity of Operating Lease Liabilities (in thousands)

2024	**$ 44,928**
2025	37,248
2026	28,897
2027	16,525
2028	11,285
Thereafter	10,597
Total lease payments	$ 149,480
Less: interest	(10,069)
Total liability recognized on the balance sheet	$ 139,411

For leases commencing prior to 2019, minimum rental payments exclude payments to landlords for real estate taxes and common area maintenance. Operating lease payments include $3.8 million related to extended lease terms that are reasonably certain of being exercised and exclude $740,000 of lease payments for leases signed but not yet commenced.

15. Retirement Plans

Retirement obligations under various plans cover substantially all full-time employees who meet age and/or service eligibility requirements. All plans providing retirement benefits to our employees are defined contribution plans. Expenses for our retirement and profit-sharing plans, excess benefit plans and other similar plans are as follows (in thousands):

For the Years Ended December 31,		
2023	2022	2021
$ 26,475	$ 11,533	$ 28,554

These expenses include the impact of market gains and losses on assets held in deferred compensation plans.

Trust assets invested in shares of our stock are included in treasury stock, and the corresponding liability is included in a separate component of stockholders' equity. At December 31, 2023, these trusts held 54,833 shares at historical average cost of $2.1 million (2022 – 63,032 shares or $2.2 million).

We have excess benefit plans for key employees whose participation in the qualified plans is limited by U.S. Employee Retirement Income Security Act requirements. Benefits are determined based on theoretical participation in the qualified plans. Benefits are only invested in mutual funds, and participants are not permitted to diversify accumulated benefits in shares of our capital stock.

16. Earnings Per Share

The computation of earnings per share follows (in thousands, except per share data):

For the Years Ended December 31,	Net Income	Shares	Earnings per Share
2023			
Earnings	**$ 272,509**	**15,050**	**$ 18.11**
Dilutive stock options	**-**	**103**	
Nonvested stock awards	**-**	**47**	
Diluted earnings	**$ 272,509**	**15,200**	**$ 17.93**
2022			
Earnings	$ 249,624	14,929	$ 16.72
Dilutive stock options	-	130	
Nonvested stock awards	-	40	
Diluted earnings	$ 249,624	15,099	$ 16.53
2021			
Earnings	$ 268,550	15,671	$ 17.14
Dilutive stock options	-	221	
Nonvested stock awards	-	46	
Diluted earnings	$ 268,550	15,938	$ 16.85

During 2023, 601,000 stock options were excluded from the computation of diluted earnings per share as their exercise prices were greater than the average market price during most of the year. During 2022, 891,000 stock options were excluded. During 2021, 617,000 stock options were excluded.

17. Financial Instruments

FASB's authoritative guidance on fair value measurements defines a hierarchy which prioritizes the inputs in fair value measurements. Level 1 measurements are measurements using quoted prices in active markets for identical assets or liabilities. Level 2 measurements use significant other observable inputs. Level 3 measurements are measurements using significant unobservable inputs which require a company to develop its own assumptions. In recording the fair value of assets and liabilities, companies must use the most reliable measurement available.

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2023 (in thousands):

		Fair Value Measure		
	Carrying Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments of deferred compensation plans held in trust	**$ 106,126**	**$ 106,126**	**$ -**	**$ -**
Cash equivalents	**257,343**	**257,343**	**-**	**-**

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2022 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments of deferred compensation plans held in trust	$ 93,196	$ 93,196	$ -	$ -
Cash equivalents	101	101	-	-
Long-term debt	97,500	-	97,500	-

For cash and cash equivalents, accounts receivable and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments. As further described in Note 3, our outstanding long-term debt and current portion of long-term debt have floating interest rates that are reset at short-term intervals, generally 30 or 60 days. The interest rate we pay also includes an additional amount based on our current leverage ratio. As such, we believe our borrowings reflect significant nonperformance risks, mainly credit risk. Based on these factors, we believe the fair value of our long-term debt and current portion of long-term debt approximate the carrying value.

18. Legal and Regulatory Matters

The VITAS segment of the Company's business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, which can result in penalties including repayment obligations, funding withholding, or debarment, as well as to lawsuits, including *qui tam* actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. Other than as described below, it is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or reasonably estimable.

Regulatory Matters and Litigation

On October 30, 2017, the Company entered into a settlement agreement to resolve civil litigation under the False Claims Act brought by the United States Department of Justice ("DOJ") on behalf of the OIG and various relators concerning VITAS, filed in the U.S. District Court of the Western District of Missouri. The Company denied any violation of law and agreed to settlement without admission of wrongdoing.

In connection with the settlement, VITAS and certain of its subsidiaries entered into a corporate integrity agreement ("CIA") on October 30, 2017 with a five-year term. The CIA formalized various aspects of VITAS' already existing Compliance Program and contained requirements designed to document compliance with federal healthcare program requirements. On June 22, 2023, the OIG confirmed that VITAS has satisfied its requirements under the CIA and that the CIA was concluded.

On October 16, 2020, VITAS received a Civil Investigative Demand ("CID") issued by the U.S. Department of Justice ("DOJ") pursuant to the False Claims Act concerning allegations of the submission of false claims for hospice services for which reimbursement was sought from federal healthcare programs, including Medicare. The CID requested information regarding 32 patients from our Florida operations. On November 30, 2022, VITAS received a Letter of Declination from the DOJ, informing VITAS that the United States was declining to intervene in this case giving rise to the CID, *United States Ex. Rel. O'Keefe v VITAS Healthcare Corporation*, *et al*. that was unsealed on November 15, 2022. On April 6, 2023, the relator dismissed the case, without prejudice, with the consent of the United States.

VITAS is one of a group of hospice providers selected by the OIG's Office of Audit Services ("OAS") for inclusion in an audit of the provision of elevated level-of-care hospice services. On July 14, 2022, VITAS received the final audit report from OAS. Per this report, the OAS audit examined VITAS inpatient and continuous care claims for the period April 2017 to March 2019. The audit covered a total population of 50,850 claims representing total Medicare reimbursement of $210.0 million during this two-year time period. From this population, OAS selected 100 claims, representing $688,000 of reimbursement, for detailed review. The final OAS audit report includes a series of recommendations, including that VITAS repay approximately $140.0 million of the $210.0 million VITAS received from Medicare for hospice services during this two-year period, despite the fact that at the time of the release of the results of the audit, many of the disputed claims were time-barred from being challenged. VITAS believes that the OAS audit process and related final report contains significant flaws including its methodology, medical reviews, technical reviews, proposed extrapolation methodology, and contravenes the "reasonable physician standard" set forth in the appliable Aseracare precedent.

On August 29, 2022, six weeks subsequent to the OAS finalizing its audit, VITAS received a demand letter from its Medicare Administrative Contractor ("MAC") seeking repayment of $50.3 million. This demand letter is $90.0 million lower than the final OAS audit recommendation, as a significant portion of the 100 claims reviewed are closed pursuant to applicable law and ineligible to be reopened. VITAS timely filed its initial appeal of the overpayment decision and deposited $50.3 million under the "Immediate Recoupment" process to preserve its appeal rights. To date, VITAS has been refunded $3.34 million of the amount deposited and continues to appeal the remaining claims through the Office of Medicare Hearings and Appeals process. The amount deposited has been recorded as an "other long-term asset" in the consolidated balance sheets, as detailed in Note 12.

Regardless of the outcome of any of the preceding matters, dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, withholding of governmental funding, diversion of management time, and related publicity. Although the Company intends to defend them vigorously, there can be no assurance that those suits will not have a material adverse effect on the Company.

19. Capital Stock Transactions

We repurchased the following capital stock:

	For the Years Ended December 31,		
	2023	2022	2021
Total cost of repurchased shares (in thousands):	**$ 73,813**	$ 114,074	$ 576,483
Shares repurchased	**132,969**	232,500	1,195,529
Weighted average price per share	**$ 555.12**	$ 490.64	$ 482.20

In November 2023, the Board of Directors authorized $300.0 million for additional stock repurchase under the February 2011 repurchase program. In May and November 2021, the Board of Directors authorized a total of $600.0 million for additional stock repurchase under the February 2011 repurchase program. We currently have $314.1 million of authorization remaining under this share purchase plan.

20. Other Operating Expenses

	December 31,		
	2023	2022	2021
Litigation settlements	$ **2,050**	$ 4,000	$ -
Loss/(gain) on disposal of property and equipment	**211**	(309)	987
Total other operating expenses	$ **2,261**	$ 3,691	$ 987

21. Other Current Liabilities

	December 31,	
	2023	2022
Medicare cap	**$ 13,245**	$ 14,380
Retention bonus	**8,901**	19,634
Accrued advertising	**3,971**	2,516
All other	**23,071**	24,474
	$ 49,188	$ 61,004

There are no individual amounts exceeding 5% of the total current liabilities in the "all other" line item for either period presented.

22. Recent Accounting Standards

In November 2023, the FASB issued Accounting Standards Update "ASU 2023-07 – Reportable Segments". The guidance provides enhanced disclosures about significant segment expenses. The purpose of the amendment is to provide investors with a better understanding of an entity's overall performance and assess potential future cash flows. The guidance is effective for fiscal periods beginning after December 31, 2023, and interim periods within fiscal years beginning after December 31, 2024. The Company is currently analyzing the impact of the ASU on the current footnote disclosures.

In December 2023, the FASB issued Accounting Standards Update "ASU 2023-09 – Income Tax Disclosure". The guidance provides increased transparency related to tax risk and tax planning through (1) disclosure in specific categories in the rate reconciliation and (2) provide additional information for reconciling items when a quantitative threshold is met. The guidance is effective for fiscal periods beginning after December 31, 2024. The Company is currently analyzing the impact of the ASU on the current footnote disclosures.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(in thousands)(unaudited)

2023	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,315,065	949,352	-	$ 2,264,417
Cost of services provided and goods sold	1,017,623	447,979	-	1,465,602
Selling, general and administrative expenses	93,296	231,587	70,237	395,120
Depreciation	19,959	30,790	53	50,802
Amortization	104	9,959	-	10,063
Other operating expenses/(income)	(12)	2,273	-	2,261
Total costs and expenses	1,130,970	722,588	70,290	1,923,848
Income/(loss) from operations	184,095	226,764	(70,290)	340,569
Interest expense	(180)	(442)	(2,486)	(3,108)
Intercompany interest income/(expense)	19,400	11,918	(31,318)	-
Other income—net	1,309	126	11,471	12,906
Income/(loss) before income taxes (a)	204,624	238,366	(92,623)	350,367
Income taxes	(46,115)	(50,125)	18,382	(77,858)
Net income/(loss) (a)	$ 158,509	$ 188,241	$ (74,241)	$ 272,509

(a) The following amounts are included in income from continuing operations (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	-	(30,082)	$ (30,082)
Long-term incentive compensation	-	-	(11,689)	(11,689)
Amortization of reacquired franchise agreements	-	(9,408)	-	(9,408)
Litigation settlements	-	(2,056)	-	(2,056)
Total	$ -	$ (11,464)	$ (41,771)	$ (53,235)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	-	(25,405)	$ (25,405)
Long-term incentive compensation	-	-	(10,379)	(10,379)
Amortization of reacquired franchise agreements	-	(7,216)	-	(7,216)
Impact of deferred rate tax change	1,772	3,559	(1,090)	4,241
Litigation settlements	-	(1,577)	-	(1,577)
Excess tax benefits on stock compensation	-	-	4,330	4,330
Total	$ 1,772	$ (5,234)	$ (32,544)	$ (36,006)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(in thousands)(unaudited)

2022	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,201,564	$ 933,399	$ -	$ 2,134,963
Cost of services provided and goods sold	931,861	438,016	-	1,369,877
Selling, general and administrative expenses	89,187	222,257	47,283	358,727
Depreciation	21,955	27,075	72	49,102
Amortization	101	9,969	-	10,070
Other operating expenses	3,337	354	-	3,691
Total costs and expenses	1,046,441	697,671	47,355	1,791,467
Income/(loss) from operations	155,123	235,728	(47,355)	343,496
Interest expense	(172)	(396)	(4,016)	(4,584)
Intercompany interest income/(expense)	18,901	9,345	(28,246)	-
Other (expense)/income—net	600	138	(9,971)	(9,233)
Income/(loss) before income taxes (a)	174,452	244,815	(89,588)	329,679
Income taxes	(43,000)	(58,695)	21,640	(80,055)
Net income/(loss) (a)	$ 131,452	$ 186,120	$ (67,948)	$ 249,624

(a) The following amounts are included in income from continuing operations (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (26,254)	$ (26,254)
Amortization of reacquired franchise agreements	-	(9,408)	-	(9,408)
Long-term incentive compensation	-	-	(7,801)	(7,801)
Litigation settlements	(4,000)	-	-	(4,000)
Direct costs related to Covid-19	(310)	(988)	(89)	(1,387)
Medicare cap sequestration adjustment	(138)	-	-	(138)
Total	$ (4,448)	$ (10,396)	$ (34,144)	$ (48,988)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (22,028)	$ (22,028)
Amortization of reacquired franchise agreements	-	(6,915)	-	(6,915)
Long-term incentive compensation	-	-	(6,858)	(6,858)
Excess tax benefits on stock compensation	-	-	5,928	5,928
Litigation settlements	(2,984)	-	-	(2,984)
Direct costs related to Covid-19	(231)	(726)	(68)	(1,025)
Medicare cap sequestration adjustment	(103)	-	-	(103)
Total	$ (3,318)	$ (7,641)	$ (23,026)	$ (33,985)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(in thousands)(unaudited)

2021	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,261,246	$ 878,015	$ -	$ 2,139,261
Cost of services provided and goods sold	953,420	416,038	-	1,369,458
Selling, general and administrative expenses	87,585	215,036	64,106	366,727
Depreciation	23,114	25,816	81	49,011
Amortization	71	9,969	-	10,040
Other operating expenses	876	111	-	987
Total costs and expenses	1,065,066	666,970	64,187	1,796,223
Income/(loss) from operations	196,180	211,045	(64,187)	343,038
Interest expense	(160)	(595)	(1,113)	(1,868)
Intercompany interest income/(expense)	18,125	7,180	(25,305)	-
Other income—net	712	123	8,309	9,144
Income/(loss) before income taxes (a)	214,857	217,753	(82,296)	350,314
Income taxes	(52,426)	(51,420)	22,082	(81,764)
Net income/(loss) (a)	$ 162,431	$ 166,333	$ (60,214)	$ 268,550

(a) The following amounts are included in income from continuing operations (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (22,502)	$ (22,502)
Direct costs related to COVID-19	(16,297)	(2,434)	(38)	(18,769)
Amortization of reacquired franchise agreements	-	(9,408)	-	(9,408)
Long-term incentive compensation	-	-	(9,167)	(9,167)
Facility relocation expenses	(1,855)	-	-	(1,855)
Litigation settlements	-	98	-	98
Other	-	-	(218)	(218)
Total	$ (18,152)	$ (11,744)	$ (31,925)	$ (61,821)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (18,879)	$ (18,879)
Direct costs related to COVID-19	(12,157)	(1,789)	(29)	(13,975)
Excess tax benefits on stock compensation	-	-	9,884	9,884
Long-term incentive compensation	-	-	(8,094)	(8,094)
Amortization of reacquired franchise agreements	-	(6,915)	-	(6,915)
Facility relocation expenses	(1,384)	-	-	(1,384)
Litigation settlements	-	72	-	72
Other	-	-	(166)	(166)
Total	$ (13,541)	$ (8,632)	$ (17,284)	$ (39,457)

EXECUTIVE SUMMARY

We operate through our two wholly owned subsidiaries: VITAS Healthcare Corporation ("VITAS") and Roto-Rooter Group, Inc. ("Roto-Rooter"). VITAS focuses on hospice care that helps make terminally ill patients' final days as comfortable as possible. Through its team of doctors, nurses, home health aides, social workers, clergy and volunteers, VITAS provides direct medical services to patients, as well as spiritual and emotional counseling to both patients and their families. Roto-Rooter is focused on providing plumbing, drain cleaning, water restoration and other related services to both residential and commercial customers. Through its network of company-owned branches, Independent Contractors and franchisees, Roto-Rooter offers plumbing and drain cleaning service to over 90% of the U.S. population.

The vast majority of the Company's operations are located in the United States. As both operations are service companies, our employees are the most critical resource of the Company. We have very little or no exposure related to customers, vendors or employees in other regions of the world.

The following is a summary of the key operating results for the years ended December 31, 2023, 2022 and 2021 (in thousands except percentages and per share amounts):

	2023	2022	2021
Consolidated service revenues and sales	**$ 2,264,417**	$ 2,134,963	$ 2,139,261
Consolidated net income	**$ 272,509**	$ 249,624	$ 268,550
Diluted EPS	**$ 17.93**	$ 16.53	$ 16.85
Adjusted net income	**$ 308,515**	$ 283,609	$ 308,007
Adjusted diluted EPS	**$ 20.30**	$ 18.78	$ 19.33
Adjusted EBITDA	**$ 451,897**	$ 432,660	$ 461,414
Adjusted EBITDA as a % of revenue	**20.0** %	20.3 %	21.6 %

Adjusted net income, adjusted diluted EPS, earnings before interest, taxes and depreciation and amortization ("EBITDA") and Adjusted EBITDA are not measures derived in accordance with GAAP. We use Adjusted EPS as a measure of earnings for certain long-term incentive awards. We use adjusted EBITDA to determine compliance with certain debt covenants. We provide non-GAAP measures to help readers evaluate our operating results and compare our operating performance with that of similar companies that have different capital structures. Our non-GAAP measures should not be considered in isolation or as a substitute for comparable measures presented in accordance with GAAP. Reconciliations of our non-GAAP measures are presented in tables following the Critical Accounting Policies section.

2023 versus 2022

The increase in consolidated service revenues and sales from 2023 to 2022 was a result of a 9.4% increase at VITAS and a 1.7% increase at Roto-Rooter. The increase in service revenues at Roto-Rooter was driven by an increase in plumbing, excavation and water restoration offset by a decrease in drain cleaning. The increase in service revenues at VITAS is comprised primarily of a 7.4% increase in days-of-care, and a geographically weighted average Medicare reimbursement rate increase of approximately 2.4%, partially offset by 50-basis points as a result of CMS reimplementing sequestration that was suspended at the start of the pandemic in 2020. Acuity mix shift had minimal impact for the year when compared to prior year revenue and level-of-care mix.

The pandemic created a significant shortage of licensed healthcare workers industry wide. VITAS was not immune to this shortage. As a result, on July 1, 2022, VITAS implemented a hiring and retention bonus program for its licensed healthcare workers. It is a temporary program intended to help VITAS attract and retain licensed healthcare workers in light of the pandemic induced healthcare worker shortage. An eligible employee must continue in employment for a period of one-year from July 1st to receive a bonus. Additionally, employees hired between July 1, 2022 and June 30, 2023 are eligible if they continue employment for a one-year period from their hire date. A total of $40.5 million has been accrued since the start of the program. Payments totaling $31.6 million have been made from July 2023 to December 2023. The remaining accrued amount will be paid over the following three quarters.

Starting with the September 30, 2023 quarter, Chemed is no longer excluding the cost of the Retention Program when presenting non-GAAP operating metrics in current or prior periods.

During the period from May 1, 2020 through March 31, 2022, the 2% Medicare sequestration reimbursement cut was suspended. For the year ended December 31, 2022, approximately $8.6 million, was recognized as revenue due to the suspension of sequestration. Sequestration was phased back into place at 1% from April 1, 2022 to June 30, 2022 and the full 2% thereafter.

While significant continuing issues related to the COVID-19 pandemic appear to be over or materially mitigated, we will continue to monitor any impact to our business including employees, customers, patients, and vendors.

2022 versus 2021

The decrease in consolidated service revenues and sales from 2022 to 2021 was a result of a 4.7% decrease at VITAS offset by a 6.3% increase at Roto-Rooter. The increase in service revenues at Roto-Rooter was driven by an increase in all major service lines. The decrease in service revenues at VITAS is comprised primarily of a 3.8% decrease in days-of-care, a 1.6% decrease in acuity mix shift offset by a 0.8% increase in geographically weighted reimbursement rates. Reimbursement rates in the year were impacted as a result of CMS reimplementing the 2% sequestration cut that was suspended at the start of the COVID-19 pandemic. The combination of an increase in Medicare cap and other contra revenue changes negatively impacted revenue growth by approximately 10 basis points.

The pandemic has resulted in a significant shortage of licensed healthcare workers industry wide. VITAS has not been immune to this shortage. As a result, on July 1, 2022, VITAS implemented a hiring and retention bonus program for its licensed healthcare workers. It is a temporary program intended to help VITAS attract and retain licensed healthcare workers in light of the pandemic induced healthcare worker shortage. An eligible employee must continue in employment for a period of one-year from July 1st to receive a bonus. Additionally, employees hired between July 1, 2022 and June 30, 2023 are eligible if they continue employment for a one-year period from their hire date. The Company accrued $19.6 million as of December 31, 2022 related to this retention bonus program.

During the period from May 1, 2020 through March 31, 2022, the 2% Medicare sequestration reimbursement cut was suspended. For the years ended December 31, 2022 and 2021, approximately $8.6 million and $23.9 million respectively, was recognized as revenue due to the suspension of sequestration. Sequestration was phased back into place at 1% from April 1, 2022 to June 30, 2022 and the full 2% thereafter.

We are closely monitoring the impact of the pandemic on all aspects of our business including impacts to employees, customers, patients, suppliers and vendors. The length and severity of the pandemic, coupled with related governmental actions including relief acts and actions relating to our workforce at federal, state and local levels, and underlying economic disruption will determine the ultimate short-term and long-term impact to our business operations and financial results. We are unable to predict the myriad of possible issues that could arise or the ultimate effect to our businesses as a result of the unknown short, medium and long-term impacts that the pandemic will have on the United States economy and society as a whole.

Chemed and its subsidiaries had deferred $36.4 million of certain employer payroll taxes as permitted by the CARES Act during 2020. $18.2 million was paid during 2021 and the remaining $18.2 million was paid in 2022.

Impact of Current Market Conditions

VITAS 2024 revenue, prior to Medicare Cap, is estimated to increase 9.0% to 9.8% when compared to 2023. ADC is estimated to increase 6.5% to 7.0%. Full year adjusted EBITDA margin, prior to Medicare Cap, is estimated to be 17.8% to 18.3%. We are currently estimating $9.5 million for Medicare Cap billing limitations in calendar year 2024.

Roto-Rooter is forecasted to achieve full-year 2024 revenue growth of 3.5% to 4.0%. Roto-Rooter's adjusted EBITDA margin for 2024 is expected to be 28.7% to 29.1%.

Based upon the above, full-year 2024 earnings per diluted share, excluding: non-cash expense for stock options, tax benefits from stock option exercises, costs related to litigation, and other discrete items, is estimated to be in the range of $23.30 to $23.65.

The 2024 guidance assumes an effective corporate tax rate on adjusted earnings of 25.2% and a diluted share count of 15.2 million shares. Chemed's 2023 adjusted earnings per diluted share was $20.30, including $1.04 per share for costs associated with the 2023 portion of the Retention Program.

Significant factors affecting our cash flows during 2023 and financial position at December 31, 2023, include the following:

- Our operations generated cash of $330.3 million.
- We repurchased $67.7 million of our stock.
- We spent $56.9 million on capital expenditures.
- We paid $23.5 million in dividends.
- We paid off $97.5 million of debt from our existing credit agreement.
- A $42.1 million increase in accounts receivable due to timing of receipts.
- A $12.9 million increase in investments of deferred compensation plans due to market valuation gains. This resulted in a similar increase in the liability associated with deferred compensation plans.
- A $22.2 million increase in accounts payable due to timing of payments and an increase in cash overdrafts of $15.7 million.
- A $11.8 million decrease in other current liabilities mainly due to payments of the retention bonus program implemented at VITAS.

The Company had no debt outstanding at December 31, 2023. The Company's ratio of total debt to total capital was 10.9% at December 31, 2022. Our current ratio was 1.6 and 0.92 at December 31, 2023 and 2022, respectively.

On June 28, 2022, we replaced our existing credit facility with a fifth amended and restated Credit Agreement ("2022 Credit Facilities"). Terms of the 2022 Credit Facilities consist of a five-year $450.0 million revolver as well as a five-year $100.0 million term loan. Principal payments of $1.25 million on the term loan are due on the last day of each fiscal quarter, with a final payment due at the end of the agreement. The 2022 Credit Facilities have a floating interest rate that is generally SOFR plus an additional tiered rate which varies based on our current leverage ratio. As of December 31, 2023, the interest rate is SOFR plus 100 basis points. The 2022 Credit Facilities include an expansion feature that provides the Company the opportunity to increase its revolver and/or term loan by an additional $250.0 million.

We made prepayments totaling $75.0 million plus a regularly scheduled payment of $1.25 million in the first quarter of 2023 on the $100.0 million term loan. We paid the remaining balance of $21.3 million on April 28, 2023. There were no prepayment penalties associated with this repayment. This prepayment reduced the total borrowing capacity of the 2022 Credit Facilities from $550.0 million to $450.0 million.

The 2022 Credit Facilities contains the following quarterly financial covenants effective as of December 31, 2023:

Description	Requirement	Chemed December 31, 2023
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00	**(0.06) to 1.00**
Interest Coverage Ratio (Consolidated Adj. EBITDA/Consolidated Interest Expense)	> 3.00 to 1.00	**151.10 to 1.00**

We forecast to be in compliance with all debt covenants through fiscal 2024.

We have issued $45.2 million in standby letters of credit as of December 31, 2023, mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of December 31, 2023, we have approximately $404.8 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility. We believe our cash flow from operating activities and our unused eligible lines of credit are sufficient to fund our obligations and operate our business in the near and long term. We continually evaluate cash utilization alternatives, including share repurchase, debt repayment, acquisitions, and increased dividends to determine the most beneficial use of available capital resources.

CASH FLOW

Our cash flows for 2023, 2022 and 2021 are summarized as follows (in millions):

	For the Years Ended December 31,		
	2023	2022	2021
Net cash provided by operating activities	**$ 330.3**	$ 309.9	$ 308.6
Capital expenditures	**(56.9)**	(57.3)	(58.7)
Net cash provided for operating activities after capital expenditures	**273.4**	252.6	249.9
Purchase of treasury stock in the open market	**(67.7)**	(114.5)	(576.0)
Net (decrease)/increase in long-term debt	**(97.5)**	(87.5)	185.0
Proceeds from exercise of stock options	**102.2**	45.0	35.8
Dividends paid	**(23.5)**	(22.0)	(22.0)
Capital stock surrendered to pay taxes on on stock-based compensation	**(9.6)**	(15.6)	(15.1)
Change in cash overdraft payable	**15.7**	(11.9)	11.9
Business combinations	**(4.0)**	(3.5)	-
Other--net	**0.8**	(1.4)	0.7
Increase/(decrease) in cash and cash equivalents	**$ 189.8**	$ 41.2	$ (129.8)

2023 versus 2022

Net cash provided by operating activities increased $20.4 million from December 31, 2022 to December 31, 2023. The main drivers are an increase in earnings of $22.9 million combined with an increase of $22.9 million for deferred income taxes provision due to the impact of the effective state rate change and an accelerated deduction taken in 2022 for the OAS deposit, a decrease of $35.8 million in cash outflows for other assets due to the OAS deposit recorded in 2022 offset by a reduction of $16.2 million in other liabilities for payments made on the retention bonus program at VITAS. Additionally, significant changes in our accounts receivable balances are driven mainly by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $42.0 million from the Federal government from hospice services every other Friday. The timing of year end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two-year period, as cash flow variations in one year are offset in the following year. The swing in accounts receivable reduced cash flow by $39.1 million between 2023 and 2022.

In 2023, we repurchased 132,969 shares of Chemed capital stock at a weighted average price of $555.12 per share. In 2022, we repurchased 232,500 shares of Chemed stock at a weighted average price of $490.64 per share. Based on our current operations and our current sources of capital, we believe we have the ability to continue our current share repurchase program into the foreseeable future.

2022 versus 2021

Net cash provided by operating activities increased $1.3 million from December 31, 2021 to December 31, 2022. The main drivers are a decrease in earnings of $18.9 million combined with an increase of $35.5 million in cash outflows for other assets due to the OAS deposit offset by a reduction of $13.4 million in cash paid for litigation settlements and other working capital changes. Additionally, significant changes in our accounts receivable balances are driven mainly by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $42.0 million from the Federal government from hospice services every other Friday. The timing of year end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two-year period, as cash flow variations in one year are offset in the following year. The swing in accounts receivable reduced cash flow by $6.0 million between 2022 and 2021.

In 2022, we repurchased 232,500 shares of Chemed capital stock at a weighted average price of $490.64 per share. In 2021, we repurchased 1,195,529 shares of Chemed stock at a weighted average price of $482.20 per share. Based on our current operations and our current sources of capital, we believe we have the ability to continue our current share repurchase program into the foreseeable future.

COMMITMENTS AND CONTINGENCIES

We are subject to various lawsuits and claims in the normal course of our business. In addition, we periodically receive communications from governmental and regulatory agencies concerning compliance with Medicare and Medicaid billing requirements at our VITAS subsidiary. We establish reserves for specific, uninsured liabilities in connection with regulatory and legal action that we deem to be probable and estimable. We disclose the existence of regulatory and legal actions when we believe it is reasonably possible that a loss could occur in connection with the specific action. In most instances, we are unable to make a reasonable estimate of any reasonably possible liability due to the uncertainty of the outcome and stage of litigation. We record legal fees associated with legal and regulatory actions as the costs are incurred.

Please see Note 18 in the Notes to the Consolidated Financial Statements for a description of current material legal matters.

CONTRACTUAL OBLIGATIONS

The table below summarizes our debt and contractual obligations as of December 31, 2023 (in thousands):

	Total	Less than 1 year	1-3 Years	3-5 Years	After 5 Years
Lease liabilities	139,411	41,231	61,922	26,247	10,011
Purchase obligations (a)	64,034	64,034	-	-	-
Other long-term obligations (b)	114,961	2,723	5,446	2,723	104,069
Total contractual cash obligations	$ 318,406	$ 107,988	$ 67,368	$ 28,970	$ 114,080

(a) Purchase obligations consist of accounts payable at December 31, 2023.
(b) Other long-term obligations comprise largely excess benefit obligations.

RESULTS OF OPERATIONS

2023 Versus 2022 – Consolidated Results

Set forth below are the year-to-year changes in the components of the statement of operations relating to income for 2023 versus 2022 (in thousands, except percentages):

	2023	2022	Increase/(Decrease) Percent
Service revenues and sales			
VITAS	**$ 1,315,065**	$ 1,201,564	9.4
Roto-Rooter	**949,352**	933,399	1.7
Total	**2,264,417**	2,134,963	6.1
Cost of services provided and goods sold	**1,465,602**	1,369,877	7.0
Selling, general and administrative expenses	**395,120**	358,727	10.1
Depreciation	**50,802**	49,102	3.5
Amortization	**10,063**	10,070	(0.1)
Other operating expenses	**2,261**	3,691	(38.7)
Total cost and expenses	**1,923,848**	1,791,467	7.4
Income from operations	**340,569**	343,496	(0.9)
Interest expense	**(3,108)**	(4,584)	32.2
Other income/(expense) - net	**12,906**	(9,233)	(239.8)
Income before income taxes	**350,367**	329,679	6.3
Income taxes	**(77,858)**	(80,055)	2.7
Net income	**$ 272,509**	$ 249,624	9.2

The VITAS segment revenue is as follows (dollars in thousands):

	2023	2022	Increase/(Decrease) Percent
Routine homecare	**$ 1,136,437**	$ 1,039,211	9.4
Continuous care	**85,674**	77,000	11.3
Inpatient care	**112,419**	102,361	9.8
Other	**13,582**	12,438	9.2
Medicare cap adjustment	**(8,000)**	(7,868)	1.7
Implicit price concessions	**(14,196)**	(12,004)	18.3
Room and board, net	**(10,851)**	(9,574)	13.3
Net revenue	**$ 1,315,065**	$ 1,201,564	9.4

Days of care are as follows:

	Days of Care		Increase/(Decrease)
	2023	2022	Percent
Routine homecare	**5,457,963**	5,086,021	7.3
Nursing home	**1,118,728**	1,036,816	7.9
Respite	**26,605**	23,905	11.3
Subtotal routine homecare and respite	**6,603,296**	6,146,742	7.4
Continuous care	**101,905**	81,890	24.4
General inpatient	**88,631**	95,431	(7.1)
Total days of care	**6,793,832**	6,324,063	7.4

The increase in service revenues at VITAS is comprised primarily of a 7.4% increase in days-of-care, and a geographically weighted average Medicare reimbursement rate increase of approximately 2.4%, partially offset by 50-basis points as a result of CMS reimplementing sequestration that was suspended at the start of the pandemic in 2020. Acuity mix shift had minimal impact for the year when compared to prior year revenue and level-of-care mix.

The Roto-Rooter segment revenue is as follows (dollars in thousands):

	2023	2022	Increase/(Decrease) Percent
Drain cleaning	**$ 249,069**	$ 261,606	(4.8)
Plumbing	**196,695**	194,274	1.2
Excavation	**233,196**	222,945	4.6
Other	**936**	708	32.2
Subtotal - short term core	**679,896**	679,533	0.1
Water restoration	**185,550**	169,434	9.5
Independent contractors	**85,749**	84,442	1.5
Franchisee fees	**5,658**	5,591	1.2
Other	**19,083**	16,859	13.2
Gross revenue	**975,936**	955,859	2.1
Implicit price concessions and credit memos	**(26,584)**	(22,460)	18.4
Net revenue	**$ 949,352**	$ 933,399	1.7

The increase in plumbing revenues for 2023 versus 2022 is attributable to an 8.6% increase in price and service mix shift offset by a 7.4% decrease in job count. The decrease in drain cleaning revenues for 2023 versus 2022 is attributable to a 11.2% decrease in job count offset by a 6.4% increase in price and service mix shift. Excavation and water restoration jobs are generally sold as a result of initial calls from customers regarding drain cleaning issues. As a result, the 4.6% increase in excavation revenue and 9.5% increase in water restoration revenue are mainly a function of the size and severity of drain cleaning issues we encounter on a yearly basis. As these services generally represent emergency level work, declines in the total volume of drain cleaning jobs may not necessarily result in a decline in the number of water restoration or excavation jobs. Contractor operations increased 1.5%.

The consolidated gross margin excluding depreciation was 35.3% in 2023 versus 35.8% in 2022. On a segment basis, VITAS' gross margin excluding depreciation was 22.6% in 2023 and 22.4% in 2022. Roto-Rooter's gross margin excluding depreciation was 52.8% in 2023 and 53.1% in 2022.

Selling, general and administrative expenses ("SG&A") for 2023 and 2022 comprise (in thousands):

	2023	2022
SG&A expenses before long-term incentive compensation, and the impact of market value adjustments related to deferred compensation trusts	**$ 377,027**	$ 360,896
Long-term incentive compensation	**11,689**	7,801
Impact of market value adjustments related to assets held in deferred compensation trusts	**6,404**	(9,970)
Total SG&A expenses	**$ 395,120**	$ 358,727

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for 2023 were up 4.5% when compared to 2022. This increase was mainly a result of the increase in selling expenses and normal salary increases.

Other operating expense for 2023 and 2022 comprise (in thousands):

	2023	2022
Litigation settlements	**$ 2,050**	$ 4,000
Loss/(gain) on disposal of property and equipment	**211**	(309)
Total other operating expenses	**$ 2,261**	$ 3,691

Other income/(expense)-net for 2023 and 2022 comprise (in thousands):

	2023	2022
Market value adjustments related to deferred compensation trusts	$ 6,404	$ (9,970)
Interest income	6,270	355
Other	232	382
Total other income/(expense) - net	$ 12,906	$ (9,233)

Our effective tax rate reconciliation is as follows:

	2023	2022
Income tax provision calculated using the statutory rate	$ 73,577	$ 69,233
State and local income taxes, less federal income tax effect	2,306	10,207
Nondeductible expenses	6,600	6,958
Excess stock compensation tax benefits	(4,330)	(5,928)
Other--net	(295)	(415)
Income tax provision	$ 77,858	$ 80,055
Effective tax rate	22.2 %	24.3 %

During the third quarter of 2023, the Company recognized a tax benefit from realignment of its state and local corporate tax structure based on the location of operating resources and profitability by business segment. This benefit includes a reduction in current state and local tax expense and a one time benefit of $4.2 million in reduction of deferred tax liabilities reflecting the lower tax rates.

Net income for both periods include the following after-tax adjustments that increased/(reduced) after-tax earnings (in thousands):

	2023	2022
VITAS		
Impact of deferred rate tax change	$ 1,772	$ -
Litigation settlements	-	(2,984)
Direct costs related to COVID-19	-	(231)
Medicare cap sequestration adjustment	-	(103)
Roto-Rooter		
Amortization of reacquired franchise agreements	(7,216)	(6,915)
Impact of deferred rate tax change	3,559	-
Litigation settlements	(1,577)	-
Direct costs related to COVID-19	-	(726)
Corporate		
Stock option expense	(25,405)	(22,028)
Long-term incentive compensation	(10,379)	(6,858)
Excess tax benefits on stock compensation	4,330	5,928
Impact of deferred rate tax change	(1,090)	-
Direct costs related to COVID-19	-	(68)
Total	$ (36,006)	$ (33,985)

2023 Versus 2022– Segment Results

Net income/(loss) for 2023 versus 2022 (in thousands):

	2023	2022
VITAS	$ 158,509	$ 131,452
Roto-Rooter	188,241	186,120
Corporate	(74,241)	(67,948)
	$ 272,509	$ 249,624

VITAS' after-tax earnings increased due mainly to higher revenue. Additionally, VITAS had a $3.0 million after-tax legal settlement expense in 2022 which did not recur in 2023 and $1.8 million tax benefit related to the impact of the deferred rate tax change. After-tax earnings as a percent of revenue at VITAS in 2023 was 12.1% as compared to 10.9% in 2022.

Roto-Rooter's after-tax earnings as a percent of revenue at Roto-Rooter in 2023 was 19.8% as compared to 19.9% in 2022.

After-tax Corporate expenses for 2023 increased 9.3% when compared to 2022 due mainly to a $3.4 million increase in after-tax stock option expense and an increase in after-tax long-term incentive compensation of $3.5 million offset by a $1.6 million decrease in excess tax benefits on stock compensation,

RESULTS OF OPERATIONS

2022 Versus 2021 – Consolidated Results

Set forth below are the year-to-year changes in the components of the statement of operations relating to income for 2022 versus 2021 (in thousands, except percentages):

	2022	2021	Increase/(Decrease) Percent
Service revenues and sales			
VITAS	$ 1,201,564	$ 1,261,246	(4.7)
Roto-Rooter	933,399	878,015	6.3
Total	2,134,963	2,139,261	(0.2)
Cost of services provided and goods sold	1,369,877	1,369,458	0.0
Selling, general and administrative expenses	358,727	366,727	(2.2)
Depreciation	49,102	49,011	0.2
Amortization	10,070	10,040	0.3
Other operating expenses	3,691	987	274.0
Total cost and expenses	1,791,467	1,796,223	(0.3)
Income from operations	343,496	343,038	0.1
Interest expense	(4,584)	(1,868)	(145.4)
Other (expense)/income - net	(9,233)	9,144	(201.0)
Income before income taxes	329,679	350,314	(5.9)
Income taxes	(80,055)	(81,764)	2.1
Net income	$ 249,624	$ 268,550	(7.0)

The VITAS segment revenue is as follows (dollars in thousands):

	2022	2021	Increase/(Decrease) Percent
Routine homecare	$ 1,039,211	$ 1,069,766	(2.9)
Continuous care	77,000	94,338	(18.4)
Inpatient care	102,361	113,187	(9.6)
Other	12,438	12,142	2.4
Medicare cap adjustment	(7,868)	(6,597)	19.3
Implicit price concessions	(12,004)	(11,530)	4.1
Room and board, net	(9,574)	(10,060)	(4.8)
Net revenue	$ 1,201,564	$ 1,261,246	(4.7)

Days of care are as follows:

	Days of Care		Increase/(Decrease)
	2022	2021	Percent
Routine homecare	5,086,021	5,347,170	(4.9)
Nursing home	1,036,816	993,322	4.4
Respite	23,905	21,403	11.7
Subtotal routine homecare and respite	6,146,742	6,361,895	(3.4)
Continuous care	81,890	101,539	(19.4)
General inpatient	95,431	107,685	(11.4)
Total days of care	6,324,063	6,571,119	(3.8)

The decrease in service revenues at VITAS is comprised primarily of a 3.8% decrease in days-of-care, a 1.6% decrease in acuity mix shift offset by a 0.8% increase in geographically weighted reimbursement rates. Reimbursement rates in the year were impacted as a result of CMS reimplementing the 2% sequestration cut that was suspended at the start of the pandemic. The combination of an increase in Medicare cap and other contra revenue changes negatively impacted revenue growth by approximately 10 basis points.

The Roto-Rooter segment revenue is as follows (dollars in thousands):

	2022	2021	Increase/(Decrease) Percent
Drain cleaning	$ **261,606**	$ 254,773	2.7
Plumbing	**194,274**	176,051	10.4
Excavation	**222,945**	215,190	3.6
Other	**708**	1,138	(37.8)
Subtotal - short term core	**679,533**	647,152	5.0
Water restoration	**169,434**	153,115	10.7
Independent contractors	**84,442**	76,858	9.9
Franchisee fees	**5,591**	5,068	10.3
Other	**16,859**	15,576	8.2
Gross revenue	**955,859**	897,769	6.5
Implicit price concessions and credit memos	**(22,460)**	(19,754)	13.7
Net revenue	$ **933,399**	$ 878,015	6.3

The increase in plumbing revenues for 2022 versus 2021 is attributable to a 12.4% increase in price and service mix shift offset by a 2.0% decrease in job count. The increase in drain cleaning revenues for 2022 versus 2021 is attributable to a 9.3% increase in price and service mix shift offset by a 6.6% decrease in job count. Excavation and water restoration jobs are generally sold as a result of initial calls from customers regarding drain cleaning issues. As a result, the 3.6% increase in excavation revenue and 10.7% increase in water restoration revenue are mainly a function of the number and size of drain cleaning issues we encounter on a yearly basis. Contractor operations increased 9.9%.

The consolidated gross margin excluding depreciation was 35.8% in 2022 versus 36.0% in 2021. On a segment basis, VITAS' gross margin excluding depreciation was 22.4% in 2022 and 24.4% in 2021. The decrease is related to reduced revenues and $19.6 million in expense for the licensed healthcare work retention bonus program. Roto-Rooter's gross margin excluding depreciation was 53.1% in 2022 and 52.6% in 2021. The increase is primarily due to increased revenues.

Selling, general and administrative expenses ("SG&A") for 2022 and 2021 comprise (in thousands):

	2022	2021
SG&A expenses before long-term incentive compensation, and the impact of market value adjustments related to deferred compensation trusts	$ **360,896**	$ 349,250
Impact of market value adjustments related to assets held in deferred compensation trusts	**(9,970)**	9,167
Long-term incentive compensation	**7,801**	8,310
Total SG&A expenses	$ **358,727**	$ 366,727

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for 2022 were up 3.3% when compared to 2021. This increase was a result of the increase in variable selling and general administrative expenses at Roto-Rooter, mainly advertising, and overall inflation-related cost increases, including salary at both operating units.

Other operating (income)/expense for 2022 and 2021 comprise (in thousands):

	2022	2021
Litigation settlements	$ **4,000**	$ -
(Gain)/Loss on disposal of property and equipment	**(309)**	987
Total other operating expenses	$ **3,691**	$ 987

Other (expense)/income-net for 2022 and 2021 comprise (in thousands):

	2022	2021
Market value gains on assets held in deferred compensation trusts	**$ (9,970)**	$ 8,310
Interest income	**355**	377
Other	**382**	457
Total other (expense)/income	**$ (9,233)**	$ 9,144

Our effective tax rate reconciliation is as follows:

	2022	2021
Income tax provision calculated using the statutory rate	$ **69,233**	$ 73,566
State and local income taxes, less federal income tax effect	**10,207**	10,025
Nondeductible expenses	**6,958**	7,443
Excess stock compensation tax benefits	**(5,928)**	(9,884)
Other--net	**(415)**	614
Income tax provision	$ **80,055**	$ 81,764
Effective tax rate	**24.3** %	23.3

Net income for both periods include the following after-tax adjustments that increased/(reduced) after-tax earnings (in thousands):

	2022	2021
VITAS		
Litigation settlements	**$ (2,984)**	$ -
COVID-19 expense	**(231)**	(12,157)
Medicare cap sequestration adjustment	**(103)**	-
Facility relocation expenses	**-**	(1,384)
Roto-Rooter		
Amortization of reacquired franchise agreements	**(6,915)**	(6,915)
Direct costs related to COVID-19	**(726)**	(1,789)
Litigation settlements	**-**	72
Corporate		
Stock option expense	**(22,028)**	(18,879)
Long-term incentive compensation	**(6,858)**	(8,094)
Excess tax benefits on stock compensation	**5,928**	9,884
Direct costs related to COVID-19	**(68)**	(29)
Other	**-**	(166)
Total	**$ (33,985)**	$ (39,457)

2022 Versus 2021 – Segment Results

Net income/(loss) for 2022 versus 2021 (in thousand):

	2022	2021
VITAS	**$ 131,452**	$ 162,431
Roto-Rooter	**186,120**	166,333
Corporate	**(67,948)**	(60,214)
	$ 249,624	$ 268,550

VITAS' after-tax earnings decreased due to lower revenue, a $14.6 million after-tax expense related to VITAS' licensed healthcare worker retention bonus program and a $3.0 million after-tax legal settlement expense. After-tax earnings as a percent of revenue at VITAS in 2022 was 10.9% as compared to 12.9% in 2021.

Roto-Rooter's net income was impacted in 2022 compared to 2021 primarily by higher revenue and improved labor costs. After-tax earnings as a percent of revenue at Roto-Rooter in 2022 was 19.9% as compared to 18.9% in 2021.

After-tax Corporate expenses for 2022 increased 12.8% when compared to 2021 due mainly to a $4.0 million decrease in excess tax benefits on stock compensation, a $3.1 million increase in after-tax stock option expense offset by a decrease in after-tax long-term incentive compensation of $1.2 million.

CRITICAL ACCOUNTING ESTIMATES

VITAS Revenue Implicit Price Concessions

Service revenue for VITAS is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily government programs (Medicare and Medicaid) or commercial health insurers. Revenue is recorded at the government-mandated service level rate or the contractually agreed-upon service level rate, whichever is applicable for the patient being served. At the same time, a reduction in revenue is estimated and recorded for expected contractual adjustments. These contractual adjustments are referred to as “implicit price concessions”. Implicit price concessions at VITAS are considered critical accounting estimates as they involve a significant amount of judgment by management. Over 95% of VITAS’ revenue is from Medicare or Medicaid, resulting in the majority of implicit price concessions being related to Federal or state payors. The remainder of this discussion focuses on the process related to these Federal or state related implicit price concessions.

The laws and regulations governing hospice services are voluminous. Federal and state agencies, or their designated intermediaries, scrutinize hospice claims under various review initiatives to determine their validity and appropriateness. These reviews generally target specific categories of patients and are not statistically chosen. The Company has processes and procedures in place to help ensure compliance. The estimate of implicit price concessions is based on two main assumptions, as follows:

There are a small percentage of claims that are rejected by the payor soon after billing. These claims generally contain a minor non-medical, documentation defect in the billing process. The estimated implicit price concession for this type of claim is based mainly on historical experience which is relatively consistent from year-to-year. The implicit price concession estimate relating to this assumption is not material.

There are claims subject to the review process described above which are initially denied by the reviewer. There are many reasons that a claim may be denied including, but not limited to: defects in the non-medical documentation; a difference of opinion with respect to the medical condition of the patient; or a perceived lack of adequate medical documentation. Each denial is researched by a team of internal VITAS employees. There is a standard appeal process for any claim we believe was inappropriately denied. The appeal for these claims may take several months if not years to make it through the entire appeal process. The estimated implicit price concession for this type of claim is based on a number of key factors, including our historical success rate of appeal, settlement history for similar reviews, the types of reviews being conducted and the overall current review environment.

Our estimate currently assumes that we ultimately do not receive consideration for approximately 25% to 30% of claims currently selected for review or expected to be selected for review. If our current estimate changes by 1%, there would be a $400,000 impact on our estimate of implicit price concessions.

Our estimates of implicit price concessions at VITAS are updated and reviewed quarterly based on the most recent facts available. Subsequent changes in facts and circumstances are recorded in the period they become known. There have been no changes to the assumptions that would significantly impact our estimate of implicit price concessions.

Insurance Accruals

For the Roto-Rooter segment and Chemed’s Corporate Office, we initially self-insure for all casualty insurance claims (workers’ compensation, auto liability and general liability). As a result, we closely monitor and frequently evaluate our historical claims experience to estimate the appropriate level of accrual for self-insured claims. Our third-party administrator (“TPA”) processes and reviews claims on a monthly basis. Currently, our exposure on any single claim is capped at $750,000, due to stop loss insurance held with a commercial insurance carrier. In developing our estimates, we accumulate historical claims data for the previous 10 years to calculate loss development factors (“LDF”) by insurance coverage type. LDFs are applied to known claims to estimate the ultimate potential liability for known and unknown claims for each open policy year. LDFs are updated annually. Because this methodology relies heavily on historical claims data, the key risk is whether the historical claims are an accurate predictor of future claims exposure. The risk also exists that certain claims have been incurred and not reported on a timely basis. To mitigate these risks, in conjunction with our TPA, we closely monitor claims to ensure timely accumulation of data and compare claims trends with the industry experience of our TPA.

For the VITAS segment, we initially self-insure for workers’ compensation claims. Currently, VITAS’ exposure on any single claim is capped at $1,000,000, due to stop loss insurance held with a commercial insurance carrier. For VITAS’ self-insurance accruals for workers’ compensation, the valuation methods used are similar to those used internally for our other business units. We are also insured for other risks with respect to professional liability with a deductible of $1,000,000.

Our casualty insurance liabilities are recorded gross before any estimated recovery for amounts exceeding our stop loss limits. Estimated recoveries from insurance carriers are recorded as accounts receivable. Claims experience adjustments to our casualty and workers' compensation accrual for the years ended December 31, 2023, 2022 and 2021, were net pretax credits of ($6,862,000), ($5,790,000), and ($6,332,000) respectively.

As an indication of the sensitivity of the accrued liability to reported claims, our analysis indicates that a 1% across-the-board increase or decrease in the amount of projected losses would increase or decrease the accrued insurance liability at December 31, 2023 by $4.9 million or 8.3%. While the amount recorded represents our best estimate of the casualty and workers' compensation insurance liability, we have calculated, based on historical claims experience, the actual loss could reasonably be expected to increase or decrease by approximately $500,000 as of December 31, 2023.

Chemed Corporation and Subsidiary Companies
Unaudited Consolidating Summaries and Reconciliations of Adjusted EBITDA (in thousands)

2023	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	**$ 158,509**	**$ 188,241**	**$ (74,241)**	**$ 272,509**
Add/(deduct):				
Interest expense	**180**	**442**	**2,486**	**3,108**
Income taxes	**46,115**	**50,125**	**(18,382)**	**77,858**
Depreciation	**19,959**	**30,790**	**53**	**50,802**
Amortization	**104**	**9,959**	**-**	**10,063**
EBITDA	**224,867**	**279,557**	**(90,084)**	**414,340**
Add/(deduct):				
Intercompany interest/(expense)	**(19,400)**	**(11,918)**	**31,318**	**-**
Interest income	**(1,078)**	**(125)**	**(5,067)**	**(6,270)**
Stock option expense	**-**	**-**	**30,082**	**30,082**
Long-term incentive compensation	**-**	**-**	**11,689**	**11,689**
Litigation settlement	**-**	**2,056**	**-**	**2,056**
Adjusted EBITDA	**$ 204,389**	**$ 269,570**	**$ (22,062)**	**$ 451,897**

2022	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 131,452	$ 186,120	$ (67,948)	$ 249,624
Add/(deduct):				
Interest expense	172	396	4,016	4,584
Income taxes	43,000	58,695	(21,640)	80,055
Depreciation	21,955	27,075	72	49,102
Amortization	101	9,969	-	10,070
EBITDA	196,680	282,255	(85,500)	393,435
Add/(deduct):				
Intercompany interest/(expense)	(18,901)	(9,345)	28,246	-
Interest income	(218)	(138)	1	(355)
Stock option expense	-	-	26,254	26,254
Long-term incentive compensation	-	-	7,801	7,801
Litigation settlement	4,000	-	-	4,000
Direct costs related to COVID-19	310	988	89	1,387
Medicare cap sequestration adjustment	138	-	-	138
Adjusted EBITDA	$ 182,009	$ 273,760	$ (23,109)	$ 432,660

2021	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 162,431	$ 166,333	$ (60,214)	$ 268,550
Add/(deduct):				
Interest expense	160	595	1,113	1,868
Income taxes	52,426	51,420	(22,082)	81,764
Depreciation	23,114	25,816	81	49,011
Amortization	71	9,969	-	10,040
EBITDA	238,202	254,133	(81,102)	411,233
Add/(deduct):				
Intercompany interest/(expense)	(18,125)	(7,180)	25,305	-
Interest income	(253)	(124)	-	(377)
Stock option expense	-	-	22,502	22,502
Direct costs related to COVID-19	16,296	2,435	38	18,769
Long-term incentive compensation	-	-	9,167	9,167
Litigation settlement	-	(98)	-	(98)
Medicare cap sequestration adjustment	-	-	218	218
Adjusted EBITDA	$ 236,120	$ 249,166	$ (23,872)	$ 461,414

CHEMED CORPORATION AND SUBSIDIARY COMPANIES

RECONCILIATION OF ADJUSTED NET INCOME

(in thousands, except per share data)(unaudited)

	For the Years Ended December 31,		
	2023	2022	2021
Net income as reported	**$ 272,509**	$ 249,624	$ 268,550
Add/(deduct) pre-tax cost of:			
Stock option expense	**30,082**	26,254	22,502
Long-term incentive compensation	**11,689**	7,801	9,167
Amortization of reacquired franchise agreements	**9,408**	9,408	9,408
Litigation settlements	**2,056**	4,000	(98)
COVID-19 expenses	**-**	1,387	18,769
Medicare cap sequestration adjustment	**-**	138	-
Facility relocation expenses	**-**	-	1,855
Other	**-**	-	218
Add/(deduct) tax impacts:			
Tax impact of the above pre-tax adjustments (1)	**(8,658)**	(9,075)	(12,480)
Tax impact of deferred tax rate change	**(4,241)**	-	-
Excess tax benefits on stock compensation	**(4,330)**	(5,928)	(9,884)
Adjusted net income	**$ 308,515**	$ 283,609	$ 308,007
Diluted Earnings Per Share As Reported			
Net income	**$ 17.93**	$ 16.53	$ 16.85
Average number of shares outstanding	**15,200**	15,099	15,938
Adjusted Diluted Earnings Per Share			
Net income	**$ 20.30**	$ 18.78	$ 19.33
Average number of shares outstanding	**15,200**	15,099	15,938

(1) The tax impact of pre-tax adjustments was calculated using the effective tax rate of the operating unit for which each adjustment is associated.

The "Footnotes to Financial Statements" are integral parts of this financial information.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
OPERATING STATISTICS FOR VITAS SEGMENT(unaudited)

OPERATING STATISTICS	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Year Ended December 31, 2023	Year Ended December 31, 2022
Net revenue ($000)				
Homecare	$ 303,883	$ 267,691	$ 1,136,437	$ 1,039,211
Inpatient	28,107	26,647	112,419	102,361
Continuous care	22,620	19,284	85,674	77,000
Other	3,844	2,977	13,582	12,438
Subtotal	$ 358,454	$ 316,599	$ 1,348,112	$ 1,231,010
Room and board, net	(2,535)	(2,778)	(10,851)	(9,574)
Contractual allowances	(3,546)	(3,012)	(14,196)	(12,004)
Medicare cap allowance	(2,375)	(2,750)	(8,000)	(7,868)
Total	$ 349,998	$ 308,059	$ 1,315,065	$ 1,201,564
Net revenue as a percent of total before Medicare cap allowance				
Homecare	84.8%	84.6%	84.3%	84.4%
Inpatient	7.8	8.4	8.3	8.3
Continuous care	6.3	6.1	6.4	6.3
Other	1.1	0.9	1.0	1.0
Subtotal	100.0	100.0	100.0	100.0
Room and board, net	(0.7)	(0.9)	(0.8)	(0.8)
Contractual allowances	(1.0)	(0.9)	(1.1)	(1.0)
Medicare cap allowance	(0.7)	(0.9)	(0.6)	(0.6)
Total	97.6%	97.3%	97.5%	97.6%
Days of Care				
Homecare	1,439,494	1,289,067	5,457,963	5,086,021
Nursing home	285,616	264,895	1,118,728	1,036,816
Respite	7,394	5,807	26,605	23,905
Subtotal routine homecare and respite	1,732,504	1,559,769	6,603,296	6,146,742
Inpatient	24,918	24,254	101,905	95,431
Continuous care	23,001	19,909	88,631	81,890
Total	1,780,423	1,603,932	6,793,832	6,324,063
Number of days in relevant time period	92	92	365	365
Average daily census ("ADC") (days)				
Homecare	15,646	14,012	14,953	13,934
Nursing home	3,105	2,879	3,065	2,841
Respite	80	63	73	65
Subtotal routine homecare and respite	18,831	16,954	18,091	16,840
Inpatient	271	264	279	261
Continuous care	250	216	243	224
Total	19,352	17,434	18,613	17,325
Total Admissions	15,867	14,829	63,431	60,774
Total Discharges	15,705	14,862	61,242	60,930
Average length of stay (days)	105.9	103.9	102.2	104.6
Median length of stay (days)	17.0	16.0	16.0	16.0
ADC by major diagnosis				
Cerebro	42.8%	41.0%	42.5%	39.8%
Neurological	13.7	20.3	15.3	21.2
Cancer	10.3	10.7	10.5	10.9
Cardio	16.2	15.7	16.1	15.7
Respiratory	7.0	7.2	7.1	7.3
Other	10.0	5.1	8.5	5.1
Total	100.0%	100.0%	100.0%	100.0%
Admissions by major diagnosis				
Cerebro	26.5%	25.6%	26.4%	24.6%
Neurological	8.3	11.0	9.4	12.3
Cancer	25.9	26.7	26.0	26.3
Cardio	15.4	15.3	16.0	14.9
Respiratory	10.1	10.5	10.1	10.3
Other	13.8	10.9	12.1	11.6
Total	100.0%	100.0%	100.0%	100.0%
Bad debt expense as a percent of revenues	1.0 %	1.0 %	1.1 %	1.0 %
Accounts receivable --Days of revenue outstanding- excluding unapplied Medicare payments	37.8	38.1	N.A.	N.A.
Accounts receivable--Days of revenue outstanding- including unapplied Medicare payments	36.0	28.0	N.A.	N.A.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 REGARDING FORWARD-LOOKING INFORMATION

In addition to historical information, this report contains forward-looking statements and performance trends that are based upon assumptions subject to certain known and unknown risks, uncertainties, contingencies and other factors. Such forward-looking statements and trends include, but are not limited to, the impact of laws and regulations on our operations, our estimate of future effective income tax rates and the recoverability of deferred tax assets. Variances in any or all of the risks, uncertainties, contingencies, and other factors from our assumptions could cause actual results to differ materially from these forward-looking statements and trends. Our ability to deal with the unknown outcomes of these events, many of which are beyond our control, may affect the reliability of our projections and other financial matters.

EXHIBIT 21

SUBSIDIARIES OF CHEMED CORPORATION

The following is a list of subsidiaries of the Company as of December 31, 2023: Other subsidiaries which have been omitted from the list would not, when considered in the aggregate, constitute a significant subsidiary. Each of the companies is incorporated under the laws of the state following its name. The percentage given for each company represents the percentage of voting securities of such company owned by the Company or, where indicated, subsidiaries of the Company as of December 31, 2023.

All of the majority owned companies listed below are included in the consolidated financial statements as of December 31, 2023.

Chemed RT, Inc. (Delaware, 100%)

Comfort Care Holdings Co. (Nevada, 100%)

Consolidated HVAC, Inc. (Ohio, 100% by Roto-Rooter Services Company)

Jet Resource, Inc. (Delaware, 100%)

Nurotoco of Massachusetts, Inc. (Massachusetts, 100% by Roto-Rooter Services Company)

Nurotoco of Massachusetts, Inc. II (Massachusetts, 100% by Roto-Rooter Services Company)

Nurotoco of Massachusetts, Inc. III (Massachusetts, 100% by Roto-Rooter Services Company)

Nurotoco of New Jersey, Inc. (Delaware, 80% by Roto-Rooter Services Company)

Roto RT, Inc. (Delaware, 100% by Roto-Rooter Group, Inc.)

Roto-Rooter Canada, Ltd. (British Columbia, 100% by Roto-Rooter Services Company)

Roto-Rooter Corporation (Iowa, 100% by Roto-Rooter Group, Inc.)

Roto-Rooter Group, Inc. (Delaware, 100%)

Roto-Rooter Services Company (Iowa, 100% by Roto-Rooter Group, Inc.)

RRSC of Arizona, Inc. (Delaware, 75% owned by Roto-Rooter Services Company)

RR Plumbing Services Corporation (New York, 49% by Roto-Rooter Services Company; included within the consolidated financial statements as a consolidated subsidiary)

VITAS Healthcare Corporation (Delaware, 100% by Comfort Care Holdings Co.)

VITAS Hospice Services, L.L.C. (Delaware, 100% by VITAS Healthcare Corporation)

VITAS Healthcare Corporation of California (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Illinois (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Florida (Florida, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Ohio (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Atlantic (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare of Texas, L.P. (Texas, 99% by VITAS Holding Corporation, the limited partner, 1% by VITAS Hospice Services, L.L.C., the general partner)

VITAS Healthcare Corporation Midwest (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Georgia (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS HME Solutions, Inc. (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Holdings Corporation (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS RT, Inc. (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Solutions, Inc. (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Hospice Management Services, LLC (Delaware, 100% by VITAS Hospice Services, LLC)

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-167733, 333-205669, 333-225130, and 333-264979) of Chemed Corporation of our report dated February 29, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2023 Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
Cincinnati, Ohio

February 29, 2024

EXHIBIT 24

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and BRIAN C. JUDKINS as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 16, 2024

/s/ Eileen P. McCarthy
Eileen P. McCarthy

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and BRIAN C. JUDKINS as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 16, 2024

/s/ Patrick P. Grace
Patrick P. Grace

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and BRIAN C. JUDKINS as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 12, 2024

/s/ Thomas C. Hutton
Thomas C. Hutton

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and BRIAN C. JUDKINS as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 16, 2024

/s/ Thomas P. Rice
Thomas P. Rice

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and BRIAN C. JUDKINS as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 16, 2024

/s/ John M. Mount Jr.
John M Mount Jr.

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and BRIAN C. JUDKINS as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 13, 2024

/s/ George J. Walsh III
George J. Walsh III

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and BRIAN C. JUDKINS as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 13, 2024

/s/ Christopher J. Heaney
Christopher J. Heaney

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and BRIAN C. JUDKINS as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 15, 2024

/s/ Ron DeLyons
Ron DeLyons

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and BRIAN C. JUDKINS as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 15, 2024

/s/ Andrea R. Lindell
Andrea R. Lindell

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Kevin J. McNamara, certify that:

1. I have reviewed this annual report on Form 10-K of Chemed Corporation (“registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations, and cash flow of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by other within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: February 29, 2024

/s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Michael D. Witzeman, certify that:

1. I have reviewed this annual report on Form 10-K of Chemed Corporation (“registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations, and cash flow of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by other within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: February 29, 2024

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President, Controller and Chief Financial Officer)

EXHIBIT 32.1

CERTIFICATION BY KEVIN J. MCNAMARA
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as President and Chief Executive Officer of Chemed Corporation (“Company”), does hereby certify that:

1) The Company’s Annual Report on Form 10-K for the year ending December 31, 2023 (“Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 29, 2024

/s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

EXHIBIT 32.2

CERTIFICATION DAVID P. WILLIAMS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Executive Vice President and Chief Financial Officer of Chemed Corporation (“Company”), does hereby certify that:

1) The Company’s Annual Report on Form 10-K for the year ending December 31, 2023 (“Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 29, 2024

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President, Controller and Chief Financial Officer)

EXHIBIT 97

INCENTIVE COMPENSATION RECOVERY POLICY

A. PURPOSE

This Incentive Compensation Recovery Policy (this "Recovery Policy") is adopted by Chemed Corporation, a Delaware corporation (the "Company"), as of the 3rd day of November, 2023 (the "Effective Date") as required by Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 under the Exchange Act and the applicable New York Stock Exchange Listing Standards (collectively, the "Recovery Rules"). This Recovery Policy is intended to apply independent of all other clawback, recoupment or forfeiture policies, agreements or other arrangements of the Company (collectively, "Other Clawback Policies").

B. ADMINISTRATION

This Recovery Policy shall be administered by the Compensation Committee of the Board of Directors (the "Board") of the Company (the "Compensation Committee"). The Compensation Committee shall have the full power and authority to interpret, and make determinations under, this Recovery Policy, consistent with the Recovery Rules. All determinations and decisions made by the Compensation Committee pursuant to this Recovery Policy shall be final, conclusive and binding on all persons, including each member of the Company Group (as defined below), its respective affiliates, stockholders and employees. In the absence of the Compensation Committee, a majority of the independent directors serving on the Board shall administer this Recovery Policy as set forth in this paragraph.

C. COVERED INDIVIDUALS

Each Executive Officer (as defined below) shall be subject to this Recovery Policy and should execute an Acknowledgment in the form attached as Exhibit A hereto. Failure by an Executive Officer to execute an Acknowledgment shall have no impact on the applicability or enforceability of this Recovery Policy.

D. RECOVERY OF EXCESS INCENTIVE COMPENSATION

In the event the Company is required to prepare a Covered Financial Restatement (as defined below), the Company shall seek reasonably promptly the recovery of any Excess Incentive Compensation (as defined below) received by a Specified Officer during the three completed fiscal years immediately preceding the applicable Triggering Date (as defined below) (or any transition period that results from a change in the Company's fiscal year within or immediately following such three completed fiscal years); provided, however, that a transition period between the last day of the Company's previous fiscal year-end and the first day of its new fiscal year that comprises a period of nine to twelve months will be considered a completed fiscal year for purposes of this Recovery Policy. The Company's obligation to recover Excess Incentive Compensation from a Specified Officer is not dependent on if, or when, the applicable restated financial statements are filed. Unless otherwise specified by the Compensation Committee, a Specified Officer shall be required to forfeit or repay the Excess Incentive Compensation within ninety (90) days following the date such Specified Officer is informed that such Specified Officer has received Excess Incentive Compensation from the Company Group.

Subject to the Recovery Rules, the Compensation Committee shall have discretion to determine the method by which Excess Incentive Compensation shall be recovered from the applicable Specified Officers. For the avoidance of doubt, any Excess Incentive Compensation received by a Specified Officer that has subsequently been forfeited prior to payment thereof (including as a result of termination of employment or breach of contract) shall be deemed to have been repaid in accordance with this Recovery Policy. To the extent that the application of this Recovery Policy would provide for recovery of Incentive Compensation that the Company recovers pursuant to Section 304 of the Sarbanes-Oxley Act or Other Clawback Policies, the amount the relevant Specified Officer has already reimbursed the Company will be credited to the required recovery under this Recovery Policy. To the extent a Specified Officer fails to repay any Excess Incentive Compensation in accordance with the immediately-preceding sentence, such Specified Officer shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by any member of the Company Group in recovering such Excess Incentive Compensation.

The Company must recover Excess Incentive Compensation pursuant to this Recovery Policy except to the extent the conditions of (i), (ii) or (iii) of this sentence are satisfied, including the Company's compliance with any additional requirements set forth in the applicable Recovery Rules related thereto, and the Compensation Committee has made a determination that recovery would be impracticable: (i) the direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered; (ii) recovery would violate home country law where the applicable law was adopted prior to November 28, 2022; or (iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

E. GOVERNING LAW

This Recovery Policy shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflicts of law thereof or of any other jurisdiction. Except as provided above, the parties shall each bear their own expenses in connection with any dispute under or relating to this Recovery Policy.

F. MISCELLANEOUS PROVISIONS

This Recovery Policy shall only apply to Incentive Compensation received on or after October 2, 2023. The Board may amend this Recovery Policy from time to time in its sole and absolute discretion. This Recovery Policy will not limit the rights of the Company to take any other actions or pursue other remedies that the Company may deem appropriate under the circumstances and under applicable law. This Recovery Policy will be binding and enforceable against all Specified Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

G. DEFINITIONS

"Company Group" shall mean the Company, collectively with each of its direct and indirect subsidiaries.

"Covered Financial Restatement" means an accounting restatement required due to material noncompliance by a member of the Company Group with any financial reporting requirements under the federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. The following shall not constitute a Covered Financial Restatement: (i) out-of-period adjustments; (ii) retrospective application of a change in accounting principle; (iii) retrospective revision to reportable segment information due to a change in the structure of the internal organization of the Company Group; (iv) retrospective reclassification due to a discontinued operation; (v) retrospective application of a change in reporting entity, such as from a reorganization of entities under common control; and (vi) retrospective revision for stock splits, reverse stock splits, stock dividends or other change in capital structure.

"Excess Incentive Compensation" means the amount of Incentive Compensation received by a Specified Officer from any member of the Company Group in excess of the amount that would have been received had it been determined based on the restated amounts, as determined by the Compensation Committee in accordance with the Recovery Rules. The amount of Excess Incentive Compensation shall be determined on a gross basis without regard to any taxes owed or paid by the Specified Officer on the receipt or settlement of the Incentive Compensation. For Incentive Compensation based on stock price or total shareholder return, where the amount of Excess Incentive Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, the amount will be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive Compensation was received. For the avoidance of doubt, Excess Incentive Compensation may include Incentive Compensation received by a person after such person ceases to be an Executive Officer.

"Executive Officer" shall mean an "executive officer" of the Company (as defined in Rule 10D-1(d) under the Exchange Act) and as identified by the Compensation Committee in accordance with the Recovery Rules.

"Financial Reporting Measures" means measures that are determined in accordance with the accounting principles used in preparing the Company Group's financial statements, and any measures that are derived in whole or in part from such measures. Stock price, adjusted earnings per share and total shareholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission.

"Incentive Compensation" means any compensation that is granted, earned or becomes vested, in whole or in part, upon the attainment of a Financial Reporting Measure and as identified by the Compensation Committee in accordance with the Recovery Rules. For the avoidance of doubt, Incentive Compensation shall include compensation that is computed based on, or otherwise attributable to, the attainment of a Financial Reporting Measure. Except as otherwise determined by the Compensation Committee, Incentive Compensation shall not include the following: (i) salaries; (ii) amounts received solely at the discretion of the Compensation Committee or the Board and that are not received from a pool that is determined by satisfying a Financial Reporting Measure performance goal; (iii) amounts received solely upon satisfying one or more subjective standards; (iv) amounts received solely upon satisfying one or more strategic measures or operational measures; and (v) amounts received solely based on service or the passage of time.

Incentive Compensation shall be considered to be "received" by a Specified Officer in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive Compensation is achieved or attained, even if the payment or grant of the Incentive Compensation occurs after the end of that fiscal period.

"Specified Officer" means an Executive Officer who received Excess Incentive Compensation on or after the date he or she became an Executive Officer of the Company. For the avoidance of doubt, Specified Officers include former employees of the Company Group if they otherwise satisfy the definition of Specified Officer.

“Triggering Date” means the earlier to occur of (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Covered Financial Restatement or (ii) the date a court of competent jurisdiction, regulator, or other legally authorized body directs the Company to prepare a Covered Financial Restatement; provided, that the recovery of Excess Incentive Compensation pursuant to this Recovery Policy as a result of this clause (ii) shall only be required if such action by such court, regulator or other legally authorized body, as applicable, is final and non-appealable.

Exhibit A

Acknowledgment

This Acknowledgment (this "Acknowledgment") to the Incentive Compensation Policy (the "Recovery Policy") of Chemed Corporation (the "Company") is executed by the undersigned Executive Officer. Capital terms used but not defined in this Acknowledgment shall have the meanings assigned to such terms in the Recovery Policy.

By signing below, the undersigned:

1. acknowledges and confirms that the undersigned has received and reviewed a copy of the Recovery Policy and that the undersigned is, and the undersigned's beneficiaries, heirs, executors, administrators or other legal representatives, as applicable, are, subject to the Recovery Policy;

2. acknowledges and agrees that the undersigned will comply with the Recovery Policy, including, without limitation, by returning Excess Incentive Compensation pursuant to, and in accordance with, the Recovery Policy and applicable law, and that the undersigned remains subject to the Recovery Policy during and after the undersigned's employment or engagement with the Company Group; and

3. acknowledges that the Recovery Policy may be amended from time to time in accordance with the terms thereof and the undersigned shall remain subject to the Recover Policy, as so amended, in all respects.

____
Signature

____
Print Name

____
Date