UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

x Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended March 31, 2022

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

Commission File Number: 1-8351

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

Delaware	31-0791746
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
255 E. Fifth Street, Suite 2600, Cincinnati, Ohio	45202
(Address of principal executive offices)	(Zip code)

(513) 762-6690
(Registrant's telephone number, including area code)

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer x Accelerated Filer o Non-accelerated Filer o Smaller Reporting Company o

Emerging growth company o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered	Amount	Date
Capital Stock $1 Par Value	CHE	New York Stock Exchange	14,967,917 Shares	March 31, 2022

CHEMED CORPORATION AND
SUBSIDIARY COMPANIES

Index

	Page No.
PART I. FINANCIAL INFORMATION:	
Item 1. Financial Statements	
Unaudited Consolidated Balance Sheets - March 31, 2022 and December 31, 2021	3
Unaudited Consolidated Statements of Income - Three months ended March 31, 2022 and 2021	4
Unaudited Consolidated Statements of Cash Flows - Three months ended March 31, 2022 and 2021	5
Unaudited Consolidated Statements of Changes in Stockholders' Equity- Three months ended March 31, 2022 and 2021	6
Notes to Unaudited Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures about Market Risk	30
Item 4. Controls and Procedures	30
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	30
Item 1A. Risk Factors	30
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 3. Defaults Upon Senior Securities	31
Item 4. Mine Safety Disclosures	31
Item 5. Other Information	31
Item 6. Exhibits	32

EX – 31.1
EX – 31.2
EX – 31.3
EX – 32.1
EX – 32.2
EX – 32.3
EX – 101
EX – 104

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	**$ 18,160**	$ 32,895
Accounts receivable	**117,319**	137,217
Inventories	**10,540**	10,109
Prepaid income taxes	**9,143**	17,377
Prepaid expenses	**29,589**	32,688
Total current assets	**184,751**	230,286
Investments of deferred compensation plans	**100,139**	98,884
Properties and equipment, at cost, less accumulated depreciation of $326,154 (2021- $317,911)	**192,405**	193,680
Lease right of use asset	**134,169**	125,048
Identifiable intangible assets less accumulated amortization of $60,166 (2021 - $57,648)	**106,367**	108,096
Goodwill	**579,704**	578,591
Other assets	**8,222**	8,138
Total Assets	**$ 1,305,757**	$ 1,342,723
LIABILITIES		
Current liabilities		
Accounts payable	**$ 64,710**	$ 73,024
Income taxes	**15,390**	41
Accrued insurance	**58,952**	55,918
Accrued compensation	**62,205**	95,598
Accrued legal	**871**	872
Short-term lease liability	**38,856**	37,913
Other current liabilities	**38,667**	39,033
Total current liabilities	**279,651**	302,399
Deferred income taxes	**19,136**	23,183
Long-term debt	**120,000**	185,000
Deferred compensation liabilities	**100,812**	98,597
Long-term lease liability	**109,121**	100,629
Other liabilities	**10,332**	9,642
Total Liabilities	**639,052**	719,450
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY		
Capital stock - authorized 80,000,000 shares $1 par; issued 36,578,650 shares (2021 - 36,513,857 shares)	**36,579**	36,514
Paid-in capital	**1,064,448**	1,044,341
Retained earnings	**2,029,158**	1,970,311
Treasury stock - 21,676,467 shares (2021 - 21,601,325 shares)	**(2,465,716)**	(2,430,094)
Deferred compensation payable in Company stock	**2,236**	2,201
Total Stockholders' Equity	**666,705**	623,273
Total Liabilities and Stockholders' Equity	**$ 1,305,757**	$ 1,342,723

See accompanying Notes to Unaudited Consolidated Financial Statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended March 31,	
	2022	**2021**
Service revenues and sales	$ **530,549**	$ 527,360
Cost of services provided and goods sold (excluding depreciation)	**336,552**	340,473
Selling, general and administrative expenses	**89,954**	91,599
Depreciation	**12,138**	11,715
Amortization	**2,518**	2,510
Other operating expenses	**13**	622
Total costs and expenses	**441,175**	446,919
Income from operations	**89,374**	80,441
Interest expense	**(810)**	(381)
Other (expense)/income - net	**(3,862)**	3,602
Income before income taxes	**84,702**	83,662
Income taxes	**(20,533)**	(18,262)
Net income	$ **64,169**	$ 65,400
Earnings Per Share:		
Net income	$ **4.28**	$ 4.08
Average number of shares outstanding	**14,986**	16,010
Diluted Earnings Per Share:		
Net income	$ **4.22**	$ 4.01
Average number of shares outstanding	**15,192**	16,310
Cash Dividends Per Share	$ **0.36**	$ 0.34

See accompanying Notes to Unaudited Consolidated Financial Statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended March 31,	
	2022	2021
Cash Flows from Operating Activities		
Net income	$ 64,169	$ 65,400
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,656	14,225
Stock option expense	7,451	6,106
Benefit for deferred income taxes	(4,047)	(930)
Noncash long-term incentive compensation	1,185	1,642
Amortization of debt issuance costs	76	76
Payments on previously accrued litigation settlements	-	(8,490)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	19,610	22,773
(Increase)/decrease in inventories	(431)	318
Decrease in prepaid expenses	3,099	4,402
Decrease in accounts payable and other current liabilities	(30,332)	(18,369)
Change in current income taxes	23,530	18,395
Net change in lease assets and liabilities	743	(24)
Increase in other assets	(1,562)	(5,274)
Increase in other liabilities	2,958	5,759
Other (uses)/sources	(15)	710
Net cash provided by operating activities	101,090	106,719
Cash Flows from Investing Activities		
Capital expenditures	(12,649)	(17,697)
Business combinations, net of cash acquired	(1,650)	-
Other sources	351	274
Net cash used by investing activities	(13,948)	(17,423)
Cash Flows from Financing Activities		
Payments on revolving line of credit	(86,500)	-
Proceeds from revolving line of credit	21,500	-
Purchases of treasury stock	(27,794)	(41,107)
Proceeds from exercise of stock options	7,692	11,026
Change in cash overdrafts payable	(7,051)	-
Dividends paid	(5,322)	(5,437)
Capital stock surrendered to pay taxes on stock-based compensation	(4,893)	(6,613)
Other sources	491	316
Net cash used by financing activities	(101,877)	(41,815)
(Decrease)/Increase in Cash and Cash Equivalents	(14,735)	47,481
Cash and cash equivalents at beginning of year	32,895	162,675
Cash and cash equivalents at end of period	$ 18,160	$ 210,156

See accompanying Notes to Unaudited Consolidated Financial Statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except per share data)

For the three months ended March 31, 2022 and 2021:

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2021	**36,514**	**1,044,341**	**1,970,311**	**(2,430,094)**	**2,201**	**623,273**
Net income	**-**	**-**	**64,169**	**-**	**-**	**64,169**
Dividends paid ($0.36 per share)	**-**	**-**	**(5,322)**	**-**	**-**	**(5,322)**
Stock awards and exercise of stock options	**65**	**19,603**	**-**	**(8,233)**	**-**	**11,435**
Purchases of treasury stock	**-**	**-**	**-**	**(27,353)**	**-**	**(27,353)**
Other	**-**	**504**	**-**	**(36)**	**35**	**503**
Balance at March 31, 2022	**$ 36,579**	**$ 1,064,448**	**$ 2,029,158**	**$ (2,465,716)**	**$ 2,236**	**$ 666,705**

	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	-	-	65,400	-	-	65,400
Dividends paid ($0.34 per share)	-	-	(5,437)	-	-	(5,437)
Stock awards and exercise of stock options	86	21,007	-	(8,932)	-	12,161
Purchases of treasury stock	-	-	-	(44,768)	-	(44,768)
Other	-	328	-	(36)	36	328
Balance at March 31, 2021	$ 36,345	$ 982,739	$ 1,783,740	$ (1,876,315)	$ 2,375	$ 928,884

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

1. Basis of Presentation

As used herein, the terms "We," "Company" and "Chemed" refer to Chemed Corporation or Chemed Corporation and its consolidated subsidiaries.

We have prepared the accompanying unaudited consolidated financial statements of Chemed in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, we have omitted certain disclosures required under generally accepted accounting principles in the United States ("GAAP") for complete financial statements. The December 31, 2021 balance sheet data were derived from audited financial statements but do not include all disclosures required by GAAP. However, in our opinion, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to state fairly our financial position, results of operations and cash flows. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022 or any other future period, and we make no representations related thereto. These financial statements are prepared on the same basis as and should be read in conjunction with the audited Consolidated Financial Statements and related Notes included in our Annual Report on Form 10-K for the year ended December 31, 2021.

CORONAVIRUS AID, RELIEF AND ECONOMIC STIMULUS (CARES) ACT

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.

CLOUD COMPUTING

As of March 31, 2022, Roto-Rooter has two cloud computing arrangements that are service contracts. The two projects consist of the development of a single source data warehouse and human resource system integration with our enterprise software. No amortization has been recorded for these two projects as they have not been placed into service.

VITAS utilizes a human resources system that is considered a cloud computing arrangement. We have capitalized approximately $5.6 million related to implementation of this project which is 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 the three months ended March 31, 2022 and 2021, $249,000 and $199,000 has been amortized, respectively.

INCOME TAXES

Our effective income tax rate was 24.2% in the first quarter of 2022 compared to 21.8% during the first quarter of 2021. Excess tax benefit on stock options exercised reduced our income tax expenses by $1.4 million and $3.2 million, respectively for the quarters ended March 31, 2022 and 2021.

NON-CASH TRANSACTIONS

Included in the accompanying Consolidated Balance Sheets are $754,000 and $1.9 million of capitalized property and equipment which were not paid for as of March 31, 2022 and December 31, 2021, respectively. Accrued property and equipment purchases have been excluded from capital expenditures in the accompanying Consolidated Statements of Cash Flow. There are no material non-cash amounts included in interest expense for any period presented.

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 16 for discussion of recent acquisitions.

Quarterly amortization of intangible assets is mainly driven by two Roto-Rooter franchise acquisitions completed in 2019. The total purchase price of these acquisitions was $138.0 million. As part of the purchase price allocation, approximately $59.2 million was determined to be the value of reacquired franchise rights which are being amortized over the remaining life of each franchise agreement. The average remaining life on the reacquired franchise agreements was approximately seven years. Quarterly amortization of reacquired franchise rights for these two acquisitions is approximately $2.0 million ($8.1 million annualized through 2026). This contrasts to quarterly franchise fees historically collected from these two franchisees of approximately $470,000 ($1.9 million annualized).

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. Disclosures of after-tax expenses and adjustments are based on estimates of the effective income tax rates for the applicable segments.

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 include 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 was $2.0 million for the quarters ended March 31, 2022 and 2021. The cost of charity care is included in cost of services provided and goods sold and is calculated by taking the ratio of charity care days to total days of care and multiplying by the 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. Medicare and Medicaid programs have broad authority to audit and review compliance with such laws and regulations, and impose payment suspensions when merited. 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 three months ended March 31, 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 March 31, 2022, 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, CMS determined that the Medicare cap should be calculated “as if” sequestration did not occur. As a result of this decision, VITAS has received notification from our third-party intermediary that an additional $8.7 million is owed for Medicare cap in three programs arising during the 2013 through 2020 measurement periods. The amounts are automatically deducted from our semi-monthly PIP payments. We do not believe that CMS is authorized under the sequestration authority or the statutory methodology for establishing the Medicare cap to the amounts they have withheld and intend to withhold under their current “as if” methodology. We have appealed CMS’s methodology change.

During the quarter ended March 31, 2022, we recorded $2.5 million in net Medicare cap revenue reduction related to two programs for the 2022 government fiscal year.

During the quarter ended March 31, 2021, we recorded $1.5 million in net Medicare cap revenue reduction related to two programs for the 2021 government fiscal year.

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 quarter ended March 31, 2022 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 241,337	$ 10,907	5,392	$ 257,636
Continuous care	17,977	814	787	19,578
Inpatient care	23,427	1,963	1,180	26,570
	$ 282,741	$ 13,684	$ 7,359	$ 303,784
All other revenue - self-pay, respite care, etc.				3,007
Subtotal				$ 306,791
Medicare cap adjustment				(2,500)
Implicit price concessions				(2,985)
Room and board, net				(2,117)
Net revenue				$ 299,189

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

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 246,064	$ 11,579	$ 6,111	$ 263,754
Continuous care	24,907	1,259	1,183	27,349
Inpatient care	25,438	2,473	1,245	29,156
	$ 296,409	$ 15,311	$ 8,539	$ 320,259
All other revenue - self-pay, respite care, etc.				2,938
Subtotal				$ 323,197
Medicare cap adjustment				(1,500)
Implicit price concessions				(3,244)
Room and board, net				(2,665)
Net revenue				$ 315,788

Roto-Rooter

Roto-Rooter provides plumbing, drain cleaning, excavation, 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 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 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. Each such 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. 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 first quarter is as follows (in thousands):

	March 31,	
	2022	**2021**
Short-term core services	**$ 169,712**	$ 155,350
Water restoration	**40,360**	37,435
Independent Contractors	**21,418**	18,760
Franchise fees	**1,317**	1,327
All other	**4,191**	3,945
Subtotal	**$ 236,998**	$ 216,817
Implicit price concessions and credit memos	**(5,638)**	(5,245)
Net revenue	**$ 231,360**	$ 211,572

3. Segments

Service revenues and sales by business segment are shown in Note 2. After-tax income/(loss) by business segment are as follows (in thousands):

	Three months ended March 31,	
	2022	**2021**
VITAS	**$ 36,481**	$ 40,770
Roto-Rooter	**43,937**	37,177
Total	**80,418**	77,947
Corporate	**(16,249)**	(12,547)
Net income	**$ 64,169**	$ 65,400

We report corporate administrative expenses and unallocated investing and financing income and expense not directly related to either segment as "Corporate".

4. Earnings per Share

Earnings per share (“EPS”) are computed using the weighted average number of shares of capital stock outstanding. Earnings and diluted earnings per share are computed as follows (in thousands, except per share data):

For the Three Months Ended March 31,		Net Income	
	Income	**Shares**	**Earnings per Share**
2022			
Earnings	**$ 64,169**	**14,986**	**$ 4.28**
Dilutive stock options	**-**	**165**	
Nonvested stock awards	**-**	**41**	
Diluted earnings	**$ 64,169**	**15,192**	**$ 4.22**
2021			
Earnings	$ 65,400	16,010	$ 4.08
Dilutive stock options	-	250	
Nonvested stock awards	-	50	
Diluted earnings	$ 65,400	16,310	$ 4.01

For the three months ended March 31, 2022, there were 609,000 stock options excluded from the computation of dilutive earnings per share because they would have been anti-dilutive.

For the three months ended March 31, 2021, there were 298,000 stock options excluded from the computation of dilutive earnings per share because they would have been anti-dilutive.

5. Long-Term Debt and Lines of Credit

On June 20, 2018, we replaced our existing credit agreement with the Fourth Amended and Restated Credit Agreement (“2018 Credit Agreement”). Terms of the 2018 Credit Agreement consist of a five year, $450 million revolving credit facility and a $150 million expansion feature, which may consist of term loans or additional revolving commitments. The interest rate at the inception of the agreement is LIBOR plus 100 basis points. The 2018 Credit Agreement has a floating interest rate that is generally LIBOR plus a tiered additional rate which varies based on our current leverage ratio. The 2018 Credit Agreement includes transition provisions in the instance LIBOR is no longer published or used as an industry-accepted rate.

As of March 31, 2022 there was $120.0 million of debt outstanding.

The 2018 Credit Agreement contains the following quarterly financial covenants effective as of March 31, 2022:

Description	Requirement
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00
Fixed Charge Coverage Ratio (Consolidated Free Cash Flow/Consolidated Fixed Charges)	> 1.50 to 1.00

We are in compliance with all debt covenants as of March 31, 2022. We have issued $46.2 million in standby letters of credit as of March 31, 2022, mainly for insurance purposes. Issued letters of credit reduce our available credit under the 2018 Credit Agreement. As of March 31, 2022, we have approximately $283.8 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility.

6. Other (Expense)/Income – Net

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Market value adjustment on assets held in deferred compensation trust	$ **(3,934)**	$ 3,038
Interest income	**73**	92
Other-net	**(1)**	472
Total other income - net	$ **(3,862)**	$ 3,602

7. 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. Our leases have remaining terms of under 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.

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.

We do not currently have any finance leases, therefore all lease information disclosed is related to operating leases.

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

	March 31, 2022	December 31, 2021
Assets		
Operating lease assets	$ **134,169**	$ 125,048
Liabilities		
Current operating leases	**38,856**	37,913
Noncurrent operating leases	**109,121**	100,629
Total operating lease liabilities	$ **147,977**	$ 138,542

The components of lease expense for the first quarter is as follows (in thousands):

	Three months ended March 31, 2022	Three months ended March 31, 2021
Lease Expense (a)		
Operating lease expense	$ **14,903**	$ 15,388
Sublease income	**(45)**	(45)
Net lease expense	$ **14,858**	$ 15,343

(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:

	Three months ended March 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from leases	$ 12,489	$ 12,850
Leased assets obtained in exchange for new operating lease liabilities	$ 20,453	$ 13,776

Weighted Average Remaining Lease Term at March 31, 2022	
Operating leases	4.66 years
Weighted Average Discount Rate at March 31, 2022	
Operating leases	2.39%

Maturity of Operating Lease Liabilities (in thousands)

2022	$ **34,158**
2023	37,989
2024	29,353
2025	22,656
2026	16,434
Thereafter	16,038
Total lease payments	$ 156,628
Less: interest	(8,651)
Total liability recognized on the balance sheet	$ 147,977

For leases commencing prior to April 2019, minimum rental payments exclude payments to landlords for real estate taxes and common area maintenance. Operating lease payments include $2.8 million related to extended lease terms that are reasonably certain of being exercised and exclude $200,000 of lease payments for leases signed but not yet commenced.

8. Stock-Based Compensation Plans

On February 18, 2022, the Compensation/Incentive Committee of the Board of Directors ("CIC") granted 7,983 Performance Stock Units ("PSUs") contingent upon the achievement of certain total shareholder return ("TSR") targets as compared to the TSR of a group of peer companies for the three year period ending December 31, 2024, the date at which such awards vest. The cumulative compensation cost of the TSR-based PSU award to be recorded over the three year service period is $4.8 million.

On February 18, 2022, the CIC also granted 7,983 PSUs contingent upon the achievement of certain earnings per share ("EPS") targets for the three year period ending December 31, 2024. At the end of each reporting period, the Company estimates the number of shares that it believes will ultimately be earned and records the corresponding expense over the service period of the award. We currently estimate the cumulative compensation cost of the EPS-based PSUs to be recorded over the three year service period is $3.7 million.

9. Retirement Plans

All of the Company's plans that provide retirement and similar benefits are defined contribution plans. These expenses include the impact of market gains and losses on assets held in deferred compensation plans and are recorded in selling, general and administrative expenses. Net gains for the Company's retirement and profit-sharing plans, excess benefit plans and other similar plans are as follows (in thousands):

Three months ended March 31,	
2022	2021
$ 2,917	$ 8,699

10. 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. The CIA formalizes various aspects of VITAS' already existing Compliance Program and contains requirements designed to document compliance with federal healthcare program requirements. It has a term of five years during which it imposes monitoring, reporting, certification, oversight, screening and training obligations, certain of which had previously been implemented by VITAS. It also requires VITAS to engage an Independent Review Organization to perform audit and review functions and to prepare reports regarding compliance with federal healthcare programs. In the event of breach of the CIA, VITAS could become liable for payment of stipulated penalties or could be excluded from participation in federal healthcare programs.

On October 16, 2020, VITAS received a Civil Investigative Demand ("CID") issued by the U.S. Department of Justice 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 has requested information regarding 32 patients from our Florida operations. We are cooperating with the U.S. Department of Justice with respect to this investigation. The Company cannot predict when the investigation will be resolved or the outcome of the investigation.

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. At the audit's conclusion, we expect that the OAS will make certain recommendations to CMS, which will be published on the OIG website, and may include repayment of Medicare funds received for elevated care of certain patients in the sample as well as extrapolated amounts based upon the incidence of claims within the sample. These extrapolated amounts may appear material. Any claims pursued by CMS will proceed in accordance with the standard reconsideration and appeals process for claims that arise out of CMS audits. The Company cannot predict the eventual outcome, or reasonably estimate any potential loss, from any such claims at this time.

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.

11. Concentration of Risk

As of March 31, 2022, and December 31, 2021, approximately 67% and 73%, respectively, of VITAS' total accounts receivable balance were from Medicare and 26% and 21%, respectively, of VITAS' total accounts receivable balance were due from various state Medicaid or managed Medicaid programs. Combined accounts receivable from Medicare, Medicaid, and managed Medicaid represent approximately 73% of the consolidated net accounts receivable in the accompanying consolidated balance sheets as of March 31, 2022.

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.

12. Cash Overdrafts and Cash Equivalents

There are $4.8 million in cash overdrafts payable included in accounts payable at March 31, 2022. There were $11.9 million in cash overdrafts payable included in accounts payable at December 31, 2021.

From time to time throughout the year, we invest excess cash in money market funds with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. The amount invested was not material for each balance sheet date presented.

13. 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 March 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	**$ 100,139**	**$ 100,139**	**$ -**	**$ -**
Long-term debt	**120,000**	**-**	**120,000**	**-**

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2021 (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	$ 98,884	$ 98,884	$ -	$ -
Long-tern debt	185,000	-	185,000	-

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 5, our outstanding long-term debt has a floating interest rate that is 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 approximates its carrying value.

14. Capital Stock Repurchase Plan Transactions

We repurchased the following capital stock:

	Three months ended March 31,	
	2022	**2021**
Total cost of repurchased shares (in thousands)	**$ 27,353**	$ 44,768
Shares repurchased	**57,500**	100,000
Weighted average price per share	**$ 475.71**	$ 447.67

In May and November 2021, the Board of Directors authorized a total of $600.0 million for additional stock repurchase under Chemed's existing share repurchase program. We currently have $174.6 million of authorization remaining under this share repurchase plan.

15. Recent Accounting Standards

In March 2020, the FASB issued Accounting Standards Update "ASU No. 2020-04 - Reference Rate Reform". The update provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another rate expected to be discontinued. The update is effective for all entities as of March 12, 2020 and will apply through December 31, 2022. The interest rate charged on borrowings from our existing revolver is based on LIBOR. The credit agreement includes provisions for modifying the interest rate in the instance that LIBOR is discontinued. As a result, no contract modifications will be required when LIBOR is discontinued.

16. Acquisitions

On January 28, 2022 VITAS purchased the hospice assets of Broward Health Hospital System for $1.3 million in cash. On February 1, 2022, Roto-Rooter completed the acquisition of a franchise and the related assets in Linden, NJ for $400,000 in cash.

Goodwill is assessed for impairment on a yearly basis as of October 1. All goodwill recognized is deductible for tax purposes.

Shown below is movement in Goodwill (in thousands):

	VITAS	Roto-Rooter	Total
Balance at December 31, 2021	$ 333,331	$ 245,260	$ 578,591
Business combinations	732	336	1,068
Foreign currency adjustments	-	45	45
Balance at March 31, 2022	$ 334,063	$ 245,641	$ 579,704

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

We operate through our two wholly-owned subsidiaries, VITAS Healthcare Corporation and Roto-Rooter Group, Inc. VITAS focuses on hospice care that helps make terminally ill patients' final days as comfortable as possible. Through its teams 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's services are 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 following is a summary of the key operating results (in thousands except per share amounts):

	Three months ended March 31, 2022	2021
Service revenues and sales	**$ 530,549**	$ 527,360
Net income	**$ 64,169**	$ 65,400
Diluted EPS	**$ 4.22**	$ 4.01
Adjusted net income	**$ 72,780**	$ 72,370
Adjusted diluted EPS	**$ 4.79**	$ 4.44
Adjusted EBITDA	**$ 110,208**	$ 108,519
Adjusted EBITDA as a % of revenue	**20.8 %**	20.6 %

Adjusted net income, adjusted diluted EPS, earnings before interest, taxes and depreciation and amortization ("EBITDA"), Adjusted EBITDA and Adjusted EBITDA as a percent of revenue are not measures derived in accordance with US GAAP. We provide non-GAAP measures to help readers evaluate our operating results and to 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. A reconciliation of our non-GAAP measures is presented on pages 27-28.

For the three months ended March 31, 2022, the increase in consolidated service revenues and sales was driven by a 9.4% increase at Roto-Rooter offset by a 5.3% decrease at VITAS. 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 4.1% decrease in days-of-care offset by a geographically weighted average Medicare reimbursement rate increase (including the suspension of sequestration on May 1, 2020) of approximately 1.3%. Acuity mix shift had a net impact of reducing revenue approximately $7.1 million, or 2.2% in the quarter when compared to the prior year revenue and level-of-care mix. The combination of an increase in Medicare cap and other contra revenue changes negatively impacted revenue growth by approximately 30 basis points. See page 29 for additional VITAS operating metrics.

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.

Historically, Chemed earnings guidance has been developed using previous years' key operating metrics which are then modeled and projected out for the calendar year. Critical within these projections is the understanding of traditional patterned correlations among key operating metrics. This modeling exercise also takes into consideration anticipated industry and macro-economic issues outside of management's control but are somewhat predictable in terms of timing and impact on our business segments' operating results.

The COVID-19 pandemic has made accurate modeling and providing meaningful earnings guidance exceptionally challenging. Since the start of the pandemic, Chemed has been able to successfully navigate within this rapidly changing environment and produce operating results that we believe provide us with the ability to issue earnings guidance for the 2022 calendar year. However, this guidance should be taken with the recognition the pandemic will continue to disrupt our healthcare system and general economy to such an extent that future rules, regulations and government mandates could materially impact the company's ability to achieve this guidance.

Statistically, patients residing in senior housing are identified as hospice appropriate earlier into their terminal prognosis and have a much greater probability of having a length of stay in excess of 90 days. Hospice patients referred from hospitals, oncology practices and similar referral sources are generally more acute and have a significantly lower probability of lengths-of-stay exceeding 90 days. According to data released by the National Investment Center for Seniors Housing & Care, COVID-19 continues to adversely affect senior housing occupancy. This reduced occupancy in senior housing has had a corresponding reduction in VITAS nursing home admissions. Nursing home patients represented 15.6% of VITAS' fourth-quarter 2021 patient census. This compares to nursing home patients averaging 18.2% of total census just prior to the pandemic.

A November 2021 article in US News and World Report estimated that approximately 20% of all health care workers in the US have left the industry since the start of the pandemic. This shortage of licensed healthcare workers will generate short-term to medium-term pressure on VITAS' labor costs and related margins.

Medicare hospice reimbursement rate increases are based on a government formula that utilizes the Bureau of Labor and Statistics' measurement of healthcare wage inflation reflected in the hospital wage index basket. However, this formulaic methodology is based upon healthcare wage inflation and increased CPI, historically measured from April 1 through March 31 to determine the following October 1 reimbursement rates. This methodology effectively delays actual wage inflation from impacting hospice reimbursement by 12 to 18 months.

VITAS anticipates that senior housing will continue to have weak occupancy rates at least through the first half of 2022. Accordingly, VITAS anticipates senior housing hospice referrals will not have meaningful growth until the second half of 2022. Labor cost increases and related margin pressure are anticipated to continue through all of 2022 with some moderation starting with the next reimbursement increase on October 1, 2022.

Based upon the above discussion, VITAS 2022 revenue, prior to Medicare Cap, is estimated to decline 1.5% to 2.5% when compared to 2021. A portion of the estimated revenue reduction, approximately $15 million, is the result of the phase out of sequestration relief over the first half of 2022 compared to a full year of sequestration relief in 2021. ADC is estimated to decline 1.0% to 1.5%. Full year adjusted EBITDA margin, prior to Medicare Cap, is estimated to be 15.5% to 16.0%. We are currently estimating $12 million for Medicare Cap billing limitations in calendar year 2022.

Roto-Rooter is forecasted to achieve full-year 2022 revenue growth of 8.0% to 9.5%. Roto-Rooter's adjusted EBITDA margin for 2022 is expected to be 28.5% to 29.5%.

Based upon the above, full-year 2022 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 $19.10 to $19.50. This 2022 guidance assumes an effective corporate tax rate on adjusted earnings of 25.1% and a diluted share count of 15.25 million shares. Chemed's 2021 reported adjusted earnings per diluted share was $19.33.

We anticipate that our operating income and cash flows will be sufficient to operate our businesses and meet any commitments for the foreseeable future.

Financial Condition

Liquidity and Capital Resources

Material changes in the balance sheet accounts from December 31, 2021 to March 31, 2022 include the following:

A $19.9 million decrease in accounts receivable due to timing of receipts. See below.

An $8.2 million decrease in prepaid income taxes due to timing of payments.

A $9.1 million increase in lease right of use asset due to new building leases at VITAS.

An $8.3 million decrease in accounts payable due to timing of payments.

A $33.4 million decrease in accrued compensation due to the payment of 2021 bonuses in the first quarter of 2022.

A $65.0 million decrease in long-term debt due to repayments.

A $9.4 million increase in total short-term and long-term lease liabilities due to new building leases at VITAS.

A $35.6 million increase in treasury stock due mainly to stock repurchases.

Net cash provided by operating activities decreased $5.6 million from March 31, 2021 to March 31, 2022. The main drivers of the decrease are a decrease in net income of $1.2 million, coupled with changes in current assets and liabilities. Significant changes in our accounts receivable balances are typically driven by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $40.0 million from the Federal government for hospice services every other Friday. The timing of a period 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.

Management continually evaluates cash utilization alternatives, including share repurchase, debt repurchase, acquisitions and increased dividends to determine the most beneficial use of available capital resources.

On June 20, 2018, we replaced our existing credit agreement with the Fourth Amended and Restated Credit Agreement (“2018 Credit Agreement”). Terms of the 2018 Credit Agreement consist of a five-year, $450 million revolving credit facility and a $150 million expansion feature, which may consist of term loans or additional revolving commitments. The interest rate at inception of the agreement is LIBOR plus 100 basis points. The 2018 Credit Agreement has a floating interest rate that is generally LIBOR plus a tiered additional rate which varies based on our current leverage ratio. For March 31, 2022 and 2021, respectively, the interest rate is LIBOR plus 100 basis points. The 2018 Credit Agreement includes transition provisions in the instance LIBOR is no longer published or used as an industry-accepted rate.

We have issued $46.2 million in standby letters of credit as of March 31, 2022, mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of March 31, 2022, we have approximately $283.8 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility. Management believes its liquidity and sources of capital are satisfactory for the Company’s needs in the foreseeable future.

Commitments and Contingencies

Collectively, the terms of our credit agreements require us to meet various financial covenants, to be tested quarterly. We are in compliance with all financial and other debt covenants as of March 31, 2022 and anticipate remaining in compliance throughout the foreseeable future.

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.

See Note 10 in the Notes to the Unaudited Consolidated Financial Statements in Item 1 above for a description of current material legal matters.

Results of Operations
Three months ended March 31, 2022 versus 2021 - Consolidated Results

Our service revenues and sales for the first quarter of 2022 increased 0.6% versus services and sales revenues for the first quarter of 2021. Of this increase, a $19.8 million increase was attributable to Roto-Rooter offset by a $16.6 million decrease attributable to VITAS. The following chart shows the components of revenue by operating segment (in thousands):

	Three months ended March 31,		Increase/(Decrease)
	2022	2021	Percent
VITAS			
Routine homecare	$ 257,636	$ 263,754	(2.3)
Continuous care	19,578	27,349	(28.4)
General inpatient	26,570	29,156	(8.9)
Other	3,007	2,938	2.3
Medicare cap adjustment	(2,500)	(1,500)	66.7
Room and board - net	(2,117)	(2,665)	(20.6)
Implicit price concessions	(2,985)	(3,244)	(8.0)
Roto-Rooter			
Drain cleaning - short term core	66,687	61,756	8.0
Plumbing - short term core	47,672	41,313	15.4
Subtotal	114,359	103,069	11.0
Excavation - short term core	55,188	51,993	6.1
Water restoration	40,360	37,435	7.8
Independent Contractors	21,418	18,760	14.2
Outside franchisee fees	1,317	1,327	(0.8)
Other - short term core	165	288	(42.7)
Other	4,191	3,945	6.2
Implicit price concessions	(5,638)	(5,245)	7.5
Total	$ 530,549	$ 527,360	0.6

Days of care at VITAS during the quarter ended March 31 were as follows:

	Days of Care		Increase/(Decrease)
	2022	2021	Percent
Routine homecare	1,258,672	1,329,892	(5.4)
Nursing home	248,468	232,783	6.7
Respite	5,368	4,840	10.9
Subtotal routine homecare and respite	1,512,508	1,567,515	(3.5)
Continuous care	24,587	27,674	(11.2)
General inpatient	21,082	29,300	(28.0)
Total days of care	1,558,177	1,624,489	(4.1)

The decrease in service revenues at VITAS is comprised primarily of a 4.1% decrease in days-of-care offset by a geographically weighted average Medicare reimbursement rate increase (including the suspension of sequestration on May 1, 2020) of approximately 1.3%. Acuity mix shift had a net impact of reducing revenue approximately $7.1 million, or 2.2% in the quarter when compared to the prior year revenue and level-of-care mix. The combination of an increase in Medicare cap and other contra revenue changes negatively impacted revenue growth by approximately 30 basis points.

The increase in plumbing revenues for the first quarter of 2022 versus 2021 is attributable to a 1.8% increase in job count and to a 13.6% increase in price and service mix shift. Drain cleaning revenues for the first quarter of 2022 versus 2021 reflect an 11.9% increase in price and service mix shift offset by a 3.9% 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 6.1% increase in excavation revenue and the 7.8% increase in water restoration revenue are mainly a function of the numbers and size of drain cleaning issues we encounter on a quarterly basis. Independent Contractor revenue increased 14.2% due mainly to increased expansion into water restoration.

The consolidated gross margin was 36.6% in the first quarter of 2022 as compared with 35.4% in the first quarter of 2021. On a segment basis, VITAS' gross margin was 24.0% in the first quarter of 2022 as compared with 24.4%, in the first quarter of 2021. The Roto-Rooter segment's gross margin was 52.8% for the first quarter of 2022 as compared with 51.9% in the first quarter of 2021 primarily due to increased revenue and improved labor costs.

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

	Three months ended March 31,	
	2022	2021
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	**$ 92,578**	$ 86,668
Impact of market value adjustments related to assets held in deferred compensation trusts	**(3,934)**	3,038
Long-term incentive compensation	**1,310**	1,893
Total SG&A expenses	**$ 89,954**	$ 91,599

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for the first quarter of 2022 were up 6.8% when compared to the first quarter of 2021. This increase was mainly a result of the increase in variable selling and general administrative expenses and due to normal salary increases.

Amortization for the first quarter of 2022 was flat when compared to the first quarter of 2021. Quarterly amortization of intangible assets is mainly driven by two Roto-Rooter franchise acquisitions completed in 2019. The total purchase price of these acquisitions was $138.0 million. As part of the purchase price allocation, approximately $59.2 million was determined to be the value of reacquired franchise rights which are being amortized over the remaining life of each franchise agreement. The average remaining life on the reacquired franchise agreements was approximately seven years. Quarterly amortization of reacquired franchise rights for these two acquisitions is approximately $2.0 million ($8.1 million annualized through 2026). This contrasts to quarterly franchise fees historically collected from these two franchisees of approximately $470,000 ($1.9 million annualized).

Other (expense)/income – net comprise (in thousands):

	Three months ended March 31,	
	2022	2021
Market value adjustment on assets held in deferred compensation trusts	**$ (3,934)**	$ 3,038
Interest income	**73**	92
Other	**(1)**	472
Total (expense)/other income - net	**$ (3,862)**	$ 3,602

Our effective tax rate reconciliation is as follows (in thousands):

	Three months ended March 31,	
	2022	2021
Income tax provision calculated at the statutory federal rate	**$ 17,787**	$ 17,569
Stock compensation tax benefits	**(1,441)**	(3,238)
State and local income taxes	**3,299**	2,956
Other--net	**888**	975
Income tax provision	**$ 20,533**	$ 18,262
Effective tax rate	**24.2 %**	21.8 %

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

	Three months ended March 31,	
	2022	2021
VITAS		
Direct costs related to COVID-19	**$ (292)**	$ (1,308)
Roto-Rooter		
Amortization of reacquired franchise agreements	**(1,729)**	(1,729)
Direct costs related to COVID-19	**(706)**	(407)
Corporate		
Stock option expense	**(6,166)**	(5,066)
Excess tax benefits on stock compensation	**1,441**	3,238
Long-term incentive compensation	**(1,159)**	(1,670)
Direct costs related to COVID-19	**-**	(28)
Total	**$ (8,611)**	$ (6,970)

Three months ended March 31, 2022 versus 2021 - Segment Results

Net income/(loss) for the first quarter of 2022 versus the first quarter of 2021 by segment (in thousands):

	Three months ended March 31,	
	2022	**2021**
VITAS	**36,481**	$ 40,770
Roto-Rooter	**43,937**	37,177
Corporate	**(16,249)**	(12,547)
	$ 64,169	$ 65,400

VITAS' after-tax earnings decreased primarily due to lower revenue in the first quarter of 2022 when compared to the first quarter of 2021. After-tax earnings as a percent of revenue at VITAS in the first quarter of 2022 was 12.2% as compared to 12.9% in the first quarter of 2021.

Roto-Rooter's net income was impacted in the first quarter of 2022 compared to the first quarter of 2021 primarily by higher revenue and improved labor costs. After-tax earnings as a percent of revenue at Roto-Rooter in the first quarter of 2022 was 19.0%, as compared to 17.6% in the first quarter of 2021.

After-tax Corporate expenses for the first quarter of 2022 increased 29.5% when compared to the first quarter of 2021 due mainly to an $1.8 million decrease in the excess tax benefits on stock compensation and an $1.1 million increase in stock option expense.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(in thousands)(unaudited)

2022 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 299,189	$ 231,360	$ -	$ 530,549
Cost of services provided and goods sold	227,240	109,312	-	336,552
Selling, general and administrative expenses	22,453	56,954	10,547	89,954
Depreciation	5,551	6,569	18	12,138
Amortization	24	2,494	-	2,518
Other operating expense/(income)	(148)	161	-	13
Total costs and expenses	255,120	175,490	10,565	441,175
Income/(loss) from operations	44,069	55,870	(10,565)	89,374
Interest expense	(52)	(115)	(643)	(810)
Intercompany interest income/(expense)	4,656	2,176	(6,832)	-
Other income—net	37	35	(3,934)	(3,862)
Income/(expense) before income taxes	48,710	57,966	(21,974)	84,702
Income taxes	(12,229)	(14,029)	5,725	(20,533)
Net income/(loss)	$ 36,481	$ 43,937	$ (16,249)	$ 64,169

(a) The following amounts are included in net income (in thousands):

Pretax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Stock option expense	$ -	$ -	$ (7,451)	$ (7,451)
Amortization of reacquired franchise agreements	-	(2,352)	-	(2,352)
Direct costs related to COVID-19	(391)	(961)	-	(1,352)
Long-term incentive compensation	-	-	(1,310)	(1,310)
Total	$ (391)	$ (3,313)	$ (8,761)	$ (12,465)

After-tax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Stock option expense	$ -	$ -	$ (6,166)	$ (6,166)
Amortization of reacquired franchise agreements	-	(1,729)	-	(1,729)
Long-term incentive compensation	-	-	(1,159)	(1,159)
Direct costs related to COVID-19	(292)	(706)	-	(998)
Excess tax benefits on stock compensation	-	-	1,441	1,441
Total	$ (292)	$ (2,435)	$ (5,884)	$ (8,611)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(in thousands)(unaudited)

2021 (a)	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Service revenues and sales	$ 315,788	$ 211,572	$ -	$ 527,360
Cost of services provided and goods sold	238,667	101,806	-	340,473
Selling, general and administrative expenses	22,090	53,322	16,187	91,599
Depreciation	5,338	6,353	24	11,715
Amortization	18	2,492	-	2,510
Other operating expense	502	120	-	622
Total costs and expenses	266,615	164,093	16,211	446,919
Income/(loss) from operations	49,173	47,479	(16,211)	80,441
Interest expense	(42)	(89)	(250)	(381)
Intercompany interest income/(expense)	4,525	1,620	(6,145)	-
Other income—net	533	31	3,038	3,602
Income/(expense) before income taxes	54,189	49,041	(19,568)	83,662
Income taxes	(13,419)	(11,864)	7,021	(18,262)
Net income/(loss)	$ 40,770	$ 37,177	$ (12,547)	$ 65,400

(a) The following amounts are included in net income (in thousands):

	VITAS	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (6,106)	$ (6,106)
Amortization of reacquired franchise agreements	-	(2,352)	-	(2,352)
Direct costs related to COVID-19	(1,753)	(553)	(38)	(2,344)
Long-term incentive compensation	-	-	(1,893)	(1,893)
Total	$ (1,753)	$ (2,905)	$ (8,037)	$ (12,695)

	VITAS	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (5,066)	$ (5,066)
Direct costs related to COVID-19	(1,308)	(407)	(28)	(1,743)
Amortization of reacquired franchise agreements	-	(1,729)	-	(1,729)
Long-term incentive compensation	-	-	(1,670)	(1,670)
Excess tax benefits on stock compensation	-	-	3,238	3,238
Total	$ (1,308)	$ (2,136)	$ (3,526)	$ (6,970)

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies

(in thousands) **For the three months ended March 31, 2022**	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	**$ 36,481**	**$ 43,937**	**$ (16,249)**	**$ 64,169**
Add/(deduct):				
Interest expense	**52**	**115**	**643**	**810**
Income taxes	**12,229**	**14,029**	**(5,725)**	**20,533**
Depreciation	**5,551**	**6,569**	**18**	**12,138**
Amortization	**24**	**2,494**	**-**	**2,518**
EBITDA	**54,337**	**67,144**	**(21,313)**	**100,168**
Add/(deduct):				
Intercompany interest expense/(income)	**(4,656)**	**(2,176)**	**6,832**	**-**
Interest income	**(37)**	**(36)**	**-**	**(73)**
Stock option expense	**-**	**-**	**7,451**	**7,451**
Direct costs related to COVID-19	**391**	**961**	**-**	**1,352**
Long-term incentive compensation	**-**	**-**	**1,310**	**1,310**
Adjusted EBITDA	**$ 50,035**	**$ 65,893**	**$ (5,720)**	**$ 110,208**

For the three months ended March 31, 2021	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 40,770	$ 37,177	$ (12,547)	$ 65,400
Add/(deduct):				
Interest expense	42	89	250	381
Income taxes	13,419	11,864	(7,021)	18,262
Depreciation	5,338	6,353	24	11,715
Amortization	18	2,492	-	2,510
EBITDA	59,587	57,975	(19,294)	98,268
Add/(deduct):				
Intercompany interest expense/(income)	(4,525)	(1,620)	6,145	-
Interest (income)	(61)	(31)	-	(92)
Stock option expense	-	-	6,106	6,106
Direct costs related to COVID-19	1,753	553	38	2,344
Long-term incentive compensation	-	-	1,893	1,893
Adjusted EBITDA	$ 56,754	$ 56,877	$ (5,112)	$ 108,519

RECONCILIATION OF ADJUSTED NET INCOME
(in thousands, except per share data)(unaudited)

	Three Months Ended March 31,	
	2022	2021
Net income as reported	**$ 64,169**	$ 65,400
Add/(deduct) pre-tax cost of:		
Stock option expense	**7,451**	6,106
Amortization of reacquired franchise agreements	**2,352**	2,352
Direct costs related to COVID-19	**1,352**	2,344
Long-term incentive compensation	**1,310**	1,893
Add/(deduct) tax impacts:		
Tax impact of the above pre-tax adjustments (1)	**(2,413)**	(2,487)
Excess tax benefits on stock compensation	**(1,441)**	(3,238)
Adjusted net income	**$ 72,780**	$ 72,370
Diluted Earnings Per Share As Reported		
Net income	**$ 4.22**	$ 4.01
Average number of shares outstanding	**15,192**	16,310
Adjusted Diluted Earnings Per Share		
Adjusted net income	**$ 4.79**	$ 4.44
Adjusted average number of shares outstanding	**15,192**	16,310

(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.

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

	Three Months Ended March 31,	
OPERATING STATISTICS	**2022**	2021
Net revenue ($000)		
Homecare	**$ 257,636**	$ 263,754
Inpatient	**26,570**	29,156
Continuous care	**19,578**	27,349
Other	**3,007**	2,938
Subtotal	**$ 306,791**	$ 323,197
Room and board, net	**(2,117)**	(2,665)
Contractual allowances	**(2,985)**	(3,244)
Medicare cap allowance	**(2,500)**	(1,500)
Total	**$ 299,189**	$ 315,788
Net revenue as a percent of total before Medicare cap allowances		
Homecare	**84.0%**	81.6%
Inpatient	**8.7**	9.0
Continuous care	**6.4**	8.5
Other	**0.9**	0.9
Subtotal	**100.0**	100.0
Room and board, net	**(0.7)**	(0.8)
Contractual allowances	**(1.0)**	(1.0)
Medicare cap allowance	**(0.8)**	(0.5)
Total	**97.5%**	97.7%
Days of care		
Homecare	**1,258,672**	1,329,892
Nursing home	**248,468**	232,783
Respite	**5,368**	4,840
Subtotal routine homecare and respite	**1,512,508**	1,567,515
Inpatient	**24,587**	27,674
Continuous care	**21,082**	29,300
Total	**1,558,177**	1,624,489
Number of days in relevant time period	**90**	90
Average daily census (days)		
Homecare	**13,985**	14,777
Nursing home	**2,761**	2,586
Respite	**60**	54
Subtotal routine homecare and respite	**16,806**	17,417
Inpatient	**273**	307
Continuous care	**234**	326
Total	**17,313**	18,050
Total Admissions	**16,530**	18,135
Total Discharges	**16,862**	18,516
Average length of stay (days)	**104.8**	94.4
Median length of stay (days)	**14.0**	12.0
ADC by major diagnosis		
Cerebro	**36.7%**	35.9%
Neurological	**22.9**	22.1
Cancer	**11.1**	12.2
Cardio	**15.9**	15.8
Respiratory	**7.4**	7.8
Other	**6.0**	6.2
Total	**100.0%**	100.0%
Admissions by major diagnosis		
Cerebro	**22.9**	21.4%
Neurological	**12.9**	12.3
Cancer	**24.9**	25.0
Cardio	**14.1**	14.2
Respiratory	**11.1**	11.0
Other	**14.1**	16.1
Total	**100.0%**	100.0%
Estimated uncollectible accounts as a percent of revenues	**1.0%**	1.0%
Accounts receivable --		
Days of revenue outstanding- excluding unapplied Medicare payments	**33.6**	37.8
Days of revenue outstanding- including unapplied Medicare payments	**23.9**	26.9

<u>Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 Regarding Forward-Looking Information</u>

Certain statements contained in this report are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believe”, “expect”, “hope”, “anticipate”, “plan” and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. These forward-looking statements are based on current expectations and assumptions and involve various known and unknown risks, uncertainties, contingencies and other factors, which could cause Chemed’s actual results to differ from those expressed in such forward-looking statements. 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. In addition, our ability to deal with the unknown outcomes of these events, many of which are beyond our control, may affect the reliability of projections and other financial matters. Investors are cautioned that such forward-looking statements are subject to inherent risk and there are no assurances that the matters contained in such statements will be achieved. Chemed does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of a new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company’s primary market risk exposure relates to interest rate risk exposure through its variable interest line of credit. At March 31, 2022, the Company had no variable rate debt outstanding. For each $10 million borrowed under the credit facility, an increase or decrease of 100 basis points (1%), 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.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision of our President and Chief Executive Officer and with the participation of the Executive Vice President and Chief Financial Officer and the Vice President and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President and Controller have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. There has been no change in our internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding the Company’s legal proceedings, see Note 10, Legal and Regulatory Matters, under Part I, Item I of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no other material changes from the risk factors previously disclosed in the Company’s most recent Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 2(c). Purchases of Equity Securities by Issuer and Affiliated Purchasers

The following table shows the activity related to our share repurchase program for the first three months of 2022:

	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, 2022	-	$ -	10,225,654	$ 201,941,318
February 1 through February 28, 2022	-	-	10,225,654	201,941,318
March 1 through March 31, 2022	57,500	475.71	10,283,154	$ 174,587,938
First Quarter Total	57,500	$ 475.71		

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
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 David P. Williams pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.3	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 David P. Williams pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification by Michael D. Witzeman pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Chemed Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) The Condensed Consolidated Balance Sheet, (ii) The Condensed Consolidated Statement of Income, (iii) The Condensed Consolidated Statement of Cash Flows, (iv) The Condensed Statement of Equity, and (v) Notes to the Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, formatted in iXBRL and contained in Exhibit 101.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			Chemed Corporation (Registrant)
Dated:	April 29, 2022	By:	*/s/ Kevin J. McNamara* Kevin J. McNamara (President and Chief Executive Officer)
Dated:	April 29, 2022	By:	*/s/ David P. Williams* David P. Williams (Executive Vice President and Chief Financial Officer)
Dated:	April 29, 2022	By:	*/s/ Michael D. Witzeman* Michael D. Witzeman (Vice President and Controller)

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 quarterly report on Form 10-Q of Chemed Corporation (“registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a 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 report, fairly present in all material respects the financial condition, results of operations, and cash flows 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 and 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 others 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 the 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.

Date: April 29, 2022

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

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

I, David P. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a 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 report, fairly present in all material respects the financial condition, results of operations, and cash flows 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 and 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 others 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 the 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.

Date: April 29, 2022

/s/ David P. Williams
David P. Williams
(Executive Vice President and Chief Financial Officer)

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 quarterly report on Form 10-Q of Chemed Corporation (“registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a 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 report, fairly present in all material respects the financial condition, results of operations, and cash flows 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 and 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 others 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 the 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.

Date: April 29, 2022

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President and Controller)

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 Quarterly Report on Form 10-Q for the quarter ending March 31, 2022 (“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.

Date: April 29, 2022

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

CERTIFICATION BY 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 Quarterly Report on Form 10-Q for the quarter ending March 31, 2022 ("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.

Date: April 29, 2022

/s/ David P. Williams
David P. Williams
(Executive Vice President and Chief Financial Officer)

EXHIBIT 32.3

CERTIFICATION BY MICHAEL D. WITZEMAN
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 Vice President and Controller of Chemed Corporation (“Company”), does hereby certify that:

1) the Company’s Quarterly Report on Form 10-Q for the quarter ending March 31, 2022 (“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.

Date: April 29, 2022

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President and Controller)