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

FORM 10-K
☑ ANNUAL REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

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

For the Transition Period from ________to ___________

Commission File Number: 1-8351

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, if definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☐ No ☑

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

(Check One): Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price of said stock on the New York Stock Exchange – Composite Transaction Listing on June 29, 2018 ($320.64 per share), was $5,077,902,421.

At February 15, 2019, 15,967,469 shares of Chemed Capital Stock (par value $1 per share) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	**Where Incorporated**
2018 Annual Report to Stockholders (specified portions)	Parts I, II, and IV
Proxy Statement for Annual Meeting to be held May 20, 2019	Part III

CHEMED CORPORATION
2018 FORM 10-K ANNUAL REPORT

Table of Contents

Item 1. Business

General

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

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

During 2018, Chemed conducted its business operations in two segments: the VITAS segment (VITAS) and the Roto-Rooter segment (Roto-Rooter). VITAS provides hospice and palliative care services to its patients through a network of physicians, registered nurses, home health aides, social workers, clergy and volunteers. Roto-Rooter provides plumbing, drain cleaning, water restoration and other related services to residential and commercial customers.

Forward Looking Statements

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

Financial Information about Industry Segments

The required segment and geographic data for the Company's continuing operations (as described below) for three years ended December 31, 2016, 2017 and 2018 are shown in Note 5 of the Notes to Consolidated Financial Statements on pages 80-82 of the 2018 Annual Report to Stockholders and are incorporated herein by reference.

Description of Business by Segment

The information called for by this item is included within Note 5 of the Notes to Consolidated Financial Statements appearing on pages 80-82 of the 2018 Annual Report to Stockholders is incorporated herein by reference.

Product and Market Development

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

Patents, Service Marks and Licenses

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

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

Seasonality

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

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

Customer Concentration

Roto-Rooter's business has a large and diverse customer base. Approximately 93% of VITAS' revenue is from the United States government through the Medicare program. The loss of a portion or all of our Medicare revenue would have a material adverse effect on the Company.

Competition

Roto-Rooter

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

VITAS

Hospice care in the United States is competitive. Plans of care for hospice services are not proprietary. As a result, VITAS competes and differentiates itself primarily on the basis of its ability to deliver quality, responsive services within the requirements of Medicare's hospice conditions of participation. VITAS is one of the nation's largest providers of hospice services in an industry dominated primarily by small, non-profit, community-based hospices. Approximately 30% of all hospice providers are not-for-profit. Because the hospice care industry is highly fragmented, VITAS competes with a large number of organizations.

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

Research and Development

The Company engages in a continuous program directed toward the development of new services, products and processes, the improvement of existing services, products and processes, and the development of new and different uses of existing products. The research and development expenditures from continuing operations have not been nor are they expected to be material.

Government Regulations

Roto-Rooter

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

VITAS

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

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

The Medicare COP for hospice programs include the following:

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

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

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

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

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

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

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

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

Quality Assurance. A hospice must conduct ongoing and comprehensive self-assessments of the quality and appropriateness of care it provides and that its contractors provide under arrangements to hospice patients.

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

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

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

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

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

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

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

Corporate Integrity Agreement. VITAS and certain of its subsidiaries entered into a Corporate Integrity Agreement ("CIA") with the Office of the Inspector General ("OIG") on October 30, 2017 in connection with the settlement of a False Claims Act Case. The CIA formalizes various aspects of VITAS' already existing Compliance Program and contains requirements designed to document ongoing 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 have previously been implemented by VITAS. It also requires VITAS to engage an Independent Review Organization to perform auditing 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.

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

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

Limits on the Acquisition or Conversion of Non-Profit Health Care Organizations. A number of states have enacted laws that restrict the ability of for-profit entities to acquire or otherwise assume the operations of a non-profit health care provider. Some states may require government review, public hearings, and/or government approval of transactions in which a for-profit entity proposes to purchase certain non-profit healthcare organizations. Heightened scrutiny of these transactions may significantly increase the costs associated with future acquisitions of non-profit hospice programs in some states, otherwise increase the difficulty in completing those acquisitions or prevent them entirely. VITAS cannot assure that it will not encounter regulatory or governmental obstacles in connection with any proposed acquisition of non-profit hospice programs in the future.

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

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

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

Overview of Government Payments – Medicare

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

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

There are four levels of care and related reimbursement within the Medicare Hospice Benefit. These levels of care are Routine Home Care, Continuous Care, Inpatient Care and Respite Care. Medicare hospice providers are required under Medicare's Conditions of Participation and their regulations to provide all four levels of care, available on a 24/7 basis, when appropriate.
Vitas, as required under Medicare's Conditions of Participation and their regulations, has the ability to provide all levels of care to its patients. The actual level of care a patient receives on any given day is based upon the clinical needs of the patient.

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

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

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

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

Medicare Payment for Physician Services. Payment for direct patient care physician services delivered by hospice physicians is billed separately by the hospice to the Medicare Administrative Contractors and paid at the lesser of the actual charge or the Medicare allowable charge for these services. This payment is in addition to the per diem rates VITAS receives for hospice care. Payment for hospice physicians' administrative and general supervisory activities is included in the daily rates discussed above. Payments for attending physician professional services (other than services furnished by hospice physicians) are not paid to the hospice, but rather are paid directly to the attending physician by the Medicare Administrative Contractors. For fiscal 2018, less than 2% of VITAS' net revenue was attributable to physician services.

Medicare Limits on Hospice Care Payments. Medicare payments for hospice services are subject to two additional limits or "caps". Each of VITAS' hospice programs is separately subject to both of these "caps". Both of these "caps" are determined on an annual basis for the period running from November 1 through October 31 of each year.

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

Second, Medicare payments to a hospice are also subject to a separate cap based on overall average payments per admission. Any payments exceeding this overall hospice cap must be refunded by the hospice. This cap was set at $28,689.04 per admission for the twelve-month period ended on October 31, 2018, and is adjusted annually to account for inflation. VITAS' hospices may be subject to future payment reductions or recoupments as the result of this cap.

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

Overview of Government Payments – Medicaid

Medicaid Coverage and Reimbursements. State Medicaid programs are another source of VITAS' net patient revenue. Medicaid is a state-administered program financed by state funds and federal funds to provide medical assistance to the indigent and certain other eligible persons. For those states that elect to provide a hospice benefit, the Medicaid program is required to pay the hospice at rates at least equal to the rates provided under Medicare and calculated using the same methodology. States maintain flexibility to establish their own hospice election procedures and to limit the number and duration of benefit periods for which they will pay for hospice services. Reimbursement from state Medicaid programs in 2018 accounted for 4% of VITAS' revenues.

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

Adjustments to Medicare and Medicaid Payment Rates. Payment rates under the Medicare and Medicaid programs are adjusted annually for inflation based upon the Hospital Market Basket Index and the Consumer Price Index; however, the adjustments have historically been less than actual inflation. These base rates are further modified by the Hospice Wage Index to reflect local differences in wages according to the revised wage index. Effective April 1, 2013, the Federal government implemented a 2% reimbursement cut for all Medicare programs, including hospice. It is possible that there will be further modifications to the rate structure under which the Medicare or Medicaid programs pay for hospice care services; the current cut is scheduled to last through the Federal Government's fiscal year 2027. Any future reductions in the rate of increase or an actual decrease in Medicare and Medicaid payments may have an adverse impact on VITAS' net patient service revenue and profitability. On July 31, 2015, CMS published the final full year 2016 hospice wage index providing guidance to hospice providers regarding changes to hospice reimbursement for full year 2016. Effective January 1, 2016 the routine home care rate changed to reflect 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, the full year 2016 wage rule provides reimbursement of a Service Intensity Add-on payment. This Service Intensity Add-on payment also went into effect on January 1, 2016, and applies to direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life while on the routine home care level of care.

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

Other Healthcare Regulations

Federal and State Anti-Kickback Laws and Safe Harbor Provisions. The federal Anti-Kickback Law makes it a felony to knowingly and willingly offer, pay, solicit or receive any form of remuneration in exchange for referring, recommending, arranging, purchasing, leasing or ordering items or services covered by a federal health care program including Medicare or Medicaid. The Anti-Kickback Law applies regardless of whether the remuneration is provided directly or indirectly, in cash or in kind. Although the Anti-Kickback statute does not prohibit all financial transactions or relationships that providers of healthcare items or services may have with each other, interpretations of the law have been very broad. Under current law, courts and federal regulatory authorities have stated that this law is violated if even one purpose (as opposed to the sole or primary purpose) of the arrangement is to induce referrals.

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

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

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

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

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

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

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

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

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

On October 30, 2017, the Company entered into a settlement agreement (the “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 “2013 Action”). 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.

Under the Settlement Agreement, the United States agreed to release the Company, VITAS, and its hospice operation subsidiaries from any civil or administrative monetary liability relating to any patients' disputed terminal medical prognosis of six months or less; a lack of medical necessity for billed Continuous Home Care, General Inpatient Care, or Respite Care levels of hospice care; or that the claims for those levels of hospice care were not eligible for payment for any other reason. The OIG agreed, conditioned on the Company's full payment and in consideration of VITAS' obligations under the CIA, to release its permissive exclusion rights and refrain from instituting any administrative action seeking to exclude the Company, VITAS, and its affiliates from participating in Medicare, Medicaid, or other federal healthcare programs in this regard.

Under the Settlement Agreement, the Company paid $75 million plus interest, plus certain attorney fees and expenses of qui tam relators. The Company made these payments during the fourth quarter of 2017. The Company previously recorded a $90 million loss reserve ($55.8 million after-tax) related to the Settlement Agreement, and associated costs in the second quarter of 2017. During the fourth quarter of 2017, approximately $5.5 million ($3.4 million after-tax) recorded as part of the $90 million was reversed as relator attorney' fees were less than originally estimated

The costs incurred related to U.S. v. VITAS and related regulatory matters, exclusive of the settlement were, $5.2 million and $5.3 million for 2017, and 2016 respectively.

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

As described above, VITAS and certain of its subsidiaries entered into a CIA with the OIG on October 30, 2017 in connection with the settlement of a False Claims Act Case 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.

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

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

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

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

- Denial of payment;
- Civil monetary penalties of $15,000 per referral or $100,000 for "circumvention schemes;"
- Assessments equal to 200% of the dollar value of each such service provided; and
- Exclusion from the Medicare and Medicaid programs.

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

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

Civil Monetary Penalties. The Civil Monetary Penalties Statute provides that civil penalties ranging between $10,000 and $50,000 per claim or act may be imposed on any person or entity that knowingly submits improperly filed claims for federal health benefits or that offers or makes payment to induce a beneficiary or provider to reduce or limit the use of health care services or to use a particular provider or supplier. Civil monetary penalties may be imposed for violations of the anti-kickback statute and for the failure to return known overpayments, among other things.

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

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

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

Health Information Practices. There currently are numerous legislative and regulatory initiatives at both the state and federal levels that address patient privacy concerns. In particular, federal regulations issued under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Health Information Technology for Electronic and Clinical Health Act ("HITECH") require VITAS to protect the privacy and security of patients' individual health information. HIPAA and HITECH do not automatically preempt applicable state laws and regulations concerning VITAS' use, disclosure and maintenance of patient health information, which means that VITAS is subject to a complex regulatory scheme that, in many instances, requires VITAS to comply with both federal and state laws and regulations. If we are found to have violated these laws, we could be subject to sanctions, fines, damages, and other civil and criminal penalties.

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

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

Environmental Matters

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

At December 31, 2018, the Company's accrual for its estimated liability for potential environmental cleanup and related costs arising from the 1991 sale of DuBois Chemicals Inc. ("DuBois") amounted to $1.7 million. Of this balance, $901,000 is included in other liabilities and $826,000 is included in other current liabilities. The Company is contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of $14.9 million. On the basis of a continuing evaluation of the Company's potential liability, and in consultation with the Company's environmental attorney, management believes that it is not probable this additional liability will be paid. Accordingly, no provision for this contingent liability has been recorded. Although it is not presently possible to reliably project the timing of payments related to the Company's potential liability for environmental costs, management believes that any adjustments to its recorded liability will not materially adversely affect its financial position or results of operations.

The Company, to the best of its knowledge, is currently in compliance in all material respects with the environmental laws and regulations affecting its operations. Such environmental laws, regulations and enforcement proceedings have not required the Company to make material increases in or modifications to its capital expenditures and they have not had a material adverse effect on sales or net income. Capital expenditures for the purpose of complying with environmental laws and regulations during 2018 and 2019 with respect to continuing operations are not expected to be material in amount; there can be no assurance, however, that presently unforeseen legislative enforcement actions will not require additional expenditures.

Employees

On December 31, 2018, the Company had a total of 15,707 employees.

Available Information

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

Annual reports, press releases, Board Committee charters, Code of Ethics, Corporate governance guidelines and other printed materials may be obtained from the website or from Chemed Investor Relations without charge by writing to, 255 East Fifth Street, Suite 2600, Cincinnati, Ohio 45202 or by calling 800-2CHEMED or 800-224-3633. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting such information on its website.

Item 1A. Risk Factors

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

GENERAL

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

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

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

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

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

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

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

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

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

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

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

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

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

We are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which prohibits us from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 could have the effect of delaying or preventing a change of control that could be advantageous to stockholders.

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

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

ROTO-ROOTER

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

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

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

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

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

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

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

Cybersecurity

In the normal course of business, our information technology systems hold sensitive customer information including names, addresses and partial credit card information. Additionally, we utilize those same systems to perform our day-to-day activities, such as receiving customer calls, dispatching technicians to jobs and maintaining an accurate record of all transactions. We have not experienced any known attacks on our information technology systems that compromised customer data or the Company's proprietary data. We maintain our information technology systems with safeguard protection against cyber-attacks including intrusion detection and protection services, firewalls and virus detection software. Additionally, on a quarterly basis, we test our information technology systems by using cyber-scanning software and other methods to learn how a successful attack may be made. We remedy any issues encountered during these tests. We have developed and tested a response plan in the event of a successful attack and we maintain commercial insurance related to a cyber-attack. However, these safeguards do not ensure that a significant cyber-attack could not occur. A successful attack on our information technology systems could have significant consequences to the business including liability for compromised customer information and business interruption.

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

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

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

VITAS

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

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

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

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

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

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

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

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

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

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

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

Changes in these laws, rules and regulations or their interpretations could reduce VITAS' net patient service revenue and profitability. VITAS' ability to comply with such regulations is a key factor in determining the success of its business. See the "Government Regulations" section of this 10-K for a greater description of these matters.

Fraud and Abuse Laws. VITAS contracts with a significant number of health care providers and practitioners, including physicians, hospitals and nursing homes and arranges for these entities to provide services to VITAS' patients. Some of these health care providers and practitioners may refer, or be in a position to refer, patients to VITAS (or VITAS may refer patients to them). These arrangements may not qualify for a safe harbor. VITAS from time to time seeks guidance from regulatory counsel as to the changing and evolving interpretations and the potential applicability of the Anti-Kickback Law to its programs, and in response thereto, takes such actions as it deems appropriate. VITAS generally believes that its contracts and arrangements with providers, practitioners and suppliers should not be found to violate the Anti-Kickback Law. However, we cannot assure you that such laws will ultimately be interpreted in a manner consistent with VITAS' practices.

Several health care reform proposals have included an expansion of the Anti-Kickback Law to include referrals of any patients regardless of payor source, which is similar to the scope of certain laws that have been enacted at the state level. In addition, a number of states in which VITAS operates have laws, which vary from state to state, prohibiting certain direct or indirect remuneration or fee-splitting arrangements between health care providers, regardless of payor source, for the referral of patients to a particular provider.

The federal Ethics in Patient Referral Act, Section 1877 of the Social Security Act (commonly known as the "Stark Law") prohibits physicians from referring Medicare or Medicaid patients for "designated health services" to entities in which they hold an ownership or investment interest or with whom they have a compensation arrangement, subject to certain statutory or regulatory exceptions. We cannot assure you that future statutory or regulatory changes will not result in hospice services being subject to the Stark Law's ownership, investment, compensation or referral prohibitions. Several states in which VITAS operates have similar laws which likewise are subject to change. Any such changes could adversely affect the business, financial condition and operating results of VITAS.

Further, under separate statutes, submission of claims for items or services that are "not provided as claimed" may lead to civil money penalties, criminal fines and imprisonment and/or exclusion from participation in Medicare, Medicaid and other federally funded state health care programs. These false claims statutes include the federal False Claims Act, which allows any person to bring suit on behalf of the federal government, known as a *qui tam* action, alleging false or fraudulent Medicare or Medicaid claims or other violations of the statute and to share in any amounts paid by the entity to the government in fines or settlement.

Certificate of Need Laws. Many states, including Florida, have certificate of need laws or other similar health planning laws that apply to hospice care providers. These states may require some form of state agency review or approval prior to opening a new hospice program, to adding or expanding hospice services, to undertaking significant capital expenditures or under other specified circumstances. Approval under these certificate of need laws is generally conditioned on the showing of a demonstrable need for services in the community. VITAS may seek to develop, acquire or expand hospice programs in states having certificate of need laws. To the extent that state agencies require VITAS to obtain a certificate of need or other similar approvals to expand services at existing hospice programs or to make acquisitions or develop hospice programs in new or existing geographical markets, VITAS' plans could be adversely affected by a failure to obtain a certificate or approval. In addition, competitors may seek administratively or judicially to challenge such an approval or proposed approval by the state agency. Such a challenge, whether or not ultimately successful, as well as a state significantly changing its existing certificate of need rules and regulations, could adversely affect VITAS.

Other Federal and State Regulations. The federal government and all states regulate various aspects of the hospice industry and VITAS' business. In particular, VITAS' operations are subject to federal and state health regulatory laws, including those covering professional services, the dispensing of drugs and certain types of hospice activities. Certain of VITAS' employees are subject to state laws and regulations governing professional practice. VITAS' operations are subject to periodic survey by governmental authorities and private accrediting entities to assure compliance with applicable state licensing, and Medicare and Medicaid certification and accreditation standards, as the case may be. From time to time in the ordinary course of business, VITAS receives survey reports noting deficiencies for alleged failure to comply with applicable requirements. VITAS reviews such reports and takes appropriate corrective action. The failure to effect such action could result in one of VITAS' hospice programs being terminated from the Medicare hospice program. Any termination of one or more of VITAS' hospice locations from the Medicare hospice program could adversely affect VITAS' net patient service revenue and profitability and adversely affect its financial condition and results of operations. The failure to obtain, renew or maintain any of the required regulatory approvals, certifications or licenses could materially adversely affect VITAS' business and could prevent the programs involved from offering products and services to patients. In addition, laws and regulations often are adopted to regulate new products, services and industries. We cannot assure you that either the states or the federal government will not impose additional regulations on VITAS' activities, which might materially adversely affect VITAS, including impairing the value of its brand.

Claims Review. The Medicare and Medicaid programs and their Medicare Administrative Contractors and other payors periodically conduct pre-payment or post-payment reviews and other reviews and audits of health care claims, including hospice claims. As a result of such reviews or audits, VITAS could be required to return any amounts found to be overpaid, or amounts found to be overpaid could be recouped through reductions in future payments. There is pressure from state and federal governments and other payors to scrutinize health care claims to determine their validity and appropriateness. VITAS' claims have been subject to review and audit. We cannot assure you that reviews and/or similar audits of VITAS' claims will not result in material recoupments, denials or other actions that could have a material adverse effect on VITAS' business, financial condition and results of operations.

Regulation and Provision of Continuous Home Care. VITAS provides continuous home care to patients requiring such care. Continuous home care is provided to allow the patient to remain in their home, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins and ends at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed practical nurse.

Continuous home care can be challenging for a hospice to provide for a number of reasons, including the need to have available sufficient skilled and trained staff to furnish such care, the need to manage the staffing and provision of such care, and a shortage of nurses that can make it particularly difficult to attract and retain nurses that are required to furnish a majority of such care. Medicare reimbursement for continuous home care has been calculated by multiplying the applicable continuous home care hourly rate by the number of hours of care provided. If the care was provided for less than one hour, Medicare requires reporting in 15-minute increments of care provided, with no rounding.

Medicare reimbursement for continuous home care is subject to a number of requirements posing further challenges for a hospice providing such care. For example, if a patient requires skilled interventions for palliation or symptom management that can be accomplished in less than 8 aggregate hours within the 24-hour period, if the majority of care can be accomplished by someone other than a registered nurse or a licensed practical nurse (e.g., if a majority of care is furnished by a home health aide or homemaker), or if for any reason less than 8 hours of direct care are provided (such as when a patient dies before 8 AM even if 7 or more hours of care has been provided), the care rendered cannot be reimbursed by Medicare at the continuous home care rate (although the care instead may be eligible for Medicare reimbursement at the reduced routine home care day rate). As a result of such requirements, VITAS may incur the costs of providing services intended to be continuous home care services yet be unable to bill or be reimbursed for such services at the continuous home care rate. We cannot assure you that challenges in providing continuous home care will not cause VITAS' net patient service revenue and profits to materially decline or that reviews and/or similar audits of VITAS' claims will not result in material recoupments, denials or other actions that could have a material adverse effect on VITAS' business, financial condition and results of operations.

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

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

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

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

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

- Identify markets that meet its selection criteria for new hospice locations;
- Hire and retain qualified management teams to operate each of its new hospice locations;
- Manage a large and geographically diverse group of hospice locations;
- Become Medicare and Medicaid certified in new markets;
- Generate sufficient hospice admissions to operate profitably in these new markets;
- Compete effectively with existing hospices in new markets; or
- Obtain state licensure and/or a certificate of need from appropriate state agencies in new markets.

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

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

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

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

A significant portion of VITAS' workforce is licensed nurses. VITAS depends on qualified nurses to provide quality, responsive hospice services to its patients. The current nationwide shortage of qualified nurses impacts some of the markets in which VITAS provides hospice services. In response to this shortage, VITAS has adjusted its wages and benefits to recruit and retain nurses and to engage contract nurses. VITAS' inability to attract and retain qualified nurses could adversely affect its ability to provide quality, responsive hospice services to its patients and its ability to increase or maintain patient census in those markets. Increases in the wages and benefits required to attract and retain qualified nurses or an increase in reliance on contract nurses could negatively impact profitability.

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

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

- Community-based hospice providers;
- National and regional companies;
- Hospital-based hospice and palliative care programs;
- Physician groups;
- Nursing homes;
- Home health agencies;
- Infusion therapy companies; and
- Nursing agencies.

Various health care companies have diversified into the hospice industry. Other companies, including hospitals and health care organizations that are not currently providing hospice care, may enter the markets VITAS serves and expand the variety of services offered to include hospice care. We cannot assure you that VITAS will not encounter increased competition in the future that could limit its ability to maintain or increase its market position, including competition from parties in a position to impact referrals to VITAS. Such increased competition could have a material adverse effect on VITAS' business, financial condition and results of operations.

If VITAS fails to comply with the terms of the CIA, it could be subject to substantial monetary penalties or suspension or exclusion from participation in the Medicare and Medicaid programs.

VITAS and certain of its subsidiaries entered into a CIA with the Office of the OIG on October 30, 2017 in connection with the settlement of a False Claims Act Case. 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 have previously been implemented by VITAS. It also requires VITAS to engage an Independent Review Organization to perform auditing 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.

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

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

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

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

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

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

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

Cybersecurity

In the normal course of business, our information technology systems hold sensitive patient information including patient demographic data, eligibility for various medical plans including Medicare and Medicaid and protected health information. Additionally, we utilize those same systems to perform our day-to-day activities, such as receiving referrals, assigning medical teams to patients, documenting medical information and maintaining an accurate record of all transactions. We have not experienced any known attacks on our information technology systems that have compromised patient data or the Company's proprietary data. We maintain our information technology systems with safeguard protection against cyber-attacks including active intrusion protection, firewalls and virus detection software. As discussed previously, we are subject to and comply with HIPAA and HITECH regulations. We have developed and tested a response plan in the event of a successful attack and we maintain commercial insurance related to a cyber-attack. However, these safeguards do not ensure that a significant cyber-attack could not occur. A successful attack on our information technology systems could have significant consequences to the business including liability for compromised patient information and business interruption.

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

VITAS' success is highly dependent on its brand reputation

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

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

The occurrence of a natural disaster in any region that VITAS has significant operations could have a negative impact on the business. VITAS' headquarters are located in Miami, Florida. In addition, two of our largest programs are in south Florida. The location of our headquarters and these large programs increases our exposure to hurricanes. A major hurricane in south Florida could impede our ability to bill for our services, operate our businesses and serve our patients in the affected area. VITAS maintains a disaster recovery program to mitigate this risk however, natural disasters could have an adverse effect on our future operating performance.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's corporate offices and the headquarters for Roto-Rooter are located in Cincinnati, Ohio. Roto-Rooter has manufacturing and distribution center facilities in West Des Moines, Iowa and has 129 leased and owned office and service facilities in 27 states. VITAS, headquartered in Miami, operates 47 programs from 169 leased and owned facilities and 27 inpatient units in 19 states and the District of Columbia.

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

Item 3. Legal Proceedings

The Company and certain current and former directors and officers are defendants in a case captioned *In re Chemed Corp. Shareholder Derivative Litigation*, No. 13 Civ. 1854 (LPS) (CJB) (D. Del.), which was consolidated on February 2, 2015.

On February 2, 2015, the Court appointed KBC Asset Management NV the sole lead plaintiff and its counsel, the sole lead and liaison counsel. On March 3, 2015, Lead Plaintiff KBC designated its Complaint as the operative complaint in the consolidated proceedings and defendants renewed a previously filed motion to dismiss those claims and allegations. The consolidated Complaint named fourteen individual defendants, together with the Company as nominal defendant. The Complaint alleges a claim for breach of fiduciary duty against the individual defendants for allegedly permitting the Company to submit false claims to the U.S. government. The Complaint seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees. On May 12, 2016, the Court issued a Memorandum Order granting Chemed's motion to dismiss, and dismissing Lead Plaintiff KBC's Complaint without prejudice to KBC's opportunity to file within 30 days of the date of the Court's Order (i.e., by June 13, 2016) an amended Complaint addressing the deficiencies in its duty of loyalty claim. Lead Plaintiff KBC did not file an amended Complaint within the time specified by the Court.

However, on June 13, 2016, counsel for Chemed shareholder Michael Kvint filed a letter with the Court requesting a two-week extension to file a motion to substitute Mr. Kvint as lead plaintiff, in place of Lead Plaintiff KBC and to file an amended Complaint. Alternatively, counsel for Mr. Kvint requested that any dismissal of the action be with prejudice to KBC only. On June 14, 2016, Chemed filed a reply letter with the Court, reserving its rights to oppose any motion filed by Mr. Kvint and, if warranted, to oppose any other actions taken by Mr. Kvint to proceed with the action (including by filing an untimely amended Complaint). On June 21, 2016, the Court entered an Oral Order providing Mr. Kvint until June 30, 2016 to file a Motion to Substitute and Motion for Leave to File an Amended Complaint. On that date, Mr. Kvint filed, under seal, a Motion to Substitute Plaintiff and File Amended Complaint, and attached a Proposed Amended Complaint. Mr. Kvint's motion was fully briefed by the parties. On April 25, 2017, Magistrate Judge Burke issued a Report and Recommendation recommending that the Court permit Mr. Kvint to intervene as Lead Plaintiff and grant leave to amend the complaint to replead the duty of loyalty claim only. On May 16, 2017, Chief Judge Stark signed an Order adopting that Report and Recommendation. Plaintiff Kvint filed a Corrected Amended Complaint on May 30, 2017. On September 13, 2017, the Court entered an order dismissing with prejudice the claims against defendants Timothy S. O'Toole and Joel F. Gemunder and permitting Defendants to file a Motion to Dismiss the Corrected Amended Complaint. The matter has been fully briefed and argued. On February 26, 2019, Magistrate Judge Burke issued a Report and Recommendations recommending that Defendants' motion to dismiss the amended complaint be granted. Any objections to that Report are due March 12, 2019, and any responses thereto are due March 26, 2019. The Court will then decide whether to accept the Report and Recommendations. As the Company has previously disclosed, the legal fees and costs associated with defending against this lawsuit are presently being paid by insurance. For additional procedural history of this litigation, please refer to our prior quarterly and annual filings.

On October 30, 2017, the Company entered into a settlement agreement (the “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 “2013 Action”). 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.

Under the Settlement Agreement, the United States agreed to release the Company, VITAS, and its hospice operation subsidiaries from any civil or administrative monetary liability relating to any patients’ disputed terminal medical prognosis of six months or less; a lack of medical necessity for billed Continuous Home Care, General Inpatient Care, or Respite Care levels of hospice care; or that the claims for those levels of hospice care were not eligible for payment for any other reason. The OIG agreed, conditioned on the Company’s full payment and in consideration of VITAS’ obligations under the CIA, to release its permissive exclusion rights and refrain from instituting any administrative action seeking to exclude the Company, VITAS, and its affiliates from participating in Medicare, Medicaid, or other federal healthcare programs in this regard.

Under the Settlement Agreement, the Company paid $75 million plus interest, plus certain attorney fees and expenses of qui tam relators. The Company made these payments during the fourth quarter of 2017. The Company previously recorded a $90 million loss reserve ($55.8 million after-tax) related to the Settlement Agreement, and associated costs in the second quarter of 2017. During the fourth quarter of 2017, approximately $5.5 million ($3.4 million after-tax) recorded as part of the $90 million was reversed as relator attorney' fees were less than originally estimated

The costs incurred related to U.S. v. VITAS and related regulatory matters, exclusive of the settlement were $5.2 million and $5.3 million for 2017, and 2016 respectively.

Jordan Seper (“Seper”), a Registered Nurse at VITAS’ Inland Empire program from May 12, 2014 to March 21, 2015, filed a lawsuit in San Francisco Superior Court on September 26, 2016. She alleged VITAS Healthcare Corp of CA (“VITAS CA”) (1) failed to provide minimum wage for all hours worked; (2) failed to provide overtime for all hours worked; (3) failed to provide a second meal period; (4) failed to provide rest breaks; (5) failed to indemnify for necessary expenditures; (6) failed to timely pay wages due at time of separation; and (7) engaged in unfair business practices. Seper seeks a state-wide class action of current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of the lawsuit. She seeks court determination that this action may be maintained as a class action for the entire California class and subclasses, designation as class representative, declaratory relief, injunctive relief, damages (including wages for regular or overtime hours allegedly worked but not paid, premium payments for missed meal or rest periods, and unreimbursed expenses), all applicable penalties associated with each claim, pre and post-judgment interest, and attorneys’ fees and costs. Seper served VITAS CA with the lawsuit, Jordan A. Seper on behalf of herself and others similarly situated v. VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corp of CA, a business entity unknown; and DOES 1 to 100, inclusive; Los Angeles Superior Court Case Number BC 642857 on October 13, 2016 (“Jordan Seper case”).

On November 14, 2016, the Parties filed a Stipulation to transfer the venue of the lawsuit from San Francisco to Los Angeles. The Los Angeles Superior Court Complex Division accepted transfer of the case on December 6, 2016 and stayed the case. On December 16, 2016, VITAS CA filed its Answer and served written discovery on Seper.

Jiwann Chhina (“Chhina”), hired by VITAS as a Home Health Aide on February 5, 2002, is currently a Licensed Vocational Nurse for VITAS’ San Diego program. On September 27, 2016, Chhina filed a lawsuit in San Diego Superior Court, alleging (1) failure to pay minimum wage for all hours worked; (2) failure to provide overtime for all hours worked; (3) failure to pay wages for all hours at the regular rate; (4) failure to provide meal periods; (5) failure to provide rest breaks; (6) failure to provide complete and accurate wage statements; (7) failure to pay for all reimbursement expenses; (8) unfair business practices; and (9) violation of the California Private Attorneys General Act. Chhina seeks to pursue these claims in the form of a state-wide class action of current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of the lawsuit. He seeks court determination that this action may be maintained as a class action for the entire California class and subclasses, designation as class representative, declaratory relief, injunctive relief, damages (including wages for regular or overtime hours allegedly worked but not paid, premium payments for missed meal or rest period, and unreimbursed expenses), all applicable penalties associated with each claim, pre-judgment interest, and attorneys’ fees and costs. Chhina served VITAS CA with the lawsuit, *Jiwan Chhina v. VITAS Health Services of California, Inc., a California corporation; VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corporation of California, a Delaware corporation dba VITAS Healthcare Inc.; and DOES 1 to 100, inclusive*; San Diego Superior Court Case Number 37-2015-00033978-CU-OE-CTL on November 3, 2016 (“Jiwann Chhina case”). On December 1, 2016, VITAS CA filed its Answer and served written discovery on Chhina.

On May 19, 2017, Chere Phillips (a Home Health Aide in Sacramento) and Lady Moore (a former Social Worker in Sacramento) filed a lawsuit against VITAS CA in Sacramento County Superior Court, alleging claims for (1) failure to pay all wages due; (2) failure to authorize and permit rest periods; (3) failure to provide off-duty meal periods; (4) failure to furnish accurate wage statements; (5) unreimbursed business expenses; (6) waiting time penalties; (7) violations of unfair competition law; and (8) violation of the Private Attorneys General Act. The case is captioned: *Chere Phillips and Lady Moore v. VITAS Healthcare Corporation of California*, Sacramento County Superior Court, Case No. 34-2017-0021-2755. Plaintiffs sought to pursue these claims in the form of a state-wide class action of current and former non-exempt employees employed with VITAS CA in California within the four years preceding the filing of the lawsuit. Plaintiffs served VITAS with the lawsuit on June 5, 2017. VITAS CA timely answered the Complaint generally denying the Plaintiffs' allegations. The Court has stayed all class discovery in this case pending resolution of mediation in the Jordan Seper and Jiwann Chhina cases.

There are currently three other lawsuits against VITAS pending in the superior courts of other California counties that contain claims and class periods that substantially overlap with Phillips' and Moore's claims: the Jordan Seper and Jiwann Chhina cases, and *Williams v. VITAS Healthcare Corporation of California*, filed on May 22, 2017 in Alameda County Superior Court, RG 17853886.

Jazzina Williams' (a Home Health Aide in Sacramento) lawsuit alleges claims for (1) failure to pay all wages due; (2) failure to authorize and permit rest periods; (3) failure to provide off-duty meal periods; (4) failure to furnish accurate wage statements; (5) unreimbursed business expenses; (6) waiting time penalties; and (7) violations of the Private Attorneys General Act ("PAGA"). Williams seeks to pursue these claims both individually and as a representative action under the PAGA on behalf of current and former California non-exempt employees. Plaintiff served VITAS with the lawsuit on May 31, 2017. VITAS CA timely answered the Complaint generally denying Plaintiff's allegations. Williams is pursing discovery of her individual claim and has agreed to a stay of class discovery pending possible resolution through ongoing mediation in the Jordan Seper and Jiwann Chhina cases. Defendant filed and served each of Plaintiffs Williams, Phillips, and Moore with a Notice of Related Cases on July 19, 2017.

The *Jordan Seper* and *Jiwann Chhina* cases have been consolidated in Los Angeles County Superior court; Chhina was dismissed as a separate action and joined with *Seper* through the filing of an amended complaint in *Seper* in which *Chhina* is also identified as a named plaintiff, on August 28, 2018.

Alfred Lax ("Lax"), a current employee of Roto-Rooter Services Company ("RRSC"), was hired in the RRSC's Menlo Park branch in 2007. On November 30, 2018, Lax filed a class action lawsuit in Santa Clara County Superior Court alleging (1) failure to provide or compensate for required rest breaks; (2) failure to properly pay for all hours worked; (3) failure to provide accurate wage statements; (4) failure to reimburse for work-related expenses; and (5) unfair business practices. Lax has stated these claims as a representative of a class defined as all service technicians employed by RRSC in California during the four years preceding the filing of the complaint. He seeks a determination that the action may proceed and be maintained as a class action and for compensatory and statutory damages (premium payments for missed rest periods, uncompensated rest periods, wages for time allegedly not paid such as travel time, repair time, and vehicle maintenance time, and unreimbursed expenses), penalties and restitutions, pre- and post-judgement interest and attorneys' fees and costs. The lawsuit, *Alfred Lax, on behalf of himself and all others similarly situated v. Roto-Rooter Services Company, and Does 1 through 50 inclusive;* Santa Clara County Superior Court Case Number 18CV338652, was received by RRSC on December 11, 2018 and RRSC timely filed its answer denying the claims.

The Company is not able to reasonably estimate the probability of loss or range of loss for any of these lawsuits at this time.

The Company intends to defend vigorously against the allegations in each of the above lawsuits. 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, 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.

Item 4. Mine Safety Disclosures

None

Executive Officers of the Company

Name	Age	Office	First Elected
Kevin J. McNamara	65	President and Chief Executive Officer	August 2, 1994 (1)
David P. Williams	58	Executive Vice President and Chief Financial Officer	March 5, 2004 (4)
Spencer S. Lee	63	Executive Vice President	May 15, 2000 (3)
Nicholas M. Westfall	40	Executive Vice President	June 16, 2016 (2)
Naomi C. Dallob	65	Vice President and Chief Legal Officer	May 4, 1987 (5)

(1) Mr. K.J. McNamara is President and Chief Executive Officer of the Company and has held these positions since August 1994 and May 2001, respectively. Previously, he served as an Executive Vice President, Secretary and General Counsel of the Company, since November 1993, August 1986 and August 1986, respectively. He previously held the position of Vice President of the Company, from August 1986 to May 1992.
(2) Mr. D.P. Williams is an Executive Vice President and the Chief Financial Officer of the company and has held these positions since August 2007 and March 2004, respectively. Mr. Williams is also Senior Vice President and Chief Financial Officer of Roto-Rooter Group, Inc., and has held these positions since January 1999.
(3) Mr. S.S. Lee is an Executive Vice President of the Company and has held this position since May 2000. Mr. Lee is also Chairman and Chief Executive Officer of Roto-Rooter Services Company, a wholly owned subsidiary of the Company, and has held this position since January 1999. Previously, he served as a Senior Vice President of Roto-Rooter Services Company from May 1997 to January 1999.
(4) Mr. N.M. Westfall is an Executive Vice President of the Company and has held this position since June 2016. He is also Chief Executive Officer of VITAS, a wholly owned subsidiary of the Company, and has held this position since June 2016. Previously, from May 2015 to June 2016, he also served as Chief Operating Officer of VITAS. Previously, he served as Senior Vice President of VITAS from April 2012 to April of 2015. Prior to that he served as Director of Information Technology and Operations for Chemed from May 2009 to April 2012.
(5) Ms. N.C. Dallob is a Vice President and the Secretary and Chief Legal Officer of the Company. She has held these positions since May 1987, May 1995, and May 2009, respectively. From May 1986 to May 1995 she held the position of Assistant Secretary of the Company.

Each executive officer holds office until the annual election at the next annual organizational meeting of the Board of Directors of the Company which is scheduled to be held on May 20, 2019.

PART II

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

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

As of February 15, 2019, there were approximately 1,607 stockholders of record of the Company's Capital Stock. This number only includes stockholders of record and does not include stockholders with shares beneficially held in nominee name or within clearinghouse positions of brokers, banks or other institutions.

During 2018, the number of shares of Capital Stock repurchased by the Company, the weighted average price paid for each share, the cumulative shares repurchased under each program and the dollar amounts remaining under each program were as follows:

Company Purchase of Shares of Capital Stock

	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share	Cumulative Shares Repurchased Under the Program	Dollar Amount Remaining Under The Program
February 2011 Program				
January 1 through January 31, 2018	-	$ -	7,815,718	$ 55,533,344
February 1 through February 28, 2018	96,890	258.26	7,912,608	30,510,279
March 1 through March 31, 2018	203,110	276.22	8,115,718	$ 124,407,848
First Quarter Total	300,000	$ 270.42		
April 1 through April 30, 2018	-	$ -	8,115,718	$ 124,407,878
May 1 through May 31, 2018	-	-	8,115,718	124,407,878
June 1 through June 30, 2018	10,000	317.86	8,125,718	$ 121,229,007
Second Quarter Total	10,000	$ 317.86		
July 1 through July 31, 2018	10,249	$ 314.49	8,135,967	$ 118,005,847
August 1 through August 31, 2018	39,751	315.87	8,175,718	105,449,705
September 1 through September 30, 2018	70,622	309.99	8,246,340	$ 83,557,343
Third Quarter Total	120,622	$ 312.31		
October 1 through October 31, 2018	2,586	$ 313.03	8,248,926	$ 82,747,856
November 1 through November 30, 2018	-	-	8,248,926	82,747,856
December 1 through December 31, 2018	127,938	282.16	8,376,864	$ 46,649,495
Fourth Quarter Total	130,524	$ 282.77		

On March 6, 2018, our Board of Directors authorized an additional $150 million under February 2011 Repurchase Program.

As of December 31, 2018, the number of stock options and performance share units outstanding under the Company's equity compensation plans, the weighted average exercise price of outstanding options, and the number of securities remaining available for issuance were as follows:

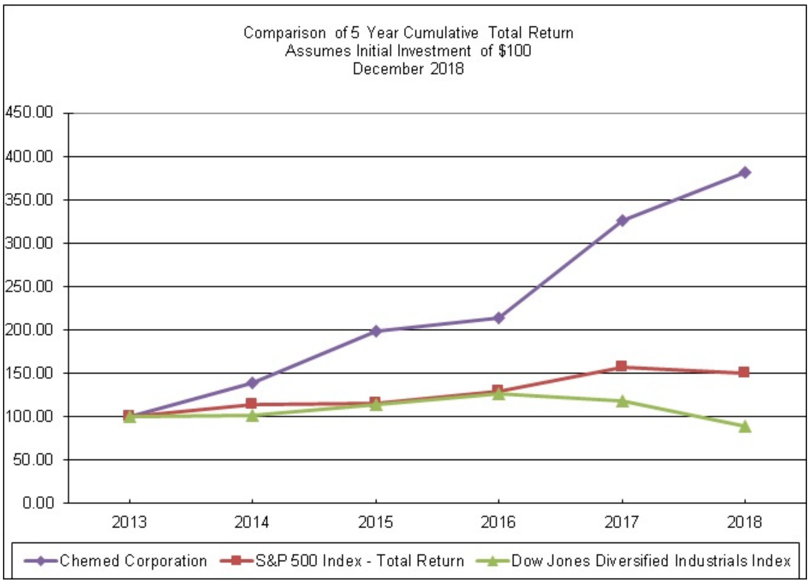
EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column)
Equity compensation plans approved by stockholders (1)	1,443,770	$ 175.68	1,607,637

(1) Amount includes 48,736 shares allocated to certain employees which vest upon attainment of specified earnings per share targets and specified total shareholder return targets.

Comparative Stock Performance

The graph below compares the yearly percentage change in the Company's cumulative total stockholder return on Capital Stock (as measured by dividing (i) the sum of (A) the cumulative amount of dividends for the period December 31, 2013, to December 31, 2018, assuming dividend reinvestment, and (B) the difference between the Company's share price at December 31, 2013 and December 31, 2018; by (ii) the share price at December 31, 2013) with the cumulative total return, assuming reinvestment of dividends, of the (1) S&P 500 Stock Index and (2) Dow Jones Industrial Diversified Index.



December 31	2013	2014	2015	2016	2017	2018
Chemed Corporation	**100.00**	**139.13**	**198.60**	**214.24**	**326.34**	**381.85**
S&P 500	**100.00**	**113.69**	**115.26**	**129.05**	**157.22**	**150.33**
Dow Jones Diversified Industrials	**100.00**	**101.05**	**114.02**	**126.52**	**118.18**	**88.53**

Item 6. Selected Financial Data

The information called for by this Item for the five years ended December 31, 2018 is set forth on page 95 of the 2018 Annual Report to Stockholders and is incorporated herein by reference.

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

The information called for by this Item is set forth on pages 99 through 119 of the 2018 Annual Report to Stockholders and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

The market value of the Company's long-term debt at December 31, 2018 is approximately $89.2 million which equals the carrying value as all outstanding debt is at a variable interest rate.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 27, 2019, appearing on pages 60 through 92 of the 2018 Annual Report to Stockholders, along with the Supplementary Data (Unaudited Summary of Quarterly Results) appearing on pages 93-94, are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

Refer to Management's Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm on pages 60 through 62 of the Company's 2018 Annual Report to Stockholders, which are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act during the Company's fiscal quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The directors of the Company are:

Kevin J. McNamara
Joel F. Gemunder
Patrick P. Grace
Thomas C. Hutton
Walter L. Krebs
Andrea R. Lindell
Thomas P. Rice
Donald E. Saunders
George J. Walsh III
Frank E. Wood

The additional information required under this Item is set forth in the Company's 2019 Proxy Statement and in Part I hereof under the caption "Executive Officers of the Registrant" and is incorporated herein by reference.

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

Item 11. Executive Compensation

Information required under this Item is set forth in the Company's 2019 Proxy Statement, which is incorporated herein by reference.

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

Information required under this Item is set forth in the Company's 2019 Proxy Statement, which is incorporated herein by reference.

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

Information required under this Item is set forth in the Company's 2019 Proxy Statement, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Audit Fees

PricewaterhouseCoopers LLP charged the Company $2,091,000 for 2017 and $2,205,000 for 2018. These fees were for professional services rendered for the integrated audit of the Company's annual financial statements and of its internal control over financial reporting, review of the financial statements included in the Company's Forms 10-Q and review of documents filed with the SEC.

Audit-Related Fees

PricewaterhouseCoopers LLP charged the Company $137,000 and $141,000 for 2017 and 2018, respectively, for audit-related services. These services were related primarily to the audit of one of VITAS' Florida subsidiaries.

Tax Fees

No such services were rendered in 2017 or 2018.

All Other Fees

No such other services were rendered in 2017 or 2018.

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

PART IV

Item 15 **Exhibits and Financial Statement Schedule**

Exhibits

3.1	Certificate of Incorporation of Chemed Corporation.*
3.2	Certificate of Amendment to Certificate of Incorporation, dated May 15, 2006.*
3.3	By-Laws of Chemed Corporation, as amended February 17, 2017
10.1	2006 Stock Incentive Plan, as amended August 11, 2006.*,**
10.2	2010 Stock Incentive Plan.*,**
10.3	2015 Stock Incentive Plan*,**
10.4	2018 Stock Incentive Plan**
10.5	Employment Agreement with David P. Williams dated December 1, 2006.*,**
10.6	First Amendment to Employment Agreement with David P. Williams dated July 9, 2009.*,**
10.7	Consulting Agreement with Timothy S. O'Toole dated June 16, 2016.
10.8	Employment Agreement with Kevin J. McNamara dated May 3, 2008.*,**
10.9	First Amendment to Employment Agreement with Kevin J. McNamara dated July 9, 2009.*,**
10.10	Excess Benefits Plan, as restated and amended, effective June 1, 2001.*,**
10.11	Amendment No. 1 to Excess Benefits Plan, effective July 1, 2001.*,**
10.12	Amendment No. 2 to Excess Benefits Plan, effective November 7, 2003.*,**
10.13	Non-Employee Directors' Deferred Compensation Plan.*,**
10.14	Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 1999.*,**
10.15	First Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective September 6, 2000.*,**
10.16	Second Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 2001.*,**
10.17	Third Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective December 12, 2001.*,**
10.18	Directors Emeriti Plan.*,**
10.19	Chemed Corporation Change in Control Severance Plan, as amended August 3, 2018.**
10.20	Chemed Corporation Senior Executive Severance Policy, as amended August 3, 2018**
10.21	Roto-Rooter Deferred Compensation Plan No. 1, as amended January 1, 1998.*,**
10.22	Roto-Rooter Deferred Compensation Plan No. 2.*,**
10.23	Form of Performance-Based Restricted Stock Units Award*,**
10.24	Form of Restricted Stock Award.*,**
10.25	Form of Stock Option Grant, pre-2013.*,**
10.26	Form of Stock Option Grant, 2013.*,**
10.27	Form of Stock Option Grant, 2015. *,**

10.28	Settlement Agreement, effective October 30, 2017 by and among the United States of America, acting through the United States Department of Justice and on behalf of the Office of the Inspector General of the Department of Health and Human Services, VITAS Hospice Services, L.L.C., VITAS Healthcare Corporation, VITAS Healthcare Corporation of California, VITAS Healthcare Corporation of Illinois, VITAS Healthcare Corporation of Florida, Vitas Healthcare Corporation of Ohio, VITAS Healthcare Corporation of Atlantic, VITAS Healthcare of Texas, L.P., VITAS Healthcare Corporation Midwest, VITAS Healthcare Corporation of Georgia, Chemed Corporation, and the various Relators named therein.
10.29	Corporate Integrity Agreement, effective October 30, 2017 between the Office of Inspector General of the Department of Health and Human Services and VITAS Hospice Services, L.L.C., VITAS Healthcare Corporation, VITAS Healthcare Corporation of California, VITAS Healthcare Corporation of Illinois, VITAS Healthcare Corporation of Florida, VITAS Healthcare Corporation of Ohio, VITAS Healthcare Corporation of Atlantic, VITAS Healthcare of Texas, L.P., VITAS Healthcare Corporation Midwest and VITAS Healthcare Corporation of Georgia.
10.30	Fourth Amended and Restated Credit Agreement by and among Chemed Corporation, JP Morgan Chase Bank NA, and other lenders as of June 30, 2018, exhibits and schedules thereto.*
13	2018 Annual Report to Stockholders.
14	Policies on Business Ethics of Chemed Corporation
21	Subsidiaries of Chemed Corporation.
23	Consent of Independent Registered Public Accounting Firm.
24	Powers of Attorney.
31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.2	Certification by 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.INS	XBRL Instance Document*
101.SCH	XBRL Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

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

**Management contract or compensatory plan or arrangement.

Financial Statement Schedule

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

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

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

February 27, 2019

CHEMED CORPORATION
By /s/ Kevin J. McNamara
Kevin J. McNamara
President and Chief Executive Officer

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

Signature	Title	Date
/s/ Kevin J. McNamara Kevin J. McNamara	President and Chief Executive Officer and a Director (Principal Executive Officer)	
/s/ David P. Williams David P. Williams	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	
/s/ Michael D. Witzeman Michael D. Witzeman	Vice President and Controller (Principal Accounting Officer)	February 27, 2019
Joel F. Gemunder* Patrick P. Grace* Thomas C. Hutton* Walter L. Krebs* Andrea R. Lindell*	Thomas P. Rice* Donald E. Saunders* George J Walsh III* Frank E. Wood* --Directors	

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

February 27, 2019
Date

/s/ Naomi C. Dallob
Naomi C. Dallob
(Attorney-in-Fact)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE
2016, 2017 AND 2018

***** Indicates page numbers in Chemed Corporation 2018 Annual Report to Stockholders

The consolidated financial statements of Chemed Corporation listed above, appearing in the 2018 Annual Report to Stockholders, are incorporated herein by reference. The Financial Statement Schedule should be read in conjunction with the consolidated financial statements listed above. Schedules not included have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto as listed above.

Report of Independent Registered Public Accounting Firm on
Financial Statement Schedule

To the Board of Directors and Stockholders of Chemed Corporation

Our audits of the consolidated financial statements referred to in our report dated February 27, 2019 appearing in the 2018 Annual Report to Stockholders of Chemed Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2018 appearing under Schedule II of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Cincinnati, Ohio
February 27, 2019

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)
DR/(CR)

		ADDITIONS			
DESCRIPTION	**BALANCE AT BEGINNING OF PERIOD**	**(CHARGED) CREDITED TO COSTS AND EXPENSES**	**(CHARGED) CREDITED TO OTHER ACCOUNTS**	**DEDUCTIONS (a)**	**BALANCE AT END OF PERIOD**
Allowances for doubtful accounts (b)					
For the year 2018	$ (15,175)	$ (247)	$ (1,436)	$ 16,605	$ (253)
For the year 2017	$ (14,236)	$ (17,376)	$ (1,360)	$ 17,797	$ (15,175)
For the year 2016	$ (13,244)	$ (16,420)	$ (1,518)	$ 16,946	$ (14,236)

(a) With respect to allowances for doubtful accounts, deductions include accounts considered uncollectible or written off, payments, companies divested, etc.

(b) Classified in consolidated balance sheets as a reduction of accounts receivable.

INDEX TO EXHIBITS

Exhibit Number		File No. and Filing Date	Page Number or Incorporation by Reference Previous Exhibit No.
3.1	Certificate of Incorporation of Chemed Corporation	Form S-3 Reg. No. 33-44177 11/26/91	4.1
3.2	Certificate of Amendment to Certificate Incorporation, dated May 15, 2006	Form 8-K 5/16/06	3.1
3.3	By-Laws of Chemed Corporation as amended February 17, 2017	Form 8-K 2/17/17	
10.1	2006 Stock Incentive Plan, as amended August 11, 2006	Form 10-Q 8/14/06, **	10.1
10.2	2010 Stock Incentive Plan	Form 8-K 5/18/10, **	99.1
10.3	2015 Stock Incentive Plan	Form S-8 7/15/15, **	4.5
10.4	2018 Stock Incentive Plan	Form S-8 5/23/18, **	4.5
10.5	Employment Agreement with David P. Williams dated December 1, 2006	Form 8-K 12/1/06, **	10.01
10.6	First Amendment to Employment Agreement with David P. Williams dated July 9, 2009.	Form 10-Q 10/30/09, **	10.2
10.7	Employment Agreement with Timothy S. O'Toole dated May 6, 2007.	Form 8-K 5/7/07, **	10.02
10.8	First Amendment to Employment Agreement with Timothy S. O'Toole dated July 9, 2009.	Form 10-Q 10/30/09, **	10.3
10.9	Consulting Agreement with Timothy S. O'Toole dated June 16, 2016.	Form 8-K 6/8/16, **	10.1
10.10	Employment Agreement with Kevin J. McNamara dated May 3, 2008.	Form 8-K 5/6/08,**	10.01
10.11	First Amendment to Employment Agreement with Kevin J. McNamara dated July 9, 2009.	Form 10-Q 10/30/09, **	10.1

10.12	Excess Benefits Plan, as restated and amended, effective June 1, 2001	Form 10-K 3/12/04, **	10.24
10.13	Amendment No. 1 to Excess Benefits Plan, effective July 1, 2002	Form 10-K 3/12/04, **	10.25
10.14	Amendment No. 2 to Excess Benefits Plan, effective November 7, 2003	Form 10-K 3/12/04, **	10.26
10.15	Non-Employee Directors' Deferred Compensation Plan	Form 10-K 3/24/88, **	10.10
10.16	Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 1999	Form 10-K 3/25/99, **	10.25
10.17	First Amendment to Chemed/ Roto-Rooter Savings & Retirement Plan effective September 6, 2000	Form 10-K 3/28/02, **	10.22
10.18	Second Amendment to Chemed/ Roto-Rooter Savings & Retirement Plan effective January 1, 2001	Form 10-K 3/28/02, **	10.23
10.19	Third Amendment to Chemed/ Roto-Rooter Savings & Retirement Plan effective December 12, 2001	Form 10-K 3/28/02, **	10.24
10.20	Directors Emeriti Plan	Form 10-Q 5/12/88, **	10.11
10.21	Change in Control Severance Plan as amended August 3, 2018.	**	
10.22	Senior Executive Severance Policy as amended August 3, 2018.	**	
10.23	Roto-Rooter Deferred Compensation Plan No. 1, as amended January 1, 1998	Form 10-K 3/28/01, **	10.37
10.24	Roto-Rooter Deferred Compensation Plan No. 2	Form 10-K 3/28/01, **	10.38
10.25	Form of Performance Based Restricted Stock Unit Award	Form 10-K 2/27/14, **	10.32
10.26	Form of Restricted Stock Award	Form 10-K 3/28/05, **	10.50
10.27	Form of Stock Option Grant Pre-2013	Form 10-K 3/28/05, **	10.51
10.28	Form of Stock Option Grant – 2013	Form 10-K 2/27/14, **	10.35
10.29	Form of Stock Option Grant – 2015	Form 10-K 2/26/16,**	10.30

10.30	Settlement Agreement, effective October 30, 2017 by and among the United States of America, acting through the United States Department of Justice and on behalf of the Office of Inspector General of the Department of Health and Human Services, VITAS Hospice Services, L.L.C., VITAS Healthcare Corporation, VITAS Healthcare Corporation Of California, VITAS Healthcare Corporation of Illinois, VITAS Healthcare Corporation of Florida, VITAS Healthcare Corporation of Ohio, VITAS Healthcare Corporation of Atlantic, VITAS Healthcare of Texas, L.P., VITAS Healthcare Corporation Midwest, VITAS Healthcare Corporation of Georgia, Chemed Corporation, and the various Relators named therin.2	Form 8-K 11/2/17	10.01
10.31	Corporate Integrity Agreement, effective October 30, 2017 between the Office of Inspector General of the Department of Health and Human Services and VITAS Hospice Services, L.L.C, VITAS Healthcare Corporation, VITAS Healthcare Corporation of California, VITAS Healthcare Corporation of Illinois, VITAS Healthcare Corporation of Florida, VITAS Healthcare Corporation of Ohio, VITAS Healthcare Corporation of Atlantic, VITAS Healthcare of Texas, L.P., VITAS Healthcare Corporation Midwest, and VITAS Healthcare Corporation of Georgia.	Form 8-K 11/2/17	10.02
10.32	Fourth Amended and Restated Credit Agreement by and among Chemed Corporation, JP Morgan Chase Bank NA, and other lenders As of June 20, 2018 exhibits and schedules thereto.	Form 8-K 6/22/18	10.1
13	2018 Annual Report to Stockholders	*	
14	Policies on Business Ethics of Chemed Corporation	Form 10-K 2/27/14	14
21	Subsidiaries of Chemed Corporation	*	
23	Consent of Independent Registered Public Accounting Firm	*	
24	Powers of Attorney	*	
31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.	*	
31.2	Certification by 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.INS	XBRL Instance Document	*
101.SCH	XBRL Extension Schema	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase	*
101.LAB	XBRL Taxonomy Extension Label Linkbase	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	*

* Filed herewith.
** Management contract or compensatory plan or arrangement.

EXHIBIT 10.19

CHEMED CORPORATION
CHANGE IN CONTROL SEVERANCE PLAN
AS AMENDED AUGUST 3, 2018

ESTABLISHMENT AND AMENDMENT OF PLAN

As of the Effective Date, the Company (as such term is hereinafter defined) established the Chemed Corporation Change in Control Severance Plan, as set forth in this document. As of the Amendment Date, the Company amended the Plan to provide that the tax gross-up provisions in Section 6.3 shall apply only to those individuals who were Participants in the Plan on the Amendment Date and not to anyone designated as a Participant following the Amendment Date (all such terms are hereinafter defined).

PURPOSE

Chemed Corporation, by means of this Change in Control Severance Plan, desires to provide Participants (as such term is hereinafter defined) with certain severance protections in the event of a Change in Control of the Company (as both terms are hereinafter defined) in order to minimize the personal financial concerns and to promote the best interests of the Company and any successor.

DEFINITIONS

As used herein, the following words and phrases shall have meanings set forth below (unless the context clearly indicates otherwise):

"Administrative Committee" shall mean the Compensation/ Incentive Committee of the Board of Directors or such other committee as determined by the Board of Directors.

"Affiliate" shall mean an entity directly or indirectly controlled by, controlling, or under common control with the Company.

"Amendment Date" shall mean August 3, 2018.

"Annual Bonus" shall mean the average of the amounts of the Participant's bonuses under an Employer's annual bonus plan paid or payable for the last three full fiscal years prior to the Change in Control Date, or if more favorable to the Participant, the Date of Termination. The amount shall include any annual bonus or portion thereof which has been earned but deferred, and in the event that the Participant was not employed by an Employer for the whole of a particular fiscal year and such amount received by the Participant was reduced pro-rata to reflect this fact, the amount shall be annualized.

"Base Salary" shall mean the amount a Participant is entitled to receive from an Employer in cash as wages or salary on an annualized basis in consideration for his or her services, including any such amounts which may have been deferred, but excluding all other elements of compensation such as, without limitation, any bonus, commissions, overtime, health benefits, perquisites, and incentive compensation.

"Beneficiary" shall mean those designated by the Participant, or if not so designated:

with respect to a Participant who was married at the time of death, his or her surviving spouse; and

with respect to a Participant who was not married at the time of death, the legal representative of the Participant's estate under the laws of the state of the Participant's domicile at the time of death.

"Board" shall mean the Board of Directors of the Company.

"Cause" shall mean, with respect to a Participant's termination of employment: (a) the willful and repeated failure of the Participant to perform substantially the Participant's duties with an Employer (other than any such failure resulting from incapacity due to physical or mental illness); (b) the Participant's conviction of, or plea of guilty or nolo contendere to, which through lapse of time or otherwise is not subject to appeal, a felony which is materially and demonstrably injurious to an Employer; or (c) the Participant's engagement in willful gross misconduct or gross negligence in connection with his or her employment.

"Change in Control" shall mean the first to occur of any of the following events after the Effective Date:

the direct or indirect acquisition by any person, corporation, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")) (a "Person") of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either the then outstanding capital stock of the Company ("Outstanding Capital Stock") or the combined voting power of the then outstanding voting securities of the Company entitled to vote in the election of members of the Board ("Outstanding Voting Securities") in a single transaction or series of transactions; provided, however, that the following acquisitions shall not constitute a Change in Control:

an acquisition from the Company or an Affiliate;

an acquisition by the Company or an Affiliate;

an acquisition by an employee benefit plan or related trust sponsored or maintained by the Company or an Affiliate; or

an acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii), and (iii) of Subsection (c) of this Section 3.8;

Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided, however, that any individual becoming a Board member subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Board members then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Board members or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

the consummation of a reorganization, merger, consolidation, or similar transaction to which the Company is a party (a "Business Combination"), unless following such Business Combination: (i) the Company is the surviving corporation of such Business Combination, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or related trust of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding capital stock or the combined voting power of the then outstanding voting securities entitled to vote in the election of members of the board, as the case may be, of the corporation resulting from such Business Combination, except to the extent that such ownership existed prior to such Business Combination; and (iii) individuals who were members of the Incumbent Board constitute at least a majority of the members of the board of the corporation resulting from such Business Combination;

the approval by the shareholders of the Company of a plan for the complete liquidation or dissolution of the Company or the sale of all or substantially all of the assets of the Company; or

any other transaction that the Administrative Committee deems to be a Change in Control, which the Administrative Committee can deem to apply to all Participants or only those Participants it selects.

"Change in Control Date" shall mean the date on which a Change in Control occurs.

"Company" shall mean Chemed Corporation and any successor thereto.

"Date of Termination" shall mean the date on which a Participant's employment with all Employers terminates.

"Disability" shall mean, with respect to a Participant's termination of employment due to Disability: (a) a disability entitling the Participant to long-term disability benefits under the applicable long-term disability plan of the Company or an Affiliate or such other long-term disability plan under which the Participant is entitled to long-term disability benefits; or (b) if the Participant is not covered by such a plan, a physical or mental condition or illness that renders a Participant totally and permanently incapable of performing the Participant's duties for the Company or an Affiliate for a total of 180 days or more during any consecutive 12-month period.

"Effective Date" shall mean December 1, 2006.

"Employee" shall mean any full-time employee of an Employer.

"Employer" shall mean the Company or any of its Affiliates.

"Good Reason" shall mean, with respect to any Participant, the occurrence of any of the following events after expiration of a 30-day cure period afforded the Company to remedy any of the following events claimed by the Participant following a Change in Control Date, or prior to a Change in Control Date if any such events can be reasonably demonstrated to have occurred in connection with, or in anticipation of, a Change in Control:

a material diminution in the nature and scope of the Participant's responsibilities, authorities, powers, functions, or duties from the most significant of those responsibilities, authorities, powers, functions, or duties exercised by, and assigned to, the Participant at any time during the 120-day period prior to the Change in Control Date, other than an isolated, insubstantial, and inadvertent action not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Participant;

a material reduction in the Participant's Base Salary below the Required Base Salary, other than an isolated, insubstantial, and inadvertent reduction not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Participant;

a material reduction in bonus under any current or subsequent annual bonus plan available to the Participant below the average of the Participant's bonuses under an Employer's annual bonus plan for the last three full fiscal years prior to the Change in Control Date;

a material reduction in equity-based or other long-term incentive compensation opportunity below that in effect for the Participant during the 120-day period prior to the Change in Control Date;

a material reduction in the aggregate level of employee benefits offered to the Participant in comparison to the most favorable of such employee benefit programs and arrangements in effect for the Participant during the 120-day period prior to the Change in Control Date, other than any across-the-board reduction applicable to all Employees and other than an isolated, insubstantial, and inadvertent reduction not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Participant; or a change at the request of an Employer in the Participant's principal work location to a work location that is more than 50 miles from any location where the Participant was based during the 120-day period prior to the Change in Control Date, or an Employer's requiring the Participant to travel on Employer business to a substantially greater extent than required during the 120-day period prior to the Change in Control Date; or

receipt of notice of Company's intention to cancel or not renew any employment agreement of a Tier 1 Participant during the first year following a Change in Control.

"Participant" shall mean an Employee who is designated in Appendix A hereto to participate in the Plan or who may be added to such appendix from time to time by the Administrative Committee.

"Plan" shall mean the Chemed Corporation Change in Control Severance Plan.

"Required Base Salary" shall mean, with respect to any Participant, the higher of: (a) the Participant's highest Base Salary as in effect during the 120-day period prior to the Change in Control Date; and (b) the Participant's highest Base Salary in effect at any time thereafter.

"Severance Benefits" shall mean the payments and benefits provided in accordance with Section 6.2 of the Plan.

"Severance Period" shall mean a period beginning on the Date of Termination with a duration in years equal to the severance multiple the Participant is entitled to receive under Section 6.2(a).

ADMINISTRATION

Administration. Subject to the express provisions of the Plan, the Administrative Committee shall have the authority to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to it, and to make all other determinations deemed necessary or advisable for the administration of the Plan. The determinations of the Administrative Committee pursuant to its authority under the Plan shall be conclusive and binding.

DURATION OF PARTICIPATION

Duration of Participation. A Participant shall cease to be a Participant in the Plan when he or she no longer is an Employee of any Employer. Notwithstanding the foregoing, a Participant who is entitled, as a result of ceasing to be an Employee of an Employer, to receipt of Severance Benefits or any other amounts under the Plan shall remain a Participant in the Plan until the full amount of the Severance Benefits and any other amounts payable under the Plan have been paid to the Participant.

SEVERANCE BENEFITS

Right to Severance Benefits.

Terminations Which Give Rise to Severance Benefits. A Participant shall be entitled to receive Severance Benefits as provided in Section 6.2, if a Change in Control has occurred and the Participant's employment with an Employer is terminated under the following circumstances: (i) by action of the Employer, unless the termination is for Cause; or (ii) by action of the Participant within 90 days after the occurrence of an event constituting Good Reason; provided, in either event, that (x) such termination occurs after such Change in Control and on or before the second anniversary thereof, or (y) the termination described in clause (i) above or the event constituting Good Reason giving rise to the termination described in clause (ii) above, as applicable, occurs before such Change in Control but the Participant can reasonably demonstrate that such termination or event, as applicable, occurred in connection with, or in anticipation of, a Change in Control. Severance Benefits or any other amounts otherwise payable to a Participant under the Plan shall be conditioned upon execution of a general release of claims in favor of the Company in a form satisfactory to the Company's counsel.

Terminations Which Do Not Give Rise to Severance Benefits. If a Participant's employment is terminated: (i) by an Employer for Cause; (ii) due to the Participant's death or Disability; or (iii) by the Participant other than for Good Reason, the Participant shall not be entitled to the Severance Benefits under the Plan, regardless of the occurrence of a Change in Control.

Severance Benefits.

In General. If a Participant's employment is terminated in circumstances entitling him or her to Severance Benefits as provided in Section 6.1(a), the Company shall pay such Participant (or in the event of a Participant's death following entitlement to Severance Benefits, his or her Beneficiary), an amount equal to three times for Tier 1 Participants and two times for Tier 2 Participants, the sum of the Participant's: (i) Required Base Salary; and (ii) Annual Bonus. In addition, Participant shall receive an amount equal to the product of the Participant's: (x) Annual Bonus; and (ii) a fraction, the numerator of which is the number of days in the fiscal year through the Date of Termination and the denominator of which is 365, if such termination occurs in a fiscal year other than the fiscal year of the Change in Control. All such payments shall be made in a lump sum in cash within 10 days after the Date of Termination, but in no event later than the following March 15. Regardless of termination, a Participant shall receive an amount equal to the Participant's Annual Bonus within 10 days after the Change in Control Date.

Payment shall be made in a lump sum in cash.

Welfare Benefits; Retirement Plans; Perquisites. In addition, a Participant entitled to Severance Benefits pursuant to Section 6.1(a) will continue to be provided with health insurance, life insurance, long-term care insurance and long-term disability benefits comparable to the benefits provided to the Participant immediately prior to the Date of Termination, or if more favorable to the Participant, the Change in Control, for the duration of the Severance Period, with no increase in the Employee's contribution rate on the Date of Termination (without giving effect to any rate increase after the Change in Control which constitutes or may constitute Good Reason); provided that if the Participant is precluded from continuing his or her participation in any applicable plan, program, or arrangement, the Participant shall be provided with the after-tax cost of continuation of such coverage, including premiums under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, ("COBRA Premiums"), for the Participant with respect to the benefits provided under such plan, program, or arrangement, paid as a lump sum payment within 10 days after Termination, but in no event later than the following March 15. Any benefits so provided shall not be considered a continuation of coverage as provided under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended. A Participant entitled to Severance Benefits pursuant to Section 6.1(a) shall also receive a lump sum payment in cash within 10 days after the Change in Control but in no event later than the following March 15, equal to the Employer contributions that would have been made on the Participant's behalf pursuant to the Company's qualified and non-qualified defined contribution retirement plans, assuming continued participation on the same basis as immediately prior to the Date of Termination, or if more favorable to the Participant, the Change in Control, which the Participant would have received if the Participant's employment had continued during the Severance Period, assuming that the Participant's compensation for each year during such period is as in effect immediately prior to the Date of Termination, or if more favorable to the Participant, the Change in Control, and that the Employer contributions are determined pursuant to the applicable plans as in effect immediately prior to the Date of Termination, or if more favorable to the Participant, the Change in Control. A Participant entitled to Severance Benefits pursuant to Section 6.1(a) will continue to be provided with a cash payment equal to the value to the Participant of perquisites comparable to those provided to the Participant immediately prior to the Date of Termination, or if more favorable to the Participant, the Change in Control, for the duration of the Severance Period. Such cash payment shall be paid in a lump sum within 10 days of Termination, but in no event later than the following March 15. If the Participant becomes reemployed with another employer and is eligible to receive health insurance, life insurance, long-term care insurance or long-term disability coverage under another employer-provided plan (regardless of whether the Participant elects such coverage), the health insurance, life insurance, and long-term disability benefits provided pursuant to this section shall be secondary to those provided under such other plan during the applicable period of eligibility. Long-term care insurance vests by its terms upon a Change in Control.

Equity Vesting. In the event of a Change in Control (whether or not a Participant's employment terminates): (i) any unvested portions of stock awards or options granted under the Company's equity-based plans shall become fully vested upon the Change in Control; and (ii) any shares then unallocated under the Company's equity-based plans shall then be allocated and distributed to such plan's participants by the Compensation/Incentive Committee of the Company's Board of Directors upon the Change in Control.

Outplacement. A Participant entitled to Severance Benefits under Section 6.1(a) shall be entitled to receive outplacement assistance at an agency of his or her choice, in an amount not to exceed $25,000.00. Such outplacement services must be used no later than December 31 of the second year following the year in which the Date of Termination occurred.

Certain Additional Payments by the Company to Grandfathered Participants. This Section 6.3 shall apply only to those individuals who were Participants in the Plan on the Amendment Date and not to anyone designated as a Participant following the Amendment Date, other than with respect to defined terms that are used in Section 6.4.

In the event that any payment or benefit to the Participant or for the Participant's benefit paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise in connection with, or arising out of, the Participant's employment with an Employer or a change in ownership or effective control of the Company or of a substantial portion of its assets (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code or any tax imposed by Section 409A of the Code, or any interest or penalties are incurred by the Participant with respect to such tax (such tax, together with any such interest and penalties, are hereinafter collectively referred to herein as the "Excise Tax"), then the Participant will be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Participant of all taxes (including any income, payroll, interest or penalties imposed with respect to such taxes and the Excise Tax, other than interest and penalties imposed by reason of the Participant's failure to file timely a tax return or pay taxes shown due on the Participant's return, and including any Excise Tax imposed upon the Gross-Up Payment), the Participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

An initial determination as to whether a Gross-Up Payment is required pursuant to this Plan and the amount of such Gross-Up Payment will be made at the Company's expense by an accounting firm of recognized national standing selected by the Company (the "Accounting Firm"). The Accounting Firm will provide its determination (the "Determination"), together with detailed supporting calculations and documentation, to the Company and the Participant within five days prior to a Change in Control, or such other time as requested by the Company or by the Participant (provided the Participant reasonably believes that any of the Payments may be subject to the Excise Tax). If the Accounting Firm determines that no Excise Tax is payable by the Participant with respect to a Payment or Payments, it will furnish the Participant with an opinion reasonably acceptable to the Participant that no Excise Tax will be imposed with respect to any such Payment or Payments. Within 10 days of the delivery of the Determination to the Participant, the Participant will have the right to dispute the Determination (the "Dispute"). The Gross-Up Payment, if any, as determined pursuant to this Section 6.3(b) will be paid by the Company to the Participant within 5 days of the receipt of the Determination. The existence of the Dispute will not in any way affect the Participant's right to receive the Gross-Up Payment in accordance with the Determination. If there is no Dispute, the Determination will be binding, final and conclusive upon the Company and the Participant, subject to the application of Section 6.3(c).

As a result of uncertainty in the application of Sections 280G, 409A, and 4999 of the Code, it is possible that a Gross-Up Payment (or a portion thereof) will be paid which should not be paid (an "Excess Payment") or that a Gross-Up Payment (or a portion thereof) which should be paid will not be paid (an "Underpayment"). An Underpayment will be deemed to have occurred (i) upon notice (formal or informal) to the Participant from any governmental taxing authority that the Participant's tax liability (whether in respect of the Participant's current taxable year or in respect of any prior taxable year) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which the Company has failed to make a sufficient Gross-Up Payment, (ii) upon a determination by a court, (iii) by reason of a determination by the Company (which will include the position taken by the Company on its federal income tax return) or (iv) upon the resolution of the Dispute to the Participant's satisfaction. If an Underpayment occurs, the Participant will promptly notify the Company and the Company will promptly, but in any event at least 5 days prior to the date on which the applicable government taxing authority has requested payment, pay to the Participant an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties (other than interest and penalties imposed by reason of the Participant's failure to file timely a tax return or pay taxes shown due on the Participant's return) imposed on the Underpayment. An Excess Payment will be deemed to have occurred upon a Final Determination (as hereinafter defined) that the Excise Tax will not be imposed upon a Payment or Payments (or portion thereof) with respect to which the Participant had previously received a Gross-Up Payment. A "Final Determination" will be deemed to have occurred when the Participant has received from the applicable government taxing authority a refund of taxes or other reduction in the Participant's tax liability by reason of the Excise Payment and upon either (x) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds the Participant and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired or (y) the statute of limitations with respect to the Participant's applicable tax return has expired. If an Excess Payment is determined to have been made, the Participant will pay to the Company (but not less than 10 days after the determination of such Excess Payment and written notice has been delivered to the Participant) the amount of the Excess Payment plus interest at an annual rate equal to the Applicable Federal Rate provided for in Section 1274(d) of the Code from the date the Gross-Up Payment (to which the Excess Payment relates) was paid to the Participant until the date of repayment to the Company. The Participant will use reasonable cooperative efforts at the request of the Company to assist in the determination of the amount of any Excess Payment or Underpayment made to the Participant pursuant to this Plan.

All Payments are intended by Company and Participant to meet the requirements of Section 409A of the Code. Consistent with the foregoing, all Gross-Up Payments payable pursuant to this Section 6.3 and any other amounts payable to any Participant pursuant to this Plan in respect of taxes shall be paid to the Participant as soon as practicable after the amount of the relevant tax has been determined and, in any event, no later than December 31 of the year immediately following the year in which the Participant remits the relevant taxes.

Certain Terms Applicable to Non-Grandfathered Participants. This Section 6.4 shall apply only to those individuals who are designated as a Participant following the Amendment Date and not to anyone who was a Participant on the Amendment Date.

In the event it is determined by the Accounting Firm that part or all of any Payment to a Participant is subject to the Excise Tax, the amounts constituting "parachute payments" (within the meaning of Section 280G of the Code) which would otherwise be payable to the Participant or for the Participant's benefit shall be reduced to the maximum amount that would not be subject to the Excise Tax (the "Reduced Amount"); provided that such amounts shall not be so reduced if the Accounting Firm determines that without such reduction, the Participant would be entitled to receive and retain, on a net after-tax basis (including, without limitation, any Excise Tax), an amount which is greater than the amount, on a net after-tax basis, that the Participant would be entitled to retain upon receipt of the Reduced Amount. In connection with making determinations under this Section 6.3(a), the Accounting Firm shall take into account any positions to mitigate any Excise Tax, such as the value of any reasonable compensation for services to be rendered by the Participant before or after the Change in Control.

An initial determination by the Accounting Firm as to whether an Excise Tax would otherwise be payable and whether a Reduced Amount is applicable is required pursuant to this Plan. The Accounting Firm will provide its Determination, together with detailed supporting calculations and documentation, to the Company and the Participant within five days prior to the Change in Control, or such other time as requested by the Company or by the Participant (provided the Company or the Participant reasonably believes that any of the Payments may be subject to the Excise Tax). Within 10 days of the delivery of any Determination to the Participant, the Participant will have the right to Dispute. If there is no Dispute, the Determination will be binding, final and conclusive upon the Company and the Participant, subject to the application of Section 6.4(d).

If the Determination results in a reduction of the Payments that would otherwise be paid to the Participant, such reduction shall be first applied to reduce any cash Payments that the Participant would otherwise be entitled to receive (whether pursuant to this Plan or otherwise) and shall thereafter be applied to reduce other Payments (including benefits), in each case, in reverse order beginning with the Payments that are to be paid the furthest in time from the date of such Determination, unless, to the extent permitted by Section 409A of the Code, the Participant elects to have the reduction in Payments applied in a different order; provided that, in no event may such Payments be reduced in a manner that would result in subjecting the Participant to additional taxation under Section 409A of the Code. Within ten business days following such Determination (or, if applicable, within ten business days following resolution of any Dispute pursuant to Section 6.4(b)), the Company shall pay or distribute to the Participant or for the Participant's benefit such amounts as are then due to the Participant under this Plan or otherwise and shall promptly pay or distribute to the Participant or for the Participant's benefit in the future such amounts as become due to the Participant under this Plan or otherwise.

As a result of the uncertainty in the application of Sections 280G and 4999 of the Code at the time of a Determination, it is possible that an Excess Payment or Underpayment may occur, in each case, consistent with the calculation of the Reduced Amount (if applicable) hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or the Participant which the Accounting Firm believes has a high probability of success, determines that an Excess Payment has been made, any such Excess Payment paid or distributed by the Company to or for the Participant's benefit shall be repaid by the Participant to the Company together with interest at the applicable federal rate provided for in Section 1274(d) of the Code; provided, however, that no such repayment shall be required if and to the extent such deemed repayment would not either reduce the amount on which the Participant is subject to tax under Sections 1 and 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based on controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the Participant's benefit together with interest at the applicable federal rate provided for in Section 1274(d) of the Code. The Participant will use reasonable cooperative efforts at the request of the Company to assist in the determination of the amount of any Excess Payment or Underpayment made to the Participant pursuant to this Plan.

Other Benefits Payable. The Severance Benefits provided pursuant to Section 6.2 above shall be provided in addition to, and not in lieu of, all other accrued or vested or earned but deferred compensation, rights, stock options, or other benefits which may be owed to a Participant by an Employer, with the exception of payments to be made under (a) the Chemed Corporation Senior Executive Severance Policy and (b) employment agreements for Tier 1 Participants.

Payment Obligations Absolute. The obligations of the Company to pay the Severance Benefits described in Section 6.2 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense, or other right which the Company or any Affiliate may have against any Participant. In no event shall a Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to a Participant under any of the provisions of this Plan, nor shall the amount of any payment hereunder be reduced by any compensation earned by a Participant as a result of employment by another employer, except with respect to the welfare benefits as provided under Section 6.2(c).

SUCCESSOR TO COMPANY

This Plan shall bind any successor of the Company, its assets, or its businesses (whether direct or indirect, by purchase, merger, consolidation, or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place. In the case of any transaction in which a successor would not, by the foregoing provision or by operation of law, be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Plan, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. The term "Company," as used in this Plan, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by this Plan.

AMENDMENT AND TERMINATION

Amendment and Termination. The Plan may be terminated or amended in any respect by resolution adopted by a majority of the Administrative Committee, unless a Change in Control has previously occurred. However, after the Administrative Committee has knowledge of a transaction or event that, if consummated, would constitute a Change in Control, this Plan may not be terminated or amended in any manner which would adversely affect the rights or potential rights of Participants, unless and until the Administrative Committee has determined that such potential Change in Control has been abandoned and will not be consummated, and the Administrative Committee does not have knowledge of another transaction or event that, if consummated, would constitute a Change in Control. If a Change in Control occurs, the Plan shall no longer be subject to amendment or termination in any respect which adversely affects the rights of Participants.

Form of Amendment. The form of any amendment or termination of the Plan shall be a written instrument signed by a duly authorized officer or officers of the Company, certifying that the amendment or termination has been approved by the Administrative Committee. An amendment of the Plan in accordance with the terms hereof shall automatically effect a corresponding amendment to all Participants' rights hereunder. A termination of the Plan, subject to the terms hereof, shall automatically effect a termination of all Participants' rights and benefits hereunder.

MISCELLANEOUS

Legal Fees and Expenses, Arbitration. Each party shall pay their own legal fees incurred in connection with any enforcement of rights under this Plan. Disputes arising under this Plan shall be subject to arbitration according to the rules of the American Arbitration Association. The Company and Participant shall share equally any third party costs of such arbitration.

Employment Status. This Plan does not constitute a contract of employment or impose on a Participant's Employer any obligation to retain the Participant as an Employee, to change the status of the Participant's employment, or to change the Company's policies or those of its Affiliates regarding termination of employment.

Validity and Severability. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Waiver. The Company's or a Participant's failure to insist upon strict compliance with any provision of this Plan or the failure to assert any right the Company or a Participant may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Plan.

Governing Law. The validity, interpretation, construction, and performance of the Plan shall in all respects be governed by the laws of the State of Ohio, without reference to its principles of conflict of law.

Claims Procedure. If an Employee or former Employee makes a written request alleging a right to receive benefits under the Plan or alleging a right to receive an adjustment in benefits being paid under the Plan, the Company shall treat it as a claim for benefits. All claims for Severance Benefits under the Plan shall be sent to the Legal Department of the Company and must be received within 30 days after the Date of Termination. If the Company determines that any individual who has claimed a right to receive Severance Benefits under the Plan is not entitled to receive all or any part of the benefits claimed, it will inform the claimant in writing of its determination and the reasons therefor in terms calculated to be understood by the claimant. The notice will be sent within 30 days of the written request, unless the Company determines additional time, not exceeding 45 days, is needed. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and describe any additional material or information that is necessary. Such notice shall, in addition, inform the claimant what procedure the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may, within 90 days thereafter, submit in writing to the Company a notice that the claimant contests the denial of his or her claim by the Company and desires a further review. The Company shall, within 30 days thereafter, review the claim and authorize the claimant to appear personally and review pertinent documents and submit issues and comments relating to the claim to the persons responsible for making the determination on behalf of the Company. The Company will render its final decision with specific reasons therefor in writing and will transmit it to the claimant within 30 days of the written request for review, unless the Company determines additional time, not exceeding 45 days, is needed, and so notifies the Participant. If the Company fails to respond to a claim filed in accordance with the foregoing within 30 days or any such extended period, the Company shall be deemed to have denied the claim.

Indemnification of Administrative Committee. No member or agent of the Administrative Committee shall be personally liable for any action, determination, or interpretation made with respect to the Plan, and each member of the Administrative Committee shall be indemnified by the Company to the fullest extent permitted by applicable law and the governing instruments of the Company.

Unfunded Plan Status. This Plan is intended to be an unfunded plan. All payments pursuant to the Plan shall be made from the general funds of the Company, and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

Tax Withholding. Any payment provided for hereunder shall be paid net of any applicable tax withholding required under federal, state, local, or foreign law.

Nonalienation of Benefits. Except as otherwise specifically provided herein, amounts payable under the Plan shall not be subject to any manner of anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, including any liability which is for alimony or other payments for the support of a spouse or former spouse, or for any other relative of a Participant, prior to actually being received by the person entitled to payment under the terms of the Plan. Any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, garnish, execute, or levy upon, otherwise dispose of any right to amounts payable hereunder, shall be null and void.

Facility of Payment.

If a Participant is declared an incompetent, and a conservator, guardian, or other person legally charged with his or her care has been appointed, any Severance Benefits to which such Participant is entitled may be paid to such conservator, guardian, or other person legally charged with his or her care;

If a Participant is declared an incompetent and a conservator, guardian, or other person charged with his or her care has not been appointed, the Administrative Committee may: (i) require the appointment of a conservator or guardian; (ii) distribute any Severance Benefits to which such Participant is entitled to his or her spouse, with respect to a Participant who is married, or to such other relative of an unmarried Participant for the benefit of such Participant; or (iii) distribute any Severance Benefits to which such Participant is entitled directly to or for the benefit of such Participant.

Gender and Number. Except when the context indicates to the contrary, when used herein masculine terms shall be deemed to include the feminine, and the plural shall be deemed to include the singular.

Headings. The headings of Articles and Sections are included solely for convenience of reference and are not to be used in the interpretation of the provisions of the Plan.

Equity-Based Plans. No provision hereunder is intended to restrict acceleration of any interests granted under equity-based plans of the Company, in accordance with the terms of said plans.

Section 409A Matters.

The payments and benefits under this Plan are intended to be exempt from, or comply with, Section 409A of the Code, and to the maximum extent permitted this Plan shall be limited, construed and interpreted in accordance with such intent. Except as specifically set forth in Section 6.3 in respect of individuals who were Participants as of the Amendment Date, in no event whatsoever shall the Company or its Affiliates or their respective officers, directors, employees or agents be liable for any additional tax, interest or penalties that may be imposed on a Participant or damages for failing to comply with Section 409A of the Code under this Plan.

Notwithstanding any other provision of this Plan to the contrary, to the extent that any reimbursement of expenses constitutes nonqualified deferred compensation subject to Section 409A of the Code, such reimbursement shall be provided no later than December 31 of the year following the year in which the expense was incurred (or, where applicable, no later than such earlier time required by this Plan). To the extent required by Section 409A of the Code, (i) the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, (ii) the amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year and (iii) any right to such reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), the right to receive payments in the form of installment payments shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment shall at all times be considered a separate and distinct payment.

Notwithstanding any other provision of this Plan to the contrary, if, at the time of a Participant's separation from service (as defined in Section 409A of the Code), the Participant is a “Specified Employee”, then the Company will defer the payment or commencement of any nonqualified deferred compensation subject to Section 409A of the Code payable upon separation from service (without any reduction in such payments or benefits ultimately paid or provided to the Participant) until the date that is six months following separation from service or, if earlier, the earliest other date as is permitted under Section 409A of the Code (and any amounts that otherwise would have been paid during this deferral period will be paid in a lump sum on the day after the expiration of the six-month period or such shorter period, if applicable).

Notwithstanding anything in this Plan or elsewhere to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amounts or benefits that constitute nonqualified deferred compensation subject to Section 409A of the Code upon or following a termination of the Participant's employment unless such termination is also a “separation from service” within the meaning of Section 409A of the Code and, for purposes of any such provision of this Plan, references to a “termination,” “termination of employment” or like terms shall mean “separation from service” and the date of such separation from service shall be the date of termination for purposes of any such payment or benefits.

Appendix A

Chemed Corporation
Change in Control Severance Plan

Participant Designation

Tier 1

K. J. McNamara	President and Chief Executive Officer
D. P. Williams	Executive VP and Chief Financial Officer

Tier 2

N. C. Dallob	VP, Secretary and Chief Legal Officer
M. D. Witzeman	VP and Controller
T. C. Hutton	Vice President
T. J. Reilly	Vice President
L. A. Reinhard	VP and Chief Administrative Officer
J. W. Painter	Assistant VP and Senior Counsel
G. A. Zarick	Assistant VP and Director of Planning
N. M. Westfall	Vitas Chief Executive Officer
D. A. Wester	Vitas President and Chief Financial Officer
P. Hale	Vitas Executive VP and Chief Information Officer
J. Wherley	Vitas Executive VP and Chief Operating Officer
P. Husted	Vitas Executive VP Operations
R. C. Miller	Vitas Senior VP and Chief Compliance Officer
S. S. Lee	Roto-Rooter Chief Executive Officer
R. L. Arquilla	Roto-Rooter President and Chief Operating Officer
R. P. Goldschmidt	Roto-Rooter Executive VP - Development
M. A. Conners	Roto-Rooter Executive VP - Contractors
K. M. Aielli	Roto-Rooter Vice President - Finance

EXHIBIT 10.20

CHEMED CORPORATION
SENIOR EXECUTIVE SEVERANCE POLICY
AS AMENDED AUGUST 3, 2018

As of December 1, 2006, Chemed Corporation established the Chemed Corporation Senior Executive Severance Policy ("the Policy"). As of August 3, 2018 (the "Amendment Date"), the Company amended the Policy to provide that the tax gross-up provisions in Section 3.1 shall apply only to those individuals who were Participants in the Policy on the Amendment Date and not to anyone designated as a Participant following the Amendment Date.

PARTICIPATION

Participants in the Policy shall consist of those officers designated from time to time on Attachment A to this Policy by the Compensation/Incentive Committee of the Board of Directors, as may be approved by the Board of Directors. The Compensation/Incentive Committee and/or the Board shall have the ability to add or remove Participants at its discretion.

TERMINATION OF EMPLOYMENT

Termination of Employment. The employment of a Participant shall terminate upon the occurrence of any of the following:

The death of the Participant;

The termination of the Participant's employment due to the Participant's disability pursuant to §2.2;

The termination by the Company of the Participant's employment for Cause pursuant to §2.3;

The retirement of the Participant under a retirement plan of the Company; or

The resignation of the Participant.

The termination by the Company of the Participant's employment for any reason other than those specified in this §2.1 shall hereinafter be referred to as a termination "Without Cause".

Disability. If, by reason of physical or mental disability, the Participant is unable to carry out his or her duties pursuant to this Policy for four (4) consecutive months, the Participant's may be terminated by the Company upon two (2) months' written notice to be given to the Participant at any time after the period of four (4) continuous months of disability and while such disability continues. If, prior to the expiration of the two (2) months after the giving of such notice, the Participant shall recover from such disability and return to the active discharge of his or her duties, then such notice shall be of no further force and effect and the Participant's employment shall continue as if such disability had not occurred. If the Participant shall not so recover from his or her disability and return to his or her duties, then the Participant's services shall terminate at the expiration date of such two (2) months' notice. In the event a dispute arises between the Participant and the Company concerning the Participant's physical or mental ability to continue or return to the performance of his or her duties as aforesaid, the Participant shall submit to examination by a competent physician mutually agreeable to both parties, and such physician's opinion as to the Participant's ability to so perform will be final and binding.

For Cause. The Company may, at any time by written notice to the Participant, terminate his or her services for Cause. Such notice shall specify the event or events and the actions or failure to act constituting Cause. "Cause" shall mean, with respect to a Participant's termination of employment: (a) the willful and repeated failure of the Participant to perform substantially the Participant's duties with Company (other than any such failure resulting from incapacity due to physical or mental illness); (b) the Participant's conviction of, or plea of guilty or nolo contendere to, which through lapse of time or otherwise is not subject to appeal, a felony which is materially and demonstrably injurious to Company; or (c) the Participant's engagement in willful gross misconduct or gross negligence in connection with his or her employment.

If the basis for discharge is pursuant to paragraph (c) above, the Participant shall have thirty (30) days from receipt of the notice of termination for Cause to cure, if curable, the actions or failure to act specified in such notice and, in the event of any such cure within such period, such conduct shall not constitute Cause hereunder.

Consequences of Termination.

If the Participant's employment shall terminate pursuant to any of the provisions of this Article 2, the Participant's base salary and all incentive compensation shall cease to accrue forthwith.

If the Company shall terminate the Participant's employment Without Cause, the Company shall pay the Participant within 10 days of termination but in no event later than the following March 15 a lump sum amount in cash equal to one and one-half times the Participant's then annual base salary plus a lump sum amount in cash equal to the product of: (i) the average amount of the Participant's annual incentives under the Company's annual incentive plan paid or payable for the last three full fiscal years prior to termination; and (ii) a fraction, the numerator of which is the number of days in the fiscal year through the date of termination and the denominator of which is 365. The Participant shall also be eligible to participate in the Company's welfare benefits plans such as health insurance, life insurance, long-term care insurance, and long-term disability benefits plans for twelve months following termination, at the then current employee contribution rates; provided that if the Participant is precluded from continuing his or her participation in any applicable plan, program, or arrangement, the Participant shall be provided with the after-tax cost of continuation of such coverage, including premiums under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, ("COBRA Premiums"), for the Participant with respect to the benefits provided under such plan, program, or arrangement, paid as a lump sum within 10 days of termination, but in no event later than the following March 15. If the Participant becomes reemployed with another employer and is eligible to receive health insurance, life insurance, long-term care insurance or long-term disability coverage under another employer-provided plan (regardless of whether the Participant elects such coverage), the welfare benefits provided pursuant to this Policy shall be secondary to those provided under such other plan.

In the event that the Participant's employment shall terminate pursuant to any of the provisions of this Article 2, the rights of the Participant under any incentive compensation plan of the Company, under any executive or employee benefit plans or arrangements, or otherwise shall be determined, subject to this Article 2, in accordance with the terms and provisions of such plans, arrangements and options applicable to an employee whose employment has terminated in the manner that occurred, except that a termination Without Cause shall be treated as a retirement under a retirement plan of the Company for the purposes of the Company stock incentive plans.

If the Participant's employment shall terminate pursuant to §2.1(a), (b), or (d), the Company shall pay the Participant, during the period from the 183rd to the 190th day following termination, in lieu of any amounts that may be due and payable under the Company's annual incentive plan for the fiscal year of termination a lump sum amount in cash equal to the product of: (i) the average amount of the Participant's annual incentives under the Company's annual incentive plan paid or payable for the last three full fiscal years prior to termination; and (ii) a fraction, the numerator of which is the number of days in the fiscal year through the date of termination and the denominator of which is 365.

If the Participant's employment shall terminate pursuant to §2.1(e) or if the Company shall terminate Participant's employment with Cause pursuant to §2.1(c), Participant's annual incentive bonus shall then be forfeited.

Participant shall not be required to offset against amounts due from the Company under this Article 2 for any salary, bonus or other benefits (other than welfare benefits described above) received by the Participant from a third-party, and the Participant shall be under no duty to mitigate by seeking or accepting another position.

Any amounts paid or benefits received under this Policy are conditioned upon execution of a waiver of liability in favor of the Company executed by the Participant, in the form approved by the Company's counsel.

Any amounts paid or benefits received under this Policy are also conditioned, other than a termination under Section 2.1(a), upon execution of the following in a form approved by the Company's counsel: (i) an agreement prohibiting directly or indirectly publishing or disclosing any confidential information of the Company or any of its affiliates, or using such confidential information for the Participant's own use or making it available to others; (ii) a one-year post termination non-compete agreement under which the Participant will not directly or indirectly engage in or become interested in any business providing or arranging for any products or services that directly or indirectly are in competition with the Company or any of its subsidiaries; and (iii) an agreement prohibiting solicitation during such one-year period of the employment of any employees or other personnel providing services to the Company or any of its subsidiaries or soliciting the business of any customer of the Company or any of its subsidiaries.

APPLICATION OF SECTION 409A OF THE INTERNAL REVENUE CODE.

This Section 3.1 shall apply only to those individuals who were Participants in the Policy on the Amendment Date and not to anyone designated as a Participant following the Amendment Date.

In the event that any payment or benefit to the Participant or for the Participant's benefit paid or payable or distributed or distributable under this Policy ("Payment"), would be subject to the excise tax imposed by Section 409A of the Internal Revenue Code ("Code"), or any interest or penalties are incurred by the Participant with respect to such excise tax (collectively, "Excise Tax"), the Participant will be entitled to receive an additional payment ("Gross-Up Payment") in an amount such that after payment by the Participant of all taxes (including any income or payroll tax, interest or penalties imposed with respect to such taxes and the Excise Tax, other than interest and penalties imposed by reason of the Participant's failure to file timely a tax return or pay taxes shown due on the Participant's return, and including any Excise Tax imposed upon the Gross-Up Payment), the Participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

An initial determination as to whether and in what amount a Gross-Up Payment is required will be made at the Company's expense by an accounting firm of recognized national standing selected by the Company ("Accounting Firm"). The Accounting Firm will provide its determination ("Determination"), together with detailed supporting calculations and documentation, to the Company and the Participant within five days of the date of termination, if applicable, or such other time as requested by the Company or by the Participant (provided the Participant reasonably believes that any of the Payments may be subject to the Excise Tax). If the Accounting Firm determines that no Excise Tax is payable by the Participant with respect to a Payment or Payments, it will furnish the Participant an opinion reasonably acceptable to the Participant that no Excise Tax will be imposed. Within 10 days of the delivery of the Determination, the Participant will have the right to dispute the Determination (the "Dispute"). The Gross-Up Payment, if any, as determined pursuant to this Section will be paid by the Company to the Participant within 5 days of the receipt of the Determination. The existence of the Dispute will not in any way affect the Participant's right to receive the Gross-Up Payment in accordance with the Determination. If there is no Dispute, the Determination will be binding upon the Company and the Participant, subject to the following paragraph.

As a result of uncertainty in the application of Section 409A of the Code, it is possible that a Gross-Up Payment will be paid which should not be paid ("Excess Payment") or that a Gross-Up Payment which should be paid will not be paid ("Underpayment"). An Underpayment will be deemed to have occurred (i) upon notice to the Participant from any governmental taxing authority that the Participant's tax liability (whether in respect of the Participant's current taxable year or in respect of any prior taxable year) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which the Company has failed to make a sufficient Gross-Up Payment, (ii) upon a determination by a court, (iii) by reason of a determination by the Company (which will include the position taken by the Company on its federal income tax return) or (iv) upon the resolution of the Dispute to the Participant's satisfaction. If an Underpayment occurs, the Participant will promptly notify the Company and the Company will promptly, but in any event at least 5 days prior to the date on which the applicable government taxing authority has requested payment, pay to the Participant an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties (other than interest and penalties imposed by reason of the Participant's failure to file timely a tax return or pay taxes shown due on the Participant's return) imposed on the Underpayment.

An Excess Payment will be deemed to have occurred upon a Final Determination (as hereinafter defined) that the Excise Tax will not be imposed upon a Payment or Payments (or portion thereof) with respect to which the Participant had previously received a Gross-Up Payment. A "Final Determination" will be deemed to have occurred when the Participant has received from the applicable government taxing authority a refund of taxes or other reduction in the Participant's tax liability by reason of the Excise Payment and upon either (x) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally binds the Participant and such taxing authority, or if a claim is brought before a court, the date a final determination has been made by such court and either all appeals have been finally resolved or the time for all appeals has expired or (y) the statute of limitations with respect to the Participant's applicable tax return has expired. If an Excess Payment is determined to have been made, the Participant will pay to the Company (but not less than 10 days after the determination of such Excess Payment and written notice has been delivered to the Participant) the amount of the Excess Payment plus interest at an annual rate equal to the Applicable Federal Rate provided for in Section 1274(d) of the Code from the date the Gross-Up Payment was paid until the date of repayment. The Participant will use reasonable cooperative efforts at the request of the Company to assist in the determination of the amount of any Excess Payment or Underpayment made to the Participant pursuant to this Policy.

All Gross-Up Payments payable pursuant to this Section 3.1 and any other amounts payable to any Participant pursuant to this Policy in respect of taxes shall be paid to the Participant as soon as practicable after the amount of the relevant tax has been determined and, in any event, no later than December 31 of the year immediately following the year in which the Participant remits the relevant taxes.

The payments and benefits under this Policy are intended to be exempt from, or comply with, Section 409A of the Code, and to the maximum extent permitted this Policy shall be limited, construed and interpreted in accordance with such intent. Except as specifically set forth in Section 3.1 in respect of individuals who were Participants as of the Amendment Date, in no event whatsoever shall the Company or its Affiliates or their respective officers, directors, employees or agents be liable for any additional tax, interest or penalties that may be imposed on a Participant or damages for failing to comply with Section 409A of the Code under this Policy.

Notwithstanding any other provision of this Policy to the contrary, to the extent that any reimbursement of expenses constitutes nonqualified deferred compensation subject to Section 409A of the Code, such reimbursement shall be provided no later than December 31 of the year following the year in which the expense was incurred (or, where applicable, no later than such earlier time required by this Policy). To the extent required by Section 409A of the Code, (i) the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, (ii) the amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year and (iii) any right to such reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), the right to receive payments in the form of installment payments shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment shall at all times be considered a separate and distinct payment.

Notwithstanding any other provision of this Policy to the contrary, if, at the time of a Participant's separation from service (as defined in Section 409A of the Code), the Participant is a "Specified Employee", then the Company will defer the payment or commencement of any nonqualified deferred compensation subject to Section 409A of the Code payable upon separation from service (without any reduction in such payments or benefits ultimately paid or provided to the Participant) until the date that is six months following separation from service or, if earlier, the earliest other date as is permitted under Section 409A of the Code (and any amounts that otherwise would have been paid during this deferral period will be paid in a lump sum on the day after the expiration of the six-month period or such shorter period, if applicable).

Notwithstanding anything in this Policy or elsewhere to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Policy providing for the payment of any amounts or benefits that constitute nonqualified deferred compensation subject to Section 409A of the Code upon or following a termination of the Participant's employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Code and, for purposes of any such provision of this Policy, references to a "termination," "termination of employment" or like terms shall mean "separation from service" and the date of such separation from service shall be the date of termination for purposes of any such payment or benefits.

LEGAL FEES AND EXPENSES, ARBITRATION.

Each party shall pay their own legal fees incurred in connection with any enforcement of rights under this Policy. All disputes arising hereunder shall be subject to arbitration according to the rules of the American Arbitration Association. The Company and the Participant shall share equally in any third party costs of such arbitration.

GOVERNING LAW.

This Policy, the rights and obligations hereunder, and any related claims shall be governed by and construed in accordance with the laws of the State of Ohio.

Attachment A

Chemed Corporation
Senior Executive Severance Plan

Participant Designation

Chemed Headquarters	
N. C. Dallob	VP, Secretary and Chief Legal Officer
T. C. Hutton	Vice President
T. J. Reilly	Vice President
L. A. Reinhard	VP and Chief Administrative Officer
M. D. Witzeman	VP and Controller
J. W. Painter	Assistant VP and Senior Counsel
G. A. Zarick	Assistant VP and Director of Planning
Vitas Headquarters	
N. M. Westfall	Chief Executive Officer
D. A. Wester	President and Chief Financial Officer
P. Hale	Executive VP and Chief Information Officer
J. Wherley	Executive VP and Chief Operating Officer
P. Husted	Executive VP Operations
R. C. Miller	Senior VP and Chief Compliance Officer
Roto-Rooter Headquarters	
S. S. Lee	Chief Executive Officer
R. L. Arquilla	President and Chief Operating Officer
R. P. Goldschmidt	Executive VP - Development
M. A. Conners	Executive VP - Contractors
K. M. Aielli	Vice President - Finance

EXHIBIT 13

Financial Review

Contents

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company's management, including the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President and Controller, has conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2018, based on the framework established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management concluded that internal control over financial reporting was effective as of December 31, 2018, based on criteria in *Internal Control—Integrated Framework* issued by COSO.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2018, as stated in their report which appears on pages 61 and 62.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Chemed Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Chemed Corporation and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2018.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/PricewaterhouseCoopersLLP
Cincinnati, Ohio
February 27, 2019

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

CONSOLIDATED STATEMENTS OF INCOME

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data) For the Years Ended December 31,	**2018**	2017	2016
Service revenues and sales (Note 2)	**$ 1,782,648**	$ 1,666,724	$ 1,576,881
Cost of services provided and goods sold (excluding depreciation)	**1,228,644**	1,150,532	1,115,431
Selling, general and administrative expenses	**270,209**	276,652	243,572
Depreciation	**38,464**	35,488	34,279
Amortization	**399**	137	359
Other operating expenses (Note 20)	**1,300**	90,880	4,491
Total costs and expenses	**1,539,016**	1,553,689	1,398,132
Income from operations	**243,632**	113,035	178,749
Interest expense	**(4,990)**	(4,272)	(3,715)
Other income--net (Note 10)	**958**	8,154	2,020
Income before income taxes	**239,600**	116,917	177,054
Income taxes (Note 11)	**(34,056)**	(18,740)	(68,311)
Net Income	**$ 205,544**	$ 98,177	$ 108,743
Earnings Per Share (Note 15)			
Net Income	**$ 12.80**	$ 6.11	$ 6.64
Average number of shares outstanding	**16,059**	16,057	16,383
Diluted Earnings Per Share (Note 15)			
Net Income	**$ 12.23**	$ 5.86	$ 6.48
Average number of shares outstanding	**16,803**	16,742	16,789

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

CONSOLIDATED BALANCE SHEETS

Chemed Corporation and Subsidiary Companies

(in thousands, except shares and per share data)

December 31,	2018	2017
Assets		
Current assets		
Cash and cash equivalents (Note 9)	$ 4,831	$ 11,121
Accounts receivable less allowances of $15,175 for 2017	119,504	113,651
Inventories	5,705	5,334
Prepaid income taxes	10,646	29,848
Prepaid expenses	19,154	16,092
Total current assets	159,840	176,046
Investments of deferred compensation plans held in trust (Notes 14 and 16)	65,624	62,067
Properties and equipment, at cost, less accumulated depreciation (Note 12)	162,033	143,034
Identifiable intangible assets less accumulated amortization of $33,283 (2017 - $32,887) (Note 6)	68,253	54,865
Goodwill	510,570	476,887
Other assets	9,209	7,127
Total Assets	$ 975,529	$ 920,026
Liabilities		
Current liabilities		
Accounts payable	$ 50,150	$ 48,372
Current portion of long-term debt (Note 3)	-	10,000
Accrued insurance	46,095	46,968
Accrued compensation	63,329	62,933
Accrued legal	1,857	1,786
Other current liabilities	30,239	23,463
Total current liabilities	191,670	193,522
Deferred income taxes (Note 11)	21,598	16,640
Long-term debt (Note 3)	89,200	91,200
Deferred compensation liabilities (Note 14)	64,616	61,800
Other liabilities	17,111	16,510
Total Liabilities	384,195	379,672
Commitments and contingencies (Notes 13 and 17)		
Stockholders' Equity		
Capital stock - authorized 80,000,000 shares $1 par; issued 35,311,418 shares (2017 - 34,732,192 shares)	35,311	34,732
Paid-in capital	774,358	695,797
Retained earnings	1,225,617	1,038,955
Treasury stock - 19,438,358 shares (2017 - 18,694,047 shares), at cost	(1,446,296)	(1,231,332)
Deferred compensation payable in Company stock (Note 14)	2,344	2,202
Total Stockholders' Equity	591,334	540,354
Total Liabilities and Stockholders' Equity	$ 975,529	$ 920,026

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Chemed Corporation and Subsidiary Companies
(in thousands)

For the Years Ended December 31,	2018	2017	2016
Cash Flows from Operating Activities			
Net income	$ 205,544	$ 98,177	$ 108,743
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	38,863	35,625	34,638
Stock option expense	12,611	10,485	8,330
Noncash portion of long-term incentive compensation	5,405	3,774	1,301
Provision/(benefit) for deferred income taxes (Note 11)	5,187	2,407	(6,707)
Noncash directors' compensation	766	766	541
Amortization of restricted stock awards	446	1,231	1,855
Amortization of debt issuance costs	441	516	519
Provision for uncollectible accounts receivable	-	17,306	16,319
Loss on sale of transportation equipment (Note 20)	-	5,266	-
Noncash early retirement expense (Note 20)	-	-	1,747
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:			
Decrease/(increase) in accounts receivable	(5,570)	1,072	(42,142)
Decrease/(increase) in inventories	(351)	421	559
Increase in prepaid expenses	(2,665)	(2,987)	(253)
Increase in accounts payable and other current liabilities	8,935	12,890	891
(Decrease)/increase in income taxes	18,898	(26,104)	13,886
Increase in other assets	(5,544)	(8,330)	(5,224)
Increase in other liabilities	3,451	8,561	7,105
Excess tax benefit on stock-based compensation	-	-	(7,195)
Other sources	721	1,419	480
Net cash provided by operating activities	287,138	162,495	135,393
Cash Flows from Investing Activities			
Capital expenditures	(52,872)	(64,300)	(39,772)
Business combinations, net of cash acquired (Note 7)	(53,177)	(4,725)	-
Other sources/(uses)	824	1,417	(90)
Net cash used by investing activities	(105,225)	(67,608)	(39,862)
Cash Flows from Financing Activities			
Proceeds from revolving line of credit	469,550	212,350	127,050
Payments on revolving line of credit	(406,550)	(211,150)	(102,050)
Purchases of treasury stock	(158,884)	(94,640)	(102,313)
Payments on other long-term debt	(75,000)	(8,750)	(7,500)
Proceeds from exercise of stock options (Note 4)	32,412	27,092	8,421
Capital stock surrendered to pay taxes on stock-based compensation	(27,548)	(14,223)	(8,772)
Dividends paid	(18,662)	(17,371)	(16,439)
Change in cash overdraft payable	(1,531)	6,700	(736)
Debt issuance costs	(1,052)	-	-
Excess tax benefit on stock-based compensation	-	-	7,195
Other sources/(uses)	(938)	916	196
Net cash used by financing activities	(188,203)	(99,076)	(94,948)
Increase/(decrease) in cash and cash equivalents	(6,290)	(4,189)	583
Cash and cash equivalents at beginning of year	11,121	15,310	14,727
Cash and cash equivalents at end of year	$ 4,831	$ 11,121	$ 15,310

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Chemed Corporation and Subsidiary Companies
(in thousands, except per share data)

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2015	$ 33,985	$ 603,006	$ 865,845	$ (991,978)	$ 2,395	$ 513,253
Net income	-	-	108,743	-	-	108,743
Dividends paid ($1.00 per share)	-	-	(16,439)	-	-	(16,439)
Stock awards and exercise of stock options (Note 4)	285	36,453	-	(16,127)	-	20,611
Purchases of treasury stock (Note 19)	-	-	-	(102,313)	-	(102,313)
Other	-	244	-	(118)	118	244
Balance at December 31, 2016	34,270	639,703	958,149	(1,110,536)	2,513	524,099
Net income	-	-	98,177	-	-	98,177
Dividends paid ($1.08 per share)	-	-	(17,371)	-	-	(17,371)
Stock awards and exercise of stock options (Note 4)	462	55,264	-	(26,467)	-	29,259
Purchases of treasury stock (Note 19)	-	-	-	(94,640)	-	(94,640)
Other	-	830	-	311	(311)	830
Balance at December 31, 2017	**34,732**	**695,797**	**1,038,955**	**(1,231,332)**	**2,202**	**540,354**
Net income	**-**	**-**	**205,544**	**-**	**-**	**205,544**
Dividends paid ($1.16 per share)	**-**	**-**	**(18,662)**	**-**	**-**	**(18,662)**
Stock awards and exercise of stock options (Note 4)	**579**	**79,452**	**-**	**(55,939)**	**-**	**24,092**
Purchases of treasury stock (Note 19)	**-**	**-**	**-**	**(158,884)**	**-**	**(158,884)**
Other	**-**	**(891)**	**(220)**	**(141)**	**142**	**(1,110)**
Balance at December 31, 2018	**$ 35,311**	**$ 774,358**	**$ 1,225,617**	**$ (1,446,296)**	**$ 2,344**	**$ 591,334**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS

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

PRINCIPLES OF ACCOUNTING

The consolidated financial statements have been prepared on a going-concern basis. Management has adopted the evaluation requirements of Accounting Stanadards Update "ASU No. 2014-15 – Presentation of Financial Statements – Going Concern".

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

Certain reclassifications have been made to prior year financial statements to conform to current presentation.

CASH EQUIVALENTS

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

CONCENTRATION OF RISK

As of December 31, 2018 and 2017, approximately 68% and 59%, respectively, of VITAS' total accounts receivable balance were due from Medicare and 26% and 32%, 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 75% of the consolidated net accounts receivable in the accompanying consolidated balance sheets as of December 31, 2018.

As further described in Note 18, we had agreements with a vendor to provide specified pharmacy services for VITAS and its hospice patients. In 2018 and 2017, respectively, purchases made from this vendor represent 99% and 85%, respectively, of all pharmacy services used by VITAS.

INVENTORIES

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

DEPRECIATION AND PROPERTIES AND EQUIPMENT

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

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

The weighted average lives of our property and equipment at December 31, 2018, were:

Buildings and building improvements	32.8 yrs.
Transportation equipment	10.5
Machinery and equipment	5.1
Computer software	4.6
Furniture and fixtures	4.8

GOODWILL AND INTANGIBLE ASSETS

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

	Vitas	Roto-Rooter	Total
Balance at December 31, 2016	$ 328,301	$ 144,065	$ 472,366
Business combinations	-	4,396	4,396
Foreign currency adjustments	-	125	125
Balance at December 31, 2017	$ 328,301	$ 148,586	$ 476,887
Business combinations	5,030	28,780	33,810
Foreign currency adjustments	-	(127)	(127)
Balance at December 31, 2018	$ 333,331	$ 177,239	$ 510,570

Identifiable, definite-lived intangible assets arise from purchase business combinations and are amortized using either an accelerated method or the straight-line method over the estimated useful lives of the assets. The selection of an amortization method is based on which method best reflects the economic pattern of usage of the asset. Reacquired franchise rights are amortized over the remaining term of the franchise agreement at the time of acquisition. The weighted average lives of our identifiable, definite-lived intangible assets at December 31, 2018, were:

Covenants not to compete	6.5 yrs.
Reacquired franchise rights	7.9
Referral networks	10.0
Customer lists	12.0

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

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

We completed our qualitative analysis for impairment of goodwill and our indefinite-lived intangible assets as of October 1, 2018. Based on our assessment, we do not believe that it is more likely than not that our reporting units or indefinite-lived assets fair values are less than their carrying values.

LONG-LIVED ASSETS

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

OTHER ASSETS

Debt issuance costs are included in other assets. Issuance costs related to revolving credit agreements are amortized using the straight-line method, over the life of the agreement. All other issuance costs are amortized using the effective interest method over the life of the debt. There are no amounts included in other assets that individually exceed 5% of total assets.

SALES TAX

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

OPERATING EXPENSES

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

ADVERTISING

We expense the production costs of advertising the first time the advertising takes place. We pay for and expense the cost of internet advertising and placement on a “per click” basis. Similarly, the majority of our telephone directory listings are paid for and expensed on a “cost per call” basis. For those directories that are not on this billing basis, the cost of the directory is expensed when the directories are placed in circulation. Advertising expense for the year ended December 31, 2018, was $47.0 million (2017 – $40.9 million; 2016 - $37.2 million).

COMPUTATION OF EARNINGS PER SHARE

In March 2016, the FASB issued Accounting Standards Update “ASU No. 2016-09 - Compensation – Stock Compensation” which is part of the FASB’s Simplification Initiative. The object of this initiative is to identify, evaluate, and improve specific areas of financial reporting. The areas of simplification in this initiative involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance was effective for fiscal years beginning after December 15, 2016. We adopted the applicable provisions of ASU 2016-09 on a prospective basis. The impact of this ASU on our financial statements for the year ended December 31, 2018 was to decrease our income tax expense by $22.9 million as the result of excess tax benefits on stock based compensation being recorded on the statements of income. This, combined with the required change in diluted share count, resulted in an increase to basic and diluted earnings per share of $1.42 and $1.27, respectively. The impact of this ASU on our financial statements for the year ended December 31, 2017 was to decrease our income tax expense by $18.9 million as the result of excess tax benefits on stock based compensation being recorded on the statements of income. This, combined with the required change in diluted share count, resulted in an increase to basic and diluted earnings per share of $1.18 and $1.08, respectively.

OTHER CURRENT LIABILITIES

There are no amounts included in other current liabilities that individually exceed 5% of total current liabilities.

OTHER LIABILITIES (NON-CURRENT)

There are no amounts included in other liabilities that individually exceed 5% of total liabilities.

STOCK-BASED COMPENSATION PLANS

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

INSURANCE ACCRUALS

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

For the VITAS segment, we initially self-insure for workers' compensation claims. Currently, VITAS' exposure on any single claim is capped by stop-loss coverage at $1,000,000. For VITAS' self-insurance accruals for workers' compensation, the valuation methods used are similar to those used internally for our other business units. We are also insured for other risks with respect to professional liability with a deductible of $750,000.

Our casualty insurance liabilities are recorded gross before any estimated recovery for amounts exceeding our stop loss limits. Estimated recoveries from insurance carriers are recorded as accounts receivable. Claims experience adjustments to our casualty and workers' compensation accrual for the years ended December 31, 2018, 2017 and 2016, were net pretax debits/(credits) of ($3,437,000), ($1,800,000), and $1,147,000 respectively.

TAXES ON INCOME

On December 22, 2017, the President of the United States signed into law H.R.1, "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" (previously known as "The Tax Cuts and Jobs Act") or (the "Act"). The Act amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. For businesses, U.S. generally accepted accounting principles requires resulting tax effects for the Act, to be recorded in the reporting period of enactment.

The SEC issued SAB 118, which provides guidance on accounting for the Act's impact. Under SAB 118, an entity would use something similar to the measurement period in a business combination, not to exceed one year. For matters that have not been completed, the Company would recognize provisional amounts to the extent that they are reasonably estimable, adjust them over time as more information becomes available, and disclose this information in its financial statements.

Our accounting for all elements of the Tax Act is complete. The Company did not record any material changes to the provisional amounts previously recorded, net benefit recorded in 2017 of $8.3 million. The Company also determined new rules, such as the Global Intangible Low-Taxed Income (GILTI) and Base Erosion and Anti-Abuse Tax (BEAT), have no material impact to the financial statements.

Historically, the Company has not provided for deferred taxes on undistributed earnings because such earnings are considered to be indefinitely reinvested outside of the U.S. The Company continues this assertion that foreign earnings are permanently reinvested under the Act.

The Act provides for 100 percent bonus depreciation on personal tangible property expenditures starting September 27, 2017 through 2022. The bonus depreciation percentage is phased down from 100 percent beginning in 2023 through 2026. The Company expects to take full benefit of these bonus depreciation rules.

The IRS and other tax authorities are still issuing guidance on the Act, through various regulations some of which are still proposed and not final. The Company will implement any changes related to finalized regulations and other guidance in the period issued.

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

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

CONTINGENCIES

As discussed in Note 17, we are subject to various lawsuits and claims in the normal course of our business. In addition, we periodically receive communications from governmental and regulatory agencies concerning compliance with Medicare and Medicaid billing requirements at our VITAS subsidiary. We establish reserves for specific, uninsured liabilities in connection with regulatory and legal action that we deem to be probable and reasonably estimable. We record legal fees associated with legal and regulatory actions as the costs are incurred. We disclose material loss contingencies that are probable but not reasonably estimable and those that are at least reasonably possible.

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"). We adopted ASC 606 effective January 1, 2018. The required disclosures of ASC 606 and impact of adoption are discussed below for each of our operating subsidiaries.

VITAS

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

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

> *Routine Home Care* occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to four hours per day in fifteen 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 fifteen minute increments. This fifteen minute rate is calculated by dividing the daily rate by 96.

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

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

Care is provided to patients regardless of their ability to pay. Patients who meet our criteria for charity care are provided care without charge. There is no revenue or associated accounts receivable in the accompanying consolidated financial statements related to charity care. The cost of providing charity care during the years ended December 31, 2018, 2017 and 2016, was $8.2 million, $7.7 million and $7.0 million, respectively and is included in cost of services provided and goods sold. The cost of charity care is calculated by taking the ratio of charity care days to total days of care and multiplying by total cost of care.

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

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

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

Inpatient Cap. If the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of hospice care such program provided to all Medicare patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. None of VITAS' hospice programs exceeded the payment limits on inpatient services during the years ended December 31, 2018, 2017 and 2016.

Medicare Cap. We are also subject to a Medicare annual per-beneficiary cap ("Medicare cap"). Compliance with the Medicare cap is measured in one of two ways based on a provider election. The "streamlined" method compares total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number with the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs from September 28 through September 27 of the following year. At December 31, 2018, 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 $3.6 million is owed for Medicare cap in three programs arising during the 2013 through 2018 measurement periods. The amounts are automatically deducted from our semi-monthly periodic interim payments ("PIP"). 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 years ended December 31, 2018, we recorded $4.1 million in Medicare cap revenue reduction related to two programs' 2018 measurement period liability and 2 programs' projected 2019 measurement period liability.

During the year ended December 31, 2017, we recorded $ 2.4 million in Medicare cap revenue reduction related to two programs' projected 2018 measurement period liability and $247,000 for two programs' cap liability for prior periods.

During the year ended December 31, 2016, we recorded $228,000 in Medicare cap revenue reduction related to one programs' projected 2015 measurement period liability.

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

The composition of patient care service revenue by payor and level of care for the year ended December 31, 2018 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 939,951	$ 47,609	$ 22,958	$ 1,010,518
Continuous care	110,596	6,126	5,776	122,498
Inpatient care	69,354	8,156	5,167	82,677
	$ 1,119,901	$ 61,891	$ 33,901	$ 1,215,693
All other revenue - self-pay, respite care, etc.				7,831
Subtotal				$ 1,223,524
Medicare cap adjustment				(4,123)
Implicit price concessions				(11,785)
Room and board, net				(10,054)
Net revenue				$ 1,197,562

Roto-Rooter

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

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

Short-term Core Services are plumbing, drain and sewer cleaning and excavation services. These services are provided to both commercial and residential customers. The duration of services provided in this category range from a few hours to a few days. There are no significant warranty costs or on-going obligations to the customer once a service has been completed. For residential customers, payment is 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 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 an independent third-party to operate the territory under Roto-Rooter's registered trademarks. The contract is 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 weekly labor 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. Payment from independent contractors is also received on a weekly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the independent contractor as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

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

Franchisees pay Roto-Rooter a standard monthly fee based on the population within the franchise territory. The standard fee is revised on a yearly basis based on changes in the Consumer Price Index for All Urban Consumers. The primary value for the franchisees under this arrangement is the right to use Roto-Rooter's registered trademarks. 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 year ended December 31, 2018 is as follows (in thousands):

Short-term core service jobs	$	421,790
Water restoration		101,784
Contractor revenue		50,093
Franchise fees		6,382
All other		11,958
Subtotal	$	592,007
Implicit price concessions and credit memos		(6,921)
Net revenue	$	585,086

Initial Adoption of ASC 606

The Company utilized the modified retrospective method of adoption for all contracts. Except for the changes discussed below, the Company has consistently applied the accounting policies to all periods presented in the consolidated financial statements. Sales tax collected from customers at Roto-Rooter is excluded from revenue under ASC 606 and prior revenue standards.

For VITAS, expenses related to payor audits and reviews, as well as variable consideration estimated for patient deductibles and coinsurance, have been historically estimated as revenue was recognized and classified as bad debt expense, included in the consolidated statements of income as selling, general and administrative expense. Upon adoption of ASC 606, these expenses are classified as contra-revenue. There is no change in the timing of recognition related to the variable consideration. The amount of these expenses during the year ended December 31, 2018 was $11.8 million.

Also for VITAS, the 5% net expense related to Medicaid room and board has been historically recorded on a net basis in cost of services provided in the consolidated income statements. Upon adoption of ASC 606, due to the change in the residual value method required by ASC 606, the expense will be classified as a contra-revenue. The amount of the change in the classification for these expenses during the year ended December 31, 2018 was $10.1 million. There has been no change in the evaluation of Medicaid room and board related to net versus gross presentation.

Related to Roto-Rooter, expenses related to post-invoice variable consideration in our short-term core portfolio, and adjustments made subsequent to initial estimates related to allowances taken by insurance companies for water restoration, have been classified as a contra-revenue account in the statements of income. These amounts were previously classified as bad debt expense in SG&A. The amount of the change in classification for these expenses during the year ended December 31, 2018 was $6.9 million. The initial estimate related to allowances taken by insurance companies for water restoration services has historically been classified as contra-revenue and did not change as a result of the transition.

There was no material impact on the consolidated balance sheets related to the initial adoption. There is no impact to consolidated net income as a result of the initial adoption. As a result of the change in classification in the statements of income, amounts previously included in the provision for uncollectible accounts in the statements of cash flow have been included in the decrease/(increase) in accounts receivable line item in 2018. The total impact of the change from prior revenue guidance (ASC 605) to guidance adopted on January 1, 2018 related to classification in the statements of income is as follows (in thousands):

	Impact for the year ended December 31, 2018		
	ASC 605	Adjustment	ASC 606
Service revenue and sales	$ 1,811,408	$ (28,760)	$ 1,782,648
Cost of services provided and goods sold	1,238,698	(10,054)	1,228,644
Selling, general and administrative expenses	288,915	(18,706)	270,209

3. 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 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 December 31, 2018 and 2017, respectively, the interest rate is LIBOR plus 100 basis points.

The debt outstanding at December 31, 2018 and 2017 consists of the following (in thousands):

	December 31,	
	2018	2017
Revolver	**$ 89,200**	$ 26,200
Term loan	**-**	75,000
Total	**89,200**	101,200
Current portion of term loan	**-**	(10,000)
Long-term debt	**$ 89,200**	$ 91,200

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

2018	**$**	**4,178**
2017		3,626
2016		3,047

The 2018 Credit Agreement contains the following quarterly financial covenants:

Description	Requirement	Chemed
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00	0.41 to 1.00
Fixed Charge Coverage Ratio (Consolidated Free Cash Flow/Consolidated Fixed Charges)	> 1.50 to 1.00	7.61 to 1.00

We are in compliance with all debt covenants as of December 31, 2018. We have issued $36.4 million in standby letters of credit as of December 31, 2018 for insurance purposes. Issued letters of credit reduce our available credit under the 2018 Credit Agreement. As of December 31, 2018, we have approximately $324.4 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility.

4. Stock-Based Compensation Plans

We have three stock incentive plans under which a total of 5.1 million shares were able to be issued to key employees and directors through a grant of stock options, stock awards and/or performance stock units ("PSUs"). The Compensation/Incentive Committee ("CIC") of the Board of Directors administers these plans.

We grant stock options, stock awards and PSUs to our officers, other key employees and directors to better align their long-term interests with those of our shareholders. We grant stock options at an exercise price equal to the market price of our stock on the date of grant. Options vest ratably annually over a three-year period. Those granted in 2018, 2017, 2016 and 2015 have a contractual life of 5 years; those granted prior to 2014 have a contractual life of 10 years. Restricted stock awards granted in 2015 vest ratably annually over a three year period. Unrestricted stock awards generally are granted to our non-employee directors annually at the time of our annual meeting. PSUs are contingent upon achievement of multi-year earnings per share ("EPS") targets or total shareholder return ("TSR") targets. Upon achievement of targets, PSUs are converted to unrestricted shares of stock.

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

In May 2018, the CIC granted 2,295 unrestricted shares of stock to the Company's outside directors.

PERFORMANCE AWARDS

In February 2016, 2017 and 2018, the CIC granted PSUs contingent upon the achievement of certain TSR targets as compared to the TSR of a group of peer companies for the three-year measurement period, at which date the awards may vest. We utilize a Monte Carlo simulation approach in a risk-neutral framework with inputs including historical volatility and the risk-free rate of interest to value these TSR awards. We amortize the total estimated cost over the service period of the award.

In February 2016, 2017 and 2018, the CIC granted PSUs contingent on the achievement of certain EPS targets over the three-year measurement period. At the end of each reporting period, we estimate the number of shares of stock we believe will ultimately vest and record that expense over the service period of the award.

Comparative data for the PSUs include:

	2018 Awards	2017 Awards	2016 Awards
TSR Awards			
Shares of stock granted	**7,523**	7,304	9,541
Per-share fair value	**$ 341.20**	$ 226.95	$ 150.74
Volatility	**22.9%**	21.8%	26.7%
Risk-free interest rate	**2.34%**	1.44%	0.89%
EPS Awards			
Shares of stock granted	**7,523**	7,304	9,541
Per-share fair value	**$ 256.29**	$ 172.60	$ 126.37
Common Assumptions			
Service period (years)	**2.9**	2.9	2.9
Three-year measurement period ends December 31,	**2020**	2019	2018

The following table summarizes total stock option, stock award and PSU activity during 2018:

	Stock Options				Stock Awards		Performance Units (PSUs)	
		Weighted Average						
	Number of Options	Exercise Price	Remaining Contractual Life (Years)	Aggregate Intrinsic Value (thousands)	Number of Awards	Weighted Average Grant-Date Price	Number of Target Units	Weighted Average Grant-Date Price
Outstanding at January 1, 2018	1,698,458	$ 141.62			9,706	$ 121.75	53,732	$ 151.09
Granted	246,350	306.70			2,295	333.75	32,255	209.49
Exercised/Vested	(539,104)	112.79			(12,001)	162.29	(37,827)	129.48
Canceled/ Forfeited	(10,670)	153.31			-	-	-	-
Outstanding at December 31, 2018	1,395,034	$ 181.82	3.6	$ 144,271	-	$ -	48,160	$ 207.17
Vested and expected to vest at December 31, 2018	1,395,034	$ 181.82	3.6	$ 144,271	-	$ -	83,250	202.10
Exercisable at December 31, 2018	770,385	137.48	3.3	110,291	n.a.	n.a.	n.a.	n.a.

* Amount includes 32,134 share units which vested and were converted to shares of stock and distributed in the first quarter of 2019.

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

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

	Years Ended December 31, 2018	2017	2016
Total compensation expense of stock-based compensation plans charged against income	**$ 19,229**	$ 16,256	$ 13,773
Total income tax benefit recognized in income for stock based compensation expense charged against income	**4,788**	5,690	5,062
Total intrinsic value of stock options exercised	**102,144**	50,192	17,635
Total intrinsic value of stock awards vested during the period	**4,003**	6,983	7,429
Per-share weighted average grant-date fair value of stock awards granted	**333.75**	203.52	126.53

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

	2018	2017	2016
Stock price on date of issuance	**$ 306.70**	$ 231.91	$ 135.85
Grant date fair value per share	**$ 67.16**	$ 46.27	$ 22.74
Number of options granted	**246,350**	330,550	505,775
Expected term (years)	**4.0**	4.0	4.0
Risk free rate of return	**2.99%**	1.86%	1.09%
Volatility	**22.42%**	22.80%	21.10%
Dividend yield	**0.4%**	0.5%	0.8%
Forfeiture rate	**-**	-	-

Other data for stock options, stock awards and PSUs for 2018 include (dollar amounts in thousands):

	Stock Options	**Stock Awards**	**PSUs**
Total unrecognized compensation at the end of the year	$ 27,556	$ -	$ 5,925
Weighted average period over which unrecognized compensation to be recognized (years)	2.3	-	1.8
Actual income tax benefit realized	$ 24,075	$ 944	$ 2,086
Aggregate intrinsic value vested and expected to vest	$ 144,271	$ -	$ 23,363

EMPLOYEE STOCK PURCHASE PLAN ("ESPP")

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

5. Segments and Nature of the Business

Our segments include the VITAS segment and the Roto-Rooter segment. Relative contributions of each segment to service revenues and sales were 67% and 33%, respectively, in 2018 and 69% and 31%, respectively, in 2017 and 2016. The vast majority of our service revenues and sales from continuing operations are generated from business within the United States.

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

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

Segment data are set forth below (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Revenues by Type of Service			
VITAS			
Routine homecare	**$ 1,010,518**	$ 935,913	$ 887,940
Continuous care	**122,498**	124,557	138,025
General inpatient	**82,677**	90,472	97,580
Other	**7,831**	-	-
Subtotal revenue	**1,223,524**	1,150,942	1,123,545
Room and board, net	**$ (10,054)**	$ -	$ -
Implicit price concessions	**(11,785)**	-	.
Medicare cap adjustment	**(4,123)**	(2,682)	(228)
Total segment	**1,197,562**	1,148,260	1,123,317
Roto-Rooter			
Short-term core service jobs	**421,790**	373,579	345,638
Water restoration	**101,784**	82,272	50,229
Contractor revenue	**50,093**	43,770	40,097
Franchise fees	**6,382**	6,130	5,090
Other	**11,958**	12,713	12,510
Implicit price concessions and credit memos	**(6,921)**	-	-
Total segment	**585,086**	518,464	453,564
Total service revenues and sales	**$ 1,782,648**	$ 1,666,724	$ 1,576,881
After-tax Segment Earnings/(Loss)			
VITAS	**$ 138,846**	$ 57,645	$ 84,961
Roto-Rooter	**98,711**	73,299	52,893
Total	**237,557**	130,944	137,854
Corporate	**(32,013)**	(32,767)	(29,111)
Net income	**$ 205,544**	$ 98,177	$ 108,743
Interest Income			
VITAS	**$ 13,412**	$ 12,044	$ 8,294
Roto-Rooter	**7,000**	5,635	3,653
Total	**20,412**	17,679	11,947
Intercompany eliminations	**(19,741)**	(17,252)	(11,564)
Total interest income	**$ 671**	$ 427	$ 383
Interest Expense			
VITAS	**$ 175**	$ 188	$ 211
Roto-Rooter	**319**	323	332
Total	**494**	511	543
Corporate	**4,496**	3,761	3,172
Total interest expense	**$ 4,990**	$ 4,272	$ 3,715
Income Tax Provision			
VITAS	**$ 40,847**	$ 16,436	$ 51,910
Roto-Rooter	**28,850**	32,782	32,719
Total	**69,697**	49,218	84,629
Corporate	**(35,641)**	(30,478)	(16,318)
Total income tax provision	**$ 34,056**	$ 18,740	$ 68,311
Identifiable Assets			
VITAS	**$ 553,949**	$ 545,304	$ 542,142
Roto-Rooter	**351,030**	294,663	261,641
Total	**904,979**	839,967	803,783
Corporate	**70,550**	80,059	76,276
Total identifiable assets	**$ 975,529**	$ 920,026	$ 880,059

	For the Years Ended December 31,		
	2018	2017	2016
Additions to Long-Lived Assets			
VITAS	**$ 36,969**	$ 23,469	$ 22,000
Roto-Rooter	**68,786**	45,386	17,709
Total	**105,755**	68,855	39,709
Corporate	**128**	483	63
Total additions to long-lived assets	**$ 105,883**	$ 69,338	$ 39,772
Depreciation and Amortization			
VITAS	**$ 19,700**	$ 18,630	$ 19,090
Roto-Rooter	**19,016**	16,790	15,002
Total	**38,716**	35,420	34,092
Corporate	**147**	205	546
Total depreciation and amortization	**$ 38,863**	$ 35,625	$ 34,638

6. Intangible Assets

Amortization of definite-lived intangible assets for the years ended December 31, 2018, 2017, 2016, was $399,000, $137,000 and $359,000 respectively. The following is a schedule by year of projected amortization expense for definite-lived intangible assets (in thousands):

2019	$ 1,628
2020	1,624
2021	1,620
2022	1,611
2023	1,590
Thereafter	8,880

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

	Gross Asset	Accumulated Amortization	Net Book Value
December 31, 2018			
Referral networks	**$ 21,850**	**$ (21,152)**	**$ 698**
Covenants not to compete	**9,796**	**(9,367)**	**429**
Customer lists	**2,025**	**(1,235)**	**790**
Reacquired franchise rights	**12,447**	**(1,529)**	**10,918**
Subtotal - definite-lived intangibles	**46,118**	**(33,283)**	**12,835**
VITAS trade name	**51,300**	**-**	**51,300**
Roto-Rooter trade name	**150**	**-**	**150**
Operating licenses	**3,968**	**-**	**3,968**
Total	**$ 101,536**	**$ (33,283)**	**$ 68,253**
December 31, 2017			
Referral networks	$ 21,140	$ (21,140)	$ -
Covenants not to compete	9,519	(9,291)	228
Customer lists	1,217	(1,217)	-
Reacquired franchise rights	1,298	(1,239)	59
Subtotal - definite-lived intangibles	33,174	(32,887)	287
VITAS trade name	51,300	-	51,300
Roto-Rooter trade name	150	-	150
Operating licenses	3,128	-	3,128
Total	$ 87,752	$ (32,887)	$ 54,865

7. Business Combinations

During 2018, we completed four business combinations of former franchisees within the Roto-Rooter segment for $42.2 million in cash to increase our market penetration. The Vitas segment completed one business combination in Florida for $11.0 million to increase our market penetration. The purchase price of these acquisition was allocated as follows (in thousands):

Reacquired franchise rights	$	11,161
All other identifiable intangible assets		2,500
Goodwill		33,828
Other assets and liabilities - net		5,688
	$	53,177

There was no gain or loss as a result of the settlement of the preexisting relationship with the former franchisees at Roto-Rooter. Goodwill, substantially all of which is deductible for tax purposes, was determined based on the residual difference between the fair value of consideration transferred and the value assigned to all tangible and intangible assets. Among factors that contributed to the recognition of goodwill for both Roto-Rooter and VITAS were expected synergies associated with combining operations of the acquiree into our existing operating platforms.

During 2017, we completed two business combinations of former franchisees within the Roto-Rooter segment for $4.7 million in cash to increase our market penetration. The purchase price of these acquisition was allocated as follows (in thousands):

Identifiable intangible assets	$	98
Goodwill		4,396
Other assets and liabilities - net		231
	$	4,725

We did not complete any business combinations during 2016.

The unaudited pro forma results of operations, assuming purchase business combinations completed in 2018 were completed on January 1, 2017 are presented below (in thousands, except per share data):

	For the Years Ended December 31,			
	2018		2017	
Service revenues and sales	$	1,811,532	$	1,705,747
Net income	$	209,891	$	103,920
Earnings per share	$	13.07	$	6.47
Diluted earnings per share	$	12.49	$	6.21

The pro-forma revenue and net income amounts associated with the acquisitions are based on unaudited historical results of the acquiree. No material pro-forma adjustments were made to the acquiree's historical results.

8. Discontinued Operations

At December 31, 2018 and 2017, the accrual for our estimated liability for potential environmental cleanup and related costs arising from the 1991 sale of DuBois amounted to $1.7 million. Of the 2018 balance, $826,000 is included in other current liabilities and $901,000 is included in other liabilities (long-term). The estimated amounts and timing of payments of these liabilities follows (in thousands):

2019	$	826
2020		300
Thereafter		601
	$	1,727

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

9. Cash Overdrafts and Cash Equivalents

Included in accounts payable are cash overdrafts of $13.8 million and $15.3 million as of December 31, 2018 and 2017, respectively.

From time to time throughout the year, we invest excess cash in money market funds directly with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. The amount invested was less than $100,000 for each balance sheet date presented.

10. Other Income -- Net

Other income -- net from continuing operations comprises the following (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Interest income	**$ 671**	$ 427	$ 383
Market value gains related to deferred compensation trusts	**287**	8,430	2,061
Other--net	**-**	(703)	(424)
Total other income	**$ 958**	$ 8,154	$ 2,020

The market value gain relates to gains on the assets in the deferred compensation trust. There is an offsetting expense in selling, general and administrative expense to reflect the corresponding increase in the liability.

11. Income Taxes

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

	For the Years Ended December 31,		
	2018	2017	2016
Current			
U.S. federal	**$ 23,934**	$ 11,724	$ 64,698
U.S. state and local	**4,484**	4,144	9,927
Foreign	**452**	465	393
Deferred			
U.S. federal, state and local	**5,185**	2,402	(6,712)
Foreign	**1**	5	5
Total	**$ 34,056**	$ 18,740	$ 68,311

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

	December 31,	
	2018	2017
Accrued liabilities	**$ 30,702**	$ 30,419
Stock compensation expense	**5,894**	6,282
State net operating loss carryforwards	**2,422**	2,243
Implicit price concessions	**1,171**	291
Other	**626**	565
Deferred income tax assets	**40,815**	39,800
Amortization of intangible assets	**(38,346)**	(36,882)
Accelerated tax depreciation	**(19,685)**	(14,057)
Market valuation of investments	**(1,068)**	(2,277)
State income taxes	**(1,261)**	(1,722)
Currents assets	**(1,861)**	(1,255)
Other	**(192)**	(247)
Deferred income tax liabilities	**(62,413)**	(56,440)
Net deferred income tax liabilities	**$ (21,598)**	$ (16,640)

At December 31, 2018 and 2017, state net operating loss carryforwards were $39.3 million and $36.5 million, respectively. These net operating losses will expire, in varying amounts, between 2024 and 2038. Based on our history of operating earnings, we have determined that our operating income will, more likely than not, be sufficient to ensure realization of our deferred income tax assets.

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

	2018	2017	2016
Balance at January 1,	**$ 1,123**	$ 1,069	$ 1,052
Unrecognized tax benefits due to positions taken in current year	**453**	268	218
Decrease due to expiration of statute of limitations	**(228)**	(214)	(201)
Balance at December 31,	**$ 1,348**	$ 1,123	$ 1,069

We file tax returns in the U.S. federal jurisdiction and various states. The years ended December 31, 2015 and forward remain open for review for federal income tax purposes. The earliest open year relating to any of our major state jurisdictions is the fiscal year ended December 31, 2013. During the next twelve months, we do not anticipate a material net change in unrecognized tax benefits.

We classify interest related to our accrual for uncertain tax positions in separate interest accounts. As of December 31, 2018 and 2017, we have approximately $136,000 and $134,000, respectively, accrued in interest payable related to uncertain tax positions. These accruals are included in other current liabilities in the accompanying consolidated balance sheet. Net interest expense related to uncertain tax positions included in interest expense in the accompanying consolidated statement of income is not material.

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

	For the Years Ended December 31,		
	2018	2017	2016
Income tax provision calculated using the statutory rate of 21%	**$ 50,316**	$ 40,921	$ 61,969
Stock compensation tax benefits	**(22,862)**	(18,932)	-
State and local income taxes, less federal income tax effect	**7,150**	4,600	6,044
Nondeductible expenses	**2,280**	1,041	881
Enactment of the tax reform act	**-**	(8,305)	-
Other--net	**(2,828)**	(585)	(583)
Income tax provision	**$ 34,056**	$ 18,740	$ 68,311
Effective tax rate	**14.2%**	16.0%	38.6%

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

2018	$	9,749
2017		42,311
2016		60,905

Provision has not been made for additional taxes on $35.1 million of undistributed earnings of our domestic subsidiaries. Should we elect to sell our interest in these businesses rather than to affect a tax-free liquidation, additional taxes amounting to approximately $8.4 million would be incurred based on current income tax rates.

12. Properties and Equipment

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

	December 31,	
	2018	2017
Land	**$ 7,964**	$ 7,108
Buildings and building improvements	**96,361**	85,570
Transportation equipment	**51,559**	47,243
Machinery and equipment	**111,183**	99,234
Computer software	**49,928**	47,840
Furniture and fixtures	**72,898**	74,191
Projects under development	**20,510**	11,882
Total properties and equipment	**410,403**	373,068
Less accumulated depreciation	**(248,370)**	(230,034)
Net properties and equipment	**$ 162,033**	$ 143,034

The net book value of computer software at December 31, 2018 and 2017, was $6.6 million and $7.3 million, respectively. Depreciation expense for computer software was $5.4 million, $4.4 million and $4.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

13. Lease Arrangements

We have operating leases that cover our corporate office headquarters, various warehouse and office facilities, office equipment and transportation equipment. The remaining terms of these leases range from monthly to nine years, and in most cases we expect that these leases will be renewed or replaced by other leases in the normal course of business. We have no significant capital leases as of December 31, 2018 or 2017.

The following is a summary of future minimum rental payments and sublease rentals to be received under operating leases that have initial or remaining noncancelable terms in excess of one year at December 31, 2018 (in thousands):

2019	**$**	**26,791**
2020		24,152
2021		19,669
2022		13,851
2023		8,179
Thereafter		10,974
Total minimum rental payments	$	103,616

Total rental expense incurred under operating leases for continuing operations follows (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Total rental expense	**$ 41,685**	$ 41,210	$ 40,034

14. Retirement Plans

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

For the Years Ended December 31,		
2018	2017	2016
$ 16,502	$ 22,025	$ 14,467

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

We have excess benefit plans for key employees whose participation in the qualified plans is limited by U.S. Employee Retirement Income Security Act requirements. Benefits are determined based on theoretical participation in the qualified plans. Benefits are only invested in mutual funds, and participants are not permitted to diversify accumulated benefits in shares of our capital stock. Trust assets invested in shares of our stock are included in treasury stock, and the corresponding liability is included in a separate component of stockholders' equity. At December 31, 2018, these trusts held 80,584 shares at historical average cost or $2.3 million of our stock (2017 – 83,125 shares or $2.2 million).

15. Earnings Per Share

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

For the Years Ended December 31,	**Net Income**	**Net Income Shares**	**Earnings per Share**
2018			
Earnings	**$ 205,544**	**16,059**	**$ 12.80**
Dilutive stock options	**-**	**650**	
Nonvested stock awards	**-**	**94**	
Diluted earnings	**$ 205,544**	**16,803**	**$ 12.23**
2017			
Earnings	$ 98,177	16,057	$ 6.11
Dilutive stock options	-	596	
Nonvested stock awards	-	89	
Diluted earnings	$ 98,177	16,742	$ 5.86
2016			
Earnings	$ 108,743	16,383	$ 6.64
Dilutive stock options	-	296	
Nonvested stock awards	-	110	
Diluted earnings	$ 108,743	16,789	$ 6.48

During 2018, 246,000 stock options were excluded from the computation of diluted earnings per share as their exercise prices were greater than the average market price during most of the year. During 2017, 328,000 stock options were also excluded. During 2016, 923,000 stock options were also excluded.

16. Financial Instruments

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

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2018 (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	$ 65,624	$ 65,624	$ -	$ -
Long-term debt and current portion of long-term debt	89,200	-	89,200	-

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2017 (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	$ 62,067	$ 62,067	$ -	$ -
Long-term debt and current portion of long-term debt	101,200	-	101,200	-

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 Footnote 3, our outstanding long-term debt and current portion of long-term debt have floating interest rates that are reset at short-term intervals, generally 30 or 60 days. The interest rate we pay also includes an additional amount based on our current leverage ratio. As such, we believe our borrowings reflect significant nonperformance risks, mainly credit risk. Based on these factors, we believe the fair value of our long-term debt and current portion of long-term debt approximate the carrying value.

17. 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, 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. 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

The Company and certain current and former directors and officers are defendants in a case captioned *In re Chemed Corp. Shareholder Derivative Litigation*, No. 13 Civ. 1854 (LPS) (CJB) (D. Del.), which was consolidated on February 2, 2015.

On February 2, 2015, the Court appointed KBC Asset Management NV the sole lead plaintiff and its counsel, the sole lead and liaison counsel. On March 3, 2015, Lead Plaintiff KBC designated its Complaint as the operative complaint in the consolidated proceedings and defendants renewed a previously filed motion to dismiss those claims and allegations. The consolidated Complaint named fourteen individual defendants, together with the Company as nominal defendant. The Complaint alleges a claim for breach of fiduciary duty against the individual defendants for allegedly permitting the Company to submit false claims to the U.S. government. The Complaint seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees. On May 12, 2016, the Court issued a Memorandum Order granting Chemed's motion to dismiss, and dismissing Lead Plaintiff KBC's Complaint without prejudice to KBC's opportunity to file within 30 days of the date of the Court's Order (i.e., by June 13, 2016) an amended Complaint addressing the deficiencies in its duty of loyalty claim. Lead Plaintiff KBC did not file an amended Complaint within the time specified by the Court.

However, on June 13, 2016, counsel for Chemed shareholder Michael Kvint filed a letter with the Court requesting a two-week extension to file a motion to substitute Mr. Kvint as lead plaintiff, in place of Lead Plaintiff KBC and to file an amended Complaint. Alternatively, counsel for Mr. Kvint requested that any dismissal of the action be with prejudice to KBC only. On June 14, 2016, Chemed filed a reply letter with the Court, reserving its rights to oppose any motion filed by Mr. Kvint and, if warranted, to oppose any other actions taken by Mr. Kvint to proceed with the action (including by filing an untimely amended Complaint). On June 21, 2016, the Court entered an Oral Order providing Mr. Kvint until June 30, 2016 to file a Motion to Substitute and Motion for Leave to File an Amended Complaint. On that date, Mr. Kvint filed, under seal, a Motion to Substitute Plaintiff and File Amended Complaint, and attached a Proposed Amended Complaint. Mr. Kvint's motion was fully briefed by the parties. On April 25, 2017, Magistrate Judge Burke issued a Report and Recommendation recommending that the Court permit Mr. Kvint to intervene as Lead Plaintiff and grant leave to amend the complaint to replead the duty of loyalty claim only. On May 16, 2017, Chief Judge Stark signed an Order adopting that Report and Recommendation. Plaintiff Kvint filed a Corrected Amended Complaint on May 30, 2017. On September 13, 2017, the Court entered an order dismissing with prejudice the claims against defendants Timothy S. O'Toole and Joel F. Gemunder and permitting Defendants to file a Motion to Dismiss the Corrected Amended Complaint. The matter has been fully briefed and argued. On February 26, 2019, Magistrate Judge Burke issued a Report and Recommendations recommending that Defendants' motion to dismiss the amended complaint be granted. Any objections to that Report are due March 12, 2019, and any responses thereto are due March 26, 2019. The Court will then decide whether to accept the Report and Recommendations. As the Company has previously disclosed, the legal fees and costs associated with defending against this lawsuit are presently being paid by insurance. For additional procedural history of this litigation, please refer to our prior quarterly and annual filings.

On October 30, 2017, the Company entered into a settlement agreement (the "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 "2013 Action"). 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.

Under the Settlement Agreement, the United States agreed to release the Company, VITAS, and its hospice operation subsidiaries from any civil or administrative monetary liability relating to any patients' disputed terminal medical prognosis of six months or less; a lack of medical necessity for billed Continuous Home Care, General Inpatient Care, or Respite Care levels of hospice care; or that the claims for those levels of hospice care were not eligible for payment for any other reason. The OIG agreed, conditioned on the Company's full payment and in consideration of VITAS' obligations under the CIA, to release its permissive exclusion rights and refrain from instituting any administrative action seeking to exclude the Company, VITAS, and its affiliates from participating in Medicare, Medicaid, or other federal healthcare programs in this regard.

Under the Settlement Agreement, the Company paid $75 million plus interest, plus certain attorney fees and expenses of qui tam relators. The Company made these payments during the fourth quarter of 2017. The Company previously recorded a $90 million loss reserve ($55.8 million after-tax) related to the Settlement Agreement, and associated costs in the second quarter of 2017. During the fourth quarter of 2017, approximately $5.5 million ($3.4 million after-tax) recorded as part of the $90 million was reversed as relator attorney' fees were less than originally estimated

The costs incurred related to U.S. v. VITAS and related regulatory matters, exclusive of the settlement were $5.2 million and $5.3 million for 2017, and 2016 respectively.

Jordan Seper ("Seper"), a Registered Nurse at VITAS' Inland Empire program from May 12, 2014 to March 21, 2015, filed a lawsuit in San Francisco Superior Court on September 26, 2016. She alleged VITAS Healthcare Corp of CA ("VITAS CA") (1) failed to provide minimum wage for all hours worked; (2) failed to provide overtime for all hours worked; (3) failed to provide a second meal period; (4) failed to provide rest breaks; (5) failed to indemnify for necessary expenditures; (6) failed to timely pay wages due at time of separation; and (7) engaged in unfair business practices. Seper seeks a state-wide class action of current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of the lawsuit. She seeks court determination that this action may be maintained as a class action for the entire California class and subclasses, designation as class representative, declaratory relief, injunctive relief, damages (including wages for regular or overtime hours allegedly worked but not paid, premium payments for missed meal or rest periods, and unreimbursed expenses), all applicable penalties associated with each claim, pre and post-judgment interest, and attorneys' fees and costs. Seper served VITAS CA with the lawsuit, *Jordan A. Seper on behalf of herself and others similarly situated v. VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corp of CA, a business entity unknown; and DOES 1 to 100, inclusive*; Los Angeles Superior Court Case Number BC 642857 on October 13, 2016 ("Jordan Seper case").

On November 14, 2016, the Parties filed a Stipulation to transfer the venue of the lawsuit from San Francisco to Los Angeles. The Los Angeles Superior Court Complex Division accepted transfer of the case on December 6, 2016 and stayed the case. On December 16, 2016, VITAS CA filed its Answer and served written discovery on Seper.

Jiwann Chhina ("Chhina"), hired by VITAS as a Home Health Aide on February 5, 2002, is currently a Licensed Vocational Nurse for VITAS' San Diego program. On September 27, 2016, Chhina filed a lawsuit in San Diego Superior Court, alleging (1) failure to pay minimum wage for all hours worked; (2) failure to provide overtime for all hours worked; (3) failure to pay wages for all hours at the regular rate; (4) failure to provide meal periods; (5) failure to provide rest breaks; (6) failure to provide complete and accurate wage statements; (7) failure to pay for all reimbursement expenses; (8) unfair business practices; and (9) violation of the California Private Attorneys General Act. Chhina seeks to pursue these claims in the form of a state-wide class action of current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of the lawsuit. He seeks court determination that this action may be maintained as a class action for the entire California class and subclasses, designation as class representative, declaratory relief, injunctive relief, damages (including wages for regular or overtime hours allegedly worked but not paid, premium payments for missed meal or rest period, and unreimbursed expenses), all applicable penalties associated with each claim, pre-judgment interest, and attorneys' fees and costs. Chhina served VITAS CA with the lawsuit, *Jiwan Chhina v. VITAS Health Services of California, Inc., a California corporation; VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corporation of California, a Delaware corporation dba VITAS Healthcare Inc.; and DOES 1 to 100, inclusive*; San Diego Superior Court Case Number 37-2015-00033978-CU-OE-CTL on November 3, 2016 ("Jiwann Chhina case"). On December 1, 2016, VITAS CA filed its Answer and served written discovery on Chhina.

On May 19, 2017, Chere Phillips (a Home Health Aide in Sacramento) and Lady Moore (a former Social Worker in Sacramento) filed a lawsuit against VITAS CA in Sacramento County Superior Court, alleging claims for (1) failure to pay all wages due; (2) failure to authorize and permit rest periods; (3) failure to provide off-duty meal periods; (4) failure to furnish accurate wage statements; (5) unreimbursed business expenses; (6) waiting time penalties; (7) violations of unfair competition law; and (8) violation of the Private Attorneys General Act. The case is captioned: *Chere Phillips and Lady Moore v. VITAS Healthcare Corporation of California*, Sacramento County Superior Court, Case No. 34-2017-0021-2755. Plaintiffs sought to pursue these claims in the form of a state-wide class action of current and former non-exempt employees employed with VITAS CA in California within the four years preceding the filing of the lawsuit. Plaintiffs served VITAS with the lawsuit on June 5, 2017. VITAS CA timely answered the Complaint generally denying the Plaintiffs' allegations. The Court has stayed all class discovery in this case pending resolution of mediation in the Jordan Seper and Jiwann Chhina cases.

There are currently three other lawsuits against VITAS pending in the superior courts of other California counties that contain claims and class periods that substantially overlap with Phillips' and Moore's claims: the Jordan Seper and Jiwann Chhina cases, and *Williams v. VITAS Healthcare Corporation of California*, filed on May 22, 2017 in Alameda County Superior Court, RG 17853886.

Jazzina Williams' (a Home Health Aide in Sacramento) lawsuit alleges claims for (1) failure to pay all wages due; (2) failure to authorize and permit rest periods; (3) failure to provide off-duty meal periods; (4) failure to furnish accurate wage statements; (5) unreimbursed business expenses; (6) waiting time penalties; and (7) violations of the Private Attorneys General Act ("PAGA"). Williams seeks to pursue these claims both individually and as a representative action under the PAGA on behalf of current and former California non-exempt employees. Plaintiff served VITAS with the lawsuit on May 31, 2017. VITAS CA timely answered the Complaint generally denying Plaintiff's allegations. Williams is pursing discovery of her individual claim and has agreed to a stay of class discovery pending possible resolution through ongoing mediation in the Jordan Seper and Jiwann Chhina cases. Defendant filed and served each of Plaintiffs Williams, Phillips, and Moore with a Notice of Related Cases on July 19, 2017.

The *Jordan Seper* and *Jiwann Chhina* cases have been consolidated in Los Angeles County Superior court; *Chhina* was dismissed as a separate action and joined with *Seper* through the filing of an amended complaint in *Seper* in which *Chhina* is also identified as a named plaintiff, on August 28, 2018.

Alfred Lax ("Lax"), a current employee of Roto-Rooter Services Company ("RRSC"), was hired in the RRSC's Menlo Park branch in 2007. On November 30, 2018, Lax filed a class action lawsuit in Santa Clara County Superior Court alleging (1) failure to provide or compensate for required rest breaks; (2) failure to properly pay for all hours worked; (3) failure to provide accurate wage statements; (4) failure to reimburse for work-related expenses; and (5) unfair business practices. Lax has stated these claims as a representative of a class defined as all service technicians employed by RRSC in California during the four years preceding the filing of the complaint. He seeks a determination that the action may proceed and be maintained as a class action and for compensatory and statutory damages (premium payments for missed rest periods, uncompensated rest periods, wages for time allegedly not paid such as travel time, repair time, and vehicle maintenance time, and unreimbursed expenses), penalties and restitutions, pre- and post-judgement interest and attorneys' fees and costs. The lawsuit, *Alfred Lax, on behalf of himself and all others similarly situated v. Roto-Rooter Services Company, and Does 1 through 50 inclusive;* Santa Clara County Superior Court Case Number 18CV338652, was received by RRSC on December 11, 2018 and RRSC timely filed its answer denying the claims.

The Company is not able to reasonably estimate the probability of loss or range of loss for any of these lawsuits at this time.

The Company intends to defend vigorously against the allegations in each of the above lawsuits. 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, 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.

18. Concentration of Risk

During the year VITAS had pharmacy services agreements ("Agreements") with one service provider to provide specified pharmacy services for VITAS and its hospice patients. VITAS made purchases from this provider of $31.4 million, $32.7 million and $35.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. For the years ended December 31, 2018, 2017 and 2016, respectively, purchases from this vendor represent approximately 99%, 85% and 90%, respectively of all pharmacy services used by VITAS. VITAS' accounts payable for pharmacy services was $2.6 million at December 31, 2018. At December 31, 2017, VITAS' accounts payable for pharmacy services was $2.0 million.

19. Capital Stock Transactions

We repurchased the following capital stock:

	For the Years Ended December 31,		
	2018	2017	2016
Total cost of repurchased shares (in thousands):	**$ 158,884**	$ 94,640	$ 102,313
Shares repurchased	**561,146**	500,000	780,134
Weighted average price per share	**$ 283.14**	$ 189.28	$ 131.15

In March 2018, the Board of Directors authorized an additional $150.0 million for stock repurchase under the February 2011 repurchase program. We currently have $46.6 million of authorization remaining under this share purchase plan.

20. Other Operating Expenses

	December 31,		
	2018	2017	2016
Litigation settlement	**$ 796**	$ 84,476	$ -
Loss on disposal of property and equipment	**504**	5,266	-
Program closure expenses	**-**	1,138	-
Retirement expenses	**-**	-	4,491
Total other operating expenses	**$ 1,300**	$ 90,880	$ 4,491

During 2017, the Company recorded $84.5 million related to the Settlement Agreement and a related qui tam case. See footnote 17 for further discussion. The company recorded $5.3 million related to the loss on the sale of transportation equipment. Also during 2017, the Company recorded $1.1 million related to the closure of three Alabama programs at VITAS.

During 2016, the Company recorded early retirement related costs and accelerated stock-based compensation expense of approximately $4.5 million related to the early retirement of VITAS' former Chief Executive Officer. The costs were calculated in accordance with the terms of this employment agreement.

21. Recent Accounting Statements

In February 2016, the FASB issued Accounting Standards Update "ASU No. 2016-02 – Leases" which introduces a lessee model that brings most leases on to the balance sheets and updates lessor accounting to align with changes in the lessee model and the revenue recognition standard. The guidance is effective for fiscal years beginning after December 15, 2018. We plan to elect the new transition method approved by the FASB on July 30, 2018, which allows companies to apply the provisions of the new leasing standard as of January 1, 2019, without adjusting comparative periods presented by recognizing a cumulative-effect adjustment to the opening balance of retained earnings. We do not expect the cumulative-effect adjustment to be material.

We have contracted with a software vendor for the technology to support compliance with the ASU. We currently have all real estate and equipment leases identified and populated into the software. We are in the process of completing testing of the data in the software for completeness and accuracy. We have implemented controls over the implementation and are also in the process of developing and testing controls once the new standard takes effect.

While we continue to evaluate the effect of the standard on our consolidated financial statements, the adoption of the ASU will result in the recognition of a right of use asset and related liability in the range of approximately $105 million to $125 million. This estimate is developed based partially on our anticipated utilization of the allowable practical expedients, as follows:

- We will utilize the "package" of practical expedients related to the ASU's adoption. As such, we will not re-assess our historical conclusions related to capital versus operating lease classification, the existence of embedded leases in service contracts and indirect initial costs for existing leases.
- We will combine the lease and non-lease components of our building/space leases for purposes of calculating our right of use asset and related lease liability. We do not have material non-lease components in our existing equipment leases.
- We will not capitalize leases with less than a 12-month expiration without a purchase option that is reasonably certain to be exercised.

While we intend to utilize the practical expedients as outlined above, we continue to analyze their impact and the final conclusions may change upon adoption. Any change to the practical expedients could cause a significant change to the estimated right-of-use asset and associated lease liability. The remaining practical expedients are either not applicable or are not anticipated to have a significant impact. We do not anticipate a material impact to overall net income or cash flows as a result of the adoption of the ASU.

In January 2017, the FASB issued Accounting Standards Update "ASU No. 2017-4 – Intangibles – Goodwill and Other". To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. The guidance in the ASU is effective for the Company in fiscal years beginning after December 15, 2019. Early adoption is permitted. We anticipate adoption of this standard will have no impact on our consolidated financial statements.

In June 2018, the FASB issued Accounting Standards Update "ASU No. 2018-07 – Compensation – Stock Compensation". The ASU expands the scope of current guidance to include all share-based payment arrangements related to the acquisition of goods and services from both non-employees and employees. The guidance in the ASU is effective for the Company in all fiscal years beginning after December 15, 2018. Adoption of this standard will have no material impact on our consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update "ASU No. 2018-15" to provide guidance on implementation costs incurred in a cloud computing arrangement that is a service contract. This ASU aligns the accounting for such costs with the guidance on capitalizing costs associated with developing or obtaining internal use software. The ASU is effective for fiscal years beginning after December 15, 2019 and interim periods thereafter. Early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

UNAUDITED SUMMARIES OF QUARTERLY RESULTS

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

For the Year Ended December 31, 2018	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total service revenues and sales	$ 439,176	$ 441,813	$ 444,151	$ 457,508	$ 1,782,648
Gross profit (excluding depreciation)	$ 134,640	$ 136,072	$ 138,839	$ 144,453	$ 554,004
Income/(loss) from operations	$ 56,397	$ 58,141	$ 61,713	$ 67,381	$ 243,632
Interest expense	(1,207)	(1,524)	(1,082)	(1,177)	(4,990)
Other income--net	1,018	1,038	2,300	(3,398)	958
Income before income taxes	56,208	57,655	62,931	62,806	239,600
Income taxes	(11,212)	(2,684)	(11,682)	(8,478)	(34,056)
Net income/(loss) (a)	$ 44,996	$ 54,971	$ 51,249	$ 54,328	$ 205,544
Earnings/(Loss) Per Share (a)					
Net income/(loss)	$ 2.79	$ 3.43	$ 3.19	$ 3.39	$ 12.80
Average number of shares outstanding	16,100	16,035	16,074	16,026	16,059
Diluted Earnings/(Loss) Per Share (a)					
Net income/(loss)	$ 2.66	$ 3.27	$ 3.06	$ 3.26	$ 12.23
Average number of shares outstanding	16,887	16,811	16,772	16,670	16,803

(a) The following amounts are included in income during the respective quarter (in thousands):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Pretax (cost)/benefit:					
Stock option expense	$ (3,653)	$ (3,652)	$ (2,055)	$ (3,251)	$ (12,611)
Long-term incentive compensation	(1,920)	(1,222)	(1,234)	(2,242)	(6,618)
Medicare cap sequestration adjustment	(352)	(185)	(503)	(456)	(1,496)
Expenses related to litigation settlements	-	204	-	(1,000)	(796)
Acquisition expenses	-	-	(354)	(403)	(757)
Total	$ (5,925)	$ (4,855)	$ (4,146)	$ (7,352)	$ (22,278)
After-tax (cost)/benefit:					
Stock option expense	$ (2,891)	$ (2,900)	$ (1,674)	$ (2,653)	$ (10,118)
Long-term incentive compensation	(1,499)	(1,003)	(1,013)	(1,792)	(5,307)
Medicare cap sequestration adjustment	(263)	(138)	(376)	(337)	(1,114)
Expenses related to litigation settlements	-	152	-	(746)	(594)
Acquisition expenses	-	-	(262)	(297)	(559)
Excess tax benefits on stock compensation	3,798	11,702	3,118	4,244	22,862
Total	$ (855)	$ 7,813	$ (207)	$ (1,581)	$ 5,170

UNAUDITED SUMMARIES OF QUARTERLY RESULTS

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

For the Year Ended December 31, 2017	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total service revenues and sales	$ 405,864	$ 415,059	$ 417,444	$ 428,357	$ 1,666,724
Gross profit (excluding depreciation)	$ 120,724	$ 129,207	$ 129,397	$ 136,864	$ 516,192
Income from operations	$ 41,454	$ (38,948)	$ 53,997	$ 56,532	$ 113,035
Interest expense	(995)	(1,121)	(1,048)	(1,108)	(4,272)
Other income/(expense)--net	2,463	1,653	1,323	2,715	8,154
Income before income taxes	42,922	(38,416)	54,272	58,139	116,917
Income taxes	(13,078)	16,760	(18,835)	(3,587)	(18,740)
Net income (a)	$ 29,844	$ (21,656)	$ 35,437	$ 54,552	$ 98,177
Earnings Per Share (a)					
Net income	$ 1.84	$ (1.35)	$ 2.22	$ 3.40	$ 6.11
Average number of shares outstanding	16,219	16,010	15,976	16,026	16,057
Diluted Earnings Per Share (a)					
Net income	$ 1.78	$ (1.35)	$ 2.13	$ 3.25	$ 5.86
Average number of shares outstanding	16,801	16,010	16,676	16,776	16,742

(a) The following amounts are included in income during the respective quarter (in thousands):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Pretax (cost)/benefit:					
Stock option expense	$ (3,001)	$ (3,054)	$ (1,683)	$ (2,747)	$ (10,485)
Long-term incentive compensation	(961)	(956)	(1,104)	(1,973)	(4,994)
Loss on sale of transportation equipment	-	-	-	(5,266)	(5,266)
Expenses related to litigation settlements	-	(90,213)	-	5,524	(84,689)
Program closure expenses	(873)	(636)	371	-	(1,138)
Medicare cap sequestration adjustment	-	(105)	-	(342)	(447)
Expenses related to the Office of Inspector General investigation	(2,150)	(2,093)	(935)	(16)	(5,194)
Total	$ (6,985)	$ (97,057)	$ (3,351)	$ (4,820)	$ (112,213)
After-tax (cost)/benefit:					
Stock option expense	$ (1,897)	$ (1,931)	$ (1,064)	$ (2,000)	$ (6,892)
Long-term incentive compensation	(608)	(604)	(699)	(1,332)	(3,243)
Loss on sale of transportation equipment	-	-	-	(3,314)	(3,314)
Expenses related to litigation settlements	-	(55,929)	-	3,425	(52,504)
Program closure expenses	(513)	(385)	223	-	(675)
Medicare cap sequestration adjustment	-	(65)	-	(211)	(276)
Expenses related to the Office of Inspector General investigation	(1,328)	(1,292)	(578)	(9)	(3,207)
Impact of tax reform	-	-	-	8,302	8,302
Excess tax benefits on stock compensation	3,695	2,643	1,783	10,811	18,932
Total	$ (651)	$ (57,563)	$ (335)	$ 15,672	$ (42,877)

SELECTED FINANCIAL DATA

Chemed Corporation and Subsidiary Companies
(in thousands, except per share and footnote data, ratios, percentages and personnel)

	2018	2017	2016	2015	2014
Summary of Operations					
Continuing operations (a)					
Service revenues and sales	**$ 1,782,648**	$ 1,666,724	$ 1,576,881	$ 1,543,388	$ 1,456,282
Gross profit (excluding depreciation)	**554,004**	516,192	461,450	455,778	421,609
Depreciation	**38,464**	35,488	34,279	32,369	29,881
Amortization	**399**	137	359	1,130	720
Income from operations	**243,632**	113,035	178,749	184,458	168,419
Net income	**205,544**	98,177	108,743	110,274	99,317
Earnings per share					
Net income	**$ 12.80**	$ 6.11	$ 6.64	$ 6.54	$ 5.79
Average number of shares outstanding	**16,059**	16,057	16,383	16,870	17,165
Diluted earnings per share					
Net income	**$ 12.23**	$ 5.86	$ 6.48	$ 6.33	$ 5.57
Average number of shares outstanding	**16,803**	16,742	16,789	17,422	17,840
Cash dividends per share	**$ 1.16**	$ 1.08	$ 1.00	$ 0.92	$ 0.84
Financial Position--Year-End					
Cash and cash equivalents	**$ 4,831**	$ 11,121	$ 15,310	$ 14,727	$ 14,132
Working capital/(deficit)	**(31,830)**	(17,476)	(1,932)	(20,528)	(990)
Current ratio	**0.83**	0.91	0.99	0.88	0.99
Properties and equipment, at cost less accumulated depreciation	**$ 162,033**	$ 143,034	$ 121,302	$ 117,370	$ 105,336
Total assets	**975,529**	920,026	880,059	852,325	859,932
Long-term debt	**89,200**	91,200	100,000	83,750	141,250
Stockholders' equity	**591,334**	540,354	524,099	513,253	451,356
Other Statistics					
Capital expenditures	**$ 52,872**	$ 64,300	$ 39,772	$ 44,135	$ 43,571
Number of employees	**15,707**	14,813	14,613	14,406	14,190

(a) The following amounts are included in income from continuing operations during the respective year (in thousands):

	2018	2017	2016	2015	2014
After-tax benefit/(cost):					
Excess tax benefits on stock compensation	**$ 22,862**	$ 18,932	$ -	$ -	$ -
Stock option expense	**(10,118)**	(6,892)	(5,266)	(3,439)	(3,022)
Long-term incentive compensation	**(5,307)**	(3,243)	(1,221)	(4,752)	(1,625)
Medicare cap sequestration adjustment	**(1,114)**	(276)	(141)	-	-
Litigation settlements	**(594)**	(52,504)	(28)	(3)	(74)
Acquisition expense	**(559)**	-	-	(104)	(15)
Program closure expenses	**-**	(675)	-	-	-
Impact of tax reform	**-**	8,302	-	-	-
Loss on sale of transportation equipment	**-**	(3,314)	-	-	-
Expenses incurred in connection with the Office of Inspector General investigation	**-**	(3,207)	(3,248)	(3,072)	(1,328)
Early retirement expenses	**-**	-	(2,840)	-	-
Noncash impact of change in accounting for convertible debt	**-**	-	-	-	(2,143)
Expenses of securities litigation	**-**	-	-	(23)	(207)
Total	**$ 5,170**	$ (42,877)	$ (12,744)	$ (11,393)	$ (8,414)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands)(unaudited)

2018	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,197,562	$ 585,086	$ -	$ 1,782,648
Cost of services provided and goods sold	929,306	299,338	-	1,228,644
Selling, general and administrative expenses	80,969	145,683	43,557	270,209
Depreciation	19,688	18,629	147	38,464
Amortization	12	387	-	399
Other operating expenses	1,130	170	-	1,300
Total costs and expenses	1,031,105	464,207	43,704	1,539,016
Income/(loss) from operations	166,457	120,879	(43,704)	243,632
Interest expense	(175)	(319)	(4,496)	(4,990)
Intercompany interest income/(expense)	12,832	6,908	(19,740)	-
Other income/(expense)—net	579	93	286	958
Income/(loss) before income taxes	179,693	127,561	(67,654)	239,600
Income taxes	(40,847)	(28,850)	35,641	(34,056)
Net income/(loss)	$ 138,846	$ 98,711	$ (32,013)	$ 205,544

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (12,611)	$ (12,611)
Long-term incentive compensation	-	-	(6,618)	(6,618)
Medicare cap sequestration adjustment	(1,496)	-	-	(1,496)
Litigation settlements	(796)	-	-	(796)
Acquisition expenses	(209)	(548)	-	(757)
Total	$ (2,501)	$ (548)	$ (19,229)	$ (22,278)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Excess tax benefits on stock compensation	$ -	$ -	$ 22,862	$ 22,862
Stock option expense	-	-	(10,118)	(10,118)
Long-term incentive compensation	-	-	(5,307)	(5,307)
Medicare cap sequestration adjustment	(1,114)	-	-	(1,114)
Litigation settlements	(594)	-	-	(594)
Acquisition expenses	(156)	(403)	-	(559)
Total	$ (1,864)	$ (403)	$ 7,437	$ 5,170

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(in thousands)(unaudited)

2017	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,148,260	$ 518,464	$ -	$ 1,666,724
Cost of services provided and goods sold	886,062	264,470	-	1,150,532
Selling, general and administrative expenses	95,215	136,248	45,189	276,652
Depreciation	18,616	16,667	205	35,488
Amortization	14	123	-	137
Other operating expenses	85,614	-	5,266	90,880
Total costs and expenses	1,085,521	417,508	50,660	1,553,689
Income/(loss) from operations	62,739	100,956	(50,660)	113,035
Interest expense	(188)	(323)	(3,761)	(4,272)
Intercompany interest income/(expense)	11,656	5,596	(17,252)	-
Other income/(expense)—net	(126)	(148)	8,428	8,154
Income/(loss) before income taxes	74,081	106,081	(63,245)	116,917
Income taxes	(16,436)	(32,782)	30,478	(18,740)
Net income/(loss)	$ 57,645	$ 73,299	$ (32,767)	$ 98,177

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (10,485)	$ (10,485)
Loss on sale of transportation equipment	-	-	(5,266)	(5,266)
Long-term incentive compensation	-	-	(4,994)	(4,994)
Program closure expenses	(1,138)	-	-	(1,138)
Medicare cap sequestration adjustment	(447)	-	-	(447)
Expenses related to litigation settlements	(84,476)	(213)	-	(84,689)
Expenses incurred in connection with the Office of Inspector General investigation	(5,194)	-	-	(5,194)
Total	$ (91,255)	$ (213)	$ (20,745)	$ (112,213)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (6,892)	$ (6,892)
Loss on sale of transportation equipment	-	-	(3,314)	(3,314)
Excess tax benefits on stock compensation	-	-	18,932	18,932
Long-term incentive compensation	-	-	(3,243)	(3,243)
Impact of tax reform	11,057	7,761	(10,516)	8,302
Program closure expenses	(675)	-	-	(675)
Medicare cap sequestration adjustment	(276)	-	-	(276)
Expenses related to litigation settlements	(52,375)	(129)	-	(52,504)
Expenses incurred in connection with the Office of Inspector General investigation	(3,207)	-	-	(3,207)
Total	$ (45,476)	$ 7,632	$ (5,033)	$ (42,877)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(in thousands)(unaudited)

2016	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,123,317	$ 453,564	$ -	$ 1,576,881
Cost of services provided and goods sold	878,092	237,339	-	1,115,431
Selling, general and administrative expenses	92,550	118,812	32,210	243,572
Depreciation	19,035	14,698	546	34,279
Amortization	55	304	-	359
Other operating expenses	4,491	-	-	4,491
Total costs and expenses	994,223	371,153	32,756	1,398,132
Income/(loss) from operations	129,094	82,411	(32,756)	178,749
Interest expense	(211)	(332)	(3,172)	(3,715)
Intercompany interest income/(expense)	7,969	3,595	(11,564)	-
Other income/(expense)—net	19	(62)	2,063	2,020
Income/(loss) before income taxes	136,871	85,612	(45,429)	177,054
Income taxes	(51,910)	(32,719)	16,318	(68,311)
Net income/(loss)	$ 84,961	$ 52,893	$ (29,111)	$ 108,743

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (8,330)	$ (8,330)
Long-term incentive compensation	-	-	(1,930)	(1,930)
Early retirement expenses	(4,491)	-	-	(4,491)
Medicare cap sequestration adjustment	(228)	-	-	(228)
Expenses related to litigation settlements	-	(45)	-	(45)
Expenses incurred in connection with the Office of Inspector General investigation	(5,260)	-	-	(5,260)
Total	$ (9,979)	$ (45)	$ (10,260)	$ (20,284)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (5,266)	$ (5,266)
Long-term incentive compensation	-	-	(1,221)	(1,221)
Early retirement expenses	(2,840)	-	-	(2,840)
Medicare cap sequestration adjustment	(141)	-	-	(141)
Expenses related to litigation settlements	-	(28)	-	(28)
Expenses incurred in connection with the Office of Inspector General investigation	(3,248)	-	-	(3,248)
Total	$ (6,229)	$ (28)	$ (6,487)	$ (12,744)

EXECUTIVE SUMMARY

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

The following is a summary of the key operating results for the years ended December 31, 2018, 2017 and 2016 (in thousands except percentages and per share amounts):

		2018		2017		2016
Consolidated service revenues and sales	**$**	**1,782,648**	$	1,666,724	$	1,576,881
Consolidated net income	**$**	**205,544**	$	98,177	$	108,743
Diluted EPS	**$**	**12.23**	$	5.86	$	6.48
Adjusted net income	**$**	**200,374**	$	141,054	$	121,487
Adjusted diluted EPS	**$**	**11.93**	$	8.43	$	7.24
Adjusted EBITDA	**$**	**305,506**	$	268,459	$	236,979
Adjusted EBITDA as a % of revenue		**17.1%**		16.1%		15.0%

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

2018 versus 2017

The increase in consolidated service revenues and sales from 2017 to 2018 was a result of a 12.8% increase at Roto-Rooter and a 4.3% increase at VITAS. The increase in service revenues at Roto-Rooter was driven by an increase in all major service lines offset by a $6.9 million decrease related to the adoption of the new revenue recognition standard. The increase in service revenues at VITAS is comprised primarily of a 1.1% geographically weighted average Medicare reimbursement rate increase, a 7.2% increase in average daily census, offset by $4.1 million in Medicare cap revenue reduction (compared to $2.7 million for 2017), acuity mix shift and a $21.8 million decrease related to the adoption of the new revenue recognition standard.

2017 versus 2016

The increase in consolidated service revenues and sales from 2016 to 2017 was a result of a 14.3% increase at Roto-Rooter and a 2.2% increase at VITAS. Of Roto-Rooter's total revenue increase, $32.0 million is related to water restoration and $22.2 million is related to plumbing. The increase in service revenues at VITAS was a result of Medicare reimbursement rates increasing approximately 1.3%, a 3.2% increase in days of care offset by acuity mix shift which negatively impacted revenue when compared to the prior year. Adjusted EBITDA as a percent of revenue increased 110 basis points when compared to the prior year. Net income for 2017 includes $52.4 million of after-tax expense ($84.5 million pre-tax) for the Settlement Agreement and Spottiswood Agreement. See Commitments and Contingencies section for details.

Impact of Current Market Conditions

On December 22, 2017, the President of the United States signed into law H.R.1, "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" (previously known as "The Tax Cuts and Jobs Act") or (the "Act"). The Act amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. For businesses, U.S. generally accepted accounting principles requires resulting tax effects for the Act, to be recorded in the reporting period of enactment.

The SEC issued SAB 118, which provides guidance on accounting for the Act's impact. Under SAB 118, an entity would use something similar to the measurement period in a business combination, not to exceed one year. For matters that have not been completed, the Company would recognize provisional amounts to the extent that they are reasonably estimable, adjust them over time as more information becomes available, and disclose this information in its financial statements.

Our accounting for all elements of the Tax Act is complete. The Tax Act reduced our statutory Federal tax rate from 35% in 2017 to 21% in 2018. The Company did not record any material changes to the provisional amounts previously recorded. The Company also determined new rules, such as the Global Intangible Low-Taxed Income (GILTI) and Base Erosion and Anti-Abuse Tax (BEAT), have no material impact to the financial statements.

Historically, the Company has not provided for deferred taxes on undistributed earnings because such earnings are considered to be indefinitely reinvested outside of the U.S. The Company continues this assertion that foreign earnings are permanently reinvested under the Act.

The Act provides for 100 percent bonus depreciation on personal tangible property expenditures starting September 27, 2017 through 2022. The bonus depreciation percentage is phased down from 100 percent beginning in 2023 through 2026. The Company expects to take full benefit of these bonus depreciation rules.

The IRS and other tax authorities are still issuing guidance on the Act, through various regulations some of which are still proposed and not final. The Company will implement any changes related to finalized regulations and other guidance in the period issued.

On January 1, 2016, CMS implemented a refinement to the Medicare hospice reimbursement per diem. This refinement eliminated the single-tier per diem for routine home care (RHC) and replaced it with 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, CMS provided for a Service Intensity Add-on (SIA) payment which provides for reimbursement of care provided by a registered nurse or social worker for RHC patients within seven days prior to death. The reimbursement for continuous care, inpatient care and respite care are not impacted by this rebasing.

Full-year 2019 revenue growth for VITAS, prior to Medicare Cap, is estimated to be in the range of 5.5% to 6.0%. Admissions are estimated to expand approximately 3.0% to 4.0% and Average Daily Census in 2019 are estimated to expand approximately 4.0% to 5.0% and full-year Adjusted EBITDA margin, prior to Medicare Cap, is estimated to be 15.9%. We are currently estimating $10.0 million for Medicare Cap billing limitations in the 2019 calendar year.

Roto-Rooter is forecasted to achieve full-year 2019 revenue growth of 9.0% to 10.0%. This revenue estimate is based upon increased job pricing of approximately 2.0% and continued growth in core plumbing and drain cleaning services as well as continued but slowing revenue growth from water restoration services. Adjusted EBITDA margin for 2019 is estimated at 23.7%.

Based upon the above, full-year 2019 adjusted earnings per diluted share, excluding non-cash expense for stock options, tax benefits from stock options, costs related to litigation, and other discrete items, is estimated to be in the range of $12.65 to $12.85. This 2019 guidance assumes an effective corporate tax rate of 25.2%. This compares to Chemed's 2018 reported adjusted earnings per diluted share of $11.93.

LIQUIDITY AND CAPITAL RESOURCES

Significant factors affecting our cash flows during 2018 and financial position at December 31, 2018, include the following:

- Our operations generated cash of $287.1 million.
- We repurchased $158.9 million of our stock.
- We spent $53.2 million on business combinations.
- We spent $52.9 million on capital expenditures.
- We paid $18.7 million in dividends.
- On a net basis, we repaid $12.0 million of long-term debt.

The ratio of total debt to total capital was 13.1% at December 31, 2018, compared with 15.7% at December 31, 2017. Our current ratio was 0.83 and 0.91 at December 31, 2018 and 2017, respectively. The decrease in the current ratio is primarily a result of the decrease in prepaid income taxes.

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 December 31, 2018 and 2017, respectively, the interest rate is LIBOR plus 100 basis points. We are in compliance with all financial debt covenants as of December 31, 2018, as follows:

Description	Requirement	Chemed
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00	0.41 to 1.00
Fixed Charge Coverage Ratio (Consolidated Free Cash Flow/Consolidated Fixed Charges	> 1.50 to 1.00	7.61 to 1.00

We forecast to be in compliance with all debt covenants through fiscal 2019.

We have issued $36.4 million in standby letters of credit as of December 31, 2018, mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of December 31, 2018, we have approximately $324.4 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility. We believe our cash flow from operating activities and our unused eligible lines of credit are sufficient to fund our obligations and operate our business in the near and long term. We continually evaluate cash utilization alternatives, including share repurchase, debt repurchase, acquisitions, and increased dividends to determine the most beneficial use of available capital resources.

CASH FLOW

Our cash flows for 2018, 2017 and 2016 are summarized as follows (in millions):

	For the Years Ended December 31,		
	2018	2017	2016
Net cash provided by operating activities	**$ 287.1**	$ 162.5	$ 135.4
Capital expenditures	**(52.9)**	(64.3)	(39.8)
Operating cash after capital expenditures	**234.2**	98.2	95.6
Purchase of treasury stock in the open market	**(158.9)**	(94.6)	(102.3)
Business combinations	**(53.2)**	(4.7)	-
Proceeds from exercise of stock options	**32.4**	27.1	8.4
Capital stock surrendered to pay taxes on on stock-based compensation	**(27.5)**	(14.2)	(8.8)
Dividends paid	**(18.7)**	(17.4)	(16.4)
Net increase/(decrease) in long-term debt	**(12.0)**	(7.6)	17.5
Increase/(decrease) in cash overdraft payable	**(1.5)**	6.7	(0.7)
Other--net	**(1.1)**	2.3	7.3
Increase/(decrease) in cash and cash equivalents	**$ (6.3)**	$ (4.2)	$ 0.6

2018 versus 2017

The change in net cash provided by operating activities is mainly the result of a $107.4 million increase in net income. Significant changes in our accounts receivable balances are driven mainly by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $35.0 million from the Federal government from hospice services every other Friday. The timing of year end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two year period, as cash flow variations in one year are offset in the following year.

In 2018, we repurchased 561,146 shares of Chemed capital stock at a weighted average price of $283.14 per share. In 2017, we repurchased approximately 500,000 shares of Chemed stock at a weighted average price of $189.28 per share. Based on our current operations and our current sources of capital, we believe we have the ability to continue our current share repurchase program into the foreseeable future.

We made two significant acquisitions in 2018. We acquired five Roto-Rooter franchises in northern California and assets of a non-profit hospice in Florida to increase market penetration.

The change in overdrafts payable is also a function of the timing of cash payments made and cash receipts near year end.

2017 versus 2016

The change in net cash provided by operating activities is mainly the result of a $43.2 million increase in cash flows related to accounts receivable and a $12.0 million increase in accounts payable and other current liabilities offset by a $40.0 million decrease in cash flows related to income tax payments and a $10.6 million decrease in net income. The decrease in net income is the result mainly of a $84.5 million charge for the Settlement and Spottiswood Agreements offset by income increase from normal operations. Significant changes in our accounts receivable balances are driven mainly by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $35.0 million from the Federal government from hospice services every other Friday. The timing of year end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two year period, as cash flow variations in one year are offset in the following year.

In 2017, we repurchased 500,000 shares of Chemed capital stock at a weighted average price of $189.28 per share. In 2016, we repurchased approximately 780,134 shares of Chemed stock at a weighted average price of $131.15 per share. Based on our current operations and our current sources of capital, we believe we have the ability to continue our current share repurchase program into the foreseeable future.

The change in overdrafts payable is also a function of the timing of cash payments made and cash receipts near year end.

COMMITMENTS AND CONTINGENCIES

We are subject to various lawsuits and claims in the normal course of our business. In addition, we periodically receives 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.

In connection with the sale of DuBois Chemicals, Inc. ("DuBois") in 1991, we provided allowances and accruals relating to several long-term costs, including income tax matters, lease commitments and environmental costs. Additionally, we retained liability for casualty insurance claims for Service America and Patient Care that were incurred prior to the respective disposal dates, 2005 and 2002. In the aggregate, we believe these allowances and accruals are adequate as of December 31, 2018. Based on reviews of our environmental-related liabilities under the DuBois sale agreement, we have estimated our remaining liability to be $1.7 million. As of December 31, 2018, we are contingently liable for additional cleanup and related costs up to a maximum of $14.9 million. We do not believe it is probable that we will be required to make any payment towards this contingent liability. Thus, no provision has been recorded in accordance with the applicable accounting guidance.

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, 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. 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.

The Company and certain current and former directors and officers are defendants in a case captioned *In re Chemed Corp. Shareholder Derivative Litigation*, No. 13 Civ. 1854 (LPS) (CJB) (D. Del.), which was consolidated on February 2, 2015.

On February 2, 2015, the Court appointed KBC Asset Management NV the sole lead plaintiff and its counsel, the sole lead and liaison counsel. On March 3, 2015, Lead Plaintiff KBC designated its Complaint as the operative complaint in the consolidated proceedings and defendants renewed a previously filed motion to dismiss those claims and allegations. The consolidated Complaint named fourteen individual defendants, together with the Company as nominal defendant. The Complaint alleges a claim for breach of fiduciary duty against the individual defendants for allegedly permitting the Company to submit false claims to the U.S. government. The Complaint seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees. On May 12, 2016, the Court issued a Memorandum Order granting Chemed's motion to dismiss, and dismissing Lead Plaintiff KBC's Complaint without prejudice to KBC's opportunity to file within 30 days of the date of the Court's Order (i.e., by June 13, 2016) an amended Complaint addressing the deficiencies in its duty of loyalty claim. Lead Plaintiff KBC did not file an amended Complaint within the time specified by the Court.

However, on June 13, 2016, counsel for Chemed shareholder Michael Kvint filed a letter with the Court requesting a two-week extension to file a motion to substitute Mr. Kvint as lead plaintiff, in place of Lead Plaintiff KBC and to file an amended Complaint. Alternatively, counsel for Mr. Kvint requested that any dismissal of the action be with prejudice to KBC only. On June 14, 2016, Chemed filed a reply letter with the Court, reserving its rights to oppose any motion filed by Mr. Kvint and, if warranted, to oppose any other actions taken by Mr. Kvint to proceed with the action (including by filing an untimely amended Complaint). On June 21, 2016, the Court entered an Oral Order providing Mr. Kvint until June 30, 2016 to file a Motion to Substitute and Motion for Leave to File an Amended Complaint. On that date, Mr. Kvint filed, under seal, a Motion to Substitute Plaintiff and File Amended Complaint, and attached a Proposed Amended Complaint. Mr. Kvint's motion was fully briefed by the parties. On April 25, 2017, Magistrate Judge Burke issued a Report and Recommendation recommending that the Court permit Mr. Kvint to intervene as Lead Plaintiff and grant leave to amend the complaint to replead the duty of loyalty claim only. On May 16, 2017, Chief Judge Stark signed an Order adopting that Report and Recommendation. Plaintiff Kvint filed a Corrected Amended Complaint on May 30, 2017. On September 13, 2017, the Court entered an order dismissing with prejudice the claims against defendants Timothy S. O'Toole and Joel F. Gemunder and permitting Defendants to file a Motion to Dismiss the Corrected Amended Complaint. The matter has been fully briefed and argued. On February 26, 2019, Magistrate Judge Burke issued a Report and Recommendations recommending that Defendants' motion to dismiss the amended complaint be granted. Any objections to that Report are due March 12, 2019, and any responses thereto are due March 26, 2019. The Court will then decide whether to accept the Report and Recommendations. As the Company has previously disclosed, the legal fees and costs associated with defending against this lawsuit are presently being paid by insurance. For additional procedural history of this litigation, please refer to our prior quarterly and annual filings.

On October 30, 2017, the Company entered into a settlement agreement (the "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 "2013 Action"). 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.

Under the Settlement Agreement, the United States agreed to release the Company, VITAS, and its hospice operation subsidiaries from any civil or administrative monetary liability relating to any patients' disputed terminal medical prognosis of six months or less; a lack of medical necessity for billed Continuous Home Care, General Inpatient Care, or Respite Care levels of hospice care; or that the claims for those levels of hospice care were not eligible for payment for any other reason. The OIG agreed, conditioned on the Company's full payment and in consideration of VITAS' obligations under the CIA, to release its permissive exclusion rights and refrain from instituting any administrative action seeking to exclude the Company, VITAS, and its affiliates from participating in Medicare, Medicaid, or other federal healthcare programs in this regard.

Under the Settlement Agreement, the Company paid $75 million plus interest, plus certain attorney fees and expenses of qui tam relators. The Company made these payments during the fourth quarter of 2017. The Company previously recorded a $90 million loss reserve ($55.8 million after-tax) related to the Settlement Agreement, and associated costs in the second quarter of 2017. During the fourth quarter of 2017, approximately $5.5 million ($3.4 million after-tax) recorded as part of the $90 million was reversed as relator attorney' fees were less than originally estimated.

The costs incurred related to U.S. v. VITAS and related regulatory matters, exclusive of the settlement were $5.2 million and $5.3 million for 2017, and 2016 respectively.

Jordan Seper ("Seper"), a Registered Nurse at VITAS' Inland Empire program from May 12, 2014 to March 21, 2015, filed a lawsuit in San Francisco Superior Court on September 26, 2016. She alleged VITAS Healthcare Corp of CA ("VITAS CA") (1) failed to provide minimum wage for all hours worked; (2) failed to provide overtime for all hours worked; (3) failed to provide a second meal period; (4) failed to provide rest breaks; (5) failed to indemnify for necessary expenditures; (6) failed to timely pay wages due at time of separation; and (7) engaged in unfair business practices. Seper seeks a state-wide class action of current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of the lawsuit. She seeks court determination that this action may be maintained as a class action for the entire California class and subclasses, designation as class representative, declaratory relief, injunctive relief, damages (including wages for regular or overtime hours allegedly worked but not paid, premium payments for missed meal or rest periods, and unreimbursed expenses), all applicable penalties associated with each claim, pre and post-judgment interest, and attorneys' fees and costs. Seper served VITAS CA with the lawsuit, *Jordan A. Seper on behalf of herself and others similarly situated v. VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corp of CA, a business entity unknown; and DOES 1 to 100, inclusive*; Los Angeles Superior Court Case Number BC 642857 on October 13, 2016 ("Jordan Seper case").

On November 14, 2016, the Parties filed a Stipulation to transfer the venue of the lawsuit from San Francisco to Los Angeles. The Los Angeles Superior Court Complex Division accepted transfer of the case on December 6, 2016 and stayed the case. On December 16, 2016, VITAS CA filed its Answer and served written discovery on Seper.

Jiwann Chhina ("Chhina"), hired by VITAS as a Home Health Aide on February 5, 2002, is currently a Licensed Vocational Nurse for VITAS' San Diego program. On September 27, 2016, Chhina filed a lawsuit in San Diego Superior Court, alleging (1) failure to pay minimum wage for all hours worked; (2) failure to provide overtime for all hours worked; (3) failure to pay wages for all hours at the regular rate; (4) failure to provide meal periods; (5) failure to provide rest breaks; (6) failure to provide complete and accurate wage statements; (7) failure to pay for all reimbursement expenses; (8) unfair business practices; and (9) violation of the California Private Attorneys General Act. Chhina seeks to pursue these claims in the form of a state-wide class action of current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of the lawsuit. He seeks court determination that this action may be maintained as a class action for the entire California class and subclasses, designation as class representative, declaratory relief, injunctive relief, damages (including wages for regular or overtime hours allegedly worked but not paid, premium payments for missed meal or rest period, and unreimbursed expenses), all applicable penalties associated with each claim, pre-judgment interest, and attorneys' fees and costs. Chhina served VITAS CA with the lawsuit, *Jiwan Chhina v. VITAS Health Services of California, Inc., a California corporation; VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corporation of California, a Delaware corporation dba VITAS Healthcare Inc.; and DOES 1 to 100, inclusive*; San Diego Superior Court Case Number 37-2015-00033978-CU-OE-CTL on November 3, 2016 ("Jiwann Chhina case"). On December 1, 2016, VITAS CA filed its Answer and served written discovery on Chhina.

On May 19, 2017, Chere Phillips (a Home Health Aide in Sacramento) and Lady Moore (a former Social Worker in Sacramento) filed a lawsuit against VITAS CA in Sacramento County Superior Court, alleging claims for (1) failure to pay all wages due; (2) failure to authorize and permit rest periods; (3) failure to provide off-duty meal periods; (4) failure to furnish accurate wage statements; (5) unreimbursed business expenses; (6) waiting time penalties; (7) violations of unfair competition law; and (8) violation of the Private Attorneys General Act. The case is captioned: *Chere Phillips and Lady Moore v. VITAS Healthcare Corporation of California*, Sacramento County Superior Court, Case No. 34-2017-0021-2755. Plaintiffs sought to pursue these claims in the form of a state-wide class action of current and former non-exempt employees employed with VITAS CA in California within the four years preceding the filing of the lawsuit. Plaintiffs served VITAS with the lawsuit on June 5, 2017. VITAS CA timely answered the Complaint generally denying the Plaintiffs' allegations. The Court has stayed all class discovery in this case pending resolution of mediation in the Jordan Seper and Jiwann Chhina cases.

There are currently three other lawsuits against VITAS pending in the superior courts of other California counties that contain claims and class periods that substantially overlap with Phillips' and Moore's claims: the Jordan Seper and Jiwann Chhina cases, and *Williams v. VITAS Healthcare Corporation of California*, filed on May 22, 2017 in Alameda County Superior Court, RG 17853886.

Jazzina Williams' (a Home Health Aide in Sacramento) lawsuit alleges claims for (1) failure to pay all wages due; (2) failure to authorize and permit rest periods; (3) failure to provide off-duty meal periods; (4) failure to furnish accurate wage statements; (5) unreimbursed business expenses; (6) waiting time penalties; and (7) violations of the Private Attorneys General Act ("PAGA"). Williams seeks to pursue these claims both individually and as a representative action under the PAGA on behalf of current and former California non-exempt employees. Plaintiff served VITAS with the lawsuit on May 31, 2017. VITAS CA timely answered the Complaint generally denying Plaintiff's allegations. Williams is pursing discovery of her individual claim and has agreed to a stay of class discovery pending possible resolution through ongoing mediation in the Jordan Seper and Jiwann Chhina cases. Defendant filed and served each of Plaintiffs Williams, Phillips, and Moore with a Notice of Related Cases on July 19, 2017.

The *Jordan Seper* and *Jiwann Chhina* cases have been consolidated in Los Angeles County Superior court; Chhina was dismissed as a separate action and joined with *Seper* through the filing of an amended complaint in *Seper* in which *Chhina* is also identified as a named plaintiff, on August 28, 2018.

Alfred Lax ("Lax"), a current employee of Roto-Rooter Services Company ("RRSC"), was hired in the RRSC's Menlo Park branch in 2007. On November 30, 2018, Lax filed a class action lawsuit in Santa Clara County Superior Court alleging (1) failure to provide or compensate for required rest breaks; (2) failure to properly pay for all hours worked; (3) failure to provide accurate wage statements; (4) failure to reimburse for work-related expenses; and (5) unfair business practices. Lax has stated these claims as a representative of a class defined as all service technicians employed by RRSC in California during the four years preceding the filing of the complaint. He seeks a determination that the action may proceed and be maintained as a class action and for compensatory and statutory damages (premium payments for missed rest periods, uncompensated rest periods, wages for time allegedly not paid such as travel time, repair time, and vehicle maintenance time, and unreimbursed expenses), penalties and restitutions, pre- and post-judgement interest and attorneys' fees and costs. The lawsuit, *Alfred Lax, on behalf of himself and all others similarly situated v. Roto-Rooter Services Company, and Does 1 through 50 inclusive;* Santa Clara County Superior Court Case Number 18CV338652, was received by RRSC on December 11, 2018 and RRSC timely filed its answer denying the claims.

The Company is not able to reasonably estimate the probability of loss or range of loss for any of these lawsuits at this time.

The Company intends to defend vigorously against the allegations in each of the above lawsuits. 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, 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.

CONTRACTUAL OBLIGATIONS

The table below summarizes our debt and contractual obligations as of December 31, 2018 (in thousands):

	Total	Less than 1 year	1-3 Years	4 -5 Years	After 5 Years
Long-term debt obligations (a)	$ 89,200	$ -	$ -	$ 89,200	$ -
Interest on long-term debt	13,929	3,095	6,190	4,644	-
Operating lease obligations	103,616	26,791	43,821	22,030	10,974
Purchase obligations (b)	50,150	50,150	-	-	-
Other long-term obligations (c)	77,704	-	9,816	3,272	64,616
Total contractual cash obligations	$ 334,599	$ 80,036	$ 59,827	$ 119,146	$ 75,590

(a) Represents the face value of the obligation.
(b) Purchase obligations consist of accounts payable at December 31, 2018.
(c) Other long-term obligations comprise largely excess benefit obligations.

RESULTS OF OPERATIONS

2018 Versus 2017 – Consolidated Results

Set forth below are the year-to-year changes in the components of the statement of operations relating to income for 2018 versus 2017 (in thousands, except percentages):

	Favorable/(Unfavorable)	
	Amount	Percent
Service revenues and sales		
VITAS	$ 49,302	4
Roto-Rooter	66,622	13
Total	115,924	7
Cost of services provided and goods sold	(78,112)	(7)
Selling, general and administrative expenses	6,443	2
Depreciation	(2,976)	(8)
Amortization	(262)	(191)
Other operating expenses	89,580	99
Income from operations	130,597	116
Interest expense	(718)	(17)
Other income - net	(7,196)	(88)
Income before income taxes	122,683	105
Income taxes	(15,316)	(82)
Net income	$ 107,367	109

The VITAS segment revenue increase is the result of the following (dollars in thousands):

	2018	2017
Routine homecare	**$ 1,010,518**	$ 935,913
Continuous care	**122,498**	124,557
Inpatient care	**82,677**	90,472
Other	**7,831**	-
Medicare cap adjustment	**(4,123)**	(2,682)
Implicit price concessions	**(11,785)**	-
Room and board, net	**(10,054)**	-
Net revenue	**$ 1,197,562**	$ 1,148,260

Days of care changed as follows:

	Days of Care		Increase/(Decrease)
	2018	2017	**Percent**
Routine homecare	**6,192,858**	5,743,414	8
Continuous care	**169,828**	171,395	(1)
General inpatient	**113,453**	125,971	(10)
Total days of care	**6,476,139**	6,040,780	7

The remaining increase in VITAS' revenues for 2018 versus 2017 was primarily comprised of a geographically weighted average Medicare reimbursement rate increase of approximately 1.1%, offset by $4.1 million in Medicare cap liability compared to $2.7 million contra-revenue in the same period of 2017 and $21.8 million change in classification of implicit price concessions and room and board, net related to the adoption of the new revenue recognition standard.

The Roto-Rooter segment revenue increase is the result of the following (dollars in thousands):

	2018	2017
Short-term core service jobs	**$ 421,790**	$ 373,579
Water restoration	**101,784**	82,272
Contractor revenue	**50,093**	43,770
Franchise Fees	**6,382**	6,130
All other	**11,958**	12,713
Implicit price concessions and credit memos	**(6,921)**	-
	$ 585,086	$ 518,464

Short-term core service revenue increased 12.9% as a result of an 8.8% increase in price and service mix shift as well as a 4.1% increase in the number of jobs performed. Water restoration revenue increased 23.3% as a result of a 16.3% increase in the number of jobs performed and a 7.0% increase in price and service mix shift. Contractor operations increased 14.4% due mainly to their continued expansion into water restoration. Revenue was negatively impacted by the change in the classification of implicit price concessions and credit memos from selling, general and administrative expenses of $6.9 million due to the adoption of the new revenue recognition standard.

The consolidated gross margin excluding depreciation was 31.1% in 2018 versus 31.0% in 2017. On a segment basis, VITAS' gross margin excluding depreciation was 22.4% in 2018 and 22.8% in 2017. Roto-Rooter's gross margin excluding depreciation was 48.8% in 2018 and 49.0% in 2017.

Selling, general and administrative expenses ("SG&A") for 2018 and 2017 comprise (in thousands):

	2018	2017
SG&A expenses before long-term incentive compensation, OIG expenses and the impact of market gains of deferred compensation plans	$ 263,304	$ 258,034
Long-term incentive compensation	6,618	4,994
Impact of market value gains on liabilities held in deferred compensation trusts	287	8,430
Expenses related to OIG investigation	-	5,194
Total SG&A expenses	$ 270,209	$ 276,652

SG&A expenses before long-term incentive compensation, expenses related to OIG investigation and the impact of market value adjustments related to deferred compensation trusts for 2018 were up 2.0% when compared to 2017. This increase was mainly a result of the increase in variable selling expenses caused by increased revenue and increased advertising expense at Roto-Rooter offset by $18.7 million of implicit price concessions being classified in revenue versus selling, general and administrative expenses due to the new revenue recognition standard.

Other operating expense for 2018 and 2017 comprise (in thousands):

	2018	2017
Litigation settlements	$ 796	$ 84,476
Loss on disposal of property and equipment	504	5,266
Program closure expenses	-	1,138
Total other operating expenses	$ 1,300	$ 90,880

During 2017, the Company recorded $84.5 million related to the Settlement Agreement and a related qui tam case. See footnote 17 for further discussion. The Company recorded $5.3 million related to the loss on the sale of transportation equipment. Also during 2017, the Company recorded $1.1 million related to the closure of three Alabama programs at VITAS.

Other income-net for 2018 and 2017 comprise (in thousands):

	2018	2017
Interest income	$ 671	$ 427
Market value gains on assets held in deferred compensation trusts	287	8,430
Other	-	(703)
Total other income	$ 958	$ 8,154

Our effective tax rate reconciliation is as follows:

	2018	2017
Income tax provision calculated using the statutory rate	$ 50,316	$ 40,921
Stock compensation tax benefits	(22,862)	(18,932)
State and local income taxes, less federal income tax effect	7,150	4,600
Nondeductible expenses	2,280	1,041
Enactment of the tax reform act	-	(8,305)
Other--net	(2,828)	(585)
Income tax provision	$ 34,056	$ 18,740
Effective tax rate	14.2%	16.0%

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

	2018	2017
VITAS		
Medicare cap sequestration adjustment	$ (1,114)	$ (276)
Expenses related to litigation settlements	(594)	(52,375)
Acquisition expenses	(156)	-
Impact of tax reform	-	11,057
Costs associated with the OIG investigation	-	(3,207)
Program closure expenses	-	(675)
Roto-Rooter		
Acquisition expenses	(403)	-
Impact of tax reform	-	7,761
Expenses related to litigation settlements	-	(129)
Corporate		
Excess tax benefits on stock compensation	22,862	18,932
Stock option expense	(10,118)	(6,892)
Long-term incentive compensation	(5,307)	(3,243)
Impact of tax reform	-	(10,516)
Loss on sale of transportation equipment	-	(3,314)
Total	$ 5,170	$ (42,877)

2018 Versus 2017 – Segment Results

Net income/(loss) for 2018 versus 2017 (in thousand):

	2018	2017
VITAS	$ 138,846	$ 57,645
Roto-Rooter	98,711	73,299
Corporate	(32,013)	(32,767)
	$ 205,544	$ 98,177

VITAS' after-tax earnings were increased as the result the result of higher revenues and a lower effective tax rate. Additionally, VITAS settled a lawsuit in 2017 for $55.8 million (after-tax) which did not recur in 2018.

Roto-Rooter's net income was positively impacted in 2018 compared to 2017 primarily by an increase in revenue as well as a reduced effective tax rate.

After-tax Corporate expenses for 2018 decreased by 2.3% when compared to 2017 by a $3.9 million increase in tax benefit related to the adoption of ASU No. 2016-09 offset by increased stock compensation expense, and a lower effective tax rate (results in a lower tax benefit).

2017 Versus 2016 – Consolidated Results

Set forth below are the year-to-year changes in the components of the statement of operations relating to income for 2017 versus 2016 (in thousands, except percentages):

	Favorable/(Unfavorable)	
	Amount	Percent
Service revenues and sales		
VITAS	$ 24,943	2
Roto-Rooter	64,900	14
Total	89,843	6
Cost of services provided and goods sold	(35,101)	(3)
Selling, general and administrative expenses	(33,080)	(14)
Depreciation	(1,209)	(4)
Amortization	222	62
Other operating expenses	(86,389)	(1,924)
Income from operations	(65,714)	(37)
Interest expense	(557)	(15)
Other income - net	6,134	304
Income before income taxes	(60,137)	(34)
Income taxes	49,571	73
Net income	$ (10,566)	(10)

The VITAS segment revenue increase is the result of the following (dollars in thousands):

	2017	2016
Routine homecare	**$ 935,913**	$ 887,940
Continuous care	**124,557**	138,025
Inpatient care	**90,472**	97,580
Medicare cap adjustment	**(2,682)**	(228)
Net revenue	**$ 1,148,260**	$ 1,123,317

Net Medicare reimbursement rates increased 1.3% in 2017 as compared to 2016.

Days of care change as follows:

	Days of Care		Increase/(Decrease)
	2017	2016	Percent
Routine homecare	**5,743,414**	5,518,002	4
Continuous care	**171,395**	188,657	(9)
General inpatient	**125,971**	146,516	(14)
Total days of care	**6,040,780**	5,853,175	3

The Roto-Rooter segment revenue increase is the result of the following (dollars in thousands):

	2017	2016
Short-term core service jobs	**$ 373,579**	$ 345,638
Water restoration	**82,272**	50,229
Contractor revenue	**43,770**	40,097
Franchise Fees	**6,130**	5,090
All other	**12,713**	12,510
	$ 518,464	$ 453,564

Short-term core service jobs increased 9.0% due to price and service mix shift offset by a 0.9% decrease in job count. Water restoration increased 63.8% as a result of continued expansion of this service offering. There was an increase in water restoration jobs of 30.8% between years.

The consolidated gross margin excluding depreciation was 31.0% in 2017 versus 29.3% in 2016. On a segment basis, VITAS' gross margin excluding depreciation was 22.8% in 2017 and 21.8% in 2016. The increase in VITAS' gross margin is the result of mix shift to higher margin care, labor and ancillary cost management. Roto-Rooter's gross margin excluding depreciation was 49.0% in 2017 and 47.7% in 2016. The increase in Roto-Rooter gross margin is the result mainly of higher revenues, particularly in water restoration, with relatively low increases in branch level fixed costs.

Selling, general and administrative expenses ("SG&A") for 2017 and 2016 comprise (in thousands):

	2017	2016
SG&A expenses before long-term incentive compensation, OIG expenses and the impact of market gains of deferred compensation plans	**$ 258,034**	$ 234,321
Long-term incentive compensation	**4,994**	1,930
Expenses related to OIG investigation	**5,194**	5,260
Impact of market value gains on liabilities held in deferred compensation trusts	**8,430**	2,061
Total SG&A expenses	**$ 276,652**	$ 243,572

SG&A expenses before long-term incentive compensation, OIG expenses and the impact of market gains of deferred compensation plans increased $23.7 million (10.1%) from 2016 to 2017. This increase was mainly a result of the increase in variable expenses caused by increased revenue, increased advertising expense at Roto-Rooter and normal inflationary increases in 2017.

Other operating expense was $90.9 million in 2017. This was due to an $84.5 million litigation settlement, $5.3 million related to the loss on the sale of transportation equipment and $1.1 million related to the closure of the programs in one state at Vitas. This is compared to a $4.5 million payment of early retirement expenses during 2016.

Other income-net for 2017 and 2016 comprise (in thousands):

	2017	2016
Market value gains on assets held in deferred compensation trusts	**$ 8,430**	$ 2,061
Loss on disposal of property and equipment	**(707)**	(424)
Interest income	**427**	383
Other	**4**	-
Total other income	**$ 8,154**	$ 2,020

Our effective tax rate reconciliation is as follows:

	2017	2016
Income tax provision calculated using the statutory rate of 35%	**$ 40,921**	$ 61,969
State and local income taxes, less federal income tax effect	**4,600**	6,044
Nondeductible expenses	**1,041**	881
Stock compensation tax benefits	**(18,932)**	-
Enactment of the tax reform act	**(8,305)**	-
Other--net	**(585)**	(583)
Income tax provision	**$ 18,740**	$ 68,311
Effective tax rate	**16.0%**	38.6%

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

		2017		2016
VITAS				
Expenses related to litigation settlements	$	(52,375)	$	-
Impact of tax reform		11,057		(3,248)
Costs associated with the OIG investigation		(3,207)		-
Program closure expenses		(675)		-
Medicare cap sequestration adjustment		(276)		(141)
Early retirement expenses		-		(2,840)
Roto-Rooter				
Impact of tax reform		7,761		-
Expenses related to litigation settlements		(129)		(28)
Corporate				
Excess tax benefits on stock compensation		18,932		-
Impact of tax reform		(10,516)		-
Stock option expense		(6,892)		(5,266)
Loss on sale of transportation equipment		(3,314)		-
Long-term incentive compensation		(3,243)		(1,221)
Total	$	(42,877)	$	(12,744)

2017 Versus 2016 – Segment Results

Net income/(loss) for 2017 versus 2016 (in thousands):

		2017		2016
VITAS	$	57,645	$	84,961
Roto-Rooter		73,299		52,893
Corporate		(32,767)		(29,111)
	$	98,177	$	108,743

VITAS' after-tax earnings were negatively impacted in 2017 compared to 2016 by a $52.4 million after-tax litigation settlement as well as $675,000 after-tax related to the closure of programs in one state offset by a $11.1 million dollar decrease in tax provision related to tax reform. After-tax earnings as a percent of revenue in 2017 were 5.0% as compared to 7.6% in 2016.

Roto-Rooter's after-tax earnings were positively impacted in 2017 compared to 2016 by a $32.0 million revenue increase in Roto-Rooter's water restoration line of business and a $22.2 million revenue increase in Roto-Rooter's plumbing line of business as well as a $7.8 million dollar decrease in tax provision related to tax reform. After-tax earnings as a percent of revenue at Roto-Rooter in 2017 were 14.1% as compared to 11.7% in 2016.

After-tax Corporate expenses for 2017 increased 12.6% when compared to 2016 due to increased long term incentive compensation expense, the loss on the sale of transportation equipment and increase cash bonus expense in 2017 as well as a $10.5 million decrease in tax benefit related to tax reform offset by $18.9 million increase due to excess tax benefits on stock compensation which are recorded to the tax provision starting in 2017 in accordance with ASU 2016-09.

CRITICAL ACCOUNTING POLICIES
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 ("ASC606"). We adopted ASC 606 effective January 1, 2018. The required disclosures of ASC 606 and impact of adoption are discussed below for each of our operating subsidiaries.

VITAS

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

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

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to four hours per day in fifteen 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 fifteen minute increments. This fifteen minute rate is calculated by dividing the daily rate by 96.

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

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

Care is provided to patients regardless of their ability to pay. Patients who meet our criteria for charity care are provided care without charge. There is no revenue or associated accounts receivable in the accompanying consolidated financial statements related to charity care. The cost of providing charity care during the years ended December 31, 2018, 2017 and 2016, was $8.2 million, $7.7 million and $7.0 million, respectively and is included in cost of services provided and goods sold. The cost of charity care is calculated by taking the ratio of charity care days to total days of care and multiplying by total cost of care.

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

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

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

Inpatient Cap. If the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of hospice care such program provided to all Medicare patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. None of VITAS' hospice programs exceeded the payment limits on inpatient services during the years ended December 31, 2018, 2017, and 2016.

Medicare Cap. We are also subject to a Medicare annual per-beneficiary cap ("Medicare cap"). Compliance with the Medicare cap is measured in one of two ways based on a provider election. The "streamlined" method compares total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number with the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs from September 28 through September 27 of the following year. At December 31, 2018 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 $3.6 million is owed for Medicare cap in three programs arising during the 2013 through 2018 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 year ended December 31, 2018, we recorded $4.1 million in Medicare cap revenue reduction related to two programs' 2018 measurement period liability and 2 programs' projected 2019 measurement period liability.

During the year ended December 31, 2017, we recorded $2.4 million in Medicare cap revenue reduction related to two programs' projected 2018 measurement period liability and $247,000 for two programs' cap liability for prior periods.

During the year ended December 31, 2016, we recorded $228,000 in Medicare cap revenue reduction related to one programs' projected 2015 measurement period liability.

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

The composition of patient care service revenue by payor and level of care for the year ended December 31, 2018 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 939,951	$ 47,609	$ 22,958	$ 1,010,518
Continuous care	110,596	6,126	5,776	122,498
Inpatient care	69,354	8,156	5,167	82,677
	$ 1,119,901	$ 61,891	$ 33,901	$ 1,215,693
All other revenue - self-pay, respite care, etc.				7,831
Subtotal				$ 1,223,524
Medicare cap adjustment				(4,123)
Implicit price concessions				(11,785)
Room and board, net				(10,054)
Net revenue				$ 1,197,562

Roto-Rooter

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

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

Short-term Core Services are plumbing, drain and sewer cleaning and excavation services. These services are provided to both commercial and residential customers. The duration of services provided in this category range from a few hours to a few days. There are no significant warranty costs or on-going obligations to the customer once a service has been completed. For residential customers, payment is 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 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 an independent third-party to operate the territory under Roto-Rooter's registered trademarks. The contract is 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 weekly labor 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. Payment from independent contractors is also received on a weekly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the independent contractor as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

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

Franchisees pay Roto-Rooter a standard monthly fee based on the population within the franchise territory. The standard fee is revised on a yearly basis based on changes in the Consumer Price Index for All Urban Consumers. The primary value for the franchisees under this arrangement is the right to use Roto-Rooter's registered trademarks. 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 year ended 31, 2018 is as follows (in thousands):

Short-term core service jobs	$	421,790
Water restoration		101,784
Contractor revenue		50,093
Franchise fees		6,382
All other		11,958
Subtotal	$	592,007
Implicit price concessions and credit memos		(6,921)
Net revenue	$	585,086

Initial Adoption of ASC 606

The Company utilized the modified retrospective method of adoption for all contracts. Except for the changes discussed below, the Company has consistently applied the accounting policies to all periods presented in the consolidated financial statements. Sales tax collected from customers at Roto-Rooter is excluded from revenue under ASC 606 and prior revenue standards.

For VITAS, expenses related to payor audits and reviews, as well as variable consideration estimated for patient deductibles and coinsurance, have been historically estimated as revenue was recognized and classified as bad debt expense, included in the consolidated statements of income as selling, general and administrative expense. Upon adoption of ASC 606, these expenses are classified as contra-revenue. There is no change in the timing of recognition related to the variable consideration. The amount of these expenses during the year ended December 31, 2018 was $11.8 million.

Also for VITAS, the 5% net expense related to Medicaid room and board has been historically recorded on a net basis in cost of services provided in the consolidated income statements. Upon adoption of ASC 606, due to the change in the residual value method required by ASC 606, the expense will be classified as a contra-revenue. The amount of the change in the classification for these expenses during the year ended December 31, 2018 was $10.1 million. There has been no change in the evaluation of Medicaid room and board related to net versus gross presentation.

Related to Roto-Rooter, expenses related to post-invoice variable consideration in our short-term core portfolio, and adjustments made subsequent to initial estimates related to allowances taken by insurance companies for water restoration, have been classified as a contra-revenue account in the statements of income. These amounts were previously classified as bad debt expense in SG&A. The amount of the change in classification for these expenses during the year ended December 31, 2018 was $6.9 million. The initial estimate related to allowances taken by insurance companies for water restoration services have historically been classified as contra-revenue and did not change as a result of the transition.

There was no material impact on the consolidated balance sheets related to the initial adoption. There is no impact to consolidated net income as a result of the initial adoption. As a result of the change in classification in the statements of income, amounts previously included in the provision for uncollectible accounts in the statements of cash flow have been included in the decrease/(increase) in accounts receivable line item in 2018. The total impact of the change from prior revenue guidance (ASC 605) to guidance adopted on January 1, 2018 related to classification in the statements of income is as follows (in thousands):

	Impact for the year ended December 31, 2018		
	ASC 605	Adjustment	ASC 606
Service revenue and sales	$ 1,811,408	$ (28,760)	$ 1,782,648
Cost of services provided and goods sold	1,238,698	(10,054)	1,228,644
Selling, general and administrative expenses	288,915	(18,706)	270,209

Insurance Accruals

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

For the VITAS segment, we initially self-insure for workers' compensation claims. Currently, VITAS' exposure on any single claim is capped at $1,000,000. For VITAS' self-insurance accruals for workers' compensation, the valuation methods used are similar to those used internally for our other business units. We are also insured for other risks with respect to professional liability with a deductible of $750,000.

Our casualty insurance liabilities are recorded gross before any estimated recovery for amounts exceeding our stop loss limits. Estimated recoveries from insurance carriers are recorded as accounts receivable. Claims experience adjustments to our casualty and workers' compensation accrual for the years ended December 31, 2018, 2017 and 2016, were net pretax debits/(credits) of ($3,437,000), ($1,800,000), and $1,147,000 respectively.

As an indication of the sensitivity of the accrued liability to reported claims, our analysis indicates that a 1% across-the-board increase or decrease in the amount of projected losses would increase or decrease the accrued insurance liability at December 31, 2018 by $3.3 million or 7.0%. While the amount recorded represents our best estimate of the casualty and workers' compensation insurance liability, we have calculated, based on historical claims experience, the actual loss could reasonably be expected to increase or decrease by approximately $3.0 million as of December 31, 2018.

Income Taxes

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

In November 2015, the FASB issued ASU No. 2015-17 which simplifies the balance sheet classification required for deferred tax balances. It allows for a company's deferred tax assets and liabilities to be netted into a noncurrent account, either asset or liability, by jurisdiction. The ASU is required to be adopted for annual periods beginning after December 15, 2016 and the interim periods within that annual period. Early adoption is permitted. Companies have the choice to adopt prospectively or retrospectively. In order to simplify our balance sheet classification required for deferred tax balances, we adopted the ASU for our annual balance sheet as of December 31, 2015 on a prospective basis.

We are subject to income taxes in the federal and most state jurisdictions. We are periodically audited by various taxing authorities. Significant judgment is required to determine our provision for income taxes. We adopted FASB's authoritative guidance on accounting for uncertainty in income taxes, which prescribes a comprehensive model for how to recognize, measure, present and disclose in financial statements uncertain tax positions taken or expected to be taken on a tax return. Upon adoption of this guidance, the financial statements reflect expected future tax consequences of such uncertain positions assuming the taxing authorities' full knowledge of the position and all relevant facts.

Goodwill and Intangible Assets

Identifiable, definite-lived intangible assets arise from purchase business combinations and are amortized using either an accelerated method or the straight-line method over the estimated useful lives of the assets. The selection of an amortization method is based on which method best reflects the economic pattern of usage of the asset.

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

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

We completed our qualitative analysis for impairment of goodwill and our indefinite-lived intangible assets as of October 1, 2018. We assessed such qualitative factors as macroeconomic conditions, industry and market conditions, cost factors, financial performance and the legislative and regulatory environment. Based on our assessment, we do not believe that it is more likely than not that our reporting units' or indefinite-lived assets fair values are less than their carrying values.

In January 2017, the FASB issued Accounting Standards Update "ASU No. 2017-4 – Intangibles – Goodwill and Other". To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. The guidance in the ASU is effective for the Company in fiscal years beginning after December 15, 2019. Early adoption is permitted. We anticipate adoption of this standard will have no impact on our consolidated financial statements.

Stock-based Compensation Plans

Stock-based compensation cost is measured at the grant date, based on the fair value of the award and recognized as expense over the employee's requisite service period on a straight-line basis. We estimate the fair value of stock options using the Black-Scholes valuation model. We estimate the fair value and derived service periods of market based awards using a Monte Carlo simulation approach in a risk neutral framework. We determine expected term, volatility, dividend yield and forfeiture rate based on our historical experience. We believe that historical experience is the best indicator of these factors.

Contingencies

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

Unaudited Consolidating Summaries and Reconciliations of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies

(in thousands)

2018	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	**$ 138,846**	**$ 98,711**	**$ (32,013)**	**$ 205,544**
Add/(deduct):				
Interest expense	**175**	**319**	**4,496**	**4,990**
Income taxes	**40,847**	**28,850**	**(35,641)**	**34,056**
Depreciation	**19,688**	**18,629**	**147**	**38,464**
Amortization	**12**	**387**	**-**	**399**
EBITDA	**199,568**	**146,896**	**(63,011)**	**283,453**
Add/(deduct):				
Intercompany interest/(expense)	**(12,832)**	**(6,908)**	**19,740**	**-**
Medicare cap sequestration adjustment	**1,496**	**-**	**-**	**1,496**
Litigation settlements	**796**	**-**	**-**	**796**
Interest income	**(580)**	**(92)**	**1**	**(671)**
Acquisition expense	**209**	**548**	**-**	**757**
Stock option expense	**-**	**-**	**12,611**	**12,611**
Stock award expense	**107**	**100**	**239**	**446**
Long-term incentive compensation	**-**	**-**	**6,618**	**6,618**
Adjusted EBITDA	**$ 188,764**	**$ 140,544**	**$ (23,802)**	**$ 305,506**

2017	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 57,645	$ 73,299	$ (32,767)	$ 98,177
Add/(deduct):				
Interest expense	188	323	3,761	4,272
Income taxes	16,436	32,782	(30,478)	18,740
Depreciation	18,616	16,667	205	35,488
Amortization	14	123	-	137
EBITDA	92,899	123,194	(59,279)	156,814
Add/(deduct):				
Intercompany interest/(expense)	(11,656)	(5,596)	17,252	-
Interest income	(388)	(39)	-	(427)
Loss on sale of transportation equipment	-	-	5,266	5,266
Expenses related to OIG investigation	5,194	-	-	5,194
Program closure expenses	1,138	-	-	1,138
Medicare cap sequestration adjustment	447	-	-	447
Litigation settlements	84,476	213	-	84,689
Advertising cost adjustment	-	(1,371)	-	(1,371)
Stock option expense	-	-	10,485	10,485
Stock award expense	291	269	670	1,230
Long-term incentive compensation	-	-	4,994	4,994
Adjusted EBITDA	$ 172,401	$ 116,670	$ (20,612)	$ 268,459

2016	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 84,961	$ 52,893	$ (29,111)	$ 108,743
Add/(deduct):				
Interest expense	211	332	3,172	3,715
Income taxes	51,910	32,719	(16,318)	68,311
Depreciation	19,035	14,698	546	34,279
Amortization	55	304	-	359
EBITDA	156,172	100,946	(41,711)	215,407
Add/(deduct):				
Intercompany interest/(expense)	(7,969)	(3,595)	11,564	-
Interest income	(325)	(58)	-	(383)
Expenses related to OIG investigation	5,260	-	-	5,260
Retirement expenses	4,491	-	-	4,491
Medicare cap sequestration adjustment	228	-	-	228
Expenses related to litigation settlements	1,149	45	-	1,194
Advertising cost adjustment	-	(1,333)	-	(1,333)
Stock option expense	-	-	8,330	8,330
Stock award expense	387	307	1,161	1,855
Long-term incentive compensation	-	-	1,930	1,930
Expenses related to securities litigation	-	-	-	-
Adjusted EBITDA	$ 159,393	$ 96,312	$ (18,726)	$ 236,979

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
RECONCILIATION OF ADJUSTED NET INCOME
(in thousands, except per share data)(unaudited)

	For the Years Ended December 31,		
	2018	2017	2016
Net income as reported	**$ 205,544**	$ 98,177	$ 108,743
Add/(deduct) pre-tax cost of:			
Stock option expense	**12,611**	10,485	8,330
Long-term incentive compensation	**6,618**	4,994	1,930
Medicare cap sequestration adjustment	**1,496**	447	228
Litigation settlements	**796**	84,476	-
Acquisition expenses	**757**	-	-
Loss on sale of transportation equipment	**-**	5,266	-
Expenses related to OIG investigation	**-**	5,194	5,260
Program closure expenses	**-**	1,138	-
Early retirement expenses	**-**	-	4,491
Net expenses related to litigation settlements	**-**	213	45
Add/(deduct) tax impacts:			
Tax impact of the above pre-tax adjustments (1)	**(4,586)**	(42,102)	(7,540)
Impact of tax reform	**-**	(8,302)	-
Excess tax benefits on stock compensation	**(22,862)**	(18,932)	-
Adjusted net income	**$ 200,374**	$ 141,054	$ 121,487
Diluted Earnings Per Share As Reported			
Net income	**$ 12.23**	$ 5.86	$ 6.48
Average number of shares outstanding	**16,803**	16,742	16,789
Adjusted Diluted Earnings Per Share			
Net income	**$ 11.93**	$ 8.43	$ 7.24
Average number of shares outstanding	**16,803**	16,742	16,789

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

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

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

OPERATING STATISTICS	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
Net revenue ($000)				
Homecare	**$ 261,972**	$ 242,554	**$ 1,010,518**	$ 935,913
Inpatient	**20,874**	22,033	**82,677**	90,472
Continuous care	**30,834**	30,131	**122,498**	124,557
Other	**1,986**	-	**7,831**	-
Subtotal	**$ 315,666**	$ 294,718	**$ 1,223,524**	$ 1,150,942
Room and board, net	**(2,191)**	-	**(10,054)**	-
Contractual allowances	**(3,036)**	-	**(11,785)**	-
Medicare cap allowance	**(3,454)**	(2,435)	**(4,123)**	(2,682)
Total	**$ 306,985**	$ 292,283	**$ 1,197,562**	$ 1,148,260
Net revenue as a percent of total before Medicare cap allowance				
Homecare	**83.0%**	82.3%	**82.6%**	81.2%
Inpatient	**6.6**	7.5	**6.8**	7.9
Continuous care	**9.8**	10.2	**10.0**	10.9
Other	**0.6**	-	**0.6**	-
Subtotal	**100.0**	100.0	**100.0**	100.0
Room and board, net	**(0.7)**	-	**(0.8)**	-
Contractual allowances	**(1.0)**	-	**(1.1)**	-
Medicare cap allowance	**(1.1)**	(0.8)	**(0.2)**	(0.2)
Total	**97.2%**	99.2%	**97.9%**	99.8%
Average daily census (days)				
Homecare	**14,062**	12,861	**13,652**	12,549
Nursing home	**3,297**	3,265	**3,298**	3,177
Routine homecare	**17,359**	16,126	**16,950**	15,726
Inpatient	**326**	342	**327**	354
Continuous care	**464**	452	**465**	470
Total	**18,149**	16,920	**17,742**	16,550
Total Admissions	**16,579**	16,575	**68,119**	66,449
Total Discharges	**16,623**	16,553	**66,868**	65,637
Average length of stay (days)	**92.6**	91.4	**89.9**	88.8
Median length of stay (days)	**17.0**	16.0	**17.0**	16.0
ADC by major diagnosis				
Cerebro	**35.8%**	36.1%	**36.3%**	35.5%
Neurological	**18.6**	18.5	**19.0**	19.2
Cardio	**16.3**	16.4	**16.4**	16.5
Cancer	**13.7**	14.1	**13.7**	14.6
Respiratory	**8.0**	8.0	**8.2**	7.9
Other	**7.6**	6.9	**6.4**	6.3
Total	**100.0%**	100.0%	**100.0%**	100.0%
Admissions by major diagnosis				
Cerebro	**20.9%**	22.3%	**21.8%**	22.0%
Neurological	**11.5**	10.7	**11.4**	10.6
Cancer	**31.1**	30.0	**30.2**	30.6
Cardio	**14.6**	14.9	**15.4**	15.0
Respiratory	**10.1**	10.7	**10.9**	10.8
Other	**11.8**	11.4	**10.3**	11.0
Total	**100.0%**	100.0%	**100.0%**	100.0%
Direct patient care margins				
Routine homecare	**53.9%**	53.9%	**53.0%**	52.6%
Inpatient	**3.9**	8.5	**4.7**	5.4
Continuous care	**18.4**	16.8	**17.7**	16.9
Homecare margin drivers (dollars per patient day)				
Labor costs	**$ 56.82**	$ 55.65	**$ 57.59**	$ 56.80
Combined drug, home medical equipment and medical supplies cost	**$ 13.58**	$ 14.30	**$ 14.06**	$ 14.65
Inpatient margin drivers (dollars per patient day) - Labor costs	**$ 379.17**	$ 355.96	**$ 376.53**	$ 366.41
Continuous care margin drivers (dollars per patient day) - Labor costs	**$ 571.18**	$ 583.45	**$ 575.36**	$ 584.49
Bad debt expense as a percent of revenues	**1.0%**	1.1%	**1.0%**	1.1%
Accounts receivable --				
Days of revenue outstanding- excluding unapplied Medicare payments	**35.0**	33.7	**N.A.**	N.A.
Days of revenue outstanding- including unapplied Medicare payments	**24.6**	25.0	**N.A.**	N.A.

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

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

EXHIBIT 21

SUBSIDIARIES OF CHEMED CORPORATION

The following is a list of subsidiaries of the Company as of December 31, 2018: Other subsidiaries which have been omitted from the list would not, when considered in the aggregate, constitute a significant subsidiary. Each of the companies is incorporated under the laws of the state following its name. The percentage given for each company represents the percentage of voting securities of such company owned by the Company or, where indicated, subsidiaries of the Company as of December 31, 2018.

All of the majority owned companies listed below are included in the consolidated financial statements as of December 31, 2018.

Chemed RT, Inc. (Delaware, 100%)

Comfort Care Holdings Co. (Nevada, 100%)

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

Jet Resource, Inc. (Delaware, 100%)

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

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

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

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

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

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

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

Roto-Rooter Development Company (Delaware, 100% by Roto-Rooter Corporation)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-145555) and on Form S-8 (Nos. 333-167733, 333-205669 and 333-225130) of Chemed Corporation of our report dated February 27, 2019 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2018 Annual Report to Stockholders, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 27, 2019 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Cincinnati, Ohio
February 27, 2019

EXHIBIT 24

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 20, 2019

/s/ Joel F. Gemunder
Joel F. Gemunder

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 22, 2019

/s/ Patrick P. Grace
Patrick P. Grace

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 22, 2019

/s/ Thomas C. Hutton
Thomas C. Hutton

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 19, 2019

/s/ Thomas P. Rice
Thomas P. Rice

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 20, 2019

/s/ Donald E. Saunders
Donald E. Saunders

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 17, 2019

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

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 15, 2019

/s/ Frank E. Wood
Frank E. Wood

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 20, 2019

/s/ Walter L. Krebs
Walter L. Krebs

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 19, 2019

/s/ Andrea R. Lindell
Andrea R. Lindell

EXHIBIT 31.1

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

I, Kevin J. McNamara, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: February 27, 2019

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

EXHIBIT 31.2

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

I, David P. Williams, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: February 27, 2019

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

EXHIBIT 31.3

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

I, Michael D. Witzeman, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: February 27, 2019

/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 Annual Report on Form 10-K for the year ending December 31, 2018 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: February 27, 2019

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

EXHIBIT 32.2

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

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

1) The Company’s Annual Report on Form 10-K for the year ending December 31, 2018 (“Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: February 27, 2019

/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 Annual Report on Form 10-K for the year ending December 31, 2018 (“Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: February 27, 2019

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