UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): January 8, 2018

Encompass Health Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

001-10315	**63-0860407**
(Commission File Number)	(I.R.S. Employer Identification No.)

3660 Grandview Parkway, Suite 200, Birmingham, Alabama 35243

(Address of Principal Executive Offices, Including Zip Code)

(205) 967-7116

(Registrant's Telephone Number, Including Area Code)

HealthSouth Corporation

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934. 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. ☐

ITEM 7.01. ***Regulation FD Disclosure***.

Encompass Health Corporation (the "Company" or "Encompass Health") will participate in the 36th Annual J.P. Morgan Healthcare Conference in San Francisco, California on January 8-11, 2018. Encompass Health President and Chief Executive Officer, Mark Tarr, will make a presentation on Tuesday, January 9th, at 2:30 p.m. ET/11:30 a.m. PT using the slides attached to this Current Report on Form 8-K as Exhibit 99.1 (the "Conference Slides") and incorporated herein by reference. The presentation will address, among other things, the Company's strategy and financial performance and discuss industry trends and dynamics. The presentation will be webcast live and will be available at http://investor.healthsouth.com by clicking on an available link.

The Company also has assembled the Investor Reference Book attached to this Current Report on Form 8‑K as Exhibit 99.2 (the "Investor Reference Book"). The Investor Reference Book addresses, among other things, an overview of the Company and its industry, its business outlook, its financial and operational metrics and initiatives, and its investment thesis and strategy. The Investor Reference Book is available at http://investor.healthsouth.com by clicking on an available link.

While the Company has not closed its books for the year ended December 31, 2017, the Company anticipates discussing certain observations regarding fourth quarter 2017 operating performance at the 36th Annual J.P. Morgan Healthcare Conference as noted below. The Company currently expects to report strong volume growth in both segments for the fourth quarter of 2017. Total inpatient rehabilitation segment discharge growth in the fourth quarter of 2017 of approximately 5.8% benefited from accelerated discharges prior to the December holidays and compares to 1.4% discharge growth in the fourth quarter of 2016 (same-store discharge growth was approximately 3.9% in the fourth quarter of 2017 compared to 0.1% in the fourth quarter of 2016). Total home health and hospice segment admission growth in the fourth quarter of 2017 approximated 13.6%. Additionally, the Company shares its preliminary estimate of adjusted free cash flow for the year ended December 31, 2017 in the Conference Slides and Investor Reference Book and its preliminary estimate of debt reduction for the year ended December 31, 2017 in the Investor Reference Book.

The Company reiterates as of the date hereof its net operating revenues, Adjusted EBITDA, and adjusted earnings per share guidance ranges for 2017, as previously reported in the Current Report on Form 8-K, dated October 26, 2017, and during the Company's earnings conference call held on October 27, 2017, but currently expects to be in the upper half of these guidance ranges.

The Company is also providing the following preliminary guidance ranges for 2018:

- Net operating revenues of $4,150 million to $4,250 million;
- Adjusted EBITDA of $830 million to $850 million; and
- Adjusted earnings per share from continuing operations attributable to Encompass Health of $3.25 to $3.40.

In the Investor Reference Book, the Company provides its estimate of the impact of the new revenue recognition accounting standard effective in the first quarter of 2018 on the net operating revenues guidance range above.

In addition, the Company shares its 2018 guidance considerations, preliminary assumptions around adjusted free cash flow, and opportunities for deploying its free cash flow in the Conference Slides and Investor Reference Book. The Company also provides its business outlook for 2018 through 2020 related to its strategy, revenue assumptions, and certain expense assumptions in the Investor Reference Book.

The Company uses "same-store" comparisons to explain the changes in certain performance metrics and line items within its financial statements. Same-store comparisons are calculated based on hospitals and agencies open throughout both the full current and prior periods presented. These comparisons include the financial results of market consolidation transactions in existing markets, as it is difficult to determine, with precision, the incremental impact of these transactions on the Company's results of operations.

The information contained herein is being furnished pursuant to Item 7.01 of Form 8-K, "Regulation FD Disclosure." This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing. The furnishing of this information will not be deemed an admission as to the materiality of any information contained herein.

Note Regarding Presentation of Non-GAAP Financial Measures

The financial data contained in the Conference Slides and the Investor Reference Book includes non-GAAP financial measures, including the Company's adjusted earnings per share, leverage ratio, Adjusted EBITDA, and adjusted free cash flow.

Excluding net operating revenues, the Company does not provide guidance on a GAAP basis because it is unable to predict, with reasonable certainty, the future impact of items that are deemed to be outside the control of the Company or otherwise non-indicative of its ongoing operating performance. Such items include government, class action, and related settlements; professional fees—accounting, tax, and legal; mark-to-market adjustments for stock appreciation rights; gains or losses related to hedging instruments; loss on early extinguishment of debt; adjustments to its income tax provision (such as valuation allowance adjustments and settlements of income tax claims); items related to corporate and facility restructurings; and certain other items the Company believes to be non-indicative of its ongoing operating performance. These items cannot be reasonably predicted, will depend on several factors, including industry and market conditions, and could be material to the Company's results computed in accordance with GAAP. However, the following reasonably estimable GAAP measures for 2017 and 2018 would be included in the reconciliation for Adjusted EBITDA:

	2017 Guidance	**2018 Preliminary Guidance**
Provision for doubtful accounts as a percentage of net operating revenues	~ 1.6%	1.6% to 1.9%
Interest expense and amortization of debt discounts and fees	~ $155 million	$147 million to $157 million
Amortization of debt-related items	~ $7 million	~ $7 million

The Company is providing adjusted earnings per share from continuing operations attributable to Encompass Health ("adjusted earnings per share"). The Company believes the presentation of adjusted earnings per share provides useful additional information to investors because it provides better comparability of ongoing operating performance to prior periods given that it excludes the impact of government, class action, and related settlements; professional fees—accounting, tax, and legal; mark-to-market adjustments for stock appreciation rights; gains or losses related to hedging instruments; loss on early extinguishment of debt; adjustments to its income tax provision (such as valuation allowance adjustments and settlements of income tax claims); items related to corporate and facility restructurings; and certain other items the Company believes to be non-indicative of its ongoing operating performance. It is reasonable to expect that one or more of these excluded items will occur in future periods, but the amounts recognized can vary significantly from period to period and may not directly relate to the Company's ongoing operating performance. Accordingly, they can complicate comparisons of the Company's results of operations across periods and comparisons of the Company's results to those of other healthcare companies. Adjusted earnings per share should not be considered as a measure of financial performance under generally accepted accounting principles in the United States ("GAAP") as the items excluded from it are significant components in understanding and assessing financial performance. Because adjusted earnings per share is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, it may not be comparable as presented to other similarly titled measures of other companies. The Company reconciles adjusted earnings per share to earnings per share in the Investor Reference Book attached hereto as Exhibit 99.2.

The leverage ratio referenced therein is defined as the ratio of consolidated total debt to Adjusted EBITDA for the trailing four quarters. The Company believes its leverage ratio and Adjusted EBITDA are measures of its ability to service its debt and its ability to make capital expenditures. Additionally, the leverage ratio is a standard measurement used by investors to gauge the creditworthiness of an institution. The Company's credit agreement also includes a maximum leverage ratio financial covenant which allows the Company to deduct up to $100 million of cash on hand from consolidated total debt. The Company reconciles Adjusted EBITDA to net income and to net cash provided by operating activities and Adjusted EBITDA for the Company's reportable segments to net income from continuing operations before income tax expense in the Investor Reference Book attached hereto as Exhibit 99.2.

The Company uses Adjusted EBITDA on a consolidated basis as a liquidity measure. The Company believes this financial measure on a consolidated basis is important in analyzing its liquidity because it is the key component of certain material covenants contained within the Company's credit agreement, which is discussed in more detail in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations,* "Liquidity and Capital Resources," and Note 9, *Long-term Debt*, to the consolidated financial statements included in its Annual Report on Form 10‑K for the year ended December 31, 2016 (the "2016 Form 10‑K"). These covenants are material terms of the credit agreement. Noncompliance with these financial covenants under the credit agreement—its interest coverage ratio and its leverage ratio—

could result in the Company's lenders requiring the Company to immediately repay all amounts borrowed. If the Company anticipated a potential covenant violation, it would seek relief from its lenders, which would have some cost to the Company, and such relief might be on terms less favorable to those in the Company's existing credit agreement. In addition, if the Company cannot satisfy these financial covenants, it would be prohibited under the credit agreement from engaging in certain activities, such as incurring additional indebtedness, paying common stock dividends, making certain payments, and acquiring and disposing of assets. Consequently, Adjusted EBITDA is critical to the Company's assessment of its liquidity.

In general terms, the credit agreement definition of Adjusted EBITDA, therein referred to as "Adjusted Consolidated EBITDA," allows the Company to add back to consolidated net income interest expense, income taxes, and depreciation and amortization and then add back to consolidated net income (1) all unusual or nonrecurring items reducing consolidated net income (of which only up to $10 million in a year may be cash expenditures), (2) any losses from discontinued operations and closed locations, (3) costs and expenses, including legal fees and expert witness fees, incurred with respect to litigation associated with stockholder derivative litigation, and (4) share-based compensation expense, and (5) cost and expenses in connection with the Encompass Health rebranding. The Company also subtracts from consolidated net income all unusual or nonrecurring items to the extent they increase consolidated net income.

The calculation of Adjusted EBITDA under the credit agreement does not require us to deduct net income attributable to noncontrolling interests or gains on disposal of assets and development activities. It also does not allow us to add back professional fees unrelated to the stockholder derivative litigation, losses on disposal of assets, unusual or nonrecurring cash expenditures in excess of $10 million, and charges resulting from debt transactions and development activities. These items and amounts, in addition to the items falling within the credit agreement's "unusual or nonrecurring" classification, may occur in future periods, but can vary significantly from period to period and may not directly relate to our ongoing operating performance. Accordingly, these items may not be indicative of the Company's ongoing operating performance, so the Adjusted EBITDA calculation presented here includes adjustments for them.

Adjusted EBITDA is not a measure of financial performance under GAAP, and the items excluded from Adjusted EBITDA are significant components in understanding and assessing financial performance. Therefore, Adjusted EBITDA should not be considered a substitute for net income or cash flows from operating, investing, or financing activities. Because Adjusted EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. Revenues and expenses are measured in accordance with the policies and procedures described in Note 1, *Summary of Significant Accounting Policies*, to the consolidated financial statements accompanying the 2016 Form 10‑K.

The Company also uses adjusted free cash flow as an analytical indicator to assess its performance. Management believes the presentation of adjusted free cash flow provides investors an efficient means by which they can evaluate the Company's capacity to reduce debt, pursue development activities, and return capital to its common stockholders. The calculation of adjusted free cash flow and a reconciliation of net cash provided by operating activities to adjusted free cash flow are included in the Conference Slides and the Investor Reference Book attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively. This measure is not a defined measure of financial performance under GAAP and should not be considered as an alternative to net cash provided by operating activities. The Company's definition of adjusted free cash flow is limited and does not represent residual cash flows available for discretionary spending. Because this measure is not determined in accordance with GAAP and is susceptible to varying calculations, it may not be comparable to other similarly titled measures presented by other companies. See the consolidated statements of cash flows included in the 2016 Form 10-K and the condensed consolidated statements of cash flows included in the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 2017 for the GAAP measures of cash flows from operating, investing, and financing activities.

Forward-Looking Statements

Statements contained in this document, the Conference Slides attached hereto as Exhibit 99.1, and the Investor Reference Book attached hereto as Exhibit 99.2, which are not historical facts, such as those relating to the financial performance, guidance and assumptions, anticipated acquisitions and other development activities, business strategy, legislative and regulatory developments and their related impacts on the Company, capital expenditures, cyber security, dividend strategies, repurchases of securities, effective tax rates, business model, rebranding plans, and the positioning of services for the system of healthcare delivery in the future are forward-looking statements. In addition, the Company, through its senior management, may from time to time make forward-looking public statements concerning the matters described herein. All such estimates, projections, and forward-looking information speak only as of the date hereof, and the Company undertakes no duty to publicly update or revise such forward-looking information, whether as a result of new information, future events, or otherwise. Such forward-looking statements are necessarily estimates based upon current information, involve a number of risks and uncertainties, and relate to, among other things, future events, the Company's plan to repurchase its debt or equity

securities, the Company's financial plans, its future financial performance, its projected business results or model, its ability to return value to shareholders, its projected leverage ratio, its acquisition opportunities, and the impact of legislation or regulation. Actual events or results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors which could cause actual events or results to differ materially from those estimated by the Company include, but are not limited to, the Company's ability to comply with extensive, complex, and ever-changing regulations in the healthcare industry; the timing and effect of the rebranding initiative; the price of the Company's common stock as it affects the Company's willingness and ability to repurchase shares and the financial and accounting effects of any repurchases; any adverse outcome of various lawsuits, claims, and legal or regulatory proceedings involving the Company, including its pending DOJ and HHS-OIG investigations and any matters related to yet undiscovered issues, if any, at acquired companies; any adverse effects on operating performance of the Company's stock price resulting from the integration of those acquisitions; potential disruptions, breaches, or other incidents affecting the proper operation, availability, or security of the Company's information systems, including issues arising from the Meltdown and Spectre vulnerabilities and unauthorized access to or theft of patient, business associate, or other sensitive information or inability to provide patient care because of system unavailability as well as unforeseen issues, if any, related to integration of systems of any acquired companies; the ability to successfully integrate acquired companies, including realization of anticipated tax benefits, revenues, and cost savings, minimizing the negative impact on margins arising from the changes in staffing and other operating practices, and avoidance of unforeseen exposure to liabilities; significant changes in the Company's management team; the Company's ability to successfully complete and integrate de novo developments, acquisitions, investments, and joint ventures consistent with its growth strategy; changes, delays in (including in connection with resolution of Medicare payment reviews or appeals), or suspension of reimbursement for the Company's services by governmental or private payors; changes in the regulation of the healthcare industry at either or both of the federal and state levels, including as part of national healthcare reform and deficit reduction; competitive pressures in the healthcare industry and the Company's response thereto; the Company's ability to obtain and retain favorable arrangements with third-party payors; the Company's ability to control costs, particularly labor and employee benefit costs, including group medical expenses; adverse effects resulting from coverage determinations made by Medicare Administrative Contractors regarding its Medicare reimbursement claims and lengthening delays in the Company's ability to recover improperly denied or recouped claims through the administrative appeals process on a timely basis; the Company's ability to adapt to changes in the healthcare delivery system, including involvement in coordinated care initiatives or programs that may arise with its referral sources and related impacts on volume or pricing and any significant changes that may result from the change in the executive branch of the U.S. government; the Company's ability to attract and retain nurses, therapists, and other healthcare professionals in a highly competitive environment with often severe staffing shortages and the impact on the Company's labor expenses from potential union activity and staffing shortages; general conditions in the economy and capital markets, including any crisis resulting from uncertainty in the sovereign debt market; the increase in the costs of defending and insuring against alleged professional liability claims and the Company's ability to predict the estimated costs related to such claims; and other factors which may be identified from time to time in the Company's SEC filings and other public announcements, including the Company's Form 10‑K for the year ended December 31, 2016 and Form 10-Q for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017.

ITEM 9.01. ***Financial Statements and Exhibits.***

(d) Exhibits

99.1 Conference Slides of Encompass Health Corporation used in connection with its January 9, 2018 presentation at the 36th Annual J.P. Morgan Healthcare Conference in San Francisco.

99.2 Encompass Health Corporation Investor Reference Book.

SIGNATURES

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

ENCOMPASS HEALTH CORPORATION

By: /s/ Douglas E. Coltharp

Name: Douglas E. Coltharp

Title: Executive Vice President and Chief Financial Officer

Dated: January 8, 2018