Encompass Health

William Blair 38th Annual Growth Stock Conference

Mark Tarr, President and Chief Executive Officer
June 12, 2018

Forward-Looking Statements

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

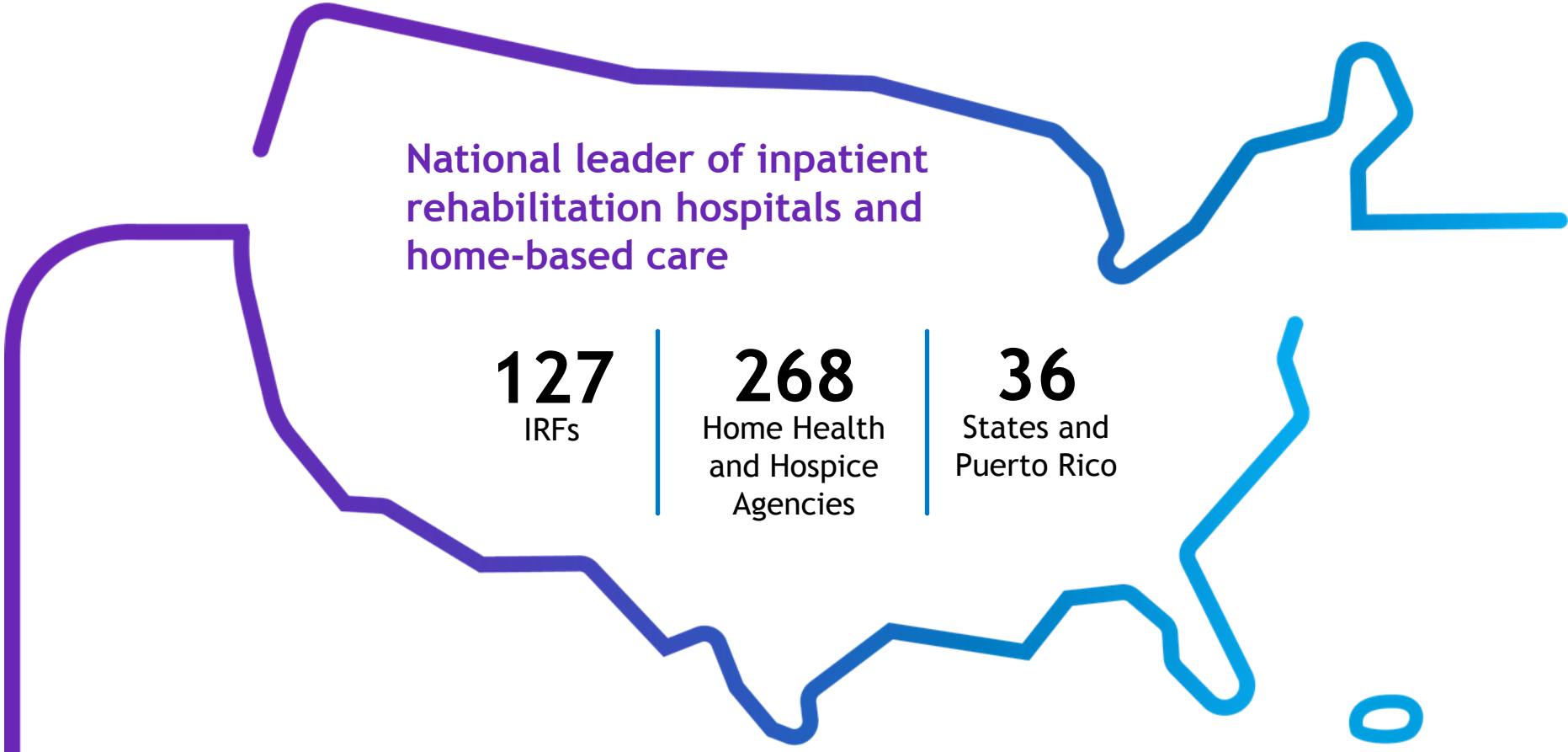
There can be no assurance any estimates, projections or forward-looking information will be realized.

All such estimates, projections and forward-looking information speak only as of the date hereof. Encompass Health undertakes no duty to publicly update or revise the information contained herein.

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

Note Regarding Presentation of Non-GAAP Financial Measures
This presentation includes certain "non-GAAP financial measures" as defined in Regulation G under the Securities Exchange Act of 1934, including Adjusted EBITDA, leverage ratios, adjusted earnings per share, and adjusted free cash flow. The Company's Form 8-K, dated June 11, 2018, to which the following presentation is attached as Exhibit 99.1, provides further explanation and disclosure regarding Encompass Health's use of non-GAAP financial measures and should be read in conjunction with this presentation. Schedules that reconcile the non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States are included in that Form 8-K.

Company Overview - Encompass Health



National leader of inpatient rehabilitation hospitals and home-based care

127
IRFs

268
Home Health and Hospice Agencies

36
States and Puerto Rico

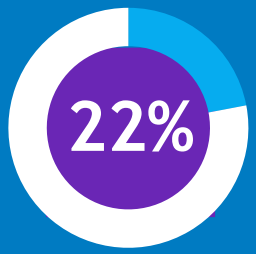
Committed to delivering high-quality, cost-effective care across the post-acute continuum

FORTUNE 100 BEST COMPANIES TO WORK FOR 2017

Modern Healthcare BEST PLACES TO WORK 2017

Company Overview - Inpatient Rehabilitation

Largest owner and operator of IRFs



of Licensed beds



of Medicare patients served

31
States and Puerto Rico

127
Inpatient Rehabilitation Hospitals

42
Operate as joint ventures with acute care hospitals

105
Hospitals hold one or more disease-specific certifications

~29,700
employees

~174,800
patients

~$3.2 billion
revenues

Company Overview - Home Health and Hospice

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

212
Home Health Locations

56
Hospice Locations

30
States

96%
Home health agencies ≥ 3 stars for quality of care

95%
Home health agencies ≥ 3 stars in patient satisfaction

~8,800
employees

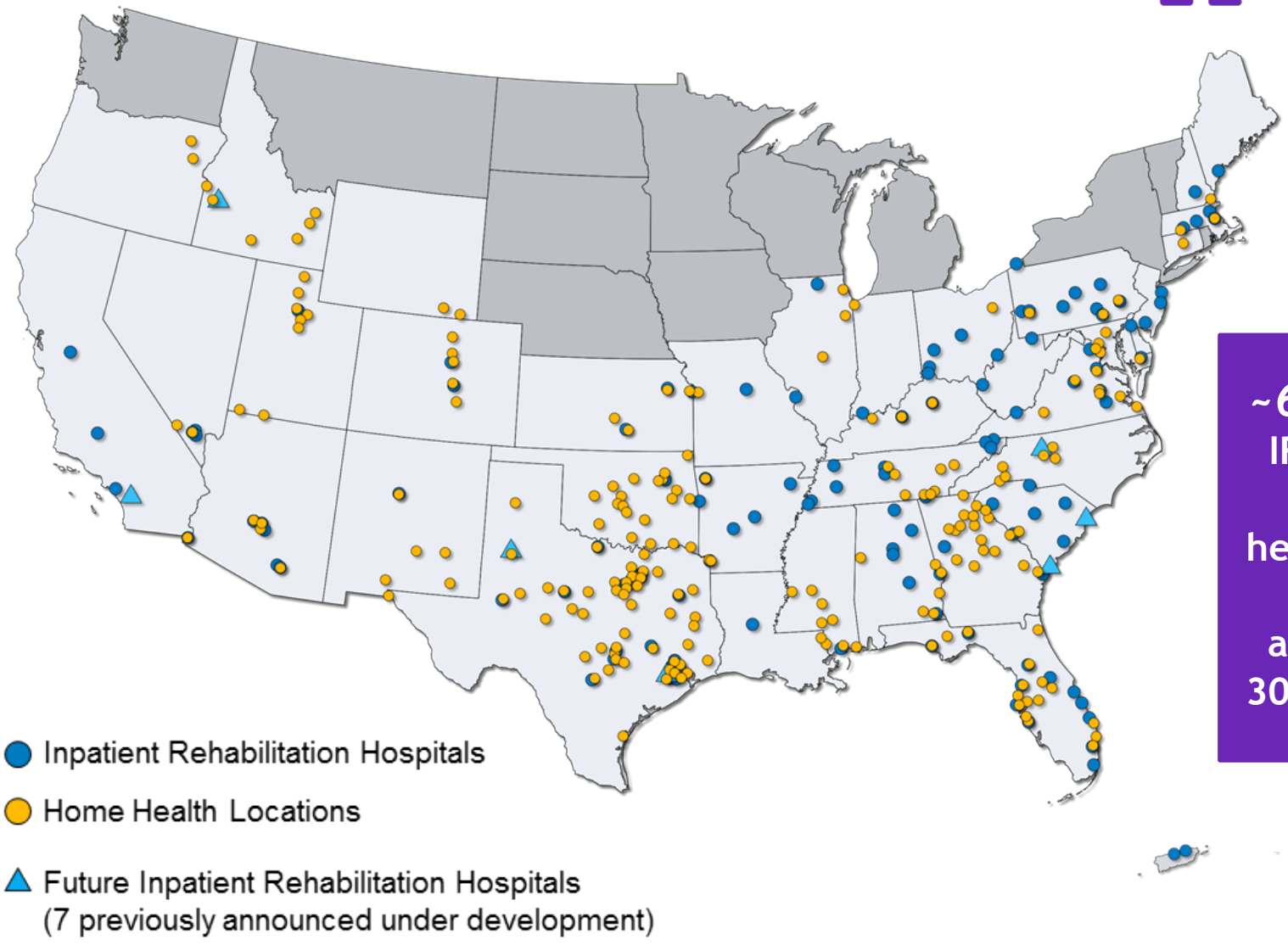
~128,000
home health admissions

~5,300
hospice admissions

~$800 million
revenues

Market Overlap

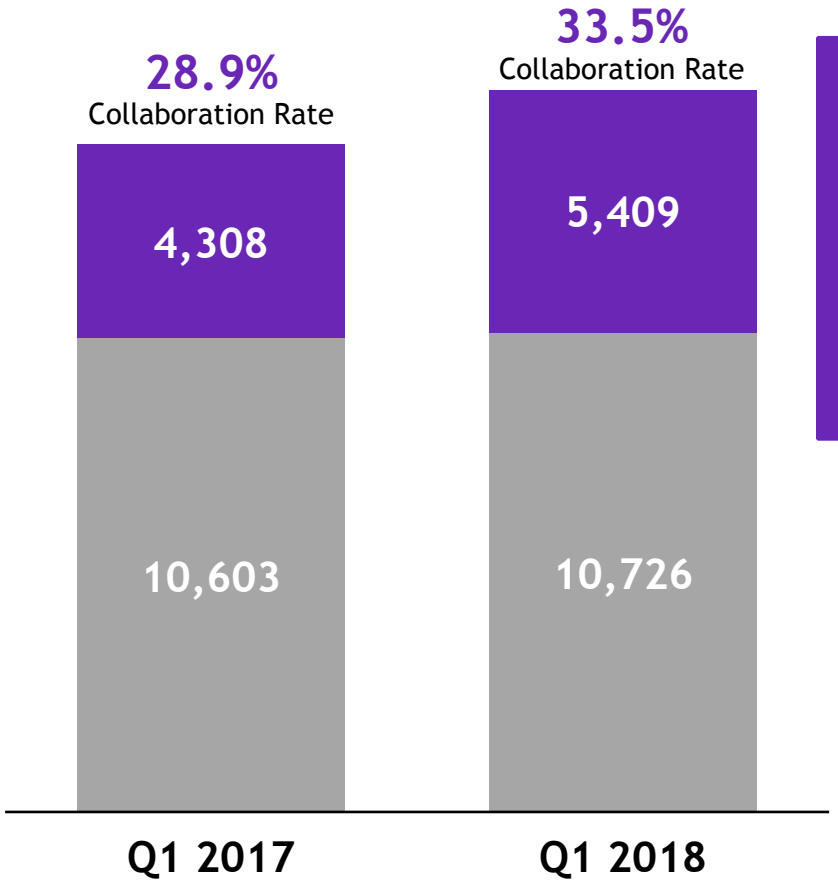
Inpatient Rehabilitation and Home Health



~60% of EHC's IRFs have an EHC home health location within an approximate 30-mile radius.

Clinical Collaboration

Improving the Patient Experience and Reducing Total Costs Through Integrated Care Delivery



460 Basis Points Year-Over-Year Increase

Near-term Goal = 35% - 40%

Encompass Health IRF Discharges to:

- Encompass Health Home Health
- Non-Encompass Health Home Health

Strategy

The Company's strategy is to expand its network of inpatient rehabilitation hospitals and home health and hospice agencies, further strengthen its relationships with healthcare systems, provider networks, and payors in order to connect patient care across the healthcare continuum, and to deliver superior outcomes.

Elements of Strategy



Clinical Expertise and High-Quality Outcomes



Financial Resources



Advanced Technology



Sustained Growth

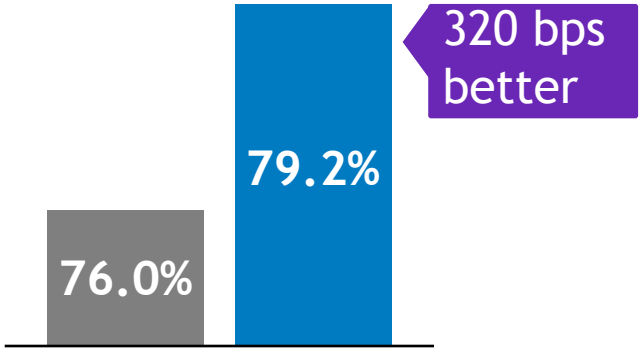


Post-Acute Innovation

Quality

Inpatient Rehabilitation

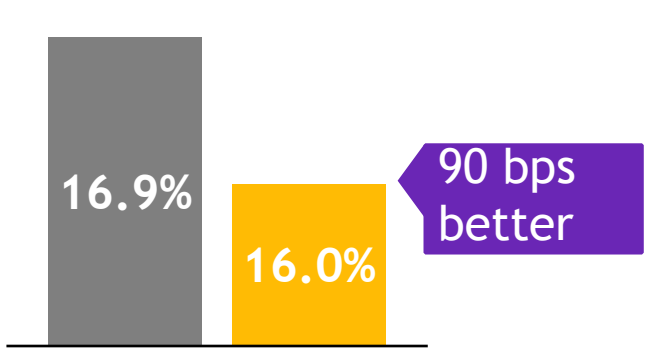
Discharge to community



280 certified clinical programs including **103** hospitals with stroke-specific certifications

Home Health

30-day hospital readmission



Developed programs to create physician-specific custom treatment protocols for higher acuity patients

Cost Effectiveness

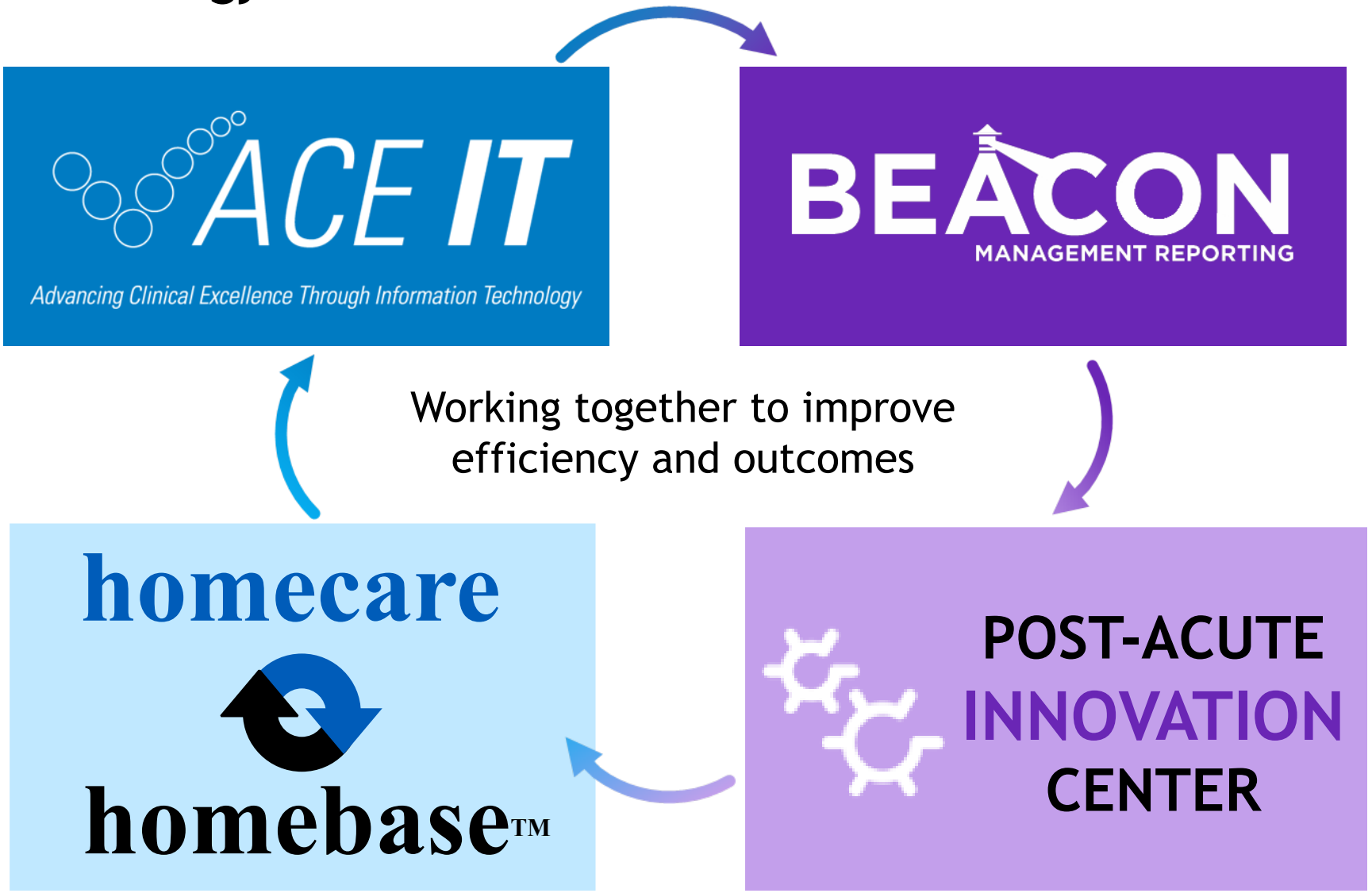
Inpatient Rehabilitation

	Average Beds per IRF	Average Medicare Discharges per IRF	Case Mix Index	**Average Cost per Discharge**	Average Payment per Discharge
Encompass Health	**67**	**950**	**1.28**	**$13,505**	**$20,300**
Industry Average	**34**	**357**	**1.25**	**$18,507**	**$21,160**
				(27.0)%	

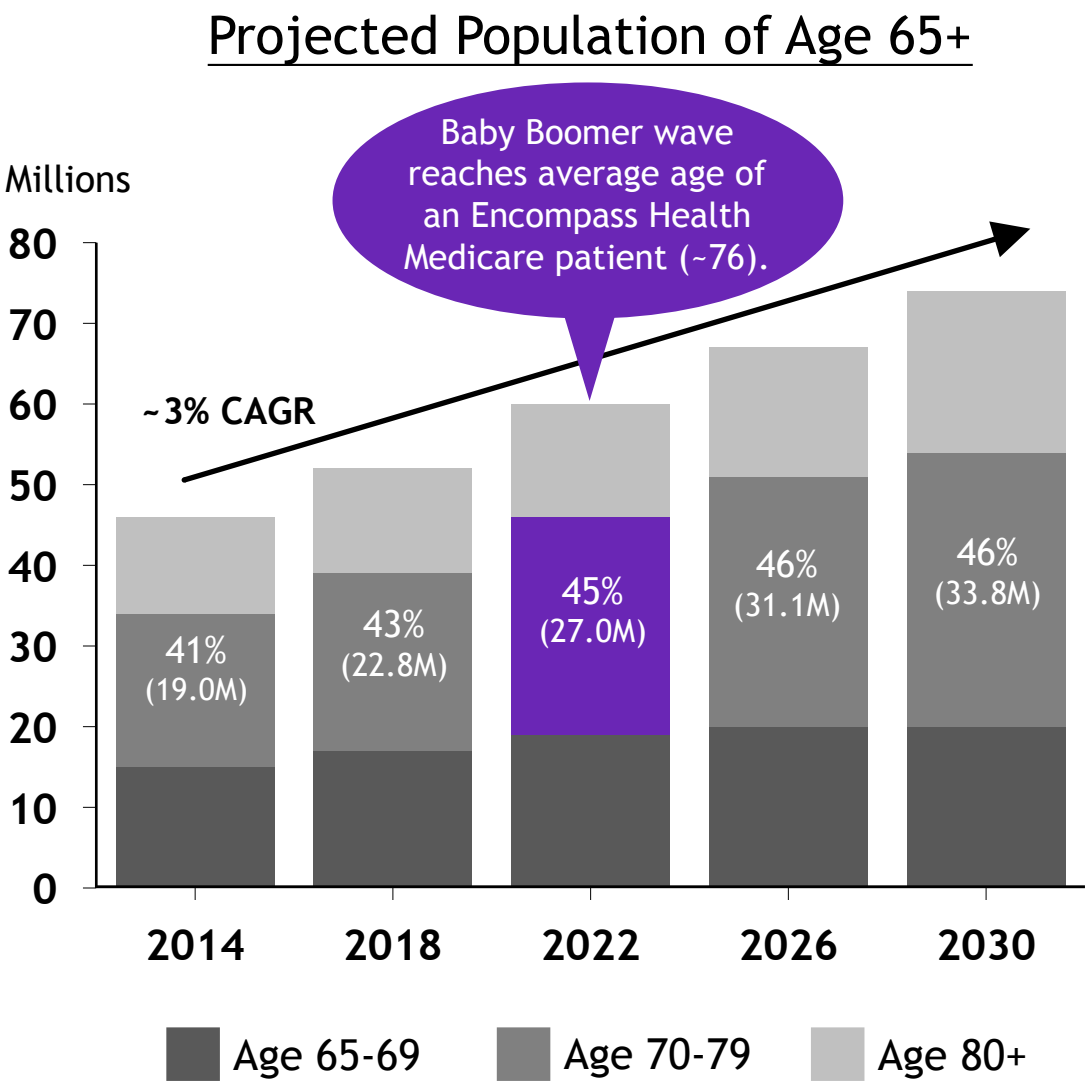
Home Health

	2017 Episodes	Average Revenue per Episode	Average Visits per Episode	**Average Cost per Visit**	Average Revenue per Visit (all payors)
Encompass Health	**211,743**	**$2,998**	**17.9**	**$75**	**$161**
Public Peer Average	**283,366**	**$2,835**	**17.4**	**$81**	**$148**
				(7.4)%	

Technology


ACE IT
Advancing Clinical Excellence Through Information Technology
BEACON
MANAGEMENT REPORTING
Working together to improve efficiency and outcomes
POST-ACUTE
INNOVATION
CENTER
homecare
homebase™

Both Segments Benefit from a Demographic Tailwind: Growth in the Medicare Beneficiary Population



CAGR (Population Growth by Age)			
Age	2014 to 2018	2018 to 2022	2022 to 2026
70-74	5.1%	3.8%	2.6%
75-79	4.1%	5.1%	5.0%

Multi-faceted Growth Strategy



Track record of consistent market share gains

IRF organic growth supplemented by bed additions

De novos and acquisitions complement organic growth

Maturation of acquired home health locations

Home health acquisitions and new-store growth prioritized in Encompass Health IRF markets without current overlap

Build additional scale in hospice via acquisitions and de novos

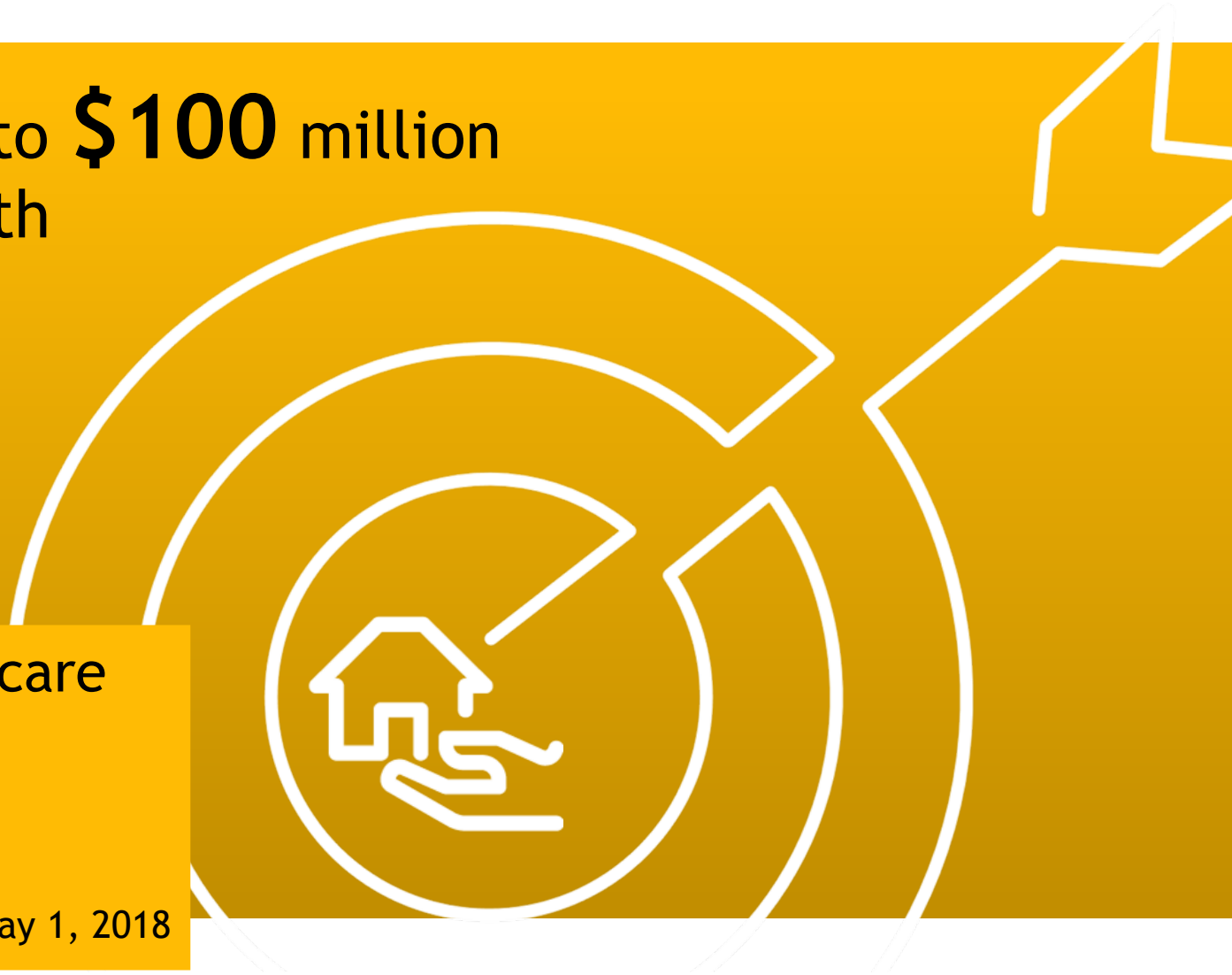
IRF Growth

Target 4 to 6 new IRFs per year

Inpatient Rehabilitation Facilities		
# of New Beds...	2018	2019
De Novo:		
1) Shelby County, AL	34	–
2) Hilton Head, SC	38	–
3) Murrieta, CA	–	50
4) Katy, TX	–	40
Joint Ventures:		
5) Murrells Inlet, SC	29	–
6) Winston-Salem, NC	68	–
7) Lubbock, TX	–	40
8) Boise, ID	–	40
Bed Additions	~100	~100
	~269	**~270**

Home Health and Hospice Growth

Target **$50** to **$100** million in home health and hospice acquisitions per year



Camellia Healthcare

18 hospice

14 home health

2 private duty

Completed acquisition May 1, 2018

Adjusted Free Cash Flow and Priorities

2018 Assumptions (In Millions)	
Adjusted Free Cash Flow	**$340 to $440**
Priorities	
Growth in Core Business	
IRF bed expansions	$30 to $40
New IRFs	
- De novos	80 to 110
- Acquisitions	opportunistic
- Replacement IRFs and other	40 to 50
Home health and hospice acquisitions (includes Camellia in 2018)	160 to 185
	$310 to $385, excluding IRF acquisitions
Debt Reduction	
Debt redemptions (borrowings), net	opportunistic
Shareholder Distributions	
Cash dividends on common stock	~$100
Purchase of Home Health Holdings Rollover Shares	~65
Common stock repurchases	opportunistic

Strong and Sustainable Business Fundamentals

- Attractive Healthcare Sectors
- Industry Leading Positions
- Cost-Effectiveness
- Real Estate Ownership
- Financial Strength
- Growth Opportunities



Encompass Health



Committed to Delivering High-Quality, Cost-Effective Care Across the Post-Acute Continuum