Encompass Health®

William Blair 39th Annual Growth Stock Conference

Mark Tarr, President and Chief Executive Officer

June 5, 2019

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, a potential settlement of the pending DOJ investigation, 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.

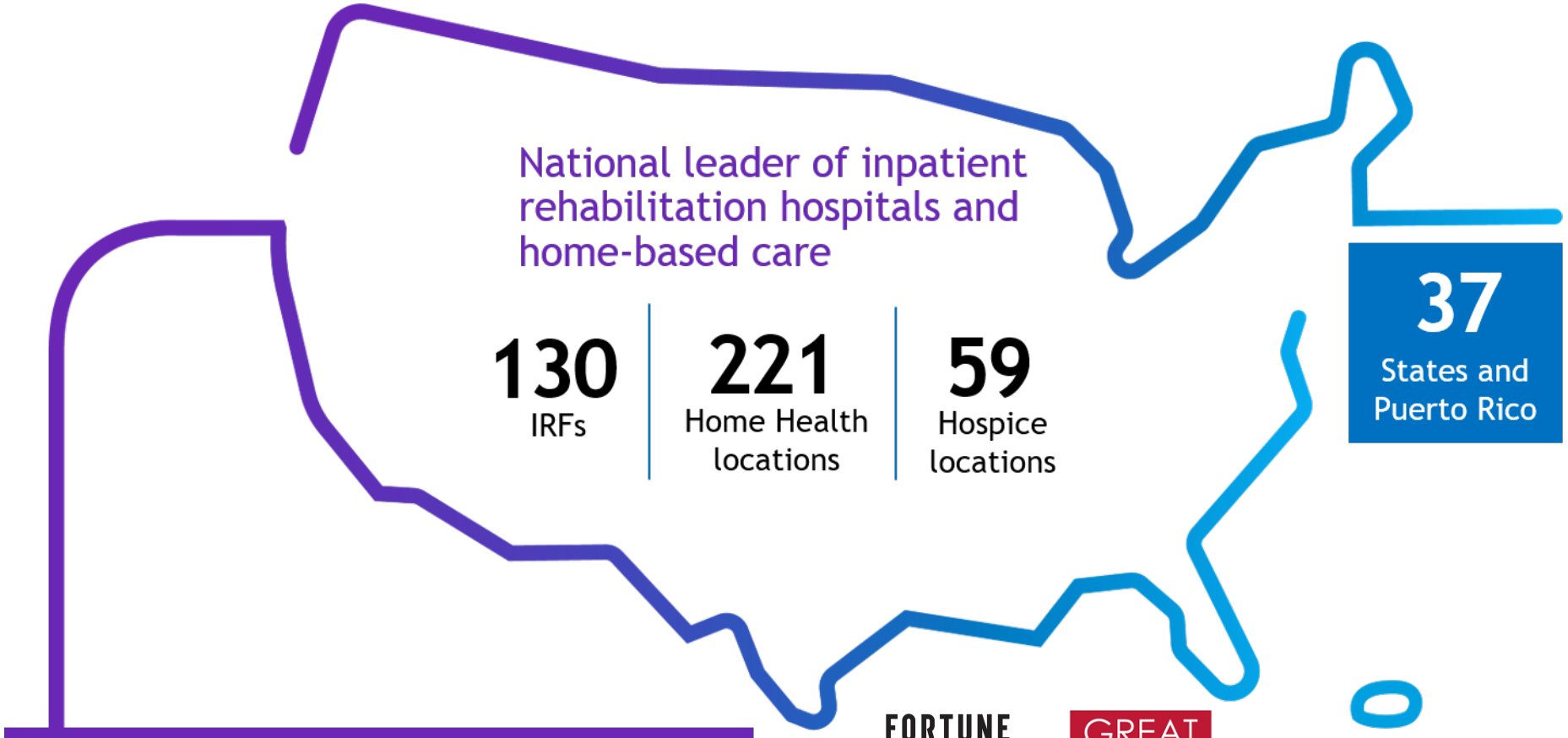
There can be no assurance any estimates, projections or forward-looking information will be realized.

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, 2018, Form 10-Q for the quarter ended March 31, 2019, 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 4, 2019, 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



National leader of inpatient rehabilitation hospitals and home-based care

130 IRFs

221 Home Health locations

59 Hospice locations

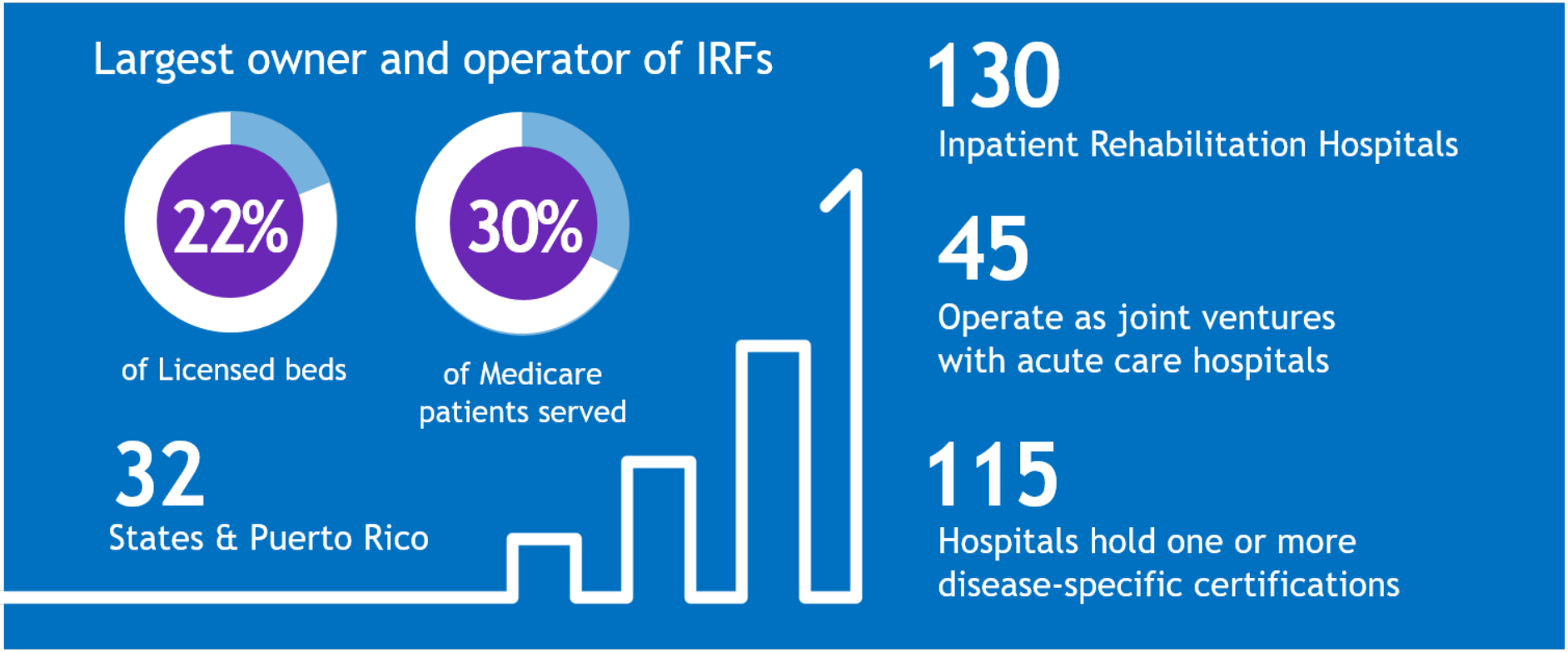
37 States and Puerto Rico

Committed to delivering high-quality, cost-effective integrated care across the healthcare continuum

FORTUNE 100 BEST COMPANIES TO WORK FOR® 2018

GREAT PLACE TO WORK® CERTIFIED SEP 2017 - SEP 2018 USA

Company overview - Inpatient Rehabilitation

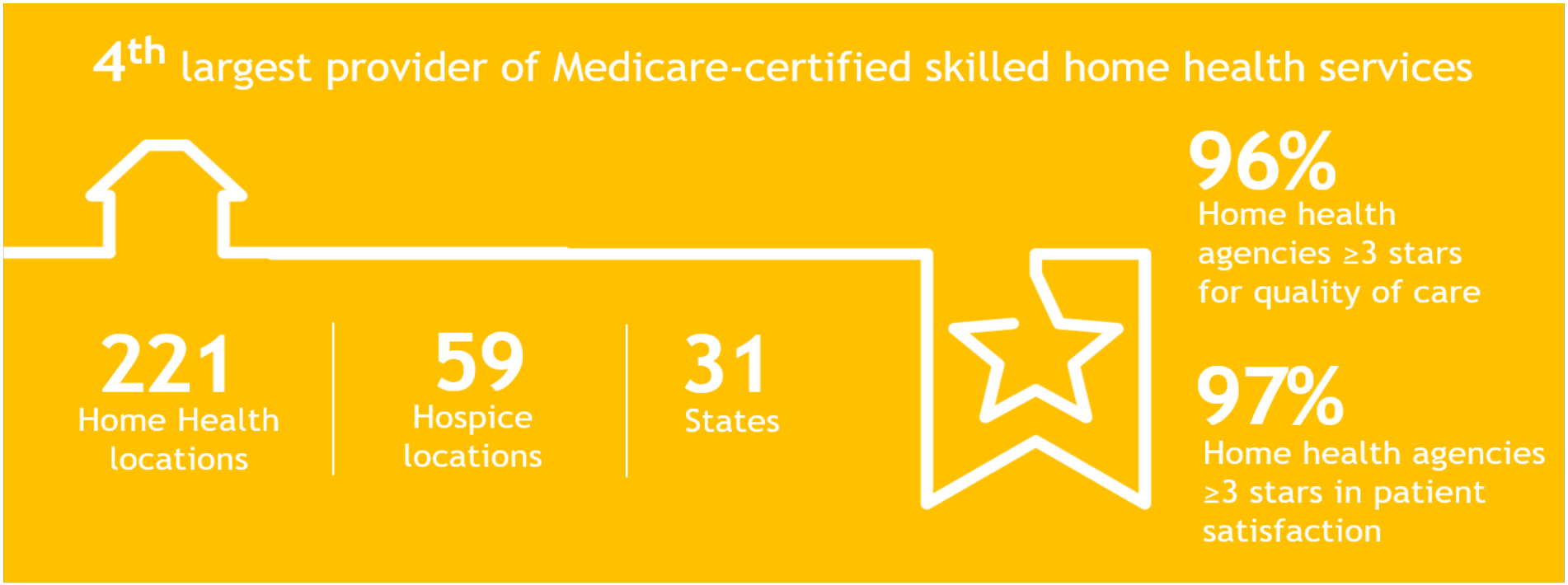


~30,300
employees

~180,300
patients

~$3.4 billion
revenues

Company overview - Home Health and Hospice



~10,800 employees

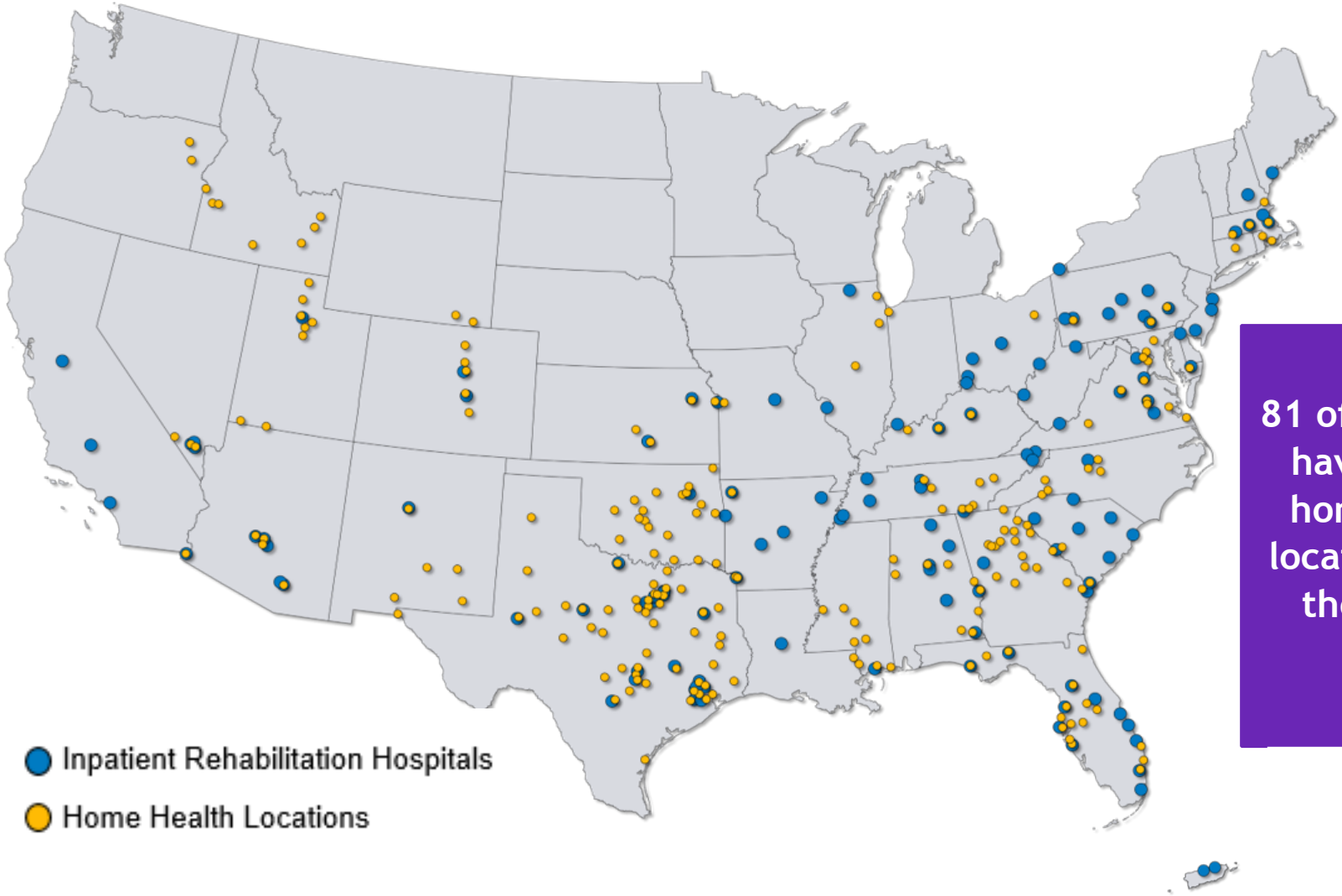
~141,500 home health admissions

~8,300 hospice admissions

~$980 million revenues

Market Overlap

Inpatient Rehabilitation and Home Health

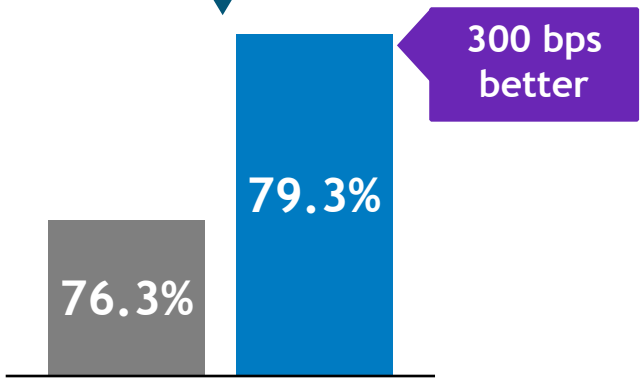


81 of EHC's IRFs have an EHC home health location within the service area.

Quality

Inpatient Rehabilitation

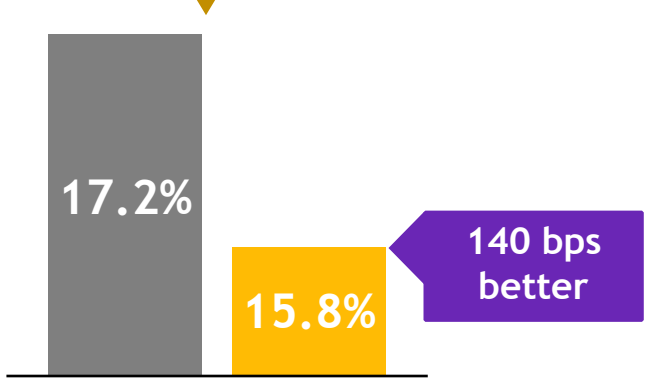
Discharge to community



295 certified clinical programs including **113** 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

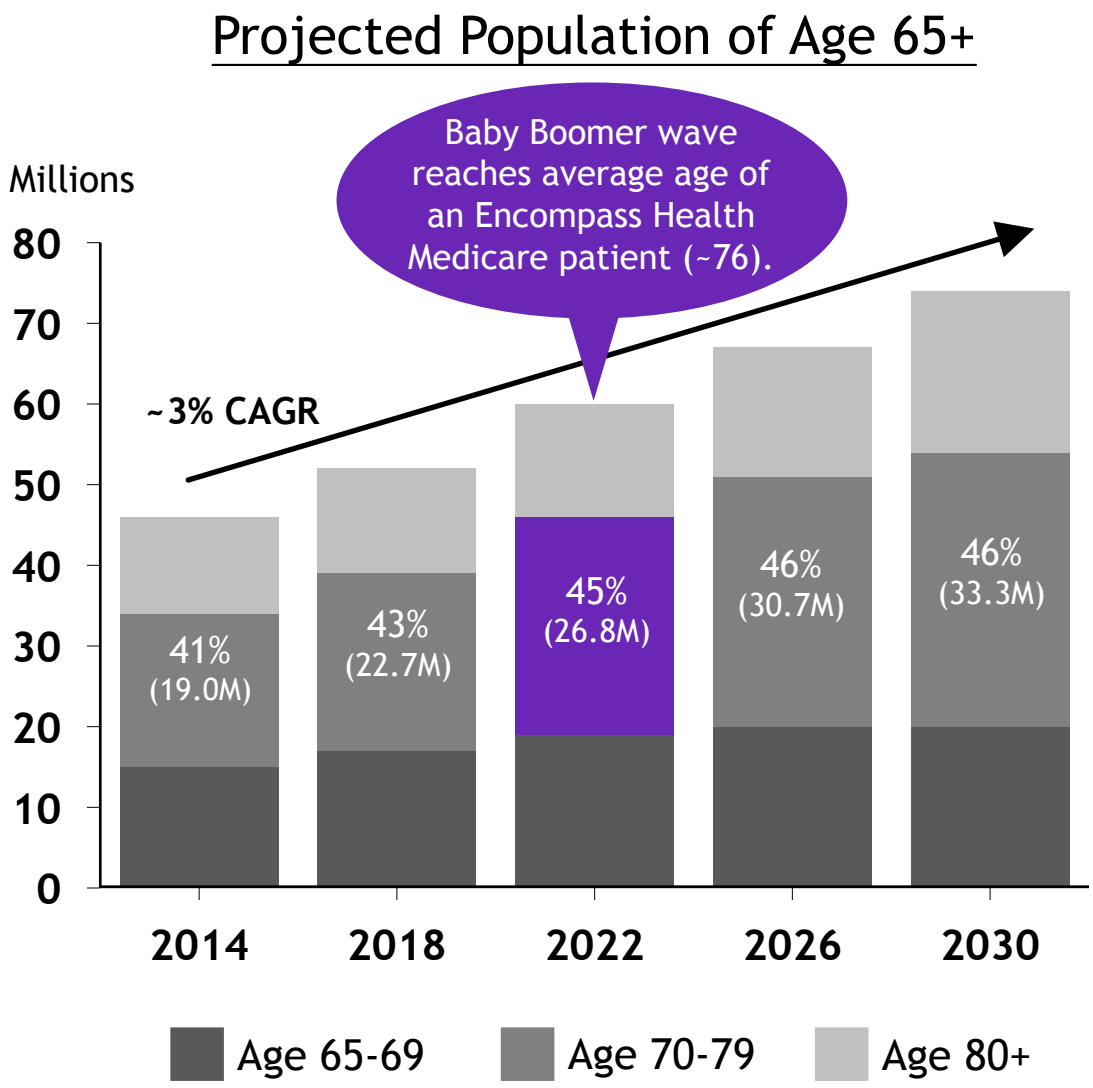
Inpatient Rehabilitation

	Average Beds per IRF	Average Medicare Discharges per IRF	Case Mix Index	**Average Cost per Discharge**	Average Payment per Discharge
Encompass Health	**67**	**951**	**1.28**	**$13,622**	**$20,315**
Industry Average	**34**	**358**	**1.25**	**$18,388**	**$21,159**
				(25.9)% lower	

Home Health

	2018 Episodes	Average Revenue per Episode	Average Visits per Episode	**Average Cost per Visit**	Average Revenue per Visit (all payors)
Encompass Health	**243,698**	**$2,968**	**17.6**	**$76**	**$162**
Public Peer Average	**315,713**	**$2,869**	**17.9**	**$86**	**$145**
				(11.6)% lower	

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	4.9%	3.7%	2.5%
75-79	4.0%	5.0%	4.9%

Multi-faceted Growth Strategy



Track record of consistent market share gains driven by clinical programs

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-location growth prioritized in Encompass Health IRF markets without current overlap

Build additional scale in hospice via acquisitions and de novos

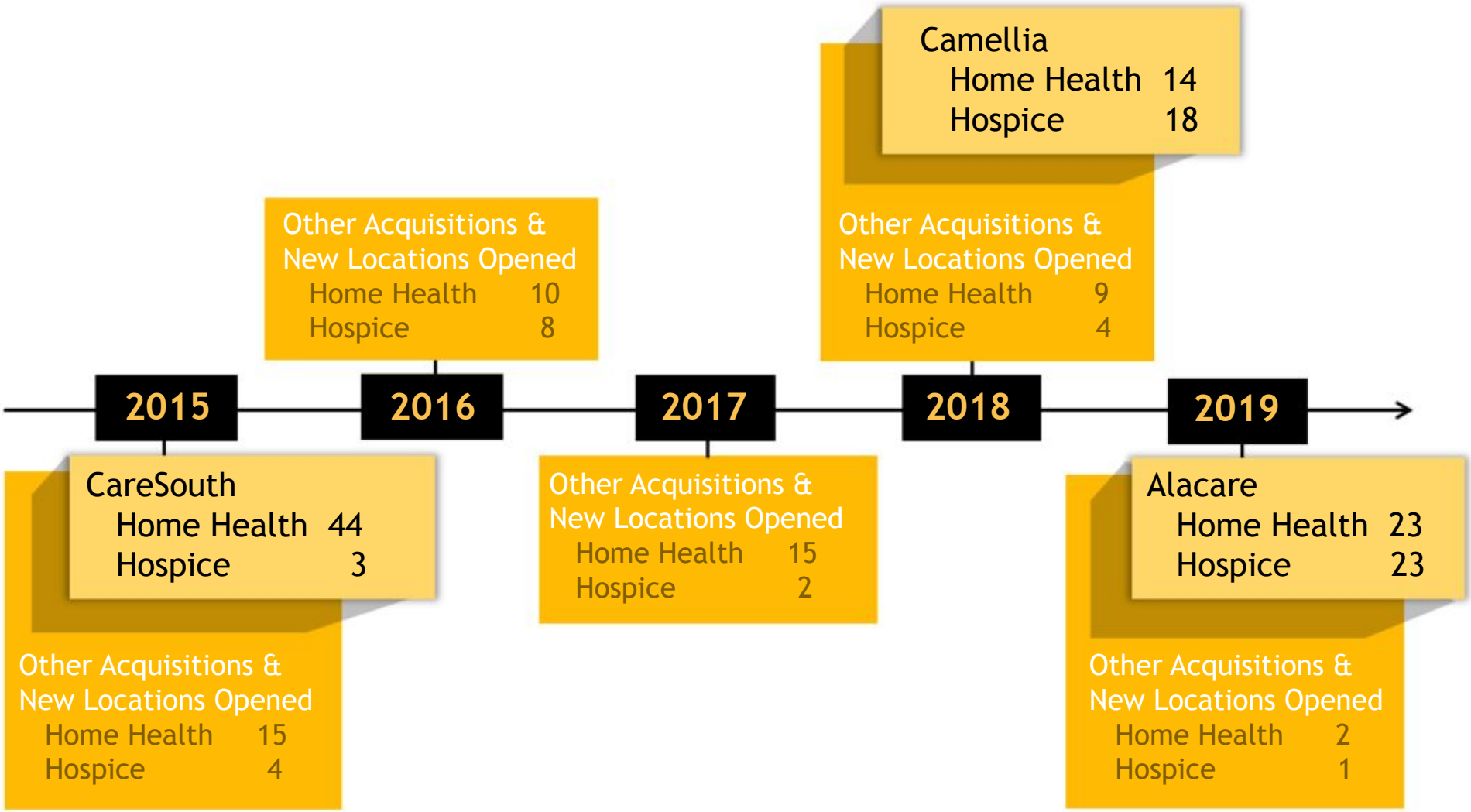
IRF Growth



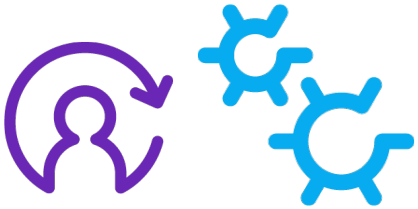
Target 4 to 6 new IRFs per year

Inpatient Rehabilitation Facilities		
# of New Beds...	2019	2020
De Novo:		
1) Murrieta, CA	50	—
2) Katy, TX	40	—
3) Sioux Falls, SD	—	40
4) Coralville, IA	—	40
5) Lubbock, TX (joint venture)	40	—
6) Boise, ID (joint venture)	40	—
Bed Additions	~150	~100
	~320	**~180**

Home Health and Hospice Growth



Operational initiatives support our growth strategy





Increase clinical collaboration



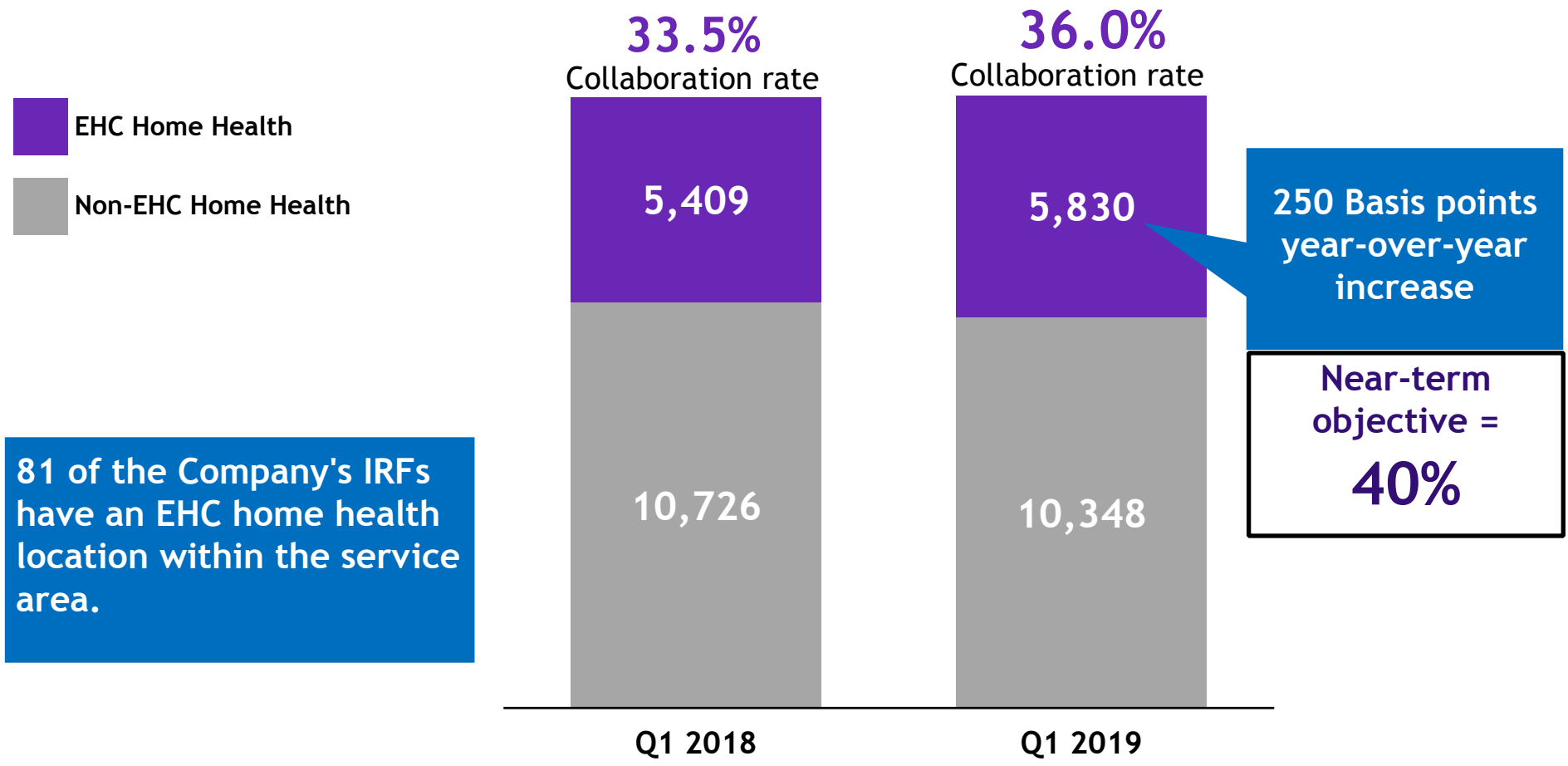
Build stroke market share



Further develop post-acute solutions

Clinical collaboration in overlap markets

Improving the patient experience and outcomes while reducing total costs through integrated care delivery



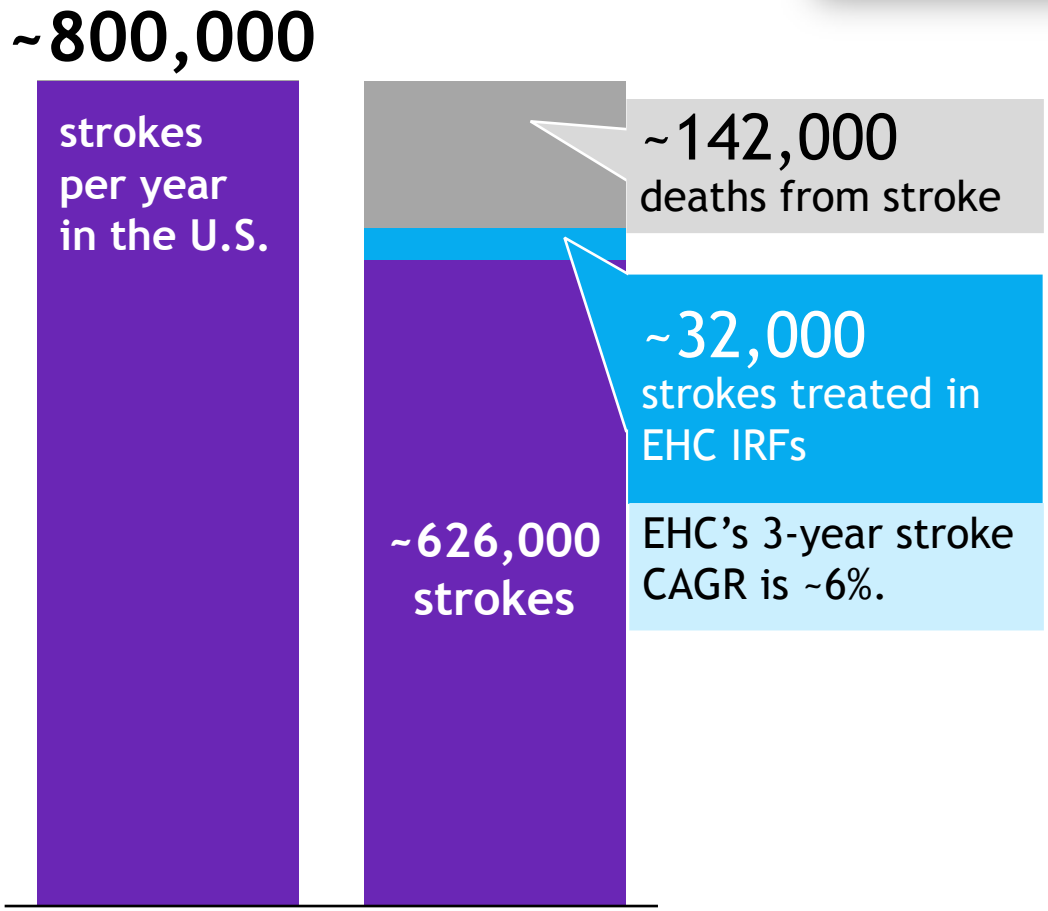
81 of the Company's IRFs have an EHC home health location within the service area.

Building stroke market share

Leveraging our:

- strategic sponsorship with the AHA/ASA
- clinical collaboration
- joint commission certifications

Encompass Health | American Stroke Association. A division of the American Heart Association. Together to End Stroke®



EHC's 3-year stroke CAGR is ~6%.

113 EHC IRFs hold stroke-specific certifications.

Continue to increase market share by focusing on IRF- eligible stroke patients going to SNFs and non-EHC IRFs; view our Life After Stroke guide at: https://ehc.news/LifeAfterStroke

Stroke cases account for ~1/3 of EHC's Medicare Advantage volume.

Post-acute solutions

Our post-acute solutions will leverage our clinical expertise, large post-acute datasets, EMR technologies, and strategic partnerships to drive improved patient outcomes and lower cost of care across the entire post-acute episode.

2018

- Modified and implemented Cerner's HealtheCare module; created a longitudinal patient record to manage patients across the post-acute continuum
  - piloting in Tyler, Texas
- Deployed ReAct in all of our hospitals
- Developed 90-day post-acute readmission prediction model
  - piloting in Tyler, Texas and Petersburg, Virginia
- Began utilizing care navigators to follow a patient throughout an episode of care

2019

- Refine 90-day post-acute readmission prediction model; deploy to additional EHC hospitals
  - expanded pilot to seven hospitals in the Houston, Texas market in April 2019
- Design and implement post-acute care clinical decision support tools
- Design and implement quality reporting tool for building preferred provider networks
- Create a provider hub to automate market analysis tools for quality reporting across episodes
- Use Medalogix for home health care plan optimization and to reduce emergency room visits and hospital readmissions

Free cash flow priorities

(In Millions)

	2018 Actuals	2019 Assumptions
Growth in core business		
IRF bed expansions	$22.3	$40 to $50
New IRFs		
- De novos	76.4	85 to 115
- Acquisitions	-	opportunistic
- Replacement IRFs and other	24.5	90 to 110
Home health and hospice acquisitions		
- Alacare Home Health and Hospice	-	217.5
- Camellia Healthcare	131.4	-
- All other	12.5	~50
	$267.1	$482 to $543, excluding IRF acquisitions
Debt reduction		
Debt redemptions (borrowings), net	$63.3	opportunistic
Shareholder distributions		
Cash dividends on common stock	$100.8	~$108
Purchase of Home Health Rollover shares and exercise of SARs	69.4	TBD
Common stock repurchases	-	opportunistic
	$233.5	$TBD

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 integrated care across the healthcare continuum