



Encompass Health



2023 Investor Day

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 the business outlook and guidance, labor availability and costs, legislative and regulatory developments, strategy, capital expenditures, acquisition and other development activities, such as the de novo pipeline, costs, growth and timelines, operational initiatives, dividend strategies, leverage, repurchases of securities, effective tax rates, financial performance, financial assumptions, business model, balance sheet and cash flow plans, and addressable market size. 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.

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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, 2022, the Form 10-Q for the quarter ended March 31, 2023, the Form 10-Q for the quarter ended June 30, 2023, and in other documents Encompass Health filed and to be 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

The following 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. Schedules are attached 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. The Q2 Earnings Release Form 8-K, which can be found at <https://investor.encompasshealth.com>, provides further explanation and disclosure regarding Encompass Health's use of non-GAAP financial measures and should be read in conjunction with this supplemental information.

Encompass Health

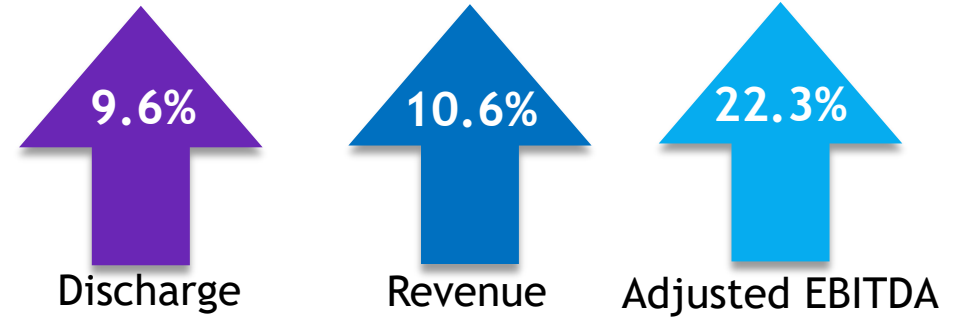


2023 Investor Day

2023 YTD Performance



Growth - first half of 2023



Guidance as of August 1, 2023

Net operating revenue	\$4,750 to \$4,810
Adjusted EBITDA	\$920 to \$950
Adjusted EPS	\$3.31 to \$3.53

\$ in millions, except per share data

Investments since 2009



Clinical and information technology

\$250+
million

- Large data sets
- Predictive modeling
- Industry leading clinical outcomes
- High-quality care at a lower cost compared to peers

De novo and bed expansions

\$1.8+
billion

- Opened 51 de novo hospitals
- Added more than 1,200 beds to existing hospitals

Culture of continuous improvement



Managing shift to Medicare Advantage



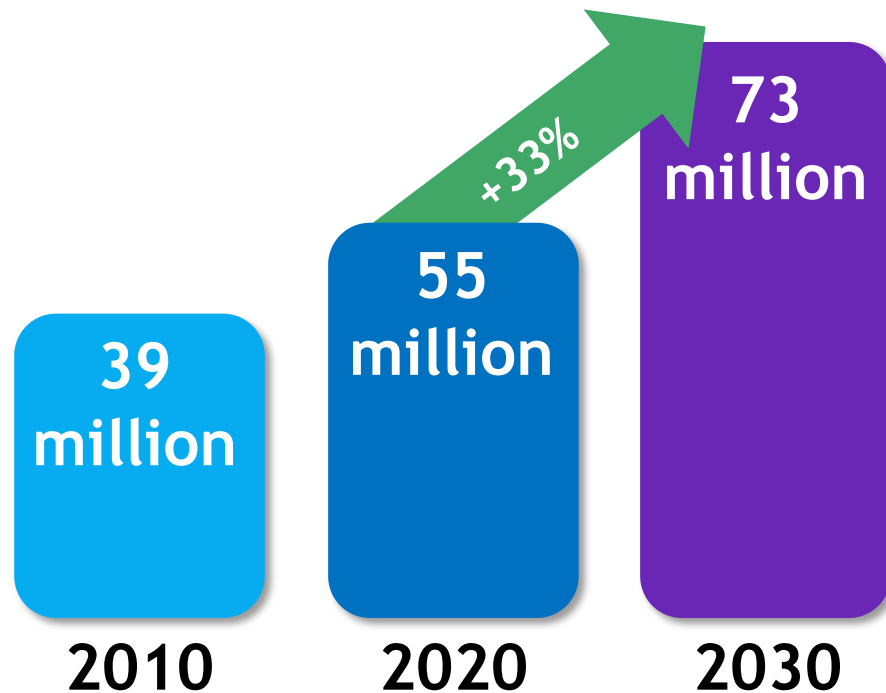
Enhanced recruiting and retention



Strong culture of compliance

Growing demand for inpatient rehabilitation services

65+ Population



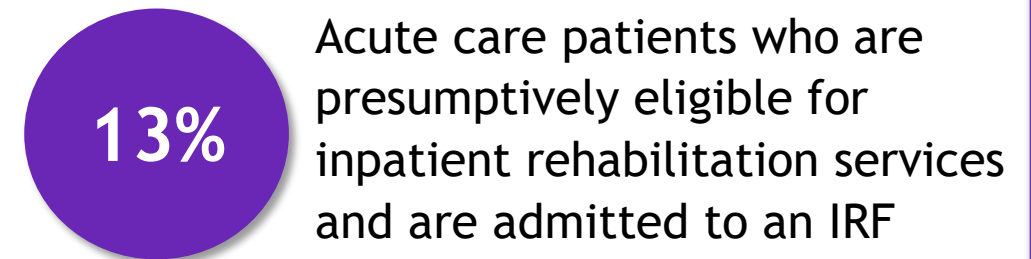
Sources: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2010 & 2020. U.S. Census Bureau, International Database: World Population Estimates and Projections, updated August 2023.

Number of IRFs added from 2010 to 2022



Sources: MedPAC March 2018 Report to Congress, page 277. CMS 'Inpatient Rehabilitation Facility - General Information' dataset.

Conversion rate



The conversion rate of inpatient rehabilitation eligible patients is based on patients who are discharged from acute-care hospitals with one or more of 13 specified medical conditions that CMS ties to IRF eligibility based on Medicare fee-for-service data, which is the only publicly available data on the subject.

The central tenets of our strategy remain to:



Add capacity via de novos and bed expansions to address an underserved and growing demand for inpatient rehabilitation services



Continue to provide high quality outcomes for medically complex patients and to do so in a cost-effective manner



Generate strong returns for our shareholders

De novos



Speakers

Doug Coltharp
EVP, Chief Financial Officer

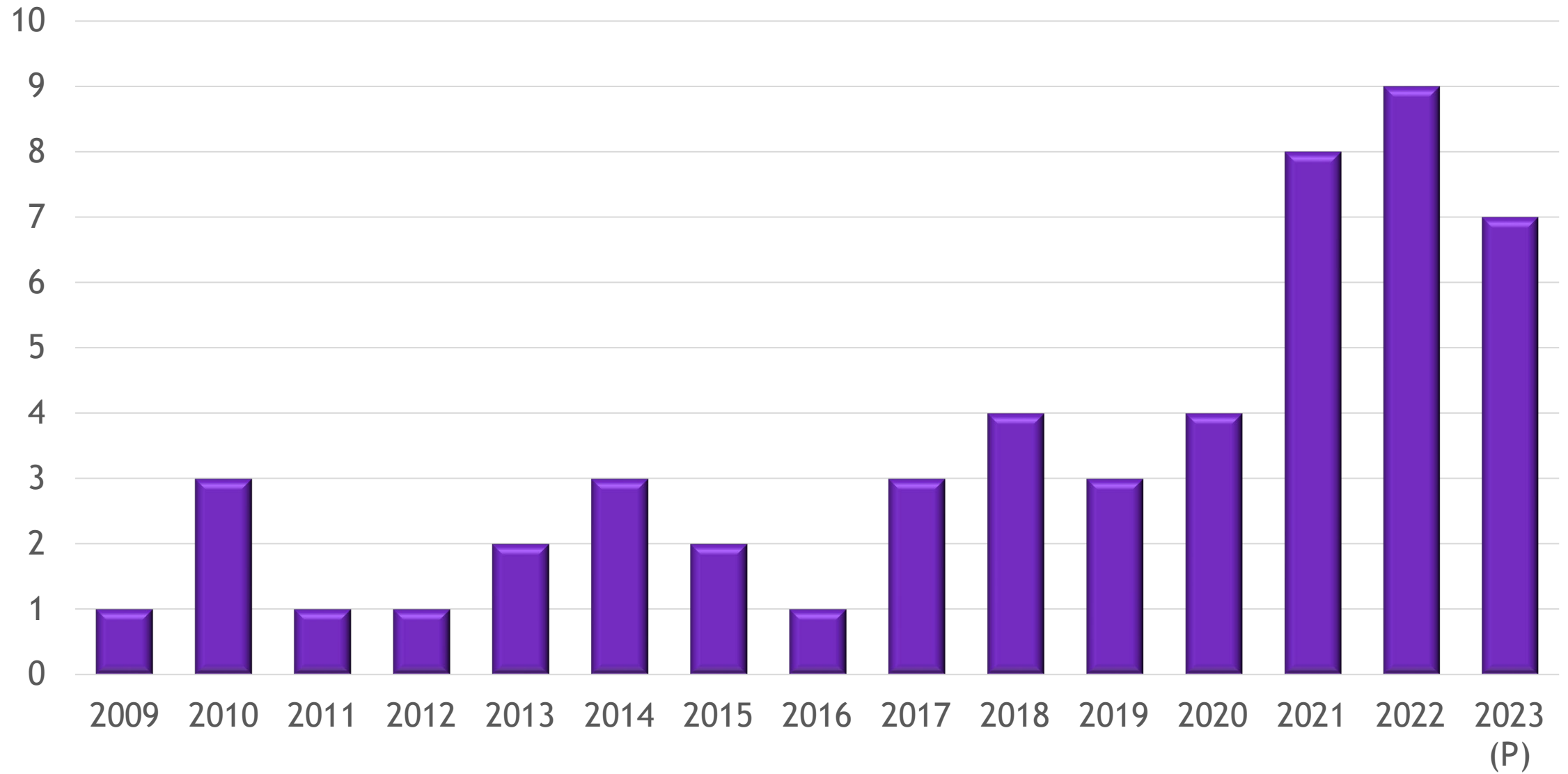
Melanie Lewis
SVP, Chief Business
Development Officer

Tom Boyle
SVP, Chief Design &
Construction Officer

A Brief History & ROIC Discussion

Doug Coltharp
EVP, Chief Financial Officer

De novos opened by year



De novo growth acceleration

2009 to 2020

Opened
28
de novos
in 12 years

2021 to 2023

Projected to open
24
de novos
in 3 years

2024 to 2027

Plan to open
24 to 40
de novos
in 4 years

Market Selection

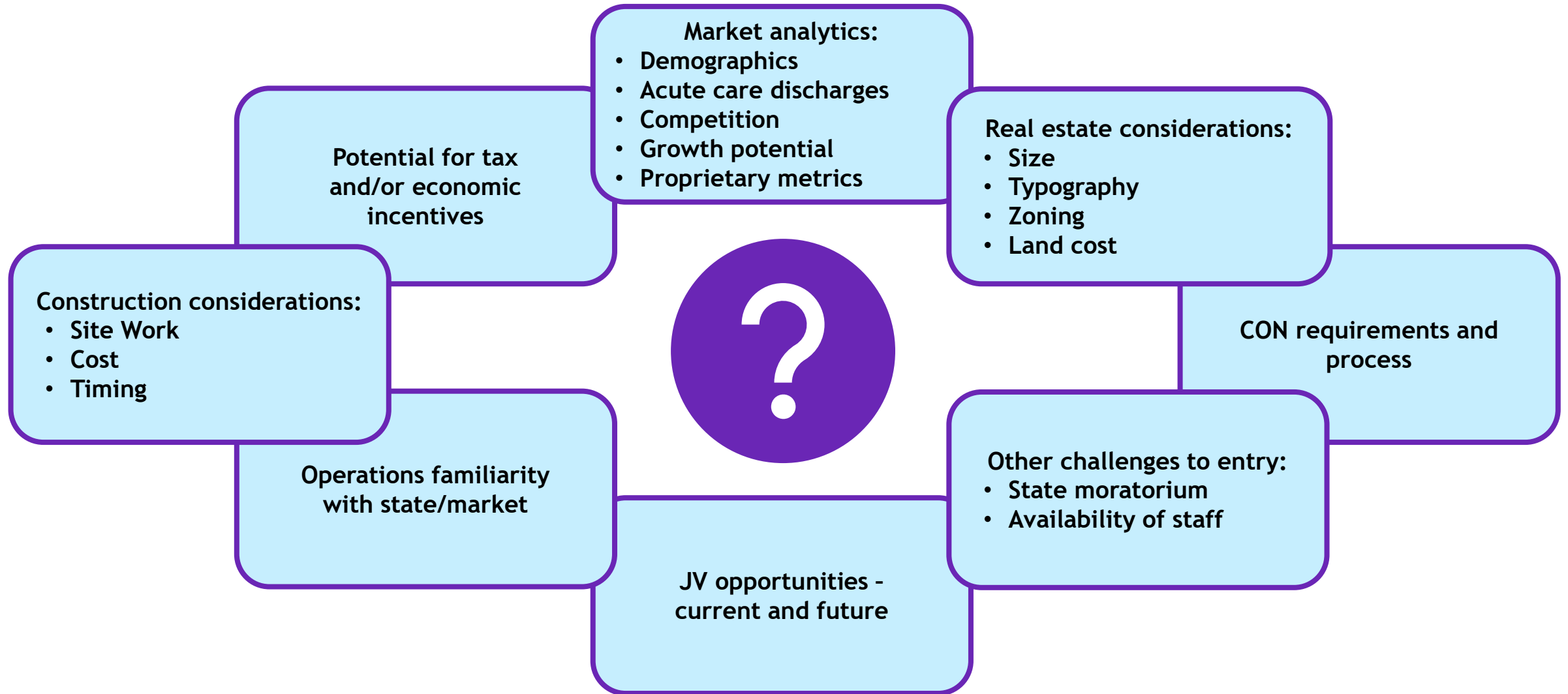
Melanie Lewis

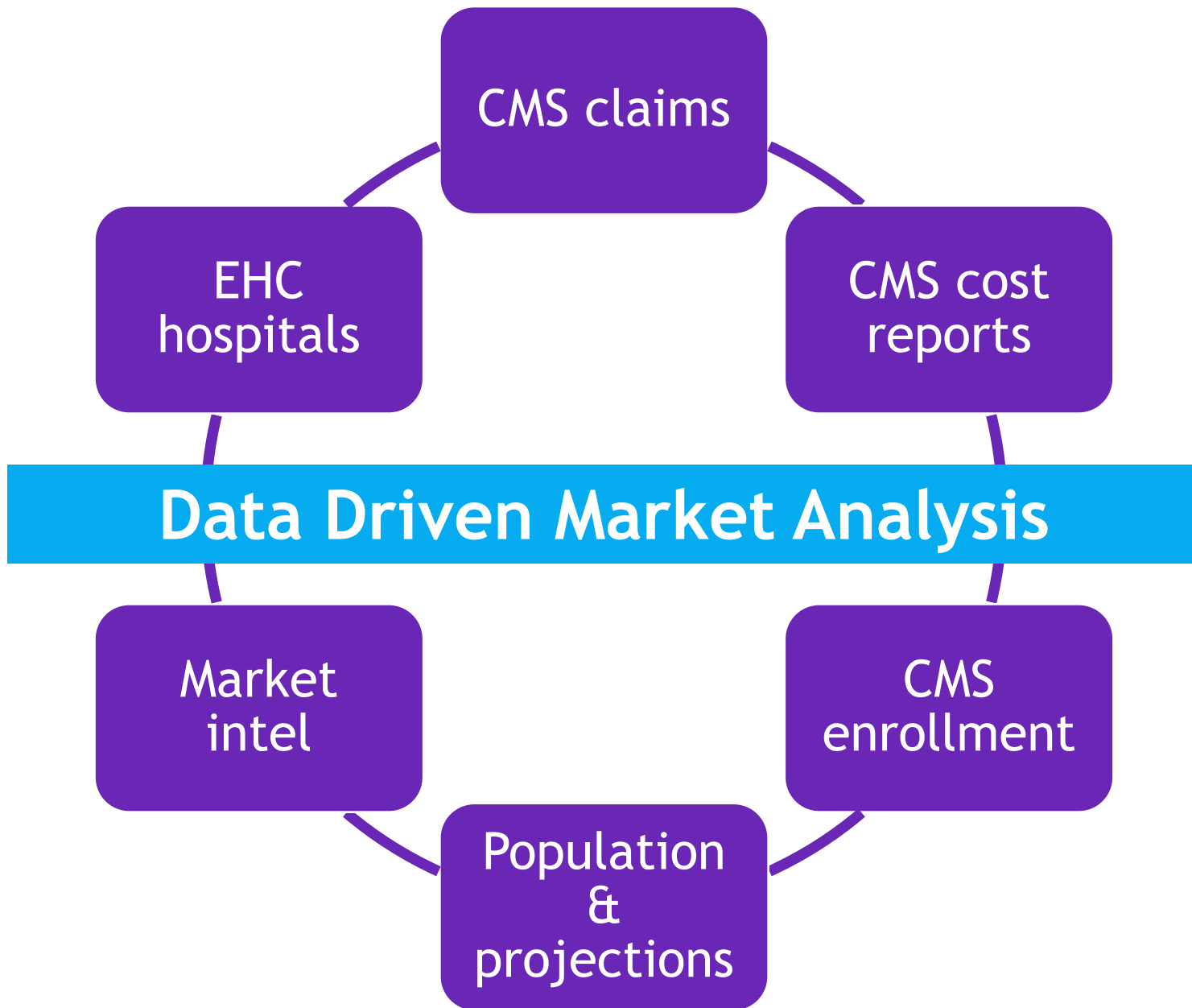
SVP, Chief Business Development Officer



Encompass Health uses a **custom-built, data-driven, metrics-based model** and ranking system incorporating metrics highly correlated to successful extant Encompass Health hospitals.

Factors to consider in identifying potentially attractive markets for incremental IRF capacity





- Multiple sources of data utilized
- Data is combined to calculate meaningful metrics
- Metric-based model and rank developed to score markets
- Markets sortable based on metrics and model scoring

Target Market Identification Process

Extant
Encompass
Health
markets were
analyzed via
multiple
regressions

Attributes
most highly
correlated to
success were
identified

Algorithm
was
developed
and is applied
to high-level
CBSA metrics

The most
promising
CBSAs are
refined to
more granular
service area
analyses

The top
ranked
service areas
are reviewed
with Regional
operating
teams to
incorporate
local market
knowledge

Prioritized
projects enter
internal
approval
process

Market (geography) Initially Defined as a CBSA

CBSA (Core Based Statistical Area)

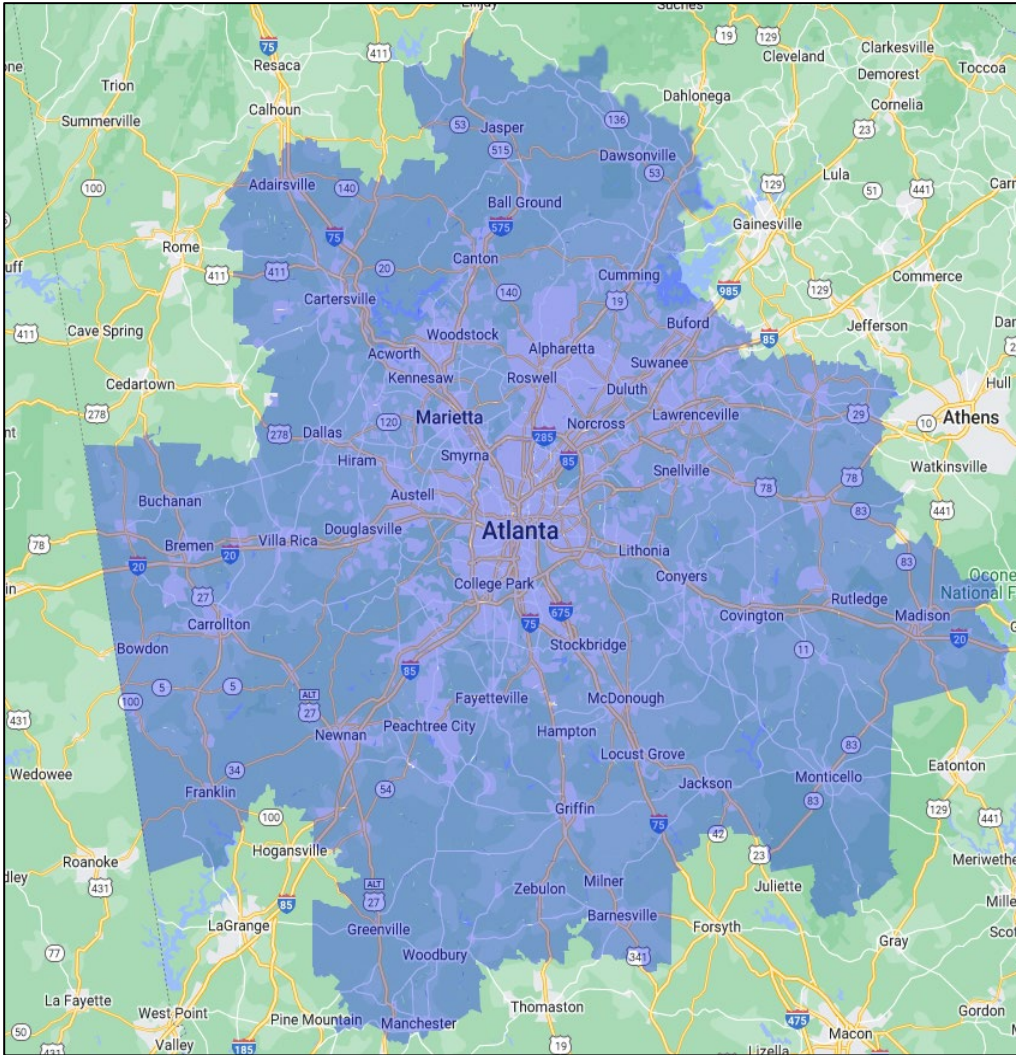
Includes one or more urbanized counties (a county within a metropolitan area that has a pop. of 200,000 or more)

Metropolitan area is one with a population of 50,000 or more

Micropolitan area is one with a population of 10,000 or more but less than 50,000

There are 1,916 CBSAs in the United States

CBSA (Atlanta Metropolitan)



Metrics Considered

Demographics

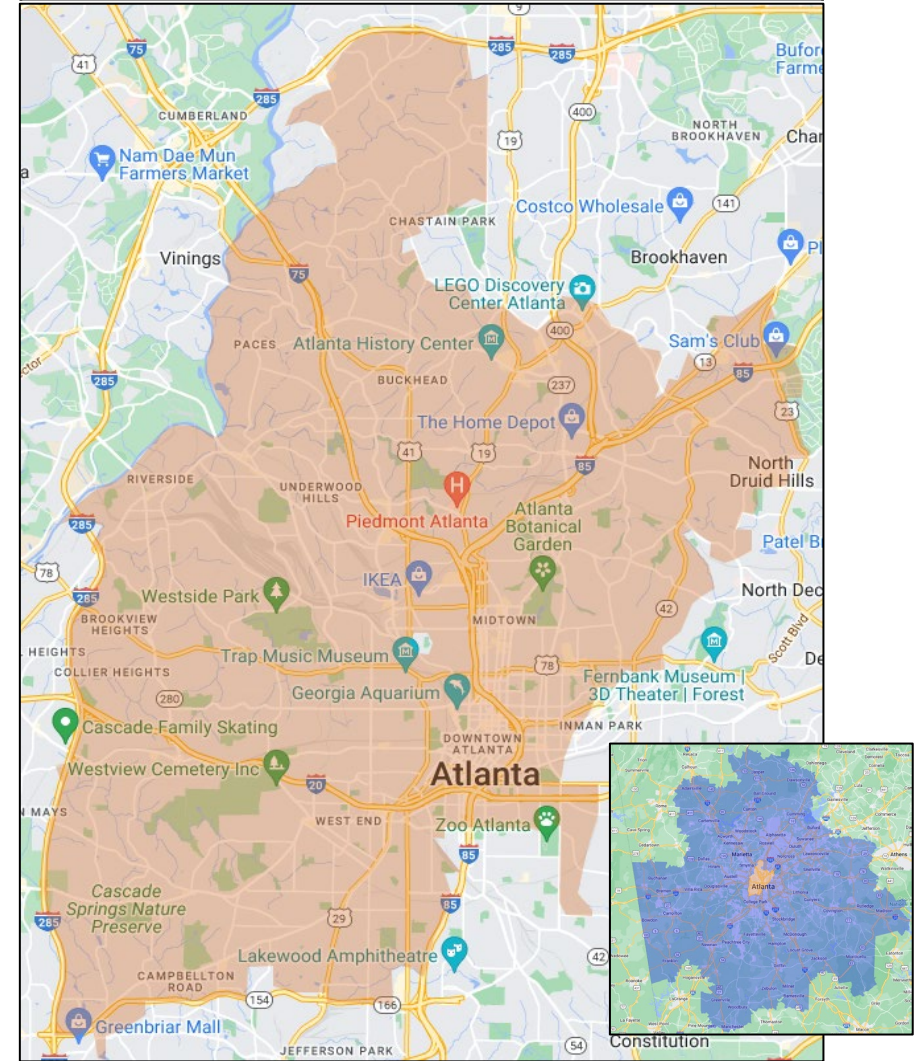
Acute Care Discharges

Competition

Growth Potential

Proprietary Metrics

Service Area



Design & Construction Strategy

Tom Boyle

SVP, Chief Design & Construction Officer

Design & Construction overview



6-10

De novos

6-10

Hospital bed addition projects

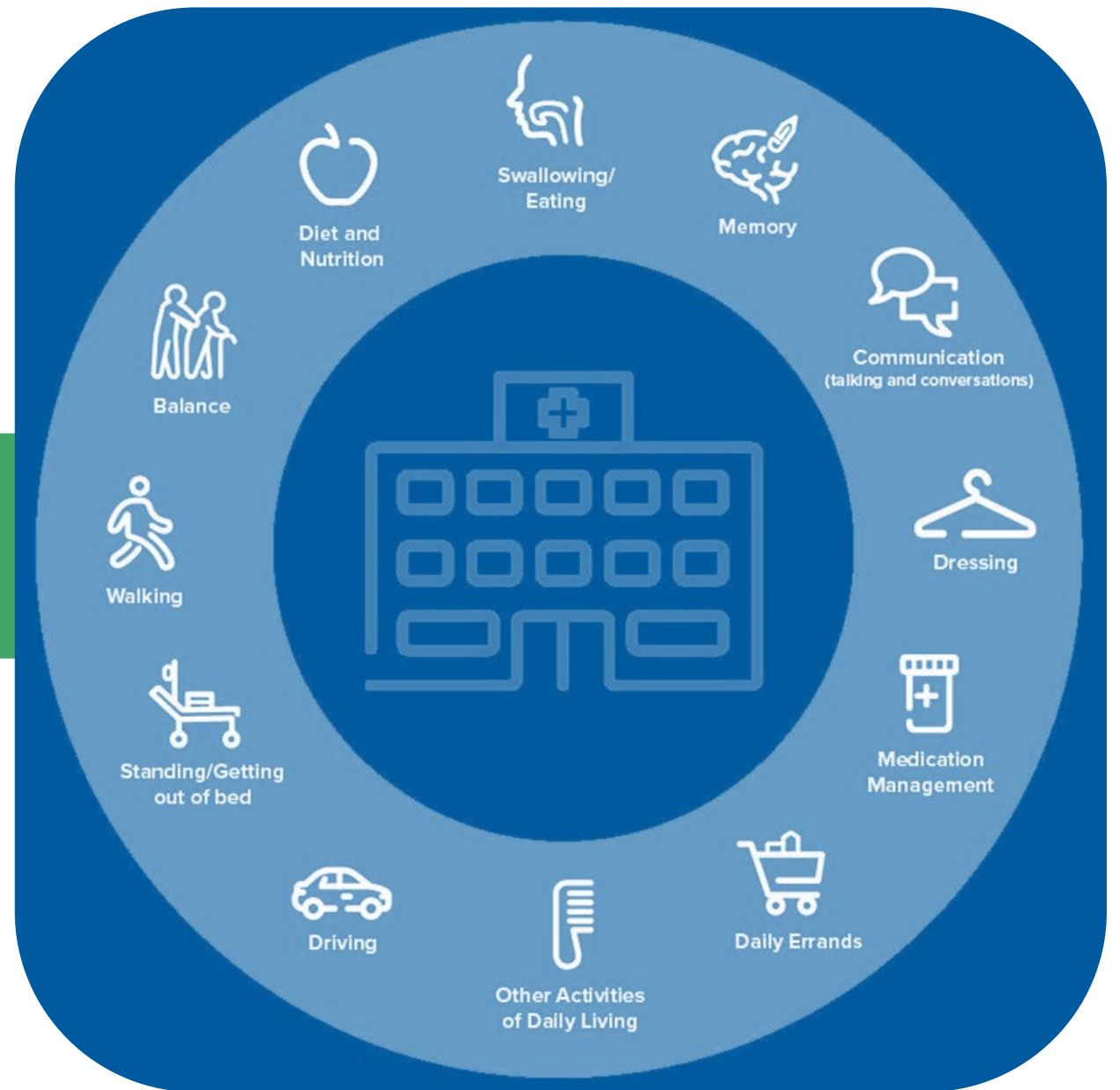
4-8

Major renovations

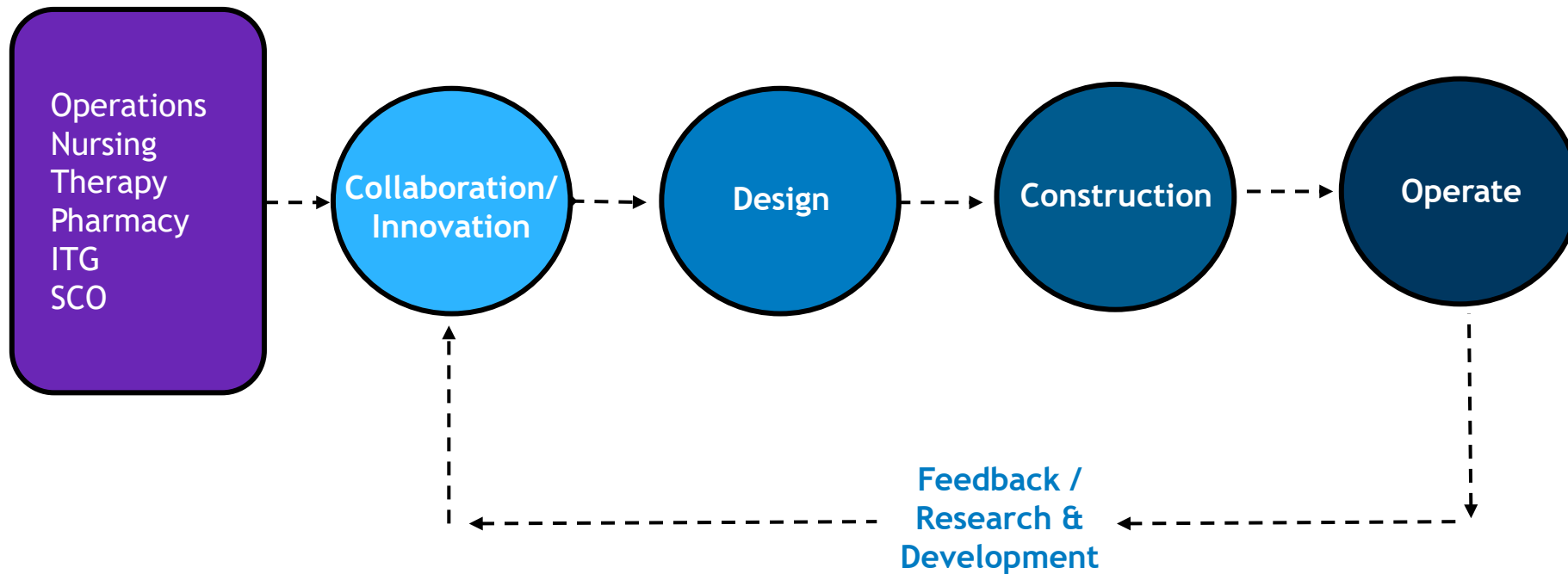
Many

Infrastructure programs

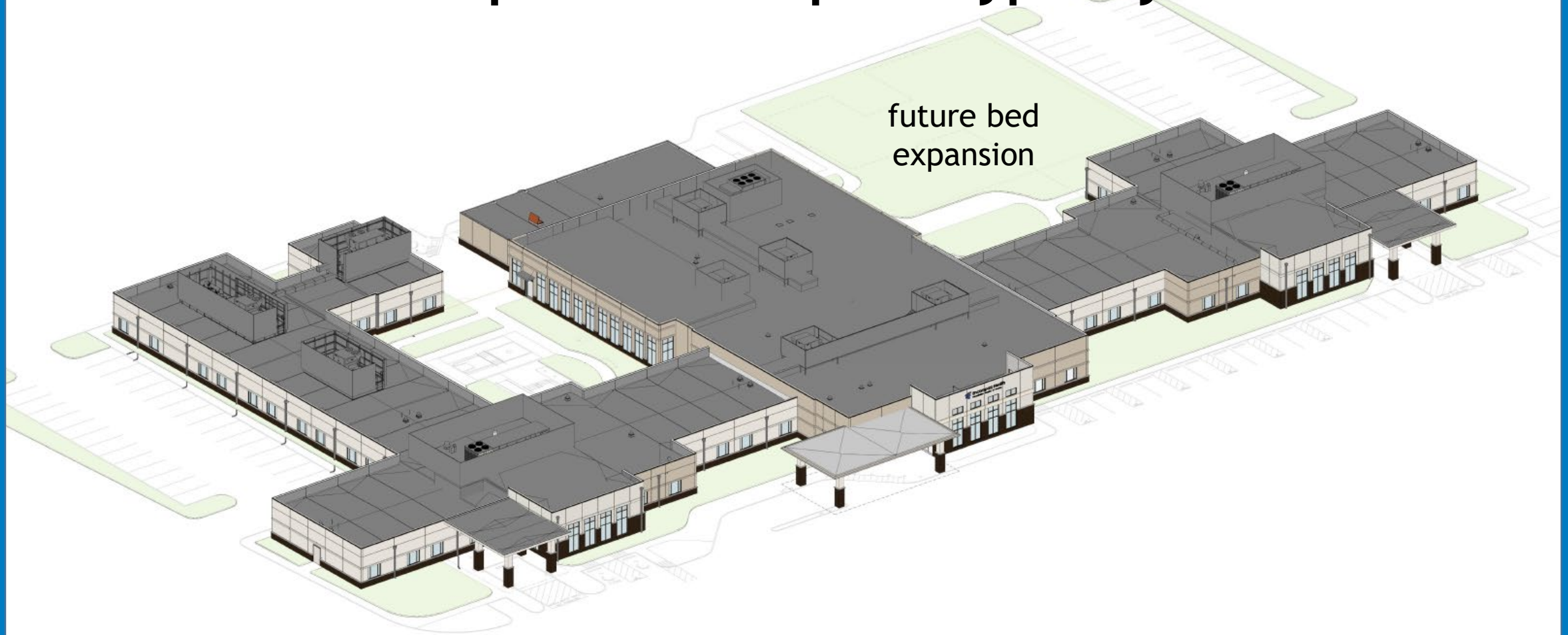
Designing & Constructing for patient care



Design & Construction process

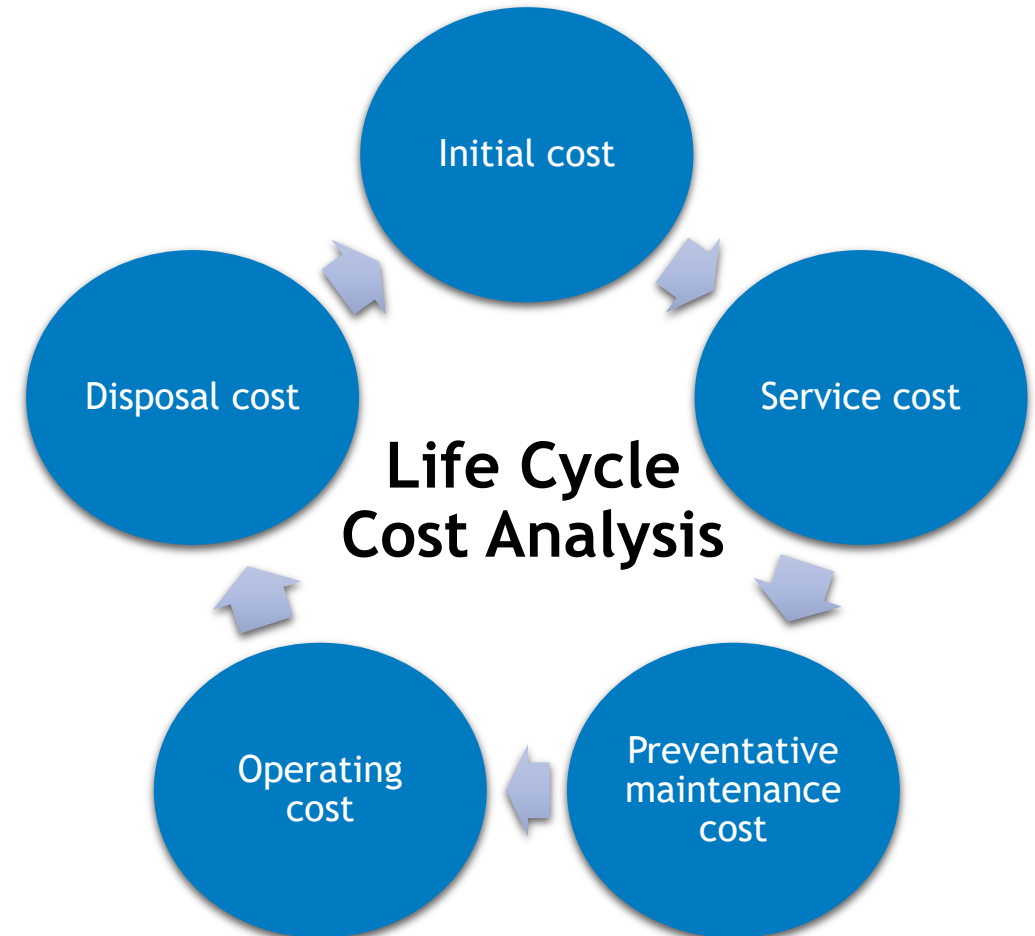


Encompass Health prototype layout

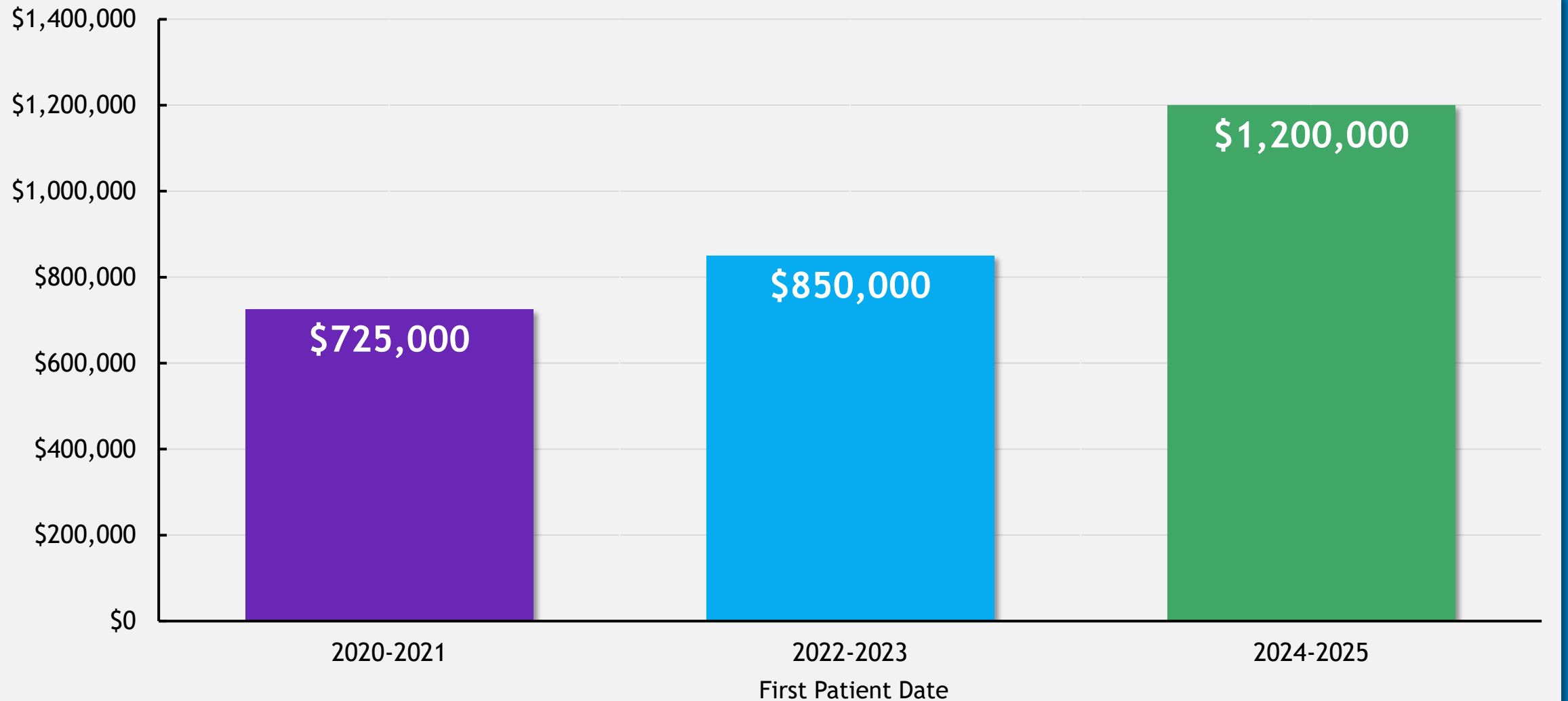


Proactive Maintenance Approach

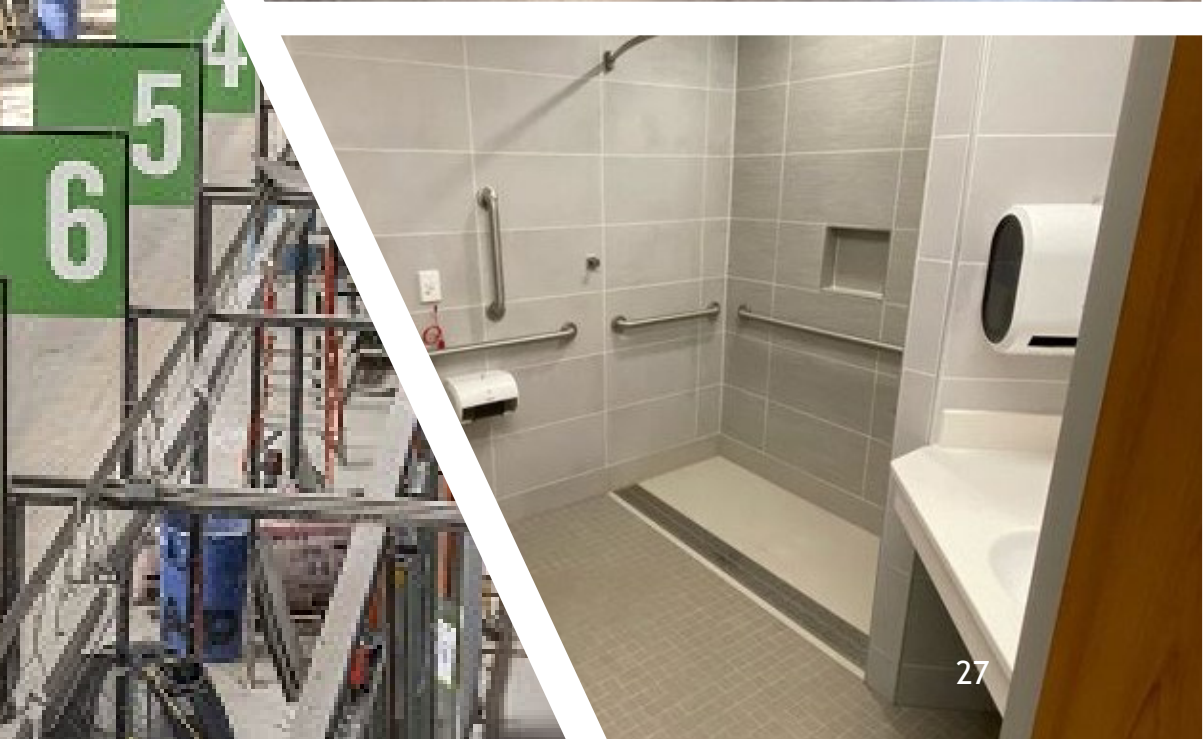
- Focused asset replacement
- Yearly evaluation/prioritization
- Establish preventative maintenance plans
- Involvement from hospital, region, & Home Office



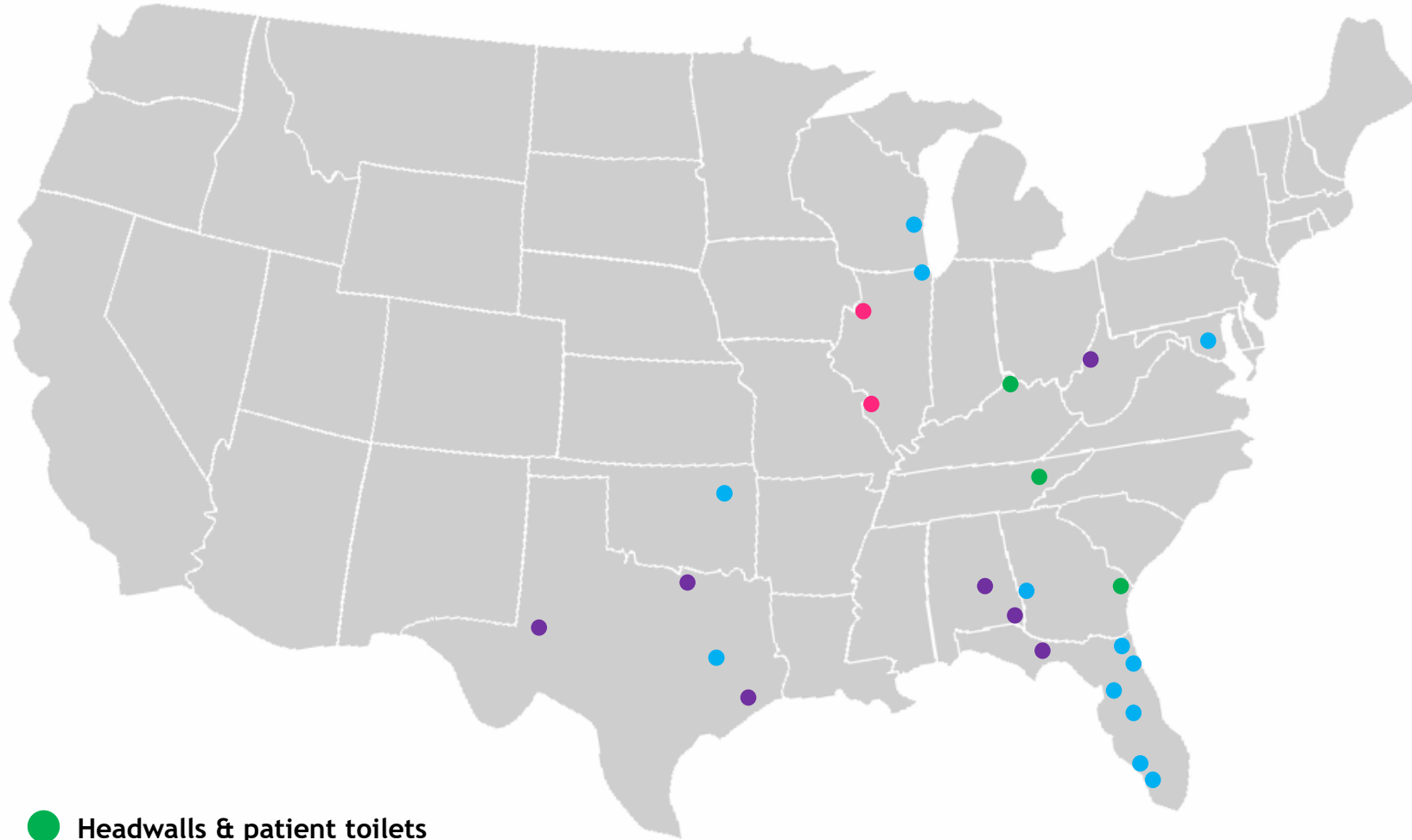
Average Cost Per Bed*



* Average cost per bed inclusive of land, construction and related costs, equipment, and pre-opening expenses.



Prefabrication utilization location map



- Headwalls & patient toilets
- Patient room modules
- Headwalls & exterior wall panels
- Headwalls, patient toilets and exterior panels

Waco, TX	2021
Montgomery, AL	
Shiloh, IL	45 patient rooms
Libertyville, IL	
St Augustine, FL	
Lakeland, FL	
Cape Coral, FL	
Katy, TX	
Jacksonville, FL	
Moline, IL	
Naples, FL	
Dothan, AL	
2022	425 patient rooms
Edgewood, KY	
Knoxville, TN	
Bowie, MD	
Parkersburg, WV	
Owasso, OK	
Clermont, FL	
Midland, TX	
Tallahassee, FL	
Savannah, GA	
2023	421 patient rooms
Columbus, GA	
Prosper, TX	



Prefabricated patient wing project

Katy, Texas - completed 20 bed expansion

BLOX prefabrication process



De novo project process

Full prefabrication time to completion benefits

Conventional construction - total project duration: 24 months



Conventional w/prefabricated elements - total project duration: 22 months



Full hospital prefabrication - total project duration: 16 months



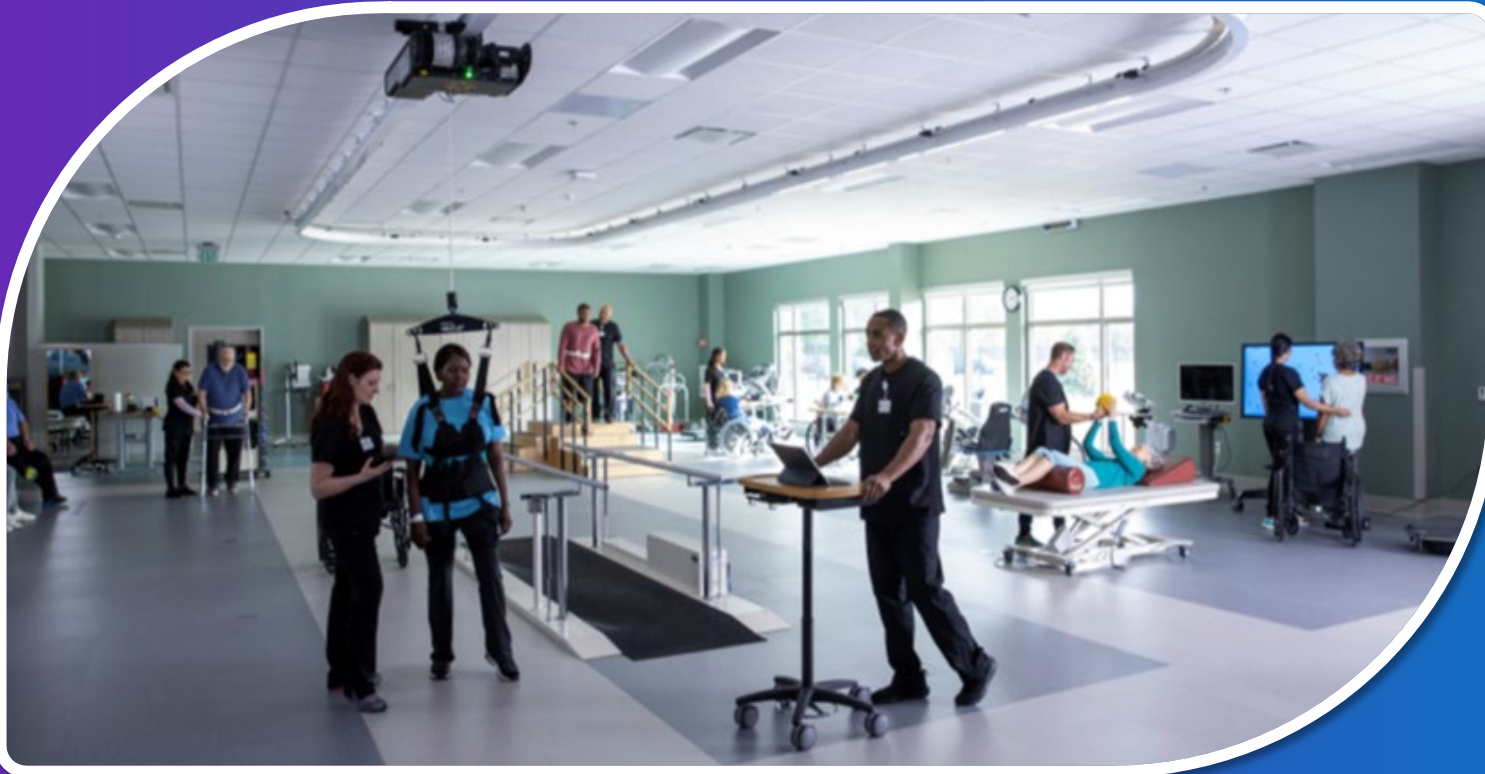
Full prefabrication time to completion benefits:

- 33% reduction (8 months) compared to conventional construction
- 27% reduction (6 months) compared to conventional construction with some elements of prefabrication

Advantages of Prefabrication of Buildings



Clinical Innovation



Speakers

Rusty Yeager

Chief Information Officer

Elissa Charbonneau, D.O., M.S.

Chief Medical Officer

Cheryl Miller, OTR/L, DrOT

VP, Therapy Operations

Mary Ellen Hatch, MSN, RN,

CRRN, FARN

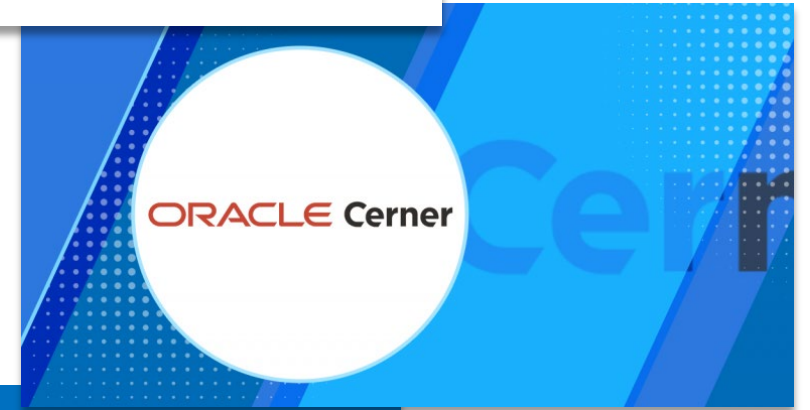
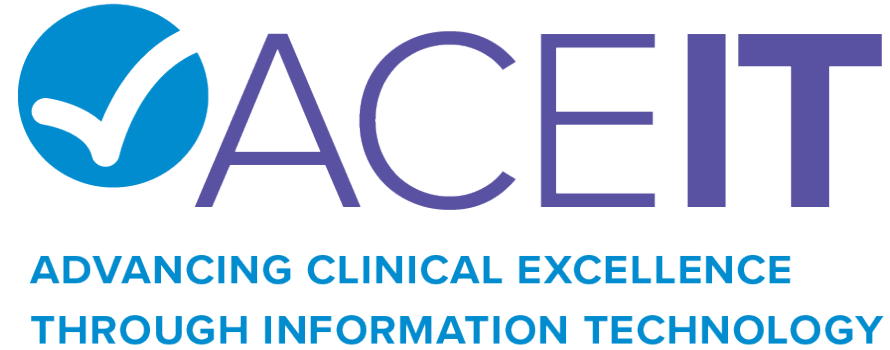
VP, Nursing Operations

IT as a Strategic Enabler

Rusty Yeager
Chief Information Officer

Our digital health strategy leverages:

- Clinical expertise
- Large post-acute datasets
- Business/technology partners
- Proven capabilities in
 - Enterprise EMR technologies
 - Data integration
 - Data analytics/predictive analytics



An integrated electronic medical record



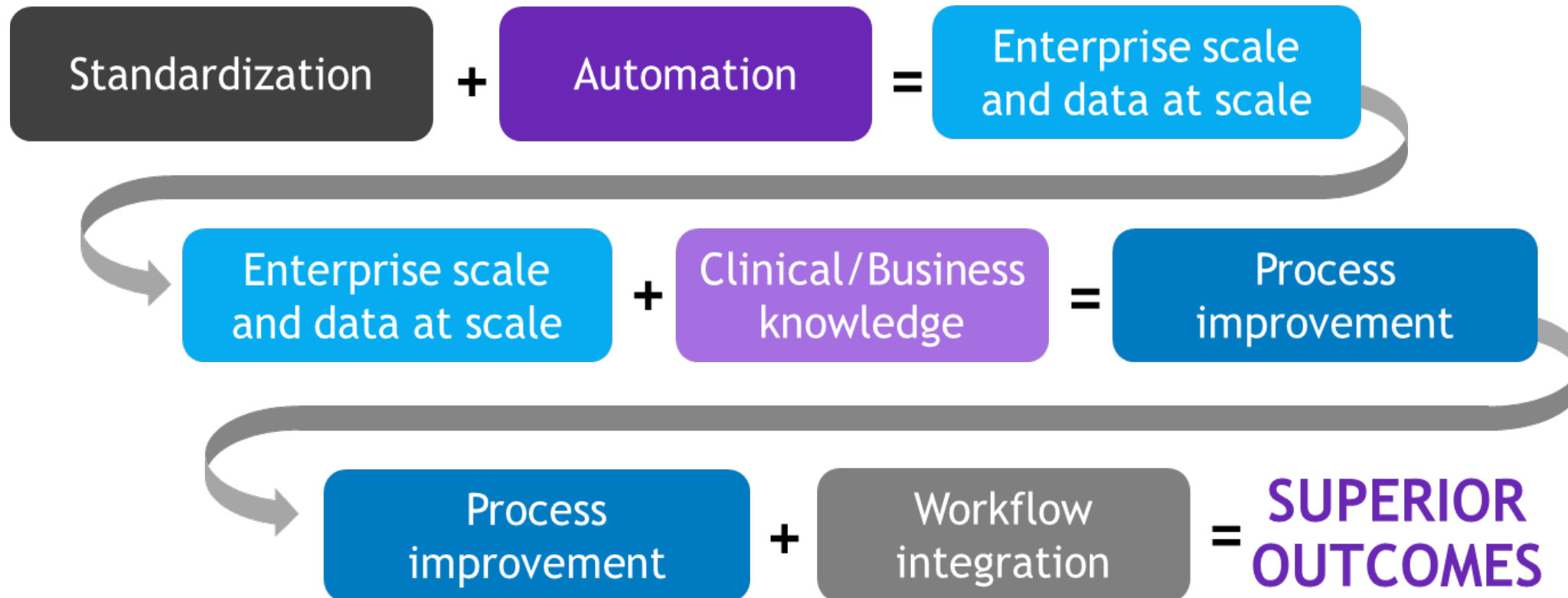
Patient outcomes and safety

Operational efficiencies

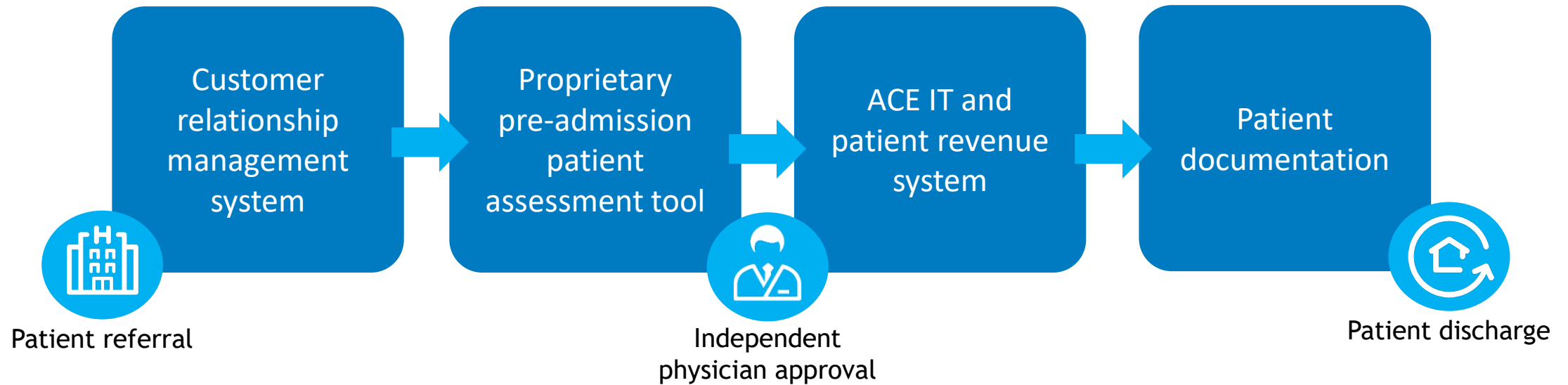
Cost effectiveness

Change agility

Shifting from technology to strategy



Digital patient journey: patient referral to patient discharge





Enterprise scalability

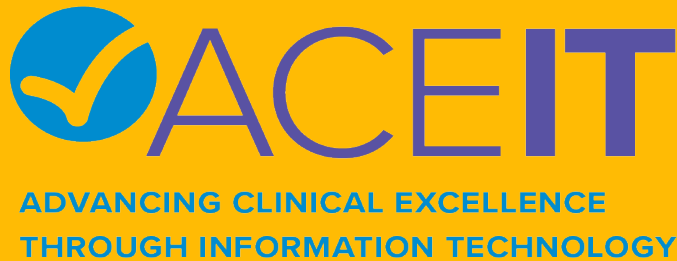
~50 analytic applications

Internal benchmarking

Data-driven decision making

Information delivery &
data transparency

Predictive modeling



First model

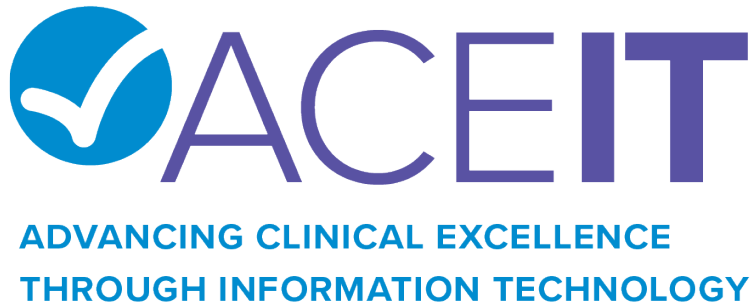


REACT™

- Identify patients at risk to be transferred to an acute care hospital
- Implemented the model in 2017
- ~40 clinical variables considered
- Increased data set in 2022 to enhance accuracy



REACT™



Encompass Health's
proprietary technology is a
competitive advantage

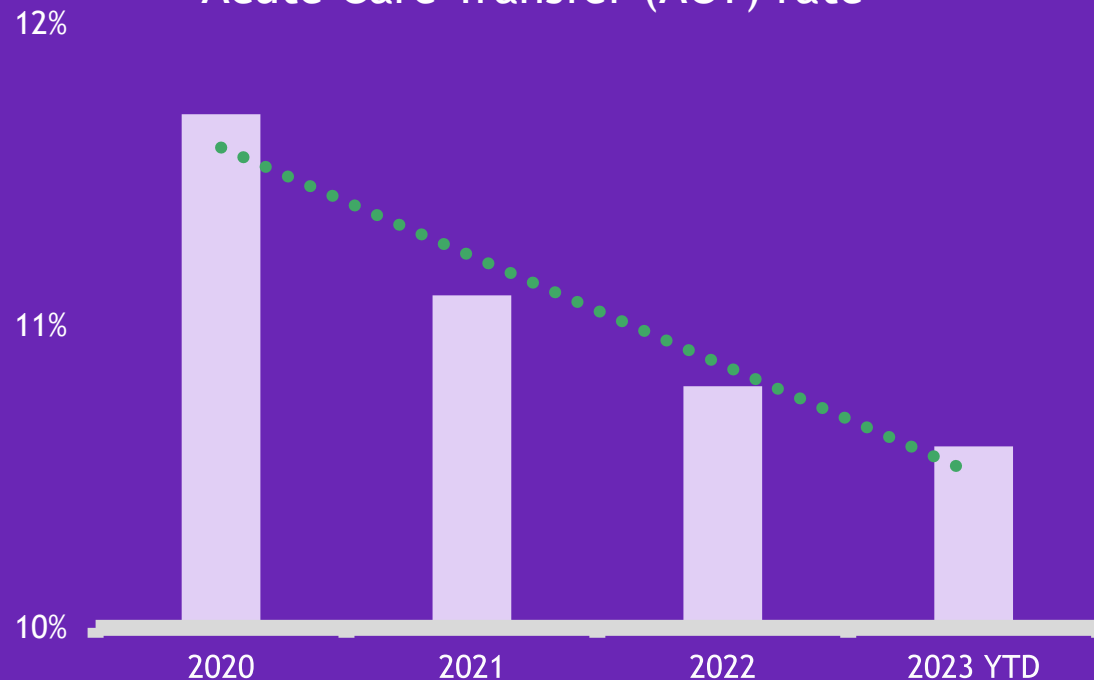
Clinical Integration of Technologies

Elissa Charbonneau, D.O., M.S.
Chief Medical Officer

Model + Core Practice Strategies = Results



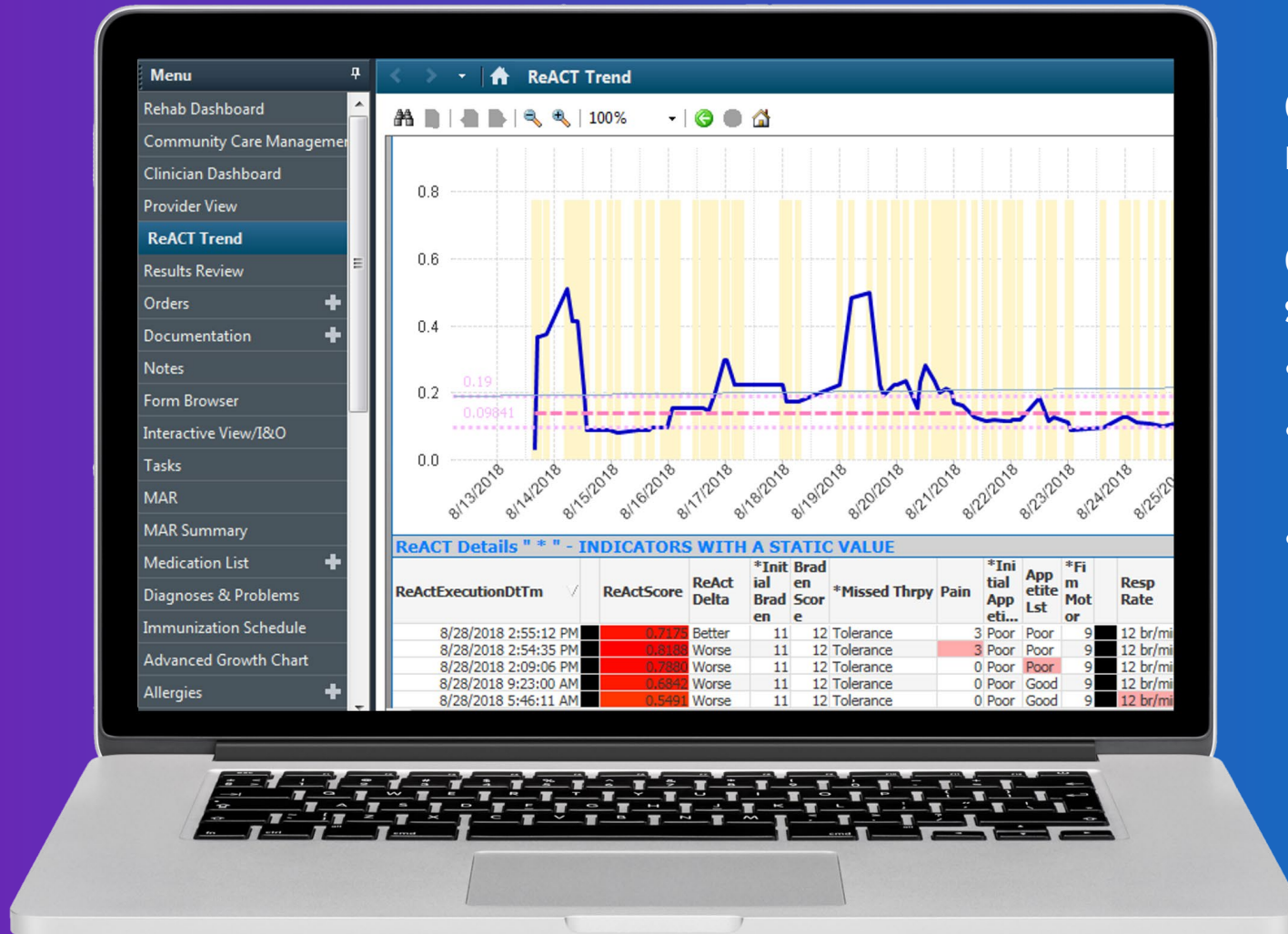
Acute Care Transfer (ACT) rate



ACT Rate is the number of acute care discharges as a percent of total discharges.

- REACT implemented in 2017
- REACT 2.0 implemented in 2022
- Consistent reduction in acute care transfers

ACT risk model identifies risk of readmission during the inpatient rehab stay



Clinicians have the ability to see a patient's risk score and the related predictors

Complimentary tools and workflow strategies include the following:

- Physician and nurse notifications
- Automated workflow tasks created if patient escalates to very high risk
- Trending view of risk score utilized in daily interdisciplinary workflow and communication process

REACT™

general workflow

**Patient
admitted**

ReACT
algorithm
deploys

ReACT risk
stratification
ensues

Risk variables
identified

**Clinician
workflow**

ReACT risk
display &
notification
with variables

ReACT
algorithm
updates in
real time

ReACT
risk trend
analysis

Informatics

Identification
of reason(s) &
parameters
re: ACT

Clinical
decision
support
development

Analytics &
feedback

Readmission Prevention Program

Readmission risk model

Relies on datasets from 400,000+ patients

Monitors 40+ clinical elements

Risk score updates daily

Focus of our Case Managers

Intervention strategies

Transition of care documentation

Secured 4-day follow-up appointment

Medication reconciliation ~24 hours before discharge

24 hour and 5-day follow-up calls

Fall prevention model



Identify risk

- Upon admission - high risk
- Risk model + initial assessments & evaluations guide how to establish unique plan for the patient



Establish care plan and customize precautions

- High precautions are automated upon admission
- Suggested care plan will be initiated and individualized on all patients

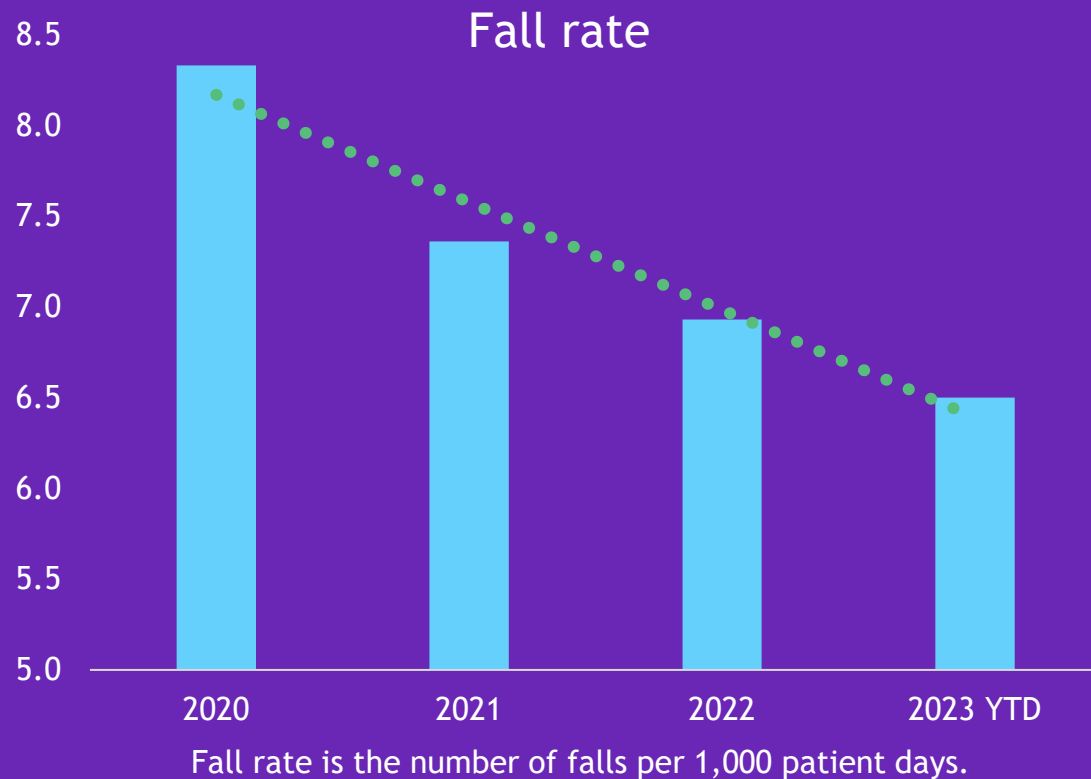


Collaborate & re-evaluate

- Day 3 reminder for nursing & therapy
- Weekly reminder with Team Conference
- Documentation of re-evaluation of risk and precautions

Model + Core Practice Strategies = Results

Fall prevention model

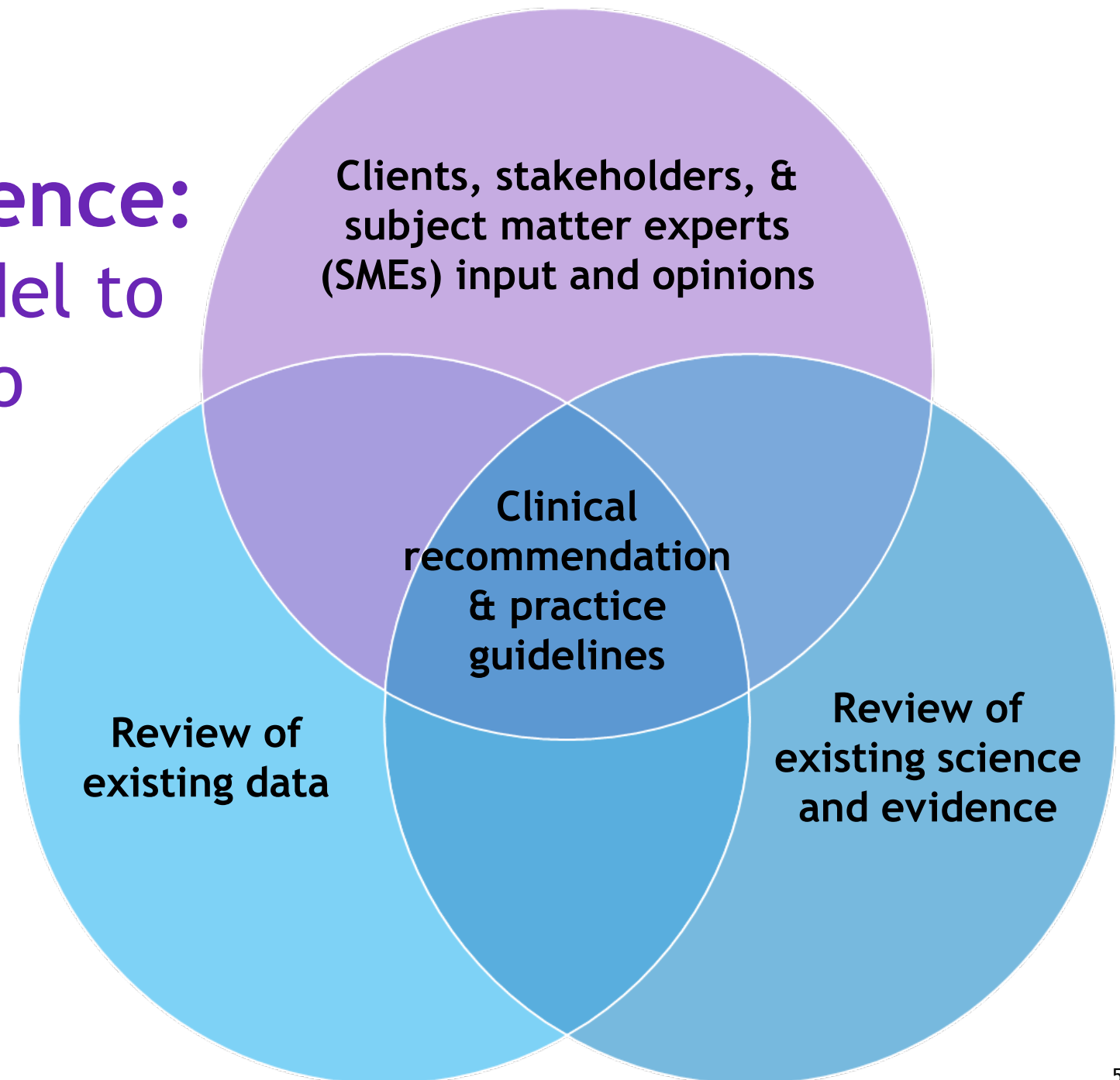


- Fall prevention model was initiated in 2021 with full implementation in 2022
- 50+ metrics included in the model
- Consistent reduction in patient falls

Therapy Technologies

Cheryl Miller, OTR/L, DrOT
Vice President, Therapy Operations

Implementation science: Encompass Health model to implement science into practice



Therapy Innovations Model





Therapy Innovations Committee

**ENCOMPASS
HEALTH**

Our mission is to assess and select innovative solutions to be adopted by Encompass Health. The committee uses standard criteria to implement therapy innovations that aligns with our values and promotes the use of safe, effective, state-of-art therapy technology.

The Committee assesses:

- **Impact to patients**
- **Clinician and physician opinions**
- **Application to our population, ease of use, safety**
- **Pricing and ROI**

Implemented technologies

Body-weight support gait technologies

LiteGait® System
Vector

Dysphasia

Ambu® aScope™
Synchrony 4.0
AmpCare ESP™
VitalStim®

Cognitive therapy

Bioness®
Integrated
Therapy System
(BITS)

Specialty therapy

Barihab™ XKS
Treatment and
Assessment
Platform

Burt®

LiteGait® System



Vector



Dysphagia: risks and assessment

Risks

- Difficulty with eating and drinking
- High risk of readmission due to food or liquids passing into lungs
- Most common in elderly and rehabilitation patients
- Potential severe medical complications

Assessment

Encompass Health offers instrumental assessments for each patient using the Ambu® aScope™, a flexible endoscope with a tiny camera and light used in the fiber optic evaluation of swallowing (FEES)



Dysphagia: oral motor intervention technologies

Synchrony 4.0

Designed specifically for speech-language pathologists to help patients visualize swallow activity using virtual reality for better outcomes

AmpCare ESP™

A portable, non-invasive, dual-channel electrotherapy system which emits electrical current to stimulate nerves that correspond to inactive or atrophied swallowing muscles, which leads to improved swallow function

VitalStim®

Technology that electrically stimulates swallow function. This is useful in retraining patients with dysphagia, a condition that causes difficulties when swallowing, especially when associated with brain injury

Cognitive therapy technologies

Bioness® Integrated Therapy System (BITS)



Interactive touchscreen to help individuals with traumatic injuries and movement disorders improve coordination, balance, recall, reaction time and cognitive abilities.

Bioness® Integrated Therapy System (BITS)



Specialty therapy intervention technologies

Barihab™ XKS treatment and assessment platform

Mat table designed to provide physical therapy for patients that exceed 500 pounds. The lifting capacity makes it possible to provide group and concurrent therapy. Critical in the treatment of patients of size or bariatric patients.





In-house Dialysis

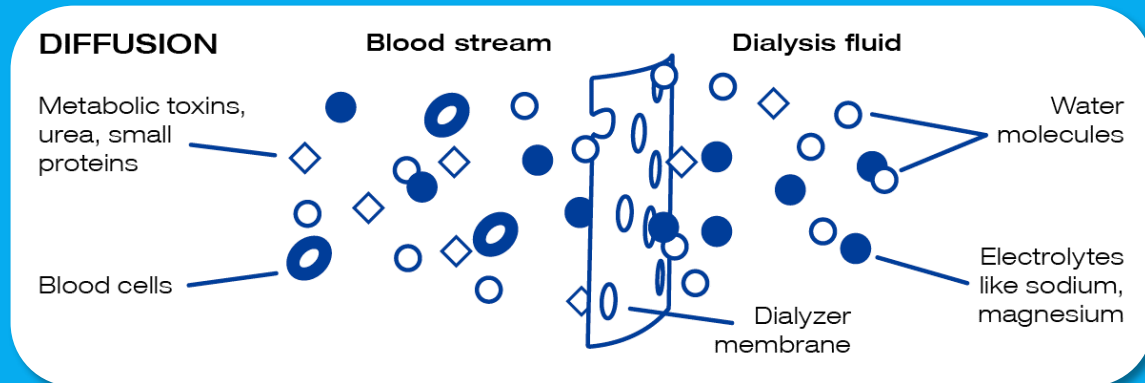
Mary Ellen Hatch, MSN, RN, CRRN, FARN
Vice President, Nursing Operations

Dialysis and Tablo

Dialysis is a complex process that affects every system in the body

- Also affects nutrition, medications, and social support.

The dialyzer uses tiny hollow filters that look like microscopic straws called a semi-permeable membrane. As blood moves through these tubes, it encounters a solution called dialysate (an electrolyte solution), an acid solution, and a bicarbonate.



In-house dialysis infrastructure



Dialysis team:

- Nephrologist oversees the program
- Dialysis experienced RN staff
- Dialysis nursing staff involved with the patient's overall care plan

Benefits of in-house dialysis

- ✓ Better coordination of therapy and dialysis
- ✓ Recovery time from dialysis is shorter using Tablo, 2-3 hours versus 24 hours with traditional HD
- ✓ Hospital's clinical team can take a complete holistic approach to care
- ✓ Eliminates patient transport to/from dialysis center allowing for more rest and less therapy interruption
- ✓ Dedicated dialysis staff on site for ongoing patient and family education

\$300
cost benefit per
treatment

72 sites

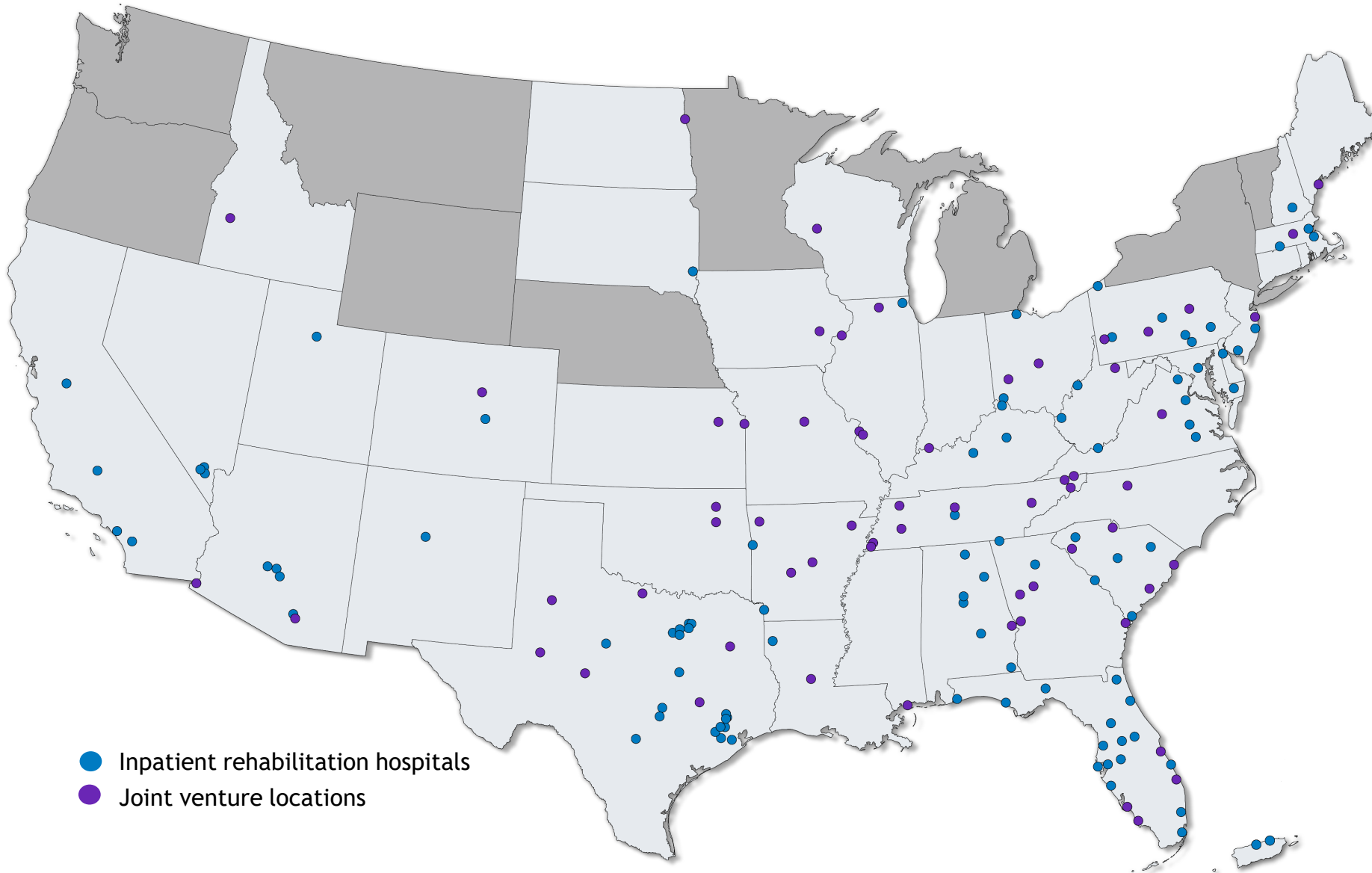
> 21,000
treatments

2022 through August 2023

Joint ventures



Joint venture partnerships



32 years of operating joint ventures

62 current joint ventures

Operations panel



Panelists

Lori Bedard
Southeast Region President

Troy Dedecker
Central Region President

Julie Duck
SVP, Financial Operations

Brad Kennedy
South Central Region President

Pat Tuer
Northeast Region President

Operations panel

- Scale
- Standardization
- Best practices



Operations panel discussion

Moderator



Mark Tarr

President and CEO

Regional
President



Lori Bedard

Southeast Region

Regional
President



Troy Dedecker

Central Region

SVP, Financial
Operations



Julie Duck

Home Office

Group
President



Brad Kennedy

South Central Region

Group
President



Pat Tuer

Northeast Region

Years at Encompass Health

30 years

26 years

10 years

26 years

13 years

5 years

Encompass Health's 8 regions

West region
 18 total hospitals
 0 future hospitals

Southwest region
 19 total hospitals
 2 future hospitals

South Central region
 27 total hospitals
 1 future hospital

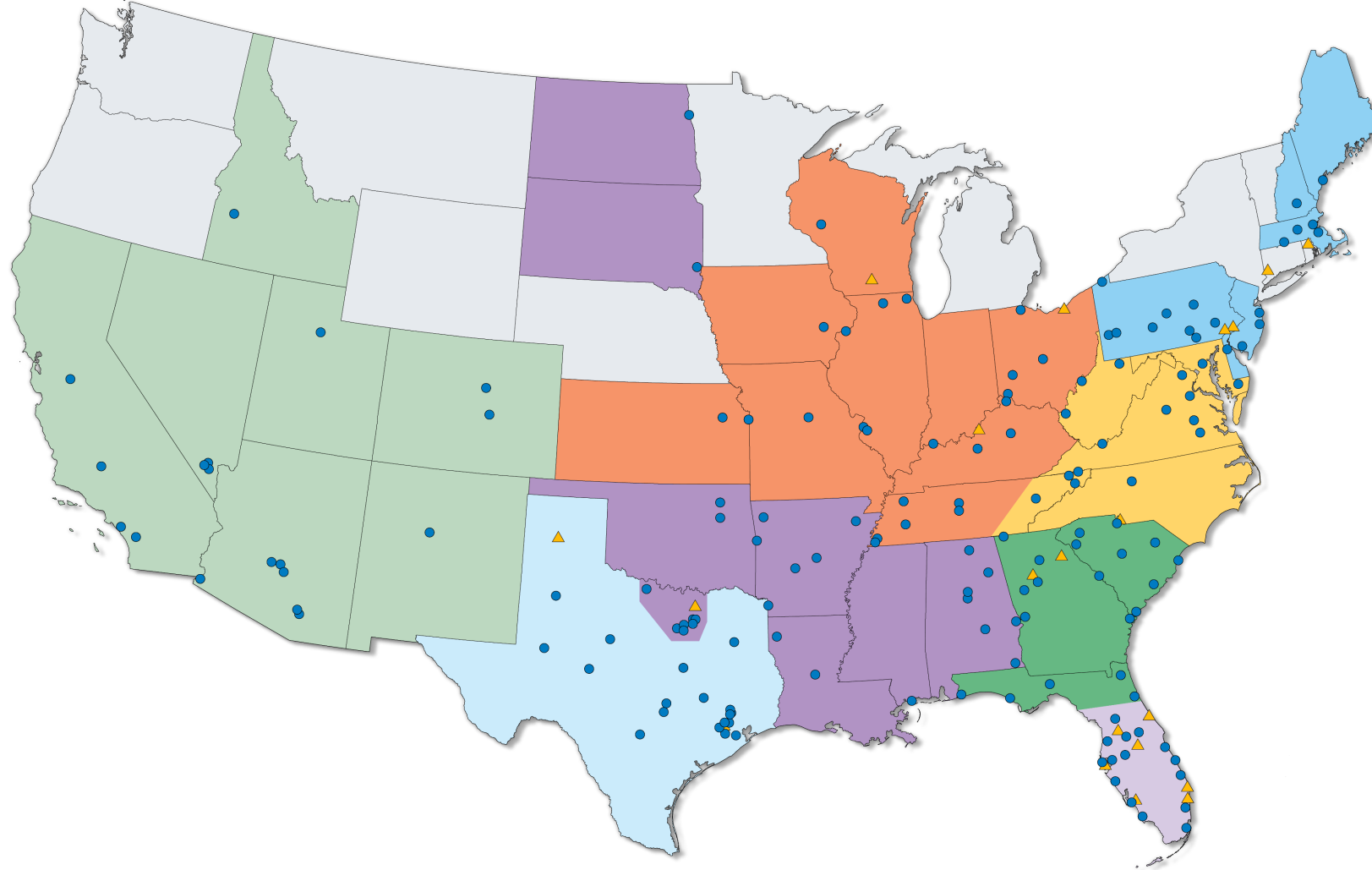
Central region
 24 total hospitals
 3 future hospitals

Northeast region
 19 total hospitals
 4 future hospitals

Midatlantic region
 17 total hospitals
 0 future hospitals

South Atlantic region
 18 total hospitals
 3 future hospitals

Southeast region
 17 total hospitals
 7 future hospitals



● IRF hospital ▲ IRF hospital under development

Management bench strength

Staff seek out opportunities for career upward mobility and/or geographic preference

Southeast region hospital	CEO	Business Development Director	Chief Nursing Officer	Director of Therapy Operations
Lakeland		✓	✓	✓
Cape Coral	✓	✓		✓
Naples	✓	✓		
Clermont	DFCEO	✓		✓

✓ Internal transfer from another EHC location or return to EHC after leaving



Leadership Development
Developing Future CEOs
ENCOMPASS HEALTH

Overview of opening a new hospital

A standardized approach with consistent tasks and timeframes helps to guide the project

> 120 Days
from hospital opening

66 total tasks

31	Recruiting & HR
4	Design & construction
1	Licensure
19	ITG
4	Supply chain
4	Marketing services
3	Clinical/Operations

120 - 60 Days
from hospital opening

191 total tasks

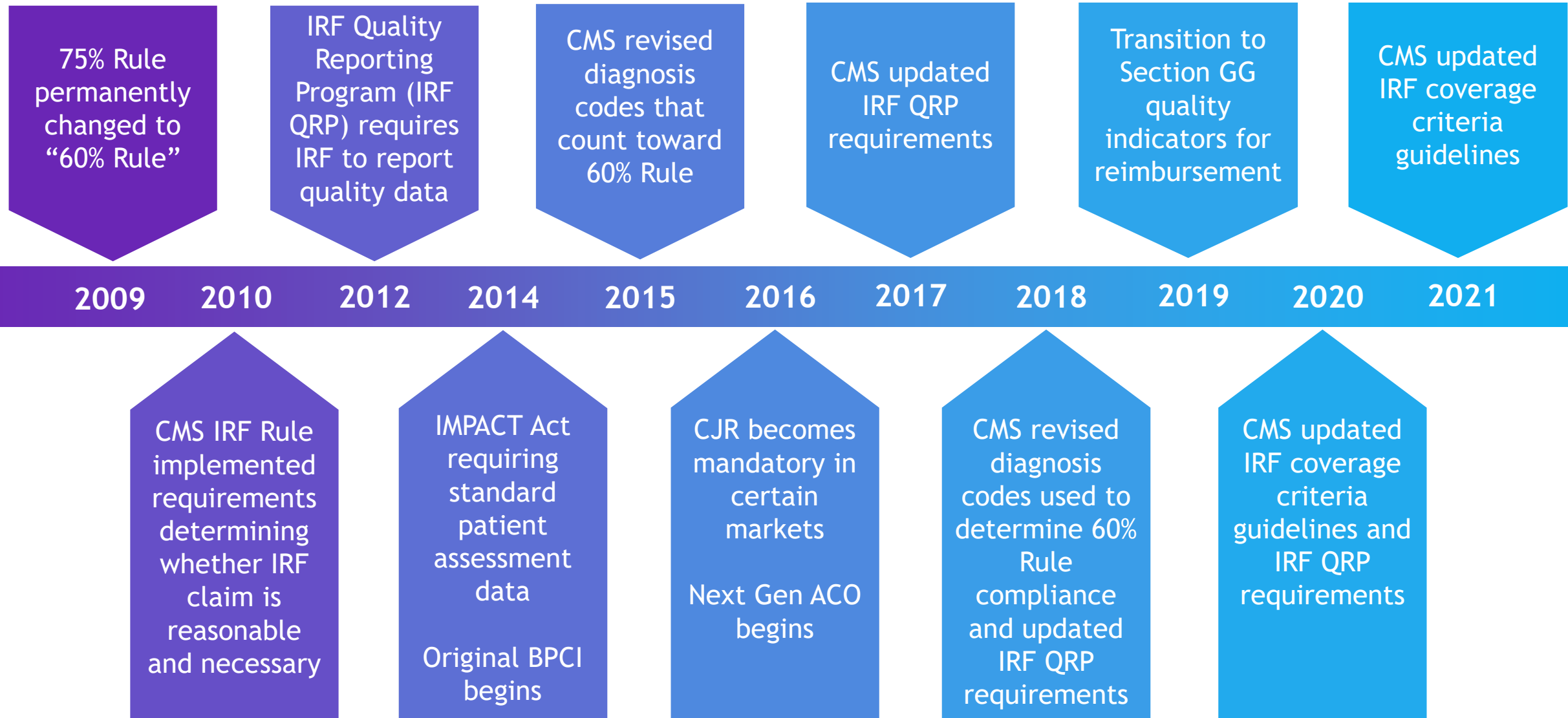
14	Recruiting & HR
2	Design & construction
4	Licensure
10	ITG
9	Supply chain
69	Clinical/Operations
1	Managed care
52	Legal (contracts)
1	Marketing services
28	Training
1	Ethics & compliance

60 - 0 Days
from hospital opening

350 total tasks

37	Recruiting & HR
19	Design & construction
7	Licensure
2	ITG
7	Supply chain
187	Clinical/Operations
6	Managed care
13	Marketing services
3	Ethics & compliance
69	Training

Proven record of adapting to regulatory changes



Recent Regulatory Updates

IRF-PAI

- The IMPACT Act requires collection and reporting of quality measures
- Currently a 30-page assessment

Implementation

- Completed training in 3Q22, for implementation on October 1, 2022.
- Over 20 hours of training for the critical positions impacted by IRF PAI update
- Other positions had 2 - 5 hours of training depending on position

Impacts to Encompass Health

- Existing workflows updated in ACE IT to accommodate changes.
- If an IRF is out of compliance with the IRF QRP, there is a 2% payment penalty imposed.

Review Choice Demonstration

RCD

- 100% pre-claim/post-claim review of Medicare FFS claims for select IRFs.
- After 6 months, if 80% affirmation is attained, an IRF can move to a spot check (~5% of claims).

Implementation

- Pilot began in Alabama on August 21, 2023.
- States next on the rollout list include Pennsylvania, Texas and California. Timing not finalized.

Impacts to Encompass Health

- TBD

Staffing model for a 50-Bed de novo



Investment case



Speaker

Doug Coltharp
EVP, Chief Financial Officer

Inpatient rehabilitation industry

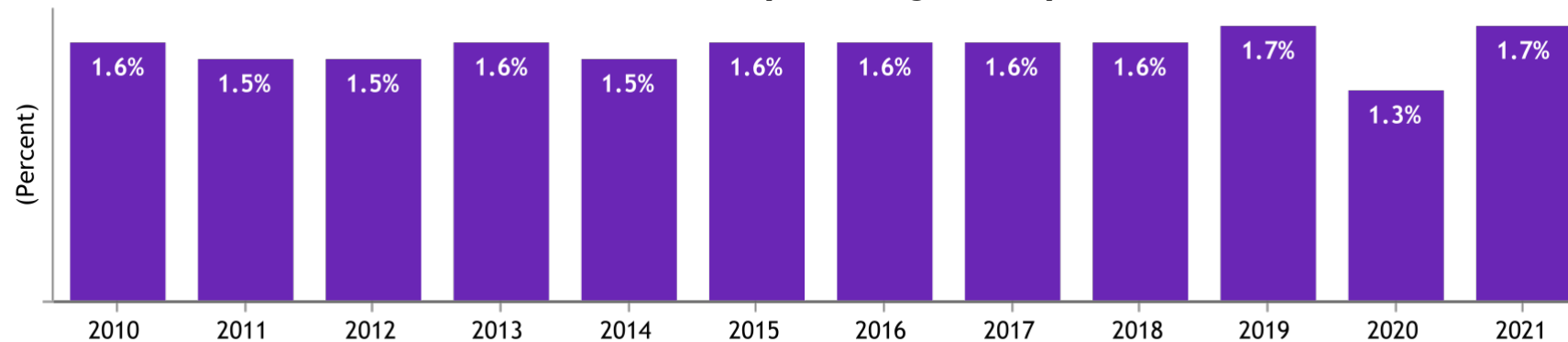
	Traditional Medicare	All payors	
Current market size	\$8.5 B	\$14.5 B	
Number of discharges	~380,000	~745,000	
Estimated addressable market size	\$17 B to \$25 B	\$29 B to \$44 B	Conservative estimate based on low conversion rate of presumptively IRF-eligible patients

Sources: MedPAC, Medicare Payment Policy, March 2023; MedPAC Health Care Spending and the Medicare Program, July 2022. The conversion rate of IRF eligible patients is based on patients who are discharged from acute care hospitals with one or more of 13 specified medical conditions that CMS ties to IRF eligibility based on Medicare FFS data, which is the only publicly available data on this subject.

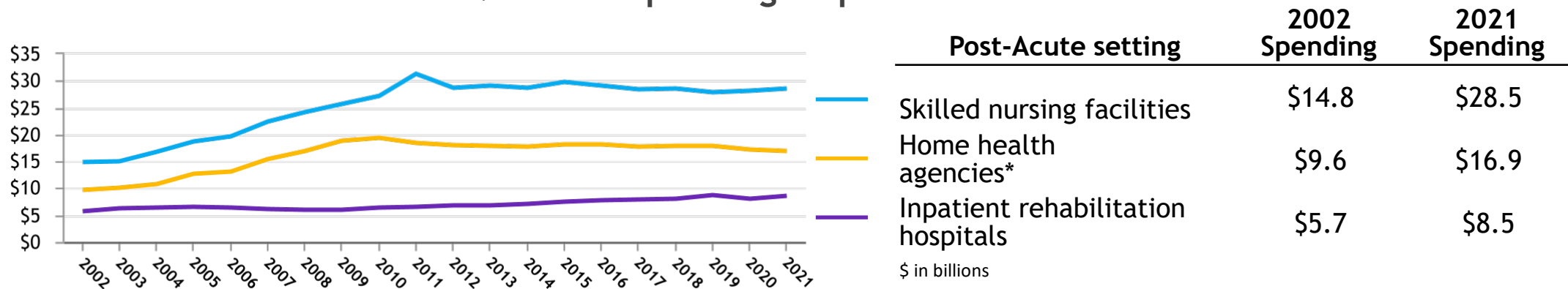
Medicare spending on post-acute services

Medicare spent ~ \$54 billion on post-acute services in 2021 (IRF, SNF, HH)

Percent of total Medicare FFS spending on inpatient rehabilitation



Medicare spending on post-acute services



* Not all home health spending occurs as a post-acute service.

Sources: MedPAC, Medicare Payment Policy, March 2023 - pages 203, 237 and 259 Centers for Medicare and Medicaid Services, Medicare Trustees' Report 2022 - page 12.

IRF qualifying conditions

CMS requires that 60% of an IRF's admissions must have at least one medical diagnosis or functional impairment from a list of 13 compliant conditions ("CMS-13").

CMS-13 qualifying conditions

- 1 Stroke
- 2 Brain injury
- 3 Amputation
- 4 Spinal cord
- 5 Fracture of the femur
- 6 Neurological disorder
- 7 Multiple trauma
- 8 Congenital deformity
- 9 Burns
- 10 Osteoarthritis (after less intensive setting)
- 11 Rheumatoid arthritis (after less intensive setting)
- 12 Joint replacement
 - Bilateral
 - Age \geq 85
 - Body mass index $>$ 50
- 13 Systemic vasculidities (after less intensive setting)

Other IRF qualification requirements at the time of a patient's admission

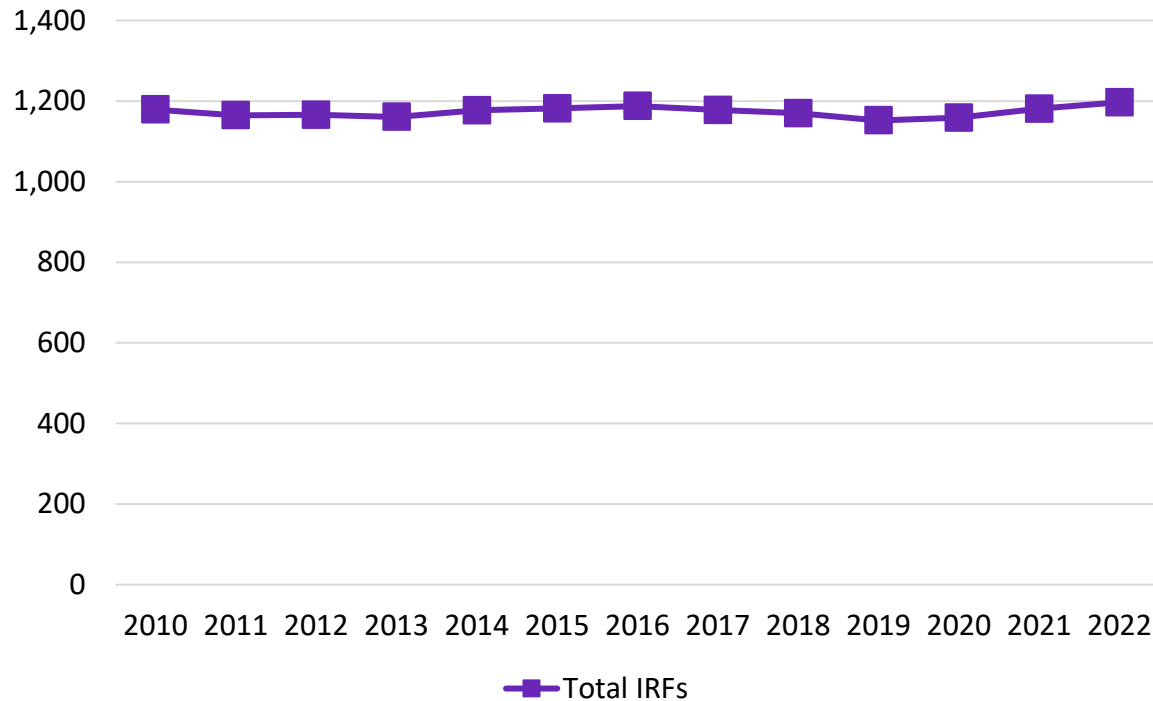
- ✓ Physician approval of preadmission screen and admission
- ✓ Patient requires the active and ongoing therapeutic intervention of multiple therapy disciplines, one of which must be physical or occupational therapy
- ✓ Patient can reasonably be expected to actively participate in, and benefit from, an intensive interdisciplinary rehabilitation therapy program of 3 hours of therapy a day, 5 days a week
- ✓ Requires supervision by a physician through face-to-face visits at least three days per week during the patient's stay to assess the patient both medically and functionally, as well as to modify the course of treatment as needed

Medicare levels of service required - IRF vs. SNF

		Industry averages	
		IRF	SNF
Quality metrics	FFS average length of stay	12.9 days	34.5 days
	Discharge to community rate	67.6%	43.5%
		CMS requirements for IRFs vs. SNFs	
		IRF	SNF
Regulatory	Facility must satisfy regulatory and policy requirements for hospitals, including Medicare hospital conditions of participation	Yes	No
	At a minimum, face-to-face rehabilitation physician visits must occur no fewer than 3 times per week during the course of the patient's stay	Yes	No
Patient care	All patients must need and generally receive a minimum of three hours a day of intensive therapy, five days a week	Yes	No
	Nursing care is required 24 hours, 7 days a week by registered nurses	Yes	No
	A weekly team meeting, led by the physician and includes a rehabilitation nurse, a case manager, and a licensed therapist from each therapy discipline	Yes	No
Admission requirements	All patients must be admitted by a physician	Yes	No
	Stringent admission and coverage policies are required and carefully documented for each admission; further restricted in number and type of patients (e.g., 60% Rule)	Yes	No

IRF supply

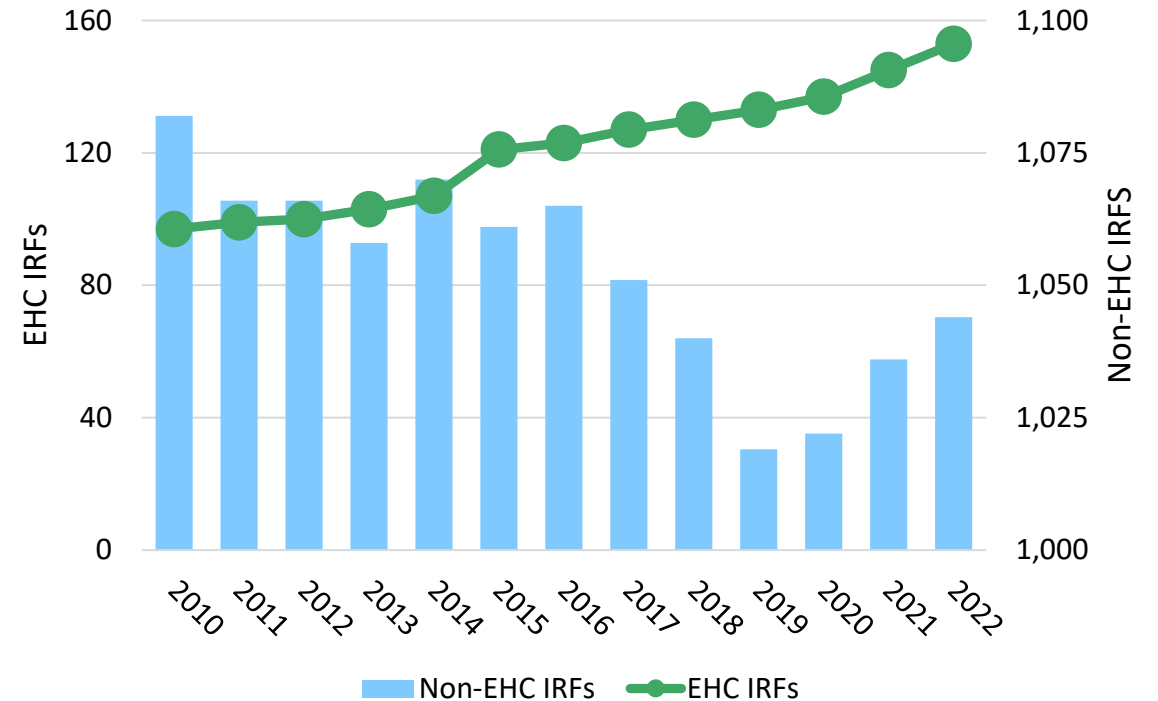
Number of IRFs - Industry



IRF industry supply has grown slightly since 2010:

- 1,179 IRFs in 2010
- 1,197 IRFs in 2022 (1.5% increase)

Number of IRFs - EHC vs. Non-EHC



Encompass Health growth since 2010:

- Opened 50 de novos
- Added 1,143 beds to existing hospitals

Growth Strategy

- De novo growth
- Bed additions
- Disintermediate SNFs
- Increase MA conversion rates
- Increase share of high acuity patients

Growth Targets 2023 - 2027



Number of de novos per year

6 to 10



Bed additions per year

80 to 120



Discharge CAGR

6% to 8%



**Encompass
Health**