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Encompass Health Corp. (EHC)

Q3 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to Encompass Health's Third Quarter 2023 Earnings Conference Call. At this time, I'd like to inform all participants that their lines will be in a listen-only mode. After the speakers' remarks, there will be a question-and-answer period. [Operator Instructions] Today's conference call is being recorded. If you have any objections, you may disconnect at this time.

I will now turn the call over to Mark Miller, Encompass Health's Chief Investor Relations Officer. Please go ahead.

Mark Miller

Chief Investor Relations Officer & Senior Vice President-Investor Relations and Strategic Planning, Encompass Health Corp.

Thank you, operator, and good morning, everyone. Thank you for joining Encompass Health's third quarter 2023 earnings call.

Before we begin, if you do not already have a copy, the third quarter earnings release, supplemental information and related Form 8-K filed with the SEC are available on our website at encompasshealth.com. On page 2 of the supplemental information, you will find the Safe Harbor statements, which are also set forth in greater detail on the last page of the earnings release.

During the call, we will make forward-looking statements which are subject to risks and uncertainties, many of which are beyond our control. Certain risks and uncertainties like those relating to regulatory developments as well as volume, bad debt, and labor cost trends that could cause actual results to differ materially from our projections, estimates and expectations are discussed in the company's SEC filings included in the earnings release and related Form 8-K, the Form 10-K for the year ended December 31, 2022, and the Form 10-Q for the

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quarters ended March 31, 2023, June 30, 2023, and September 30, 2023, when filed. We encourage you to read them. You are cautioned not to place undue reliance on the estimates, projections, guidance, and other forward-looking information presented, which are based on current estimates of future events and speak only as of today. We do not undertake a duty to update these forward-looking statements.

Our supplemental information and discussion on this call will include certain non-GAAP financial measures. For such measures, reconciliation to the most directly comparable GAAP measure is available at the end of the supplemental information, at the end of the earnings release, and as part of the Form 8-K filed yesterday with the SEC, all of which are available on our website.

I would like to remind you that we will adhere to the one question and one follow-up question rule to allow everyone to submit a question. If you have additional questions, please feel free to put yourself back in the queue.

With that, I'll turn the call over to Mark Tarr, Encompass Health's President and Chief Executive Officer.

Mark J. Tarr

President, Chief Executive Officer & Director, Encompass Health Corp.

Thank you, Mark, and good morning, everyone. We're very pleased with our third quarter results, driven by continued strong volume growth and a substantial year-over-year reduction in premium labor costs. Our third quarter revenues increased 10.8% and adjusted EBITDA increased 21.6%. Q3 total discharges increased 7.3%, with same-store discharges up 4.3%.

Our strong volume growth continues to underscore our value proposition to referral sources, payors, and patients. Our patient acuity continued to broaden with more normalized patient flows to the health care system. Stroke discharges were up 5.8% year-over-year, while knee and hip replacement and fracture of the lower extremity discharges grew approximately 14% in the aggregate year-over-year, though off a relatively small base.

Given the strong demand for inpatient rehabilitation services, we have continued to invest in capacity additions. We opened one 40-bed de novo in the third quarter, bringing us to six de novos year-to-date. We also added 26 beds to existing hospitals in the third quarter for total capacity additions of 340 beds over the first nine months of 2023.

Based on favorable weather conditions and construction efficiencies, we are accelerating the opening of our Fitchburg, Wisconsin hospital from first quarter of 2024 to fourth quarter of 2023. As a result, we now plan to open two de novos in Q4 and add five beds to existing hospitals, resulting in a total of 441 beds for the year.

Three of our bed addition projects originally scheduled for 2023 have shifted to 2024, due in each case to local permitting issues. As a result of this shift, we expect to add more than 150 beds to existing hospitals in 2024. We continue to build and maintain an active pipeline of de novo projects, both wholly owned and JVs, with acute care hospitals. We currently have announced 18 de novos with opening dates beyond 2023.

During Q3, we again met the increasing demand for our services, while reducing contract labor and sign-on and shift bonus expenditures. Contract labor was down approximately $6 million or 24% from Q3 of 2022, while sign-on and shift bonuses decreased approximately $10 million or 41% from Q3 of 2022. For the second consecutive quarter, our talent acquisition efforts resulted in over 200 net same-store RN hires. Please be mindful that hiring results may vary significantly from quarter to quarter based on seasonality and other factors.

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Review Choice Demonstration, or RCD, began on August 21 in Alabama. Recall that under RCD, every claim is reviewed for documentation and medical necessity. We elected pre-claim review as we believe it allows for a more iterative process and the potential for real-time adjustments. Our results thus far are encouraging. The affirmation rate target set by CMS under RCD is 80% of claims submitted during the first six months, and our affirmation rate is well above that.

Given our Q3 results and expectations for Q4, we are updating our 2023 guidance to include net operating revenue of $4.77 billion to $4.8 billion, adjusted EBITDA of $940 million to $955 million, and adjusted earnings per share of $3.41 to $3.52. The key considerations underlying our guidance can be found on page 12 of the supplemental slides.

Now with that, I'll turn it over to Doug for further color.

Douglas E. Coltharp

Chief Financial Officer & Executive Vice President, Encompass Health Corp.

Thanks, Mark, and good morning, everyone. As Mark stated, we are very pleased with our Q3 results. We continue to see significant improvement in year-over-year premium labor costs. Our Q3 contract labor plus sign-on and shift bonuses of $33.3 million was comprised of approximately $18.9 million in contract labor and $14.4 million in sign-on and shift bonuses. This compares favorably to $24.8 million in contract labor and $24.2 million in sign-on and shift bonuses in Q3 last year.

Contract labor utilization declined year-over-year and sequentially. Q3 2023 contract labor FTEs of 388 represented a 19% decline from Q3 2022 and an 18% decline from Q2 of 2023. Contract labor FTEs as a percent of total FTEs was 1.5%, a 40-basis-point decline from Q3 2022 and a 30-basis-point decline sequentially.

Agency rates declined year-over-year and were up modestly sequentially. Our Q3 2023 agency rate per FTE was approximately $192,700, down from approximately $204,600 in Q3 2022. I'll remind you that rates are impacted by the license level of the clinician utilized as well as by geographic-specific market conditions.

Sign-on and shift bonuses decreased $9.8 million or 41% from Q3 2022 and were roughly flat sequentially. As we consider contract labor and shift bonuses for Q4, it is worth noting that holiday coverage typically requires premium pay rates.

Partially offsetting the benefit of lower premium labor costs in Q3 was an increase in our internal SW per FTE rate. This rate, which excludes contract labor and sign-on and shift bonuses, increased 6% over Q3 2022, similar to the level of increase we saw in Q2. The increase was attributable to proactive market adjustments primarily for nurses, higher compensation for new hires, and planned merit increases. These actions are contributing to our success in new hiring and improvement in turnover. Our updated guidance assumes a continuation of this trend in Q4.

In line with expectations, EPOB for the quarter was 3.41, an increase from 3.39 in Q3 2022 and from 3.38 in Q2 2023. Revenue reserves related to bad debt increased 20 basis points to 2.2% as a result of write-offs of older claims denied by the Departmental Appeals Board, which we have elected not to appeal to Federal District Court.

Our de novo and bed addition strategy continues to generate solid growth and contribute to share gains. Our de novos performed exceptionally well in Q3, contributing $900,000 in adjusted EBITDA. This brings year-to-date net pre-opening and ramp-up costs to $7.6 million. We still expect full-year pre-opening and ramp-up costs to be $10

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million to $12 million due to the opening of two hospitals in Q4 and the cost we expect to incur in Q4 for hospitals scheduled to open in the first half of 2024.

As can be seen on page 14 of the supplemental information, the acceleration of our Fitchburg opening into 2023 and the progress on a number of pipeline projects scheduled for 2024 and 2025 has led to an upward revision of our 2023 de novo capital expenditures estimate to $315 million to $325 million.

Year-to-date, adjusted free cash flow of $432.2 million represented a 47% increase from the first nine months of 2022. As can be seen on page 13 of the supplemental information, we have updated our assumptions for certain cash flow items, contributing to an increase in our 2023 adjusted free cash flow estimate to $445 million to $500 million.

Finally, we ended Q3 with a net leverage ratio of 2.8 times, down from 3.4 times at the end of 2022. Our balance sheet and liquidity remain well-positioned.

With that, we'll open the lines for Q&A.

QUESTION AND ANSWER SECTION

Operator: At this time, we will open the floor for questions. [Operator Instructions] Our first question will come from Kevin Fischbeck with Bank of America. Please go ahead.

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.
A

Hey. Good morning, Kevin.

Kevin Fischbeck
Analyst, BofA Securities
Q

Great.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.
A

Good morning, Kevin.

Kevin Fischbeck
Analyst, BofA Securities
Q

Good morning. So, I guess, I would like to ask about labor. Obviously, a lot of progress on contract labor expense and sign-on bonuses. But in overall, the wage outlook has gone up and now we've seen sequentially contract labor wage has gone up for a couple of quarters now. I mean, how would you characterize the overall labor market today and how do you think about the ability to – because, this year, you've had the benefit of contract labor coming down, how do you think about the ability to manage through the labor pressure into next year? Thanks.

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.
A

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Hi, Kevin. This is Mark. As you know, we've made really nice progress on the contract labor side and the premium pay categories. I would characterize it's still a very tight market out there. Certain markets are a little bit more challenging than others to find staff. We've done a really nice job in terms of our recruitment of RNs, which is the most challenging segment of our staffing base at this point. But I think we've put systems in place and have the initiatives at our hospitals to be successful going into next year and competing very strong in this really tight market.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.

A

Yeah. Just to add a couple of things to that, Kevin. First of all, I think what you're seeing in terms of the sequential increase in rates has more to do with the fact that as we reduce our reliance on contract labor, what we're seeing is more of a concentration at higher license levels and in those geographies that are more expensive and where it's a little bit tighter. So, some of that is kind of self-fulfilling.

As we look to 2024, from a premium labor perspective, we think that it's either going to be stable or improving further. We've been successful in getting the contract labor's FTEs down to 1.5%. That's not where we were pre-pandemic, which was just under 1%. We think that there's an opportunity for further progress, yes. But at a minimum, we don't see that picking back up above that.

Then, we also think that with regard to the 6% increase in SW per FTE that we've been running this year, evidence the fact that we've been able to hire 404 – or 402 net new RNs in each of the last two quarters. We believe that we've hit the right level. Excuse me, that was over the last two quarters, cumulative. We believe that we've hit the right level in terms of being able to procure that new talent, and our turnover has been reduced as well. And as a result of those factors, we don't think that we're going to have to anniversary another 6% on top of the 6% this year. We would expect labor inflation to moderate considerably next year.

Kevin Fischbeck
Analyst, BofA Securities

Q

Okay. That's helpful. And then I guess, as far as volumes go, there's been a lot of talk about seasonality and normal seasonality. I guess, where do you think that you are and the industry is as far as ERF volumes? Are we back to kind of normal and normalized growth from here? Is there any pent-up demand? How are you thinking about this as a base for future growth but also seasonality? Thanks.

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.

A

Kevin, we've commented in past quarters, and I think that that holds true now, is that the pandemic gave us a real chance to show the difference in post-acute settings. And I believe that we have continued to take market share from skilled nursing facilities or other areas that otherwise may have taken similar types of patients. And so, I think we're well-positioned going forward to continue to provide value to referral sources and the payors.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.

A

As you think about our discharge growth for the second half of this year, of course, Q3 we just reported, recall that we are up against more challenging comps from last year. In the back half of last year, total discharge growth was running north of 7%, with more than 4% of that coming from same store. And so, we really felt like the seasonal patterns started to re-establish themselves in the second half of this year, and it feels like that is continuing this year.

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With regard to pent-up demand, there's no doubt that we are seeing an increased flow of some of those lower acuity hip and knee replacements that Mark described, which offsetting some of that is a reduction in COVID patients. And so, the demand that we're seeing in those categories is actually probably a little bit higher than might otherwise show through into the total discharges. But generally speaking, it feels like we're kind of back into our traditional seasonal flows.

Kevin Fischbeck
Analyst, BofA Securities

Q

Great. Thanks.

Operator: Thank you. Our next question will come from A.J. Rice with UBS.

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.

A

Hello, A.J.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.

A

Good morning, A.J.

A.J. Rice
Analyst, UBS

Q

Thanks. Hey. How are you, guys? First question was more technical. You're highlighting this $3.5 million write-off of the de novo project. I don't know if there's any background on that. It's sort of unusual for you not to move forward with one. But I'm – I mean, my main point on that is you've updated the guidance. It looks like you're including that so that the actual underlying increase in operating results is a little more than on the surface might include, but I wanted to just confirm that.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.

A

No. And A.J., I'm sorry, we didn't make that more clear in our materials. That write-off is below the adjusted EBITDA line. And you're right, it's less unusual in terms of the fact that we're deciding not to press forward with a de novo project and more unusual in terms of its scope. We're managing an active pipeline of approximately 50 projects. And then, what you don't necessarily see is there are about 20 behind that that are in what we ineloquently describe as exploratory mode. We will from time to time and we have in the past have a project that for various reasons sometimes it's getting hung up in the CON process, we'll elect not to move forward with.

In almost all instances, those items are less than $1 million. We had one that was approximately $1 million that was actually included in Q3. What was unusual about this project is that we had gotten further along. It's a project in the Midwest. It was with an existing joint venture partner. We had acquired some land. We were actually doing some of the site work. And unfortunately, every time we refined our estimate for the cost to build this facility, it was getting worse and worse in a way that we weren't able to use some of the other offsets we've effectively used on other projects.

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In addition to that, this was a particular market where the labor market conditions were moving in an adverse direction as well. So, we had some difficult talks with our joint venture partner. But ultimately, we concluded together that it did not make sense to press forward at this time, and so we took the write-off. I really view that as an anomaly given its size because it's unusual for us to get that far down the path before we make that kind of decision. I don't think it speaks to any lack of enthusiasm with regard to our continuing development pipeline. I do think it highlights the fact that we are disciplined in our approach.

A.J. Rice
Analyst, UBS

Q

Okay. All right. And maybe just a follow-up, I'll take a stab at this one. I know you're not going to give formal 2024 guidance until you report fourth quarter or at least until around the first of the year. But you've talked about labor inflation moderating some of the things around volume and de novos. What, in your mind, are the puts and takes we should keep in mind as we're trying to develop forecast? And any areas of particular variability as you sit right now and think about next year?

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.

A

Well, I think you've hit on the keys, which is, one, we look at volume growth heading into next year. Obviously, we'll be up against challenging comps given the good discharge growth we've had this year. But we're going to benefit from the continued maturation of 25 de novos that were added from 2021 through the end of 2023 and the addition of 150 beds to existing hospitals. And we do anticipate that moderating labor inflation will occur as we anniversary the 6% increase in SW per FTE we're anticipating for 2023. Those are going to be the primary drivers.

A.J. Rice
Analyst, UBS

Q

Okay. Thanks a lot.

Operator: Thank you. We'll take our next question from Brian Tanquilut with Jefferies.

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.

A

Hey, Brian.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.

A

Good morning, Brian.

Brian Tanquilut
Analyst, Jefferies LLC

Q

Hey. Good morning, guys. Congrats on the quarter. Doug, I guess my first question, as I think about your revised guidance for the year and what you've reported so far in the first three quarters, the Q4 kind of like is a little different from typical seasonality in terms of contribution to the year. So just curious, is there anything we should be thinking about in terms of what that kind of like sequential decline or flattening that's implied in the guide for Q4. Thanks.

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Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.

A

Yeah. So as we move into Q4, we're obviously benefiting from the price increase, not surprisingly, because we have really kind of established normalized seasonal flows. We would expect discharges from Q3 to Q4 to be kind of relatively flat in that range. So, you're not getting a pickup there sequentially. You're consuming a pretty good chunk of the pricing increase with the merit increase, which was a little over 3%. And then, we're also anticipating that you'll see somewhat of an increase, which is not atypical. It was a little bit of an anomaly in Q4 last year in the length of stay and then just kind of some regular way increases in supplies and OOE, some of which is attributable to seasonality. So, not a lot to call out there. And again, it's – you had a very strong Q3, so it's not surprising that we're kind of calling the ball here for Q4.

Brian Tanquilut
Analyst, Jefferies LLC

Q

Okay. That makes sense. And then, Mark, maybe as I think about your comments in the release on – or in the slide deck on pricing on the commercial side, how should we be thinking about commercial price trend – or managed care price trend as we look at 2024?

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.

A

We continue to work on payors as we've done in past quarters with the MA contract negotiations we've had. As we move more contracts towards CMG, we're starting to see less of the differential between the fee-for-service Medicare and the MA plans. I think it was down to 3% or 4% differential this last quarter. So, we continue to make progress there, and I think you expect to see that going forward.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.

A

Yeah. Brian, the other thing I'd call out as you think about the movement from Q3 to Q4 is the impact of the 2023 de novos. As we discussed in our comments earlier, we had a really strong quarter in Q3 where those actually contributed $900,000 in EBITDA. But we're still anticipating that the preopening and ramp-up costs for the full year will be in that $10 million to $12 million range, which implies a $3.5 million to $5.5 million swing the other way in Q4.

Brian Tanquilut
Analyst, Jefferies LLC

Q

Got it. All right. Thank you, guys.

Operator: Thank you. [Operator Instructions] Our next question comes from Pito Chickering with Deutsche Bank.

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.

A

Hey. Good morning, Pito.

Kieran Ryan
Analyst, Deutsche Bank Securities, Inc.

Q

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Hi.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.
A

Hey, Pito.

Kieran Ryan
Analyst, Deutsche Bank Securities, Inc.
Q

Hey there, guys. You've got Kieran Ryan on for Pito. Thanks for taking the questions.

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.
A

Sure.

Kieran Ryan
Analyst, Deutsche Bank Securities, Inc.
Q

Thank you. You mentioned that the hip and knee patients continue to present at a pretty good rate in 3Q. And I know you called out some strong ortho demand in the second quarter. So I guess just could you just comment on if that strength in ortho continued into 3Q and if there's any other specialties you want to call out, whether that's neuro, stroke, or anything like that?

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.
A

We continue to see growth in our stroke program. I think, as I noted in my comments around the orthopedic, it was just kind of getting back to normalized flow that we had seen prior to the pandemic. So it's not an area that is growing off of a very large base. But we have placed a huge focus over the past several years in growing our stroke program. We're seeing nice gains on that. We've seen nice gains in other neuro and continue to focus on those categories.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.
A

Again, these are some smaller categories, but brain injury was up 8.6%. Cardiac was up 2.4%, so a little bit lower there. Major multiple trauma up 10.4%. This was a quarter again, and we discussed this more in Q2, where the strength of our discharge growth was across patient categories and across – very broad-based across geographies as well, which is encouraging to us.

Kieran Ryan
Analyst, Deutsche Bank Securities, Inc.
Q

Awesome. Thank you. And then just a quick follow-up. Would you be able to give an update on RN turnover? I think you were running at 22% year-to-date after 2Q. It sounded like maybe a little bit more sequential improvement there or...

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.
A

Our most recent quarter and most recent trend on a month basis has us at that 22%, 23% turnover rate continued. What we have seen progress on, we've put a lot of focus on, is the turnover within one year of hiring of

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the RNs and that's an area that we knew we could see improvement on. We've seen improvement on that. We've put a lot of focus on the orientation and onboarding of our nurses, which we think will help us longer term and continuing to hold or decrease that turnover rate.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.
A

It's important to note as well, we tend to focus on the nursing, but our therapist turnover on a year-to-date basis at the end of the third quarter was less than 8%.

Kieran Ryan
Analyst, Deutsche Bank Securities, Inc.
Q

Thanks so much.

Operator: Thank you. Our next question will come from Matt Larew, William Blair. Please go ahead.

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.
A

Hey, Matt.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.
A

Good Morning, Matt.

Matt Larew
Analyst, William Blair & Co. LLC
Q

Hey. Good morning. A follow-up a bit on the patient mix question. But obviously, it was another strong quarter on the MA side, as it has been really for the last several quarters in particular. And just so similar to Kieran's question, any particular patient categories or any trends to call out on the MA side?

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.
A

No. So if we look in aggregate at MA, for the quarter, total MA discharges were up approximately 13%. That takes us to just under 18% on a year-to-date basis. And importantly, when you look in the same store for MA, it was 11% for Q3 and just under 15% on a year-to-date basis. Continue to see very good growth in MA for stroke patients. But one of the things that we've highlighted with regard to this overall discharge growth in MA is our value proposition now seems to be resonating with those MA plans across a broader patient spectrum. So, we're seeing the broadening of the acuity there as well.

Matt Larew
Analyst, William Blair & Co. LLC
Q

Okay. Thanks. And then just a follow-up on the hospital that you pulled forward from 2024 into 2023, what really allowed you to accelerate that opening process? Is this related to that pre-fabrication that you've been doing, or is this more of a licensing or staffing issue? And depending on what it is, can you apply this to the extensive pipeline you have in place right now?

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Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.
A

Yeah. So, we'll be honest with you. The single biggest factor was favorable weather patterns, but it was also then we are getting more efficient with regard to the utilization of pre-fabrication, so that contributed. We've been stating all along that our objective with regard to the moving to full pre-fabrication was to realize a 15% cost reduction versus conventional and an improvement of 25% in terms of speed to market. So we're not quite there yet on all of the projects in the pipeline but we're making good headway.

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.
A

We've had [ph] good luck (32:26) with staffing in that marketplace there, Matt. So it was all around the construction side and not about staffing or just being prepared to take that first patient.

Matt Larew
Analyst, William Blair & Co. LLC
Q

All right. Thank you.

Operator: Thank you. Our next question will come from Ann Hynes with Mizuho Securities.

Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.
A

Morning, Ann.

Ann Hynes
Analyst, Mizuho Securities USA LLC
Q

Hi, guys.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.
A

Good morning, Ann.

Ann Hynes
Analyst, Mizuho Securities USA LLC
Q

Good morning. So, the ramp-up cost of $10 million to $12 million this year, is that a good number to use for 2024 will be my first question. And then secondly, is there anything on the regulatory or legislative side that is on your radar for 2024? Thanks.

Douglas E. Coltharp
Chief Financial Officer & Executive Vice President, Encompass Health Corp.
A

So, Ann, on the first one, I haven't quite put a pencil to it yet for 2024, but I think it's probably a pretty good proxy since we opened eight this year, and we're looking to open up another eight next year.

Ann Hynes
Analyst, Mizuho Securities USA LLC
Q

Okay.

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Mark J. Tarr
President, Chief Executive Officer & Director, Encompass Health Corp.

A

Ann, we continue to stay focused on the regulatory side. Everything from discussions around MedPAC with site-neutral to we commented here on RCD, and there are other things out there. But I would say those two things are closest to mind right now.

Operator: Thank you. At this time, we have no further questions in queue. I'll turn the call back to Mark Miller for any additional or closing remarks.

Mark Miller
Chief Investor Relations Officer & Senior Vice President-Investor Relations and Strategic Planning, Encompass Health Corp.

Thank you. If anyone else has additional questions, please call me at 205-970-5860. Thank you again for joining today's call.

Operator: This does conclude today's call. We thank you for your participation. You may disconnect at any time.

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