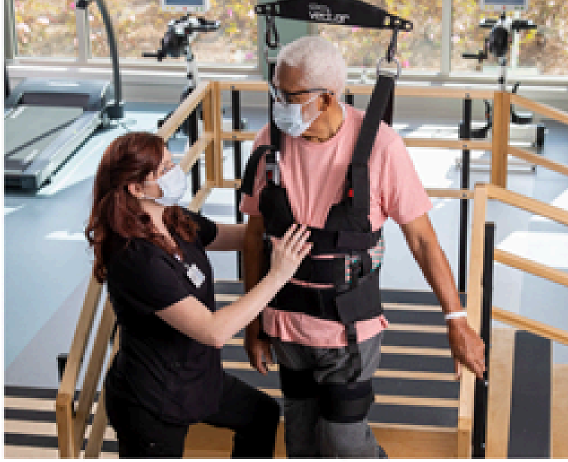
2022 First Quarter
Earnings Call

April 28, 2022
Supplemental information



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 timing and effects, such as the tax-free treatment and the incremental costs, of the spin off and rebranding of the home health and hospice business and its impact on the business model, outlook and guidance, the COVID-19 pandemic and its effects, 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, market share, 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 earnings release attached as Exhibit 99.1 to the Company's Form 8-K dated April 27, 2022 (the "Q1 Earnings Release Form 8-K"), the Form 10-K for the year ended December 31, 2021, the Form 10-Q for the quarter ended March 31, 2022, when filed, 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
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 Q1 Earnings Release Form 8-K, to which the following presentation is attached as Exhibit 99.2, 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.

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Q1 2022 Key takeaways

Revenue growth offset by elevated staffing costs

- Consolidated revenues increased 8.4%
- Strong inpatient rehabilitation discharge growth: 7.6% total; 3.8% same store
- Solid home health admissions growth: 4.9% total; 0.9% same store
- Staffing costs continue to be elevated.
  - ✓ Inpatient rehabilitation Q1 2022 SWB of 55.5% of revenue vs. Q1 2021 SWB of 52.3% of revenue
  - ✓ Home health Q1 2022 CPV of $83 vs. Q1 2021 CPV of $77

Continued capacity additions in both businesses

- Opened three IRF de novos in Q1 2022 (140 beds) and added 29 beds to existing hospitals
- Plan to open an additional six de novo IRFs (additional 270 beds) and add an additional 89 beds to existing hospitals in 2022
- Opened four home health and hospice locations in Q1 2022 (two of the four were acquired)
- Plan to open an additional eight de novo locations in 2022

Balance sheet - see debt schedule and maturity profile on pages 25-26

- Net leverage ratio of 3.1x at quarter end

Strong free cash flow generation - see page 14

- Q1 Adjusted free cash flow increased 54.5% to $165.9 million

Shareholder and other distributions

- Paid quarterly cash dividend of $0.28 per share in January 2022
- Declared a $0.28 per share quarterly cash dividend in February 2022 (paid April 2022)

Reaffirming 2022 consolidated Net Operating Revenue, Adjusted EBITDA and Adjusted EPS guidance - see pages 15-16

Spin off of Enhabit

Spin off of Enhabit expected on July 1, 2022

- The spin off is expected to be tax free to EHC shareholders. (A Private Letter Ruling request has been filed with the IRS.)
- Confidential Form 10 filed in April; public filing expected mid to late May
- We intend to provide 2022 guidance for Encompass Health and Enhabit on a separated basis in the first half of June.

Rebranding update

- The rebranding of branches began, as scheduled, in mid-April and is expected to be largely completed by the effective date of the spin off.

Financial considerations update for the spin off

- Anticipating leverage (Debt to Adjusted EBITDA) at the effective date of approximately 3.0-3.25x at Enhabit and 3.25-3.5x at Encompass.
- Establishing Enhabit as a stand-alone entity is expected to result in $26-$28 million of incremental annualized G&A costs, and a $5-$10 million* reduction in annualized G&A expenses for Encompass Health. Certain administrative services will be provided by Encompass Health to Enhabit on an interim basis following the spin off under a transition services agreement.
- Rebranding expenses for Enhabit are expected to be $5-$8 million in operating expenses and $2-$4 million in capital expenditures. These expenses are expected to be incurred in 2022 and have been revised downward from our previous estimate.

*Position within this range is dependent, among other things, on the scope and duration of a transition services agreement.

Q1 2022 Summary

($ in millions)	Q1 2022	Q1 2021	% △
Encompass Health Consolidated			
Net operating revenues	$ 1,333.6	$ 1,230.4	8.4 %
Adjusted EBITDA	$ 245.0	$ 250.8	(2.3)%
Adjusted EPS	$ 0.97	$ 1.05	(7.6)%
Adjusted free cash flow*	$ 165.9	$ 107.4	54.5 %
Inpatient Rehabilitation Segment			
Net operating revenues	$ 1,059.3	$ 959.9	10.4 %
Adjusted EBITDA	$ 226.2	$ 234.9	(3.7)%
Home Health and Hospice Segment			
Net operating revenues	$ 274.3	$ 270.5	1.4 %
Adjusted EBITDA	$ 50.1	$ 50.8	(1.4)%

*Refer to page 14 for a discussion of year-to-year change.
Reconciliations to GAAP provided on pages 36-42

Inpatient rehabilitation segment - revenue

($ in millions)	Q1 2022	Q1 2021	Favorable/ (Unfavorable)
Net operating revenues:			
Inpatient	$ 1,036.2	$ 942.3	10.0%
Outpatient and other	23.1	17.6	31.3%
Total segment revenue	**$ 1,059.3**	**$ 959.9**	10.4%
(Actual Amounts)			
Discharges	50,771	47,187	7.6%
Same-store discharge growth			3.8%
Net patient revenue per discharge	$ 20,409	$ 19,969	2.2%
Revenue reserves related to bad debt as a percent of revenue	2.2 %	1.7 %	50 basis points

- Net revenue per discharge growth of 2.2% was driven primarily by an increase in reimbursement rates.
- Outpatient and other revenue included an increase of $5.8 million in provider tax revenue ($14.4 million in Q1 2022 vs. $8.6 million in Q1 2021).
- Revenue reserves related to bad debt increased 50 bps to 2.2%, primarily due to the impact of the payor mix shift to Medicare Advantage and Managed Care (longer collection times and higher patient payment responsibility).

Inpatient rehabilitation segment - Adjusted EBITDA

($ in millions)	Q1 2022	% of Revenue	Q1 2021	% of Revenue
Net operating revenues	$ 1,059.3		$ 959.9	
Operating expenses:				
Salaries and benefits	(587.4)	55.5 %	(501.9)	52.3 %
Other operating expenses[(a)]	(158.3)	14.9 %	(140.0)	14.6 %
Supplies	(49.8)	4.7 %	(45.2)	4.7 %
Occupancy costs	(15.4)	1.5 %	(15.1)	1.6 %
Hospital operating expenses	(223.5)	21.1 %	(200.3)	20.9 %
Other (expense) income[(b)]	(1.1)		1.5	
Equity in nonconsolidated affiliates	0.9		0.8	
Noncontrolling interests	(22.0)		(25.1)	
Segment Adjusted EBITDA	**$ 226.2**		**$ 234.9**	
Percent change	(3.7)%			

	In arriving at Adjusted EBITDA, the following were excluded:		
(a)	Loss on disposal or impairment of assets	$ 0.7	$ —
(b)	Change in fair market value of equity securities	$ 2.5	$ 0.1

- Salary and benefits in Q1 2022 included ~$63 million in agency staffing and sign-on and shift bonuses, compared to ~$21 million in Q1 2021.
- Other operating expenses included an increase of $2.7 million in provider tax expense ($12.3 million in Q1 2022 vs. $9.6 million in Q1 2021).

Reconciliations to GAAP provided on pages 36-42

Home health and hospice segment - revenue

($ in millions)	Q1 2022	Q1 2021	Favorable/ (Unfavorable)
Net operating revenues:			
Home health revenue	$ 224.9	$ 219.9	2.3 %
Hospice revenue	49.4	50.6	(2.4)%
Total segment revenue	**$ 274.3**	**$ 270.5**	**1.4 %**
Home Health			
Starts of care:			
Total admissions	53,309	50,799	4.9 %
Same-store total admissions growth			*0.9 %*
Total recertifications	31,787	31,902	(0.4)%
Total starts of care	**85,096**	**82,701**	**2.9 %**
Episodic admissions	38,971	40,215	(3.1)%
Same-store episodic admissions growth			*(7.4)%*
Episodic recertifications	25,808	28,083	(8.1)%
Total episodic starts of care	**64,779**	**68,298**	**(5.2)%**
Revenue per episode	**$ 3,037**	**$ 2,923**	**3.9 %**
Hospice			
Admissions:			
Same store	2,830	3,325	(14.9)%
New store	416	5	12.4 %
Total admissions	**3,246**	**3,330**	**(2.5)%**

- Home health revenue increased 2.3% in Q1 2022, resulting from 4.9% total admissions growth offset by the pricing impact of payor mix shift.
- Hospice admissions declined 2.5% in Q1 2022, primarily attributable to capacity constraints.

Home health and hospice segment - Adjusted EBITDA

($ in millions)	Q1 2022	% of Revenue	Q1 2021	% of Revenue
Net operating revenues	$ 274.3		$ 270.5	
Cost of services	(124.4)	45.4 %	(118.1)	43.7 %
Support and overhead costs	(99.2)	36.2 %	(101.4)	37.5 %
Operating expenses[(a)]	(223.6)	81.5 %	(219.5)	81.1 %
Equity in net income of nonconsolidated affiliates	—		0.2	
Noncontrolling interests	(0.6)		(0.4)	
Segment Adjusted EBITDA	**$ 50.1**		**$ 50.8**	
Percent change	(1.4)%			

	In arriving at Adjusted EBITDA, the following were excluded:			
(a)	Gain on disposal or impairment of assets	$ (0.1)		$ (0.1)

- Cost of services increased in Q1 2022 primarily due to higher labor costs.
  - Home health cost per visit increased 7.8%.
  - Hospice cost per day increased 6.4%.

Reconciliations to GAAP provided on pages 36-42

Consolidated Adjusted EBITDA

**Consolidated Adjusted EBITDA
for the quarter of
$245.0 million**

- **General and administrative expenses decreased as a percent of consolidated revenue due to improved operating leverage and a decline in fair value adjustments on the Company's nonqualified 401(k) plan (offset within 'Other Income' in the IRF segment).**

($ in millions)	Q1 2022	% of Consolidated Revenue	Q1 2021	% of Consolidated Revenue
Inpatient rehabilitation segment Adjusted EBITDA	$ 226.2		$ 234.9	
Home health and hospice segment Adjusted EBITDA	50.1		50.8	
General and administrative expenses*	(31.3)	2.3%	(34.9)	2.8%
Consolidated Adjusted EBITDA	$ 245.0		$ 250.8	
Percentage change	(2.3)%			

* General and administrative expenses in the above table exclude stock compensation of $7.5 million and $2.8 million for Q1 2022 and Q1 2021, respectively, as well as $9.6 million and $0.9 million in costs associated with the strategic alternatives review of our home health and hospice business for Q1 2022 and Q1 2021, respectively.

Reconciliations to GAAP provided on pages 36-42

Earnings per share - as reported

($ in millions, except per share data)	Q1 2022	Q1 2021
Adjusted EBITDA	$ 245.0	$ 250.8
Depreciation and amortization	(66.2)	(62.5)
Interest expense and amortization of debt discounts and fees	(39.6)	(42.8)
Stock-based compensation	(7.5)	(2.8)
(Loss) gain on disposal or impairment of assets	(0.6)	0.1
	131.1	142.8
Items not indicative of ongoing operating performance:		
Loss on early extinguishment of debt[(1)]	(0.3)	—
Costs associated with the strategic alternatives review	(9.6)	(0.9)
Change in fair market value of equity securities	(2.5)	(0.1)
Pre-tax income	118.7	141.8
Income tax expense	(31.2)	(34.5)
Income from continuing operations*	$ 87.5	$ 107.3
Diluted shares (see page 33)	100.2	100.2
Diluted earnings per share*	**$ 0.87**	**$ 1.07**

- EPS in Q1 2022 was impacted by higher costs associated with the strategic alternatives review and higher stock-based compensation.

* Earnings per share are determined using income from continuing operations attributable to Encompass Health.
Refer to pages 43-44 for end notes.

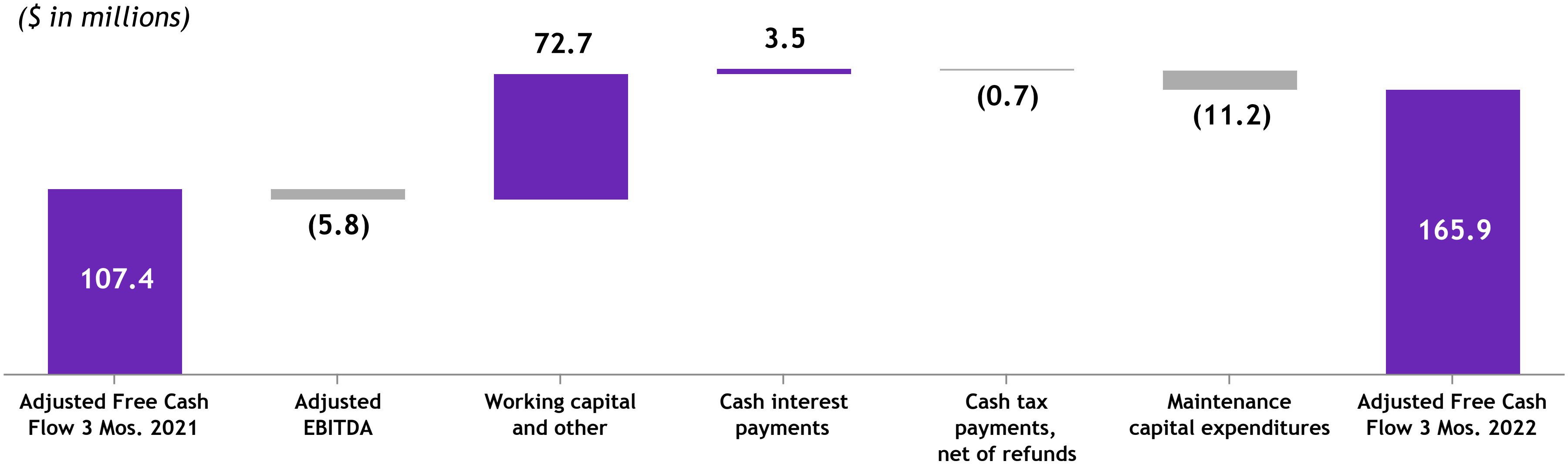
Adjusted earnings per share[2]

	Q1	
	2022	2021
Earnings per share, as reported	**$ 0.87**	**$ 1.07**
Adjustments, net of tax:		
Costs associated with the strategic alternatives review	0.07	0.01
Income tax adjustments	—	(0.03)
Change in fair market value of equity securities	0.02	—
Adjusted earnings per share*	**$ 0.97**	**$ 1.05**

- Adjusted earnings per share removes from the GAAP earnings per share calculation the impact of items the Company believes are non-indicative of its ongoing operating performance.

* Adjusted EPS may not sum due to rounding. See complete calculations of adjusted earnings per share on pages 41-42.
Refer to pages 43-44 for end notes.

2022 YTD Adjusted free cash flow[3]



- Adjusted free cash flow growth in the first three months of 2022 was predominantly attributable to improved working capital.
  - Accounts receivable in Q1 2021 was elevated due to the phase out of the home health request for anticipated payment ("RAP") and IRF Medicare payment processing delays.

Reconciliations to GAAP provided on pages 36-42
Refer to pages 43-44 for end notes.

2022 Guidance - Reaffirmed

($ in millions, except per share data)	2021 Actuals	2022 Guidance*
Net Operating Revenue	$5,122	$5,380 to $5,500
Adjusted EBITDA [4]	$1,028	$1,015 to $1,065
Adjusted earnings per share from continuing operations attributable to Encompass Health [2]	$4.23	$3.83 to $4.19

The Company's 2022 guidance assumes the continuation of the current structure of the business for 2022.

*Not inclusive of any costs incurred in 2022 related to the preparations for the planned spin off of Enhabit Home Health & Hospice including rebranding, professional fees, or personnel additions specifically required for an independent public company.

Refer to pages 43-44 for end notes.

2022 Guidance considerations

Inpatient Rehabilitation

- Estimated increase of 1.9% in Medicare pricing prior to resumption of sequestration
- Revenue reserves related to bad debt of 1.8% to 2.0% of net operating revenues
- <u>Salaries and benefits per FTE (inclusive of agency staffing costs, sign-on and shift bonuses) increase of 4% to 5%</u>
- Pre-opening and new-store ramp-up costs of $10 million to $13 million

Home Health and Hospice

- Estimated increase of 3.4% in Medicare pricing for home health prior to resumption of sequestration
- Estimated increase of 2.0% in Medicare pricing for hospice prior to resumption of sequestration
- Cost per visit increase of 4% to 5% for home health
- Cost per patient day increase of 3% to 4% for hospice
- Incremental investment of $2 million to $3 million for de novo locations

Consolidated

- Medicare pricing increases will be affected by phased in resumption of sequestration: 1% in Q2, 2% in Q3 and Q4.
- Staffing constraints and elevated costs are expected to continue in 2022 with improvement skewed toward the second half of the year.
- Guidance is not inclusive of any costs incurred in 2022 related to the preparations for the planned spin off of Enhabit including rebranding, professional fees, or personnel additions specifically required for an independent public company.

Changes from previous guidance considerations are underlined.

Adjusted free cash flow[3] assumptions

Certain cash flow items ($ in millions)	3 Months 2022 Actuals	2021 Actuals	2022 Assumptions	
Cash interest payments (net of amortization of debt discounts and fees)	$37.3	$156.8	$150 to $160	Cash interest payments expected to be flat due to redemption of 5.125% Senior Notes due 2023 offset by higher revolver borrowings and increases in short term rates in 2022
Cash payments for income taxes, net of refunds	$—	$129.6	$80 to $100	Decrease due to overpayments from 2021 applied to 2022
Working capital and other	$7.3	$104.0	$80 to $100	Modest decrease in working capital expected due to timing of collections
Maintenance CAPEX	$34.5	$138.8	$200 to $250	Increased maintenance CAPEX related to carryover projects from 2021 due to construction supply chain challenges; additional spending for equipment replacement, and renovations to existing hospitals
Adjusted free cash flow	$165.9	**$498.8**	**$405 to $555**	

Reconciliations to GAAP provided on pages 36-42
Refer to pages 43-44 for end notes.

Uses of free cash flow

($ in millions)		3 Months 2022 Actuals	2022 Assumptions	2021 Actuals
Growth in core business	IRF bed expansions	$9.1	$40 to $50	$48.6
	New IRFs			
	- De novos	71.0	320 to 340	314.9
	- Acquisitions	—	opportunistic	1.1
	- Replacement IRFs and other	5.5	10 to 20	48.9
	Home health and hospice acquisitions*	—	50 to 100	117.5
		$85.6	$420 to $510	$531.0
Debt reduction	Debt redemptions (borrowings), net	$22.6	TBD	$2.2
Shareholder and other distributions	Cash dividends on common stock	28.5	TBD	112.4
	Common stock repurchases	—	opportunistic	—

Quarterly cash dividend currently set at $0.28 per common share

~$198 million authorization remaining as of March 31, 2022(5)

*Includes approximately $16 million related to an acquisition effective on January 1, 2022 that was paid in 2021.
See the debt schedule on page 26. Refer to pages 43-44 for end notes.

2022-2026 Growth targets

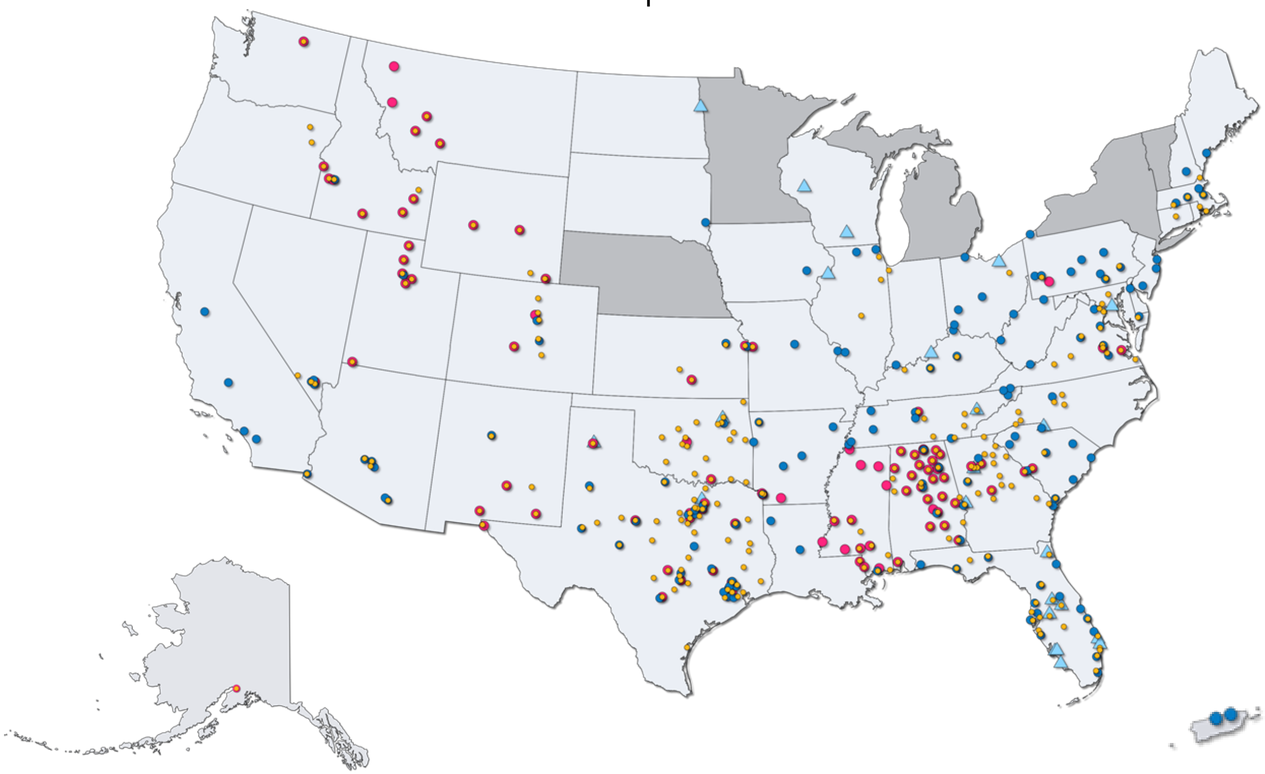
INPATIENT REHABILITATION	**6 to 10** De novos per year	**100 to 150** bed additions per year	**6% to 8%** Discharge CAGR
HOME HEALTH AND HOSPICE	**10%** Home Health admissions CAGR	**10% to 15%** Hospice admissions CAGR	**$50 million to $100 million** Acquisitions per year

Strong and sustainable business fundamentals

- Strong demographic tailwinds
- Multi-faceted growth strategies
- Highly fragmented post-acute sectors present acquisition and joint venture opportunities.
- Consistent delivery of high-quality, cost-effective, facility-based and home-based care
- Economies related to scale and market density
- Substantial cash flow generation

Appendix

Encompass Health | a leading provider of inpatient rehabilitation and home-based care



Modern Healthcare
Best Places to Work 2021™

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2022 *FORTUNE®*
"World's Most Admired Companies"

Portfolio as of 03/31/22
Inpatient rehabilitation hospitals ("IRFs")
Home health locations
Hospice locations
23 Future IRFs**
42 States and Puerto Rico ~43,500 employees

Inpatient rehabilitation - 03/31/22	
147	IRFs (54 are joint ventures)
35	States and Puerto Rico
~32,900	Employees
24 %	of licensed beds†
31 %	of Medicare patients served†
Key statistics - trailing 4 quarters	
~201,200	Inpatient discharges
~$4.1	Billion in revenue

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

Largest owner and operator of IRFs

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

Home health and hospice - 03/31/22	
252	Home health locations
99	Hospice locations
34	States
~10,600	Employees
Key statistics - trailing 4 quarters	
~203,100	Home health total admissions
~13,000	Hospice admissions
~$1.1	Billion in revenue

* Excluding markets that have home health licensure barriers ** Future IRFs - Previously announced under development as of April 27, 2022
† Based on 2019 and 2020 data

Expansion activity

Inpatient Rehabilitation Facilities Opened or Under Development

		Expected operations date	Joint venture	# of New Beds 2022	2023	2024
De novo IRFs:						
	Shiloh, IL	Q1 2022	✓	40	–	–
	St. Augustine, FL	Q1 2022		40	–	–
	Libertyville, IL	Q1 2022		60	–	–
1	Lakeland, FL	Q2 2022		50	–	–
2	Cape Coral, FL	Q2 2022	✓	40	–	–
3	Jacksonville, FL	Q2 2022		50	–	–
4	Moline, IL	Q3 2022	✓	40	–	–
5	Naples, FL	Q3 2022		50	–	–
6	Grand Forks, ND	Q3 2022	✓	40	–	–
7	Eau Claire, WI	2023	✓	–	36	–
8	Owasso, OK	2023	✓	–	40	–
9	Clermont, FL	2023		–	50	–
10	Knoxville, TN	2023	✓	–	73	–
11	Bowie, MD	2023		–	60	–
12	Prosper, TX	2023		–	40	–
13	Columbus, GA	2023	✓	–	40	–
14	Strongville, OH	2023		–	40	–
15	Fitchburg, WI	2023		–	40	–
16	Louisville, KY	2023	✓	–	40	–
17	Kissimmee, FL	TBD		–	–	50
18	Fort Mill, SC	TBD		–	–	39
19	Amarillo, TX	TBD		–	–	40
20	Atlanta, GA	TBD	✓	–	–	40
21	Lake Worth, FL	TBD		–	–	50
22	Fort Myers, FL	TBD	✓	–	–	60
23	Palm Beach Gardens, FL	TBD		–	–	50
Bed expansions, net*				~100	~100	~100
				~510	~560	~430

23 **IRF development projects announced and underway**

Q1 2022 Expansion activity highlights

- Opened 3 inpatient rehabilitation hospitals
  - 40-bed IRF in Shiloh, IL
  - 40-bed IRF in St. Augustine, FL
  - 60-bed IRF in Libertyville, IL
- Added 29 beds to existing hospitals
- Announced plans to build a 60-bed inpatient rehabilitation hospital in Fort Myers, FL

Home Health and Hospice Locations

	# of Locations
December 31, 2021	347
Acquisitions	2
Opening of new locations	2
Merging of locations	–
March 31, 2022	351

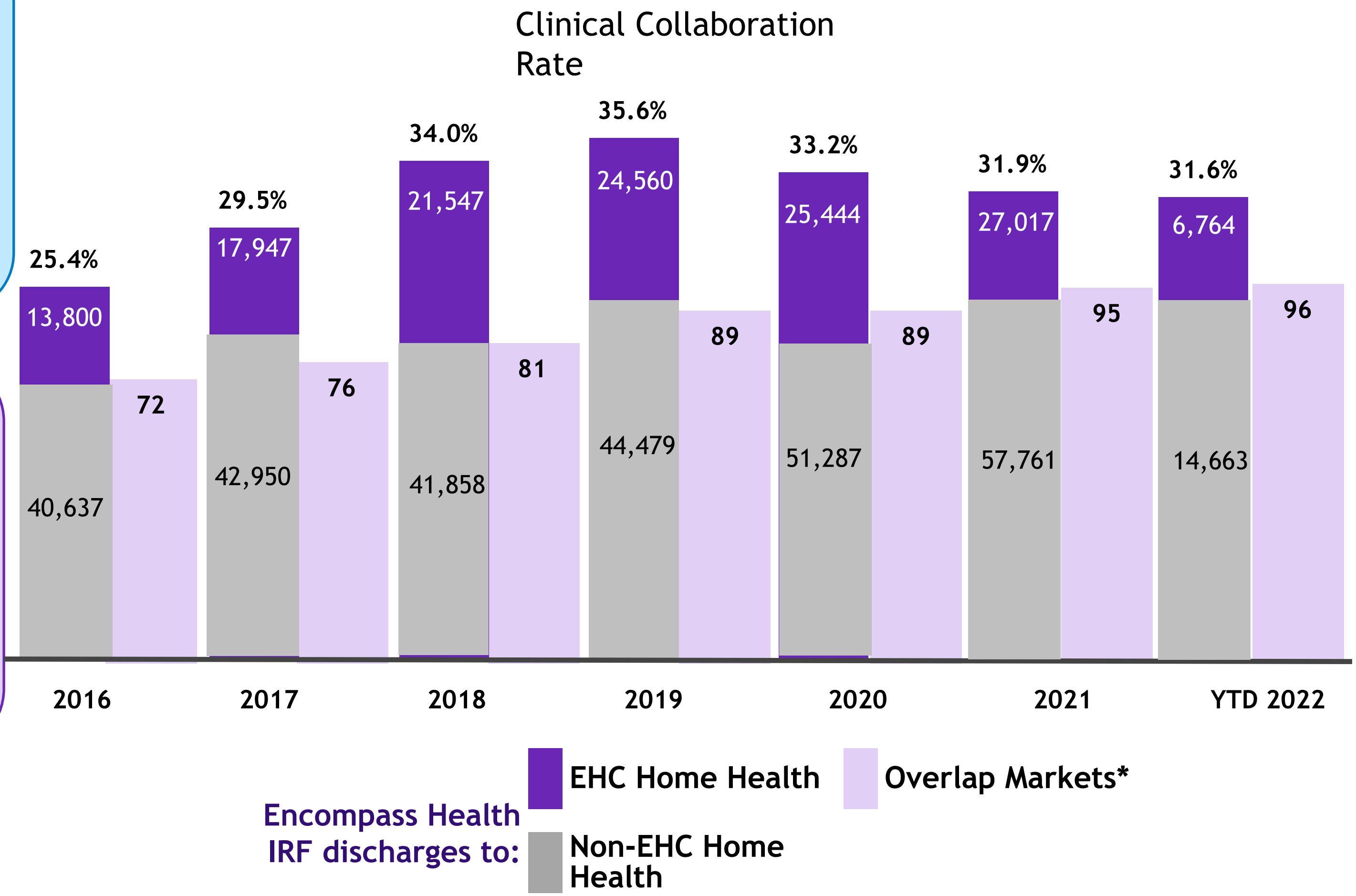
*Net bed expansions in each year may change due to the timing of certain regulatory approvals and/or construction delays. For 2022 through 2024, the currently expected range for bed expansions is 100 to 150.

The Company continues to improve the patient experience and outcomes through integrated care delivery.

- The clinical collaboration rate has decreased primarily due to Medicare Advantage increasing as a percent of the total patient mix and home health staffing constraints in certain overlap markets.

- Clinical collaboration objectives:
  - Improve patient experience and outcomes
  - Reduce total cost of care across a post-acute episode

Inpatient rehabilitation-home health clinical collaboration (all payors) overlap markets*



* Overlap markets have an Encompass Health IRF and an Encompass Health home health location within an approximate 30-mile radius, excluding markets that have home health licensure barriers. Overlap markets are open for 12 months before inclusion in the clinical collaboration rate.

Pre-payment claims denials - inpatient rehabilitation segment

- Encompass Health reserves pre-payment claim denials as a reduction of net operating revenues upon notice from a MAC a claim is under review.

- Background
  - For several years prior to 2018, under programs designated as "widespread probes," certain Medicare Administrative Contractors ("MACs") conducted pre-payment claim reviews and denied payment for certain diagnosis codes.
  - Since 2018, CMS has replaced the "widespread probes" with the Targeted Probe and Educate ("TPE") initiative.*
  - Encompass Health appeals most denials.
    - MACs identify medical documentation issues as a leading basis for denials.
    - Encompass Health's investment in clinical information systems and its medical services department has further improved its documentation and reduced technical denials.

Impact to Income Statement

Period	New Denials	Collections of Previously Denied Claims	Revenue Reserve for New Denials	Update of Reserve for Prior Denials
		(In Millions)		
Q1 2022	$1.1	$(5.6)	$0.3	$—
Q4 2021	1.4	(8.1)	0.4	—
Q3 2021	(0.5)	(9.7)	—	—
Q2 2021	0.1	(6.3)	—	—
Q1 2021	(0.2)	(5.2)	—	—
Q4 2020	(0.4)	(7.2)	—	4.5
Q3 2020	(0.6)	(6.3)	—	—
Q2 2020	(1.5)	(3.5)	—	—
Q1 2020	4.2	(5.0)	1.3	—
Q4 2019	3.8	(4.6)	1.1	—
Q3 2019	11.3	(6.1)	3.4	—
Q2 2019	3.5	(1.7)	1.1	—

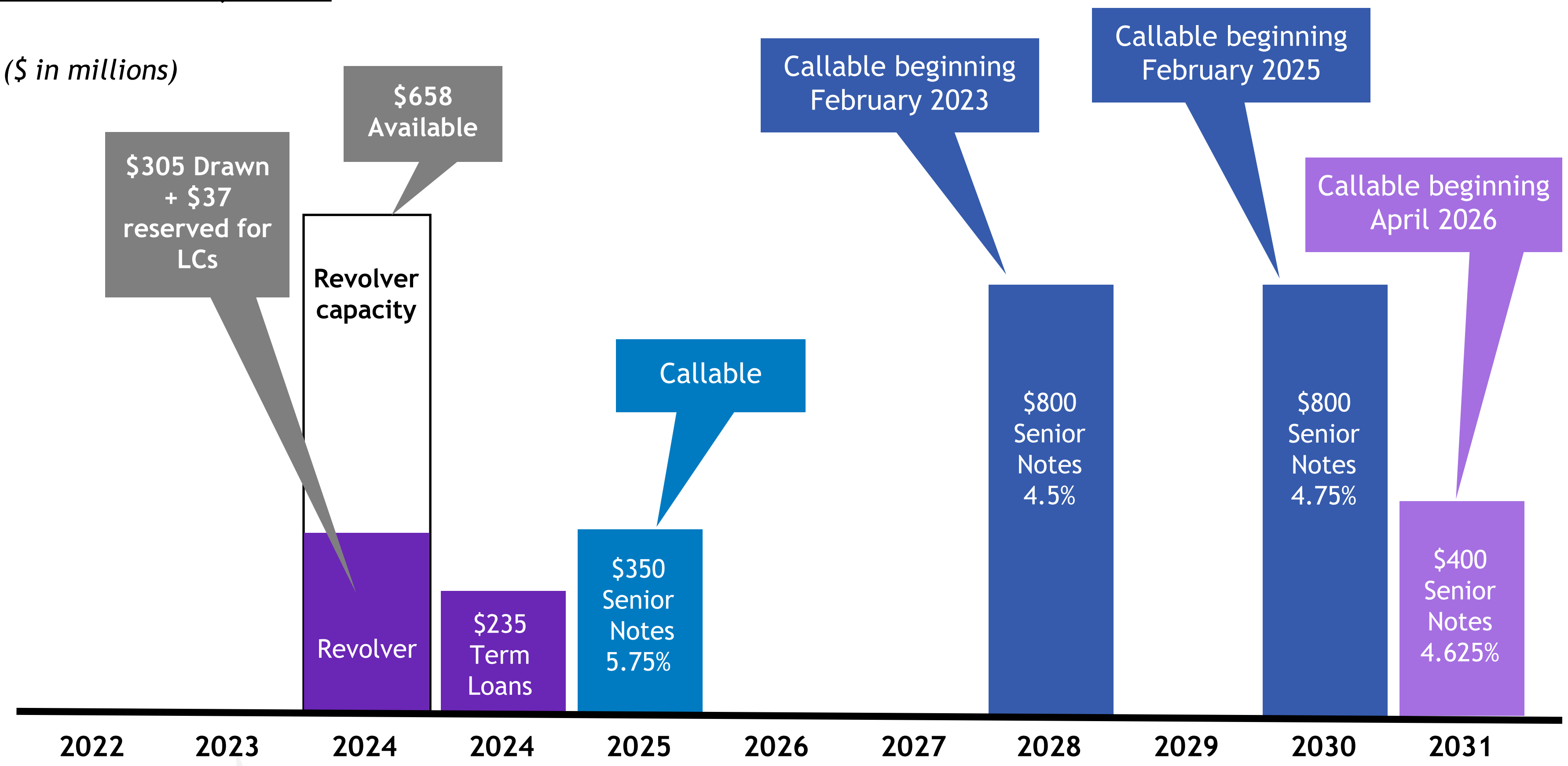
Impact to Balance Sheet

	March 31, 2022	Dec. 31, 2021	Dec. 31, 2020
		(In Millions)	
Pre-payment claims denials	$ 55.7	$ 69.0	$ 122.8
Recorded reserves	(18.7)	(25.7)	(41.3)
from pre-payment claims denials	**$ 37.0**	**$ 43.3**	**$ 81.5**

* For more information regarding TPE, see https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicare-FFS-Compliance-Programs/Medical-Review/Targeted-Probe-and-EducateTPE.html

Debt maturity profile - face value

<u>**As of March 31, 2022***</u>



During Q1 2022, the Company redeemed its outstanding Senior Notes due 2023 for $100M using its revolver.

* This chart does not include ~$381 of finance lease obligations or ~$49 of other notes payable.

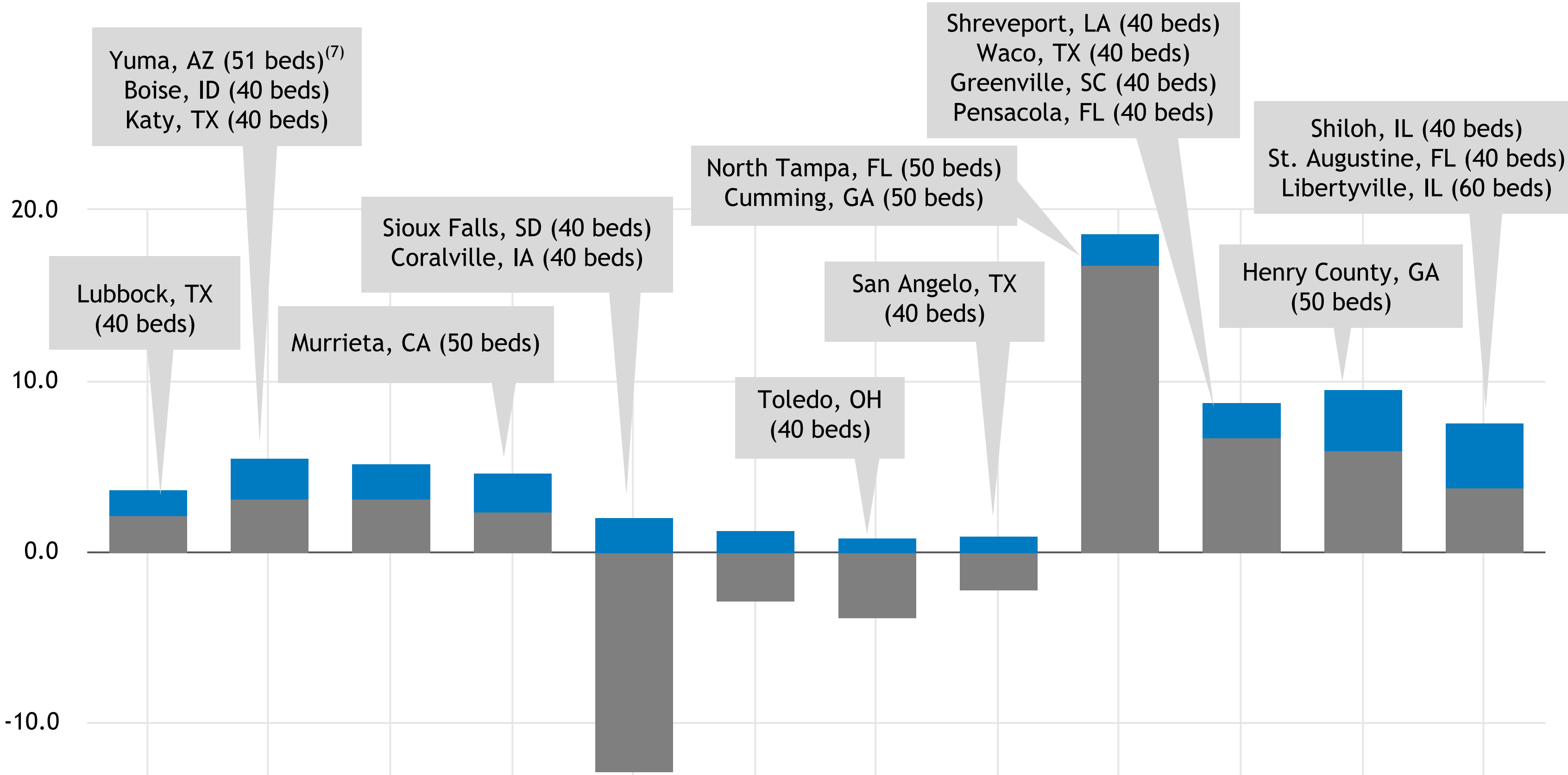
See the debt schedule on page 26

Debt schedule

($ in millions)	March 31, 2022	December 31, 2021	Change in Debt vs. YE 2021
Advances under $1 billion revolving credit facility, November 2024 - LIBOR +150bps	$ 305.0	$ 200.0	$ 105.0
Term loan facility, November 2024 - LIBOR +150bps	235.3	238.5	(3.2)
Bonds Payable:			
5.125% Senior Notes due 2023[(1)(6)]	—	99.6	(99.6)
5.75% Senior Notes due 2025	347.2	347.0	0.2
4.50% Senior Notes due 2028	779.5	786.8	(7.3)
4.75% Senior Notes due 2030	777.2	784.7	(7.5)
4.625% Senior Notes due 2031	389.9	393.7	(3.8)
Other notes payable	49.0	49.6	(0.6)
Finance lease obligations	381.0	386.8	(5.8)
Long-term debt	**$ 3,264.1**	**$ 3,286.7**	$ (22.6)
Debt to Adjusted EBITDA	**3.2 x**	**3.2 x**	
Leverage net of cash on balance sheet	**3.1 x**	**3.1 x**	

Reconciliations to GAAP provided on pages 36-42
Refer to pages 43-44 for end notes.

New-store/same-store growth | Inpatient Rehabilitation

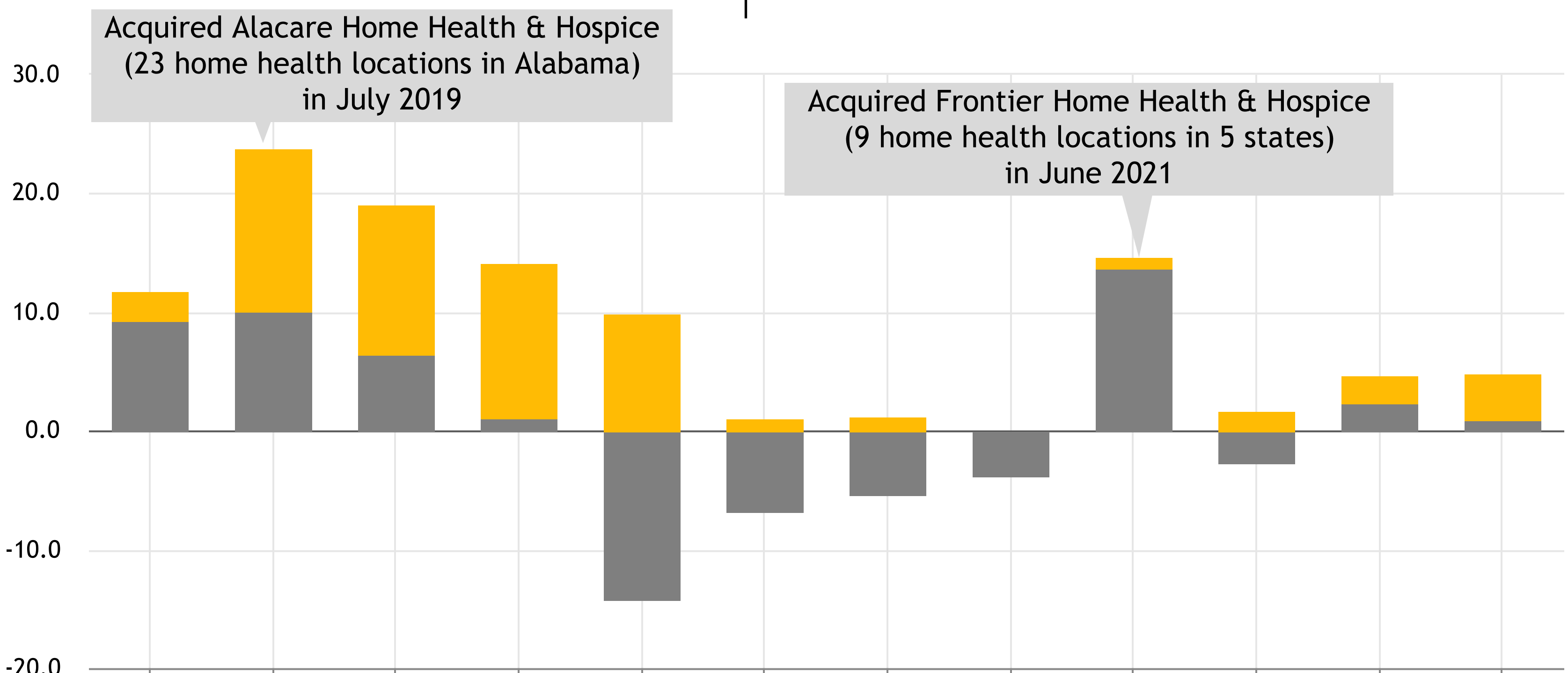


Discharges	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
New store	1.5%	2.4%	2.0%	2.3%	2.1%	1.3%	0.9%	1.0%	1.8%	2.0%	3.6%	3.8%
Same store*	2.2%	3.1%	3.2%	2.4%	(12.8)%	(2.8)%	(3.8)%	(2.2)%	16.9%	6.7%	6.0%	3.8%
Total by quarter	3.7%	5.5%	5.2%	4.7%	(10.7)%	(1.5)%	(2.9)%	(1.2)%	18.7%	8.7%	9.6%	7.6%
Total by year			3.9%				(2.6)%				8.7%	
Same-store year*			1.8%				(4.4)%				6.2%	
Same-store year UDS[8]			1.3%				(3.2)%				2.3%	

Beginning in mid-March 2020, volume growth was impacted by COVID-19.

* Includes consolidated inpatient rehabilitation hospitals classified as same store during each period
Refer to pages 43-44 for end notes.

New-store/same-store growth | Home Health



Total admissions	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
New store	2.5%	13.7%	12.6%	13.1%	10.0%	1.1%	1.3%	0.1%	0.9%	1.8%	2.3%	4.0%
Same store*	9.3%	10.2%	6.5%	1.2%	(14.1)%	(6.8)%	(5.3)%	(3.8)%	13.8%	(2.7)%	2.4%	0.9%
Total by quarter	11.9%	23.9%	19.0%	14.3%	(4.0)%	(5.7)%	(4.0)%	(3.7)%	14.7%	(0.9)%	4.7%	4.9%
Total by year			16.9%				(0.1)%				3.3%	
Same-store year*			8.1%				(5.9)%				1.9%	

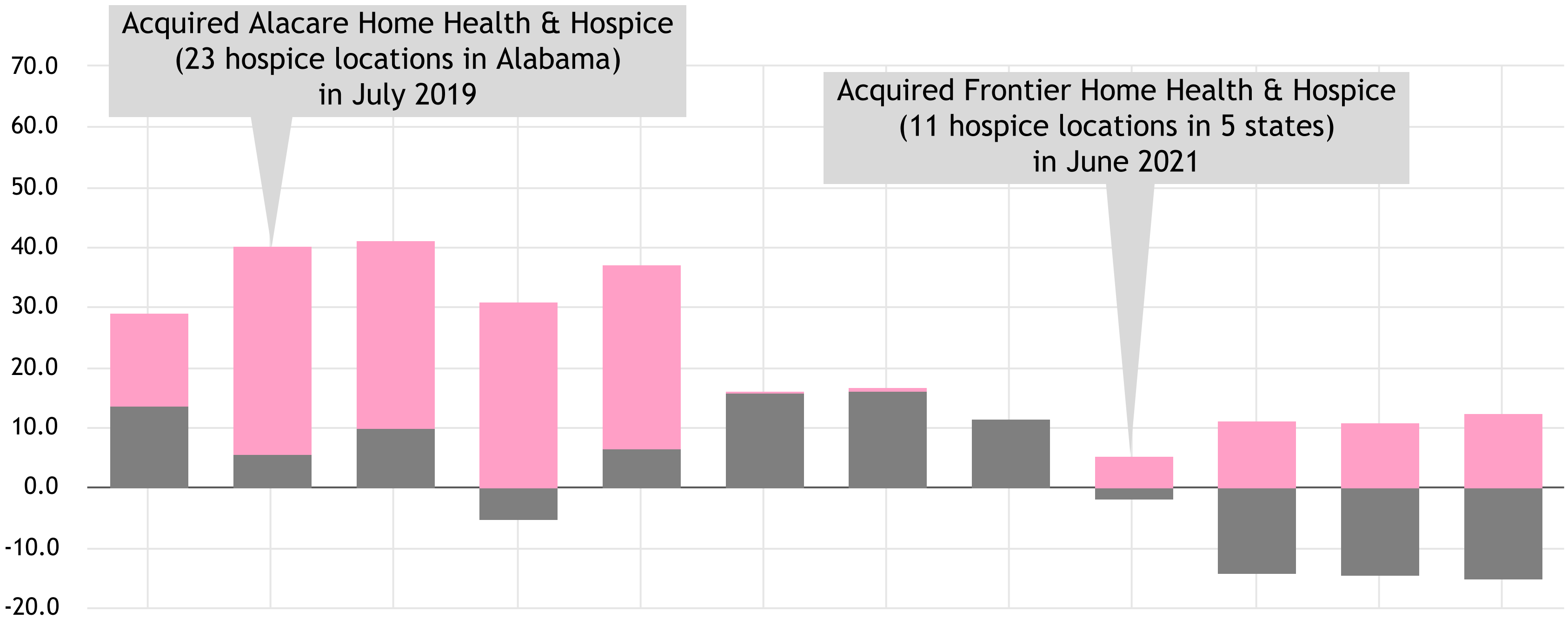
- In 2019, the Company acquired or opened 27 home health locations.
- In 2020, the Company acquired or opened two home health locations and consolidated one former equity method location[(9)].
- In 2021, the Company acquired 11 home health locations, merged one location and consolidated one former equity method location[(10)].
- In 2022, the Company acquired one home health location.

Beginning in mid-March 2020, volume growth was impacted by COVID-19.

* Includes consolidated home health agencies classified as same-store during each period

Refer to pages 43-44 for end notes.

New-store/same-store growth | Hospice



Admissions	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
New store	15.7%	34.6%	31.1%	30.9%	30.6%	0.5%	0.7%	0.1%	5.3%	11.3%	10.8%	12.4%
Same store*	13.6%	5.8%	10.1%	(5.3)%	6.7%	15.8%	16.1%	11.4%	(1.9)%	(14.0)%	(14.5)%	(14.9)%
Total by quarter	29.3%	40.4%	41.2%	25.6%	37.3%	16.3%	16.8%	11.5%	3.4%	(2.7)%	(3.7)%	(2.5)%
Total by year			39.8%				23.2%				1.8%	
Same-store year*			12.2%				8.1%				(5.3)%	

- In 2019, the Company acquired or opened 25 hospice locations.
- In 2020, the Company opened one hospice location.
- In 2021, the Company acquired or opened 14 hospice locations.
- In 2022, the Company acquired or opened three hospice locations.

* Includes consolidated hospice agencies classified as same-store during each period

Payment sources (percent of revenues)

	Inpatient Rehabilitation Segment		Home Health and Hospice Segment		Consolidated		
	Q1		Q1		Q1		Full Year
	2022	2021	2022	2021	2022	2021	2021
Medicare	65.1 %	63.9 %	79.2 %	82.7 %	67.9 %	68.1 %	68.2 %
Medicare Advantage	14.7 %	16.5 %	12.6 %	10.4 %	14.3 %	15.1 %	14.2 %
Managed care	12.4 %	11.7 %	6.9 %	5.3 %	11.3 %	10.3 %	10.7 %
Medicaid	3.9 %	4.1 %	1.3 %	1.4 %	3.4 %	3.5 %	3.5 %
Other third-party payors	1.0 %	1.3 %	— %	— %	0.8 %	1.0 %	0.9 %
Workers' compensation	0.6 %	0.6 %	— %	— %	0.5 %	0.5 %	0.5 %
Patients	0.5 %	0.5 %	— %	0.1 %	0.4 %	0.4 %	0.4 %
Other income	1.8 %	1.4 %	— %	0.1 %	1.4 %	1.1 %	1.6 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Inpatient rehabilitation operational metrics

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Full Year 2021
			($ in millions)			
Net patient revenue-inpatient	$ 1,036.2	$ 1,015.2	$ 983.7	$ 976.9	$ 942.3	$ 3,918.1
Net patient revenue-outpatient and other revenues	23.1	27.4	27.2	24.7	17.6	96.9
Net operating revenues	$ 1,059.3	$ 1,042.6	$ 1,010.9	$ 1,001.6	$ 959.9	$ 4,015.0
			(actual amounts)			
Discharges[11]	50,771	50,977	49,983	49,492	47,187	197,639
Net patient revenue per discharge	$ 20,409	$ 19,915	$ 19,681	$ 19,739	$ 19,969	$ 19,825
Outpatient visits	35,229	37,952	38,904	44,020	40,194	161,070
Average length of stay	13.0	12.8	12.8	12.7	13.0	12.8
Occupancy %	73.1 %	71.5 %	70.6 %	71.1 %	71.4 %	70.0 %
# of licensed beds	10,028	9,924	9,846	9,701	9,560	9,924
Occupied beds	7,330	7,096	6,951	6,897	6,826	6,947
Full-time equivalents (FTEs)[12]	23,313	23,364	23,054	22,535	22,383	22,834
Contract labor	706	516	383	318	221	359
Total FTE and contract labor	24,019	23,880	23,437	22,853	22,604	23,193
EPOB[13]	3.28	3.37	3.37	3.31	3.31	3.34

Refer to pages 43-44 for end notes.

Home health and hospice operational metrics

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Full Year 2021
			($ in millions)			
Net home health revenue	$ 224.9	$ 224.0	$ 221.1	$ 232.3	$ 219.9	$ 897.3
Net hospice revenue	49.4	52.1	52.8	53.8	50.6	209.3
Net operating revenues	$ 274.3	$ 276.1	$ 273.9	$ 286.1	$ 270.5	$ 1,106.6
Home Health:			(actual amounts)			
Total admissions[14]	53,309	50,817	48,412	50,598	50,799	200,626
Episodic admissions[14]	38,971	37,908	37,577	39,657	40,215	155,357
Total recertifications	31,787	32,621	32,942	33,794	31,902	131,259
Episodic recertifications	25,808	27,273	27,742	28,296	28,083	111,394
Episodes	63,111	64,242	66,065	67,839	66,435	264,581
Average revenue per episode	$ 3,037	$ 3,010	$ 2,916	$ 2,968	$ 2,923	$ 2,954
Episodic visits per episode	15.2	15.1	15.0	15.6	15.8	15.4
Total visits	1,228,084	1,219,906	1,213,370	1,297,350	1,239,073	4,969,699
Cost per visit	$ 83	$ 83	$ 82	$ 76	$ 77	$ 79
Hospice:						
Admissions[15]	3,246	3,223	3,262	3,298	3,330	13,113
Patient days	319,834	334,011	352,691	351,878	334,400	1,372,980
Average daily census	3,554	3,631	3,834	3,867	3,716	3,762
Revenue per day	$ 154	$ 156	$ 150	$ 153	$ 151	$ 152

Refer to pages 43-44 for end notes.

Share information

	Weighted Average for the Period				
	Q1		Full Year		
(in millions)	2022	2021	2021	2020	2019
Basic shares outstanding	99.2	99.0	99.0	98.6	98.0
Restricted stock awards, dilutive stock options, restricted stock units, and common stock warrants	1.0	1.2	1.2	1.2	1.4
Diluted shares outstanding	100.2	100.2	100.2	99.8	99.4

	End of Period				
	Q1		Full Year		
(in millions)	2022	2021	2021	2020	2019
Basic shares outstanding	99.8	99.6	99.5	99.4	98.6

Segment operating results

	Q1 2022				Q1 2021			
($ in millions)	IRF	Home Health and Hospice	Reclasses	Consolidated	IRF	Home Health and Hospice	Reclasses	Consolidated
Net operating revenues	$ 1,059.3	$ 274.3	$ —	$ 1,333.6	$ 959.9	$ 270.5	$ —	$ 1,230.4
Operating Expenses:								
Inpatient Rehabilitation:								
Salaries and benefits	(587.4)	—	(188.6)	(776.0)	(501.9)	—	(185.3)	(687.2)
Other operating expenses[a]	(158.3)	—	(23.2)	(181.5)	(140.0)	—	(22.4)	(162.4)
Supplies	(49.8)	—	(6.3)	(56.1)	(45.2)	—	(6.7)	(51.9)
Occupancy costs	(15.4)	—	(5.5)	(20.9)	(15.1)	—	(5.1)	(20.2)
Home Health and Hospice:								
Cost of services (excluding depreciation and amortization)	—	(124.4)	124.4	—	—	(118.1)	118.1	—
Support and overhead costs	—	(99.2)	99.2	—	—	(101.4)	101.4	—
	(810.9)	(223.6)	—	(1,034.5)	(702.2)	(219.5)	—	(921.7)
Other (expense) income[b]	(1.1)	—	—	(1.1)	1.5	—	—	1.5
Equity in net income of nonconsolidated affiliates	0.9	—	—	0.9	0.8	0.2	—	1.0
Noncontrolling interests	(22.0)	(0.6)	—	(22.6)	(25.1)	(0.4)	—	(25.5)
Segment Adjusted EBITDA	**$ 226.2**	**$ 50.1**	**$ —**	**276.3**	**$ 234.9**	**$ 50.8**	**$ —**	**285.7**
General and administrative expenses[c][d]				(31.3)				(34.9)
Adjusted EBITDA				**$ 245.0**				**$ 250.8**
In arriving at Adjusted EBITDA, the following were excluded:								
(a) Loss (gain) on disposal or impairment of assets	$ 0.7	$ (0.1)	$ —	$ 0.6	$ —	$ (0.1)	$ —	$ (0.1)
(b) Change in fair market value of equity securities	$ 2.5	$ —	$ —	$ 2.5	$ 0.1	$ —	$ —	$ 0.1
(c) Stock-based compensation	$ —	$ —	$ —	$ 7.5	$ —	$ —	$ —	$ 2.8
(d) Costs associated with the strategic alternatives review	$ —	$ —	$ —	$ 9.6	$ —	$ —	$ —	$ 0.9

Reconciliations to GAAP provided on pages 36-42

Segment operating results

($ in millions)	IRF	Home Health and Hospice	Reclasses	Consolidated
	Year Ended December 31, 2021			
Net operating revenues	$ 4,015.0	$ 1,106.6	$ —	$ 5,121.6
Operating Expenses:				
Inpatient Rehabilitation:				
Salaries and benefits	(2,127.3)	—	(759.2)	(2,886.5)
Other operating expenses[a]	(594.8)	—	(90.0)	(684.8)
Supplies	(184.2)	—	(25.1)	(209.3)
Occupancy costs	(59.0)	—	(21.2)	(80.2)
Home Health and Hospice:				
Cost of services (excluding depreciation and amortization)	—	(489.3)	489.3	—
Support and overhead costs	—	(406.2)	406.2	—
	(2,965.3)	(895.5)	—	(3,860.8)
Other income[b][c]	6.9	1.6	—	8.5
Equity in net income of nonconsolidated affiliates	3.4	0.6	—	4.0
Noncontrolling interests	(103.2)	(1.8)	—	(105.0)
Segment Adjusted EBITDA	**$ 956.8**	**$ 211.5**	**$ —**	**1,168.3**
General and administrative expenses[d][e][f]				(140.3)
Adjusted EBITDA				**$ 1,028.0**
In arriving at Adjusted EBITDA, the following were excluded:				
(a) Loss (gain) on disposal or impairment of assets	$ 1.2	$ (0.8)	$ —	$ 0.4
(b) Change in fair market value of equity securities	$ (0.6)	$ —	$ —	$ (0.6)
(c) Gain on consolidation of former equity method location[10]	$ —	$ (3.2)	$ —	$ (3.2)
(d) Stock-based compensation	$ —	$ —	$ —	$ 32.8
(e) Costs associated with the strategic alternatives review	$ —	$ —	$ —	$ 22.9
(f) Costs associated with the Frontier acquisition	$ —	$ —	$ —	$ 1.3

Reconciliations to GAAP provided on pages 36-42
Refer to pages 43-44 for end notes.

Reconciliation of net income to Adjusted EBITDA[4]

	2022	
	Q1	
($ in millions, except per share data)	Total	Per Share
Net Income	$ 110.1	
Net income attributable to noncontrolling interests	(22.6)	
Income from continuing operations attributable to Encompass Health*	87.5	$ 0.87
Provision for income tax expense	31.2	
Interest expense and amortization of debt discounts and fees	39.6	
Depreciation and amortization	66.2	
Loss on early extinguishment of debt[1]	0.3	
Loss on disposal or impairment of assets	0.6	
Stock-based compensation	7.5	
Costs associated with the strategic alternatives review	9.6	
Change in fair market value of equity securities	2.5	
Adjusted EBITDA	$ 245.0	
Weighted average common shares outstanding:		
Basic		99.2
Diluted		100.2

* Per share amounts for each period presented are based on diluted weighted-average shares outstanding.

Refer to pages 43-44 for end notes.

Reconciliation of net income to Adjusted EBITDA[4]

	2021									
	Q1		Q2		Q3		Q4		Full Year	
($ in millions, except per share data)	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Net Income	$ 132.8		$ 142.0		$ 126.7		$ 115.7		$ 517.2	
Loss from disc ops, net of tax, attributable to Encompass Health	—		0.3		0.1		—		0.4	
Net income attributable to noncontrolling interests	(25.5)		(28.7)		(26.7)		(24.1)		(105.0)	
Income from continuing operations attributable to Encompass Health*	107.3	$ 1.07	113.6	$ 1.13	100.1	$ 1.00	91.6	$ 0.91	412.6	$ 4.11
Provision for income tax expense	34.5		39.5		34.1		31.5		139.6	
Interest expense and amortization of debt discounts and fees	42.8		41.8		39.9		40.1		164.6	
Depreciation and amortization	62.5		63.4		64.9		65.8		256.6	
Loss on early extinguishment of debt[6]	—		1.0		—		—		1.0	
(Gain) loss on disposal or impairment of assets	(0.1)		2.9		(5.2)		2.8		0.4	
Stock-based compensation	2.8		12.0		6.9		11.1		32.8	
Costs associated with the strategic alternatives review	0.9		4.1		4.6		13.3		22.9	
Costs associated with the Frontier acquisition	—		1.3		—		—		1.3	
Gain on consolidation of former equity method location[10]	—		—		—		(3.2)		(3.2)	
Change in fair market value of equity securities	0.1		(0.7)		0.3		(0.3)		(0.6)	
Adjusted EBITDA	$ 250.8		$ 278.9		$ 245.6		$ 252.7		$1,028.0	
Weighted average common shares outstanding:										
Basic		99.0		99.0		99.0		99.0		99.0
Diluted		100.2		100.2		100.2		100.2		100.2

* Per share amounts for each period presented are based on diluted weighted-average shares outstanding.
Refer to pages 43-44 for end notes.

Net cash provided by operating activities reconciled to Adjusted EBITDA[4]

($ in millions)	Q1 2022	Q1 2021	Full Year 2021
Net cash provided by operating activities	$ 218.9	$ 158.5	$ 715.8
Interest expense and amortization of debt discounts and fees	39.6	42.8	164.6
Equity in net income of nonconsolidated affiliates	0.9	1.0	4.0
Net income attributable to noncontrolling interests in continuing operations	(22.6)	(25.5)	(105.0)
Amortization of debt-related items	(2.3)	(2.0)	(7.8)
Distributions from nonconsolidated affiliates	(1.0)	(1.0)	(2.9)
Current portion of income tax expense	29.2	25.8	111.8
Change in assets and liabilities	(25.3)	50.3	118.0
Cash used in operating activities of discontinued operations	0.1	—	0.5
Costs associated with the strategic alternatives review	9.6	0.9	22.9
Costs associated with the Frontier acquisition	—	—	1.3
Change in fair market value of equity securities	2.5	0.1	(0.6)
Other	(4.6)	(0.1)	5.4
Adjusted EBITDA	$ 245.0	$ 250.8	$ 1,028.0

Refer to pages 43-44 for end notes.

Reconciliation of segment Adjusted EBITDA to income from continuing operations before income tax expense

	Three Months Ended March 31,		Year Ended December 31,
	2022	2021	2021
	($ in millions)		
Total segment Adjusted EBITDA	**$ 276.3**	**$ 285.7**	**$ 1,168.3**
General and administrative expenses	(48.4)	(38.6)	(197.3)
Depreciation and amortization	(66.2)	(62.5)	(256.6)
(Loss) gain on disposal or impairment of assets	(0.6)	0.1	(0.4)
Loss on early extinguishment of debt[1][6]	(0.3)	—	(1.0)
Interest expense and amortization of debt discounts and fees	(39.6)	(42.8)	(164.6)
Net income attributable to noncontrolling interests	22.6	25.5	105.0
Change in fair market value of equity securities	(2.5)	(0.1)	0.6
Gain on consolidation of former equity method location[10]	—	—	3.2
Income from continuing operations before income tax expense	**$ 141.3**	**$ 167.3**	**$ 657.2**

Refer to pages 43-44 for end notes.

Reconciliation of net cash provided by operating activities to adjusted free cash flow(3)

	Q1		Full Year
($ in millions)	2022	2021	2021
Net cash provided by operating activities	$ 218.9	$ 158.5	$ 715.8
Impact of discontinued operations	0.1	—	0.5
Net cash provided by operating activities of continuing operations	219.0	158.5	716.3
Capital expenditures for maintenance	(34.5)	(23.3)	(138.8)
Distributions paid to noncontrolling interests of consolidated affiliates	(21.3)	(27.8)	(102.9)
Items not indicative of ongoing operating performance:			
Transaction costs and related assumed liabilities	2.7	—	24.2
Adjusted free cash flow	**$ 165.9**	**$ 107.4**	**$ 498.8**
Cash dividends on common stock	**$ 28.5**	**$ 29.1**	**$ 112.4**

Refer to pages 43-44 for end notes.

Adjusted EPS[2] - Q1 2022

	For the Three Months Ended March 31, 2022					
		Adjustments				
	As Reported	Loss on Early Exting. of Debt	Income Tax Adjustments	Costs Associated with the Strategic Alternatives Review	Change in Fair Market Value of Equity Securities	As Adjusted
	($ in millions, except per share amounts)					
Adjusted EBITDA	$ 245.0	$ —	$ —	$ —	$ —	$ 245.0
Depreciation and amortization	(66.2)	—	—	—	—	(66.2)
Interest expense and amortization of debt discounts and fees	(39.6)	—	—	—	—	(39.6)
Stock-based compensation	(7.5)	—	—	—	—	(7.5)
Loss on disposal or impairment of assets	(0.6)	—	—	—	—	(0.6)
Loss on early extinguishment of debt[1]	(0.3)	0.3	—	—	—	—
Costs associated with the strategic alternatives review	(9.6)	—	—	9.6	—	—
Change in fair market value of equity securities	(2.5)	—	—	—	2.5	—
Income from continuing operations before income tax expense	118.7	0.3	—	9.6	2.5	131.1
Provision for income tax expense	(31.2)	(0.1)	0.2	(2.5)	(0.6)	(34.2)
Income from continuing operations attributable to Encompass Health	$ 87.5	$ 0.2	$ 0.2	$ 7.1	$ 1.9	$ 96.9
Diluted earnings per share from continuing operations*	$ 0.87	$ —	$ —	$ 0.07	$ 0.02	$ 0.97
Diluted shares used in calculation	100.2					

* Adjusted EPS may not sum across due to rounding.
Refer to pages 43-44 for end notes.

Adjusted EPS[2] - Q1 2021

	For the Three Months Ended March 31, 2021				
		Adjustments			
	As Reported	Income Tax Adjustments	Costs Associated with the Strategic Alternatives Review	Change in Fair Market Value of Equity Securities	As Adjusted
	($ in millions, except per share amounts)				
Adjusted EBITDA	$ 250.8	$ —	$ —	$ —	$ 250.8
Depreciation and amortization	(62.5)	—	—	—	(62.5)
Interest expense and amortization of debt discounts and fees	(42.8)	—	—	—	(42.8)
Stock-based compensation	(2.8)	—	—	—	(2.8)
Gain on disposal or impairment of assets	0.1	—	—	—	0.1
Costs associated with the strategic alternatives review	(0.9)	—	0.9	—	—
Change in fair market value of equity securities	(0.1)	—	—	0.1	—
Income from continuing operations before income tax expense	141.8	—	0.9	0.1	142.8
Provision for income tax expense	(34.5)	(3.3)	(0.2)	—	(38.0)
Income from continuing operations attributable to Encompass Health	$ 107.3	$ (3.3)	$ 0.7	$ 0.1	$ 104.8
Diluted earnings per share from continuing operations*	$ 1.07	$ (0.03)	$ 0.01	$ —	$ 1.05
Diluted shares used in calculation	100.2				

* Adjusted EPS may not sum across due to rounding.
Refer to pages 43-44 for end notes.

End notes

(1) In the first quarter of 2022, the Company redeemed the remaining $100 million of its 5.125% Senior Notes due 2023. The redemption was completed at 100% of par using drawings under the Company's revolving credit facility. As a result of the redemption, the Company recorded a $0.3 million loss on early extinguishment of debt in the first quarter of 2022.

(2) The Company is providing adjusted earnings per share from continuing operations attributable to Encompass Health ("adjusted earnings per share"), which is a non-GAAP measure. 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 and equity instruments, loss on early extinguishment of debt, adjustments to its income tax provision (such as valuation allowance adjustments, settlements of income tax claims and windfall tax benefits), items related to corporate and facility restructurings, and certain other items deemed to be non-indicative of 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 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.*

(3) Definition of adjusted free cash flow, which is a non-GAAP measure, is net cash provided by operating activities of continuing operations minus capital expenditures for maintenance, dividends paid on preferred stock, distributions to noncontrolling interests, and certain other items deemed to be non-indicative of ongoing operating performance. Common stock dividends are not included in the calculation of adjusted free cash flow. 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.

(4) Adjusted EBITDA is a non-GAAP financial measure. The Company's leverage ratio (total consolidated debt to Adjusted EBITDA for the trailing four quarters) is, likewise, a non-GAAP measure. Management and some members of the investment community utilize Adjusted EBITDA as a financial measure and the leverage ratio as a liquidity measure on an ongoing basis. These measures are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance or liquidity. In evaluating Adjusted EBITDA, the reader should be aware that in the future the Company may incur expenses similar to the adjustments set forth.

(5) On Oct. 28, 2013, the Company announced its board of directors authorized the repurchase of up to $200 million of its common stock. On Feb. 14, 2014, the Company's board approved an increase in this common stock repurchase authorization from $200 million to $250 million. As of June 30, 2018, the remaining repurchase authorization was approximately $58 million. On July 24, 2018, the Company's board approved resetting the aggregate common stock repurchase authorization to $250 million. As of March 31, 2022, the remaining repurchase authorization was approximately $198 million.

(6) In the second quarter of 2021, the Company redeemed a total of $200 million of 5.125% Senior Notes due 2023 ($100 million in April and $100 million in June). The redemptions were completed at 100% of par using cash on hand and drawings under the Company's revolving credit facility. As a result of the redemptions, the Company recorded a $1.0 million loss on early extinguishment of debt in the second quarter of 2021.

(7) As a result of negotiations with our partner to amend the joint venture agreement related to Yuma Rehabilitation Hospital, the accounting for this hospital changed from the equity method of accounting to a consolidated entity effective July 1, 2019. We accounted for this change in control as a business combination and consolidated this entity using the acquisition method. As a result of our consolidation of this hospital and the remeasurement of our previously held equity interest at fair value, we recorded a $19.2 million gain as part of other income in the third quarter of 2019.

(8) Data provided by Uniform Data System for Medical Rehabilitation, a division of UB Foundation Activities, Inc., a data gathering and analysis organization for the rehabilitation industry; represents ~80% of industry, including Encompass Health inpatient rehabilitation sites.

(9) As a result of an amendment to the joint venture agreement related to our home health location in Treasure Coast, Florida, the accounting for this agency changed from the equity method of accounting to a consolidated entity effective January 1, 2020. We accounted for this change in control as a business combination and consolidated this entity using the acquisition method. As a result of our consolidation of this agency and the remeasurement of our previously held equity interest at fair value, we recorded a $2.2 million gain as part of other income in the first quarter of 2020.

* Reconciliations to GAAP provided on pages 36-42.

End notes, continued

(10) As a result of an amendment to the joint venture agreement related to our home health location in Boynton Beach, Florida, the accounting for this agency changed from the equity method of accounting to a consolidated entity effective December 1, 2021. We accounted for this change in control as a business combination and consolidated this entity using the acquisition method. As a result of our consolidation of this agency and the remeasurement of our previously held equity interest at fair value, we recorded a $3.2 million gain as part of other income in the fourth quarter of 2021.

(11) Represents discharges from 147 consolidated hospitals in Q1 2022; 145 consolidated hospitals in Q4 2021; 144 consolidated hospitals in Q3 2021; 140 consolidated hospitals in Q2 2021; and 138 consolidated hospitals in Q1 2021.

(12) Full-time equivalents included in the table represent Encompass Health employees who participate in or support the operations of our hospitals and include an estimate of full-time equivalents related to contract labor.

(13) Employees per occupied bed, or "EPOB," is calculated by dividing the number of full-time equivalents, including an estimate of full-time equivalents from the utilization of contract labor, by the number of occupied beds during each period. The number of occupied beds is determined by multiplying the number of licensed beds by the Company's occupancy percentage.

(14) Represents home health admissions from 252 consolidated locations in Q1 2022; 251 consolidated locations in Q4 2021; 248 consolidated locations in Q3 2021 and Q2 2021; and 240 consolidated locations in Q1 2021.

(15) Represents hospice admissions from 99 locations in Q1 2022; 96 locations in Q4 2021; 95 locations in Q3 2021; 94 locations in Q2 2021; and 82 locations in Q1 2021.