



News Release

# Encompass Health Settles DOJ Investigation and Related Qui Tam Lawsuits

6/28/2019

BIRMINGHAM, Ala., June 28, 2019 /PRNewswire/ -- Encompass Health Corporation (NYSE: EHC) ("Encompass Health" or the "Company") today settled a seven-year False Claims Act ("FCA") investigation by the Department of Justice ("DOJ"), together with related qui tam or "whistleblower" lawsuits, for a settlement payment of \$48 million. In the settlement, the Company expressly denies any wrongdoing. The Company will not be subject to a Corporate Integrity Agreement ("CIA").

In return for the settlement payment, the Company has received dismissal with prejudice of the pending qui tam claims and DOJ's release of the Company and all its subsidiaries from liability as specified in the settlement agreement for the time period from January 1, 2006 through the date of the agreement.

The Company has disclosed this matter in its public filings since 2013 and accrued a loss contingency in the amount of the final settlement in its financial statements as of December 31, 2018. The Company fully cooperated with the government's investigation, producing voluminous documentation and submitting to over thirty depositions.

The seven-year investigation produced no evidence of falsity or fraudulent conduct. Eventually, the court refused to give DOJ more time to decide whether to intervene and unsealed the related qui tam cases. DOJ did not intervene. Accordingly, the Company faced the burden and cost of litigating multiple cases with the individual plaintiffs.

Mark Tarr, President and Chief Executive Officer of Encompass Health, stated, "From the beginning, we believed the allegations under investigation were without merit. The evidence establishes that Encompass Health did nothing wrong. But to stop this interminable investigation and avoid further expense, we decided it is in the best interests of Encompass Health and its shareholders to settle with DOJ and end the related litigation."

DOJ's investigation focused on certain diagnoses made by independent physicians at Encompass Health hospitals. Encompass Health relied on the medical judgment of these independent physicians to code the diagnoses. DOJ claimed, among other things, that under Centers for Medicare and Medicaid Services (CMS) regulations Encompass Health improperly used the codes. However, CMS periodically reviewed industry usage of the codes and confirmed the Company's reliance was appropriate. In addition, throughout the period of the investigation, CMS continued to pay the Company's claims.

Mr. Tarr noted, "This resolution confirms the propriety of the Company's practices under CMS regulations. As always, our focus is on patient care and our commitment to compliance, ethical conduct and integrity."

## About Encompass Health

As a national leader in integrated healthcare services, Encompass Health (NYSE: EHC) offers both facility-based and home-based patient care through its network of inpatient rehabilitation hospitals, home health agencies and hospice agencies. With a national footprint that includes 131 hospitals, 221 home health locations, and 59 hospice locations in 37 states and Puerto Rico, the Company is committed to delivering high-quality, cost-effective, integrated care across the healthcare continuum. Encompass Health is ranked as one of Fortune's 100 Best Companies to Work For. For more information, visit [encompasshealth.com](https://encompasshealth.com), or follow us on our [newsroom](#), [Twitter](#) and [Facebook](#).

## Forward-Looking Statement

Statements contained in this press release and the supplemental information which are not historical facts, such as those relating to the future consequences of this settlement, are forward-looking statements. In addition, Encompass Health, through its senior management, may from time to time make forward-looking public statements concerning the matters described herein. All such estimates, projections, and forward-looking information speak only as of the date hereof, and Encompass Health undertakes no duty to publicly update or revise such forward-looking information, whether as a result of new information, future events, or otherwise. Such forward-looking statements are necessarily estimates based upon current information, involve a number of risks and uncertainties, and relate to, among other things, future events. Actual events or results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors which could cause actual events or results to differ materially from those estimated by Encompass Health include, but are not limited to, any yet unknown claims of impropriety involving Encompass Health, including any matters related to undiscovered issues, if any, in acquired operations; increases in Medicare audit activity, including increased use of sampling and extrapolation, resulting in additional unpaid reimbursement claims and an increase in the backlog of appealed claims denials; and other factors which may be identified from time to time in Encompass Health's SEC filings and other public announcements, including Encompass Health's Form 10 K for the year ended December 31, 2018 and Form 10-Q for the quarter ended March

31, 2019.

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