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## Section 1: 10-Q (FORM 10-Q)

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington D.C. 20549

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**FORM 10-Q**

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(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-24260



**AMEDISYS, INC.**

(Exact Name of Registrant as Specified in its Charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

11-3131700  
(I.R.S. Employer  
Identification No.)

5959 S. Sherwood Forest Blvd., Baton Rouge, LA 70816  
(Address of principal executive offices, including zip code)

(225) 292-2031 or (800) 467-2662  
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of

1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date, is as follows: Common stock, \$0.001 par value, 33,668,231 shares outstanding as of April 24, 2015.

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### **SPECIAL CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

*When included in this Quarterly Report on Form 10-Q, or in other documents that we file with the Securities and Exchange Commission (“SEC”) or in statements made by or on behalf of the Company, words like “believes,” “belief,” “expects,” “plans,” “anticipates,” “intends,” “projects,” “estimates,” “may,” “might,” “would,” “should” and similar expressions are intended to identify forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve a variety of risks and uncertainties that could cause actual results to differ materially from those described therein. These risks and uncertainties include, but are not limited to the following: changes in Medicare and other medical payment levels, our ability to open care centers, acquire additional care centers and integrate and operate these care centers effectively, changes in or our failure to comply with existing Federal and state laws or regulations or the inability to comply with new government regulations on a timely basis, competition in the home health industry, changes in the case mix of patients and payment methodologies, changes in estimates and judgments associated with critical accounting policies, our ability to maintain or establish new patient referral sources, our ability to attract and retain qualified personnel, changes in payments and covered services due to the economic downturn and deficit spending by Federal and state governments, future cost containment initiatives undertaken by third-party payors, our access to financing due to the volatility and disruption of the capital and credit markets, our ability to meet debt service requirements and comply with covenants in debt agreements, business disruptions due to natural disasters or acts of terrorism, our ability to integrate and manage our information systems, our ability to comply with requirements stipulated in our corporate integrity agreement and changes in law or developments with respect to any litigation relating to the Company, including various other matters, many of which are beyond our control.*

*Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on any forward-looking statement as a prediction of future events. We expressly disclaim any obligation or undertaking and we do not intend to release publicly any updates or changes in our expectations concerning the forward-looking statements or any changes in events, conditions or circumstances upon which any forward-looking statement may be based, except as required by law. For a discussion of some of the factors discussed above as well as additional factors, see our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 4, 2015, particularly, Part I, Item 1A., “Risk Factors” therein, which are incorporated herein by reference and Part II, Item 1A., “Risk Factors” of this Quarterly Report on Form 10-Q. Additional risk factors may also be described in reports that we file from time to time with the SEC.*

#### **Available Information**

*Our company website address is [www.amedisys.com](http://www.amedisys.com). We use our website as a channel of distribution for important company information. Important information, including press releases, analyst presentations and financial information regarding our company, is routinely posted on and accessible on the Investor Relations subpage of our website, which is accessible by clicking on the tab labeled “Investors” on our website home page. We also use our website to expedite public access to time-critical information regarding our company in advance of or in lieu of distributing a press release or a filing with the SEC disclosing the same information. Therefore, investors should look to the Investor Relations subpage of our website for important and time-critical information. Visitors to our website can also register to receive automatic e-mail and other notifications alerting them when new information is made available on the Investor Relations subpage of our website. In addition, we make available on the Investor Relations subpage of our website (under the link “SEC filings”) free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, ownership reports on Forms 3, 4 and 5 and any amendments to those reports as soon as practicable after we electronically file such reports with the SEC. Further, copies of our Certificate of Incorporation and Bylaws, our Code of Ethical Business Conduct, our Corporate Governance Guidelines and the charters for the Audit, Compensation, Quality of Care, Compliance and Ethics and Nominating and Corporate Governance Committees of our Board are also available on the Investor Relations subpage of our website (under the link “Corporate Governance”).*

*Additionally, the public may read and copy any of the materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (800) SEC-0330. Our electronically filed reports can also be obtained on the SEC’s internet site at <http://www.sec.gov>.*

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**PART I. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**AMEDISYS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Amounts in thousands, except share data)**  
**(Unaudited)**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,132	\$ 8,032
Patient accounts receivable, net of allowance for doubtful accounts of \$14,845, and \$14,317	110,651	99,325
Prepaid expenses	8,504	8,493
Other current assets	23,556	19,708
Total current assets	145,843	135,558
Property and equipment, net of accumulated depreciation of \$151,311 and \$146,438	57,088	137,455
Goodwill	205,587	205,587
Intangible assets, net of accumulated amortization of \$25,374	33,193	33,193
Deferred income taxes	146,565	124,788
Other assets, net	35,051	33,161
Total assets	<u>\$ 623,327</u>	<u>\$ 669,742</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 23,651	\$ 16,056
Payroll and employee benefits	69,791	75,553
Accrued expenses	56,763	56,329
Current portion of long-term obligations	12,000	12,000
Current portion of deferred income taxes	2,029	2,385
Total current liabilities	164,234	162,323
Long-term obligations, less current portion	86,444	104,372
Other long-term obligations	5,214	5,285
Total liabilities	<u>255,892</u>	<u>271,980</u>
Commitments and Contingencies - Note 5		
Equity:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.001 par value, 60,000,000 shares authorized; 34,618,817, and 34,569,526 shares issued; and 33,643,863 and 33,594,572 shares outstanding	35	35
Additional paid-in capital	486,267	481,762
Treasury stock at cost 974,954 shares of common stock	(19,860)	(19,860)
Accumulated other comprehensive income	15	15
Retained earnings	(99,794)	(64,785)
Total Amedisys, Inc. stockholders' equity	366,663	397,167
Noncontrolling interests	772	595
Total equity	<u>367,435</u>	<u>397,762</u>
Total liabilities and equity	<u>\$ 623,327</u>	<u>\$ 669,742</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**AMEDISYS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands, except per share data)  
(Unaudited)

	<b>For the Three-Month Periods Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Net service revenue	\$ 301,572	\$ 298,739
Cost of service, excluding depreciation and amortization	170,961	177,008
General and administrative expenses:		
Salaries and benefits	68,555	83,171
Non-cash compensation	2,384	431
Other	33,070	42,698
Provision for doubtful accounts	2,976	4,894
Depreciation and amortization	6,537	7,902
Asset impairment charge	75,193	2,208
Operating expenses	359,676	318,312
Operating loss	(58,104)	(19,573)
Other income (expense):		
Interest income	22	6
Interest expense	(2,426)	(1,261)
Equity in earnings from equity investments	1,951	787
Miscellaneous, net	2,134	190
Total other income (expense), net	1,681	(278)
Loss before income taxes	(56,423)	(19,851)
Income tax benefit	21,591	7,618
Loss from continuing operations	(34,832)	(12,233)
Discontinued operations, net of tax	—	(277)
Net loss	(34,832)	(12,510)
Net (income) loss attributable to noncontrolling interests	(177)	93
Net loss attributable to Amedisys, Inc.	<u>\$ (35,009)</u>	<u>\$ (12,417)</u>
Basic and diluted earnings per common share:		
Loss from continuing operations attributable to Amedisys, Inc. common stockholders	\$ (1.07)	\$ (0.38)
Discontinued operations, net of tax	—	(0.01)
Net loss attributable to Amedisys, Inc. common stockholders	<u>\$ (1.07)</u>	<u>\$ (0.39)</u>
Weighted average shares outstanding	<u>32,739</u>	<u>31,864</u>
Amounts attributable to Amedisys, Inc. common stockholders:		
Loss from continuing operations	\$ (35,009)	\$ (12,140)
Discontinued operations, net of tax	—	(277)
Net loss	<u>\$ (35,009)</u>	<u>\$ (12,417)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**AMEDISYS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in thousands)**  
**(Unaudited)**

	<b>For the Three-Month Periods Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (34,832)	\$ (12,510)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,537	7,936
Provision for doubtful accounts	2,976	4,968
Non-cash compensation	2,384	431
401(k) employer match	1,813	1,392
Loss on disposal of property and equipment	196	332
Gain on sale of care centers	—	(645)
Deferred income taxes	(22,165)	(7,799)
Equity in earnings of equity investments	(1,951)	(787)
Amortization of deferred debt issuance costs	276	141
Return on equity investment	645	400
Asset impairment charge	75,193	2,208
Changes in operating assets and liabilities, net of impact of acquisitions:		
Patient accounts receivable	(14,302)	(9,185)
Other current assets	(3,677)	(6,337)
Other assets	(1,014)	(1,219)
Accounts payable	8,156	3,491
Accrued expenses	(5,681)	9,591
Other long-term obligations	(71)	1,250
Net cash provided by (used in) operating activities	<u>14,483</u>	<u>(6,342)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of deferred compensation plan assets	64	—
Purchases of deferred compensation plan assets	(19)	(33)
Purchases of property and equipment	(2,113)	(5,532)
Proceeds from dispositions of care centers	—	645
Net cash used in investing activities	<u>(2,068)</u>	<u>(4,920)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of stock upon exercise of stock options and warrants	181	89
Proceeds from issuance of stock to employee stock purchase plan	504	657
Tax benefit from stock option exercises	—	5
Proceeds from revolving line of credit	40,800	54,000
Repayments of revolving line of credit	(55,800)	(54,000)
Principal payments of long-term obligations	(3,000)	(3,952)
Net cash used in financing activities	<u>(17,315)</u>	<u>(3,201)</u>
Net decrease in cash and cash equivalents	(4,900)	(14,463)
Cash and cash equivalents at beginning of period	8,032	17,303
Cash and cash equivalents at end of period	<u>\$ 3,132</u>	<u>\$ 2,840</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 1,827</u>	<u>\$ 425</u>
Cash paid for income taxes, net of refunds received	<u>\$ (89)</u>	<u>\$ —</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.



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**AMEDISYS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. NATURE OF OPERATIONS, CONSOLIDATION AND PRESENTATION OF FINANCIAL STATEMENTS**

Amedisys, Inc., a Delaware corporation, and its consolidated subsidiaries (“Amedisys,” “we,” “us,” or “our”) are a multi-state provider of home health and hospice services with approximately 81% and 83% of our revenue derived from Medicare for the three months ended March 31, 2015 and 2014, respectively. As of March 31, 2015, we owned and operated 316 Medicare-certified home health care centers and 79 Medicare-certified hospice care centers in 34 states within the United States, the District of Columbia and Puerto Rico.

***Basis of Presentation***

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly our financial position, our results of operations and our cash flows in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”). Our results of operations for the interim periods presented are not necessarily indicative of results of our operations for the entire year and have not been audited by our independent auditors.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from the interim financial information presented. This report should be read in conjunction with our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission (“SEC”) on March 4, 2015 (the “Form 10-K”), which includes information and disclosures not included herein.

***Use of Estimates***

Our accounting and reporting policies conform with U.S. GAAP. In preparing the unaudited condensed consolidated financial statements, we are required to make estimates and assumptions that impact the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates.

***Reclassifications and Comparability***

Certain reclassifications have been made to prior periods’ financial statements in order to conform to the current period’s presentation.

***Principles of Consolidation***

These unaudited condensed consolidated financial statements include the accounts of Amedisys, Inc., and our wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in our accompanying unaudited condensed consolidated financial statements, and business combinations accounted for as purchases have been included in our unaudited condensed consolidated financial statements from their respective dates of acquisition. In addition to our wholly owned subsidiaries, we also have certain equity investments that are accounted for as set forth below.

***Investments***

We consolidate investments when the entity is a variable interest entity and we are the primary beneficiary or if we have controlling interests in the entity, which is generally ownership in excess of 50%. Third party equity interests in our consolidated joint ventures are reflected as noncontrolling interests in our condensed consolidated financial statements.

We account for investments in entities in which we have the ability to exercise significant influence under the equity method if we hold 50% or less of the voting stock and the entity is not a variable interest entity in which we are the primary beneficiary. The book value of investments that we accounted for under the equity method of accounting was \$19.9 million as of March 31, 2015 and \$18.8 million as of December 31, 2014. We account for investments in entities in which we have less than a 20% ownership interest under the cost method of accounting if we do not have the ability to exercise significant influence over the investee. The aggregate carrying amount of our cost method investment was \$5.0 million as of March 31, 2015 and December 31, 2014.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Revenue Recognition***

We earn net service revenue through our home health and hospice care centers by providing a variety of services almost exclusively in the homes of our patients. This net service revenue is earned and billed either on an episode of care basis, on a per visit basis or on a daily basis depending upon the payment terms and conditions established with each payor for services provided. We refer to home health revenue earned and billed on a 60-day episode of care as episodic-based revenue.

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**AMEDISYS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

When we record our service revenue, we record it net of estimated revenue adjustments and contractual adjustments to reflect amounts we estimate to be realizable for services provided, as discussed below. We believe, based on information currently available to us and based on our judgment, that changes to one or more factors that impact the accounting estimates (such as our estimates related to revenue adjustments, contractual adjustments and episodes in progress) we make in determining net service revenue, which changes are likely to occur from period to period, will not materially impact our reported consolidated financial condition, results of operations, cash flows or our future financial results.

*Home Health Revenue Recognition*

Medicare Revenue

Net service revenue is recorded under the Medicare prospective payment system (“PPS”) based on a 60-day episode payment rate that is subject to adjustment based on certain variables including, but not limited to: (a) an outlier payment if our patient’s care was unusually costly (capped at 10% of total reimbursement per provider number); (b) a low utilization payment adjustment (“LUPA”) if the number of visits was fewer than five; (c) a partial payment if our patient transferred to another provider or we received a patient from another provider before completing the episode; (d) a payment adjustment based upon the level of therapy services required (with various incremental adjustments made for additional visits, with larger payment increases associated with the sixth, fourteenth and twentieth visit thresholds); (e) adjustments to payments if we are unable to perform periodic therapy assessments; (f) the number of episodes of care provided to a patient, regardless of whether the same home health provider provided care for the entire series of episodes; (g) changes in the base episode payments established by the Medicare Program; (h) adjustments to the base episode payments for case mix and geographic wages; and (i) recoveries of overpayments. In addition, we make adjustments to Medicare revenue if we find that we are unable to produce appropriate documentation of a face to face encounter between the patient and physician.

We make adjustments to Medicare revenue to reflect differences between estimated and actual payment amounts, our discovered inability to obtain appropriate billing documentation or authorizations and other reasons unrelated to credit risk. We estimate the impact of such adjustments based on our historical experience, which primarily includes a historical collection rate of over 99% on Medicare claims, and record this estimate during the period in which services are rendered as an estimated revenue adjustment and a corresponding reduction to patient accounts receivable. Therefore, we believe that our reported net service revenue and patient accounts receivable will be the net amounts to be realized from Medicare for services rendered.

In addition to revenue recognized on completed episodes, we also recognize a portion of revenue associated with episodes in progress. Episodes in progress are 60-day episodes of care that begin during the reporting period, but were not completed as of the end of the period. We estimate this revenue on a monthly basis based upon historical trends. The primary factors underlying this estimate are the number of episodes in progress at the end of the reporting period, expected Medicare revenue per episode and our estimate of the average percentage complete based on visits performed. As of March 31, 2015 and 2014, the difference between the cash received from Medicare for a request for anticipated payment (“RAP”) on episodes in progress and the associated estimated revenue was immaterial and, therefore, the resulting credits were recorded as a reduction to our outstanding patient accounts receivable in our condensed consolidated balance sheets for such periods.

Non-Medicare Revenue

*Episodic-based Revenue.* We recognize revenue in a similar manner as we recognize Medicare revenue for episodic-based rates that are paid by other insurance carriers, including Medicare Advantage programs; however, these rates can vary based upon the negotiated terms.

*Non-episodic based Revenue.* Gross revenue is recorded on an accrual basis based upon the date of service at amounts equal to our established or estimated per-visit rates, as applicable. Contractual adjustments are recorded for the difference between our standard rates and the contracted rates to be realized from patients, third parties and others for services provided and are deducted from gross revenue to determine net service revenue and are also recorded as a reduction to our outstanding patient accounts receivable. In addition, we receive a minimal amount of our net service revenue from patients who are either self-insured or are obligated for an insurance co-payment.

*Hospice Revenue Recognition*

Hospice Medicare Revenue

Gross revenue is recorded on an accrual basis based upon the date of service at amounts equal to the estimated payment rates. The estimated payment rates are daily or hourly rates for each of the four levels of care we deliver. The four levels of care are routine care, general inpatient care, continuous home care and respite care. Routine care accounts for 98% and 99% of our total net Medicare hospice service revenue for the three months ended March 31, 2015, and 2014, respectively. We make adjustments to Medicare

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**AMEDISYS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

revenue for an inability to obtain appropriate billing documentation or acceptable authorizations and other reasons unrelated to credit risk. We estimate the impact of these adjustments based on our historical experience, which primarily includes our historical collection rate on Medicare claims, and record it during the period services are rendered as an estimated revenue adjustment and as a reduction to our outstanding patient accounts receivable.

Additionally, as Medicare hospice revenue is subject to an inpatient cap limit and an overall payment cap for each provider number, we monitor these caps and estimate amounts due back to Medicare if we estimate a cap has been exceeded. We record these adjustments as a reduction to revenue and an increase in other accrued liabilities. We have settled our Medicare hospice reimbursements for all fiscal years through October 31, 2012 as of December 31, 2014. Beginning for the cap year ending October 31, 2014, providers are required to self-report and pay their estimated cap liability by March 31<sup>st</sup>. As such, we have paid \$0.2 million as our estimated liability for the cap year ended October 31, 2014 during the three month period ended March 31, 2015. As of March 31, 2015 and December 31, 2014, we have recorded \$2.7 and \$2.8 million for estimated amounts due back to Medicare in other accrued liabilities for the Federal cap years ended October 31, 2013 through October 31, 2015.

Hospice Non-Medicare Revenue

We record gross revenue on an accrual basis based upon the date of service at amounts equal to our established rates or estimated per day rates, as applicable. Contractual adjustments are recorded for the difference between our established rates and the amounts estimated to be realizable from patients, third parties and others for services provided and are deducted from gross revenue to determine our net service revenue and patient accounts receivable.

*Patient Accounts Receivable*

Our patient accounts receivable are uncollateralized and consist of amounts due from Medicare, Medicaid, other third-party payors and patients. There is no single payor, other than Medicare, that accounts for more than 10% of our total outstanding patient receivables, and thus we believe there are no other significant concentrations of receivables that would subject us to any significant credit risk in the collection of our patient accounts receivable. We fully reserve for accounts which are aged at 365 days or greater. We write off accounts on a monthly basis once we have exhausted our collection efforts and deem an account to be uncollectible.

We believe the credit risk associated with our Medicare accounts, which represent 70% and 69% of our net patient accounts receivable at March 31, 2015 and December 31, 2014, respectively, is limited due to our historical collection rate of over 99% from Medicare and the fact that Medicare is a U.S. government payor. Accordingly, we do not record an allowance for doubtful accounts for our Medicare patient accounts receivable, which are recorded at their net realizable value after recording estimated revenue adjustments as discussed above. During the three month periods ended March 31, 2015 and 2014, we recorded \$1.5 million and \$1.2 million, respectively, in estimated revenue adjustments to Medicare revenue.

We believe there is a certain level of credit risk associated with non-Medicare payors. To provide for our non-Medicare patient accounts receivable that could become uncollectible in the future, we establish an allowance for doubtful accounts to reduce the carrying amount to its estimated net realizable value.

*Medicare Home Health*

For our home health patients, our pre-billing process includes verifying that we are eligible for payment from Medicare for the services that we provide to our patients. Our Medicare billing begins with a process to ensure that our billings are accurate through the utilization of an electronic Medicare claim review. We submit a RAP for 60% of our estimated payment for the initial episode at the start of care or 50% of the estimated payment for any subsequent episodes of care contiguous with the first episode for a particular patient. The full amount of the episode is billed after the episode has been completed ("final billed"). The RAP received for that particular episode is then deducted from our final payment. If a final bill is not submitted within the greater of 120 days from the start of the episode, or 60 days from the date the RAP was paid, any RAPs received for that episode will be recouped by Medicare from any other claims in process for that particular provider number. The RAP and final claim must then be re-submitted.

### *Medicare Hospice*

For our hospice patients, our pre-billing process includes verifying that we are eligible for payment from Medicare for the services that we provide to our patients. Our Medicare billing begins with a process to ensure that our billings are accurate through the utilization of an electronic Medicare claim review. Once each patient has been confirmed for eligibility, we will bill Medicare on a monthly basis for the services provided to the patient.

### *Non-Medicare Home Health and Hospice*

For our non-Medicare patients, our pre-billing process primarily begins with verifying a patient's eligibility for services with the applicable payor. Once the patient has been confirmed for eligibility, we will provide services to the patient and bill the applicable payor. Our review and evaluation of non-Medicare accounts receivable includes a detailed review of outstanding balances and special

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**AMEDISYS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

consideration to concentrations of receivables from particular payors or groups of payors with similar characteristics that would subject us to any significant credit risk. We estimate an allowance for doubtful accounts based upon our assessment of historical and expected net collections, business and economic conditions, trends in payment and an evaluation of collectability based upon the date that the service was provided. Based upon our best judgment, we believe the allowance for doubtful accounts adequately provides for accounts that will not be collected due to credit risk.

**Property and Equipment**

Property and equipment is stated at cost and we depreciate it on a straight-line basis over the estimated useful lives of the assets. Additionally, we have internally developed computer software for our own use; such software development costs are capitalized. Additions and improvements (including interest costs for construction of qualifying long-lived assets) are capitalized. Maintenance and repair expenses are charged to expense as incurred. The cost of property and equipment sold or disposed of and the related accumulated depreciation are eliminated from the property and related accumulated depreciation accounts, and any gain or loss is credited or charged to other general and administrative expenses.

As of December 31, 2014, we had \$74.7 million of internally developed software costs related to the development of AMS3 Home Health. Additionally, we had \$1.1 million of internally developed software costs related to the development of AMS3 Hospice. Expanded beta testing to additional sites in February of 2015 demonstrated that AMS3 was disruptive to operations. Additional analysis of the system determined that the system was not ready to be fully implemented and would require significant time and investment to redesign. Therefore, during the three month period ended March 31, 2015, we made the decision to discontinue AMS3 and recorded a non-cash charge to write-off the software costs incurred related to the development of AMS3 Home Health and Hospice.

The following table summarizes the balances related to our property and equipment for the periods indicated (amounts in millions):

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Land	\$ 3.2	\$ 3.2
Building and leasehold improvements	25.3	25.3
Equipment and furniture	97.2	97.2
Computer software	82.7	158.2
	<u>208.4</u>	<u>283.9</u>
Less: accumulated depreciation	(151.3)	(146.4)
	<u>\$ 57.1</u>	<u>\$ 137.5</u>

**Fair Value of Financial Instruments**

The following details our financial instruments where the carrying value and the fair value differ (amounts in millions):

<u>Financial Instrument</u>	<u>Fair Value at Reporting Date Using</u>			
	<u>Carrying Value as of March 31, 2015</u>	<u>Quoted Prices in Active Markets for Identical Items (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Long-term obligations	\$ 98.4	\$ —	\$ 103.8	\$ —

The estimates of the fair value of our long-term debt are based upon a discounted present value analysis of future cash flows. Due to the existing uncertainty in the capital and credit markets the actual rates that would be obtained to borrow under similar conditions could materially differ from the estimates we have used.

The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

For our other financial instruments, including our cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses,

we estimate the carrying amounts' approximate fair value. Our deferred compensation plan assets are recorded at fair value.



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***Weighted-Average Shares Outstanding***

Net loss per share attributable to Amedisys, Inc. common stockholders, calculated on the treasury stock method, is based on the weighted average number of shares outstanding during the period. The following table sets forth, for the periods indicated, shares used in our computation of the weighted-average shares outstanding, which are used to calculate our basic and diluted net loss attributable to Amedisys, Inc. common stockholders (amounts in thousands):

	<b>For the Three-Month Periods Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Weighted average number of shares outstanding - basic	32,739	31,864
Effect of dilutive securities:		
Stock options	—	—
Non-vested stock and stock units	—	—
Weighted average number of shares outstanding - diluted	32,739	31,864
Anti-dilutive securities	875	772

***Recently Issued Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue for which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective on January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. In April 2015, the FASB proposed a one-year delay in the effective date of the standard to January 1, 2018, with an option that would permit companies to adopt the standard as early as the original effective date. Early application prior to the original effective date is not permitted. A final decision on the effective date is expected in 2015. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. ASU 2015-03 is effective for annual and interim periods beginning on or after December 15, 2015. As of March 31, 2015, we have \$2.6 million of unamortized debt issuance costs that would be reclassified from a long-term asset to a reduction in the carrying amount of our debt.

**3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE**

As part of our ongoing management of our portfolio of care centers, we review each care center’s current financial performance, market penetration, forecasted market growth and the impact of proposed CMS payment revisions. The care centers which were closed, sold or classified as held for sale in 2013 (32 home health care centers and one hospice care center) and closed in 2012 (three home health care centers) as a result of our review are presented as discontinued operations in our condensed consolidated financial statements. The care centers consolidated with care centers servicing the same markets are presented in continuing operations as we expect continuing cash flows from these markets.

Net revenues and operating results for the periods presented for those care centers classified as discontinued operations are as follows (dollars in millions):

	<b>For the Three-Month Periods Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Net revenues	\$ —	\$ (0.3)
(Loss) before income taxes	—	(0.5)
Income tax benefit	—	0.2
Discontinued operations, net of tax	\$ —	\$ (0.3)

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### AMEDISYS, INC. AND SUBSIDIARIES NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

#### 4. LONG-TERM OBLIGATIONS

Long-term debt consisted of the following for the periods indicated (amounts in millions):

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
\$60.0 million Term Loan; \$3.0 million principal payments plus accrued interest payable quarterly; interest rate at ABR Rate plus applicable percentage or Eurodollar Rate plus the applicable percentage (2.68% at March 31, 2015); due October 26, 2017	\$ 30.0	\$ 33.0
\$120.0 million Revolving Credit Facility; interest only quarterly payments; interest rate at ABR Rate plus applicable percentage or Eurodollar Rate plus the applicable percentage (2.68% at March 31, 2015); due October 26, 2017	—	15.0
\$70.0 million Second Lien Loan; interest only quarterly payments; interest rate at ABR Rate plus applicable percentage or Eurodollar Rate plus the applicable percentage (8.50% at March 31, 2015); due July 28, 2020	70.0	70.0
Discount on Second Lien Loan	(1.6)	(1.6)
	<u>98.4</u>	<u>116.4</u>
Current portion of long-term obligations	(12.0)	(12.0)
Total	<u>\$ 86.4</u>	<u>\$ 104.4</u>

Our weighted average interest rate for our five year \$60.0 million Term Loan, under our existing senior secured Credit Agreement, was 3.2% and 3.4% for the three month periods ended March 31, 2015 and 2014, respectively. Our weighted average interest rate for our \$120.0 million Revolving Credit Facility, as amended by the fourth amendment to our Credit Agreement, was 3.6% for the three month period ended March 31, 2015. Our weighted average interest rate for our Second Lien Loan under the Second Lien Credit Agreement was 8.5% for the three month period ended March 31, 2015.

As of March 31, 2015, our total leverage ratio was 1.1, our senior secured leverage ratio was 0.4 and our fixed charge coverage ratio was 3.0 and we are in compliance with the existing senior secured Credit Agreement. In the event we are not in compliance with our debt covenants in the future, we would pursue various alternatives in an attempt to successfully resolve the non-compliance, which might include, among other things, seeking debt covenant waivers or amendments.

As of March 31, 2015, our availability under our \$120.0 million Revolving Credit Facility as amended by the fourth amendment to our existing senior secured Credit Agreement, was \$99.0 million as we had \$21.0 million outstanding in letters of credit.

#### 5. COMMITMENTS AND CONTINGENCIES

##### *Legal Proceedings*

We are involved in the following legal actions:

##### *Securities Class Action Lawsuits*

On June 10, 2010, a putative securities class action complaint was filed in the United States District Court for the Middle District of Louisiana (the "District Court") against the Company and certain of our current and former senior executives. Additional putative securities class actions were filed in the Court on July 14, July 16, and July 28, 2010.

On October 22, 2010, the District Court issued an order consolidating the putative securities class action lawsuits and the Federal Derivative Actions (described immediately below) for pre-trial purposes. In the same order, the District Court appointed the Public Employees Retirement System of Mississippi and the Puerto Rico Teachers' Retirement System as co-lead plaintiffs (together, the "Co-Lead Plaintiffs") for the putative class. On December 10, 2010, the District Court also consolidated the ERISA class action lawsuit (described below) with the putative securities class actions and Federal Derivative Actions for pre-trial purposes.

On January 18, 2011, the Co-Lead Plaintiffs filed an amended, consolidated class action complaint (the “Securities Complaint”) which supersedes the earlier-filed securities class action complaints. The Securities Complaint alleges that the defendants made false and/or misleading statements and failed to disclose material facts about our business, financial condition, operations and prospects, particularly relating to our policies and practices regarding home therapy visits under the Medicare home health prospective payment system and the related alleged impact on our business, financial condition, operations and prospects. The Securities Complaint seeks a determination that the action may be maintained as a class action on behalf of all persons who purchased the Company’s securities between August 2, 2005 and September 28, 2010 and an unspecified amount of damages.

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All defendants moved to dismiss the Securities Complaint. On June 28, 2012, the District Court granted the defendants' motion to dismiss the Securities Complaint. On July 26, 2012, the Co-Lead Plaintiffs filed a motion for reconsideration, which the District Court denied on April 9, 2013.

On May 3, 2013, the Co-Lead Plaintiffs appealed the dismissal of the Securities Complaint to the United States Court of Appeals for the Fifth Circuit (the "Fifth Circuit"). On October 2, 2014, a three-judge panel of the Fifth Circuit issued a decision reversing the District Court's dismissal of the Securities Complaint. On October 16, 2014, all defendants filed a petition with the Fifth Circuit to review the three-judge panel's decision en banc, or as a whole court. On December 29, 2014, the Fifth Circuit denied the defendants' motion for en banc review of the Fifth Circuit panel's decision reversing the District Court's dismissal of the Securities Complaint. The case then returned to the District Court for further proceedings, including consideration of a motion filed on April 3, 2015, by the Co-Lead Plaintiffs for leave to amend the Securities Complaint. The defendants anticipate filing a brief in opposition to the Plaintiffs' motion for leave to amend the Securities Complaint. All discovery in the case is currently stayed pursuant to federal law. In addition, on March 30, 2015, the defendants filed a Petition for Writ of Certiorari with the United States Supreme Court (the "Petition"). The Petition asks the Supreme Court to consider whether the Fifth Circuit erred in reversing the District Court's dismissal of the Securities Complaint. The filing of the Petition, standing alone, does not affect the ongoing proceedings before the District Court. The Petition remains pending before the Supreme Court. No assurances can be given about the timing or outcome of this matter.

*Corporate Integrity Agreement*

On April 23, 2014, with no admissions of liability on our part, we entered into a settlement agreement with the U.S. Department of Justice relating to certain of our clinical and business operations. Concurrently with our entry into this agreement, we entered into a corporate integrity agreement ("CIA") with the Office of Inspector General-HHS ("OIG"). The CIA formalizes various aspects of our already existing ethics and compliance programs and contains other requirements designed to help ensure our ongoing compliance with federal health care program requirements. Among other things, the CIA requires us to maintain our existing compliance program and management compliance committee and compliance committee of the Board of Directors; provide certain compliance training; continue screening new and current employees against certain lists to ensure they are not ineligible to participate in federal health care programs; engage an independent review organization to perform certain auditing and reviews and prepare certain reports regarding our compliance with federal health care programs, our billing submissions to federal health care programs and our compliance and risk mitigation programs; and provide certain reports and management certifications to Office of Inspector General-HHS. Among other things, the CIA requires that we report substantial overpayments that we discover we have received from federal health care programs, as well as probable violations of federal health care laws. Upon breach of the CIA, we could become liable for payment of certain stipulated penalties, or could be excluded from participation in federal health care programs. The corporate integrity agreement has a term of five years.

*Wage and Hour Litigation*

On July 25, 2012, a putative collective and class action complaint was filed in the United States District Court for the District of Connecticut against us in which three former employees allege wage and hour law violations. The former employees claim that they were not paid overtime for all hours worked over forty hours in violation of the Federal Fair Labor Standards Act ("FLSA"), as well as the Pennsylvania Minimum Wage Act. More specifically, they allege they were paid on both a per-visit and an hourly basis, and that such a pay scheme resulted in their misclassification as exempt employees, thereby denying them overtime pay. Moreover, in response to a Company motion arguing that plaintiffs' complaint was deficient in that it was ambiguous and failed to provide fair notice of the claims asserted and plaintiffs' opposition thereto, the Court, on April 8, 2013, held that the complaint adequately raises general allegations that the plaintiffs were not paid overtime for all hours worked in a week over forty, which may include claims for unpaid overtime under other theories of liability, such as alleged off-the-clock work, in addition to plaintiffs' more clearly stated allegations based on misclassification. On behalf of themselves and a class of current and former employees they allege are similarly situated, plaintiffs seek attorneys' fees, back wages and liquidated damages going back three years under the FLSA and three years under the Pennsylvania statute. On October 8, 2013, the Court granted plaintiffs' motion for equitable tolling requesting that the statute of limitations for claims under the FLSA for plaintiffs who opt-in to the lawsuit be tolled from September 24, 2012, the date upon which plaintiffs filed their original motion for conditional certification, until 90 days after any notice of this lawsuit is issued following conditional certification. Following a motion for reconsideration filed by the Company, on December 3, 2013, the Court modified this order, holding that putative class members' FLSA claims are tolled from October 29, 2012 through the date of the Court's order on plaintiffs' motion for conditional certification. On January 13, 2014, the Court granted plaintiffs' July 10, 2013 motion for conditional certification of their FLSA claims and authorized issuance of notice to putative class members to provide them an opportunity to opt in to the action. On April 17, 2014, that notice was mailed to putative class members. The period within which putative class members were permitted to opt in to the action expired on July 16, 2014.

On September 10, 2014, the plaintiffs in the Connecticut case filed a motion for leave to amend their complaint to add a new claim under the Kentucky Wage and Hour Act ("KWAH") alleging that the Company did not pay certain home health clinicians working in the Commonwealth of Kentucky all of the overtime wages they were owed, either because the Company misclassified them as exempt from overtime or, while treating them as overtime eligible, did not properly pay them overtime for all hours worked over 40 in a week.

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On behalf of themselves and a class of current and former employees they allege are similarly situated, plaintiffs seek attorneys' fees, back wages and liquidated damages going back five years before the filing of their original complaint under the KWHHA. On October 1, 2014, the Company filed an opposition to the plaintiffs' motion to amend. On October 15, 2014, plaintiffs filed a reply brief in support of their motion. On December 12, 2014, the Court granted the plaintiffs' motion to amend the complaint to add the claims under the KWHHA. The Company and the plaintiffs have agreed to explore the possibility of a mediated settlement of the Connecticut case, and on February 23, 2015 filed a joint motion to stay proceedings for six months while they pursue this process, which was granted by the Court on February 24, 2015. Each of the Company and the plaintiffs are in the preliminary stages of reviewing information voluntarily provided by the other party in anticipation of mediation. There can be no assurance that mediation will lead to resolution of this matter.

On September 13, 2012, a putative collective and class action complaint was filed in the United States District Court for the Northern District of Illinois against us in which a former employee alleges wage and hour law violations. The former employee claims she was paid on both a per-visit and an hourly basis, and that such a pay scheme resulted in her misclassification as an exempt employee, thereby denying her overtime. The plaintiff alleges violations of Federal and state law and seeks damages under the FLSA and the Illinois Minimum Wage Law. Plaintiff seeks class certification of similar employees who were or are employed in Illinois and seeks attorneys' fees, back wages and liquidated damages going back three years under the FLSA and three years under the Illinois statute. On May 28, 2013, the Court granted the Company's motion to stay the case pending resolution of class certification issues and dispositive motions in the earlier-filed Connecticut case referenced above.

We are unable to assess the probable outcome or reasonably estimate the potential liability, if any, arising from the securities and wage and hour litigation described above. The Company intends to continue to vigorously defend itself in the securities and wage and hour litigation matters. No assurances can be given as to the timing or outcome of the securities and wage and hour matters described above or the impact of any of the inquiry or litigation matters on the Company, its consolidated financial condition, results of operations or cash flows, which could be material, individually or in the aggregate.

*Frontier Litigation*

On April 2, 2015, Frontier Home Health and Hospice, L.L.C. ("Frontier") filed a complaint against us in the United States District Court for the District of Connecticut alleging breach of contract, negligent misrepresentation and unfair and deceptive trade practices under Conn. Gen. Stat. §42-110b. Frontier acquired our interest in five home health and four hospice care centers in Wyoming and Idaho in April 2014. The complaint alleges that certain of the hospice patients on service at the time of the acquisition did not meet Medicare eligibility requirements and that we breached certain of the representations and warranties under the purchase agreement and therefore, the businesses were worth less than the purchase price. Under the complaint, Frontier seeks declaratory judgment from the District Court that, under the terms of the purchase agreement with Frontier, we are obligated to determine the amount of the alleged Medicare overpayments and reimburse the government for the same in a timely manner, as well as unspecified compensatory and punitive damages, attorneys' fees and pre- and post-judgment interest.

We are unable to assess the probable outcome or reasonably estimate the potential liability, if any, arising from the Frontier litigation described above. The Company has engaged an independent auditing firm to perform a clinical audit of the hospice locations in question and intends to defend itself in the Frontier litigation matter. No assurances can be given as to the timing or outcome of the audit, the Frontier litigation matter described above or the impact of any of the audit or litigation matters on the Company, its consolidated financial condition, results of operations or cash flows, which could be material, individually or in the aggregate. In accordance with our CIA, we have notified the OIG of this matter.

*Computer Inventory and Data Security Reporting*

On March 1 and March 2, 2015, we provided official notice under Federal and state data privacy laws concerning the outcome of an extensive risk management process to locate and verify our large computer inventory. The process identified approximately 142 encrypted computers and laptops for which reports were required under federal and state data privacy laws. We have no indication of external hacking into our network, and no evidence that any patients or former patients have suffered any actual harm. Depending on the device, the patient information included any or all of the following: name, address, Social Security number, date of birth, insurance ID numbers, medical records and other personally identifiable data. The devices at issue were originally assigned to Company clinicians and other team members who left the Company between 2011 and 2014, and represent approximately 0.3% of the total number of devices that were used at the Company during that time period. We reported these devices to the U.S. Department of Health and Human Services, state agencies, and approximately 6,909 individuals whose information may be involved, as required under applicable law and in an abundance of caution because we could not rule out unauthorized access to patient data on the devices. We understand that the Office of Civil Rights, U.S. Department of Health and Human Services ("OCR"), will review our compliance with applicable laws, as is typical for any data breach involving more than 500 individuals. Once such a review, or any other regulatory review, is formally commenced, we will cooperate with OCR and any other applicable regulatory authorities. In accordance with our CIA, we have notified the OIG of this matter.

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We recognize that additional putative securities class action complaints and other litigation could be filed, and that other investigations and actions could be commenced.

In addition to the matters referenced in this note, we are involved in legal actions in the normal course of business, some of which seek monetary damages, including claims for punitive damages. We do not believe that these normal course actions, when finally concluded and determined, will have a material impact on our consolidated financial condition, results of operations or cash flows.

***Third Party Audits***

From time to time, in the ordinary course of business, we are subject to audits under various governmental programs in which third party firms engaged by CMS conduct extensive review of claims data to identify potential improper payments under the Medicare program.

In January 2010, our subsidiary that provides home health services in Dayton, Ohio received from a Medicare Program Safeguard Contractor (“PSC”) a request for records regarding 137 claims submitted by the subsidiary paid from January 2, 2008 through November 10, 2009 (the “Claim Period”) to determine whether the underlying services met pertinent Medicare payment requirements. Based on the PSC’s findings for 114 of the claims, which were extrapolated to all claims for home health services provided by the Dayton subsidiary paid during the Claim Period, on March 9, 2011, the Medicare Administrative Contractor (“MAC”) for the subsidiary issued a notice of overpayment seeking recovery from our subsidiary of an alleged overpayment of approximately \$5.6 million. We dispute these findings, and our Dayton subsidiary has filed appeals through the Original Medicare Standard Appeals Process, in which we are seeking to have those findings overturned. Most recently, a consolidated administrative law judge (“ALJ”) hearing was held in late March 2013. In January 2014, the ALJ found fully in favor of our Dayton subsidiary on 74 appeals and partially in favor of our Dayton subsidiary on eight appeals. Taking into account the ALJ’s decision, certain determinations that our Dayton subsidiary decided not to appeal as well as certain determinations made by the MAC, of the 114 claims that were originally extrapolated by the MAC, 76 claims have now been decided in favor of our Dayton subsidiary in full, 10 claims have been decided in favor of our Dayton subsidiary in part, and 28 claims have been decided against or not appealed by our Dayton subsidiary. The ALJ has ordered the MAC to recalculate the extrapolation amount based on the ALJ’s decision. The Medicare Appeals Council can decide on its own motion to review the ALJ’s decisions. As of March 31, 2015, we have recorded no liability with respect to the pending appeals as we do not believe that an estimate of a reasonably possible loss or range of loss can be made at this time.

In July 2010, our subsidiary that provides hospice services in Florence, South Carolina received from a Zone Program Integrity Contractor (“ZPIC”) a request for records regarding a sample of 30 beneficiaries who received services from the subsidiary during the period of January 1, 2008 through March 31, 2010 (the “Review Period”) to determine whether the underlying services met pertinent Medicare payment requirements. We acquired the hospice operations subject to this review on August 1, 2009; the Review Period covers time periods both before and after our ownership of these hospice operations. Based on the ZPIC’s findings for 16 beneficiaries, which were extrapolated to all claims for hospice services provided by the Florence subsidiary billed during the Review Period, on June 6, 2011, the MAC for the subsidiary issued a notice of overpayment seeking recovery from our subsidiary of an alleged overpayment. We dispute these findings, and our Florence subsidiary has filed appeals through the Original Medicare Standard Appeals Process, in which we are seeking to have those findings overturned. Most recently, an ALJ hearing was held in early January 2015. No assurances can be given as to the timing or outcome of the ALJ’s decision. The current alleged extrapolated overpayment is \$6.1 million. In the event we pay any amount of this alleged overpayment, we are indemnified by the prior owners of the hospice operations for amounts relating to the period prior to August 1, 2009. As of March 31, 2015, we have recorded no liability for this claim as we do not believe that an estimate of a reasonably possible loss or range of loss can be made at this time.

***Insurance***

We are obligated for certain costs associated with our insurance programs, including employee health, workers’ compensation and professional liability. While we maintain various insurance programs to cover these risks, we are self-insured for a substantial portion of our potential claims. We recognize our obligations associated with these costs, up to specified deductible limits in the period in which a claim is incurred, including with respect to both reported claims and claims incurred but not reported. These costs have generally been estimated based on historical data of our claims experience. Such estimates, and the resulting reserves, are reviewed and updated by us on a quarterly basis.

Our health insurance has a retention limit of \$0.9 million, our workers’ compensation insurance has a retention limit of \$0.5 million and our professional liability insurance has a retention limit of \$0.3 million.

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**6. SEGMENT INFORMATION**

Our operations involve servicing patients through our two reportable business segments: home health and hospice. Our home health segment delivers a wide range of services in the homes of individuals who may be recovering from surgery, have a chronic disability or terminal illness or need assistance with the essential activities of daily living. Our hospice segment provides palliative care and comfort to terminally ill patients and their families. The “other” column in the following tables consists of costs relating to corporate support functions that are not directly attributable to a specific segment.

Management evaluates performance and allocates resources based on the operating income of the reportable segments, which includes an allocation of corporate expenses directly attributable to the specific segment and includes revenues and all other costs directly attributable to the specific segment. Segment assets are not reviewed by the company’s chief operating decision maker and therefore are not disclosed below (amounts in millions).

	<b>For the Three-Month Period Ended March 31, 2015</b>			
	<b>Home Health</b>	<b>Hospice</b>	<b>Other</b>	<b>Total</b>
Net service revenue	\$ 241.4	\$ 60.2	\$ —	\$ 301.6
Cost of service, excluding depreciation and amortization	138.7	32.3	—	171.0
General and administrative expenses	62.8	14.4	26.8	104.0
Provision for doubtful accounts	2.6	0.4	—	3.0
Depreciation and amortization	1.5	0.4	4.6	6.5
Asset impairment charge	—	—	75.2	75.2
Operating expenses	<u>205.6</u>	<u>47.5</u>	<u>106.6</u>	<u>359.7</u>
Operating income (loss)	<u>\$ 35.8</u>	<u>\$ 12.7</u>	<u>\$ (106.6)</u>	<u>\$ (58.1)</u>

	<b>For the Three-Month Period Ended March 31, 2014</b>			
	<b>Home Health</b>	<b>Hospice</b>	<b>Other</b>	<b>Total</b>
Net service revenue	\$ 236.7	\$ 62.0	\$ —	\$ 298.7
Cost of service, excluding depreciation and amortization	144.0	33.0	—	177.0
General and administrative expenses	76.0	16.3	34.0	126.3
Provision for doubtful accounts	4.1	0.8	—	4.9
Depreciation and amortization	2.5	0.5	4.9	7.9
Asset impairment charge	1.2	1.0	—	2.2
Operating expenses	<u>227.8</u>	<u>51.6</u>	<u>38.9</u>	<u>318.3</u>
Operating income (loss)	<u>\$ 8.9</u>	<u>\$ 10.4</u>	<u>\$ (38.9)</u>	<u>\$ (19.6)</u>

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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information we believe is relevant to an assessment and understanding of our results of operations and financial condition for the three month period ended March 31, 2015. This discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included herein, and the consolidated financial statements and notes and the related Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission ("SEC") on March 4, 2015 (the "Form 10-K"), which are incorporated herein by this reference.

Unless otherwise provided, "Amedisys," "we," "our," and the "Company" refer to Amedisys, Inc. and our consolidated subsidiaries.

#### Overview

We are a provider of high-quality, low-cost home health services to the chronic, co-morbid, aging American population, with approximately 81% and 83% of our revenue derived from Medicare for the three month periods ended March 31, 2015 and 2014, respectively.

Our operations involve servicing patients through our two reportable business segments: home health and hospice. Our home health segment delivers a wide range of services in the homes of individuals who may be recovering from an illness, injury or surgery. Our hospice segment provides care that is designed to provide comfort and support for those who are facing a terminal illness. As of March 31, 2015, we owned and operated 316 Medicare-certified home health care centers and 79 Medicare-certified hospice care centers in 34 states within the United States, the District of Columbia and Puerto Rico.

#### Executive Leadership

On April 7, 2015, we announced the addition of a new board member and several executive leadership appointments including Daniel P. McCoy as the company's Chief Operating Officer. Additionally, we announced the retirement of Dale E. Redman, Interim Chief Financial Officer; Ronald A. LaBorde, Vice Chairman, resumed his role as Chief Financial Officer. As part of this leadership transition, David R. Bucey, Senior Vice President, General Counsel and Secretary and Dr. Michael O. Fleming, Chief Medical Officer, will depart the company.

#### AMS3

In December 2014, we completed development of AMS3, our third generation, proprietary operating system and began beta testing. We expanded beta testing to additional sites in February of 2015. The results at our beta sites demonstrated that AMS3 was disruptive to operations. Additional analysis of the system determined that the system was not ready to be fully implemented and would require significant time and investment to redesign. Therefore, we have made the decision to discontinue AMS3 and transition to Homecare Homebase ("HCHB") which is a leading platform for home health and hospice companies. This decision resulted in a non-cash asset impairment charge of \$75.2 million, \$45.5 million net of income taxes.

We have not finalized the implementation plan for HCHB; however, we do expect to begin in 2015. While the transition to HCHB will result in some increase in our estimated capital expenditures in 2015, we do anticipate significant reductions in both operating and capitalized expenses as we complete the installation of HCHB and transition away from a proprietary system.

#### Care Center Closures/Consolidations

As part of our ongoing management of our portfolio of care centers, we review each care center's current financial performance, market penetration, forecasted market growth and the impact of proposed CMS payment revisions. If the review indicates a care center should be closed, we first determine whether we can consolidate the care center with a care center servicing the same market. If a consolidation is not viable, we evaluate whether we have the opportunity to sell the care center or must close the care center. As a result of this process, we exited 63 care centers and our hospice inpatient unit during 2014.

For the care centers that we closed and consolidated, we recorded non-cash charges of \$2.2 million in asset impairment expense related to the write-off of intangible assets, \$2.1 million in other general and administrative expenses related to lease termination costs and \$2.1 million in salaries and benefits related to severance costs during the three month period ended March 31, 2014.

In conjunction with the closure and consolidation of care centers, we restructured our regional leadership and corporate support functions. As such, we recorded charges of \$3.4 million in salaries and benefits related to severance costs during 2014. In addition, on February 20, 2014, William F. Borne stepped down from his positions as Chief Executive Officer, Chairman and a member of our Board of Directors and we recorded charges of \$2.3 million in salaries and benefits related to severance costs.

#### Owned and Operated Care Centers

	<u>Home Health</u>	<u>Hospice</u>
At December 31, 2014	316	80
Acquisitions/Startups	—	—



Closed/Consolidated	—	(1)
At March 31, 2015	<u>316</u>	<u>79</u>

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### Recent Developments

#### *Governmental Inquiries and Investigations and Other Litigation*

See Note 5 – Commitments and Contingencies to our condensed consolidated financial statements for additional information regarding our corporate integrity agreement and for a discussion of and updates regarding class action litigation we are involved in. No assurances can be given as to the timing or outcome of these items.

#### *Payment*

On April 1, 2014, a bill was approved to delay the implementation of the new ICD-10 coding system from October 1, 2014 to October 1, 2015. Claims submitted after October 1, 2015 must use ICD-10 codes or they will not be paid.

### Results of Operations

#### *Three-Month Period Ended March 31, 2015 Compared to the Three-Month Period Ended March 31, 2014*

#### Consolidated

The following table summarizes our results from continuing operations (amounts in millions):

	For the Three-Month Periods Ended	
	March 31,	
	2015	2014
Net service revenue	\$ 301.6	\$ 298.7
Gross margin, excluding depreciation and amortization	130.6	121.7
% of revenue	43.3 %	40.7 %
Other operating expenses	113.5	139.1
% of revenue	37.6 %	46.6 %
Asset impairment charge	75.2	2.2
Operating loss	(58.1)	(19.6)
Total other income (expense), net	1.7	(0.2)
Income tax benefit	21.6	7.6
Effective income tax rate	(38.3 %)	(38.4 %)
Loss from continuing operations	(34.8)	(12.2)
Net loss from discontinued operations	—	(0.3)
Net (income) loss attributable to noncontrolling interests	(0.2)	0.1
Net loss attributable to Amedisys, Inc.	\$ (35.0)	\$ (12.4)

During the three month period ended March 31, 2015, we recorded a non-cash charge to write-off the software costs incurred related to the development of AMS3 Home Health and Hospice.

During the first quarter of 2014, we committed to a plan to consolidate 21 operating home health care centers and four operating hospice care centers with care centers servicing the same markets and close 23 home health care centers and six hospice care centers. As a result of this exit activity, we reduced our regional leadership structure and corporate support functions. Separate from the restructuring costs, we also recorded severance costs associated with the departure of our former Chief Executive Officer and a charge for relator fees associated with our U.S. Department of Justice settlement during the first quarter of 2014. The following details the costs associated with these activities (amounts in millions):

	For the Three-Month Period Ended March 31, 2014			
	Home Health	Hospice	Corporate	Total
Severance (a)	\$ 2.0	\$ 0.1	\$ —	\$ 2.1
Restructuring severance	2.1	0.6	3.0	5.7
Lease terminations	1.9	0.2	—	2.1
Other intangibles impairment	1.2	1.0	—	2.2
Exit and restructuring activities cost	7.2	1.9	3.0	12.1
U.S. Department of Justice Settlement/Relator Fees	—	—	3.9	3.9
Total	\$ 7.2	\$ 1.9	\$ 6.9	\$ 16.0

(a) Includes \$0.8 million and \$0.1 million for severance included in cost of service for home health and hospice, respectively.

Our operating results have been impacted by the sale, closure and consolidation of numerous care centers as mentioned above.



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Our operating income, excluding the \$75 million asset impairment charge related to AMS3 in 2015 and the \$16 million in costs noted above, increased \$21 million as our home health operating income increased \$20 million and our corporate expenses decreased \$1 million. Our hospice operating income remained flat. The primary drivers of our improvement in performance were the closure/consolidation of care centers that had a negative operating contribution, an increase in our revenue per episode and a reduction in cost per visit.

### Home Health Division

The following table summarizes our home health segment results from continuing operations:

	<b>For the Three-Month Periods Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Financial Information (in millions):</b>		
Medicare	\$ 187.3	\$ 188.7
Non-Medicare	54.1	48.0
Net service revenue	241.4	236.7
Cost of service	138.7	144.0
Gross margin	102.7	92.7
Other operating expenses	66.9	82.6
Operating income before impairment (1)	<u>\$ 35.8</u>	<u>\$ 10.1</u>
<b>Key Statistical Data:</b>		
<b>Medicare:</b>		
<i>Same Store Volume (2):</i>		
Revenue	6%	(7%)
Admissions	4%	(2%)
Recertifications	(1%)	(6%)
<i>Total (3):</i>		
Admissions	45,102	46,527
Recertifications	24,359	25,778
Completed episodes	64,989	67,472
Visits	1,168,250	1,204,539
Average revenue per completed episode (4)	\$ 2,854	\$ 2,778
Average revenue per episode including sequestration (5)	\$ 2,797	\$ 2,722
Visits per completed episode (6)	17.3	16.9
<b>Non-Medicare:</b>		
<i>Same Store Volume (2):</i>		
Revenue	20%	1%
Admissions	17%	2%
Recertifications	15%	(5%)
<i>Total (3):</i>		
Admissions	23,118	21,193
Recertifications	7,988	7,451
Visits	437,465	390,140
<b>Total (3):</b>		
Cost per Visit	\$ 86.33	\$ 90.28
Visits	1,605,715	1,594,679

- (1) Operating income of \$8.9 million on a GAAP basis for the three-month period ended March 31, 2014.
- (2) Same store Medicare and Non-Medicare revenue, admissions or recertifications growth is the percent increase (decrease) in our Medicare and Non-Medicare revenue, admissions or recertifications for the period as a percent of the Medicare and Non-Medicare revenue, admissions or recertifications of the prior period.
- (3) Based on continuing operations for all periods presented.
- (4) Average Medicare revenue per completed episode is the average Medicare revenue earned for each Medicare completed episode of care which excludes the impact of sequestration.
- (5) Average Medicare revenue per completed episode including sequestration is the average Medicare revenue earned for each Medicare completed episode of care which includes the impact of sequestration.
- (6) Medicare visits per completed episode are the home health Medicare visits on completed episodes divided by the home health Medicare episodes completed during the period.

Overall, our operating income, excluding the \$7 million in exit activity costs in 2014, increased \$20 million on a \$9 million increase in gross margin offset and an \$11 million decline in other operating expenses.



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### Net Service Revenue

Our Medicare revenue decline of approximately \$1 million consisted of \$7 million due to lower volumes offset by a \$6 million increase related to revenue per episode. The 3% increase in revenue per episode is the result of a change in patient mix and a reduction in the number of low utilization payment adjustments (“LUPAs”). The first quarter of 2014 was significantly impacted by weather related issues which resulted in a decrease in the number of visits performed which increased the number of LUPA episodes and decreased the number of therapy visits performed by our clinicians. We anticipate that this trend will moderate during the rest of 2015 assuming a similar patient mix. The decrease in volumes is primarily due to the sale, closure and consolidation of 51 care centers since December 31, 2013, as we experienced a 4% increase in same store admissions.

Our non-Medicare revenue increased \$6 million which is primarily due to increases in volumes. We are experiencing significant growth in our non-Medicare business as we have focused on contract payors with significant concentrations in our markets.

As mentioned above, we have closed numerous care centers since December 31, 2013. Accordingly, our results are not fully comparable to prior year. The following table summarizes our net service revenue for our operating care centers and those care centers that were closed, consolidated or sold.

	<b>For the Three-Month Periods Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenue (in millions):</b>		
Operating care centers	\$ 241.5	\$ 222.5
Closed/Consolidated/Sold care centers	(0.1)	14.2
Net service revenue	241.4	236.7

### Cost of Service, Excluding Depreciation and Amortization

Our cost of service, excluding the \$1 million in exit activity costs in 2014, decreased \$4 million as a result of our decreases in Medicare volumes primarily due to closures, which were offset by a 12% increase in non-Medicare visits. Our cost per visit decreased \$4 as a result of a reduction in the number of salaried clinicians and a decrease in inclement weather pay.

### Other Operating Expenses

Other operating expenses, excluding the \$6 million in exit activity costs in 2014, decreased \$11 million due to decreases in other care center related expenses as a result of our closure and consolidation strategy and the reduction in divisional leadership; the majority of the reductions were in salaries and benefits and rent expense. In addition, our provision for doubtful accounts decreased \$1 million.

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### Hospice Division

The following table summarizes our hospice segment results from continuing operations:

	<b>For the Three-Month Periods Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Financial Information (in millions):</b>		
Medicare	\$ 56.5	\$ 58.4
Non-Medicare	3.7	3.6
Net service revenue	60.2	62.0
Cost of service	32.3	33.0
Gross margin	27.9	29.0
Other operating expenses	15.2	17.6
Operating income before impairment (1)	\$ 12.7	\$ 11.4
<b>Key Statistical Data:</b>		
<i>Same Store Volume (2):</i>		
Medicare revenue	2%	(6%)
Non-Medicare revenue	13%	(3%)
Hospice admits	7%	(5%)
Average daily census	1%	(6%)
<i>Total (3):</i>		
Hospice admits	4,564	4,595
Average daily census	4,535	4,721
Revenue per day	\$ 147.48	\$ 145.95
Cost of service per day	\$ 79.12	\$ 77.47
Average length of stay	91	99

- (1) Operating income of \$10.4 million on a GAAP basis for the three-month period ended March 31, 2014.
- (2) Same store Medicare and Non-Medicare revenue, Hospice admits or average daily census growth is the percent increase in our Medicare and Non-Medicare revenue, Hospice admits or average daily census for the period as a percent of the Medicare and Non-Medicare revenue, Hospice admits or average daily census of the prior period.
- (3) Based on continuing operations for all periods presented.

Overall, our operating income, excluding the \$2 million in exit activity costs in 2014, remained flat on a \$2 million decline in revenue and in other operating expenses.

### Net Service Revenue

Our hospice revenue decreased \$2 million, primarily as the result of a decrease in our average daily census. The decrease in average daily census is primarily due to the sale, closure and consolidation of 12 care centers since December 31, 2013. We benefitted from a 1.4% hospice rate increase effective October 1, 2014.

As mentioned above, we have closed numerous care centers since December 31, 2013. Accordingly, our results are not fully comparable to prior year. The following table summarizes our net service revenue for our operating care centers and those care centers that were closed, consolidated or sold.

	<b>For the Three-Month Periods Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenue (in millions):</b>		
Operating care centers	\$ 60.2	\$ 58.6
Closed/Consolidated/Sold care centers	—	3.4
Net service revenue	60.2	62.0

### Cost of Service, Excluding Depreciation and Amortization

Our hospice cost of service remained flat, as the result of a 4% decrease in average daily census offset by an increase in cost of service per day. Our cost of service per day has been negatively impacted by an increase in pharmacy costs as a result of new CMS guidance which became effective on May 1, 2014.

### Other Operating Expenses

Other operating expenses, excluding the \$2 million in exit activity costs in 2014, decreased \$2 million due to decreases in other care center related expenses due to our care center closure and consolidation strategy.



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### Corporate

The following table summarizes our corporate results from continuing operations:

	For the Three-Month Periods Ended March 31,	
	2015	2014
<b>Financial Information (in millions):</b>		
Other operating expenses	\$ 26.8	\$ 34.0
Depreciation and amortization	4.6	4.9
Total before impairment (1)	<u>\$ 31.4</u>	<u>\$ 38.9</u>

(1) Total of \$106.6 million on a GAAP basis for the three-month period ended March 31, 2015.

Corporate expenses consist of cost relating to our executive management and corporate and administrative support functions that are not directly attributable to a specific segment. Corporate and administrative support functions represent primarily information services, accounting, finance, billing and collections, legal, compliance, risk management, procurement, marketing, clinical administration, training, human resources and administration. Excluding the asset impairment charge in 2015 and the 2014 exit and restructuring activities costs and relator fees associated with our U.S. Department of Justice settlement agreement, corporate expenses decreased \$1 million. Corporate expense was also impacted by the addition of resources for the planned roll-out of AMS3.

### **Liquidity and Capital Resources**

#### **Cash Flows**

The following table summarizes our cash flows for the periods indicated (amounts in millions):

	For the Three-Month Periods Ended	
	March 31,	
	2015	2014
Cash provided by (used in) operating activities	\$ 14.5	\$ (6.4)
Cash used in investing activities	(2.1)	(4.9)
Cash used in financing activities	(17.3)	(3.2)
Net decrease in cash and cash equivalents	(4.9)	(14.5)
Cash and cash equivalents at beginning of period	8.0	17.3
Cash and cash equivalents at end of period	<u>\$ 3.1</u>	<u>\$ 2.8</u>

Cash provided by operating activities increased \$20.9 million during 2015 compared to 2014 primarily due to an increase in our revenue and cash collections as compared to 2014. For additional information regarding our operating performance and our days revenue outstanding, see "Results of Operations" and "Outstanding Patient Accounts Receivable", respectively. The recognition of the asset impairment charge of \$75.2 million, which resulted in the net loss for the three month period ended March 31, 2015, is a non-cash item and therefore had no impact on our cash flow from operations.

Cash used in investing activities decreased \$2.8 million during 2015 compared to 2014 primarily due to a decrease in capital expenditures of \$3.4 million, primarily related to AMS3 development, offset by a \$0.6 million decrease in the proceeds from the dispositions of care centers.

Cash used in financing activities increased \$14.1 million during 2015 compared to 2014 primarily due to an increase in our principal payments of long-term obligations, net of borrowings. We decreased our outstanding long-term obligations, net of borrowings by \$18.0 million from December 31, 2014.

#### **Liquidity**

Typically, our principal source of liquidity is the collection of our patient accounts receivable, primarily through the Medicare program. CMS proposed to reduce reimbursement rates by 2.7% for rebasing in each year from calendar year 2015 to calendar year 2017; however, we do expect some offset from a market basket update. In addition to our collection of patient accounts receivable, from time to time, we can and do obtain additional sources of liquidity by the incurrence of additional indebtedness or through sales of equity.

During the three month period ended March 31, 2015, we spent \$2.1 million in capital expenditures, as compared to \$5.5 million during the three month period ended March 31, 2014. Our capital expenditures for 2015 are expected to be approximately \$20.0-\$25.0 million.

As of March 31, 2015, we had \$3.1 million in cash and cash equivalents and \$99.0 million in availability under our \$120.0 million Revolving Credit Facility. Based on our operating forecasts and our new debt service requirements, we believe we will have sufficient

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liquidity to fund our operations, capital requirements and debt service requirements; however, our ongoing ability to comply with the debt covenants under our credit agreement depends largely on the achievement of adequate levels of operating performance and cash flow. We routinely review our capital requirements to make sure that we have a capital structure in place that meets the current and future needs of the Company. If our future operating performance and/or cash flows are less than expected, it could cause us to default on our financial covenants in the future. In the event we are not in compliance with our debt covenants in the future, we would pursue various alternatives in an attempt to successfully resolve the non-compliance, which might include, among other things, seeking debt covenant waivers or amendments. There can be no assurance that debt covenant waivers or amendments would be obtained, if needed.

### *Outstanding Patient Accounts Receivable*

Our patient accounts receivable, net increased \$11.3 million from December 31, 2014 to March 31, 2015. Our cash collection as a percentage of revenue was 98.0% and 100.2% for the three month periods ended March 31, 2015 and 2014, respectively. Our days revenue outstanding, net at March 31, 2015 was 32.1 days which is an increase of 2.7 days from December 31, 2014.

Our patient accounts receivable includes unbilled receivables and are aged based upon our initial service date. At March 31, 2015, our unbilled patient accounts receivable, as a percentage of gross patient accounts receivable, was 28.7%, or \$37.0 million, compared to 35.9%, or \$41.9 million, at December 31, 2014. We monitor unbilled receivables on a care center by care center basis to ensure that all efforts are made to bill claims within timely filing deadlines. Our unbilled patient accounts receivable can be impacted by acquisition activity, probe edits or regulatory changes which result in additional information or procedures needed prior to billing. The timely filing deadline for Medicare is one year from the date the episode was completed and varies by state for Medicaid-reimbursable services and among insurance companies and other private payors.

Our provision for estimated revenue adjustments (which is deducted from our service revenue to determine net service revenue) and provision for doubtful accounts were as follows for the periods indicated (amounts in millions). We fully reserve for both our Medicare and other patient accounts receivable that are aged over 365 days.

	For the Three-Month Periods Ended	
	March 31,	
	2015	2014
Provision for estimated revenue adjustments	\$ 1.5	\$ 1.2
Provision for doubtful accounts (1)	3.0	5.0
Total	<u>\$ 4.5</u>	<u>\$ 6.2</u>
As a percent of revenue	<u>1.5%</u>	<u>2.1%</u>

(1) Includes \$0.1 million from discontinued operations for the three month period ended March 31, 2014.

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The following schedules detail our patient accounts receivable, net of estimated revenue adjustments, by payor class, aged based upon initial date of service (amounts in millions, except days revenue outstanding, net):

	<u>0-90</u>	<u>91-180</u>	<u>181-365</u>	<u>Over 365</u>	<u>Total</u>
<b>At March 31, 2015:</b>					
Medicare patient accounts receivable, net (1)	<u>\$66.7</u>	<u>\$ 9.9</u>	<u>\$ 0.3</u>	<u>\$ —</u>	<u>\$ 76.9</u>
Other patient accounts receivable:					
Medicaid	9.1	1.2	0.6	0.6	11.5
Private	<u>26.4</u>	<u>5.2</u>	<u>3.4</u>	<u>2.1</u>	<u>37.1</u>
Total	<u>\$35.5</u>	<u>\$ 6.4</u>	<u>\$ 4.0</u>	<u>\$ 2.7</u>	<u>\$ 48.6</u>
Allowance for doubtful accounts (2)					(14.8)
Non-Medicare patient accounts receivable, net					<u>\$ 33.8</u>
Total patient accounts receivable, net					<u>\$110.7</u>
Days revenue outstanding, net (3)					<u>32.1</u>
<b>At December 31, 2014:</b>					
Medicare patient accounts receivable, net (1)	<u>\$62.1</u>	<u>\$ 6.3</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 68.4</u>
Other patient accounts receivable:					
Medicaid	9.1	1.4	0.7	0.4	11.6
Private	<u>23.4</u>	<u>5.4</u>	<u>2.5</u>	<u>2.3</u>	<u>33.6</u>
Total	<u>\$32.5</u>	<u>\$ 6.8</u>	<u>\$ 3.2</u>	<u>\$ 2.7</u>	<u>\$ 45.2</u>
Allowance for doubtful accounts (2)					(14.3)
Non-Medicare patient accounts receivable, net					<u>\$ 30.9</u>
Total patient accounts receivable, net					<u>\$ 99.3</u>
Days revenue outstanding, net (3)					<u>29.4</u>

- (1) The following table summarizes the activity and ending balances in our estimated revenue adjustments (amounts in millions), which is recorded to reduce our Medicare outstanding patient accounts receivable to their estimated net realizable value, as we do not estimate an allowance for doubtful accounts for our Medicare claims.

	<u>For the Three-Month Period Ended March 31, 2015</u>	<u>For the Three-Month Period Ended December 31, 2014</u>
Balance at beginning of period	\$ 3.1	\$ 3.6
Provision for estimated revenue adjustments	1.5	1.0
Write offs	(1.0)	(1.5)
Balance at end of period	<u>\$ 3.6</u>	<u>\$ 3.1</u>

Our estimated revenue adjustments were 4.5% and 4.3% of our outstanding Medicare patient accounts receivable at March 31, 2015 and December 31, 2014, respectively.

- (2) The following table summarizes the activity and ending balances in our allowance for doubtful accounts (amounts in millions), which is recorded to reduce only our Medicaid and private payer outstanding patient accounts receivable to their estimated net realizable value.

	<u>For the Three-Month Period Ended March 31, 2015</u>	<u>For the Three-Month Period Ended December 31, 2014</u>
Balance at beginning of period	\$ 14.3	\$ 15.6
Provision for doubtful accounts	3.0	3.0
Write offs	(2.5)	(4.3)
Balance at end of period	<u>\$ 14.8</u>	<u>\$ 14.3</u>

Our allowance for doubtful accounts was 30.6% and 31.6% of our outstanding Medicaid and private patient accounts receivable at March 31, 2015 and December 31, 2014, respectively.

- (3) Our calculation of days revenue outstanding, net is derived by dividing our ending net patient accounts receivable (i.e., net of estimated revenue adjustments and allowance for doubtful accounts) at March 31, 2015 and December 31, 2014 by our average daily net patient revenue for the three-month periods ended March 31, 2015 and December 31, 2014, respectively.

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### ***Indebtedness***

Our weighted average interest rate for our five year \$60.0 million Term Loan, under our existing senior secured Credit Agreement was 3.2% for three month period ended March 31, 2015 as compared to 3.4% for the three month period ended March 31, 2014. Our weighted average interest rate for our \$120.0 million Revolving Credit Facility, as amended by the fourth amendment to our Credit Agreement, was 3.6% for the three month period ended March 31, 2015. Our weighted average interest rate for our Second Lien Loan under the Second Lien Credit Agreement was 8.5% for the three month period ended March 31, 2015.

As of March 31, 2015, our total leverage ratio was 1.1, our senior secured leverage ratio was 0.4 and our fixed charge coverage ratio was 3.0 and we are in compliance with the existing senior secured Credit Agreement.

As of March 31, 2015, our availability under our \$120.0 million Revolving Credit Facility as amended by the fourth amendment to our existing senior secured Credit Agreement, was \$99.0 million as we had \$21.0 million outstanding in letters of credit.

See Note 6 of the financial statements included in our Form 10-K for additional details on our outstanding long-term obligations which were outstanding as of December 31, 2014.

### **Inflation**

We do not believe inflation has significantly impacted our results of operations.

### **Critical Accounting Estimates**

See Part II, Item 7 – Critical Accounting Estimates and our consolidated financial statements and related notes in Part II, Item 8 of our 2014 Annual Report on Form 10-K, for accounting policies and related estimates we believe are the most critical to understanding our condensed consolidated financial statements, financial condition and results of operations and which require complex management judgment and assumptions, or involve uncertainties. These critical accounting estimates include revenue recognition; patient accounts receivable; insurance; goodwill and other intangible assets; and income taxes. There have not been any changes to our significant accounting policies or their application since we filed our 2014 Annual Report on Form 10-K.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk from fluctuations in interest rates. Our Revolving Credit Facility, Term Loan and Second Lien Loan carry a floating interest rate which is tied to the Eurodollar rate (*i.e.* LIBOR) and the Prime Rate and therefore, our condensed consolidated statements of operations and our condensed consolidated statements of cash flows will be exposed to changes in interest rates. As of March 31, 2015, the total amount of outstanding debt subject to interest rate fluctuations was \$100.0 million. A 1.0% interest rate change would cause interest expense to change by approximately \$1.0 million annually.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

We have established disclosure controls and procedures which are designed to provide reasonable assurance of achieving their objectives and to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, disclosed and reported within the time periods specified in the SEC's rules and forms. This information is also accumulated and communicated to our management and Board of Directors to allow timely decisions regarding required disclosure.

In connection with the preparation of this Quarterly Report on Form 10-Q, as of March 31, 2015, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act.

Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2015, the end of the period covered by this Quarterly Report.

### **Changes in Internal Controls**

There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that have occurred during the quarter ended March 31, 2015, that have materially impacted, or are reasonably likely to materially impact, our internal control over financial reporting.

### ***Inherent Limitations on Effectiveness of Controls***

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls or our internal controls over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well



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designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls' effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and, based on an evaluation of our controls and procedures, our principal executive officer and our principal financial officer concluded our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2015, the end of the period covered by this Quarterly Report.

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### **PART II. OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS**

See Note 5 to the condensed consolidated financial statements for information concerning our legal proceedings.

#### **ITEM 1A. RISK FACTORS**

In addition to other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors included in Part I, “Item 1A. – “Risk Factors”” of our Annual Report on Form 10-K. These risk factors could materially impact our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely impact our business, financial condition and/or operating results.

#### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table provides the information with respect to purchases made by us of shares of our common stock during each of the months during the three month period ended March 31, 2015:

<b>Period</b>	<b>(a) Total Number of Shares (or Units) Purchased</b>	<b>(b) Average Price Paid per Share (or Unit)</b>	<b>(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</b>	<b>(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs</b>
January 1, 2015 to January 31, 2015	—	\$ —	—	\$ —
February 1, 2015 to February 28, 2015	—	—	—	—
March 1, 2015 to March 31, 2015	—	—	—	—
	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>

#### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

#### **ITEM 5. OTHER INFORMATION**

On April 23, 2015, our Board of Directors and the Compensation Committee of our Board of Directors approved amendments to our 2008 Omnibus Incentive Compensation Plan, as amended (the “Plan”), effective with respect to awards granted on or after April 23, 2015 under the Plan, in order to further enhance the governance aspects of the Plan. These amendments, which are not subject to stockholder approval, are as follows:

(i) elimination of “single-trigger” vesting upon a “change in control;” (ii) reduction of the percentage of shares that can be issued under the Plan with a vesting period of less than one year; and (iii) other non-substantive, conforming amendments.

Stockholders originally approved the Plan at our 2008 Annual Meeting of Stockholders, and the foregoing description of the April 23, 2015 Plan amendments is qualified in its entirety by the terms of the amended Plan, a composite version of which (including Plan amendments adopted on June 7, 2012, October 25, 2012 and April 23, 2015) is attached as Exhibit 10.1 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

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### ITEM 6. EXHIBITS

The exhibits marked with the cross symbol (†) are filed and the exhibits marked with a double cross (††) are furnished with this Form 10-Q. Any exhibits marked with the asterisk symbol (\*) are management contracts or compensatory plans or arrangements filed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

<u>Exhibit Number</u>	<u>Document Description</u>	<u>Report or Registration Statement</u>	<u>SEC File or Registration Number</u>	<u>Exhibit or Other Reference</u>
3.1	Composite of Certificate of Incorporation of the Company inclusive of all amendments through June 14, 2007	The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007	0-24260	3.1
3.2	Composite of By-Laws of the Company inclusive of all amendments through February 24, 2014	The Company's Annual Report on Form 10-K for the year ended December 31, 2013	0-24260	3.2
4.1	Common Stock Specimen	The Company's Registration Statement on Form S-3 filed August 20, 2007	333-145582	4.8
†10.1*	Composite Amedisys, Inc. 2008 Omnibus Incentive Compensation Plan (inclusive of Plan amendments dated June 7, 2012, October 25, 2012, April 23, 2015 and the full text of the Amedisys, Inc. 2008 Omnibus Incentive Compensation Plan)			
†31.1	Certification of Paul B. Kusserow, President and Chief Executive Officer (principal executive officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
†31.2	Certification of Ronald A. LaBorde, Vice Chairman and Chief Financial Officer (principal financial officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
††32.1	Certification of Paul B. Kusserow, President and Chief Executive Officer (principal executive officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
††32.2	Certification of Ronald A LaBorde, Vice Chairman and Chief Financial Officer (principal financial officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
†101.INS	XBRL Instance			
†101.SCH	XBRL Taxonomy Extension Schema Document			
†101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
†101.DEF	XBRL Taxonomy Extension Definition Linkbase			
†101.LAB	XBRL Taxonomy Extension Labels Linkbase Document			
†101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			



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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMEDISYS, INC.  
(Registrant)

By: \_\_\_\_\_ /s/ SCOTT G. GINN  
**Scott G. Ginn,**  
**Principal Accounting Officer and**  
**Duly Authorized Officer**

Date: April 29, 2015

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### EXHIBIT INDEX

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†101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

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## Section 2: EX-10.1 (EX-10.1)

**COMPOSITE AMEDISYS, INC. 2008 OMNIBUS INCENTIVE COMPENSATION PLAN**  
**(Inclusive of Plan amendments dated June 7, 2012, October 25, 2012**  
**and April 23, 2015 and the full text of the Plan)**

**1. PURPOSE.**

The purpose of the Amedisys, Inc. 2008 Omnibus Incentive Compensation Plan (the "Plan") is to promote the interests of Amedisys, Inc., a Delaware corporation (the "Company") and its stockholders by (i) attracting and retaining key officers, employees, and directors of, and consultants to, the Company and its Subsidiaries and Affiliates; (ii) motivating such individuals by means of performance-related incentives to achieve long-range performance goals; (iii) enabling such individuals to participate in the long-term growth and financial success of the Company; (iv) encouraging ownership of stock in the Company by such individuals; and (v) linking their compensation to the long-term interests of the Company and its stockholders. Toward this objective, the Committee may grant stock options, SAR, Stock Awards, cash bonuses and other incentive awards to Employees of the Company and its Subsidiaries and Affiliates on the terms and subject to the conditions set forth in the Plan. In addition, this Plan is intended to enable the Company to effectively attract, retain and reward Outside Directors by providing for grants of Outside Director Awards to Outside Directors. No Award under this Plan (or modification thereof) shall provide for deferral of compensation that does not comply with Section 409A of the Code unless the Committee, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. Notwithstanding any provision of this Plan to the contrary, if one or more of the payments or benefits received or to be received by a Participant pursuant to an Award would cause the Participant to incur any additional tax or interest under Section 409A of the Code, the Committee may reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code.

**2. DEFINITIONS.**

**2.1 "Affiliate"** means any entity (other than the Company and any Subsidiary) that is designated by the Board as a participating employer under the Plan, provided that the Company directly or indirectly owns at least 20% of the combined voting power of all classes of stock of that entity or at least 20% of the ownership interests in that entity.

**2.2 "Alternative Award"** has the meaning assigned to such term in Section 22, herein.

**2.3 "Award"** means any form of Option, SAR, Stock Award, Restricted Share Unit, cash bonus or other incentive award granted under the Plan, whether singly, in combination, or in tandem, to a Participant by the Committee pursuant to terms, conditions, restrictions and limitations, if any, as the Committee may establish by the Award Notice or otherwise.

**2.4 "Award Notice"** means a written notice from the Company to a Participant that establishes the terms, conditions, restrictions, and limitations applicable to an Award in addition to those established by the Plan and by the Committee's exercise of its administrative powers. In the event of a conflict between the terms of the Plan and any Award Notice, the terms of the Plan shall prevail. The Committee shall, subject to applicable law, determine the date an Award is deemed to be granted. The Committee or, except to the extent prohibited under applicable law, its delegate(s) may establish the terms of agreements or other documents evidencing Awards under this Plan and may, but need not, require as a condition to any such agreement's or document's effectiveness that such agreement or document be executed by the Participant, including by electronic signature or other electronic indication of acceptance, and that such Participant agree to such further terms and conditions as specified in such agreement or document.

**2.5 "Board"** means the Board of Directors of the Company.

**2.6 "Cause"** means, when used in connection with the termination of a Participant's Employment, (i) if the Participant has an effective employment agreement with the Company or any Subsidiary or Affiliate as of the date an Award is granted, the definition used in such employment agreement as of such date, or (ii) if the Participant does not have an effective employment agreement with the Company or any Subsidiary or Affiliate as of the date an

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Award is granted, unless otherwise provided in the Participant's Award Notice, matters which, in the judgment of the Committee, constitute any one or more of the following: (i) default or breach of any of the provisions of any agreement that the Participant may have with the Company or any Affiliate or Subsidiary; (ii) actions constituting fraud, abuse, dishonesty, embezzlement, destruction or theft of Company property, or breach of the duty of loyalty owed by the Participant to the Company; (iii) violation of any applicable laws, rules or regulations (including, without limitation, all Medicare and other health care laws, rules and regulations pertaining to the provision of home health care, hospice or any other services provided by the Company); (iv) furnishing materially false, inaccurate, misleading or incomplete information to the Company; (v) actions constituting a material breach of the Company's Code of Ethical Business Conduct, the Company's employee handbook or any other Company policy; (vi) willful failure to follow reasonable and lawful directives of the Participant's supervisor, or any of the Company's senior executive officers, which are consistent with the Participant's job responsibilities and performance; or (vii) failure to satisfy the requirements of the Participant's job, regardless whether or not such failure is willful, including the failure to satisfy the objectives of any action plan or performance improvement plan that the Participant may be under. Any determination of Cause for purposes of the Plan or any Award shall be made by the Committee in its sole discretion. Any such determination shall be final and binding on a Participant.

**2.7 "Change In Control"** means the happening of any of the following:

- a. any person or entity, including a "group" as defined in Section 13(d)(3) of the Exchange Act, other than the Company or a wholly-owned Subsidiary, or any employee benefit plan of the Company or any Subsidiary, becomes the beneficial owner of the Company's securities having 50% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business); or
- b. as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sales of assets or contested election, or any combination of the foregoing transactions, after the transaction less than a majority of the combined voting power of the then outstanding securities of the Company, or any successor corporation or cooperative or entity, entitled to vote generally in the election of the directors of the Company, or other successor corporation or other entity, are held in the aggregate by the holders of the Company's securities who immediately prior to the transaction had been entitled to vote generally in the election of directors of the Company; or
- c. during any period of 2 consecutive years, individuals who at the beginning of the period constitute the Board cease for any reason to constitute at least a majority of the Board, unless the election, or the nomination for election by the Company's stockholders, of each director of the Company first elected during the relevant 2-year period was approved by a vote of at least 2/3 of the directors of the Company then still in office who were directors of the Company at the beginning of that period.

**2.8 "Change In Control Price"** means the closing price (or, if the shares are not traded on an exchange, the last sale price or closing "asked" price) per share paid for the purchase of Common Stock in a national securities market on the date the Change In Control occurs.

**2.9 "Code"** means the Internal Revenue Code of 1986, as amended from time to time.

**2.10 "Committee"** means the Compensation Committee of the Board, or any other committee designated by the Board, authorized to administer the Plan under Section 3 of this Plan. The Committee shall consist of not less than 2 members who shall be appointed by, and shall serve at the pleasure of, the Board. The directors appointed to serve on the Committee shall be: (i) "independent" within the meaning of the listing standards of any securities exchange or automated quotation system upon which the Common Stock is listed or quoted; (ii) "non-employee directors" (within the meaning of Rule 16b-3 under the Exchange Act); and (iii) "outside directors" (within the meaning of Code Section 162(m) and its related regulations). However, the mere fact that a Committee member fails to qualify under any of the foregoing requirements shall not invalidate any Award made by the Committee if the Award is otherwise validly made under the Plan.

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**2.11 “Common Stock”** means the \$0.001 par value common stock of the Company.

**2.12 “Company”** means Amedisys, Inc. or any successor.

**2.13 “Consultant”** shall mean any consultant to the Company or its Subsidiaries or Affiliates.

**2.14 “Covered Employee”** means an individual who is, with respect to the Company, an individual defined in Code Section 162(m)(3).

**2.15 “Director”** means an individual who is a member of the Board.

**2.16 “Disability”** has the same meaning as provided in the long-term disability plan or policy maintained by the Company or if applicable, most recently maintained, by the Company or if applicable, a Subsidiary or Affiliate, for the Participant, whether or not that Participant actually receives disability benefits under the plan or policy. If no long-term disability plan or policy was ever maintained on behalf of Participant or if the determination of Disability relates to an Incentive Stock Option, Disability means Permanent and Total Disability as defined in Section 22(e)(3) of the Code. In a dispute, the determination whether a Participant has suffered a Disability will be made by the Committee and may be supported by the advice of a physician competent in the area to which that Disability relates.

**2.17 “Effective Date”** is defined in Section 6.

**2.18 “Employee”** means an employee or prospective employee of the Company, a Subsidiary or an Affiliate.

**2.19 “Employment”** means, except as otherwise required by Section 409A of the Code, employment with the Company or any Affiliate or Subsidiary, and shall include the provision of services as an Outside Director or Consultant for the Company or any Affiliate or Subsidiary. A Participant’s Employment shall terminate on the date the Participant is no longer employed by an entity that is at least one of (i) the Company, (ii) an Affiliate or (iii) a Subsidiary as of such date. **“Employed”** shall have a correlative meaning.

**2.20 “Exchange Act”** means the Securities and Exchange Act of 1934, as amended from time to time.

**2.21 “Exercise Price”** means the purchase price payable to purchase one Share upon the exercise of an Option or the price by which the value of a SAR shall be determined upon exercise, pursuant to Section 2.34.

**2.22 “Fair Market Value”** with respect to the Common Stock, as of any given date, unless otherwise determined by the Committee in good faith, means the reported closing sale price of a share of Common Stock on the automated quotation system or other market or exchange that is the principal trading market for the Common Stock, or if no sale of a share of Common Stock is so reported on that date, the fair market value of a share of Common Stock as determined by the Committee in good faith.

**2.23 “Immediate Family”** means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and includes adoptive relationships.

**2.24 “Incentive Stock Option”** means an option to purchase Common Stock from the Company that is granted under Section 8 of the Plan and that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto. To the extent the aggregate Fair Market Value (determined at the time the Incentive Stock Option is granted) of the Common Stock with respect to which all Incentive Stock Options are exercisable for the first time by an Employee during any calendar year (under all plans described in subsection (d) of Section 422 of the Code of the Employee’s employer corporation and its parent and Subsidiaries) exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options.

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**2.25 “Non-Qualified Stock Option”** shall mean an option to purchase Common Stock from the Company that is granted under Section 8 or 23 of the Plan and is not intended to be an Incentive Stock Option.

**2.26 “Option”** means an Incentive Stock Option or a Non-Qualified Stock Option.

**2.27 “Outside Director”** means a member of the Board who is not an officer or employee of the Company or any Subsidiary or Affiliate of the Company.

**2.28 “Outside Director Award”** means either a Director Option or a Director Stock Award or combination thereof awarded to an Outside Director under Section 23.

**2.29 “Participant”** means any individual to whom an Award has been granted by the Committee under this Plan.

**2.30 “Qualified Performance-Based Award”** means (i) any Option or SAR granted under the Plan, or (ii) any other Award that is intended to qualify for the Section 162(m) Exemption and is made subject to performance goals based on Qualified Performance Measures as set forth in Section 12.

**2.31 “Qualified Performance Measures”** means one or more of the performance measures listed in Section 12.2 upon which performance goals for certain Qualified Performance-Based Awards may be established by the Committee.

**2.32 “Qualifying Termination”** means, with respect to a Participant, a termination of such Participant’s Employment by the Company (and all then-Affiliates or Subsidiaries) without Cause following a Change in Control of the Company. It is understood that a Participant shall not have a Qualifying Termination by virtue of ceasing to be Employed by an entity or its subsidiaries undergoing a Change in Control where, following such Change in Control, the Participant remains employed by an entity that is at least one of (i) the Company or (ii) any entity that was an Affiliate or Subsidiary undergoing a Change in Control immediately prior to such Change in Control. Notwithstanding the foregoing, payments on account of a Participant’s Qualifying Termination that constitute “deferred compensation” within the meaning of Section 409A of the Code shall not commence unless and until the Participant has also incurred a “separation from service” within the meaning of Code Section 409A.

**2.33 “Restricted Share Unit”** means a bookkeeping entry used by the Company to record and account for the grant of an Award of restricted Common Stocks under Section 10 of the Plan until the Award is paid, canceled, forfeited or terminated, as the case may be.

**2.34 “SAR”** is an Award that shall entitle the recipient to receive, with respect to each share of Common Stock encompassed by the exercise of the SAR, a payment equal to the excess of the Fair Market Value on the date of exercise over the Fair Market Value on the date of grant.

**2.35 “Section 162(m)”** means Section 162(m) of the Code and the regulations promulgated thereunder and any successor provision thereto as in effect from time to time.

**2.36 “Section 162(m) Cash Maximum”** means \$5 million.

**2.37 “Section 162(m) Exemption”** means the exemption from the limitation on deductibility imposed by Section 162(m) that is set forth in Section 162(m)(4)(C) of the Code or any successor provision thereto.

**2.38 “Section 16”** means Section 16 of the Exchange Act and the rules promulgated thereunder and any successor provision thereto as in effect from time to time.

**2.39 “Section 16 Insider”** means a Participant who is subject to the reporting requirements of Section 16 as a result of the Participant’s position with the Company.

**2.40 “Stock Award”** means an Award granted pursuant to Section 10 in the form of shares of Common Stock or restricted shares of Common Stock.

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**2.41 “Subsidiary”** means a corporation or other business entity in which the Company directly or indirectly has an ownership interest of 50% or more.

**3. ADMINISTRATION.**

The Plan shall be administered by the Committee. The Committee shall have the discretionary authority to: (a) interpret the Plan; (b) establish any rules and regulations it deems necessary for the proper operation and administration of the Plan; (c) select persons to become Participants and receive Awards under the Plan; (d) determine the form of an Award, whether an Option, SAR, Stock Award, cash bonus, or other incentive award established by the Committee, the number of shares subject to the Award, all the terms, conditions, restrictions and limitations, if any, of an Award, including the time and conditions of exercise or vesting, and the terms of any Award Notice; (e) determine whether Awards should be granted singly, in combination or in tandem; (f) grant waivers of Plan terms, conditions, restrictions and limitations; (g) accelerate the vesting, exercise or payment of an Award or the performance period of an Award in the event of a Participant’s termination of employment or when that action or actions would be in the best interests of the Company; (h) establish such other types of Awards, besides those specifically enumerated in Section 2.3, which the Committee determines are consistent with the Plan’s purpose; and (i) take all other action it deems necessary or advisable for the proper operation or administration of the Plan. Subject to Section 20, the Committee also shall have the authority to grant Awards in replacement of Awards previously granted under the Plan or any other executive compensation plan of the Company or a Subsidiary. All determinations of the Committee shall be made by a majority of its members, and its determinations shall be final, binding and conclusive on all persons, including the Company and Participants. The Committee, in its discretion, may delegate its authority and duties under the Plan to the Chief Executive Officer or to other senior officers of the Company under conditions and limitations the Committee may establish; however, only the Committee may select, grant, and establish the terms of Awards to Section 16 Insiders or Covered Employees, and only the Board shall have the authority to grant and establish the terms of awards under Section 23.

**4. ELIGIBILITY.**

Any Employee, Director or Consultant shall be eligible to be designated a Participant; provided, however, that Non-Employee Directors shall only be eligible to receive Awards granted consistent with Section 23.

**5. NUMBER OF SHARES AVAILABLE.**

Subject to adjustment as provided in Section 16 of the Plan, the maximum number of shares of Common Stock that shall be available for grant of Awards under the Plan (including incentive stock options) during its term shall not exceed 3,962,459 shares. Any shares of Common Stock related to Awards that are settled in cash in lieu of Common Stock shall be available again for grant under the Plan. Similarly, any shares of Common Stock related to Awards that terminate by expiration, forfeiture, cancellation or otherwise without the issuance of the related shares or are exchanged with the Committee’s permission for Awards not involving Common Stock, shall be available again for grant under the Plan. Any shares of Common Stock related to Awards that are cancelled on settlement of options or SARs in payment of the exercise price thereof and shares of Common Stock withheld to pay taxes shall not be available again for grant under the Plan. Finally, and notwithstanding the foregoing and subject to adjustment as provided in Section 16 of the Plan, the maximum number of shares of Common Stock with respect to which Awards may be granted under the Plan shall be increased by the number of shares of Common Stock with respect to which options or other awards were granted under either the Company’s 1998 Stock Option Plan (the “1998 Plan”) or the Directors Stock Option Plan (the “Directors Plan”) as of the record date for the meeting of stockholders to approve this Plan, but which thereafter terminate, expire unexercised or are settled for cash, forfeited or cancelled without the delivery of Common Stock under the terms of the 1998 Plan or the Directors Plan (but excluding shares of Common Stock cancelled on settlement of options or SARs in payment of the exercise price thereof or shares of Common Stock withheld to pay taxes); and any such shares shall again be available for grant as Awards under this Plan. Notwithstanding any provision in the Plan to the contrary, and subject to adjustment as provided in Section 16 hereof, no Participant may receive Options, SARs, Stock Awards or Restricted Share Units under the Plan during any one calendar year under the Plan that, taken together, relate to more than 500,000 shares of Common Stock. For purposes of this limitation, forfeited, canceled or repriced shares granted to a Participant in any given calendar year shall continue to be counted against the maximum number of shares that may be granted to that Participant in that calendar year. The shares of Common Stock available for issuance under the Plan may be authorized and unissued

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shares. With the exception of Qualified Performance-Based Awards, which are subject to a minimum one-year vesting period, effective for Awards issued on or after the Effective Date, no more than 5% of the total number of shares authorized for delivery under the Plan may be granted as SARs, Stock Awards or Restricted Share Units which vest within one year after the date of grant. With respect to such Awards in excess of 5% of the Shares authorized for delivery under the Plan, the vesting period must exceed one year, with no more than one-third of the shares becoming vested at the end of each of the twelve-month periods following the date of grant.

## **6. EFFECTIVE DATE; TERM.**

The Plan originally became effective January 2008, and was most recently amended by the Committee and the Board effective April 23, 2015 (the "Effective Date"). This Plan shall remain in effect until terminated by action of the Board.

## **7. PARTICIPATION.**

The Committee shall select, from time to time, Participants from those Employees and Consultants who, in the opinion of the Committee, can further the Plan's purposes. Once a Participant is selected, the Committee shall determine the type or types of Awards to be made to the Participant and shall establish in the related Award Notices the terms, conditions, restrictions and limitations, if any, applicable to the Awards in addition to those set forth in the Plan and the administrative rules and regulations issued by the Committee.

## **8. STOCK OPTIONS.**

**8.1 Grants.** Awards may be granted in the form of Options. Options may be Incentive Stock Options, other tax-qualified stock options, or Non-Qualified Stock Options, or a combination of any of those.

**8.2 Terms and Conditions of Options.** An Option shall be exercisable in whole or in such installments and at the times determined by the Committee. The Committee also shall determine the performance or other conditions, if any, which must be satisfied before all or part of an Option may be exercised. The price at which Common Stock may be purchased upon exercise of a stock option shall be established by the Committee, but such price shall not be less than 110% of the Fair Market Value of the Common Stock on the date the Option is granted in the case of Incentive Stock Options when the Employee to whom the option is to be granted owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its Subsidiaries (a "Ten Percent Owner"), and in the case of all Options other than Incentive Stock Options, not less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted. Each Option shall expire not later than 10 years (or, in the case of an Incentive Stock Option granted to a Ten Percent Owner, not later than 5 years) from its date of grant.

**8.3 Restrictions Relating to Incentive Stock Options.** Incentive Stock Options shall, in addition to being subject to all applicable terms, conditions, restrictions and limitations established by the Committee, comply with Section 422 of the Code. Accordingly, Incentive Stock Options may only be granted to Employees who are employees of the Company or a Subsidiary, and the aggregate market value (determined at the time the option was granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under the Plan or any other plan of the Company or any of its Subsidiaries) shall not exceed \$100,000 (or other limit required by the Code). Except with respect to Ten Percent Owners, each Incentive Stock Option shall expire not later than 10 years from its date of grant.

**8.4 Additional Terms and Conditions.** The Committee may, by way of the Award Notice or otherwise, establish other terms, conditions, restrictions and limitations, if any, on any Option, provided they are not inconsistent with the Plan.

**8.5 Exercise.** The Committee shall determine the methods by which the Exercise Price of an Option may be paid, the form of payment, including, without limitation, cash, shares of Common Stock, or other property (including "cashless exercise" arrangements, so long as they do not in any way conflict with the requirements of applicable law), and the methods by which shares of Common Stock shall be delivered or deemed to be delivered by Participants. If, however, shares of Common Stock are used to pay the Exercise Price of an Option, those shares must have been held by the Participant for at least 6 months (or any shorter or longer period necessary to avoid a charge to the Company's earnings for financial reporting purposes).



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## 9. *STOCK APPRECIATION RIGHTS.*

**9.1 Grants.** Awards may be granted in the form of SARs. The SAR may be granted in tandem with all or a portion of a related Option under the Plan (“Tandem SARs”), or may be granted separately (“Freestanding SARs”). A Tandem SAR may be granted either at the time of the grant of the related Option or at any time thereafter during the term of the Option. In the case of SARs granted in tandem with Options granted prior to the grant of the SARs, the appreciation in value is the difference between the option price of the related stock option and the Fair Market Value of the Common Stock on the date of exercise.

**9.2 Terms and Conditions of Tandem SARs.** A Tandem SAR shall be exercisable to the extent, and only to the extent, that the related Option is exercisable, and the “exercise price” of that SAR (the base from which the value of the SAR is measured at its exercise) shall be the Exercise Price under the related Option. If a related Option is exercised as to some or all of the shares of Common Stock covered by the Award, the related Tandem SAR, if any, shall be canceled automatically to the extent of the number of shares of Common Stock covered by the Option exercise. Upon exercise of a Tandem SAR as to some or all of the shares of Common Stock covered by the Award, the related Option shall be canceled automatically to the extent of the number of shares of Common Stock covered by the exercise.

**9.3 Terms and Conditions of Freestanding SARs.** Freestanding SARs shall be exercisable in whole or in the installments and at the times determined by the Committee. Freestanding SARs shall have a term specified by the Committee, in no event to exceed 10 years. The Exercise Price of a Freestanding SAR shall also be determined by the Committee; however, that price shall not be less than 100% of the Fair Market Value on the date of grant of the Freestanding SAR of the number of shares of Common Stock to which the Freestanding SAR relates. The Committee also shall determine the Qualified Performance Measures or other conditions, if any, that must be satisfied before all or part of a Freestanding SAR may be exercised.

**9.4 Deemed Exercise.** The Committee may provide that an SAR shall be deemed to be exercised at the close of business on the scheduled expiration date of the affected SAR if at that time the SAR by its terms remains exercisable and, if so exercised, would result in a payment to the holder of the SAR.

**9.5 Additional Terms and Conditions.** The Committee may, by way of the Award Notice or otherwise, determine such other terms, conditions, restrictions and limitations, if any, of any SAR Award, provided they are not inconsistent with the Plan.

## 10. *STOCK AWARDS AND RESTRICTED SHARE UNITS.*

**10.1 Grants.** Awards may be granted in the form of Stock Awards and Restricted Share Units. Stock Awards and Restricted Share Units shall be awarded in such numbers and at such times during the term of the Plan as the Committee shall determine. Stock Awards shall be made in actual shares of Common Stock.

**10.2 Award Restrictions.** Stock Awards and Restricted Share Units shall be subject to terms, conditions, restrictions, and limitations, if any, the Committee deems appropriate including, without limitation, restrictions on transferability and continued Employment of the Participant. The Committee also shall determine the Qualified Performance Measures or other conditions, if any, that must be satisfied before all or part of the applicable restrictions lapse. The Committee may, at its discretion, waive all or any part of the restrictions applicable to any or all outstanding Stock Awards and Restricted Share Unit Awards.

**10.3 Rights as Stockholder.** During the period in which any restricted shares of Common Stock are subject to restrictions imposed pursuant to Section 10.2, the Participant to whom restricted shares have been awarded shall generally have the rights and privileges of a stockholder as to such Common Stock, including the right to receive dividends and the right to vote such shares, subject to the following restrictions: (i) the Participant shall not be entitled to delivery of the stock certificate until the expiration of the restricted period and the fulfillment of any other restrictive conditions set forth in the Award Notice with respect to such Common Stock; (ii) none of the

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Common Stock represented by the Award may be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of during such restricted period or until after the fulfillment of any such other restrictive conditions; and (iii) except as otherwise determined by the Committee at or after grant, all of the shares of Common Stock subject to the Award shall be forfeited and all rights of the Participant to such Common Stock shall terminate, without further obligation on the part of the Company, unless the Participant remains in the continuous Employment of the Company for the entire restricted period in relation to which such shares of Common Stock were granted and unless any other restrictive conditions relating to the restricted Share Award are met. Unless otherwise provided in the applicable Award Notice, any shares of Common Stock, any other securities of the Company and any other property (except for cash dividends) distributed with respect to the Common Stock subject to restricted Share Awards shall be subject to the same restrictions, terms and conditions as such restricted Share Award including the right vote such Common Stock. Cash dividends with respect to the Common Stock subject to a restricted Share Award shall be currently paid to the Participant.

**10.4 Evidence of Award.** Subject to Section 10.5, any Stock Award granted under the Plan shall be evidenced by issuance of a stock certificate or certificates or, in the discretion of the Committee, through issuance of instructions to the Company's transfer agent to issue the shares of Common Stock subject to the Award in book-entry (uncertificated) form on the books and records of the transfer agent through the Direct Registration System ("DRS") or any successor system. Any Restricted Share Unit shall be evidenced by an Award Notice that sets forth any other terms, conditions, restrictions and limitations, if any, established by the Committee with respect to any Restricted Share Unit Award that are consistent with the terms of the Plan.

**10.5 Delivery of Shares and Transfer Restrictions.** Upon issuance of a certificate evidencing a restricted Share Award, such certificate shall be held by the Company or any custodian appointed by the Company for the account of the Participant subject to the terms and conditions of the Plan, and shall bear such a legend setting forth the restrictions imposed thereon as the Committee, in its discretion, may determine. Unless otherwise provided in the applicable Award Notice, the grantee shall have all rights of a stockholder with respect to the Restricted Shares Upon the issuance of a restricted Share Award in book entry form, the Company's transfer agent shall be apprised of and shall duly note any restrictions such as those set forth above that are applicable to the restricted Share Award.

**10.6 Termination of Restrictions.** At the end of the restricted period and provided that any other restrictive conditions of the restricted Share Award are met, or at such earlier time as otherwise determined by the Committee, all restrictions set forth in the Award Notice relating to the restricted Share Award or in the Plan shall lapse as to the restricted shares of Common Stock subject thereto, and either: (i) a stock certificate for the appropriate number of shares of Common Stock, free of the restrictions and restricted stock legend, shall be delivered to the Participant or the Participant's beneficiary or estate, as the case may be; or (ii) in the event the Share Award was evidenced in book entry form, the Company's transfer agent shall be notified of the lapse and or termination of the restrictions and to remove all references thereto in its books and records.

**10.7 Payment of Restricted Share Units.** Each Restricted Share Unit shall have a value equal to the Fair Market Value of a share of Common Stock. Restricted Share Units shall be paid in cash, Shares, other securities or other property, as determined in the sole discretion of the Committee, upon the lapse of the restrictions applicable thereto, or otherwise in accordance with the applicable Award Notice. Unless otherwise provided in the applicable Award Notice, a Participant shall receive dividend rights in respect of any vested Restricted Share Units at the time of any payment of dividends to stockholders on the Common Stock. The amount of any such dividend right shall equal the amount that would be payable to the Participant as a stockholder in respect of a number of shares of Common Stock equal to the number of vested Restricted Share Units then credited to the Participant. Other than pursuant to Section 15 (but no transfers for consideration shall be permitted), Restricted Share Units may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of, and all Restricted Share Units and all rights of the grantee to such Restricted Share Units shall terminate, without further obligation on the part of the Company, unless the Participant remains in continuous Employment of the Company for the entire restricted period in relation to which such Restricted Share Units were granted and unless any other restrictive conditions relating to the Restricted Share Unit Award are met.

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## 11. *PLAN CASH BONUSES.*

While cash bonuses may be granted at any time outside this Plan, cash awards may also be granted in addition to other Awards granted under the Plan and in addition to cash awards made outside of the Plan. Subject to the provisions of the Plan, the Committee shall have authority to determine the persons to whom cash bonuses under the Plan shall be granted and the amount, terms and conditions of those cash bonuses. Notwithstanding anything to the contrary in this Plan, no Covered Employee shall be eligible to receive a cash bonus granted under the Plan in excess of the Section 162(m) Cash Maximum in any fiscal year; no cash bonus shall be granted pursuant to this Plan to any Covered Employee unless the cash bonus constitutes a Qualified Performance-Based Award, and no cash bonus awarded pursuant to the Plan shall be paid later than 2 ½ months after the end of the calendar year in which such bonus was earned.

## 12. *PERFORMANCE GOALS FOR CERTAIN SECTION 162(m) AWARDS.*

**12.1 162(m) Exemption.** This Plan shall be operated to ensure that all stock options and SARs granted hereunder to any Covered Employee qualify for the Section 162(m) Exemption.

**12.2 Qualified Performance-Based Awards.** When granting any Award other than stock options or SARs, the Committee may designate the Award as a Qualified Performance-Based Award, based upon a determination that the recipient is or may be a Covered Employee with respect to that Award, and the Committee wishes the Award to qualify for the Section 162(m) Exemption. If an Award is so designated, the Committee shall establish performance goals for the Award within the time period prescribed by Section 162(m) of the Code based on one or more of the following Qualified Performance Measures, which may be expressed in terms of Company-wide objectives or in terms of objectives that relate to the performance of a Subsidiary or a division, region, department or function within the Company or a Subsidiary:

- (1) return on capital, equity, or assets (including economic value created),
- (2) productivity or operating efficiencies,
- (3) cost improvements,
- (4) cash flow,
- (5) sales revenue growth,
- (6) net income, earnings per share, or earnings from operations,
- (7) quality,
- (8) customer satisfaction,
- (9) comparable store sales,
- (10) stock price or total stockholder return,
- (11) EBITDA or EBITDAR,
- (12) after tax operating income,
- (13) book value per Share,
- (14) debt reduction,
- (15) strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, business expansion goals and goals relating to acquisitions or divestitures, or
- (16) any combination of the foregoing.

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Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company or any Subsidiary, operating unit, business segment or division of the Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, stockholders' equity and/or Common Stock outstanding, or to assets or net assets. The Committee may appropriately adjust any evaluation of performance under criteria set forth in this Section 12.2 to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) with respect to fiscal years beginning prior to December 16, 2015, "extraordinary items" described in Accounting Principles Board Opinion No. 30, and/or with respect to fiscal years beginning after December 15, 2015, events of an "unusual nature" and/or of a type that indicate "infrequency of occurrence," as defined in FASB Accounting Standards Update 2015 – 01, and appearing in the Company's financial statements or notes thereto appearing in the Company's Annual Report on Form 10-K, and/or in management's discussion and analysis of financial performance appearing in such Annual Report. Measurement of the Company's performance against the goals established by the Committee shall be objectively determinable, and to the extent goals are expressed in standard accounting terms, performance shall be measured according to generally accepted accounting principles as in existence on the date on which the performance goals are established and without regard to any changes in those principles after that date.

**12.3 Performance Goal Conditions.** Each Qualified Performance-Based Award (other than an Option or SAR) shall be earned, vested and payable (as applicable) only upon the achievement of performance goals established by the Committee based upon one or more of the Qualified Performance Measures, together with the satisfaction of any other conditions, such as continued Employment, the Committee may determine to be appropriate; however, (i) the Committee may provide, either in connection with the grant of an Award or by later amendment, that achievement of the performance goals will be waived upon the death or Disability of the Participant, and (ii) the provisions of Section 22 shall apply notwithstanding this sentence.

**12.4 Certification of Goal Achievement.** Any payment of a Qualified Performance-Based Award granted with performance goals shall be conditioned on the written certification of the Committee in each case that the performance goals and any other material conditions were satisfied. Except as specifically provided in Section 12.3, no Qualified Performance-Based Award may be amended, nor may the Committee exercise any discretionary authority it may otherwise have under the Plan with respect to a Qualified Performance-Based Award, in any manner to waive the achievement of the applicable performance goal based on Qualified Performance Measures or to increase the amount payable under, or the value of, the Award, or otherwise in a manner that would cause the Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption.

### **13. PAYMENT OF AWARDS.**

At the discretion of the Committee, payment of Awards may be made in cash, Common Stock, a combination of cash and Common Stock, or any other form of property the Committee shall determine. In addition, payment of Awards may include terms, conditions, restrictions and limitations, if any, the Committee deems appropriate, including, in the case of Awards paid in the form of Common Stock, restrictions on transfer and forfeiture provisions.

### **14. TERMINATION OF EMPLOYMENT.**

Except as provided in Section 22, if a Participant's Employment with the Company or a Subsidiary or Affiliate terminates for Cause or for a reason other than death, Disability, retirement, or any other approved reason, then, to the maximum extent allowed by applicable law, all unexercised, unvested, unearned, and unpaid Awards, including without limitation, Awards earned but not yet paid, shall be canceled or forfeited, as the case may be, unless the Participant's Award Notice provides otherwise. The Committee shall have the authority to promulgate rules and regulations to (i) determine what events constitute Disability, retirement or termination for an approved reason for purposes of the Plan, and (ii) determine the treatment of a Participant under the Plan in the event of a Participant's death, Disability, retirement or termination for an approved reason.

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**15. NO ASSIGNMENT.**

No Awards (other than unrestricted Stock Awards) or any other payment under the Plan shall be subject in any manner to alienation, anticipation, sale, transfer (except by will or the laws of descent and distribution), assignment, pledge, or encumbrance; however, the Committee may (but need not) permit other transfers where the Committee concludes that transferability (i) does not result in accelerated taxation, (ii) does not cause any option intended to be an incentive stock option to fail to be described in Code Section 422(b), and (iii) is otherwise appropriate and desirable, taking into account any state or federal securities laws applicable to transferable Awards. During the lifetime of the Participant no Award shall be payable to or exercisable by anyone other than the Participant to whom it was granted, other than (a) the duly appointed conservator or other lawfully designated representative of the Participant in the case of a permanent Disability involving a mental incapacity or (b) the transferee in the case of an Award transferred in accordance with the preceding sentence.

**16. CAPITAL ADJUSTMENTS.**

The number and price of shares of Common Stock covered by each Award and Outside Director Award and the total number of shares of Common Stock that may be awarded under the Plan shall be proportionately adjusted to reflect any stock dividend, stock split or share combination of the Common Stock or any recapitalization of the Company. In the event of any merger, consolidation, reorganization, liquidation or dissolution of the Company, or any exchange of shares involving the Common Stock, any Award or Outside Director Award granted under the Plan shall automatically be deemed to pertain to the securities and other property to which a holder of the number of shares of Common Stock covered by the Award or Outside Director Award would have been entitled to receive in connection with any such event. The Committee shall have the sole discretion to make all interpretations and determinations required under this section to the extent it deems equitable and appropriate. It is the intent of any such adjustment that the value of the Awards or Outside Director Awards held by the Participants or Outside Directors, as the case may be, immediately following the change is the same as that value immediately prior to the change.

**17. WITHHOLDING TAXES.**

The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of this Plan. With respect to withholding required upon any taxable event, the Company may elect in its discretion, and Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by withholding or having the Company withhold shares of Common Stock having a Fair Market Value on the date the tax is to be determined equal to (and shall not exceed) the minimum statutory total tax which could be imposed on the transaction. All elections by Participants shall be irrevocable, made in writing, and signed by the Participant.

**18. REGULATORY APPROVALS AND LISTINGS.**

Notwithstanding anything contained in the Plan to the contrary, the Company shall have no obligation to issue or deliver certificates of Common Stock evidencing Stock Awards or any other Award resulting in the payment of shares of Common Stock prior to (a) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (b) the admission of the shares to quotation or listing on the automated quotation system or stock exchange on which the Common Stock may be listed, and (c) the completion of any registration or other qualification of the shares under any State or Federal law or ruling of any governmental body that the Company shall, in its sole discretion, determine to be necessary or advisable.

**19. PLAN AMENDMENT.**

Except as provided in Section 22, the Board or the Committee may, at any time and from time to time, suspend, amend, modify, or terminate the Plan without stockholder approval; however, if an amendment to the Plan would, in the reasonable opinion of the Board or the Committee, either (i) result in repricing stock options or otherwise increase the benefits accruing to Participants or Outside Directors, (ii) increase the number of shares of Common

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Stock issuable under the Plan, or (iii) modify the requirements for eligibility, then that amendment shall be subject to stockholder approval; and, the Board or Committee may condition any amendment or modification on the approval of stockholders of the Company if that approval is necessary or deemed advisable to (i) permit Awards to be exempt from liability under Section 16(b), (ii) to comply with the listing or other requirements of an automated quotation system or stock exchange, or (iii) to satisfy any other tax, securities or other applicable laws, policies or regulations.

## **20. AWARD AMENDMENTS.**

Except as provided in Section 22, the Committee may amend, modify or terminate any outstanding Award or Outside Director Award without approval of the Participant or Outside Director, as applicable; however:

- a. subject to the terms of the applicable Award Notice, an amendment, modification or termination shall not, without the Participant's or Outside Director's consent, as applicable, reduce or diminish the value of the Award or Outside Director Award determined as if the Award or Outside Director Award had been exercised, vested, cashed in (at the spread value in the case of stock options or SARs) or otherwise settled on the date of that amendment or termination;
- b. the original term of any stock option or SAR may not be extended without the prior approval of the stockholders of the Company;
- c. except as otherwise provided in Section 16 of the Plan, the exercise price of any outstanding stock option or SAR may not be reduced, directly or indirectly, and outstanding stock options or SARs may not be cancelled in exchange for cash or replaced by other awards or stock options or SARs with an exercise price that is less than the exercise price of the cancelled stock options or SARs, without the prior approval of the stockholders of the Company; and
- d. no termination, amendment, or modification of the Plan shall adversely affect any Award or Outside Director Awards previously granted under the Plan, without the written consent of the affected Participant or Outside Director.

## **21. GOVERNING LAW.**

This Plan shall be governed by and construed in accordance with the laws of the State of Delaware, except as superseded by applicable Federal law.

## **22. CHANGE IN CONTROL.**

Subject to the limitations set forth in this Section 22, (i) with respect to Awards granted on or after the Effective Date, in the event (A) a Participant has a Qualifying Termination within one year following a Change in Control of the Company, or (B) a Change in Control occurs in which outstanding Awards are not assumed or honored by the successor entity or corporation or replaced with an Alternative Award (as defined below), and (ii) with respect to Awards granted prior to the Effective Date, in connection with a Change in Control, if and to the extent determined by the Committee or the Board at or after the affected award or grant and subject to any right of approval expressly reserved by the Committee or the Board at the time of the determination, the following provisions shall apply to any Award which has not previously terminated or expired:

- a. any SAR and any stock option or Outside Director Award awarded under this Plan that is not previously vested and exercisable shall become fully vested and exercisable;
- b. the restrictions applicable to any Award which are not already vested under the Plan shall lapse, and those existing shares and awards shall be deemed fully vested;
- c. unless otherwise determined by the Board or by the Committee in its sole discretion prior to any Change in Control, the value of all vested outstanding stock options, SARs, Outside Director Awards and other Awards, shall be cashed out on the basis of the Change in Control Price as of the date the Change in Control is determined to have occurred (or other date determined by the Board or Committee prior to the Change in Control); and
- d. the Board or the Committee may impose additional conditions on the acceleration or valuation of any Award in any applicable Award Notice.

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To qualify as an “Alternative Award,” the Committee must determine that the existing Awards are to be assumed, honored or new rights substituted by the successor corporation or entity and further must:

- a. be based on shares of common stock that are traded on an established U.S. securities market or another public market;
- b. provide the Participant (or each Participant in a class of Participants) with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under such Award, including, but not limited to, an identical or better exercise or vesting schedule and identical or better timing and methods of payment;
- c. have substantially equivalent economic value to such Award;
- d. contain terms and conditions which provide that in the event that the Participant’s employment is terminated for death or Disability or is terminated without Cause within 90 days following a Change of Control, any conditions on the Participant’s rights under, or any restrictions on transfer, vesting or exercisability applicable to, each such Award shall lapse; and
- e. be on terms and conditions that do not result in adverse tax consequences to the Participant under Section 409A of the Code.

### **23. AWARDS TO OUTSIDE DIRECTORS.**

**23.1** The independent members of the Board may provide that all or a portion of an Outside Director’s annual retainer, meeting fees and/or other awards or compensation as determined by such independent members of the Board, be payable (either automatically or at the election of an Outside Director) in the form of Non-Qualified Stock Options, Restricted Shares, Restricted Share Units and/or Other Stock-Based Awards, including unrestricted Shares. The Board shall determine the terms and conditions of any such Awards, including the terms and conditions which shall apply upon a termination of the Non-Employee Director’s service as a member of the Board, and shall have full power and authority in its discretion to administer such Awards, subject to the terms of the Plan and applicable law.

**23.2** The Board may also grant Awards to Outside Directors pursuant to the terms of the Plan, including any Award described in Sections 8, 9 and 10 above. With respect to such Awards, all references in the Plan to the Committee shall be deemed to be references to the independent members of the Board.

### **24. NO RIGHT TO EMPLOYMENT OR PARTICIPATION.**

The grant of an Award under this Plan shall not confer any rights upon the Participant holding such Award other than such terms, and subject to such conditions, as are specified in this Plan as being applicable to such type of Award (or to all Awards) or as are expressly set forth in the Award Notice or other document evidencing such Award. Participation in the Plan shall not give any Participant any right to remain in the employ, or to serve as a director, of the Company or any Subsidiary or Affiliate of the Company or, in the case of employment with a Subsidiary or Affiliate, the Subsidiary or Affiliate reserves the right to terminate the employment of any Participant at any time. Further, the adoption of this Plan shall not be deemed to give any Employee or any other individual any right to be selected as a Participant or to be granted an Award.

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**25. NO RIGHT, TITLE OR INTEREST IN COMPANY ASSETS.**

The Plan is intended to constitute an “unfunded” plan for incentive compensation. No Participant shall have any rights as a stockholder as a result of participation in the Plan until the date of issuance of a stock certificate in the Participant’s name, and, in the case of restricted shares of Common Stock, such rights are granted to the Participant under Section 10.3 hereof. To the extent any person acquires a right to receive payments from the Company under the Plan, those rights shall be no greater than the rights of an unsecured creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or to make payments in lieu of, or with respect to, Plan awards. However, unless the Committee determines otherwise with the express consent of the affected Participant, the existence of any such trusts or other arrangements is consistent with this “unfunded” status of the Plan.

**26. SECURITIES LAWS.**

With respect to Section 16 Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails so to comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

**27. REQUIRED WRITTEN REPRESENTATIONS.**

The Committee may require each person purchasing shares pursuant to a stock option or other award under the Plan to represent to and agree with the Company in writing that the optionee or Participant is acquiring any shares of Common Stock without a view to their distribution. The certificates for shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. All certificates for shares of Common Stock or other securities delivered under the Plan shall be subject to stop transfer orders and other restrictions the Committee deems advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any certificates to make appropriate reference to the applicable restrictions. Each Participant is responsible for fully complying with all applicable state and federal securities laws and rules and the Company assumes no responsibility for compliance with any such laws or rules pertaining to a Participant’s resale of any shares of Common Stock acquired pursuant to this Plan.

**28. NON-EXCLUSIVE ARRANGEMENT.**

Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if required; and those arrangements may be either generally applicable or applicable only in specific cases.

**29. LIMITS ON LIABILITY AND INDEMNIFICATION.**

The members of the Committee and the Board shall not be liable to any employee or other person with respect to any determination made under the Plan in a manner that is not inconsistent with their legal obligations as members of the Board. In addition to all other rights of indemnification they may have as directors or as members of the Committee, the members of the Committee shall be indemnified by the Company against reasonable expenses, including attorneys’ fees actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party because of any action taken or failure to act under or in connection with the Plan or any Award granted under it, and against all amounts paid by them in settlement (provided the settlement is approved by independent legal counsel selected by the Company) or paid to them in satisfaction of a judgment in that action, suit or proceeding, except in relation to matters as to which it shall be adjudged in the action, suit or proceeding that the Committee member is liable for negligence or misconduct in the performance of his or her duties. Within 60 days after institution of any action, suit or proceeding covered by this Section 29, the Committee member must inform the Company in writing of the claim and offer the Company the opportunity, at its own expense, to handle and defend the matter.

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## **Section 3: EX-31.1 (EX-31.1)**

**Exhibit 31.1**

### **CERTIFICATION**

I, Paul B. Kusserow, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, of Amedisys, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;



4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2015

/s/ Paul B. Kusserow

**Paul B. Kusserow**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

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## Section 4: EX-31.2 (EX-31.2)

**Exhibit 31.2**

### CERTIFICATION

I, Ronald A. LaBorde, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, of Amedisys, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2015

/S/ Ronald A. LaBorde

**Ronald A. LaBorde**  
**Vice Chairman and Chief Financial Officer**  
**(Principal Financial Officer)**

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## Section 5: EX-32.1 (EX-32.1)

Exhibit 32.1

### **CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amedisys, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2015 (the "Report"), I, Paul B. Kusserow, President and Chief Executive Officer of the Company, hereby certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: April 29, 2015

/S/ Paul B. Kusserow

**Paul B. Kusserow**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

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## Section 6: EX-32.2 (EX-32.2)

Exhibit 32.2

### **CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amedisys, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2015 (the "Report"), I, Ronald A. LaBorde, Chief Financial Officer of the Company, hereby certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: April 29, 2015

/S/ Ronald A. LaBorde

**Ronald A. LaBorde**  
**Vice Chairman and Chief Financial Officer**  
**(Principal Financial Officer)**

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