AMEDISYS INC
Form 10-Q
July 29, 2015
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended June 30, 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)**

| **Delaware** | **11-3131700** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(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)**

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 x 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 x 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 x |
| 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 x

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, 33,665,873 shares outstanding as of July 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. 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)**

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 33,201 | $ 8,032 |
| Patient accounts receivable, net of allowance for doubtful accounts of $14,228, and $14,317 | 110,454 | 99,325 |
| Prepaid expenses | 7,568 | 8,493 |
| Other current assets | 17,147 | 19,708 |
| Total current assets | 168,370 | 135,558 |
| Property and equipment, net of accumulated depreciation of $149,801 and $146,438 | 66,953 | 137,455 |
| Goodwill | 205,587 | 205,587 |
| Intangible assets, net of accumulated amortization of $25,374 | 33,193 | 33,193 |
| Deferred income taxes | 140,485 | 124,788 |
| Other assets, net | 30,845 | 33,161 |
| Total assets | $ 645,433 | $ 669,742 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 21,911 | $ 16,056 |
| Payroll and employee benefits | 74,688 | 75,553 |
| Accrued expenses | 64,101 | 56,329 |
| Current portion of long-term obligations | 12,000 | 12,000 |
| Current portion of deferred income taxes | 3,329 | 2,385 |
| Total current liabilities | 176,029 | 162,323 |
| Long-term obligations, less current portion | 83,517 | 104,372 |
| Other long-term obligations | 5,837 | 5,285 |
| Total liabilities | 265,383 | 271,980 |

| | | |
|---|---|---|
| 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; 34,719,797, and 34,569,526 shares issued; and 33,665,873 and 33,594,572 shares outstanding | 35 | 35 |
| Additional paid-in capital | 490,474 | 481,762 |
| Treasury stock at cost, 1,053,924 and 974,954 shares of common stock | (22,026) | (19,860) |
| Accumulated other comprehensive income | 15 | 15 |
| Retained earnings | (89,157) | (64,785) |
| Total Amedisys, Inc. stockholders equity | 379,341 | 397,167 |
| Noncontrolling interests | 709 | 595 |
| Total equity | 380,050 | 397,762 |
| Total liabilities and equity | $ 645,433 | $ 669,742 |

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)**

| | For the Three-Month Periods Ended June 30, | | For the Six-Month Periods Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net service revenue | $ 314,152 | $ 305,006 | $ 615,724 | $ 603,745 |
| Cost of service, excluding depreciation and amortization | 175,699 | 172,520 | 346,660 | 349,527 |
| General and administrative expenses: | | | | |
| Salaries and benefits | 71,249 | 71,400 | 139,804 | 154,571 |
| Non-cash compensation | 2,193 | 1,069 | 4,577 | 1,500 |
| Other | 42,113 | 35,522 | 75,183 | 78,222 |
| Provision for doubtful accounts | 2,756 | 4,242 | 5,732 | 9,135 |
| Depreciation and amortization | 4,615 | 7,692 | 11,152 | 15,594 |
| Asset impairment charge | | | 75,193 | 2,208 |
| Operating expenses | 298,625 | 292,445 | 658,301 | 610,757 |
| Operating income (loss) | 15,527 | 12,561 | (42,577) | (7,012) |
| Other income (expense): | | | | |
| Interest income | 4 | 16 | 26 | 22 |
| Interest expense | (2,416) | (1,352) | (4,842) | (2,613) |
| Equity in earnings from equity investments | 4,826 | 885 | 6,777 | 1,671 |
| Miscellaneous, net | 498 | 243 | 2,632 | 434 |
| Total other income (expense), net | 2,912 | (208) | 4,593 | (486) |
| Income (loss) before income taxes | 18,439 | 12,353 | (37,984) | (7,498) |
| Income tax (expense) benefit | (7,566) | (4,743) | 14,025 | 2,875 |
| Income (loss) from continuing operations | 10,873 | 7,610 | (23,959) | (4,623) |
| Discontinued operations, net of tax | | 61 | | (216) |
| Net income (loss) | 10,873 | 7,671 | (23,959) | (4,839) |
| Net (income) loss attributable to noncontrolling interests | (236) | (52) | (413) | 41 |
| Net income (loss) attributable to Amedisys, Inc. | $ 10,637 | $ 7,619 | $ (24,372) | $ (4,798) |
| Basic earnings per common share: | | | | |
| Income (loss) from continuing operations attributable to Amedisys, Inc. common stockholders | $ 0.32 | $ 0.24 | $ (0.74) | $ (0.14) |

| | | | | |
|---|---|---|---|---|
| Discontinued operations, net of tax | | | | (0.01) |
| Net income (loss) attributable to Amedisys, Inc. common stockholders | $ 0.32 | $ 0.24 | $ (0.74) | $ (0.15) |
| Weighted average shares outstanding | 33,004 | 32,251 | 32,871 | 32,058 |
| Diluted earnings per common share: | | | | |
| Income (loss) from continuing operations attributable to Amedisys, Inc. common stockholders | $ 0.32 | $ 0.23 | $ (0.74) | $ (0.14) |
| Discontinued operations, net of tax | | | | (0.01) |
| Net income (loss) attributable to Amedisys, Inc. common stockholders | $ 0.32 | $ 0.23 | $ (0.74) | $ (0.15) |
| Weighted average shares outstanding | 33,459 | 32,594 | 32,871 | 32,058 |
| Amounts attributable to Amedisys, Inc. common stockholders: | | | | |
| Income (loss) from continuing operations | $ 10,637 | $ 7,558 | $ (24,372) | $ (4,582) |
| Discontinued operations, net of tax | | 61 | | (216) |
| Net income (loss) | $ 10,637 | $ 7,619 | $ (24,372) | $ (4,798) |

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)**

| | For the Six-Month Periods Ended June 30, | |
|---|---|---|
| | **2015** | **2014** |
| **Cash Flows from Operating Activities:** | | |
| Net loss | $ (23,959) | $ (4,839) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 11,152 | 15,634 |
| Provision for doubtful accounts | 5,732 | 9,210 |
| Non-cash compensation | 4,577 | 1,500 |
| 401(k) employer match | 3,454 | 3,048 |
| Loss on disposal of property and equipment | 530 | 2,688 |
| Gain on sale of care centers | | (2,967) |
| Deferred income taxes | (14,788) | (3,017) |
| Equity in earnings of equity investments | (6,777) | (1,671) |
| Amortization of deferred debt issuance costs | 553 | 283 |
| Return on equity investment | 4,638 | 700 |
| Asset impairment charge | 75,193 | 2,208 |
| Changes in operating assets and liabilities, net of impact of acquisitions: | | |
| Patient accounts receivable | (16,861) | (9,740) |
| Other current assets | 3,849 | (2,215) |
| Other assets | (1,160) | 1,200 |
| Accounts payable | 6,163 | 414 |
| U.S. Department of Justice settlement accrual | | (115,000) |
| Accrued expenses | 4,189 | 5,958 |
| Other long-term obligations | 552 | 1,135 |
| Net cash provided by (used in) operating activities | 57,037 | (95,471) |
| **Cash Flows from Investing Activities:** | | |
| Proceeds from sale of deferred compensation plan assets | 1,026 | 5 |
| Purchases of deferred compensation plan assets | (19) | (67) |
| Purchases of property and equipment | (16,668) | (9,068) |
| Purchase of investment | (1,161) | (2,495) |
| Proceeds from sale of investment | 5,000 | |
| Proceeds from dispositions of care centers | | 2,233 |
| Net cash used in investing activities | (11,822) | (9,392) |

| | | | | |
|---|---|---|---|---|
| **Cash Flows from Financing Activities:** | | | | |
| Proceeds from issuance of stock upon exercise of stock options and warrants | | 195 | | 88 |
| Proceeds from issuance of stock to employee stock purchase plan | | 1,059 | | 1,324 |
| Non-controlling interest distribution | | (300) | | |
| Proceeds from revolving line of credit | | 63,400 | | 200,800 |
| Repayments of revolving line of credit | | (78,400) | | (95,800) |
| Principal payments of long-term obligations | | (6,000) | | (7,627) |
| Net cash (used in) provided by financing activities | | (20,046) | | 98,785 |
| Net increase (decrease) in cash and cash equivalents | | 25,169 | | (6,078) |
| Cash and cash equivalents at beginning of period | | 8,032 | | 17,303 |
| Cash and cash equivalents at end of period | $ | 33,201 | $ | 11,225 |
| **Supplemental Disclosures of Cash Flow Information:** | | | | |
| Cash paid for interest | $ | 3,598 | $ | 2,974 |
| Cash paid for income taxes, net of refunds received | $ | (2,496) | $ | |
| **Supplemental Disclosures of Non-Cash Financing and Investing Activities:** | | | | |
| (Sale) acquisition of non-controlling interests | $ | | $ | (1,549) |

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-sta provider of home health and hospice services with approximately 80% of our revenue derived from Medicare for the three and six-month periods ended June 30, 2015, and approximately 82% of our revenue derived from Medicare for the three and six-month periods ended June 30, 2014. As of June 30, 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 $21.7 million as of June 30, 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, which was sold during the three-month period ended June 30, 2015, was $5.0 million as of 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 June 30, 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.

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**AMEDISYS, INC. AND SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

*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 June 30, 2015, and 2014, respectively, and 98% of our total Medicare hospice service revenue for the six months ended June 30, 2015, and 2014, respectively. We make adjustments to Medicare 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 31st. 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. During the three-month period ended June 30, 2015, we received cap letters for two of our providers that exceeded the cap for the 2013 cap year and paid $1.2 million to CMS. As of June 30, 2015 and December 31, 2014, we have recorded $1.6 million 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 66% and 69% of our net patient accounts receivable at June 30, 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 and six-month periods ended June 30, 2015, we recorded $1.1 million and $2.6 million, respectively, in estimated revenue adjustments to Medicare revenue as compared to $1.8 million and $3.0 million during the three and six-month periods ended June 30, 2014, respectively.

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.

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**AMEDISYS, INC. AND SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

*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 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):

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Land | $ 3.2 | $ 3.2 |
| Building and leasehold improvements | 25.4 | 25.3 |
| Equipment and furniture | 96.8 | 97.2 |
| Computer software | 91.4 | 158.2 |

| | | |
|---|---|---|
| | 216.8 | 283.9 |
| Less: accumulated depreciation | (149.8) | (146.4) |
| | $ 67.0 | $ 137.5 |

***Fair Value of Financial Instruments***

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

| Financial Instrument | Carrying Value as of June 30, 2015 | Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Items (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Long-term obligations | $ 95.5 | $ | $ 103.9 | $ |

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.

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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.

Our deferred compensation plan assets are recorded at fair value and are considered a level 2 measurement. 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.

***Weighted-Average Shares Outstanding***

Net income (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 income (loss) attributable to Amedisys, Inc. common stockholders (amounts in thousands):

| | For the Three-Month Periods Ended June 30, | | For the Six-Month Periods Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Weighted average number of shares outstanding - basic | 33,004 | 32,251 | 32,871 | 32,058 |
| Effect of dilutive securities: | | | | |
| Stock options | 1 | | | |
| Non-vested stock and stock units | 454 | 343 | | |
| Weighted average number of shares outstanding - diluted | 33,459 | 32,594 | 32,871 | 32,058 |
| Anti-dilutive securities | 514 | 192 | 957 | 649 |

***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. In July 2015, the FASB agreed to defer the effective date of the standard from January 1, 2017, to January 1, 2018, with an option that permits companies to adopt the standard as early as the original effective date. Early application prior to the original effective date is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. 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 June 30, 2015, we have $2.4 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.

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

| | For the Three-Month Periods Ended June 30, | | For the Six-Month Periods Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net revenues | $ | $ | $ | $ (0.3) |
| Income (loss) before income taxes | | 0.1 | | (0.4) |
| Income tax benefit | | | | 0.2 |
| Discontinued operations, net of tax | $ | $ 0.1 | $ | $ (0.2) |

**4. LONG-TERM OBLIGATIONS**

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

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| $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 (2.69% at June 30, 2015); due October 26, 2017 | $ 27.0 | $ 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 (2.69% at June 30, 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 June 30, 2015); due July 28, 2020 | 70.0 | 70.0 |
| Discount on Second Lien Loan | (1.5) | (1.6) |
| | 95.5 | 116.4 |
| Current portion of long-term obligations | (12.0) | (12.0) |
| Total | $ 83.5 | $ 104.4 |

Our weighted average interest rate for our five year $60.0 million Term Loan, under our existing senior secured Credit Agreement, was 2.7% and 2.9% for the three and six-month periods ended June 30, 2015, respectively, as compared to 3.4% for the three and six-month periods ended June 30, 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 4.8% and 3.7% for the three and six-month periods ended June 30, 2015, respectively, as compared to 3.5% for the three and six-month periods ended June 30, 2014. Our weighted average interest rate for our Second Lien Loan under the Second Lien Credit Agreement was 8.5% for the three and six-month periods ended June 30, 2015.

As of June 30, 2015, our total leverage ratio was 1.0, our senior secured leverage ratio was 0.4 and our fixed charge coverage ratio was 2.8 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 June 30, 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.

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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.

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. On March 30, 2015, the defendants filed a Petition for Writ of Certiorari (the Petition ) with the United States Supreme Court asking the Supreme Court to consider whether the Fifth Circuit erred in reversing the District Court s dismissal of the Securities Complaint. The Supreme Court denied the Petition on June 29, 2015, which did not affect the ongoing proceedings before the District Court, including the District Court s consideration of a motion filed on April 3, 2015, by the Co-Lead Plaintiffs for leave to amend the Securities Complaint. The defendants have filed a brief in opposition to the Plaintiffs motion for leave to amend the Securities Complaint, which motion remains pending. All discovery in the case is currently stayed pursuant to federal law. No assurances can be given about the timing or outcome of this matter.

*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 ( KWHA ) 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. 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 KWHA. On October 1, 2014,

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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 KWHA. The Company and the plaintiffs 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 to pursue that process, which was granted by the Court on February 24, 2015.

On June 10, 2015, the Company and plaintiffs participated in a mediation whereby they agreed to fully resolve all of plaintiffs claims in the lawsuit for $8.0 million, subject to approval by the Court. The settlement agreement will be submitted to the Court for preliminary approval and plaintiffs will request certification of Pennsylvania and Kentucky classes for the sole purpose of this proposed settlement. If the Court grants preliminary approval, notice will be issued to members of the settlement classes to provide them with an opportunity to object to the settlement and, in the case of members of the Pennsylvania and Kentucky classes, opt out of the settlement. Following this notice period, the Court will hold a final fairness hearing for the purpose of considering objections and deciding whether to grant final approval of the settlement. As of June 30, 2015, we have an accrual of $8.0 million for 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 Illinois wage and hour litigation described above. The Company intends to continue to vigorously defend itself in the securities and Illinois wage and hour litigation matters. No assurances can be given as to the timing or outcome of the securities and Illinois 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.

*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.

*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. The

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Office of Civil Rights, U.S. Department of Health and Human Services ( OCR ) is reviewing our compliance with applicable laws, as is typical for any data breach involving more than 500 individuals. We are cooperating with OCR in their review and if any other regulatory reviews are formally commenced, will cooperate with applicable regulatory authorities. In accordance with our CIA, we have notified the OIG of this matter.

*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.

*Subpoena Duces Tecum Issued by the U.S. Department of Justice*

On May 21, 2015, we received a Subpoena Duces Tecum ( Subpoena ) issued by the U.S. Department of Justice. The Subpoena requests the delivery of information regarding 53 identified hospice patients to the United States Attorney s Office for the District of Massachusetts. It also requests the delivery of documents relating to our hospice clinical and business operations and related compliance activities. The Subpoena generally covers the period from January 1, 2011, through the present. We are fully cooperating with the U.S. Department of Justice with respect to this investigation. No assurance can be given as to the timing or outcome of this investigation.

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 June 30, 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.

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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 June 30, 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.

**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).

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| | For the Three-Month Period Ended June 30, 2015 | | | |
|---|---|---|---|---|
| | Home Health | Hospice | Other | Total |
| Net service revenue | $ 247.8 | $ 66.3 | $ | $ 314.1 |
| Cost of service, excluding depreciation and amortization | 142.3 | 33.4 | | 175.7 |
| General and administrative expenses | 63.5 | 15.3 | 36.8 | 115.6 |
| Provision for doubtful accounts | 2.3 | 0.4 | | 2.7 |
| Depreciation and amortization | 1.3 | 0.3 | 3.0 | 4.6 |
| Operating expenses | 209.4 | 49.4 | 39.8 | 298.6 |
| Operating income (loss) | $ 38.4 | $ 16.9 | $ (39.8) | $ 15.5 |

| | For the Three-Month Period Ended June 30, 2014 | | | |
|---|---|---|---|---|
| | Home Health | Hospice | Other | Total |
| Net service revenue | $ 243.5 | $ 61.5 | $ | $ 305.0 |
| Cost of service, excluding depreciation and amortization | 139.3 | 33.2 | | 172.5 |
| General and administrative expenses | 67.2 | 14.1 | 26.7 | 108.0 |
| Provision for doubtful accounts | 3.7 | 0.5 | | 4.2 |
| Depreciation and amortization | 2.3 | 0.6 | 4.8 | 7.7 |
| Operating expenses | 212.5 | 48.4 | 31.5 | 292.4 |
| Operating income (loss) | $ 31.0 | $ 13.1 | $ (31.5) | $ 12.6 |

| | For the Six-Month Period Ended June 30, 2015 | | | |
|---|---|---|---|---|
| | Home Health | Hospice | Other | Total |
| Net service revenue | $ 489.2 | $ 126.5 | $ | $ 615.7 |
| Cost of service, excluding depreciation and amortization | 281.0 | 65.7 | | 346.7 |
| General and administrative expenses | 126.3 | 29.7 | 63.6 | 219.6 |
| Provision for doubtful accounts | 4.9 | 0.8 | | 5.7 |
| Depreciation and amortization | 2.8 | 0.7 | 7.6 | 11.1 |
| Asset impairment charge | | | 75.2 | 75.2 |
| Operating expenses | 415.0 | 96.9 | 146.4 | 658.3 |

| | | | | |
|---|---|---|---|---|
| Operating income (loss) | $ 74.2 | $ 29.6 | $ (146.4) | $ (42.6) |

| | For the Six-Month Period Ended June 30, 2014 | | | |
|---|---|---|---|---|
| | Home Health | Hospice | Other | Total |
| Net service revenue | $ 480.2 | $ 123.5 | $ | $ 603.7 |
| Cost of service, excluding depreciation and amortization | 283.3 | 66.2 | | 349.5 |
| General and administrative expenses | 143.2 | 30.3 | 60.8 | 234.3 |
| Provision for doubtful accounts | 7.7 | 1.4 | | 9.1 |
| Depreciation and amortization | 4.9 | 1.1 | 9.6 | 15.6 |
| Asset impairment charge | 1.2 | 1.0 | | 2.2 |
| Operating expenses | 440.3 | 100.0 | 70.4 | 610.7 |
| Operating income (loss) | $ 39.9 | $ 23.5 | $ (70.4) | $ (7.0) |

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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 and six-month periods ended June 30, 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 80% our revenue derived from Medicare for the three and six-month periods ended June 30, 2015, and approximately 82% of our revenue derived from Medicare for the three and six-month periods ended June 30, 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 June 30, 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.

*Financial Performance*

The three-month period ended June 30, 2015, continued our significant operational improvement that began during the three-month period ended June 30, 2014. The improvement is attributable to the closure and/or consolidation of care centers that had a material, negative impact on our operating results as well as significant growth in our hospice segment. The reduction in the number of operating care centers enabled us to restructure our regional and corporate support functions which also contributed to our performance improvement.

Our home health care centers have experienced same store Medicare revenue and admissions growth for the six-month period ended June 30, 2015; however, both of these metrics are down in total as 2014 Medicare revenues included approximately $13 million in revenue from closed and/or consolidated care centers. The home health segment has seen significant increases in non-Medicare revenue, an increase in revenue per episode and reductions in cost per visit and operating expenses which have helped deliver a $7 million and $27 million improvement over the three and six-month periods ended June 30, 2014, respectively.

Our hospice segment has continued to show consistent growth in admissions and average daily census combined with strong cost controls as cost per day is down, all of which have helped deliver a $4 million improvement over the three and six-month periods ended June 30, 2014.

*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, departed the company.

*AMS3/Homecare Homebase Implementation*

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 which 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 re-design. Therefore, we 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 during the three-month period ended March 31, 2015.

We began a pilot of HCHB in seven care centers in June 2015. We anticipate continuing the rollout during the third quarter of 2015 with an anticipated completion date in the first half of 2017. While the transition to HCHB will result in some increase to our original estimated capital expenditures of approximately $15 million in 2015, we do anticipate significant reductions in both operating and capitalized expenses as we complete the installation of HCHB and transition away from our proprietary system. During the three-month period ended June 30, 2015, we incurred approximately $1.5 million of operating expense related to this software. These costs included maintenance and hosting fees as well as care center implementation related costs. During the implementation period, we will continue to have the costs of maintaining both systems. Additionally, we will shift personnel designated for the AMS3 implementation to the HCHB implementation and we will continue to incur the operating expenses associated with these resources. We anticipate that care center implementation costs will increase as we continue to roll-out the HCHB system.

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*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*

| | Home Health | Hospice |
|---|---|---|
| At December 31, 2014 | 316 | 80 |
| Acquisitions/Startups | | |
| Consolidated | | (1) |
| At June 30, 2015 | 316 | 79 |

*Outlook*

We remain focused on growing our same store admission volumes and increasing operating efficiencies. As discussed, we do anticipate an increase in operating costs related to the roll-out of HCHB, and we will continue to incur costs associated with our legacy AMS2 and AMS3 platforms. We also anticipate additional expenses as we operationalize the transition to the 10th revision of the International Classification of Diseases ( ICD-10 ) which will have an impact on the productivity of our coders and will require additional training resources. We do anticipate being able to ultimately reduce some of the loss of productivity expected from the transition to ICD-10.

**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.

In May 2015, CMS issued a proposed rule to update hospice payment rates and the wage index for fiscal year 2016, effective October 1, 2015. As proposed, hospices would see an estimated 1.3% increase in payments. In a budget neutral manner, CMS also has proposed separate routine home care rates for the first 60 days of care and care beyond 60 days. CMS also proposes a service intensity add-on payment that would help to promote and compensate care at end of life. Because of the change in reimbursement arising from this proposed rule, we are analyzing factors specific to Amedisys to determine our impact.

In July 2015, CMS issued a proposed rule to update and revise Medicare home health reimbursement rates for the calendar year 2016. The proposed rule includes a rebasing cut of 2.5% as allowed by the PPACA and the Health Care and Education Reconciliation Act of 2010, a negative multifactor productivity adjustment of 0.6% and a 2.9% market basket increase. CMS also introduced a 1.7% cut for nominal case-mix coding intensity growth unrelated to patient changes in acuity between 2012 and 2014. CMS estimates that the net effect of these changes is approximately a 1.8% decrease in reimbursement to home health providers. Our net impact for 2016 could differ depending on differences in the wage index and the impact of case-mix coding changes. We expect CMS to issue a final rule in the fourth quarter of 2015.

Finally, as part of the proposed rule, CMS has introduced a Home Health Value-Based Purchasing model in nine states that seeks to test whether incentives for better care can improve outcomes in the delivery of home health services. Financial impacts from this change, either positive or negative, would not be implemented until 2018 depending on performance according to the design of the program.

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**Results of Operations**

***Three-Month Period Ended June 30, 2015 Compared to the Three-Month Period Ended June 30, 2014***

Consolidated

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

| | For the Three-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| Net service revenue | $ 314.1 | $ 305.0 |
| Gross margin, excluding depreciation and amortization | 138.4 | 132.5 |
| *% of revenue* | *44.1%* | *43.4%* |
| Other operating expenses | 122.9 | 119.9 |
| *% of revenue* | *39.1%* | *39.3%* |
| Operating income | 15.5 | 12.6 |
| Total other income (expense), net | 2.9 | (0.2) |
| Income tax expense | (7.6) | (4.8) |
| *Effective income tax rate* | *41.0%* | *38.4%* |
| Income from continuing operations | 10.9 | 7.6 |
| Net income from discontinued operations | | 0.1 |
| Net (income) loss attributable to noncontrolling interests | (0.2) | (0.1) |
| Net income attributable to Amedisys, Inc. | $ 10.6 | $ 7.6 |

Our operating income increased $3 million as our combined home health and hospice operating income increased $11 million and our corporate expenses increased $8 million. Our 2015 operating results are impacted by the settlement of our Wage and Hour Litigation ($8 million) and severance related to the reorganization of our leadership and reductions to our IT infrastructure ($3 million). Our 2014 operating results include $1 million related to a matter self-reported to the OIG. Adjusting for these items in both years, our operating income increased $12 million. Additionally, our 2014 results included $2 million in negative operating contributions related to closed and/or consolidated care centers. Total other income (expense), net increased $3 million as the result of an increase related to an equity method investment during the three-month period ended June 30, 2015.

Historically, we have calculated the provision for income taxes during the interim reporting periods by applying an estimate of our annual effective tax rate to our income or loss before taxes. The effective tax rate for the year is influenced by the relationship of the amount of permanent differences to income or loss before taxes. The recording of a significant charge in the first quarter of this year may distort this relationship during the periods of the year. Accordingly, we have applied an actual year to date effective tax rate to calculate income taxes for the three and six-month periods ended June 30, 2015. While we estimate that our quarterly effective tax rate for the remaining two

quarters of 2015 will be reasonably consistent with our effective tax rate for the three-month period ended June 30, 2015, the annual effective tax rate for the year may not be consistent with the respective periods during the year.

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Home Health Division

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

| | For the Three-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| **Financial Information *(in millions)*:** | | |
| Medicare | $ 188.3 | $ 191.5 |
| Non-Medicare | 59.5 | 52.0 |
| Net service revenue | 247.8 | 243.5 |
| Cost of service | 142.3 | 139.3 |
| Gross margin | 105.5 | 104.2 |
| Other operating expenses | 67.1 | 73.2 |
| Operating income | $ 38.4 | $ 31.0 |
| **Key Statistical Data:** | | |
| **Medicare:** | | |
| *Same Store Volume (1):* | | |
| Revenue | (1%) | 2% |
| Admissions | 0% | 0% |
| Recertifications | (6%) | 2% |
| *Total (2):* | | |
| Admissions | 43,890 | 43,974 |
| Recertifications | 24,607 | 26,283 |
| Completed episodes | 67,516 | 70,276 |
| Visits | 1,203,648 | 1,225,278 |
| Average revenue per episode including sequestration (3) | **$** 2,829 | $ 2,788 |
| Visits per completed episode (4) | 17.5 | 17.5 |
| **Non-Medicare:** | | |
| *Same Store Volume (1):* | | |
| Revenue | 16% | 21% |
| Admissions | 15% | 22% |
| Recertifications | 8% | 15% |
| *Total (2):* | | |
| Admissions | 23,762 | 20,731 |
| Recertifications | 8,637 | 8,057 |
| Visits | 482,689 | 412,481 |
| **Total (2):** | | |
| Cost per Visit | **$** 84.43 | $ 85.08 |
| Visits | 1,686,337 | 1,637,759 |

(1) Same store Medicare and Non-Medicare revenue, admissions or recertifications volume 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.
(2) Based on continuing operations for all periods presented.
(3) 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.
(4) 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 increased $7 million on a $1 million increase in gross margin and a $6 million decline in other operating expenses.

Net Service Revenue

Our Medicare revenue decrease of approximately $3 million consisted of $6 million due to lower volumes offset by a $3 million increase related to revenue per episode. The decrease in volumes is primarily due to the sale, closure and consolidation of 51 care centers since December 31, 2013. The 1% 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 three-month period ended June 30, 2014, included $2 million in revenues from closed and/or consolidated care centers.

Our non-Medicare revenue increased $7 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 that benefit our referral sources and add incremental margin to our operations.

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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.

| | For the Three-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| **Revenue *(in millions)*:** | | |
| Operating care centers | $ 247.8 | $ 241.4 |
| Closed/Consolidated/Sold care centers | | 2.1 |
| Net service revenue | 247.8 | 243.5 |

Cost of Service, Excluding Depreciation and Amortization

Our cost of service increased $3 million as a result of our increase in non-Medicare volumes, as our total visits increased 3%. The increase in volume was offset by a reduction in health insurance expense.

Other Operating Expenses

Other operating expenses decreased $6 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. Of the $6 million decrease, $1 million is the result of a reduction due to the OIG self-report accrual in 2014. The remainder of the decrease was primarily related to reductions in salaries and benefits, travel, our provision for doubtful accounts and depreciation and amortization.

Hospice Division

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

| | For the Three-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| **Financial Information *(in millions):*** | | |
| Medicare | $ 62.5 | $ 57.7 |
| Non-Medicare | 3.8 | 3.8 |
| Net service revenue | 66.3 | 61.5 |
| Cost of service | 33.4 | 33.2 |
| Gross margin | 32.9 | 28.3 |
| Other operating expenses | 16.0 | 15.2 |
| Operating income | $ 16.9 | $ 13.1 |
| **Key Statistical Data:** | | |

| | | |
|---|---|---|
| *Same Store Volume (1):* | | |
| Medicare revenue | 10% | (3%) |
| Non-Medicare revenue | 5% | 8% |
| Hospice admits | 11% | (3%) |
| Average daily census | 8% | (4%) |
| *Total (2):* | | |
| Hospice admits | 4,713 | 4,350 |
| Average daily census | 4,944 | 4,649 |
| Revenue per day | $ 147.53 | $ 145.44 |
| Cost of service per day | $ 74.07 | $ 78.24 |
| Average length of stay | 86 | 99 |

(1) Same store Medicare and Non-Medicare revenue, Hospice admits or average daily census volume is the percent increase (decrease) 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.

(2) Based on continuing operations for all periods presented.

Overall, our operating income increased $4 million on a $5 million increase in gross margin and a $1 million increase in other operating expenses.

Net Service Revenue

Our hospice revenue increased $5 million, primarily as the result of an 11% increase in same store admits which resulted in an 8% increase in same store average daily census. We benefitted from a 1.4% hospice rate increase effective October 1, 2014.

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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.

| | For the Three-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| **Revenue *(in millions)*:** | | |
| Operating care centers | $ 66.3 | $ 60.7 |
| Closed/Consolidated/Sold care centers | | 0.8 |
| Net service revenue | 66.3 | 61.5 |

Cost of Service, Excluding Depreciation and Amortization

Our hospice cost of service remained flat, as the result of an 8% increase in same store average daily census offset by a decrease in cost of service per day. The decrease in our cost of service per day is due to reductions in both our pharmacy and DME costs per day.

Other Operating Expenses

Other operating expenses increased $1 million due to increases in other care center related expenses primarily salaries and benefits.

Corporate

The following table summarizes our corporate results from continuing operations:

| | For the Three-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| **Financial Information *(in millions):*** | | |
| Other operating expenses | $ 36.8 | $ 26.7 |
| Depreciation and amortization | 3.0 | 4.8 |
| Total | $ 39.8 | $ 31.5 |

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. Corporate expenses increased $8 million primarily as the result of the Wage and Hour Litigation settlement accrual and severance costs. Excluding these two items, our corporate other operating expenses remained relatively flat inclusive of an additional $1 million related the implementation of the HCHB system.

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***Six-Month Period Ended June 30, 2015 Compared to the Six-Month Period Ended June 30, 2014***

Consolidated

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

| | For the Six-Month Periods Ended June 30, | |
|---|---|---|
| | **2015** | **2014** |
| Net service revenue | $ 615.7 | $ 603.7 |
| Gross margin, excluding depreciation and amortization | 269.0 | 254.2 |
| *% of revenue* | *43.7%* | *42.1%* |
| Other operating expenses | 236.4 | 259.0 |
| *% of revenue* | *38.4%* | *42.9%* |
| Asset impairment charge | 75.2 | 2.2 |
| Operating loss | (42.6) | (7.0) |
| Total other income (expense), net | 4.6 | (0.5) |
| Income tax benefit | 14.0 | 2.9 |
| *Effective income tax rate* | *(36.9%)* | *(38.3%)* |
| Loss from continuing operations | (24.0) | (4.6) |
| Net loss from discontinued operations | | (0.2) |
| Net (income) loss attributable to noncontrolling interests | (0.4) | |
| Net loss attributable to Amedisys, Inc. | $ (24.4) | $ (4.8) |

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 Six-Month Period Ended June 30, 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.

Our operating income, excluding the $75 million asset impairment charge related to AMS3 in 2015 and the $16 million in costs noted above, increased $23 million as our home health operating income increased $27 million, our hospice operating income increased $4 million and our corporate expenses increased $8 million. 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, a reduction in cost per visit, a growth in hospice census and a reduction in operating expenses. Total other income (expense), net increased $5 million as the result of an increase related to an equity method investment during the six-month period ended June 30, 2015.

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Home Health Division

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

| | For the Six-Month Periods Ended June 30, 2015 | 2014 |
|---|---|---|
| **Financial Information *(in millions)*:** | | |
| Medicare | $ 375.5 | $ 380.2 |
| Non-Medicare | 113.7 | 100.0 |
| Net service revenue | 489.2 | 480.2 |
| Cost of service | 281.0 | 283.3 |
| Gross margin | 208.2 | 196.9 |
| Other operating expenses | 134.0 | 155.8 |
| Operating income before impairment (1) | $ 74.2 | $ 41.1 |
| **Key Statistical Data:** | | |
| **Medicare:** | | |
| *Same Store Volume (2):* | | |
| Revenue | 2% | (2%) |
| Admissions | 2% | (1%) |
| Recertifications | (3%) | (2%) |
| *Total (3):* | | |
| Admissions | 88,992 | 90,501 |
| Recertifications | 48,966 | 52,061 |
| Completed episodes | 132,505 | 137,748 |
| Visits | 2,371,898 | 2,429,817 |
| Average revenue per episode including sequestration (4) | $ 2,813 | $ 2,756 |
| Visits per completed episode (5) | 17.4 | 17.2 |
| **Non-Medicare:** | | |
| *Same Store Volume (2):* | | |
| Revenue | 18% | 11% |
| Admissions | 16% | 11% |
| Recertifications | 12% | 4% |
| *Total (3):* | | |
| Admissions | 46,880 | 41,924 |
| Recertifications | 16,625 | 15,508 |
| Visits | 920,154 | 802,621 |
| **Total (3):** | | |
| Cost per Visit | $ 85.36 | $ 87.65 |
| Visits | 3,292,052 | 3,232,438 |

(1) Operating income of $39.9 million on a GAAP basis for the six-month period ended June 30, 2014.
(2) Same store Medicare and Non-Medicare revenue, admissions or recertifications volume 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 including sequestration is the average Medicare revenue earned for each Medicare completed episode of care which includes the impact of sequestration.
(5) 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 $27 million on a $10 million increase in gross margin and a $17 million decline in other operating expenses.

Net Service Revenue

Our Medicare revenue decrease of approximately $5 million consisted of $13 million due to lower volumes offset by an $8 million increase related to revenue per episode. 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 2% increase in same store admissions. The 2% 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.

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Our non-Medicare revenue increased $14 million as we have focused on contract payors with significant concentrations in our markets which benefit our referral sources and add incremental margin to our operations.

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.

| | For the Six-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| **Revenue *(in millions)*:** | | |
| Operating care centers | $ 489.2 | $ 463.9 |
| Closed/Consolidated/Sold care centers | | 16.3 |
| Net service revenue | 489.2 | 480.2 |

Cost of Service, Excluding Depreciation and Amortization

Our cost of service, excluding the $1 million in exit activity costs in 2014, decreased $1 million as a result of our decreases in Medicare volumes primarily due to closures, which were offset by a 15% increase in non-Medicare visits. Our cost per visit decreased $2 as a result of a reduction in the number of salaried clinicians and a decrease in inclement weather pay and improvement in productivity.

Other Operating Expenses

Other operating expenses, excluding the $6 million in exit activity costs in 2014, decreased $17 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 $3 million and our depreciation and amortization decreased $2 million comparatively.

Hospice Division

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

| | For the Six-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| **Financial Information *(in millions)*:** | | |
| Medicare | $ 118.9 | $ 116.1 |
| Non-Medicare | 7.6 | 7.4 |
| Net service revenue | 126.5 | 123.5 |
| Cost of service | 65.7 | 66.2 |
| Gross margin | 60.8 | 57.3 |

| | | | | |
|---|---|---|---|---|
| Other operating expenses | | 31.2 | | 32.8 |
| Operating income before impairment (1) | $ | 29.6 | $ | 24.5 |
| **Key Statistical Data:** | | | | |
| *Same Store Volume (2):* | | | | |
| Medicare revenue | | 6% | | (4%) |
| Non-Medicare revenue | | 9% | | 2% |
| Hospice admits | | 9% | | (4%) |
| Average daily census | | 4% | | (5%) |
| *Total (3):* | | | | |
| Hospice admits | | 9,277 | | 8,945 |
| Average daily census | | 4,740 | | 4,685 |
| Revenue per day | $ | 147.51 | $ | 145.70 |
| Cost of service per day | $ | 76.47 | $ | 77.86 |
| Average length of stay | | 88 | | 99 |

(1) Operating income of $23.5 million on a GAAP basis for the six-month period ended June 30, 2014.
(2) Same store Medicare and Non-Medicare revenue, Hospice admits or average daily census volume is the percent increase (decrease) 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, increased $4 million on a $3 million increase in gross margin and a $1 million decrease in other operating expenses.

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Net Service Revenue

Our hospice revenue increased $3 million, primarily as the result of an increase in our average daily census. 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.

| | For the Six-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| **Revenue *(in millions)*:** | | |
| Operating care centers | $ 126.5 | $ 119.3 |
| Closed/Consolidated/Sold care centers | | 4.2 |
| Net service revenue | 126.5 | 123.5 |

Cost of Service, Excluding Depreciation and Amortization

Our hospice cost of service remained flat, as the result of a 1% increase in average daily census offset by a decrease in cost of service per day. We experienced significant improvement in pharmacy and DME cost per day during the second quarter of 2015.

Other Operating Expenses

Other operating expenses, excluding the $2 million in exit activity costs in 2014, decreased $1 million due to decreases in other care center related expenses due to our care center closure and consolidation strategy.

Corporate

The following table summarizes our corporate results from continuing operations:

| | For the Six-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| **Financial Information *(in millions):*** | | |
| Other operating expenses | $ 63.6 | $ 60.8 |
| Depreciation and amortization | 7.6 | 9.6 |
| Total before impairment (1) | $ 71.2 | $ 70.4 |

(1) Total of $146.4 million on a GAAP basis for the six-month period ended June 30, 2015.

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 other operating expenses increased $10 million which is inclusive of the $8 million Wage and Hour Litigation settlement accrual and $2 million in severance costs. Excluding these items, our corporate expenses are flat and include $1 million in HCHB maintenance and hosting fees and implementation costs.

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**Liquidity and Capital Resources**

***Cash Flows***

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

| | For the Six-Month Periods Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| Cash provided by (used in) operating activities | $ 57.0 | $ (95.5) |
| Cash used in investing activities | (11.8) | (9.4) |
| Cash (used in) provided by financing activities | (20.0) | 98.8 |
| Net increase (decrease) in cash and cash equivalents | 25.2 | (6.1) |
| Cash and cash equivalents at beginning of period | 8.0 | 17.3 |
| Cash and cash equivalents at end of period | $ 33.2 | $ 11.2 |

Cash provided by operating activities increased $152.5 million during 2015 compared to 2014 primarily due to an increase in our operating income as compared to 2014 and the payment of $115.0 million on our settlement agreement with the U.S. Department of Justice in 2014. For additional information regarding our operating performance, see Results of Operations. 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 increased $2.4 million during 2015 compared to 2014 primarily due to a $7.6 million increase in capital expenditures and a $2.2 million decrease in the proceeds from the disposition of care centers, offset by a $5.0 million increase in proceeds from the sale of investments and a $1.3 million decrease in the purchase of investments. The increase in capital expenditures is due to approximately $10.2 million in cash payments related to HCHB made during the three-month period ended June 30, 2015.

Cash used in financing activities increased $118.8 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 $20.9 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. 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.

During the six-month period ended June 30, 2015, we spent $16.7 million in capital expenditures as compared to $9.1 million during the six-month period ended June 30, 2014. Our capital expenditures for 2015 are expected to be

approximately $20.0 million - $25.0 million.

As of June 30, 2015, we had $33.2 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 liquidity to fund our operations, capital requirements and debt service requirements. 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.

***Outstanding Patient Accounts Receivable***

Our patient accounts receivable, net increased $11.1 million from December 31, 2014 to June 30, 2015. Our cash collection as a percentage of revenue was 99.9% and 102.3% for the six-month periods ended June 30, 2015 and 2014, respectively. Our days revenue outstanding, net at June 30, 2015 was 31.0 days which is an increase of 1.6 days from December 31, 2014.

Our patient accounts receivable includes unbilled receivables and are aged based upon our initial service date. At June 30, 2015, our unbilled patient accounts receivable, as a percentage of gross patient accounts receivable, was 31.2%, or $40.1 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.

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| | For the Three-Month Periods Ended June 30, | | For the Six-Month Periods Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Provision for estimated revenue adjustments (1) | $ 1.1 | $ 1.4 | $ 2.6 | $ 2.6 |
| Provision for doubtful accounts (1) | 2.7 | 4.2 | 5.7 | 9.2 |
| Total | $ 3.8 | $ 5.6 | $ 8.3 | $ 11.8 |
| As a percent of revenue | 1.2% | 1.9% | 1.3% | 2.0% |

(1) Includes $0.1 million from discontinued operations for the six-months ended June 30, 2014.

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):

| | 0-90 | 91-180 | 181-365 | Over 365 | Total |
|---|---|---|---|---|---|
| **At June 30, 2015:** | | | | | |
| Medicare patient accounts receivable, net (1) | $ 64.0 | $ 8.0 | $ 0.5 | $ | $ 72.5 |
| Other patient accounts receivable: | | | | | |
| Medicaid | 9.8 | 1.7 | 0.6 | 0.1 | 12.2 |
| Private | 28.4 | 7.2 | 3.6 | 0.8 | 40.0 |
| Total | $ 38.2 | $ 8.9 | $ 4.2 | $ 0.9 | $ 52.2 |
| Allowance for doubtful accounts (2) | | | | | (14.2) |
| Non-Medicare patient accounts receivable, net | | | | | $ 38.0 |
| Total patient accounts receivable, net | | | | | $ 110.5 |
| Days revenue outstanding, net (3) | | | | | 31.0 |

| | 0-90 | 91-180 | 181-365 | Over 365 | Total |
|---|---|---|---|---|---|
| **At December 31, 2014:** | | | | | |
| Medicare patient accounts receivable, net (1) | $ 62.1 | $ 6.3 | $ | $ | $ 68.4 |
| Other patient accounts receivable: | | | | | |
| Medicaid | 9.1 | 1.4 | 0.7 | 0.4 | 11.6 |
| Private | 23.4 | 5.4 | 2.5 | 2.3 | 33.6 |
| Total | $ 32.5 | $ 6.8 | $ 3.2 | $ 2.7 | $ 45.2 |

| | |
|---|---|
| Allowance for doubtful accounts (2) | (14.3) |
| Non-Medicare patient accounts receivable, net | $ 30.9 |
| Total patient accounts receivable, net | $ 99.3 |
| Days revenue outstanding, net (3) | 29.4 |

(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.

| | For the Three-Month Period Ended June 30, 2015 | For the Three-Month Period Ended December 31, 2014 | For the Six-Month Period Ended June 30, 2015 | For the Six-Month Period Ended December 31, 2014 |
|---|---|---|---|---|
| Balance at beginning of period | $ 3.6 | $ 3.6 | $ 3.1 | $ 3.7 |
| Provision for estimated revenue adjustments | 1.1 | 1.0 | 2.6 | 2.5 |
| Write offs | (1.0) | (1.5) | (2.0) | (3.1) |
| Balance at end of period | $ 3.7 | $ 3.1 | $ 3.7 | $ 3.1 |

Our estimated revenue adjustments were 4.9% and 4.3% of our outstanding Medicare patient accounts receivable at June 30, 2015 and December 31, 2014, respectively.

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(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.

| | For the Three-Month Period Ended June 30, 2015 | For the Three-Month Period Ended December 31, 2014 | For the Six-Month Period Ended June 30, 2015 | For the Six-Month Period Ended December 31, 2014 |
|---|---|---|---|---|
| Balance at beginning of period | $ 14.8 | $ 15.6 | $ 14.3 | $ 15.0 |
| Provision for doubtful accounts | 2.7 | 3.0 | 5.7 | 7.1 |
| Write offs | (3.3) | (4.3) | (5.8) | (7.8) |
| Balance at end of period | $ 14.2 | $ 14.3 | $ 14.2 | $ 14.3 |

Our allowance for doubtful accounts was 27.3% and 31.6% of our outstanding Medicaid and private patient accounts receivable at June 30, 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 June 30, 2015 and December 31, 2014 by our average daily net patient revenue for the three-month periods ended June 30, 2015 and December 31, 2014, respectively.

***Indebtedness***

Our weighted average interest rate for our five year $60.0 million Term Loan, under our existing senior secured Credit Agreement was 2.7% and 2.9% for three and six-month periods ended June 30, 2015, respectively as compared to 3.4% for the three and six-month periods ended June 30, 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 4.8% and 3.7% for the three and six-month periods ended June 30, 2015, respectively, as compared to 3.5% for the three and six-month periods ended June 30, 2014 . Our weighted average interest rate for our Second Lien Loan under the Second Lien Credit Agreement was 8.5% for the three and six-month periods ended June 30, 2015.

As of June 30, 2015, our total leverage ratio was 1.0, our senior secured leverage ratio was 0.4 and our fixed charge coverage ratio was 2.8 and we are in compliance with the existing senior secured Credit Agreement.

As of June 30, 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 June 30, 2015, the total amount of outstanding debt subject to interest rate fluctuations was $97.0 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.

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In connection with the preparation of this Quarterly Report on Form 10-Q, as of June 30, 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 June 30, 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 June 30, 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 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 June 30, 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 June 30, 2015:

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid per Share (or Unit) | (c ) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| April 1, 2015 to April 30, 2015 | 54,634 | $ 27.45 | | $ |
| May 1, 2015 to May 31, 2015 | 24,336 | 27.40 | | |
| June 1, 2015 to June 30, 2015 | | | | |
| | 78,970 | $ 27.43 | | $ |

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

On July 28, 2015, we entered into a definitive agreement to settle in full a putative collective and class action complaint 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 settlement agreement resulted from a June 10, 2015 mediation whereby we and the plaintiffs agreed to fully resolve all of the plaintiffs claims in the lawsuit for $8.0 million, subject to approval by the Court. See Note 5 Commitments and Contingencies to our condensed consolidated financial statements (under Wage and Hour Litigation ) for additional information regarding the settlement.

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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.

| Exhibit Number | Document Description | Report or Registration Statement | SEC File or Registration Number | Exhibit or Other Reference |
|---|---|---|---|---|
| 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 |
| 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 | | | |
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| 101.INS | XBRL Instance | | | |
| 101.SCH | | | | |

| | |
|---|---|
| | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |

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| Exhibit Number | Document Description | Report or Registration Statement | SEC File or Registration Number | Exhibit or Other Reference |
|---|---|---|---|---|
| 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: July 29, 2015

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| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | | |