SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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Encompass Health Corp

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2021

OR

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

Commission File Number 001-10315

Encompass Health Corporation

(Exact name of Registrant as specified in its Charter)

Delaware	**63-0860407**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

9001 Liberty Parkway
Birmingham, Alabama 35242
(Address of Principal Executive Offices)

(205) 967-7116
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	EHC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-Accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The registrant had 99,542,410 shares of common stock outstanding, net of treasury shares, as of April 22, 2021.

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NOTE TO READERS

As used in this report, the terms “Encompass Health,” “we,” “us,” “our,” and the “Company” refer to Encompass Health Corporation and its consolidated subsidiaries, unless otherwise stated or indicated by context. This drafting style is suggested by the Securities and Exchange Commission and is not meant to imply that Encompass Health Corporation, the publicly traded parent company, owns or operates any specific asset, business, or property. The hospitals, operations, and businesses described in this filing are primarily owned and operated by subsidiaries of the parent company. In addition, we use the term “Encompass Health Corporation” to refer to Encompass Health Corporation alone wherever a distinction between Encompass Health Corporation and its subsidiaries is required or aids in the understanding of this filing.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains historical information, as well as forward-looking statements that involve known and unknown risks and relate to, among other things, future events, the spread and impact of the COVID-19 pandemic, changes to Medicare reimbursement and other healthcare laws and regulations from time to time, our business strategy, our dividend and stock repurchase strategies, our financial plans, our growth plans, our future financial performance, our projected business results, or our projected capital expenditures. In some cases, the reader can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “targets,” “potential,” or “continue” or the negative of these terms or other comparable terminology. Such forward-looking statements are necessarily estimates based upon current information and involve a number of risks and uncertainties, many of which are beyond our control. Any forward-looking statement is based on information current as of the date of this report and speaks only as of the date on which such statement is made. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, the factors described below could cause, and in the case of the COVID-19 pandemic has already caused, actual results to differ materially from those estimated by us.

- Each of the factors discussed in Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the year ended December 31, 2020 and Part II, Item 1A, *Risk Factors*, of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, as well as uncertainties and factors, if any, discussed elsewhere in this Form 10-Q, including in the “Executive Overview—Key Challenges” section of Part I, Item 2, *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, in our other filings from time to time with the SEC, or in materials incorporated therein by reference;

- Our ongoing strategic review exposes us to a number of risks and uncertainties, including diversion of management’s time to the process; the incurrence of significant expenses associated with the review and pursuit of any transaction; increased difficulties in attracting, retaining or motivating key management personnel; exposure to potential litigation; and inability to realize anticipated benefits from a potential transaction or other strategic alternative involving our home health and hospice business, any of which could adversely affect our business, financial results or condition, or stock price.

- A pandemic, epidemic, or other widespread outbreak of an infectious disease or other public health crisis could decrease our patient volumes, pricing, and revenues, lead to staffing and supply shortages and associated cost increases, otherwise interrupt operations, or lead to increased litigation risk and, in the case of the COVID-19 pandemic, has already done so in many instances.

- Governmental actions in response to the COVID-19 pandemic, such as shelter-in-place orders, new workplace regulations, facility closures and quarantines, could reduce volumes and otherwise impair our ability to operate and provide care and in many instances already have done so.

- Our inability to maintain infectious disease prevention and control efforts that are required and effectively minimize the spread of COVID-19 among patients and employees could decrease our patient volumes and revenues, lead to staffing shortages or otherwise interrupt operations, or lead to increased litigation risk.

- Reductions or delays in, or suspension of, reimbursement for our services by governmental or private payors, including our inability to obtain and retain favorable arrangements with third-party payors, could decrease our revenues and adversely affect other operating results.

- Restrictive interpretations of the regulations governing the claims that are reimbursable by Medicare could decrease our revenues and adversely affect other operating results.

- New or changing Medicare quality reporting requirements could adversely affect our operating costs or Medicare reimbursement.
- Reimbursement claims are subject to various audits from time to time and such audits may lead to assertions that we have been overpaid or have submitted improper claims, and such assertions may require us to incur additional costs to respond to requests for records and defend the validity of payments and claims and may ultimately require us to refund any amounts determined to have been overpaid.
- The use by governmental agencies and contractors of statistical sampling and extrapolation may substantially expand claims of overpayment or noncompliance.

- Delays and other substantive and procedural deficiencies in the administrative appeals process associated with denied Medicare reimbursement claims, including from various Medicare audit programs, could delay or reduce our reimbursement for services previously provided, including through recoupment from other claims due to us from Medicare.

- Efforts to reduce payments to healthcare providers undertaken by third-party payors, conveners, and referral sources could adversely affect our revenues or profitability.

- Changes in our payor mix or the acuity of our patients could reduce our revenues or profitability.

- Changes in the rules and regulations of the healthcare industry at either or both of the federal and state levels, including those contemplated now and in the future as part of national healthcare reform and deficit reduction (such as the re-basing of payment systems, the introduction of site neutral payments or case-mix weightings across post-acute settings, and other payment system reforms, including the Patient-Driven Groupings Model for home health) could decrease revenues and increase the costs of complying with the rules and regulations.

- The ongoing evolution of the healthcare delivery system, including alternative payment models and value-based purchasing initiatives, could decrease our reimbursement rate or increase costs associated with our operations.

- Compliance with the extensive and frequently changing laws and regulations applicable to healthcare providers requires substantial time, effort and expense, and if we fail to comply, we could incur penalties and significant costs of investigating and defending asserted claims, whether meritorious or not, or be required to make significant changes to our operations.

- Our inability to maintain proper local, state and federal licensing, including compliance with the Medicare conditions of participation and provider enrollment requirements, could decrease our revenues.

- Incidents affecting the proper operation, availability, or security of our or our vendors' or partners' information systems, including the patient information stored there, could cause substantial losses and adversely affect our operations and governmental mandates to increase use of electronic records and interoperability exacerbate that risk.

- Any adverse outcome of various lawsuits, claims, and legal or regulatory proceedings, including disclosed and undisclosed *qui tam* suits could be difficult to predict and could adversely affect our financial results or condition or our operations, and we could experience increased costs of defending and insuring against alleged professional liability and other claims.

- Our inability to successfully complete and integrate de novo developments, acquisitions, investments, and joint ventures consistent with our growth strategy, including realization of anticipated revenues, cost savings, productivity improvements arising from the related operations and avoidance of unanticipated difficulties, costs or liabilities that could arise from acquisitions or integrations could adversely affect our financial results or condition.

- Our inability to attract and retain nurses, therapists, and other healthcare professionals in a highly competitive environment with often severe staffing shortages and potential union activity could increase labor expenses and adversely affect other financial and operating results.

- Competitive pressures in the healthcare industry, including from other providers that may be participating in integrated delivery payment arrangements in which we do not participate, and our response to those pressures could adversely affect our revenues or other financial results.

- Our inability to maintain or develop relationships with patient referral sources could decrease our revenues.

- Our debt and the associated restrictive covenants could have negative consequences for our business and limit our ability to execute aspects of our business plan successfully.
- The price of our common stock could adversely affect our willingness and ability to repurchase shares.
- We may be unable or unwilling to continue to declare and pay dividends on our common stock.
- General conditions in the economy and capital markets, including any disruption, instability, or uncertainty related to armed conflict or an act of terrorism, a governmental impasse over approval of the United States federal budget, an increase to the debt ceiling, an international trade war, or a sovereign debt crisis could adversely affect our financial results or condition, including access to the capital markets.

The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no duty to update these forward-looking statements, even though our situation may change in the future. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Encompass Health Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
	(In Millions, Except Per Share Data)	
Net operating revenues	$ 1,230.4	$ 1,182.0
Operating expenses:		
Salaries and benefits	687.2	679.1
Other operating expenses	162.3	159.6
Occupancy costs	20.2	20.2
Supplies	51.9	45.7
General and administrative expenses	38.6	35.6
Depreciation and amortization	62.5	58.8
Government, class action, and related settlements	—	2.8
Total operating expenses	1,022.7	1,001.8
Interest expense and amortization of debt discounts and fees	42.8	43.2
Other (income) expense	(1.4)	1.9
Equity in net income of nonconsolidated affiliates	(1.0)	(0.8)
Income from continuing operations before income tax expense	167.3	135.9
Provision for income tax expense	34.5	27.1
Income from continuing operations	132.8	108.8
Loss from discontinued operations, net of tax	—	(0.1)
Net and comprehensive income	132.8	108.7
Less: Net and comprehensive income attributable to noncontrolling interests	(25.5)	(21.7)
Net and comprehensive income attributable to Encompass Health	$ 107.3	$ 87.0
Weighted average common shares outstanding:		
Basic	99.0	98.2
Diluted	100.2	99.6
Earnings per common share:		
Basic earnings per share attributable to Encompass Health common shareholders:		
Continuing operations	$ 1.08	$ 0.88
Discontinued operations	—	—
Net income	$ 1.08	$ 0.88
Diluted earnings per share attributable to Encompass Health common shareholders:		
Continuing operations	$ 1.07	$ 0.87
Discontinued operations	—	—
Net income	$ 1.07	$ 0.87
Amounts attributable to Encompass Health common shareholders:		
Income from continuing operations	$ 107.3	$ 87.1
Loss from discontinued operations, net of tax	—	(0.1)
Net income attributable to Encompass Health	$ 107.3	$ 87.0

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

Encompass Health Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

	March 31, 2021	December 31, 2020
	(In Millions)	
Assets		
Current assets:		
Cash and cash equivalents	$ 223.9	$ 224.0
Restricted cash	62.2	65.4
Accounts receivable	633.6	572.8
Other current assets	81.4	86.4
Total current assets	1,001.1	948.6
Property and equipment, net	2,280.5	2,206.6
Operating lease right-of-use assets	248.3	245.7
Goodwill	2,318.7	2,318.7
Intangible assets, net	419.2	431.3
Other long-term assets	274.4	295.0
Total assets(1)	$ 6,542.2	$ 6,445.9
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 137.2	$ 38.3
Current operating lease liabilities	44.2	44.8
Accounts payable	122.8	115.0
Accrued expenses and other current liabilities	508.0	519.2
Total current liabilities	812.2	717.3
Long-term debt, net of current portion	3,160.0	3,250.6
Long-term operating lease liabilities	214.2	209.6
Deferred income tax liabilities	60.6	51.8
Other long-term liabilities	220.5	215.0
	4,467.5	4,444.3
Commitments and contingencies		
Redeemable noncontrolling interests	31.7	31.6
Shareholders' equity:		
Encompass Health shareholders' equity	1,655.1	1,588.0
Noncontrolling interests	387.9	382.0
Total shareholders' equity	2,043.0	1,970.0
Total liabilities(1) and shareholders' equity	$ 6,542.2	$ 6,445.9

(1) Our consolidated assets as of March 31, 2021 and December 31, 2020 include total assets of variable interest entities of $219.2 million and $221.2 million, respectively, which cannot be used by us to settle the obligations of other entities. Our consolidated liabilities as of March 31, 2021 and December 31, 2020 include total liabilities of the variable interest entities of $44.6 million and $46.8 million, respectively. See Note 3, *Variable Interest Entities.*

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

Encompass Health Corporation and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

	Three Months Ended March 31, 2021						
	(In Millions)						
	Encompass Health Common Shareholders						
	Number of Common Shares Outstanding	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Treasury Stock	Noncontrolling Interests	Total
Balance at beginning of period	99.4	$ 1.1	$ 2,326.6	$ (242.3)	$ (497.4)	$ 382.0	$ 1,970.0
Net income	—	—	—	107.3	—	23.1	130.4
Receipt of treasury stock	(0.2)	—	—	—	(15.6)	—	(15.6)
Dividends declared ($0.28 per share)	—	—	(27.8)	—	—	—	(27.8)
Stock-based compensation	—	—	2.8	—	—	—	2.8
Distributions declared	—	—	—	—	—	(22.4)	(22.4)
Capital contributions from consolidated affiliates	—	—	—	—	—	5.8	5.8
Other	0.4	—	1.1	—	(0.7)	(0.6)	(0.2)
Balance at end of period	99.6	$ 1.1	$ 2,302.7	$ (135.0)	$ (513.7)	$ 387.9	$ 2,043.0

	Three Months Ended March 31, 2020						
	(In Millions)						
	Encompass Health Common Shareholders						
	Number of Common Shares Outstanding	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Treasury Stock	Noncontrolling Interests	Total
Balance at beginning of period	98.6	$ 1.1	$ 2,369.9	$ (526.5)	$ (492.3)	$ 340.9	$ 1,693.1
Net income	—	—	—	87.0	—	19.7	106.7
Receipt of treasury stock	(0.2)	—	—	—	(15.6)	—	(15.6)
Dividends declared ($0.28 per share)	—	—	(27.9)	—	—	—	(27.9)
Exchange of Holdings shares	0.6	—	27.1	—	19.2	—	46.3
Stock-based compensation	—	—	7.1	—	—	—	7.1
Distributions declared	—	—	—	—	—	(15.5)	(15.5)
Capital contributions from consolidated affiliates	—	—	—	—	—	5.8	5.8
Repurchases of common stock in open market	(0.1)	—	—	—	(4.9)	—	(4.9)
Other	0.5	—	—	—	(0.3)	2.4	2.1
Balance at end of period	99.4	$ 1.1	$ 2,376.2	$ (439.5)	$ (493.9)	$ 353.3	$ 1,797.2

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

Encompass Health Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
	(In Millions)	
Cash flows from operating activities:		
Net income	$ 132.8	$ 108.7
Loss from discontinued operations, net of tax	—	0.1
Adjustments to reconcile net income to net cash provided by operating activities—		
Depreciation and amortization	62.5	58.8
Stock-based compensation	2.8	7.1
Deferred tax expense	8.7	1.4
Other, net	2.0	7.7
Change in assets and liabilities, net of acquisitions—		
Accounts receivable	(55.1)	(36.6)
Other assets	1.3	15.8
Accrued payroll	5.7	(24.0)
Other liabilities	(2.2)	(109.6)
Net cash used in operating activities of discontinued operations	—	(0.1)
Total adjustments	25.7	(79.5)
Net cash provided by operating activities	158.5	29.3
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	—	(1.1)
Purchases of property and equipment	(98.8)	(83.5)
Other, net	3.2	1.6
Net cash used in investing activities	(95.6)	(83.0)
Cash flows from financing activities:		
Borrowings on revolving credit facility	—	330.0
Payments on revolving credit facility	—	(25.0)
Taxes paid on behalf of employees for shares withheld	(15.6)	(15.6)
Dividends paid on common stock	(29.1)	(29.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(27.8)	(19.1)
Purchase of equity interests in consolidated affiliates	—	(162.3)
Other, net	(5.0)	(7.9)
Net cash (used in) provided by financing activities	(77.5)	71.1
(Decrease) increase in cash, cash equivalents, and restricted cash	(14.6)	17.4
Cash, cash equivalents, and restricted cash at beginning of period	310.9	159.6
Cash, cash equivalents, and restricted cash at end of period	$ 296.3	$ 177.0
Reconciliation of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents at beginning of period	$ 224.0	$ 94.8
Restricted cash at beginning of period	65.4	57.4
Restricted cash included in other long-term assets at beginning of period	21.5	7.4
Cash, cash equivalents, and restricted cash at beginning of period	$ 310.9	$ 159.6
Cash and cash equivalents at end of period	$ 223.9	$ 104.9

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

1. Basis of Presentation

Encompass Health Corporation, incorporated in Delaware in 1984, including its subsidiaries, is a leading provider of post-acute healthcare services, offering both facility-based and home-based patient services in 39 states and Puerto Rico through its network of inpatient rehabilitation hospitals, home health agencies, and hospice agencies. We manage our operations and disclose financial information using two reportable segments: (1) inpatient rehabilitation and (2) home health and hospice. See also Note 11, *Segment Reporting*.

The accompanying unaudited condensed consolidated financial statements of Encompass Health Corporation and Subsidiaries should be read in conjunction with the consolidated financial statements and accompanying notes contained in Encompass Health's Annual Report on Form 10-K filed with the United States Securities and Exchange Commission on February 26, 2021 (the "2020 Form 10-K"). The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the SEC applicable to interim financial information. Certain information and note disclosures included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been omitted in these interim statements, as allowed by such SEC rules and regulations. The condensed consolidated balance sheet as of December 31, 2020 has been derived from audited financial statements, but it does not include all disclosures required by GAAP. However, we believe the disclosures are adequate to make the information presented not misleading.

The unaudited results of operations for the interim periods shown in these financial statements are not necessarily indicative of operating results for the entire year. In our opinion, the accompanying condensed consolidated financial statements recognize all adjustments of a normal recurring nature considered necessary to fairly state the financial position, results of operations, and cash flows for each interim period presented.

Net Operating Revenues—

Our *Net operating revenues* disaggregated by payor source and segment are as follows (in millions):

	Inpatient Rehabilitation		Home Health and Hospice		Consolidated	
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
	2021	2020	2021	2020	2021	2020
Medicare	$ 614.5	$ 641.9	$ 223.9	$ 226.2	$ 838.4	$ 868.1
Medicare Advantage	158.4	111.5	28.0	29.4	186.4	140.9
Managed care	112.2	90.2	14.3	12.1	126.5	102.3
Medicaid	39.0	30.7	3.8	4.2	42.8	34.9
Other third-party payors	12.1	11.0	—	—	12.1	11.0
Workers' compensation	5.7	6.9	0.1	0.3	5.8	7.2
Patients	4.9	5.5	0.2	0.4	5.1	5.9
Other income	13.1	11.5	0.2	0.2	13.3	11.7
Total	$ 959.9	$ 909.2	$ 270.5	$ 272.8	$ 1,230.4	$ 1,182.0

See Note 1, *Summary of Significant Accounting Policies*, to the consolidated financial statements accompanying the 2020 Form 10-K for our policy related to *Net operating revenues*.

Recently Adopted Accounting Pronouncements—

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The standard removes certain exceptions to the general principles of ASC 740 and simplifies other areas such as accounting for outside basis differences of equity method investments. Either prospective or retrospective transition of this standard is dependent upon the specific amendments. The new guidance was effective for us beginning January 1, 2021. The adoption of this guidance did not have a material impact to our condensed consolidated financial statements.

We do not believe any other recently issued, but not yet effective, accounting standards will have a material effect on our condensed consolidated financial position, results of operations, or cash flows.

2. Business Combinations

Home Health and Hospice

In April 2021, we announced we entered into a definitive agreement to purchase the home health and hospice assets of Frontier Home Health and Hospice in Alaska, Colorado, Montana, Washington, and Wyoming for a cash purchase price of $95 million. At closing, 9 home health and 11 hospice locations will become part of our national network of home health and hospice locations. This transaction, which is subject to customary closing conditions and regulatory approvals, is expected to close in the second quarter of 2021. We expect to fund this transaction with cash on hand and borrowings under our revolving credit facility.

3. Variable Interest Entities

As of March 31, 2021 and December 31, 2020, we consolidated nine limited partnership-like entities that are variable interest entities ("VIEs") and of which we are the primary beneficiary. Our ownership percentages in these entities range from 50.0% to 75.0% as of March 31, 2021. Through partnership and management agreements with or governing each of these entities, we manage all of these entities and handle all day-to-day operating decisions. Accordingly, we have the decision making power over the activities that most significantly impact the economic performance of our VIEs and an obligation to absorb losses or receive benefits from the VIE that could potentially be significant to the VIE. These decisions and significant activities include, but are not limited to, marketing efforts, oversight of patient admissions, medical training, nurse and therapist scheduling, provision of healthcare services, billing, collections, and creation and maintenance of medical records. The terms of the agreements governing each of our VIEs prohibit us from using the assets of each VIE to satisfy the obligations of other entities.

The carrying amounts and classifications of the consolidated VIEs' assets and liabilities, which are included in our condensed consolidated balance sheet, are as follows (in millions):

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 0.5	$ 0.1
Accounts receivable	33.7	33.1
Other current assets	8.5	8.6
Total current assets	42.7	41.8
Property and equipment, net	118.7	121.1
Operating lease right-of-use assets	4.4	4.7
Goodwill	19.2	19.2
Intangible assets, net	3.1	3.3
Other long-term assets	31.1	31.1
Total assets	$ 219.2	$ 221.2
Liabilities		
Current liabilities:		
Current portion of long-term debt	$ 0.9	$ 0.9
Current operating lease liabilities	1.5	1.5
Accounts payable	5.9	6.1
Accrued expenses and other current liabilities	21.7	23.0
Total current liabilities	30.0	31.5
Long-term debt, net of current portion	9.4	9.6
Long-term operating lease liabilities	2.9	3.3
Other long-term liabilities	2.3	2.4
Total liabilities	$ 44.6	$ 46.8

4. Long-term Debt

Our long-term debt outstanding consists of the following (in millions):

	March 31, 2021	December 31, 2020
Credit Agreement—		
Term loan facilities	$ 248.3	$ 251.6
Bonds payable—		
5.125% Senior Notes due 2023	298.3	298.1
5.75% Senior Notes due 2025	346.5	346.3
4.50% Senior Notes due 2028	785.5	785.0
4.75% Senior Notes due 2030	783.5	783.2
4.625% Senior Notes due 2031	393.3	393.2
Other notes payable	39.7	39.8
Finance lease obligations	402.1	391.7
	3,297.2	3,288.9
Less: Current portion	(137.2)	(38.3)
Long-term debt, net of current portion	$ 3,160.0	$ 3,250.6

In March 2021, we issued notice for redemption of $100 million in outstanding principal amount of the 5.125% Senior Notes due 2023 (the “2023 Notes”). We completed this redemption on April 5, 2021 using cash on hand and capacity under our revolving credit facility. Pursuant to the terms of the 2023 Notes, this optional redemption was made at a price of par. As a result of this redemption, we have classified approximately $100 million of the 2023 Notes as current in our accompanying March 31, 2021 condensed consolidated balance sheet, and we expect to record an approximate $0.6 million loss on early extinguishment of debt in the second quarter of 2021.

5. Redeemable Noncontrolling Interests

The following is a summary of the activity related to our *Redeemable noncontrolling interests* (in millions):

	Three Months Ended March 31,	
	2021	2020
Balance at beginning of period	$ 31.6	$ 239.6
Net income attributable to noncontrolling interests	2.4	2.0
Distributions declared	(2.3)	(2.1)
Contribution to joint venture	—	3.1
Purchase of redeemable noncontrolling interests	—	(162.3)
Exchange transaction	—	(46.3)
Balance at end of period	$ 31.7	$ 34.0

The following table reconciles the net income attributable to nonredeemable *Noncontrolling interests*, as recorded in the shareholders’ equity section of the condensed consolidated balance sheets, and the net income attributable to *Redeemable* *noncontrolling interests*, as recorded in the mezzanine section of the condensed consolidated balance sheets, to the *Net and comprehensive income attributable to noncontrolling interests* presented in the condensed consolidated statements of comprehensive income (in millions):

	Three Months Ended March 31,	
	2021	2020
Net income attributable to nonredeemable noncontrolling interests	$ 23.1	$ 19.7
Net income attributable to redeemable noncontrolling interests	2.4	2.0
Net income attributable to noncontrolling interests	$ 25.5	$ 21.7

On December 31, 2014, we acquired 83.3% of our home health and hospice business when we purchased EHHI Holdings, Inc. ("EHHI"). In the acquisition, we acquired all of the issued and outstanding equity interests of EHHI, other than equity interests contributed to Encompass Health Home Health Holdings, Inc. ("Holdings"), a subsidiary of Encompass Health and an indirect parent of EHHI, by certain sellers in exchange for shares of common stock of Holdings. Those sellers were members of EHHI management, and they contributed a portion of their shares of common stock of EHHI, valued at approximately $64 million on the acquisition date, in exchange for approximately 16.7% of the outstanding shares of common stock of Holdings. At any time after December 31, 2017, each management investor had the right (but not the obligation) to have his or her shares of Holdings stock repurchased by Encompass Health for a cash purchase price per share equal to the fair value. In January 2020, we received exercise notices, representing approximately 4.3% of the outstanding shares of the common stock of Holdings. On February 18, 2020, Encompass Health settled the acquisition of those shares upon payment of approximately $162 million in cash. Upon settlement of these exercises, approximately $46 million of the shares of Holdings held by two management investors remained outstanding.

On February 20, 2020, Encompass Health entered into exchange agreements (each, an "Exchange Agreement") with these two management investors, pursuant to which they had the right to exchange all of the remaining shares of Holdings held by them for shares of common stock of Encompass Health (the "EHC Shares"). Each of the Exchange Agreements provided that the management investor must deliver a written exchange notice (an "Exchange Notice") to Encompass Health in order to exchange his or her remaining shares of Holdings for EHC Shares. Each Exchange Agreement further provided that the number of EHC Shares to be delivered to the management investor was to be determined by dividing the fair value of the shares of Holdings held by the management investor on the date of the Exchange Agreement by the last reported sales price of Encompass Health's common stock on the New York Stock Exchange (the "NYSE") on the date of delivery of the Exchange Notice.

On February 20, 2020, Encompass Health received an Exchange Notice from each of the management investors. Based on the last sales price of Encompass Health's common stock on the NYSE on February 20, 2020, Encompass Health delivered an aggregate 560,957 EHC Shares to the management investors. The total number of EHC Shares issued pursuant to the exchange agreements on March 6, 2020 represented less than 0.6% of the outstanding shares of Encompass Health common stock. Encompass Health issued the EHC Shares from its treasury shares. Encompass Health now owns 100% of Holdings and EHHI.

See also Note 6, *Fair Value Measurements*.

6. Fair Value Measurements

Our financial assets and liabilities that are measured at fair value on a recurring basis are as follows (in millions):

		Fair Value Measurements at Reporting Date Using			
As of March 31, 2021	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Valuation Technique (1)**
Other long-term assets:					
Equity securities	$ 73.1	$ —	$ 73.1	$ —	M
Redeemable noncontrolling interests	31.7	—	—	31.7	I
As of December 31, 2020					
Other long-term assets:					
Equity securities	$ 72.6	$ —	$ 72.6	$ —	M
Redeemable noncontrolling interests	31.6	—	—	31.6	I

[(1)] The three valuation techniques are: market approach (M), cost approach (C), and income approach (I).

There are assets and liabilities that are not required to be measured at fair value on a recurring basis. However, these assets may be recorded at fair value as a result of impairment charges or other adjustments made to the carrying value of the applicable assets. During the three months ended March 31, 2021 and March 31, 2020, we did not record any material gains or losses related to these assets.

As discussed in Note 1, *Summary of Significant Accounting Policies*, “Fair Value Measurements,” to the consolidated financial statements accompanying the 2020 Form 10-K, the carrying value equals fair value for our financial instruments that are not included in the table below and are classified as current in our condensed consolidated balance sheets. The carrying amounts and estimated fair values for all of our other financial instruments are presented in the following table (in millions):

	As of March 31, 2021		As of December 31, 2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Long-term debt:				
Term loan facilities	$ 248.3	$ 249.8	$ 251.6	$ 253.1
5.125% Senior Notes due 2023	298.3	300.8	298.1	302.6
5.75% Senior Notes due 2025	346.5	361.6	346.3	361.4
4.50% Senior Notes due 2028	785.5	820.2	785.0	840.0
4.75% Senior Notes due 2030	783.5	824.0	783.2	856.0
4.625% Senior Notes due 2031	393.3	415.0	393.2	424.9
Other notes payable	39.7	39.7	39.8	39.8
Financial commitments:				
Letters of credit	—	37.7	—	36.7

Fair values for our long-term debt and financial commitments are determined using inputs, including quoted prices in nonactive markets, that are observable either directly or indirectly, or *Level 2* inputs within the fair value hierarchy. See Note 1, *Summary of Significant Accounting Policies*, “Fair Value Measurements,” to the consolidated financial statements accompanying the 2020 Form 10-K.

7. Share-Based Payments

During the three months ended March 31, 2021, we issued a total of 0.5 million restricted stock awards to members of our management team and our board of directors. Approximately 0.2 million of these awards contain only a service condition, while the remainder contain both a service and a performance condition. For the awards that include a performance condition, the number of shares that will ultimately be granted to employees may vary based on the Company’s performance during the applicable two year performance measurement period. Additionally, we granted 0.1 million stock options to members of our management team. The fair value of these awards and options was determined using the policies described in Note 1, *Summary of Significant Accounting Policies*, and Note 14, *Share-Based Payments*, to the consolidated financial statements accompanying the 2020 Form 10-K.

In conjunction with the EHHI acquisition discussed in Note 5, *Redeemable Noncontrolling Interests*, we granted stock appreciation rights (“SARs”) based on Holdings common stock to certain members of EHHI management at closing. In January 2020, members of the management team exercised the remaining SARs, and in February 2020, we settled those awards upon payment of approximately $101 million in cash.

For additional information, see Note 14, *Share-Based Payments*, to the consolidated financial statements accompanying the 2020 Form 10-K.

8. Income Taxes

Our *Provision for income tax expense* of $34.5 million and $27.1 million for the three months ended March 31, 2021 and 2020, respectively, primarily resulted from the application of our estimated effective blended federal and state income tax rate offset by tax benefits resulting from share-based compensation windfalls.

9. Earnings per Common Share

The following table sets forth the computation of basic and diluted earnings per common share (in millions, except per share amounts):

	Three Months Ended March 31,	
	2021	2020
Basic:		
Numerator:		
Income from continuing operations	$ 132.8	$ 108.8
Less: Net income attributable to noncontrolling interests included in continuing operations	(25.5)	(21.7)
Less: Income allocated to participating securities	(0.5)	(0.3)
Income from continuing operations attributable to Encompass Health common shareholders	106.8	86.8
Loss from discontinued operations, net of tax, attributable to Encompass Health common shareholders	—	(0.1)
Net income attributable to Encompass Health common shareholders	$ 106.8	$ 86.7
Denominator:		
Basic weighted average common shares outstanding	99.0	98.2
Basic earnings per share attributable to Encompass Health common shareholders:		
Continuing operations	$ 1.08	$ 0.88
Discontinued operations	—	—
Net income	$ 1.08	$ 0.88
Diluted:		
Numerator:		
Income from continuing operations	$ 132.8	$ 108.8
Less: Net income attributable to noncontrolling interests included in continuing operations	(25.5)	(21.7)
Income from continuing operations attributable to Encompass Health common shareholders	107.3	87.1
Loss from discontinued operations, net of tax, attributable to Encompass Health common shareholders	—	(0.1)
Net income attributable to Encompass Health common shareholders	$ 107.3	$ 87.0
Denominator:		
Diluted weighted average common shares outstanding	100.2	99.6
Diluted earnings per share attributable to Encompass Health common shareholders:		
Continuing operations	$ 1.07	$ 0.87
Discontinued operations	—	—
Net income	$ 1.07	$ 0.87

The following table sets forth the reconciliation between basic weighted average common shares outstanding and diluted weighted average common shares outstanding (in millions):

	Three Months Ended March 31,	
	2021	**2020**
Basic weighted average common shares outstanding	99.0	98.2
Restricted stock awards, dilutive stock options, and restricted stock units	1.2	1.4
Diluted weighted average common shares outstanding	100.2	99.6

See Note 17, *Earnings per Common Share*, to the consolidated financial statements accompanying the 2020 Form 10-K for additional information related to our common stock.

10. Contingencies and Other Commitments

We operate in a highly regulated industry in which healthcare providers are routinely subject to litigation. As a result, various lawsuits, claims, and legal and regulatory proceedings have been and can be expected to be instituted or asserted against us. The resolution of any such lawsuits, claims, or legal and regulatory proceedings could materially and adversely affect our financial position, results of operations, and cash flows in a given period.

Nichols Litigation—

We were named as a defendant in a lawsuit filed March 28, 2003 by several individual stockholders in the Circuit Court of Jefferson County, Alabama, captioned *Nichols v. HealthSouth Corp*. In July 2019, we entered into settlement agreements with all but one plaintiff and paid those settling plaintiffs an aggregate amount of cash less than $0.1 million. The remaining plaintiff alleges that we, some of our former officers, and our former investment bank engaged in a scheme to overstate and misrepresent our earnings and financial position. The plaintiff is seeking compensatory and punitive damages.

This case was stayed in the circuit court on August 8, 2005. However, the complaint has been amended from time to time, including to request certification as a class action. Additionally, one of the former officers named as a defendant has repeatedly attempted to remove the case to federal district court. We filed our latest motion to remand the case back to state court on January 10, 2013. On September 27, 2013, the federal court remanded the case back to state court. On December 10, 2014, we filed a motion to dismiss on the grounds the plaintiffs lacked standing because their claims were derivative in nature, and the claims were time-barred by the statute of limitations. On May 26, 2016, the trial court granted our motion to dismiss. On appeal, the Supreme Court of Alabama reversed the trial court's dismissal on March 23, 2018. On April 6, 2018, we filed an application for rehearing with the Alabama Supreme Court. On March 22, 2019, the Alabama Supreme Court denied our application for rehearing and remanded the case to the trial court for further proceedings. The court has not yet set a date for the trial to begin. On March 2, 2020, we filed a motion for summary judgment, which the trial court denied on June 17, 2020. On March 12, 2021 the Alabama Supreme Court directed the trial court to vacate its order that served as the basis for the denial of our motion for summary judgement. On April 7, 2021, we filed a renewed motion for summary judgment, the hearing for which has been scheduled on May 13, 2021.

We intend to vigorously defend ourselves in this case against the sole remaining plaintiff. Based on the stage of litigation, review of the current facts and circumstances as we understand them, the nature of the underlying claim, the results of the proceedings to date, and the nature and scope of the defense we continue to mount, we do not believe an adverse judgment or settlement is probable in this matter, and it is also not possible to estimate an amount of loss, if any, or range of possible loss that might result from an adverse judgment or settlement of this case.

Other Matters—

The False Claims Act allows private citizens, called "relators," to institute civil proceedings on behalf of the United States alleging violations of the False Claims Act. These lawsuits, also known as "whistleblower" or "*qui tam*" actions, can involve significant monetary damages, fines, attorneys' fees and the award of bounties to the relators who successfully prosecute or bring these suits to the government. *Qui tam* cases are sealed at the time of filing, which means knowledge of the information contained in the complaint typically is limited to the relator, the federal government, and the presiding court. The defendant in a *qui tam* action may remain unaware of the existence of a sealed complaint for years. While the complaint is under seal, the government reviews the merits of the case and may conduct a broad investigation and seek discovery from the defendant and other parties before deciding whether to intervene in the case and take the lead on litigating the claims. The court lifts the seal when the government makes its decision on whether to intervene. If the government decides not to intervene, the relator may elect to continue to pursue the lawsuit individually on behalf of the government. It is possible that *qui tam* lawsuits have been filed against us, which suits remain under seal, or that we are unaware of such filings or precluded by existing law or court order from discussing or disclosing the filing of such suits. We may be subject to liability under one or more undisclosed *qui tam* cases brought pursuant to the False Claims Act.

It is our obligation as a participant in Medicare and other federal healthcare programs to routinely conduct audits and reviews of the accuracy of our billing systems and other regulatory compliance matters. As a result of these reviews, we have made, and will continue to make, disclosures to the United States Department of Health and Human Services Office of Inspector General and the Centers for Medicare & Medicaid Services relating to amounts we suspect represent over-payments from these programs, whether due to inaccurate billing or otherwise. Some of these disclosures have resulted in, or may result in, Encompass Health refunding amounts to Medicare or other federal healthcare programs.

11. Segment Reporting

Our internal financial reporting and management structure is focused on the major types of services provided by Encompass Health. We manage our operations using two operating segments which are also our reportable segments: (1) inpatient rehabilitation and (2) home health and hospice. These reportable operating segments are consistent with information used by our chief executive officer, who is our chief operating decision maker, to assess performance and allocate resources. The following is a brief description of our reportable segments:

- *Inpatient Rehabilitation* - Our national network of inpatient rehabilitation hospitals stretches across 35 states and Puerto Rico, with a concentration of hospitals in the eastern half of the United States and Texas. As of March 31, 2021, we operate 138 inpatient rehabilitation hospitals. We are the sole owner of 86 of these hospitals. We retain 50.0% to 97.5% ownership in the remaining 52 jointly owned hospitals. In addition, we manage four inpatient rehabilitation units through management contracts. We provide specialized rehabilitative treatment on both an inpatient and outpatient basis. Our inpatient rehabilitation hospitals provide a higher level of rehabilitative care to patients who are recovering from conditions such as stroke and other neurological disorders, cardiac and pulmonary conditions, brain and spinal cord injuries, complex orthopedic conditions, and amputations.

- *Home Health and Hospice* - As of March 31, 2021, we provide home health services in 241 locations and hospice services in 82 locations across 31 states with concentrations in the southern half of the United States. In addition, one of these home health agencies operates as a joint venture which we account for using the equity method of accounting. We are the sole owner of 317 of these locations. We retain 50.0% to 81.0% ownership in the remaining six jointly owned locations. Our home health services include a comprehensive range of Medicare-certified home nursing services to adult patients in need of care. These services include, among others, skilled nursing, physical, occupational, and speech therapy, medical social work, and home health aide services. Our hospice services include in-home services to terminally ill patients and their families to address patients' physical needs, including pain control and symptom management, and to provide emotional and spiritual support.

The accounting policies of our reportable segments are the same as those described in Note 1, *Summary of Significant Accounting Policies*, to the consolidated financial statements accompanying the 2020 Form 10-K. All revenues for our services are generated through external customers. See Note 1, *Basis of Presentation*, "Net Operating Revenues," for the disaggregation of our revenues. No corporate overhead is allocated to either of our reportable segments. Our chief operating decision maker evaluates the performance of our segments and allocates resources to them based on adjusted earnings before interest, taxes, depreciation, and amortization ("Segment Adjusted EBITDA").

Selected financial information for our reportable segments is as follows (in millions):

	Inpatient Rehabilitation		Home Health and Hospice	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2021	2020	2021	2020
Net operating revenues	$ 959.9	$ 909.2	$ 270.5	$ 272.8
Operating expenses:				
Inpatient rehabilitation:				
Salaries and benefits	501.9	482.3	—	—
Other operating expenses	140.0	134.7	—	—
Supplies	45.2	39.6	—	—
Occupancy costs	15.1	15.3	—	—
Home health and hospice:				
Cost of service (excluding depreciation and amortization)	—	—	118.1	130.9
Support and overhead costs	—	—	101.4	100.2
	702.2	671.9	219.5	231.1
Other (income) expense	(1.5)	1.6	—	—
Equity in net income of nonconsolidated affiliates	(0.8)	(0.6)	(0.2)	(0.2)
Noncontrolling interests	25.1	20.8	0.4	0.9
Segment Adjusted EBITDA	$ 234.9	$ 215.5	$ 50.8	$ 41.0
Capital expenditures	$ 99.8	$ 83.3	$ 0.9	$ 1.5

Segment reconciliations (in millions):

	Three Months Ended March 31,	
	2021	2020
Total Segment Adjusted EBITDA	$ 285.7	$ 256.5
General and administrative expenses	(38.6)	(35.6)
Depreciation and amortization	(62.5)	(58.8)
Gain (loss) on disposal or impairment of assets	0.1	(0.1)
Government, class action, and related settlements	—	(2.8)
Interest expense and amortization of debt discounts and fees	(42.8)	(43.2)
Net income attributable to noncontrolling interests	25.5	21.7
Change in fair market value of equity securities	(0.1)	(2.5)
Gain on consolidation of joint venture formerly accounted for under the equity method of accounting	—	2.2
Payroll taxes on SARs exercise	—	(1.5)
Income from continuing operations before income tax expense	$ 167.3	$ 135.9

Additional detail regarding the revenues of our operating segments by service line follows (in millions):

	Three Months Ended March 31,	
	2021	2020
Inpatient rehabilitation:		
Inpatient	$ 942.3	$ 890.0
Outpatient and other	17.6	19.2
Total inpatient rehabilitation	959.9	909.2
Home health and hospice:		
Home health	219.9	224.8
Hospice	50.6	48.0
Total home health and hospice	270.5	272.8
Total net operating revenues	$ 1,230.4	$ 1,182.0

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) relates to Encompass Health Corporation and its subsidiaries and should be read in conjunction with our condensed consolidated financial statements included under Part I, Item 1, *Financial Statements (Unaudited)*, of this report. In addition, the following MD&A should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020, Part II, Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations,* Part I, Item 1, *Business,* and Item 1A, *Risk Factors,* included in our Annual Report on Form 10-K for the year ended December 31, 2020 filed on February 26, 2021 (collectively, the “2020 Form 10-K”).

This MD&A is designed to provide the reader with information that will assist in understanding our condensed consolidated financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our condensed consolidated financial statements. See “Cautionary Statements Regarding Forward-Looking Statements” on page ii of this report for a description of important factors that could cause actual results to differ from expected results. See also Item 1A, *Risk Factors*, of this report and to the 2020 Form 10-K.

Executive Overview

Our Business

We are a leading provider of post-acute healthcare services, offering both facility-based and home-based patient care through our network of inpatient rehabilitation hospitals, home health agencies, and hospice agencies. As of March 31, 2021, our national footprint includes 39 states and Puerto Rico. As discussed in this Item, “Segment Results of Operations,” we manage our operations in two operating segments which are also our reportable segments: (1) inpatient rehabilitation and (2) home health and hospice. For additional information about our business, see Item 1, *Business*, of the 2020 Form 10-K.

On December 9, 2020, we announced a formal process to explore strategic alternatives for our home health and hospice business. A range of options are under consideration, including the full or partial separation of the home health and hospice business from Encompass Health through an initial public offering, spin-off, merger, sale or other transaction. No timetable has been established for the completion of the strategic review.

The onset of the COVID-19 Pandemic (the “pandemic”) in the United States resulted in significant changes to our operating environment. For discussion of the financial and operational impacts we experienced in 2020 as a result of the pandemic, see Item 1, *Business*, Item 1A, *Risk Factors,* and Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations,* “Results of Operations” and “Segment Results of Operations” of the 2020 Form 10-K. For discussion of the financial and operational impacts we are experiencing in 2021 as a result of the pandemic, see “Key Challenges” below and the “Results of Operations” and “Segment Results of Operations” sections of this Item.

<u>Inpatient Rehabilitation</u>

We are the nation’s largest owner and operator of inpatient rehabilitation hospitals in terms of patients treated, revenues, and number of hospitals. We provide specialized rehabilitative treatment on predominantly an inpatient basis. We operate hospitals in 35 states and Puerto Rico, with concentrations in the eastern half of the United States and Texas. As of March 31, 2021, we operate 138 inpatient rehabilitation hospitals and manage four inpatient rehabilitation units through management contracts. Our inpatient rehabilitation segment represents approximately 78% of our *Net operating revenues* for the three months ended March 31, 2021.

<u>Home Health and Hospice</u>

Our home health business is the nation’s fourth largest provider of Medicare-certified skilled home health services in terms of revenues. Our home health services include a comprehensive range of Medicare-certified home nursing services to adult patients in need of care. Our hospice business is the nation’s eighth largest provider of Medicare-certified hospice services in terms of revenues. We provide hospice services to terminally ill patients and their families that address patients’ physical needs, including pain control and symptom management, and to provide emotional and spiritual support. As of March 31, 2021, we provide home health services in 241 locations and provide hospice services in 82 locations across 31 states, with concentrations in the southern half of the United States. In addition, one of these home health agencies operates as a joint venture that we account for using the equity method of accounting. Our home health and hospice segment represents approximately 22% of our *Net operating revenues* for the three months ended March 31, 2021.

2021 Overview

During the three months ended March 31, 2021, *Net operating revenues* increased 4.1% over the same period of 2020 due primarily to favorable pricing partially offset by decreased volumes in both segments. See “Results of Operations” and the “Segment Results of Operations” sections of this Item for additional volume and pricing information.

We have continued our development and expansion efforts in 2021. In our inpatient rehabilitation segment we:

- began operating our new 40-bed inpatient rehabilitation hospital in San Angelo, Texas with our joint venture partner Shannon Health in March 2021;
- continued our capacity expansions by adding 15 new beds to existing hospitals; and
- announced or continued the development of the following hospitals:

	Number of New Beds		
	2021	**2022**	**2023**
De novos:			
Cumming, Georgia	50	—	—
North Tampa, Florida*	50	—	—
Stockbridge, Georgia	50	—	—
Greenville, South Carolina	40	—	—
Pensacola, Florida	40	—	—
Shreveport, Louisiana	40	—	—
Waco, Texas	40	—	—
Libertyville, Illinois	—	60	—
St. Augustine, Florida	—	40	—
Lakeland, Florida	—	50	—
Clermont, Florida	—	50	—
Naples, Florida	—	50	—
Cape Coral, Florida	—	40	—
Jacksonville, Florida	—	50	—
Bowie, Maryland	—	60	—
Kissimmee, Florida	—	—	50
Prosper, Texas	—	—	40
Fort Mill, South Carolina	—	—	39
Joint ventures:			
Knoxville, Tennessee	—	73	—
Shiloh, Illinois	—	40	—
Moline, Illinois	—	40	—
Owasso, Oklahoma	—	40	—

*We began operating this hospital in April 2021.

We also continued our expansion efforts in our home health and hospice segment. In April 2021, we announced we entered into a definitive agreement to purchase the home health and hospice assets of Frontier Home Health and Hospice in Alaska, Colorado, Montana, Washington, and Wyoming for a cash purchase price of $95 million. At closing, 9 home health and 11 hospice locations will become part of our national network of home health and hospice locations. This transaction, which is subject to customary closing conditions and regulatory approvals, is expected to close in the second quarter of 2021. We expect to fund this transaction with cash on hand and borrowings under our revolving credit facility. In connection with this transaction, we expect to realize an income tax benefit with an estimated present value of approximately $10 million.

We continued our shareholder distributions during the three months ended March 31, 2021 by paying a quarterly cash dividend of $0.28 per share on our common stock in January and April. For additional information see the "Liquidity and Capital Resources" section of this Item.

Business Outlook

Notwithstanding the current impacts from the pandemic, we remain optimistic regarding the intermediate and long-term prospects for both of our business segments. Demographic trends, such as population aging, should continue to increase long-term demand for the services we provide. While we treat patients of all ages, most of our patients are 65 and older, and the number of Medicare enrollees is expected to grow approximately 3% per year for the foreseeable future. Even more specifically, the average age of our patients is approximately 76, and the population group ranging in ages from 75 to 79 is expected to grow at approximately 5% per year through 2026. We believe the demand for the services we provide will continue to increase as the U.S. population ages. We believe these factors align with our strengths in, and focus on, post-acute services. In addition, we believe we can address the demand for facility-based and home-based post-acute care services in markets where we currently do not have a presence by constructing or acquiring new hospitals and by acquiring or opening home health and hospice agencies in those fragmented industries.

We are a leading provider of post-acute healthcare services, offering both facility-based and home-based patient care through our network of inpatient rehabilitation hospitals, home health agencies, and hospice agencies. We are committed to delivering high-quality, cost-effective, integrated patient care. As the nation's largest owner and operator of inpatient rehabilitation hospitals in terms of patients treated, revenues, and number of hospitals, we believe we differentiate ourselves from our competitors based on the quality of our clinical outcomes, our cost-effectiveness, our financial strength, and our extensive application of technology. As the fourth largest provider of Medicare-certified skilled home health services in terms of revenues, we believe we differentiate ourselves from our competitors by the application of a highly integrated technology platform, our ability to manage a variety of care pathways, and a proven track record of consummating and integrating acquisitions.

Although the healthcare industry is currently engaged in addressing the healthcare crisis caused by the pandemic, the industry also faces the prospect of ongoing efforts to transform the healthcare system to coordinated care delivery and payment models. The nature, timing and extent of that transformation remains uncertain, as the development and implementation of new care delivery and payment systems will require significant time and resources. Our short-term goal is to serve our communities and provide the best care possible during the pandemic. Our long-term goal is to position the Company in a prudent manner to be responsive to industry shifts. We have invested in our core business and created an infrastructure that enables us to provide high-quality care on a cost-effective basis. We have been disciplined in creating a capital structure that is flexible with no significant debt maturities prior to 2023. We continue to have a strong, well-capitalized balance sheet, including a substantial portfolio of owned real estate and significant availability under our revolving credit facility. For these and other reasons, we believe we will be able to adapt to changes in reimbursement, sustain our business model, and grow through acquisition and consolidation opportunities as they arise. See also Item 1, *Business*, "Competitive Strengths" and "Strategy and 2021 Strategic Priorities" of the 2020 Form 10-K.

Key Challenges

Healthcare is a highly-regulated industry facing many well-publicized regulatory and reimbursement challenges. The Medicare reimbursement systems for both inpatient rehabilitation and home health have recently undergone significant changes. The future of many aspects of healthcare regulation remains uncertain. Successful healthcare providers are those able to adapt to changes in the regulatory and operating environments, build strategic relationships, and consistently provide high-quality, cost-effective care. We believe we have the necessary capabilities — change agility, strategic relationships, quality of patient outcomes, cost effectiveness, and ability to capitalize on growth opportunities — to adapt to and succeed in a dynamic, highly regulated industry, and we have a proven track record of doing so. For a detailed discussion of the challenges we face, see Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, "Executive Overview—Key Challenges" of the 2020 Form 10-K.

As we continue to execute our business plan, the following are some of the challenges we face.

- Operating in a Highly Regulated Industry. We are required to comply with extensive and complex laws and regulations at the federal, state, and local government levels. More specifically, because Medicare comprises a significant portion of our *Net operating revenues*, failure to comply with the laws and regulations governing the Medicare program and related matters could materially and adversely affect us. These rules and regulations have affected, or could in the future affect, our business activities by having an impact on the reimbursement we receive for services provided or the costs of compliance, mandating new documentation standards, requiring additional licensure or certification, regulating our relationships with physicians and other referral sources, regulating the use of our properties, and limiting our ability to enter new markets or add new capacity to existing hospitals and agencies. Ensuring continuous compliance with extensive laws and regulations is an operating requirement for all healthcare providers. See Item 1, *Business*, "Regulation," Item 1A, *Risk Factors*, and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, "Executive Overview—Key Challenges," of the 2020 Form 10-K for detailed discussions of the most important regulations we face and our programs intended to ensure we comply with those regulations.

- <u>Changes to Our Operating Environment Resulting from the pandemic</u>. In response to the public health emergency associated with the pandemic, Congress and the Centers for Medicare & Medicaid Services ("CMS") adopted several statutory and regulatory measures intended to provide relief to healthcare providers in order to ensure patients would continue to have adequate access to care. On March 27, 2020, former President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act of 2020 (the "CARES Act"), which suspended sequestration under the Budget Control Act of 2011 (the "2011 BCA") for the period of May 1 through December 31, 2020. On December 27, 2020, the Consolidated Appropriations Act, 2021 (the "2021 Budget Act") was enacted into law, which extended the sequestration suspension through March 31, 2021. On April 14, 2021, the sequestration suspension period was extended through December 31, 2021 by the enactment into law of An Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes. During the three months ended March 31, 2021, the impact of the sequestration suspension on our inpatient rehabilitation and home health and hospice revenues was $12.5 million and $4.2 million, respectively. For additional discussion, see the "Results of Operations" and "Segment Results of Operations" sections of this Item. The CARES Act, the 2021 Budget Act, and CMS regulatory actions include a number of other provisions affecting our reimbursement and operations in both segments. These provisions are discussed in Item 1, *Business*, "Sources of Revenue," Item 1A, *Risk Factors,* and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, "Results of Operations" of the 2020 Form 10-K.

  On August 21, 2020, CMS announced a new "phased-in approach" to the home health Review Choice Demonstration ("RCD") due to the public health emergency and subsequently announced the delay of the phased-in participation of the RCD in Florida and North Carolina until June 30, 2021. As a result, North Carolina and Florida agencies may submit pre-claim review requests for billing periods beginning August 31, 2020.

- <u>Changes to Our Operating Environment Resulting from Federal Regulatory and Legislative Actions</u>. On April 7, 2021, CMS released its Notice of Proposed Rulemaking for Fiscal Year 2022 for inpatient rehabilitation facilities under the inpatient rehabilitation facility prospective payment system (the "2022 Proposed IRF Rule"). The 2022 Proposed IRF Rule would implement a net 2.2% market basket increase (market basket update of 2.4% reduced by a productivity adjustment of 0.2%) effective for discharges between October 1, 2021 and September 30, 2022. The 2022 Proposed IRF Rule also includes changes that impact our hospital-by-hospital base rate for Medicare reimbursement. Such changes include, but are not limited to, revisions to the wage index and labor-related share values and updates to the case-mix group relative weights and average lengths of stay values. The 2022 Proposed IRF Rule would also add one new quality reporting measure and update the denominator of another measure. Based on our analysis that utilizes, among other things, the acuity of our patients annualized over a six-month period ended March 31, 2021, our experience with outlier payments over this same time frame, and other factors, we believe the 2022 Proposed IRF Rule will result in a net increase to our Medicare payment rates of approximately 2.1% effective October 1, 2021.

  As discussed above, the suspension of Medicare sequestration under the 2011 BCA is currently set to end December 31, 2021, which would result in an approximate 2% reduction in Medicare reimbursement otherwise due in 2022. Additional Medicare payment reductions are also possible under the Statutory Pay-As-You-Go Act of 2010 ("Statutory PAYGO"). Statutory PAYGO requires, among other things, that mandatory spending and revenue legislation not increase the federal budget deficit over a 5- or 10-year period. If the Office of Management and Budget (the “OMB”) finds there is a deficit, Statutory PAYGO requires OMB to order sequestration of Medicare. The Congressional Budget Office has estimated that the COVID-19 relief package enacted in March 2021, the American Rescue Plan Act of 2021, would result in a 4% reduction in fiscal year 2022 Medicare spending under Statutory PAYGO unless Congress acts to waive or otherwise avoid this sequestration.

- Maintaining Strong Volume Growth. In addition to the factors described in our 2020 Form 10-K, we continued to experience decreased volumes in both segments which we believe resulted from a number of conditions related to the pandemic which are expected to continue as discussed in the “Results of Operations” section of this Item.

- Recruiting and Retaining High-Quality Personnel. See Item 1A, *Risk Factors*, of the 2020 Form 10-K for a discussion of competition for staffing, shortages of qualified personnel, and other factors that may increase our labor costs. Additionally, our operations have been affected and may in the future be affected by staffing shortages where employees must self-quarantine due to exposure to COVID-19 or where employees are unavailable due to a lack of childcare or care for elderly family.

We remain confident in the prospects of both of our business segments based on the increasing demands for the services we provide to an aging population. This confidence is further supported by our strong financial foundation and the substantial investments we have made in our businesses. We have a proven track record of working through difficult situations, and we believe in our ability to overcome current and future challenges.

Results of Operations

Payor Mix

We derived consolidated *Net operating revenues* from the following payor sources:

	Three Months Ended March 31,	
	2021	**2020**
Medicare	68.1 %	73.4 %
Medicare Advantage	15.1 %	11.9 %
Managed care	10.3 %	8.7 %
Medicaid	3.5 %	3.0 %
Other third-party payors	1.0 %	0.9 %
Workers' compensation	0.5 %	0.6 %
Patients	0.4 %	0.5 %
Other income	1.1 %	1.0 %
Total	100.0 %	100.0 %

Medicare as a percentage of revenue decreased during the three months ended March 31, 2021 as compared to the same period of 2020 primarily due to the pandemic, as discussed below. For additional discussion by segment, see the "Segment Results of Operations" section of this Item.

For additional information regarding our payors, see the "Sources of Revenues" section of Item 1, *Business*, of the 2020 Form 10-K.

Our Results

For the three months ended March 31, 2021 and 2020, our consolidated results of operations were as follows:

	Three Months Ended March 31,		Percentage Change
	2021	2020	2021 vs. 2020
	(In Millions, Except Percentage Change)		
Net operating revenues	$ 1,230.4	$ 1,182.0	4.1 %
Operating expenses:			
Salaries and benefits	687.2	679.1	1.2 %
Other operating expenses	162.3	159.6	1.7 %
Occupancy costs	20.2	20.2	— %
Supplies	51.9	45.7	13.6 %
General and administrative expenses	38.6	35.6	8.4 %
Depreciation and amortization	62.5	58.8	6.3 %
Government, class action, and related settlements	—	2.8	(100.0)%
Total operating expenses	1,022.7	1,001.8	2.1 %
Interest expense and amortization of debt discounts and fees	42.8	43.2	(0.9)%
Other (income) expense	(1.4)	1.9	(173.7)%
Equity in net income of nonconsolidated affiliates	(1.0)	(0.8)	25.0 %
Income from continuing operations before income tax expense	167.3	135.9	23.1 %
Provision for income tax expense	34.5	27.1	27.3 %
Income from continuing operations	132.8	108.8	22.1 %
Loss from discontinued operations, net of tax	—	(0.1)	(100.0)%
Net income	132.8	108.7	22.2 %
Less: Net income attributable to noncontrolling interests	(25.5)	(21.7)	17.5 %
Net income attributable to Encompass Health	$ 107.3	$ 87.0	23.3 %

Operating Expenses as a % of Net Operating Revenues

	Three Months Ended March 31,	
	2021	**2020**
Operating expenses:		
Salaries and benefits	55.9 %	57.5 %
Other operating expenses	13.2 %	13.5 %
Occupancy costs	1.6 %	1.7 %
Supplies	4.2 %	3.9 %
General and administrative expenses	3.1 %	3.0 %
Depreciation and amortization	5.1 %	5.0 %
Government, class action, and related settlements	— %	0.2 %
Total operating expenses	83.1 %	84.8 %

In the discussion that follows, we use "same-store" comparisons to explain the changes in certain performance metrics and line items within our financial statements. We calculate same-store comparisons based on hospitals and home health and hospice locations open throughout both the full current periods and prior periods presented. These comparisons include the financial results of market consolidation transactions in existing markets, as it is difficult to determine, with precision, the incremental impact of these transactions on our results of operations.

Net Operating Revenues

Our consolidated *Net operating revenues* increased during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to favorable pricing partially offset by decreased volumes in both segments. Pricing included reimbursement rate increases and the suspension of sequestration for both segments. See additional discussion in the “Segment Results of Operations” section of this Item.

Beginning in mid-March 2020, we experienced decreased volumes in both segments which we believe resulted from a number of conditions related to the pandemic including: lower acute-care hospital censuses due to the deferral of elective surgeries and shelter-in-place orders, restrictive visitation policies in place at acute-care hospitals that severely limit access to patients and caregivers by our clinical rehabilitation liaisons and care transition coordinators, lock down of assisted living facilities, and heightened anxiety among patients and their family members regarding the risk of exposure to COVID-19 during acute-care and post-acute care treatment. Certain of these conditions have continued into 2021 resulting in a year-over-year decrease in volumes in both segments.

Salaries and Benefits

Salaries and benefits increased during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to salary increases for our employees and the ramping up of new stores partially offset by the home health and hospice clinician compensation model changes implemented in May 2020 and improved clinician labor management in both segments.

Salaries and benefits as a percent of *Net operating revenues* decreased during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to revenue growth, improved labor management which contributed to lower employees per occupied bed (as defined in “Segment Results” of this Item), and the clinician compensation model changes discussed above. See additional discussion in the “Segment Results of Operations” section of this Item.

Other Operating Expenses

As a percent of *Net operating revenues*, *Other operating expenses* decreased during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to the increase in *Net operating revenues* as discussed above.

Supplies

Supplies increased in terms of dollars and as a percent of revenue during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to increased utilization and cost of medical supplies, including personal protective equipment (“PPE”), due to the pandemic. We expect to continue to see increased utilization and cost of medical supplies in 2021.

General and Administrative Expenses

General and administrative expenses increased in terms of dollars and as a percent of revenue during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to the $3.5 million year-over-year change in the mark-to-market adjustment on our non-qualified 401(k) liability and higher costs associated with incentive compensation.

Depreciation and Amortization

Depreciation and amortization increased during the three months ended March 31, 2021 compared to the same period of 2020 due to our capital investments. We expect *Depreciation and amortization* to increase going forward as a result of our recent and ongoing capital investments.

Other (Income) Expense

Other (income) expense increased during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to the $3.5 million year-over-year change in the mark-to-market adjustment on our non-qualified 401(k) liability (offsetting impact in *General and administrative expenses*).

Income from Continuing Operations Before Income Tax Expense

Our pre-tax income from continuing operations increased during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to the increase in *Net operating revenues* as discussed above.

Provision for Income Tax Expense

Our *Provision for income tax expense* increased during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to higher *Income from continuing operations before income tax expense.*

We currently estimate our cash payments for income taxes to be approximately $100 million to $130 million, net of refunds, for 2021. These payments are expected to primarily result from federal and state income tax expenses based on estimates of taxable income for 2021.

In certain jurisdictions, we do not expect to generate sufficient income to use all of the available state net operating losses and other credits prior to their expiration. This determination is based on our evaluation of all available evidence in these jurisdictions including results of operations during the preceding three years, our forecast of future earnings, and prudent tax planning strategies. It is possible we may be required to increase or decrease our valuation allowance at some future time if our forecast of future earnings varies from actual results on a consolidated basis or in the applicable tax jurisdiction, if the timing of future tax deductions differs from our expectations, or pursuant to changes in state tax laws and rates.

We recognize the financial statement effects of uncertain tax positions when it is more likely than not, based on the technical merits, a position will be sustained upon examination by and resolution with the taxing authorities. Total remaining unrecognized tax benefits were $0.2 million as of March 31, 2021 and December 31, 2020.

See Note 8, *Income Taxes*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report and Note 16, *Income Taxes*, to the consolidated financial statements accompanying the 2020 Form 10-K.

Net Income Attributable to Noncontrolling Interests

The increase in *Net Income Attributable to Noncontrolling Interests* during the three months ended March 31, 2021 compared to the same period of 2020 resulted from new joint ventures and increased profitability of our existing joint ventures.

Segment Results of Operations

Our internal financial reporting and management structure is focused on the major types of services provided by Encompass Health. We manage our operations using two operating segments which are also our reportable segments: (1) inpatient rehabilitation and (2) home health and hospice. For additional information regarding our business segments, including a detailed description of the services we provide, financial data for each segment, and a reconciliation of total segment Adjusted EBITDA to income from continuing operations before income tax expense, see Note 11, *Segment Reporting*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

Inpatient Rehabilitation

Our inpatient rehabilitation segment derived its *Net operating revenues* from the following payor sources:

	Three Months Ended March 31,	
	2021	2020
Medicare	63.9 %	70.5 %
Medicare Advantage	16.5 %	12.3 %
Managed care	11.7 %	9.9 %
Medicaid	4.1 %	3.4 %
Other third-party payors	1.3 %	1.2 %
Workers’ compensation	0.6 %	0.8 %
Patients	0.5 %	0.6 %
Other income	1.4 %	1.3 %
Total	100.0 %	100.0 %

Additional information regarding our inpatient rehabilitation segment's operating results for the three months ended March 31, 2021 and 2020 is as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Percentage Change 2021 vs. 2020
	(In Millions, Except Percentage Change)		
Net operating revenues:			
Inpatient	$ 942.3	$ 890.0	5.9 %
Outpatient and other	17.6	19.2	(8.3)%
Inpatient rehabilitation segment revenues	959.9	909.2	5.6 %
Operating expenses:			
Salaries and benefits	501.9	482.3	4.1 %
Other operating expenses	140.0	134.7	3.9 %
Supplies	45.2	39.6	14.1 %
Occupancy costs	15.1	15.3	(1.3)%
Other (income) expense	(1.5)	1.6	(193.8)%
Equity in net income of nonconsolidated affiliates	(0.8)	(0.6)	33.3 %
Noncontrolling interests	25.1	20.8	20.7 %
Segment Adjusted EBITDA	$ 234.9	$ 215.5	9.0 %
	(Actual Amounts)		
Discharges	47,187	47,750	(1.2)%
Net patient revenue per discharge	$ 19,969	$ 18,639	7.1 %
Outpatient visits	40,194	69,743	(42.4)%
Average length of stay (days)	13.0	12.7	2.4 %
Occupancy %	71.4 %	71.3 %	0.1 %
# of licensed beds	9,560	9,322	2.6 %
Full-time equivalents*	22,383	22,318	0.3 %
Employees per occupied bed	3.31	3.38	(2.1)%

* Full-time equivalents included in the above table represent our employees who participate in or support the operations of our hospitals and exclude an estimate of full-time equivalents related to contract labor.

We actively manage the productive portion of our *Salaries and benefits* utilizing certain metrics, including employees per occupied bed, or "EPOB." This metric is determined by dividing the number of full-time equivalents, including an estimate of full-time equivalents from the utilization of contract labor, by the number of occupied beds during each period. The number of occupied beds is determined by multiplying the number of licensed beds by our occupancy percentage.

Operating Expenses as a % of Net Operating Revenues

	Three Months Ended March 31,	
	2021	2020
Operating expenses:		
Salaries and benefits	52.3 %	53.0 %
Other operating expenses	14.6 %	14.8 %
Supplies	4.7 %	4.4 %
Occupancy costs	1.6 %	1.7 %
Total operating expenses	73.2 %	73.9 %

Net Operating Revenues

Inpatient revenue increased during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to favorable pricing partially offset by decreased volumes. Discharge growth from new stores of 1.0% during the three months ended March 31, 2021 resulted from our joint venture in Coralville, Iowa (June 2020) and wholly owned hospitals in Murrieta, California (February 2020), Sioux Falls, South Dakota (June 2020), and Toledo, Ohio (November 2020). Same-store discharges declined 2.2% during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to the pandemic. Discharge growth was impacted by COVID-related limitations on elective procedures and capacity and staffing constraints at certain of our hospitals. Growth in net patient revenue per discharge during the three months ended March 31, 2021 compared to the same period of 2020 primarily resulted from a higher acuity patient mix, an increase in reimbursement rates, and the suspension of sequestration.

See Note 2, *Business Combinations*, to the consolidated financial statements accompanying the 2020 Form 10-K for information regarding the joint venture discussed above.

Adjusted EBITDA

The increase in Adjusted EBITDA during the three months ended March 31, 2021 compared to the same period of 2020 primarily resulted from the increase in net patient revenue, as discussed above. *Salaries and benefits* as a percent of revenues decreased during the three months ended March 31, 2021 compared to the same period of 2020 primarily due to revenue growth and improved labor management which contributed to lower employees per occupied bed. *Supplies* increased as a percent of revenue primarily due to increased purchase and use of medical supplies in March 2021 due to the pandemic. *Other (income) expense* within the segment increased $3.5 million primarily due to the year-over-year change in the mark-to-market adjustment on our nonqualified 401(k) liability, which is offset in *General and administrative expenses.*

Home Health and Hospice

Our home health and hospice segment derived its *Net operating revenues* from the following payor sources:

	Three Months Ended March 31,	
	2021	**2020**
Medicare	82.7 %	83.0 %
Medicare Advantage	10.4 %	10.8 %
Managed care	5.3 %	4.4 %
Medicaid	1.4 %	1.5 %
Workers’ compensation	— %	0.1 %
Patients	0.1 %	0.1 %
Other income	0.1 %	0.1 %
Total	100.0 %	100.0 %

Additional information regarding our home health and hospice segment's operating results for the three months ended March 31, 2021 and 2020 is as follows:

	Three Months Ended March 31,		Percentage Change
	2021	2020	2021 vs. 2020
	(In Millions, Except Percentage Change)		
Net operating revenues:			
Home health	$ 219.9	$ 224.8	(2.2)%
Hospice	50.6	48.0	5.4 %
Home health and hospice segment revenues	270.5	272.8	(0.8)%
Operating expenses:			
Cost of services (excluding depreciation and amortization)	118.1	130.9	(9.8)%
Support and overhead costs	101.4	100.2	1.2 %
Equity in net income of nonconsolidated affiliates	(0.2)	(0.2)	— %
Noncontrolling interests	0.4	0.9	(55.6)%
Segment Adjusted EBITDA	$ 50.8	$ 41.0	23.9 %
	(Actual Amounts)		
Home health:			
Total admissions	50,799	52,754	(3.7)%
Episodic admissions	40,215	42,476	(5.3)%
Total recertifications	31,902	29,463	8.3 %
Episodic recertifications	28,083	26,553	5.8 %
Episodes	66,435	68,652	(3.2)%
Total starts of care	82,701	82,217	0.6 %
Revenue per episode	$ 2,923	$ 2,909	0.5 %
Episodic visits per episode	15.8	16.3	(3.1)%
Total visits	1,239,073	1,306,230	(5.1)%
Cost per visit	$ 77	$ 81	(4.9)%
Hospice:			
Admissions	3,330	2,986	11.5 %
Patient days	334,400	334,545	— %
Average daily census	3,716	3,676	1.1 %
Revenue per day	$ 151	$ 144	4.9 %

Operating Expenses as a % of Net Operating Revenues

	Three Months Ended March 31,	
	2021	2020
Operating expenses:		
Cost of services (excluding depreciation and amortization)	43.7 %	48.0 %
Support and overhead costs	37.5 %	36.7 %
Total operating expenses	81.1 %	84.7 %

Net Operating Revenues

Total starts of care (total admissions plus total recertifications) were up 0.6% during the three months ended March 31, 2021 compared to the same period of 2020 due to increases in recertifications and non-episodic admissions. Non-episodic admissions increased 3% year over year primarily due to the new national contract with United Healthcare. Total home health admissions declined during the three months ended March 31, 2021 compared to the same period of 2020 as a result of episodic admissions decreasing 22% from patients residing in senior living facilities, 35% from patients discharging from skilled nursing facilities, and 18% from patients receiving elective procedures in acute care hospitals. The combined impact of these declines represented a loss of approximately 3,700 admissions, or a 880 basis points negative impact on the episodic growth rate for the three months ended March 31, 2021. During the three months ended March 31, 2021, the segment averaged 250 home health employees per day on COVID-related quarantine, which further impacted its ability to accept referrals.

The increase in revenue per episode during the three months ended March 31, 2021 compared to the same period of 2020 resulted from an increase in reimbursement rates and the suspension of sequestration partially offset by the impact of the timing of completed episodes. Revenue per episode during the three months ended March 31, 2020 benefited from the reversal of a $1.6 million reserve for a Zone Program Integrity Contractor audit.

Hospice same-store admissions growth of 11.4% yielded a 5.4% increase in hospice revenue during the three months ended March 31, 2021 compared to the same period of 2020. Hospice revenue growth was impacted by a decrease in length of stay resulting from a change in patient mix.

Adjusted EBITDA

The increase in Adjusted EBITDA during the three months ended March 31, 2021 compared to the same period of 2020 resulted from a decrease in *Cost of services* as a percent of revenue. *Cost of services* decreased as a percent of revenues for the three months ended March 31, 2021 compared to the same period of 2020 primarily due to lower cost per visit supported by changes in the clinician compensation model changes implemented in May 2020, as well as effective management of overall productivity of full-time staff.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash flows from operations, and borrowings under our revolving credit facility.

The objectives of our capital structure strategy are to ensure we maintain adequate liquidity and flexibility. Pursuing and achieving those objectives allow us to support the execution of our operating and strategic plans and weather temporary disruptions in the capital markets and general business environment. Maintaining adequate liquidity is a function of our unrestricted *Cash and cash equivalents* and our available borrowing capacity. Maintaining flexibility in our capital structure is a function of, among other things, the amount of debt maturities in any given year, the options for debt prepayments without onerous penalties, and limiting restrictive terms and maintenance covenants in our debt agreements.

Consistent with these objectives, in March 2021, we issued notice for redemption of $100 million in outstanding principal amount of the 5.125% Senior Notes due 2023 (the “2023 Notes”). We completed this redemption on April 5, 2021 using cash on hand and capacity under our revolving credit facility. Pursuant to the terms of the 2023 Notes, this optional redemption was made at a price of par. As a result of this redemption, we have classified approximately $100 million of the 2023 Notes as current in our accompanying March 31, 2021 condensed consolidated balance sheet, and we expect to record an approximate $0.6 million loss on early extinguishment of debt in the second quarter of 2021.

We have been disciplined in creating a capital structure that is flexible with no significant debt maturities prior to 2023. We continue to have a strong, well-capitalized balance sheet, including a substantial portfolio of owned real estate, and we have significant availability under our revolving credit facility. We continue to generate cash flows from operations and we have significant flexibility with how we choose to invest our cash and return capital to shareholders.

For additional information, see Note 4, *Long-term Debt*, to the accompanying condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report, and Note 10, *Long-term Debt,* to the consolidated financial statements accompanying the 2020 Form 10-K.

Current Liquidity

As of March 31, 2021, we had $223.9 million in *Cash and cash equivalents*. This amount excludes $72.4 million in restricted cash ($62.2 million included in *Restricted cash* and $10.2 million included in *Other long-term assets* in our condensed consolidated balance sheet) and $73.1 million of restricted marketable securities (included in *Other long-term assets* in our condensed consolidated balance sheet). Our restricted assets pertain primarily to obligations associated with our captive insurance company, as well as obligations we have under agreements with joint venture partners. See Note 4, *Cash and Marketable Securities*, to the consolidated financial statements accompanying the 2020 Form 10-K.

In addition to *Cash and cash equivalents*, as of March 31, 2021, we had approximately $962 million available to us under our revolving credit facility. Our credit agreement governs the substantial majority of our senior secured borrowing capacity and contains a leverage ratio and an interest coverage ratio as financial covenants. Our leverage ratio is defined in our credit agreement as the ratio of consolidated total debt (less up to $300 million of cash on hand) to Adjusted EBITDA for the trailing four quarters. In calculating the leverage ratio under our credit agreement, we are permitted to use pro forma Adjusted EBITDA, the calculation of which includes historical income statement items and pro forma adjustments resulting from (1) the dispositions and repayments or incurrence of debt and (2) the investments, acquisitions, mergers, amalgamations, consolidations and operational changes from acquisitions to the extent such items or effects are not yet reflected in our trailing four-quarter financial statements. Our interest coverage ratio is defined in our credit agreement as the ratio of Adjusted EBITDA to consolidated interest expense, excluding the amortization of financing fees, for the trailing four quarters. As of March 31, 2021, the maximum leverage ratio requirement per our credit agreement was 6.50x and the minimum interest coverage ratio requirement was 2.0x, and we were in compliance with these covenants. Based on Adjusted EBITDA for the trailing four quarters and the interest rate in effect under our credit agreement during the three-month period ended March 31, 2021, if we had drawn on the first day and maintained the maximum amount of outstanding draws under our revolving credit facility for that entire period, we would still be in compliance with the maximum leverage ratio and minimum interest coverage ratio requirements.

We do not face near-term refinancing risk, as the amounts outstanding under our credit agreement do not mature until 2024, and our bonds all mature in 2023 and beyond. See the "Contractual Obligations" section below for information related to our contractual obligations as of March 31, 2021.

For a discussion of risks and uncertainties facing us see Item 1A, *Risk Factors,* under Part II, *Other Information*, of this report and Item 1A, *Risk Factors*, of the 2020 Form 10-K.

Sources and Uses of Cash

The following table shows the cash flows provided by or used in operating, investing, and financing activities for the three months ended March 31, 2021 and 2020 (in millions):

	Three Months Ended March 31,	
	2021	**2020**
Net cash provided by operating activities	$ 158.5	$ 29.3
Net cash used in investing activities	(95.6)	(83.0)
Net cash (used in) provided by financing activities	(77.5)	71.1
(Decrease) increase in cash, cash equivalents, and restricted cash	$ (14.6)	$ 17.4

Operating activities. The increase in *Net cash provided by operating activities* for the three months ended March 31, 2021 compared to the same period of 2020 primarily resulted from the approximate $101 million payment to management investors of our home health and hospice segment during the first quarter of 2020 for vested stock appreciation rights. For additional information, see Note 7, S*hare-Based Payments*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

Investing activities. The increase in *Net cash used in investing activities* during the three months ended March 31, 2021 compared to the same period of 2020 primarily resulted from an increase in purchases of property and equipment.

Financing activities. The increase in *Net cash used in financing activities* during the three months ended March 31, 2021 compared to the same period of 2020 primarily resulted from the 2020 net borrowings on our revolving credit facility offset by cash used for the purchase of equity interests held by the home health and hospice management team during the first quarter of 2020. For additional information, see Note 5, *Redeemable Noncontrolling Interests*, to the accompanying condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report and Note 10, *Long-term Debt,* to the consolidated financial statements accompanying the 2020 Form 10-K.

Contractual Obligations

Our consolidated contractual obligations as of March 31, 2021 are as follows (in millions):

	Total	April 1 through December 31, 2021	2022 - 2023	2024 - 2025	2026 and thereafter
Long-term debt obligations:					
Long-term debt, excluding revolving credit facility and finance lease obligations [a]	$ 2,895.1	$ 110.3	$ 240.4	$ 582.1	$ 1,962.3
Interest on long-term debt [b]	897.7	98.0	250.6	224.9	324.2
Finance lease obligations [c]	645.0	40.4	101.3	100.9	402.4
Operating lease obligations [d]	340.2	44.5	95.8	67.2	132.7
Purchase obligations [e]	110.8	40.6	43.0	17.9	9.3
Other long-term liabilities [f][g]	3.3	0.3	0.4	0.4	2.2
Total	$ 4,892.1	$ 334.1	$ 731.5	$ 993.4	$ 2,833.1

[a] Included in long-term debt are amounts owed on our bonds payable and other notes payable. These borrowings are further explained in Note 4, *Long-term Debt*, accompanying the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report, and Note 10, *Long-term Debt,* to the consolidated financial statements accompanying the 2020 Form 10-K.

[b] Interest on our fixed rate debt is presented using the stated interest rate. Interest expense on our variable rate debt is estimated using the rate in effect as of March 31, 2021. Interest pertaining to our credit agreement and bonds is included to their respective ultimate maturity dates. Interest related to finance lease obligations is excluded from this line. Amounts exclude amortization of debt discounts, amortization of loan fees, or fees for lines of credit that would be included in interest expense in our consolidated statements of comprehensive income.

[c] Amounts include interest portion of future minimum finance lease payments.

[d] Our inpatient rehabilitation segment leases approximately 12% of its hospitals as well as other property and equipment under operating leases in the normal course of business. Our home health and hospice segment leases relatively small office spaces in the localities it serves, space for its corporate office, and other equipment under operating leases in the normal course of business. Amounts include interest portion of future minimum operating lease payments. For more information, see Note 7, *Leases,* to the consolidated financial statements accompanying the 2020 Form 10-K.

[e] Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on Encompass Health and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty. Our purchase obligations primarily relate to software licensing and support and medical equipment. Purchase obligations are not recognized in our condensed consolidated balance sheet.

[f] Because their future cash outflows are uncertain, the following noncurrent liabilities are excluded from the table above: general liability, professional liability, and workers' compensation risks, noncurrent amounts related to third-party billing audits, and deferred income taxes. For more information, see Note 11, *Self-Insured Risks,* Note 16, *Income Taxes,* and Note 18, *Contingencies and Other Commitments,* to the consolidated financial statements accompanying the 2020 Form 10-K and

Note 8, *Income Taxes*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

(g) The table above does not include *Redeemable noncontrolling interests* of $31.7 million because of the uncertainty surrounding the timing and amounts of any related cash outflows. See Note 5, *Redeemable Noncontrolling Interests*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

Our capital expenditures include costs associated with our hospital refresh program, de novo projects, capacity expansions, technology initiatives, and building and equipment upgrades and purchases. During the three months ended March 31, 2021, we made capital expenditures of approximately $101 million for property and equipment, capitalized software, and other intangible assets. During 2021, we expect to spend approximately $580 million to $665 million for capital expenditures. Approximately $165 million to $195 million of this budgeted amount is considered nondiscretionary expenditures, which we may refer to in other filings as "maintenance" expenditures. In addition, we expect to spend approximately $50 million to $100 million on home health and hospice acquisitions during 2021. Actual amounts spent will be dependent upon the timing of development projects and acquisition opportunities for our home health and hospice business.

Authorizations for Returning Capital to Stakeholders

In October 2020 and February 2021, our board of directors declared cash dividends of $0.28 per share that were paid in January 2021 and April 2021, respectively. We expect quarterly dividends to be paid in January, April, July, and October. However, the actual declaration of any future cash dividends, and the setting of record and payment dates as well as the per share amounts, will be at the discretion of our board of directors after consideration of various factors, including our capital position and alternative uses of funds. Cash dividends are expected to be funded using cash flows from operations, cash on hand, and availability under our revolving credit facility.

On February 14, 2014, our board of directors approved an increase in our existing common stock repurchase authorization from $200 million to $250 million. On July 24, 2018, our board approved resetting the aggregate common stock repurchase authorization to $250 million. As of March 31, 2021, approximately $198 million remained under this authorization. The repurchase authorization does not require the repurchase of a specific number of shares, has an indefinite term, and is subject to termination at any time by our board of directors. Subject to certain terms and conditions, including a maximum price per share and compliance with federal and state securities and other laws, the repurchases may be made from time to time in open market transactions, privately negotiated transactions, or other transactions, including trades under a plan established in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

Supplemental Guarantor Financial Information

Our indebtedness under our credit agreement and the 5.125% Senior Notes due 2023, 5.75% Senior Notes due 2025, 4.50% Senior Notes due 2028, 4.75% Senior Notes due 2030, and 4.625% Senior Notes due 2031 (collectively, the "Senior Notes") are guaranteed by certain consolidated subsidiaries. These guarantees are full and unconditional and joint and several, subject to certain customary conditions for release. The Senior Notes are guaranteed on a senior, unsecured basis by all of our existing and future subsidiaries that guarantee borrowings under our credit agreement and other capital markets debt. The other subsidiaries of Encompass Health do not guarantee the Senior Notes (such subsidiaries are referred to as the "non-guarantor subsidiaries").

The terms of our credit agreement allow us to declare and pay cash dividends on our common stock so long as: (1) we are not in default under our credit agreement, and (2) either (a) our senior secured leverage ratio (as defined in our credit agreement) remains less than or equal to 2x and our leverage ratio (as defined in our credit agreement) remains less than or equal to 4.50x or (b) there is capacity under the Available Amount as defined in the credit agreement. The terms of our Senior Notes indenture allow us to declare and pay cash dividends on our common stock so long as (1) we are not in default, (2) the consolidated coverage ratio (as defined in the indenture) exceeds 2x or we are otherwise allowed under the indenture to incur debt, and (3) we have capacity under the indenture's restricted payments covenant to declare and pay dividends. See Note 4, *Long-term Debt*, to the accompanying condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report, and Note 10, *Long-term Debt*, to the consolidated financial statements accompanying the 2020 Form 10-K.

Summarized financial information is presented below for Encompass Health, the parent company, and the subsidiary guarantors on a combined basis after elimination of intercompany transactions and balances among Encompass Health and the subsidiary guarantors and does not include investments in and equity in the earnings of non-guarantor subsidiaries. Amounts for prior periods have been revised to reflect the status of guarantors and non-guarantors as of March 31, 2021.

	Three Months Ended March 31, 2021	For the Year Ended December 31, 2020
	(In Millions)	
Net operating revenues	$ 894.8	$ 3,387.1
Intercompany revenues generated from non-guarantor subsidiaries	4.9	19.9
Total net operating revenues	$ 899.7	$ 3,407.0
Operating expenses	$ 759.8	$ 2,976.0
Intercompany expenses incurred in transactions with non-guarantor subsidiaries	7.6	30.3
Total operating expenses	$ 767.4	$ 3,006.3
Income from continuing operations	$ 70.6	$ 166.2
Net income	$ 70.6	$ 166.2
Net income attributable to Encompass Health	$ 70.6	$ 165.7

	As of March 31, 2021	As of December 31, 2020
	(In Millions)	
Total current assets	$ 767.4	$ 716.5
Property and equipment, net	$ 1,648.3	$ 1,593.9
Goodwill	1,973.6	1,973.6
Intercompany receivable due from non-guarantor subsidiaries	157.8	152.4
Other noncurrent assets	679.9	701.4
Total noncurrent assets	$ 4,459.6	$ 4,421.3
Total current liabilities	$ 679.5	$ 580.8
Long-term debt, net of current portion	$ 3,106.9	$ 3,213.1
Other noncurrent liabilities	251.7	253.9
Total noncurrent liabilities	$ 3,358.6	$ 3,467.0

Adjusted EBITDA

Management believes Adjusted EBITDA as defined in our credit agreement is a measure of our ability to service our debt and our ability to make capital expenditures. We reconcile Adjusted EBITDA to *Net income* and to *Net cash provided by operating activities*.

We use Adjusted EBITDA on a consolidated basis as a liquidity measure. We believe this financial measure on a consolidated basis is important in analyzing our liquidity because it is the key component of certain material covenants contained within our credit agreement, which is discussed in more detail in Note 10, *Long-term Debt*, to the consolidated financial statements accompanying the 2020 Form 10-K. These covenants are material terms of the credit agreement. Noncompliance with these financial covenants under our credit agreement—our interest coverage ratio and our leverage ratio—could result in our lenders requiring us to immediately repay all amounts borrowed. If we anticipated a potential covenant violation, we would seek relief from our lenders, which would have some cost to us, and such relief might be on terms less favorable to us than those in our existing credit agreement. In addition, if we cannot satisfy these financial covenants, we would be prohibited under our credit agreement from engaging in certain activities, such as incurring additional indebtedness, paying common stock dividends, making certain payments, and acquiring and disposing of assets. Consequently, Adjusted EBITDA is critical to our assessment of our liquidity.

In general terms, the credit agreement definition of Adjusted EBITDA, therein referred to as “Adjusted Consolidated EBITDA,” allows us to add back to consolidated *Net income* interest expense, income taxes, and depreciation and amortization and then add back to consolidated *Net income* (1) all unusual or nonrecurring items reducing consolidated *Net income* (of which only up to $10 million in a year may be cash expenditures), (2) any losses from discontinued operations, (3) non-ordinary course fees, costs and expenses incurred with respect to any litigation or settlement, (4) share-based compensation expense, (5) costs and expenses associated with changes in the fair value of marketable securities, (6) costs and expenses associated with the issuance or prepayment debt and acquisitions, and (7) any restructuring charges not in excess of 20% of Adjusted Consolidated EBITDA. We also subtract from consolidated *Net income* all unusual or nonrecurring items to the extent they increase consolidated *Net income*.

Under the credit agreement, the Adjusted EBITDA calculation does not require us to deduct net income attributable to noncontrolling interests or gains on fair value adjustments of hedging and equity instruments, disposal of assets, and development activities. It also does not allow us to add back losses on fair value adjustments of hedging instruments or unusual or nonrecurring cash expenditures in excess of $10 million. These items and amounts, in addition to the items falling within the credit agreement’s “unusual or nonrecurring” classification, may occur in future periods, but can vary significantly from period to period and may not directly relate to, or be indicative of, our ongoing liquidity or operating performance. Accordingly, the Adjusted EBITDA calculation presented here includes adjustments for them.

Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles in the United States of America, and the items excluded from Adjusted EBITDA are significant components in understanding and assessing financial performance. Therefore, Adjusted EBITDA should not be considered a substitute for *Net income* or cash flows from operating, investing, or financing activities. Because Adjusted EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. Revenues and expenses are measured in accordance with the policies and procedures described in Note 1, *Summary of Significant Accounting Policies*, to the consolidated financial statements accompanying the 2020 Form 10-K.

Our Adjusted EBITDA for the three months ended March 31, 2021 and 2020 was as follows (in millions):

Reconciliation of Net Income to Adjusted EBITDA

	Three Months Ended March 31,	
	2021	2020
Net income	$ 132.8	$ 108.7
Loss from discontinued operations, net of tax, attributable to Encompass Health	—	0.1
Net income attributable to noncontrolling interests	(25.5)	(21.7)
Provision for income tax expense	34.5	27.1
Interest expense and amortization of debt discounts and fees	42.8	43.2
Government, class action, and related settlements	—	2.8
(Gain) loss on disposal of assets	(0.1)	0.1
Depreciation and amortization	62.5	58.8
Stock-based compensation expense	2.8	7.1
Costs associated with the strategic alternatives review	0.9	—
Gain on consolidation of joint venture formerly accounted for under the equity method of accounting	—	(2.2)
Change in fair market value of equity securities	0.1	2.5
Payroll taxes on SARs exercise	—	1.5
Adjusted EBITDA	$ 250.8	$ 228.0

Reconciliation of Net Cash Provided by Operating Activities to Adjusted EBITDA

	Three Months Ended March 31,	
	2021	**2020**
Net cash provided by operating activities	$ 158.5	$ 29.3
Interest expense and amortization of debt discounts and fees	42.8	43.2
Equity in net income of nonconsolidated affiliates	1.0	0.8
Net income attributable to noncontrolling interests in continuing operations	(25.5)	(21.7)
Amortization of debt-related items	(2.0)	(1.4)
Distributions from nonconsolidated affiliates	(1.0)	(1.0)
Current portion of income tax expense	25.8	25.7
Change in assets and liabilities	50.3	154.4
Cash used in operating activities of discontinued operations	—	0.1
Costs associated with the strategic alternatives review	0.9	—
Change in fair market value of equity securities	0.1	2.5
Payroll taxes on SARs exercise	—	1.5
Other	(0.1)	(5.4)
Adjusted EBITDA	$ 250.8	$ 228.0

For additional information see the "Results of Operations" and "Segment Results of Operations" sections of this Item.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 1, *Basis of Presentation*, to our condensed consolidated financial statements included under Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our primary exposure to market risk is to changes in interest rates on our variable rate long-term debt. We use sensitivity analysis models to evaluate the impact of interest rate changes on our variable rate debt. As of March 31, 2021, our primary variable rate debt outstanding related to $248.3 million under our term loan facilities. Assuming outstanding balances were to remain the same, a 1% increase in interest rates would result in an incremental negative cash flow of approximately $2.1 million over the next 12 months, while a 1% decrease in interest rates would result in an incremental positive cash flow of approximately $0.3 million over the next 12 months.

See Note 4, *Long-term Debt,* and Note 6, *Fair Value Measurements*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report, for additional information regarding our long-term debt.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out by our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended. Based on our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There have been no changes in our Internal Control over Financial Reporting during the quarter ended March 31, 2021 that have a material effect on our Internal Control over Financial Reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We provide services in the highly regulated healthcare industry. In the ordinary course of our business, we are a party to various legal actions, proceedings, and claims as well as regulatory and other governmental audits and investigations. These matters could potentially subject us to sanctions, damages, recoupments, fines, and other penalties. Some of these matters have been material to us in the past, and others in the future may, either individually or in the aggregate, be material and adverse to our business, financial position, results of operations, and liquidity. We do not believe any of our pending legal proceedings are material to us, but there can be no assurance our assessment will not change based on future developments.

Additionally, the False Claims Act (the "FCA") allows private citizens, called "relators," to institute civil proceedings on behalf of the United States alleging violations of the FCA. These lawsuits, also known as "*qui tam*" actions, are common in the healthcare industry and can involve significant monetary damages, fines, attorneys' fees and the award of bounties to the relators who successfully prosecute or bring these suits to the government. It is possible that *qui tam* lawsuits have been filed against us, which suits remain under seal, or that we are unaware of such filings or prevented by existing law or court order from discussing or disclosing the filing of such suits. Therefore, from time to time, we may be party to one or more undisclosed *qui tam* cases brought pursuant to the FCA.

Information relating to certain legal proceedings in which we are involved is included in Note 10, *Contingencies and Other Commitments*, to the condensed consolidated financial statements contained in Part I, Item 1, *Financial Statements (Unaudited)*, of this report and should be read in conjunction with the related disclosure previously reported in our Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Form 10-K").

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part I, Item 1A, *Risk Factors*, of the 2020 Form 10-K. However, certain information in those risk factors has been updated by the discussion in the "Executive Overview—Key Challenges" section of Part I, Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of this report, which section is incorporated by reference herein.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities

The following table summarizes our repurchases of equity securities during the three months ended March 31, 2021:

Period	Total Number of Shares (or Units) Purchased[1]	Average Price Paid per Share (or Unit) ($)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs[2]
January 1, through January 31, 2021	138,780	$ 82.69	—	$ 198,053,924
February 1, through February 28, 2021	48,735	80.42	—	198,053,924
March 1, through March 31, 2021	2,618	79.94	—	198,053,924
Total	190,133	82.07	—	

(1) Except as noted in the following sentence, the number of shares reported in this column includes the shares purchased under the plan or program, if any, as reported in the third column of this table and the shares tendered by employees as payments of the tax liabilities incident to the vesting of previously awarded shares of restricted stock and the exercise price and tax liability incident to the net settlement of an option exercise. In January, 226 shares were purchased pursuant to our Directors' Deferred Stock Investment Plan. This plan is a nonqualified deferral plan allowing non-employee directors to make advance elections to defer a fixed percentage of their director fees. The plan administrator acquires the shares in the open market which are then held in a rabbi trust. The plan also provides that dividends paid on the shares held for the accounts of the directors will be reinvested in shares of our common stock which will also be

held in the trust. The directors' rights to all shares in the trust are nonforfeitable, but the shares are only released to the directors after departure from our board.

(2) On October 28, 2013, we announced our board of directors authorized the repurchase of up to $200 million of our common stock. On February 14, 2014, our board approved an increase in this common stock repurchase authorization from $200 million to $250 million. On July 24, 2018, our board approved resetting the aggregate common stock repurchase authorization to $250 million. The repurchase authorization does not require the repurchase of a specific number of shares, has an indefinite term, and is subject to termination at any time by our board of directors. Subject to certain terms and conditions, including a maximum price per share and compliance with federal and state securities and other laws, the repurchases may be made from time to time in open market transactions, privately negotiated transactions, or other transactions, including trades under a plan established in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

Item 6. Exhibits

See the Exhibit Index immediately following the signature page of this report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

ENCOMPASS HEALTH CORPORATION

By: /s/ Douglas E. Coltharp

Douglas E. Coltharp

Executive Vice President and Chief Financial Officer

Date: May 4, 2021

EXHIBIT INDEX

The exhibits required by Regulation S-K are set forth in the following list and are filed by attachment to this report unless otherwise noted.

No.	Description
3.1.1	Amended and Restated Certificate of Incorporation of Encompass Health Corporation, effective as of January 1, 2018 (incorporated by reference to Exhibit 3.1 to Encompass Health's Current Report on Form 8-K filed on October 25, 2017).
3.1.2	Certificate of Designations of 6.50% Series A Convertible Perpetual Preferred Stock, as filed with the Secretary of State of the State of Delaware on March 7, 2006 (incorporated by reference to Exhibit 3.1 to Encompass Health's Current Report on Form 8-K filed on March 9, 2006).
3.2	Amended and Restated Bylaws of Encompass Health Corporation, effective as of January 1, 2018 (incorporated by reference to Exhibit 3.2 to Encompass Health's Current Report on Form 8-K filed on October 25, 2017).
10.1	Description of the Encompass Health Corporation Senior Management Bonus and Long-Term Incentive Plans (incorporated by reference to the section captioned "Executive Compensation – Compensation Discussion and Analysis – Elements of Executive Compensation" in Encompass Health's Definitive Proxy Statement on Schedule 14A filed on March 26, 2021).+
10.2	Description of the annual compensation arrangement for non-employee directors of Encompass Health Corporation (incorporated by reference to the section captioned "Corporate Governance and Board Structure – Compensation of Directors" in Encompass Health's Definitive Proxy Statement on Schedule 14A, filed on March 26, 2021).+
22	List of Subsidiary Guarantors.
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Sections of the Encompass Health Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in XBRL (eXtensible Business Reporting Language), submitted in the following files:

101.INS	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+ Management contract or compensatory plan or arrangement.

Exhibit 22

List of Subsidiary Guarantors

The following direct and indirect subsidiaries of Encompass Health Corporation guarantee each series of its senior unsecured notes.

A&B Home Health Solutions, LLC
Abba Home Health, L.P.
Advanced Homecare Holdings, Inc.
Advanced Homecare Management, Inc.
AHM Action Home Health, LP
AHM Texas GP, LLC
AHM Texas LP, Inc.
Apex Hospice LLC
Best Home Care LP
Camellia Home Health of Alabama, LLC
Camellia Home Health of East Tennessee, LLC
Camellia Home Health of the Gulf Coast, LLC
Camellia Hospice of Central Mississippi, LLC
Camellia Hospice of East Louisiana, LLC
Camellia Hospice of Louisiana, LLC
Camellia Hospice of North Mississippi, LLC
Camellia Hospice of Northeast Alabama LLC
Camellia Hospice of Northeast Mississippi, LLC
Camellia Hospice of South Alabama, LLC
Camellia Hospice of Southwest Mississippi, LLC
Camellia Hospice of the Gulf Coast, LLC
Camellia Medical Systems, Inc.
CareServices of the Treasure Coast, LLC
CareSouth Health System, Inc.
CareSouth HHA Holdings of Columbus, LLC
CareSouth HHA Holdings of Dothan, LLC
CareSouth HHA Holdings of Gainesville, LLC
CareSouth HHA Holdings of Greensboro, LLC
CareSouth HHA Holdings of Lexington, LLC
CareSouth HHA Holdings of North Florida, LLC
CareSouth HHA Holdings of Panama City, LLC
CareSouth HHA Holdings of Richmond, LLC
CareSouth HHA Holdings of South Carolina, LLC
CareSouth HHA Holdings of Tallahassee, LLC
CareSouth HHA Holdings of the Bay Area, LLC
CareSouth HHA Holdings of Valley, LLC
CareSouth HHA Holdings of Virginia, LLC
CareSouth HHA Holdings of Washington, LLC
CareSouth HHA Holdings of Western Carolina, LLC
CareSouth HHA Holdings of Winchester, LLC
CareSouth HHA Holdings, LLC
CareSouth Hospice, LLC
Continental Home Care, LLC

Continental Rehabilitation Hospital of Arizona, Inc.
CS Health & Wellness, LLC
Day-By-Day Staff Relief, LLC
DOSIK, INC.
DRC Health Systems, L.P.
EHHI Holdings, Inc.
Encompass Health Acquisition Holdings, LLC
Encompass Health Acquisition Holdings Subsidiary, LLC
Encompass Health Alabama Real Estate, LLC
Encompass Health Arizona Real Estate, LLC
Encompass Health Arkansas Real Estate, LLC
Encompass Health Boise Holdings, LLC
Encompass Health Bryan Holdings, LLC
Encompass Health C Corp Sub Holdings, Inc.
Encompass Health California Real Estate, LLC
Encompass Health Central Arkansas Holdings, Inc.
Encompass Health Colorado Real Estate, LLC
Encompass Health Deaconess Holdings, LLC
Encompass Health Fairlawn Holdings, LLC
Encompass Health GKBJH Holdings, LLC
Encompass Health Gulfport Holdings, LLC
Encompass Health Home Health Corporation
Encompass Health Home Health Holdings, Inc.
Encompass Health Home Health of Alabama, LLC
Encompass Health Home Health of Birmingham, LLC
Encompass Health Home Health of Central Virginia, LLC
Encompass Health Home Health of Florida, LLC
Encompass Health Home Health of Kentucky, LLC
Encompass Health Home Health of New England, LLC
Encompass Health Home Health of Ohio, LLC
Encompass Health Hospice of Alabama, LLC
Encompass Health Hospice of Pennsylvania, LLC
Encompass Health Hospice of the Midwest, LLC
Encompass Health Hospice of the Southwest, LLC
Encompass Health Iowa Real Estate, LLC
Encompass Health Johnson City Holdings, LLC
Encompass Health Joint Ventures Holdings, LLC
Encompass Health Jonesboro Holdings, Inc.
Encompass Health Kansas Real Estate, LLC
Encompass Health Kentucky Real Estate, LLC
Encompass Health Kingsport Holdings, LLC
Encompass Health Littleton Holdings, LLC
Encompass Health Lubbock Holdings, LLC

Encompass Health New Mexico Real Estate, LLC
Encompass Health Ohio Real Estate, LLC
Encompass Health Owned Hospitals Holdings, LLC
Encompass Health Pennsylvania Real Estate, LLC
Encompass Health Properties, LLC
Encompass Health Real Estate, LLC
Encompass Health Rehabilitation Hospital of Abilene, LLC
Encompass Health Rehabilitation Hospital of Albuquerque, LLC
Encompass Health Rehabilitation Hospital of Altamonte Springs, LLC
Encompass Health Rehabilitation Hospital of Arlington, LLC
Encompass Health Rehabilitation Hospital of Austin, LLC
Encompass Health Rehabilitation Hospital of Bakersfield, LLC
Encompass Health Rehabilitation Hospital of Bluffton, LLC
Encompass Health Rehabilitation Hospital of Braintree, LLC
Encompass Health Rehabilitation Hospital of Cardinal Hill, LLC
Encompass Health Rehabilitation Hospital of Charleston, LLC
Encompass Health Rehabilitation Hospital of Cincinnati, LLC
Encompass Health Rehabilitation Hospital of City View, Inc.
Encompass Health Rehabilitation Hospital of Colorado Springs, Inc.
Encompass Health Rehabilitation Hospital of Columbia, Inc.
Encompass Health Rehabilitation Hospital of Concord, Inc.
Encompass Health Rehabilitation Hospital of Cypress, LLC
Encompass Health Rehabilitation Hospital of Dallas, LLC
Encompass Health Rehabilitation Hospital of Desert Canyon, LLC
Encompass Health Rehabilitation Hospital of Dothan, Inc.
Encompass Health Rehabilitation Hospital of East Valley, LLC
Encompass Health Rehabilitation Hospital of Erie, LLC
Encompass Health Rehabilitation Hospital of Florence, Inc.
Encompass Health Rehabilitation Hospital of Fort Smith, LLC
Encompass Health Rehabilitation Hospital of Franklin, LLC
Encompass Health Rehabilitation Hospital of Fredericksburg, LLC
Encompass Health Rehabilitation Hospital of Gadsden, LLC
Encompass Health Rehabilitation Hospital of Harmarville, LLC
Encompass Health Rehabilitation Hospital of Henderson, LLC
Encompass Health Rehabilitation Hospital of Humble, LLC
Encompass Health Rehabilitation Hospital of Katy, LLC
Encompass Health Rehabilitation Hospital of Lakeview, LLC
Encompass Health Rehabilitation Hospital of Largo, LLC
Encompass Health Rehabilitation Hospital of Las Vegas, LLC
Encompass Health Rehabilitation Hospital of Littleton, LLC
Encompass Health Rehabilitation Hospital of Manati, Inc.
Encompass Health Rehabilitation Hospital of Mechanicsburg, LLC

Encompass Health Rehabilitation Hospital of Miami, LLC

Encompass Health Rehabilitation Hospital of Nittany Valley, Inc.
Encompass Health Rehabilitation Hospital of Northern Kentucky, LLC
Encompass Health Rehabilitation Hospital of Northern Virginia, LLC
Encompass Health Rehabilitation Hospital of Northwest Tucson, L.P.
Encompass Health Rehabilitation Hospital of Ocala, LLC
Encompass Health Rehabilitation Hospital of Panama City, Inc.
Encompass Health Rehabilitation Hospital of Pearland, LLC
Encompass Health Rehabilitation Hospital of Petersburg, LLC
Encompass Health Rehabilitation Hospital of Plano, LLC
Encompass Health Rehabilitation Hospital of Reading, LLC
Encompass Health Rehabilitation Hospital of Richardson, LLC
Encompass Health Rehabilitation Hospital of Round Rock, LLC
Encompass Health Rehabilitation Hospital of San Antonio, Inc.
Encompass Health Rehabilitation Hospital of San Juan, Inc.
Encompass Health Rehabilitation Hospital of Sarasota, LLC
Encompass Health Rehabilitation Hospital of Scottsdale, LLC
Encompass Health Rehabilitation Hospital of Shelby County, LLC
Encompass Health Rehabilitation Hospital of Spring Hill, Inc.
Encompass Health Rehabilitation Hospital of Sugar Land, LLC
Encompass Health Rehabilitation Hospital of Sunrise, LLC
Encompass Health Rehabilitation Hospital of Tallahassee, LLC
Encompass Health Rehabilitation Hospital of Texarkana, Inc.
Encompass Health Rehabilitation Hospital of the Mid-Cities, LLC
Encompass Health Rehabilitation Hospital of The Woodlands, Inc.
Encompass Health Rehabilitation Hospital of Toledo, LLC
Encompass Health Rehabilitation Hospital of Toms River, LLC
Encompass Health Rehabilitation Hospital of Treasure Coast, Inc.
Encompass Health Rehabilitation Hospital of Tustin, L.P.
Encompass Health Rehabilitation Hospital of Utah, LLC
Encompass Health Rehabilitation Hospital of Vineland, LLC
Encompass Health Rehabilitation Hospital of Western Massachusetts, LLC
Encompass Health Rehabilitation Hospital of York, LLC
Encompass Health Rehabilitation Hospital The Vintage, LLC
Encompass Health Rehabilitation Hospital Vision Park, LLC
Encompass Health Rehabilitation Institute of Tucson, LLC
Encompass Health Savannah Holdings, LLC
Encompass Health Sea Pines Holdings, LLC
Encompass Health Sewickley Holdings, LLC
Encompass Health South Carolina Real Estate, LLC
Encompass Health South Dakota Real Estate, LLC
Encompass Health Support Companies, LLC
Encompass Health Texas Real Estate, LLC
Encompass Health Tucson Holdings, LLC

Encompass Health West Tennessee Holdings, LLC
Encompass Health West Virginia Real Estate, LLC
Encompass Health Westerville Holdings, LLC
Encompass Health Winston-Salem Holdings, LLC
Encompass Health Yuma Holdings, Inc.
Encompass Home Health of Austin, LLC
Encompass Home Health of Colorado, LLC
Encompass Home Health of DFW, LLC
Encompass Home Health of East Texas, LLC
Encompass Home Health of New England, LLC
Encompass Home Health of the Mid Atlantic, LLC
Encompass Home Health of the Midwest, LLC
Encompass Home Health of the Southeast, LLC
Encompass Home Health of the West, LLC
Encompass Hospice of the West, LLC
Encompass of Fort Worth, LP
Encompass of West Texas, LP
EXCELLA ASSOCIATES, L.L.C.
EXCELLA HEALTHCARE, INC.
EXCELLA HOME HEALTH AGENCY, LLC
EXCELLA HOMECARE, INC.
Guardian Home Care, Inc.
Hallmark Homecare, L.P.
HealthCare Innovations of Oklahoma, L.L.C.
HEALTHCARE INNOVATIONS OF WESTERN OKLAHOMA, LLC
HealthCare Innovations-Travertine Health Services, L.L.C.
HealthSouth Rehabilitation Hospital of Austin, Inc.
HealthSouth Rehabilitation Hospital of Fort Worth, LLC
Home Health Care of Bogalusa, Inc.
Home Health Care Systems, Inc.
Hospice Care of Mississippi, LLC
Idaho Homecare Holdings, Inc.
Orion Homecare, LLC
Preferred Home Health, L.P.
Print Promotions Group, LLC
Rebound, LLC
Rehabilitation Hospital Corporation of America, LLC
Rehabilitation Hospital of North Alabama, LLC
Rehabilitation Hospital of Plano, LLC
Reliant Blocker Corp.
Saad Healthcare of St. Clair County LLC
Texas Senior Care, L.P.
TH of San Antonio LLC

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark J. Tarr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Encompass Health Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 4, 2021

By: /s/ MARK J. TARR

Mark J. Tarr

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Douglas E. Coltharp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Encompass Health Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2021

By: /s/ DOUGLAS E. COLTHARP

Douglas E. Coltharp

Executive Vice President and

Chief Financial Officer

Exhibit 32.1

CERTIFICATE OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Encompass Health Corporation on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark J. Tarr, President and Chief Executive Officer of Encompass Health Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

Date: May 4, 2021

By: /s/ MARK J. TARR

Mark J. Tarr
President and Chief Executive Officer

A signed original of this written statement has been provided to Encompass Health Corporation and will be retained by Encompass Health Corporation and furnished to the Securities and Exchange Commission or its staff upon request. This written statement shall not, except to the extent required by the 2002 Act, be deemed filed by Encompass Health Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Encompass Health Corporation specifically incorporates it by reference.

Exhibit 32.2

CERTIFICATE OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Encompass Health Corporation on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas E. Coltharp, Executive Vice President and Chief Financial Officer of Encompass Health Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

Date: May 4, 2021

By: /s/ DOUGLAS E. COLTHARP

Douglas E. Coltharp
Executive Vice President and
Chief Financial Officer

A signed original of this written statement has been provided to Encompass Health Corporation and will be retained by Encompass Health Corporation and furnished to the Securities and Exchange Commission or its staff upon request. This written statement shall not, except to the extent required by the 2002 Act, be deemed filed by Encompass Health Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Encompass Health Corporation specifically incorporates it by reference.

Cover Page - shares	3 Months Ended Mar. 31, 2021	Apr. 22, 2021
Cover [Abstract]		
Document Type	10-Q	
Document Quarterly Report	true	
Document Period End Date	Mar. 31, 2021	
Document Transition Report	false	
Entity File Number	001-10315	
Entity Registrant Name	Encompass Health Corporation	
Entity Incorporation, State or Country Code	DE	
Entity Tax Identification Number	63-0860407	
Entity Address, Address Line One	9001 Liberty Parkway	
Entity Address, City or Town	Birmingham	
Entity Address, State or Province	AL	
Entity Address, Postal Zip Code	35242	
City Area Code	205	
Local Phone Number	967-7116	
Title of 12(b) Security	Common Stock, par value $0.01 per share	
Trading Symbol	EHC	
Security Exchange Name	NYSE	
Entity Current Reporting Status	Yes	
Entity Interactive Data Current	Yes	
Entity Filer Category	Large Accelerated Filer	
Entity Small Business	false	
Entity Emerging Growth Company	false	
Entity Shell Company	false	
Entity Common Stock, Shares Outstanding		99,542,410
Entity Central Index Key	0000785161	
Current Fiscal Year End Date	--12-31	
Document Fiscal Year Focus	2021	
Document Fiscal Period Focus	Q1	
Amendment Flag	false	

Condensed Consolidated Statements of Comprehensive Income (Unaudited) - USD ($) shares in Millions, $ in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Statement Of Comprehensive Income And Income Statement [Abstract]		
Net operating revenues	$ 1,230.4	$ 1,182.0
Operating expenses:		
Salaries and benefits	687.2	679.1
Other operating expenses	162.3	159.6
Occupancy costs	20.2	20.2
Supplies	51.9	45.7
General and administrative expenses	38.6	35.6
Depreciation and amortization	62.5	58.8
Government, class action, and related settlements	0.0	2.8
Total operating expenses	1,022.7	1,001.8
Interest expense and amortization of debt discounts and fees	42.8	43.2
Other (income) expense	(1.4)	1.9
Equity in net income of nonconsolidated affiliates	(1.0)	(0.8)
Income from continuing operations before income tax expense	167.3	135.9
Provision for income tax expense	34.5	27.1
Income from continuing operations	132.8	108.8
Loss from discontinued operations, net of tax	0.0	(0.1)
Net income	132.8	108.7
Comprehensive income	132.8	108.7
Less: Net income attributable to noncontrolling interests	(25.5)	(21.7)
Less: Comprehensive income attributable to noncontrolling interests	(25.5)	(21.7)
Net income attributable to Encompass Health	107.3	87.0
Comprehensive income attributable to Encompass Health	$ 107.3	$ 87.0
Weighted average common shares outstanding:		
Basic (in shares)	99.0	98.2
Diluted (in shares)	100.2	99.6
Basic earnings per share attributable to Encompass Health common shareholders:		
Continuing operations (in dollars per share)	$ 1.08	$ 0.88
Discontinued operations (in dollars per share)	0	0
Net income (in dollars per share)	1.08	0.88
Diluted earnings per share attributable to Encompass Health common shareholders:		
Continuing operations (in dollars per share)	1.07	0.87
Discontinued operations (in dollars per share)	0	0
Net income (in dollars per share)	$ 1.07	$ 0.87
Amounts attributable to Encompass Health common shareholders:		

Income from continuing operations	$ 107.3	$ 87.1
Loss from discontinued operations, net of tax	0.0	(0.1)
Net income attributable to Encompass Health	$ 107.3	$ 87.0

Condensed Consolidated Balance Sheets (Unaudited) - USD ($) $ in Millions		Mar. 31, 2021	Dec. 31, 2020
Current assets:			
Cash and cash equivalents		$ 223.9	$ 224.0
Restricted cash		62.2	65.4
Accounts receivable		633.6	572.8
Other current assets		81.4	86.4
Total current assets		1,001.1	948.6
Property and equipment, net		2,280.5	2,206.6
Operating lease right-of-use assets		248.3	245.7
Goodwill		2,318.7	2,318.7
Intangible assets, net		419.2	431.3
Other long-term assets		274.4	295.0
Total assets	[1]	6,542.2	6,445.9
Current liabilities:			
Current portion of long-term debt		137.2	38.3
Current operating lease liabilities		44.2	44.8
Accounts payable		122.8	115.0
Accrued expenses and other current liabilities		508.0	519.2
Total current liabilities		812.2	717.3
Long-term debt, net of current portion		3,160.0	3,250.6
Long-term operating lease liabilities		214.2	209.6
Deferred income tax liabilities		60.6	51.8
Other long-term liabilities		220.5	215.0
Total liabilities		4,467.5	4,444.3
Commitments and contingencies			
Redeemable noncontrolling interests		31.7	31.6
Shareholders' equity:			
Encompass Health shareholders' equity		1,655.1	1,588.0
Noncontrolling interests		387.9	382.0
Total shareholders' equity		2,043.0	1,970.0
Total liabilities and shareholders' equity	[1]	$ 6,542.2	$ 6,445.9

[1] Our consolidated assets as of March 31, 2021 and December 31, 2020 include total assets of variable interest entities of $219.2 million and $221.2 million, respectively, which cannot be used by us to settle the obligations of other entities. Our consolidated liabilities as of March 31, 2021 and December 31, 2020 include total liabilities of the variable interest entities of $44.6 million and $46.8 million, respectively. See Note 3, *Variable Interest Entities.*

Condensed Consolidated Balance Sheets (Unaudited) (Parenthetical) - USD ($) $ in Millions		Mar. 31, 2021	Dec. 31, 2020
Assets	[1]	$ 6,542.2	$ 6,445.9
Liabilities		4,467.5	4,444.3
VIE			
Assets		219.2	221.2
Liabilities		$ 44.6	$ 46.8

[1] Our consolidated assets as of March 31, 2021 and December 31, 2020 include total assets of variable interest entities of $219.2 million and $221.2 million, respectively, which cannot be used by us to settle the obligations of other entities. Our consolidated liabilities as of March 31, 2021 and December 31, 2020 include total liabilities of the variable interest entities of $44.6 million and $46.8 million, respectively. See Note 3, *Variable Interest Entities.*

Condensed Consolidated Statements of Shareholders' Equity (Unaudited) - USD ($) shares in Millions, $ in Millions	Total	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Treasury Stock	Noncontrolling Interests
Balance at beginning of period (shares) at Dec. 31, 2019		98.6				
Balance at beginning of period at Dec. 31, 2019	$ 1,693.1	$ 1.1	$ 2,369.9	$ (526.5)	$ (492.3)	$ 340.9
Increase (Decrease) in Stockholders' Equity [Roll Forward]						
Net income	106.7			87.0		19.7
Receipt of treasury stock (shares)		(0.2)				
Receipt of treasury stock	(15.6)				(15.6)	
Dividends declared	(27.9)		(27.9)			
Exchange of Holdings shares (shares)		0.6				
Exchange of Holdings shares	46.3		27.1		19.2	
Stock-based compensation	7.1		7.1			
Distributions declared	(15.5)					(15.5)
Capital contributions from consolidated affiliates	5.8					5.8
Repurchases of common stock in open market (shares)		(0.1)				
Repurchases of common stock in open market	(4.9)				(4.9)	
Other (shares)		0.5				
Other	2.1		0.0		(0.3)	2.4
Balance at end of period (shares) at Mar. 31, 2020		99.4				
Balance at end of period at Mar. 31, 2020	1,797.2	$ 1.1	2,376.2	(439.5)	(493.9)	353.3
Balance at beginning of period (shares) at Dec. 31, 2020		99.4				
Balance at beginning of period at Dec. 31, 2020	1,970.0	$ 1.1	2,326.6	(242.3)	(497.4)	382.0
Increase (Decrease) in Stockholders' Equity [Roll Forward]						
Net income	130.4			107.3		23.1
Receipt of treasury stock (shares)		(0.2)				
Receipt of treasury stock	(15.6)				(15.6)	
Dividends declared	(27.8)		(27.8)			

Stock-based compensation	2.8		2.8			
Distributions declared	(22.4)					(22.4)
Capital contributions from consolidated affiliates	5.8					5.8
Other (shares)		0.4				
Other	(0.2)		1.1		(0.7)	(0.6)
Balance at end of period (shares) at Mar. 31, 2021		99.6				
Balance at end of period at Mar. 31, 2021	$ 2,043.0	$ 1.1	$ 2,302.7	$ (135.0)	$ (513.7)	$ 387.9

Condensed Consolidated Statements of Shareholders' Equity (Unaudited) (Parenthetical) - $ / shares	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Statement of Stockholders' Equity [Abstract]		
Dividends declared on common stock (in dollars per share)	$ 0.28	$ 0.28

Condensed Consolidated Statements of Cash Flows (Unaudited) - USD ($) $ in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Cash flows from operating activities:		
Net income	$ 132.8	$ 108.7
Loss from discontinued operations, net of tax	0.0	0.1
Adjustments to reconcile net income to net cash provided by operating activities—		
Depreciation and amortization	62.5	58.8
Stock-based compensation	2.8	7.1
Deferred tax expense	8.7	1.4
Other, net	2.0	7.7
Change in assets and liabilities, net of acquisitions—		
Accounts receivable	(55.1)	(36.6)
Other assets	1.3	15.8
Accrued payroll	5.7	(24.0)
Other liabilities	(2.2)	(109.6)
Net cash used in operating activities of discontinued operations	0.0	(0.1)
Total adjustments	25.7	(79.5)
Net cash provided by operating activities	158.5	29.3
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	0.0	(1.1)
Purchases of property and equipment	(98.8)	(83.5)
Other, net	3.2	1.6
Net cash used in investing activities	(95.6)	(83.0)
Cash flows from financing activities:		
Borrowings on revolving credit facility	0.0	330.0
Payments on revolving credit facility	0.0	(25.0)
Taxes paid on behalf of employees for shares withheld	(15.6)	(15.6)
Dividends paid on common stock	(29.1)	(29.0)
Distributions paid to noncontrolling interests of consolidated affiliates	(27.8)	(19.1)
Purchase of equity interests in consolidated affiliates	0.0	(162.3)
Other, net	(5.0)	(7.9)
Net cash (used in) provided by financing activities	(77.5)	71.1
(Decrease) increase in cash, cash equivalents, and restricted cash	(14.6)	17.4
Cash, cash equivalents, and restricted cash at beginning of period	310.9	159.6
Cash, cash equivalents, and restricted cash at end of period	296.3	177.0
Reconciliation of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents at beginning of period	224.0	94.8
Restricted cash at beginning of period	65.4	57.4
Restricted cash included in other long-term assets at beginning of period	21.5	7.4
Cash, cash equivalents, and restricted cash at beginning of period	310.9	159.6
Cash and cash equivalents at end of period	223.9	104.9

Restricted cash at end of period	62.2	56.7
Restricted cash included in other long-term assets at end of period	10.2	15.4
Cash, cash equivalents, and restricted cash at end of period	$ 296.3	$ 177.0

Basis of Presentation

Organization, Consolidation and Presentation of Financial Statements [Abstract]

Basis of Presentation

3 Months Ended Mar. 31, 2021

Basis of Presentation

Encompass Health Corporation, incorporated in Delaware in 1984, including its subsidiaries, is a leading provider of post-acute healthc both facility-based and home-based patient services in 39 states and Puerto Rico through its network of inpatient rehabilitation hospitals, home h hospice agencies. We manage our operations and disclose financial information using two reportable segments: (1) inpatient rehabilitation and (2 hospice. See also Note 11, *Segment Reporting*.

The accompanying unaudited condensed consolidated financial statements of Encompass Health Corporation and Subsidiaries should b with the consolidated financial statements and accompanying notes contained in Encompass Health's Annual Report on Form 10-K filed with th and Exchange Commission on February 26, 2021 (the "2020 Form 10-K"). The unaudited condensed consolidated financial statements have bee with the rules and regulations of the SEC applicable to interim financial information. Certain information and note disclosures included in financ in accordance with generally accepted accounting principles in the United States of America have been omitted in these interim statements, as al and regulations. The condensed consolidated balance sheet as of December 31, 2020 has been derived from audited financial statements, but it d disclosures required by GAAP. However, we believe the disclosures are adequate to make the information presented not misleading.

The unaudited results of operations for the interim periods shown in these financial statements are not necessarily indicative of operatin year. In our opinion, the accompanying condensed consolidated financial statements recognize all adjustments of a normal recurring nature cons state the financial position, results of operations, and cash flows for each interim period presented.

Net Operating Revenues—

Our *Net operating revenues* disaggregated by payor source and segment are as follows (in millions):

	Inpatient Rehabilitation		Home Health and Hospice		
	Three Months Ended March 31,		Three Months Ended March 31,		Three Mo
	2021	2020	2021	2020	2021
Medicare	$ 614.5	$ 641.9	$ 223.9	$ 226.2	$
Medicare Advantage	158.4	111.5	28.0	29.4	
Managed care	112.2	90.2	14.3	12.1	
Medicaid	39.0	30.7	3.8	4.2	
Other third-party payors	12.1	11.0	—	—	
Workers' compensation	5.7	6.9	0.1	0.3	
Patients	4.9	5.5	0.2	0.4	
Other income	13.1	11.5	0.2	0.2	
Total	$ 959.9	$ 909.2	$ 270.5	$ 272.8	$ 1,

See Note 1, *Summary of Significant Accounting Policies*, to the consolidated financial statements accompanying the 2020 Form 10-K for our policy related to *Net operating revenues*.

Recently Adopted Accounting Pronouncements—

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The standard exceptions to the general principles of ASC 740 and simplifies other areas such as accounting for outside basis differences of equity method inve prospective or retrospective transition of this standard is dependent upon the specific amendments. The new guidance was effective for us begin The adoption of this guidance did not have a material impact to our condensed consolidated financial statements.

We do not believe any other recently issued, but not yet effective, accounting standards will have a material effect on our condensed co position, results of operations, or cash flows.

Business Combinations	3 Months Ended Mar. 31, 2021
Business Combinations [Abstract]	
Business Combinations	Business Combinations *Home Health and Hospice* In April 2021, we announced we entered into a definitive agreement to purchase the home health and hospice assets of Frontier Home Health and Hospice in Alaska, Colorado, Montana, Washington, and Wyoming for a cash purchase price of $95 million. At closing, 9 home health and 11 hospice locations will become part of our national network of home health and hospice locations. This transaction, which is subject to customary closing conditions and regulatory approvals, is expected to close in the second quarter of 2021. We expect to fund this transaction with cash on hand and borrowings under our revolving credit facility.

Variable Interest Entities	3 Months Ended Mar. 31, 2021
Organization, Consolidation and Presentation of Financial Statements [Abstract]	
Variable Interest Entities	Variable Interest Entities As of March 31, 2021 and December 31, 2020, we consolidated nine limited partnership-like entities that are variable interest entities ("V the primary beneficiary. Our ownership percentages in these entities range from 50.0% to 75.0% as of March 31, 2021. Through partnership and r with or governing each of these entities, we manage all of these entities and handle all day-to-day operating decisions. Accordingly, we have the c over the activities that most significantly impact the economic performance of our VIEs and an obligation to absorb losses or receive benefits fron potentially be significant to the VIE. These decisions and significant activities include, but are not limited to, marketing efforts, oversight of patie training, nurse and therapist scheduling, provision of healthcare services, billing, collections, and creation and maintenance of medical records. Th governing each of our VIEs prohibit us from using the assets of each VIE to satisfy the obligations of other entities. The carrying amounts and classifications of the consolidated VIEs' assets and liabilities, which are included in our condensed consolidated bala (in millions):

	March 31, 2021	
Assets		
Current assets:		
Cash and cash equivalents	$ 0.5	$
Accounts receivable	33.7	
Other current assets	8.5	
Total current assets	42.7	
Property and equipment, net	118.7	
Operating lease right-of-use assets	4.4	
Goodwill	19.2	
Intangible assets, net	3.1	
Other long-term assets	31.1	
Total assets	$ 219.2	$
Liabilities		
Current liabilities:		
Current portion of long-term debt	$ 0.9	$
Current operating lease liabilities	1.5	
Accounts payable	5.9	
Accrued expenses and other current liabilities	21.7	
Total current liabilities	30.0	
Long-term debt, net of current portion	9.4	
Long-term operating lease liabilities	2.9	
Other long-term liabilities	2.3	
Total liabilities	$ 44.6	$

Long-term Debt	3 Months Ended Mar. 31, 2021
Debt Disclosure [Abstract]	
Long-term Debt	Long-term Debt

Long-term Debt

Our long-term debt outstanding consists of the following (in millions):

	March 31, 2021	December 31, 2
Credit Agreement—		
Term loan facilities	$ 248.3	$
Bonds payable—		
5.125% Senior Notes due 2023	298.3	
5.75% Senior Notes due 2025	346.5	
4.50% Senior Notes due 2028	785.5	
4.75% Senior Notes due 2030	783.5	
4.625% Senior Notes due 2031	393.3	
Other notes payable	39.7	
Finance lease obligations	402.1	
	3,297.2	3
Less: Current portion	(137.2)	
Long-term debt, net of current portion	$ 3,160.0	$ 3

In March 2021, we issued notice for redemption of $100 million in outstanding principal amount of the 5.125% Senior Note (the "2023 Notes"). We completed this redemption on April 5, 2021 using cash on hand and capacity under our revolving credit facil to the terms of the 2023 Notes, this optional redemption was made at a price of par. As a result of this redemption, we have classified approximately $100 million of the 2023 Notes as current in our accompanying March 31, 2021 condensed consolidated balance shee expect to record an approximate $0.6 million loss on early extinguishment of debt in the second quarter of 2021.

Redeemable Noncontrolling Interests	3 Months Ended Mar. 31, 2021
Noncontrolling Interest [Abstract]	
Redeemable Noncontrolling Interests	Redeemable Noncontrolling Interests

The following is a summary of the activity related to our *Redeemable noncontrolling interests* (in millions):

	Three Months E
	2021
Balance at beginning of period	$ 31.6
Net income attributable to noncontrolling interests	2.4
Distributions declared	(2.3)
Contribution to joint venture	—
Purchase of redeemable noncontrolling interests	—
Exchange transaction	—
Balance at end of period	$ 31.7

The following table reconciles the net income attributable to nonredeemable *Noncontrolling interests*, as recorded in the shareholders' ec condensed consolidated balance sheets, and the net income attributable to *Redeemable noncontrolling interests*, as recorded in the mezzanine sect consolidated balance sheets, to the *Net and comprehensive income attributable to noncontrolling interests* presented in the condensed consolidate comprehensive income (in millions):

	Three Months E
	2021
Net income attributable to nonredeemable noncontrolling interests	$ 23.1
Net income attributable to redeemable noncontrolling interests	2.4
Net income attributable to noncontrolling interests	$ 25.5

On December 31, 2014, we acquired 83.3% of our home health and hospice business when we purchased EHHI Holdings, Inc. ("EHHI" acquired all of the issued and outstanding equity interests of EHHI, other than equity interests contributed to Encompass Health Home Health Ho subsidiary of Encompass Health and an indirect parent of EHHI, by certain sellers in exchange for shares of common stock of Holdings. Those se EHHI management, and they contributed a portion of their shares of common stock of EHHI, valued at approximately $64 million on the acquisit approximately 16.7% of the outstanding shares of common stock of Holdings. At any time after December 31, 2017, each management investor h obligation) to have his or her shares of Holdings stock repurchased by Encompass Health for a cash purchase price per share equal to the fair valu received exercise notices, representing approximately 4.3% of the outstanding shares of the common stock of Holdings. On February 18, 2020, E the acquisition of those shares upon payment of approximately $162 million in cash. Upon settlement of these exercises, approximately $46 milli Holdings held by two management investors remained outstanding.

On February 20, 2020, Encompass Health entered into exchange agreements (each, an "Exchange Agreement") with these two managem which they had the right to exchange all of the remaining shares of Holdings held by them for shares of common stock of Encompass Health (the the Exchange Agreements provided that the management investor must deliver a written exchange notice (an "Exchange Notice") to Encompass I his or her remaining shares of Holdings for EHC Shares. Each Exchange Agreement further provided that the number of EHC Shares to be delive investor was to be determined by dividing the fair value of the shares of Holdings held by the management investor on the date of the Exchange A reported sales price of Encompass Health's common stock on the New York Stock Exchange (the "NYSE") on the date of delivery of the Exchang

On February 20, 2020, Encompass Health received an Exchange Notice from each of the management investors. Based on the last sales Health's common stock on the NYSE on February 20, 2020, Encompass Health delivered an aggregate 560,957 EHC Shares to the management i of EHC Shares issued pursuant to the exchange agreements on March 6, 2020 represented less than 0.6% of the outstanding shares of Encompass Encompass Health issued the EHC Shares from its treasury shares. Encompass Health now owns 100% of Holdings and EHHI.

See also Note 6, *Fair Value Measurements*.

Fair Value Measurements	3 Months Ended Mar. 31, 2021
Fair Value Disclosures [Abstract]	
Fair Value Measurements	Fair Value Measurements

Our financial assets and liabilities that are measured at fair value on a recurring basis are as follows (in millions):

		Fair Value Measurements at Reporting Dat		
As of March 31, 2021	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Other long-term assets:				
Equity securities	$ 73.1	$ —	$ 73.1	$
Redeemable noncontrolling interests	31.7	—	—	3
As of December 31, 2020				
Other long-term assets:				
Equity securities	$ 72.6	$ —	$ 72.6	$
Redeemable noncontrolling interests	31.6	—	—	3

(1) The three valuation techniques are: market approach (M), cost approach (C), and income approach (I).

There are assets and liabilities that are not required to be measured at fair value on a recurring basis. However, these assets may be recor of impairment charges or other adjustments made to the carrying value of the applicable assets. During the three months ended March 31, 2021 ar not record any material gains or losses related to these assets.

As discussed in Note 1, *Summary of Significant Accounting Policies*, "Fair Value Measurements," to the consolidated financial statemen Form 10-K, the carrying value equals fair value for our financial instruments that are not included in the table below and are classified as current consolidated balance sheets. The carrying amounts and estimated fair values for all of our other financial instruments are presented in the followi

	As of March 31, 2021		As of D
	Carrying Amount	**Estimated Fair Value**	**Carrying Am**
Long-term debt:			
Term loan facilities	$ 248.3	$ 249.8	$ 2
5.125% Senior Notes due 2023	298.3	300.8	2
5.75% Senior Notes due 2025	346.5	361.6	3
4.50% Senior Notes due 2028	785.5	820.2	7
4.75% Senior Notes due 2030	783.5	824.0	7
4.625% Senior Notes due 2031	393.3	415.0	3
Other notes payable	39.7	39.7	
Financial commitments:			
Letters of credit	—	37.7	

Fair values for our long-term debt and financial commitments are determined using inputs, including quoted prices in nonactive markets directly or indirectly, or *Level 2* inputs within the fair value hierarchy. See Note 1, *Summary of Significant Accounting Policies*, "Fair Value Meas consolidated financial statements accompanying the 2020 Form 10-K.

Share-Based Payments	3 Months Ended Mar. 31, 2021
Share-based Payment Arrangement [Abstract]	
Share-Based Payments	Share-Based Payments During the three months ended March 31, 2021, we issued a total of 0.5 million restricted stock awards to members of our management team and our board of directors. Approximately 0.2 million of these awards contain only a service condition, while the remainder contain both a service and a performance condition. For the awards that include a performance condition, the number of shares that will ultimately be granted to employees may vary based on the Company’s performance during the applicable two year performance measurement period. Additionally, we granted 0.1 million stock options to members of our management team. The fair value of these awards and options was determined using the policies described in Note 1, *Summary of Significant Accounting Policies*, and Note 14, *Share-Based Payments*, to the consolidated financial statements accompanying the 2020 Form 10-K. In conjunction with the EHHI acquisition discussed in Note 5, *Redeemable Noncontrolling Interests*, we granted stock appreciation rights (“SARs”) based on Holdings common stock to certain members of EHHI management at closing. In January 2020, members of the management team exercised the remaining SARs, and in February 2020, we settled those awards upon payment of approximately $101 million in cash. For additional information, see Note 14, *Share-Based Payments*, to the consolidated financial statements accompanying the 2020 Form 10-K.

Income Taxes	3 Months Ended Mar. 31, 2021
Income Tax Disclosure [Abstract]	
Income Taxes	Income TaxesOur *Provision for income tax expense* of $34.5 million and $27.1 million for the three months ended March 31, 2021 and 2020, respectively, primarily resulted from the application of our estimated effective blended federal and state income tax rate offset by tax benefits resulting from share-based compensation windfalls.

Earnings per Common Share	3 Months Ended Mar. 31, 2021
Earnings Per Share [Abstract]	
Earnings per Common Share	Earnings per Common Share

The following table sets forth the computation of basic and diluted earnings per common share (in millions, except per share amounts):

	Three Mo
	2021
Basic:	
Numerator:	
Income from continuing operations	$
Less: Net income attributable to noncontrolling interests included in continuing operations	
Less: Income allocated to participating securities	
Income from continuing operations attributable to Encompass Health common shareholders	
Loss from discontinued operations, net of tax, attributable to Encompass Health common shareholders	
Net income attributable to Encompass Health common shareholders	$
Denominator:	
Basic weighted average common shares outstanding	
Basic earnings per share attributable to Encompass Health common shareholders:	
Continuing operations	$
Discontinued operations	
Net income	$
Diluted:	
Numerator:	
Income from continuing operations	$
Less: Net income attributable to noncontrolling interests included in continuing operations	
Income from continuing operations attributable to Encompass Health common shareholders	
Loss from discontinued operations, net of tax, attributable to Encompass Health common shareholders	
Net income attributable to Encompass Health common shareholders	$
Denominator:	
Diluted weighted average common shares outstanding	
Diluted earnings per share attributable to Encompass Health common shareholders:	
Continuing operations	$
Discontinued operations	
Net income	$

The following table sets forth the reconciliation between basic weighted average common shares outstanding and diluted weighted avera outstanding (in millions):

	Three Mo
	2021
Basic weighted average common shares outstanding	
Restricted stock awards, dilutive stock options, and restricted stock units	
Diluted weighted average common shares outstanding	

See Note 17, *Earnings per Common Share*, to the consolidated financial statements accompanying the 2020 Form 10-K for addit related to our common stock.

Contingencies and Other Commitments	3 Months Ended Mar. 31, 2021
Commitments and Contingencies Disclosure [Abstract]	
Contingencies and Other Commitments	Contingencies and Other Commitments We operate in a highly regulated industry in which healthcare providers are routinely subject to litigation. As a result, various lawsuits, claims, and legal and regulatory proceedings have been and can be expected to be instituted or asserted against us. The resolution of any such lawsuits, claims, or legal and regulatory proceedings could materially and adversely affect our financial position, results of operations, and cash flows in a given period. *Nichols Litigation—* We were named as a defendant in a lawsuit filed March 28, 2003 by several individual stockholders in the Circuit Court of Jefferson County, Alabama, captioned *Nichols v. HealthSouth Corp*. In July 2019, we entered into settlement agreements with all but one plaintiff and paid those settling plaintiffs an aggregate amount of cash less than $0.1 million. The remaining plaintiff alleges that we, some of our former officers, and our former investment bank engaged in a scheme to overstate and misrepresent our earnings and financial position. The plaintiff is seeking compensatory and punitive damages. This case was stayed in the circuit court on August 8, 2005. However, the complaint has been amended from time to time, including to request certification as a class action. Additionally, one of the former officers named as a defendant has repeatedly attempted to remove the case to federal district court. We filed our latest motion to remand the case back to state court on January 10, 2013. On September 27, 2013, the federal court remanded the case back to state court. On December 10, 2014, we filed a motion to dismiss on the grounds the plaintiffs lacked standing because their claims were derivative in nature, and the claims were time-barred by the statute of limitations. On May 26, 2016, the trial court granted our motion to dismiss. On appeal, the Supreme Court of Alabama reversed the trial court's dismissal on March 23, 2018. On April 6, 2018, we filed an application for rehearing with the Alabama Supreme Court. On March 22, 2019, the Alabama Supreme Court denied our application for rehearing and remanded the case to the trial court for further proceedings. The court has not yet set a date for the trial to begin. On March 2, 2020, we filed a motion for summary judgment, which the trial court denied on June 17, 2020. On March 12, 2021 the Alabama Supreme Court directed the trial court to vacate its order that served as the basis for the denial of our motion for summary judgement. On April 7, 2021, we filed a renewed motion for summary judgment, the hearing for which has been scheduled on May 13, 2021. We intend to vigorously defend ourselves in this case against the sole remaining plaintiff. Based on the stage of litigation, review of the current facts and circumstances as we understand them, the nature of the underlying claim, the results of the proceedings to date, and the nature and scope of the defense we continue to mount, we do not believe an adverse judgment or settlement is probable in this matter, and it is also not possible to estimate an amount of loss, if any, or range of possible loss that might result from an adverse judgment or settlement of this case.

Other Matters—

The False Claims Act allows private citizens, called “relators,” to institute civil proceedings on behalf of the United States alleging violations of the False Claims Act. These lawsuits, also known as “whistleblower” or “*qui tam*” actions, can involve significant monetary damages, fines, attorneys’ fees and the award of bounties to the relators who successfully prosecute or bring these suits to the government. *Qui tam* cases are sealed at the time of filing, which means knowledge of the information contained in the complaint typically is limited to the relator, the federal government, and the presiding court. The defendant in a *qui tam* action may remain unaware of the existence of a sealed complaint for years. While the complaint is under seal, the government reviews the merits of the case and may conduct a broad investigation and seek discovery from the defendant and other parties before deciding whether to intervene in the case and take the lead on litigating the claims. The court lifts the seal when the government makes its decision on whether to intervene. If the government decides not to intervene, the relator may elect to continue to pursue the lawsuit individually on behalf of the government. It is possible that *qui tam* lawsuits have been filed against us, which suits remain under seal, or that we are unaware of such filings or precluded by existing law or court order from discussing or disclosing the filing of such suits. We may be subject to liability under one or more undisclosed *qui tam* cases brought pursuant to the False Claims Act.

It is our obligation as a participant in Medicare and other federal healthcare programs to routinely conduct audits and reviews of the accuracy of our billing systems and other regulatory compliance matters. As a result of these reviews, we have made, and will continue to make, disclosures to the United States Department of Health and Human Services Office of Inspector General and the Centers for Medicare & Medicaid Services relating to amounts we suspect represent over-payments from these programs, whether due to inaccurate billing or otherwise. Some of these disclosures have resulted in, or may result in, Encompass Health refunding amounts to Medicare or other federal healthcare programs.

Segment Reporting	3 Months Ended Mar. 31, 2021
Segment Reporting [Abstract]	
Segment Reporting	

Segment Reporting

Our internal financial reporting and management structure is focused on the major types of services provided by Encompass Health. We using two operating segments which are also our reportable segments: (1) inpatient rehabilitation and (2) home health and hospice. These reportal consistent with information used by our chief executive officer, who is our chief operating decision maker, to assess performance and allocate res brief description of our reportable segments:

- *Inpatient Rehabilitation* - Our national network of inpatient rehabilitation hospitals stretches across 35 states and Puerto Rico, with a in the eastern half of the United States and Texas. As of March 31, 2021, we operate 138 inpatient rehabilitation hospitals. We are th hospitals. We retain 50.0% to 97.5% ownership in the remaining 52 jointly owned hospitals. In addition, we manage four inpatient r management contracts. We provide specialized rehabilitative treatment on both an inpatient and outpatient basis. Our inpatient rehab a higher level of rehabilitative care to patients who are recovering from conditions such as stroke and other neurological disorders, c conditions, brain and spinal cord injuries, complex orthopedic conditions, and amputations.

- *Home Health and Hospice* - As of March 31, 2021, we provide home health services in 241 locations and hospice services in 82 loca concentrations in the southern half of the United States. In addition, one of these home health agencies operates as a joint venture wh the equity method of accounting. We are the sole owner of 317 of these locations. We retain 50.0% to 81.0% ownership in the remai locations. Our home health services include a comprehensive range of Medicare-certified home nursing services to adult patients in services include, among others, skilled nursing, physical, occupational, and speech therapy, medical social work, and home health ai services include in-home services to terminally ill patients and their families to address patients' physical needs, including pain cont management, and to provide emotional and spiritual support.

The accounting policies of our reportable segments are the same as those described in Note 1, *Summary of Significant Accounting Policies*, to t statements accompanying the 2020 Form 10-K. All revenues for our services are generated through external customers. See Note 1, *Basis of Pres* Revenues," for the disaggregation of our revenues. No corporate overhead is allocated to either of our reportable segments. Our chief operating d performance of our segments and allocates resources to them based on adjusted earnings before interest, taxes, depreciation, and amortization ("S EBITDA").

Selected financial information for our reportable segments is as follows (in millions):

	Inpatient Rehabilitation		Home I
	Three Months Ended March 31,		Three Mo
	2021	2020	2021
Net operating revenues	$ 959.9	$ 909.2	$ 2
Operating expenses:			
Inpatient rehabilitation:			
Salaries and benefits	501.9	482.3	
Other operating expenses	140.0	134.7	
Supplies	45.2	39.6	
Occupancy costs	15.1	15.3	
Home health and hospice:			
Cost of service (excluding depreciation and amortization)	—	—	1
Support and overhead costs	—	—	1
	702.2	671.9	2
Other (income) expense	(1.5)	1.6	
Equity in net income of nonconsolidated affiliates	(0.8)	(0.6)	
Noncontrolling interests	25.1	20.8	
Segment Adjusted EBITDA	$ 234.9	$ 215.5	$
Capital expenditures	$ 99.8	$ 83.3	$

Segment reconciliations (in millions):

	Three Months Ended	
	2021	
Total Segment Adjusted EBITDA	$ 285.7	$
General and administrative expenses	(38.6)	
Depreciation and amortization	(62.5)	
Gain (loss) on disposal or impairment of assets	0.1	
Government, class action, and related settlements	—	
Interest expense and amortization of debt discounts and fees	(42.8)	
Net income attributable to noncontrolling interests	25.5	
Change in fair market value of equity securities	(0.1)	
Gain on consolidation of joint venture formerly accounted for under the equity method of accounting	—	
Payroll taxes on SARs exercise	—	
Income from continuing operations before income tax expense	$ 167.3	$

Additional detail regarding the revenues of our operating segments by service line follows (in millions):

	Three Months Ended	
	2021	
Inpatient rehabilitation:		
Inpatient	$ 942.3	$
Outpatient and other	17.6	
Total inpatient rehabilitation	959.9	
Home health and hospice:		
Home health	219.9	
Hospice	50.6	
Total home health and hospice	270.5	
Total net operating revenues	$ 1,230.4	$

Basis of Presentation (Policies)	3 Months Ended Mar. 31, 2021
Organization, Consolidation and Presentation of Financial Statements [Abstract]	
Recently Adopted Accounting Pronouncements	*Recently Adopted Accounting Pronouncements—* In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The standard removes certain exceptions to the general principles of ASC 740 and simplifies other areas such as accounting for outside basis differences of equity method investments. Either prospective or retrospective transition of this standard is dependent upon the specific amendments. The new guidance was effective for us beginning January 1, 2021. The adoption of this guidance did not have a material impact to our condensed consolidated financial statements. We do not believe any other recently issued, but not yet effective, accounting standards will have a material effect on our condensed consolidated financial position, results of operations, or cash flows.

Basis of Presentation (Tables)

3 Months Ended Mar. 31, 2021

Organization, Consolidation and Presentation of Financial Statements [Abstract]

Concentration of Net Operating Revenues by Payor

Our *Net operating revenues* disaggregated by payor source and segment are as follows (in millions):

	Inpatient Rehabilitation		Home Health and Hospice		Three Mo
	Three Months Ended March 31,		Three Months Ended March 31,		
	2021	2020	2021	2020	2021
Medicare	$ 614.5	$ 641.9	$ 223.9	$ 226.2	$
Medicare Advantage	158.4	111.5	28.0	29.4	
Managed care	112.2	90.2	14.3	12.1	
Medicaid	39.0	30.7	3.8	4.2	
Other third-party payors	12.1	11.0	—	—	
Workers’ compensation	5.7	6.9	0.1	0.3	
Patients	4.9	5.5	0.2	0.4	
Other income	13.1	11.5	0.2	0.2	
Total	$ 959.9	$ 909.2	$ 270.5	$ 272.8	$ 1,

Variable Interest Entities (Tables)	3 Months Ended Mar. 31, 2021
Organization, Consolidation and Presentation of Financial Statements [Abstract]	
Schedule of Carrying Amounts and Classifications of VIE's Assets and Liabilities	The carrying amounts and classifications of the consolidated VIEs’ assets and liabilities, which are included in our conde balance sheet, are as follows (in millions):

	March 31, 2021	
Assets		
Current assets:		
Cash and cash equivalents	$ 0.5	$
Accounts receivable	33.7	
Other current assets	8.5	
Total current assets	42.7	
Property and equipment, net	118.7	
Operating lease right-of-use assets	4.4	
Goodwill	19.2	
Intangible assets, net	3.1	
Other long-term assets	31.1	
Total assets	$ 219.2	$
Liabilities		
Current liabilities:		
Current portion of long-term debt	$ 0.9	$
Current operating lease liabilities	1.5	
Accounts payable	5.9	
Accrued expenses and other current liabilities	21.7	
Total current liabilities	30.0	
Long-term debt, net of current portion	9.4	
Long-term operating lease liabilities	2.9	
Other long-term liabilities	2.3	
Total liabilities	$ 44.6	$

Long-term Debt (Tables)

	3 Months Ended Mar. 31, 2021
Debt Disclosure [Abstract]	
Schedule of Outstanding Long-term Debt	Our long-term debt outstanding consists of the following (in millions):

	March 31, 2021	December 31, 2
Credit Agreement—		
Term loan facilities	$ 248.3	$
Bonds payable—		
5.125% Senior Notes due 2023	298.3	
5.75% Senior Notes due 2025	346.5	
4.50% Senior Notes due 2028	785.5	
4.75% Senior Notes due 2030	783.5	
4.625% Senior Notes due 2031	393.3	
Other notes payable	39.7	
Finance lease obligations	402.1	
	3,297.2	3
Less: Current portion	(137.2)	
Long-term debt, net of current portion	$ 3,160.0	$ 3

Redeemable Noncontrolling Interests (Tables)

3 Months Ended Mar. 31, 2021

Noncontrolling Interest [Abstract]

Redeemable Noncontrolling Interests Activity

The following is a summary of the activity related to our *Redeemable noncontrolling interests* (in millions):

		Three Months E
		2021
Balance at beginning of period	$	31.6
Net income attributable to noncontrolling interests		2.4
Distributions declared		(2.3)
Contribution to joint venture		—
Purchase of redeemable noncontrolling interests		—
Exchange transaction		—
Balance at end of period	$	31.7

Reconciliation of Noncontrolling Interests

The following table reconciles the net income attributable to nonredeemable *Noncontrolling interests*, as recorded in the shareholders' ec condensed consolidated balance sheets, and the net income attributable to *Redeemable noncontrolling interests*, as recorded in the mezzanine sect consolidated balance sheets, to the *Net and comprehensive income attributable to noncontrolling interests* presented in the condensed consolidate comprehensive income (in millions):

		Three Months E
		2021
Net income attributable to nonredeemable noncontrolling interests	$	23.1
Net income attributable to redeemable noncontrolling interests		2.4
Net income attributable to noncontrolling interests	$	25.5

Fair Value Measurements (Tables)	3 Months Ended Mar. 31, 2021
Fair Value Disclosures [Abstract]	
Schedule of Fair Value, Assets and Liabilities Measured on a Recurring Basis	Our financial assets and liabilities that are measured at fair value on a recurring basis are as follows (in millions):

			Fair Value Measurements at Reporting Dat				
As of March 31, 2021		**Fair Value**		**Quoted Prices in Active Markets for Identical Assets (Level 1)**		**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Other long-term assets:							
Equity securities	$	73.1	$	—	$	73.1	$
Redeemable noncontrolling interests		31.7		—		—	3
As of December 31, 2020							
Other long-term assets:							
Equity securities	$	72.6	$	—	$	72.6	$
Redeemable noncontrolling interests		31.6		—		—	3

(1) The three valuation techniques are: market approach (M), cost approach (C), and income approach (I).

Schedule of Carrying Amounts and Estimated Fair Values, Financial Instruments

The carrying amounts and estimated fair values for all of our other financial instruments are presented in the following ta

	As of March 31, 2021				As of D	
	Carrying Amount		**Estimated Fair Value**		**Carrying Am**	
Long-term debt:						
Term loan facilities	$	248.3	$	249.8	$	2
5.125% Senior Notes due 2023		298.3		300.8		2
5.75% Senior Notes due 2025		346.5		361.6		3
4.50% Senior Notes due 2028		785.5		820.2		7
4.75% Senior Notes due 2030		783.5		824.0		7
4.625% Senior Notes due 2031		393.3		415.0		3
Other notes payable		39.7		39.7		
Financial commitments:						
Letters of credit		—		37.7		

Earnings per Common Share (Tables)

3 Months Ended Mar. 31, 2021

Earnings Per Share [Abstract]

Computation of Basic and Diluted Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per common share (in millions, except per share amounts):

	Three Mo
	2021
Basic:	
Numerator:	
Income from continuing operations	$
Less: Net income attributable to noncontrolling interests included in continuing operations	
Less: Income allocated to participating securities	
Income from continuing operations attributable to Encompass Health common shareholders	
Loss from discontinued operations, net of tax, attributable to Encompass Health common shareholders	
Net income attributable to Encompass Health common shareholders	$
Denominator:	
Basic weighted average common shares outstanding	
Basic earnings per share attributable to Encompass Health common shareholders:	
Continuing operations	$
Discontinued operations	
Net income	$
Diluted:	
Numerator:	
Income from continuing operations	$
Less: Net income attributable to noncontrolling interests included in continuing operations	
Income from continuing operations attributable to Encompass Health common shareholders	
Loss from discontinued operations, net of tax, attributable to Encompass Health common shareholders	
Net income attributable to Encompass Health common shareholders	$
Denominator:	
Diluted weighted average common shares outstanding	
Diluted earnings per share attributable to Encompass Health common shareholders:	
Continuing operations	$
Discontinued operations	
Net income	$

Reconciliation of Weighted Average Number of Shares Outstanding

The following table sets forth the reconciliation between basic weighted average common shares outstanding and diluted weighted avera outstanding (in millions):

	Three Mo
	2021
Basic weighted average common shares outstanding	
Restricted stock awards, dilutive stock options, and restricted stock units	
Diluted weighted average common shares outstanding	

Segment Reporting (Tables)

	3 Months Ended Mar. 31, 2021
Segment Reporting [Abstract]	
Schedule of Segment Reporting Information, by Segment	Selected financial information for our reportable segments is as follows (in millions):

	Inpatient Rehabilitation		Home I
	Three Months Ended March 31,		Three Mo
	2021	2020	2021
Net operating revenues	$ 959.9	$ 909.2	$ 2
Operating expenses:			
Inpatient rehabilitation:			
Salaries and benefits	501.9	482.3	
Other operating expenses	140.0	134.7	
Supplies	45.2	39.6	
Occupancy costs	15.1	15.3	
Home health and hospice:			
Cost of service (excluding depreciation and amortization)	—	—	1
Support and overhead costs	—	—	1
	702.2	671.9	2
Other (income) expense	(1.5)	1.6	
Equity in net income of nonconsolidated affiliates	(0.8)	(0.6)	
Noncontrolling interests	25.1	20.8	
Segment Adjusted EBITDA	$ 234.9	$ 215.5	$
Capital expenditures	$ 99.8	$ 83.3	$

Reconciliation of Segment Adjusted EBITDA to Income from Continuing Operations Before Income Tax Expense

Segment reconciliations (in millions):

	Three Months Ende	
	2021	
Total Segment Adjusted EBITDA	$ 285.7	$
General and administrative expenses	(38.6)	
Depreciation and amortization	(62.5)	
Gain (loss) on disposal or impairment of assets	0.1	
Government, class action, and related settlements	—	
Interest expense and amortization of debt discounts and fees	(42.8)	
Net income attributable to noncontrolling interests	25.5	
Change in fair market value of equity securities	(0.1)	
Gain on consolidation of joint venture formerly accounted for under the equity method of accounting	—	
Payroll taxes on SARs exercise	—	
Income from continuing operations before income tax expense	$ 167.3	$

Reconciliation of Revenue from Segments to Consolidated

Additional detail regarding the revenues of our operating segments by service line follows (in millions):

	Three Months Ende
	2021
Inpatient rehabilitation:	
Inpatient	$ 942.3
Outpatient and other	17.6
Total inpatient rehabilitation	959.9
Home health and hospice:	
Home health	219.9
Hospice	50.6
Total home health and hospice	270.5
Total net operating revenues	$ 1,230.4

Basis of Presentation - Textual (Details)	3 Months Ended Mar. 31, 2021 state segment
Organization, Consolidation and Presentation of Financial Statements [Abstract]	
Number of states in which entity operates | state	39
Number of operating segments | segment	2

Basis of Presentation - Net Operating Revenues (Details) - USD ($) $ in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Disaggregation of Revenue [Line Items]		
Net operating revenues	$ 1,230.4	$ 1,182.0
Inpatient Rehabilitation		
Disaggregation of Revenue [Line Items]		
Net operating revenues	959.9	909.2
Home Health and Hospice		
Disaggregation of Revenue [Line Items]		
Net operating revenues	270.5	272.8
Medicare		
Disaggregation of Revenue [Line Items]		
Net operating revenues	838.4	868.1
Medicare | Inpatient Rehabilitation		
Disaggregation of Revenue [Line Items]		
Net operating revenues	614.5	641.9
Medicare | Home Health and Hospice		
Disaggregation of Revenue [Line Items]		
Net operating revenues	223.9	226.2
Medicare Advantage		
Disaggregation of Revenue [Line Items]		
Net operating revenues	186.4	140.9
Medicare Advantage | Inpatient Rehabilitation		
Disaggregation of Revenue [Line Items]		
Net operating revenues	158.4	111.5
Medicare Advantage | Home Health and Hospice		
Disaggregation of Revenue [Line Items]		
Net operating revenues	28.0	29.4
Managed care		
Disaggregation of Revenue [Line Items]		
Net operating revenues	126.5	102.3
Managed care | Inpatient Rehabilitation		
Disaggregation of Revenue [Line Items]		
Net operating revenues	112.2	90.2
Managed care | Home Health and Hospice		
Disaggregation of Revenue [Line Items]		
Net operating revenues	14.3	12.1
Medicaid		
Disaggregation of Revenue [Line Items]		
Net operating revenues	42.8	34.9
Medicaid | Inpatient Rehabilitation		
Disaggregation of Revenue [Line Items]		

Net operating revenues	39.0	30.7
Medicaid | Home Health and Hospice		
Disaggregation of Revenue [Line Items]		
Net operating revenues	3.8	4.2
Other third-party payors		
Disaggregation of Revenue [Line Items]		
Net operating revenues	12.1	11.0
Other third-party payors | Inpatient Rehabilitation		
Disaggregation of Revenue [Line Items]		
Net operating revenues	12.1	11.0
Other third-party payors | Home Health and Hospice		
Disaggregation of Revenue [Line Items]		
Net operating revenues	0.0	0.0
Workers' compensation		
Disaggregation of Revenue [Line Items]		
Net operating revenues	5.8	7.2
Workers' compensation | Inpatient Rehabilitation		
Disaggregation of Revenue [Line Items]		
Net operating revenues	5.7	6.9
Workers' compensation | Home Health and Hospice		
Disaggregation of Revenue [Line Items]		
Net operating revenues	0.1	0.3
Patients		
Disaggregation of Revenue [Line Items]		
Net operating revenues	5.1	5.9
Patients | Inpatient Rehabilitation		
Disaggregation of Revenue [Line Items]		
Net operating revenues	4.9	5.5
Patients | Home Health and Hospice		
Disaggregation of Revenue [Line Items]		
Net operating revenues	0.2	0.4
Other income		
Disaggregation of Revenue [Line Items]		
Net operating revenues	13.3	11.7
Other income | Inpatient Rehabilitation		
Disaggregation of Revenue [Line Items]		
Net operating revenues	13.1	11.5
Other income | Home Health and Hospice		
Disaggregation of Revenue [Line Items]		
Net operating revenues	$ 0.2	$ 0.2

Business Combinations - Textual (Details) - Home Health and Hospice - Subsequent Event $ in Millions	1 Months Ended Apr. 30, 2021 USD ($) location
Business Acquisition [Line Items]	
Payments to acquire businesses, gross | $	$ 95
Home health	
Business Acquisition [Line Items]	
Number of locations	9
Hospice	
Business Acquisition [Line Items]	
Number of locations	11

Variable Interest Entities - Textual (Details) - VIE - entity	3 Months Ended Mar. 31, 2021	12 Months Ended Dec. 31, 2020
Variable Interest Entity [Line Items]		
Number of consolidated limited partnership-like entities	9	9
Minimum		
Variable Interest Entity [Line Items]		
Ownership interest in consolidated entities (percent)	50.00%	
Maximum		
Variable Interest Entity [Line Items]		
Ownership interest in consolidated entities (percent)	75.00%	

Variable Interest Entities - Schedule of Carrying Amounts and Classifications of VIE's Assets and Liabilities (Details) - USD ($) $ in Millions		Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2020	Dec. 31, 2019
Current assets:					
Cash and cash equivalents		$ 223.9	$ 224.0	$ 104.9	$ 94.8
Accounts receivable		633.6	572.8		
Other current assets		81.4	86.4		
Total current assets		1,001.1	948.6		
Property and equipment, net		2,280.5	2,206.6		
Operating lease right-of-use assets		248.3	245.7		
Goodwill		2,318.7	2,318.7		
Intangible assets, net		419.2	431.3		
Other long-term assets		274.4	295.0		
Total assets	[1]	6,542.2	6,445.9		
Current liabilities:					
Current portion of long-term debt		137.2	38.3		
Current operating lease liabilities		44.2	44.8		
Accounts payable		122.8	115.0		
Accrued expenses and other current liabilities		508.0	519.2		
Total current liabilities		812.2	717.3		
Long-term debt, net of current portion		3,160.0	3,250.6		
Long-term operating lease liabilities		214.2	209.6		
Other long-term liabilities		220.5	215.0		
Total liabilities		4,467.5	4,444.3		
VIE					
Current assets:					
Cash and cash equivalents		0.5	0.1		
Accounts receivable		33.7	33.1		
Other current assets		8.5	8.6		
Total current assets		42.7	41.8		
Property and equipment, net		118.7	121.1		
Operating lease right-of-use assets		4.4	4.7		
Goodwill		19.2	19.2		
Intangible assets, net		3.1	3.3		
Other long-term assets		31.1	31.1		
Total assets		219.2	221.2		
Current liabilities:					
Current portion of long-term debt		0.9	0.9		
Current operating lease liabilities		1.5	1.5		
Accounts payable		5.9	6.1		

Accrued expenses and other current liabilities	21.7	23.0
Total current liabilities	30.0	31.5
Long-term debt, net of current portion	9.4	9.6
Long-term operating lease liabilities	2.9	3.3
Other long-term liabilities	2.3	2.4
Total liabilities	$ 44.6	$ 46.8

[1] Our consolidated assets as of March 31, 2021 and December 31, 2020 include total assets of variable interest entities of $219.2 million and $221.2 million, respectively, which cannot be used by us to settle the obligations of other entities. Our consolidated liabilities as of March 31, 2021 and December 31, 2020 include total liabilities of the variable interest entities of $44.6 million and $46.8 million, respectively. See Note 3, *Variable Interest Entities.*

Long-term Debt - Long-term Debt Outstanding (Details) - USD ($) $ in Millions	Mar. 31, 2021	Dec. 31, 2020
Schedule of Outstanding Long-term Debt		
Finance lease obligations	$ 402.1	$ 391.7
Total debt and finance lease obligations	3,297.2	3,288.9
Less: Current portion	(137.2)	(38.3)
Long-term debt, net of current portion	3,160.0	3,250.6
Term loan facilities | Term loan facilities		
Schedule of Outstanding Long-term Debt		
Total debt	$ 248.3	$ 251.6
Senior Notes | 5.125% Senior Notes due 2023		
Schedule of Outstanding Long-term Debt		
Debt instrument interest rate (percent)	5.125%	5.125%
Total debt	$ 298.3	$ 298.1
Senior Notes | 5.75% Senior Notes due 2025		
Schedule of Outstanding Long-term Debt		
Debt instrument interest rate (percent)	5.75%	5.75%
Total debt	$ 346.5	$ 346.3
Senior Notes | 4.50% Senior Notes due 2028		
Schedule of Outstanding Long-term Debt		
Debt instrument interest rate (percent)	4.50%	4.50%
Total debt	$ 785.5	$ 785.0
Senior Notes | 4.75% Senior Notes due 2030		
Schedule of Outstanding Long-term Debt		
Debt instrument interest rate (percent)	4.75%	4.75%
Total debt	$ 783.5	$ 783.2
Senior Notes | 4.625% Senior Notes due 2031		
Schedule of Outstanding Long-term Debt		
Debt instrument interest rate (percent)	4.625%	4.625%
Total debt	$ 393.3	$ 393.2
Other notes payable		
Schedule of Outstanding Long-term Debt		
Total debt	$ 39.7	$ 39.8

Long-term Debt - Textual (Details) - Senior Notes - 5.125% Senior Notes due 2023 - USD ($) $ in Millions	3 Months Ended		
	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020
Debt Instrument [Line Items]			
Redemption amount		$ 100.0	
Debt instrument interest rate (percent)		5.125%	5.125%
Long-term debt		$ 100.0	
Forecast			
Debt Instrument [Line Items]			
Loss on early extinguishment of debt	$ 0.6		

Redeemable Noncontrolling Interests - Redeemable Noncontrolling Interests Activity (Details) - USD ($) $ in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Redeemable Noncontrolling Interest, Equity, Carrying Amount [Roll Forward]		
Balance at beginning of period	$ 31.6	
Net income attributable to noncontrolling interests	2.4	$ 2.0
Distributions declared	(22.4)	(15.5)
Balance at end of period	31.7	
Redeemable Noncontrolling Interest		
Redeemable Noncontrolling Interest, Equity, Carrying Amount [Roll Forward]		
Balance at beginning of period	31.6	239.6
Net income attributable to noncontrolling interests	2.4	2.0
Distributions declared	(2.3)	(2.1)
Contribution to joint venture	0.0	3.1
Purchase of redeemable noncontrolling interests	0.0	(162.3)
Exchange transaction	0.0	(46.3)
Balance at end of period	$ 31.7	$ 34.0

Redeemable Noncontrolling Interests - Reconciliation of Noncontrolling Interests (Details) - USD ($) $ in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Noncontrolling Interest [Abstract]		
Net income attributable to nonredeemable noncontrolling interests	$ 23.1	$ 19.7
Net income attributable to redeemable noncontrolling interests	2.4	2.0
Net income attributable to noncontrolling interests	$ 25.5	$ 21.7

Redeemable Noncontrolling Interests - Textual (Details) - USD ($) $ in Millions	1 Months Ended						
	Feb. 18, 2020	Jan. 31, 2020	Mar. 31, 2021	Dec. 31, 2020	Mar. 06, 2020	Feb. 20, 2020	Dec. 31, 2014
Noncontrolling Interest [Line Items]							
Redeemable noncontrolling interests			$ 31.7	$ 31.6			
Percentage of shares exercised by investor		4.30%					
Purchase of redeemable noncontrolling interests	$ 162.0						
Temporary equity, shares issued (shares)						560,957	
Temporary equity, shares to management investors exchange agreements percentages					0.60%		
Holdings And EHHI							
Noncontrolling Interest [Line Items]							
Ownership percentage			100.00%				
EHHI							
Noncontrolling Interest [Line Items]							
Outstanding common stock of Holdings, fair value	$ 46.0						
EHHI	Home Health and Hospice							
Noncontrolling Interest [Line Items]							
Redeemable noncontrolling interest, equity, acquired percent							83.30%
Redeemable noncontrolling interests							$ 64.0
Subsidiary's common stock held by subsidiary 's management, percent							16.70%

Fair Value Measurements - Schedule of Fair Value, Assets and Liabilities Measured on a Recurring Basis (Details) - Recurring - USD ($) $ in Millions	Mar. 31, 2021	Dec. 31, 2020
Fair Value, Assets and Liabilities Measured on Recurring Basis [Abstract]		
Equity securities	$ 73.1	$ 72.6
Redeemable noncontrolling interests	31.7	31.6
Fair Value, Inputs, Level 1		
Fair Value, Assets and Liabilities Measured on Recurring Basis [Abstract]		
Equity securities	0.0	0.0
Redeemable noncontrolling interests	0.0	0.0
Fair Value, Inputs, Level 2		
Fair Value, Assets and Liabilities Measured on Recurring Basis [Abstract]		
Equity securities	73.1	72.6
Redeemable noncontrolling interests	0.0	0.0
Fair Value, Inputs, Level 3		
Fair Value, Assets and Liabilities Measured on Recurring Basis [Abstract]		
Equity securities	0.0	0.0
Redeemable noncontrolling interests	$ 31.7	$ 31.6

Fair Value Measurements - Schedule of Carrying Amounts and Estimated Fair Values, Financial Instruments (Details) - USD ($) $ in Millions	Mar. 31, 2021	Dec. 31, 2020
Term loan facilities | Term loan facilities | Carrying Amount		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 248.3	$ 251.6
Term loan facilities | Term loan facilities | Estimated Fair Value		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 249.8	$ 253.1
Senior Notes | 5.125% Senior Notes due 2023		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Debt instrument interest rate (percent)	5.125%	5.125%
Senior Notes | 5.125% Senior Notes due 2023 | Carrying Amount		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 298.3	$ 298.1
Senior Notes | 5.125% Senior Notes due 2023 | Estimated Fair Value		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 300.8	$ 302.6
Senior Notes | 5.75% Senior Notes due 2025		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Debt instrument interest rate (percent)	5.75%	5.75%
Senior Notes | 5.75% Senior Notes due 2025 | Carrying Amount		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 346.5	$ 346.3
Senior Notes | 5.75% Senior Notes due 2025 | Estimated Fair Value		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 361.6	$ 361.4
Senior Notes | 4.50% Senior Notes due 2028		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Debt instrument interest rate (percent)	4.50%	4.50%
Senior Notes | 4.50% Senior Notes due 2028 | Carrying Amount		

Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 785.5	$ 785.0
Senior Notes | 4.50% Senior Notes due 2028 | Estimated Fair Value		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 820.2	$ 840.0
Senior Notes | 4.75% Senior Notes due 2030		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Debt instrument interest rate (percent)	4.75%	4.75%
Senior Notes | 4.75% Senior Notes due 2030 | Carrying Amount		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 783.5	$ 783.2
Senior Notes | 4.75% Senior Notes due 2030 | Estimated Fair Value		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 824.0	$ 856.0
Senior Notes | 4.625% Senior Notes due 2031		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Debt instrument interest rate (percent)	4.625%	4.625%
Senior Notes | 4.625% Senior Notes due 2031 | Carrying Amount		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 393.3	$ 393.2
Senior Notes | 4.625% Senior Notes due 2031 | Estimated Fair Value		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	415.0	424.9
Other notes payable | Carrying Amount		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	39.7	39.8
Other notes payable | Estimated Fair Value		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	39.7	39.8
Letters of credit | Carrying Amount		
Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	0.0	0.0
Letters of credit | Estimated Fair Value		

Fair Value, Balance Sheet Grouping, Financial Statement Captions [Line Items]		
Carrying amounts and estimated fair values of financial instruments	$ 37.7	$ 36.7

Share-Based Payments (Details) - USD ($) shares in Millions, $ in Millions	1 Months Ended Feb. 29, 2020	3 Months Ended Mar. 31, 2021
Restricted Stock		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Restricted stock awards issued (shares)		0.5
Restricted Stock | Service Condition		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Restricted stock awards issued (shares)		0.2
Restricted Stock | Service and Performance Condition		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Performance measurement period		2 years
Stock Options		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Stock options granted (shares)		0.1
SARs		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Cash used to settle award	$ 101	

Income Taxes (Details) - USD ($) $ in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Income Tax Disclosure [Abstract]		
Provision for income tax expense	$ 34.5	$ 27.1

Earnings per Common Share - Computation of Basic and Diluted Earnings Per Common Share (Details) - USD ($) $ / shares in Units, shares in Millions, $ in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Basic Numerator:		
Income from continuing operations	$ 132.8	$ 108.8
Less: Net income attributable to noncontrolling interests included in continuing operations	(25.5)	(21.7)
Less: Income allocated to participating securities	(0.5)	(0.3)
Income from continuing operations attributable to Encompass Health common shareholders	106.8	86.8
Loss from discontinued operations, net of tax, attributable to Encompass Health common shareholders	0.0	(0.1)
Net income attributable to Encompass Health common shareholders	$ 106.8	$ 86.7
Basic Denominator:		
Basic weighted average common shares outstanding (in shares)	99.0	98.2
Basic earnings per share attributable to Encompass Health common shareholders:		
Continuing operations (in dollars per share)	$ 1.08	$ 0.88
Discontinued operations (in dollars per share)	0	0
Net income (in dollars per share)	$ 1.08	$ 0.88
Diluted Numerator		
Income from continuing operations	$ 132.8	$ 108.8
Less: Net income attributable to noncontrolling interests included in continuing operations	(25.5)	(21.7)
Income from continuing operations attributable to Encompass Health common shareholders	107.3	87.1
Loss from discontinued operations, net of tax, attributable to Encompass Health common shareholders	0.0	(0.1)
Net income attributable to Encompass Health common shareholders	$ 107.3	$ 87.0
Diluted Denominator		
Diluted weighted average common shares outstanding (in shares)	100.2	99.6
Diluted earnings per share attributable to Encompass Health common shareholders:		
Continuing operations (in dollars per share)	$ 1.07	$ 0.87
Discontinued operations (in dollars per share)	0	0
Net income (in dollars per share)	$ 1.07	$ 0.87

Earnings per Common Share - Reconciliation of Weighted Average Number of Shares Outstanding (Details) - shares shares in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Earnings Per Share [Abstract]		
Basic weighted average common shares outstanding (in shares)	99.0	98.2
Restricted stock awards, dilutive stock options, and restricted stock units (shares)	1.2	1.4
Diluted weighted average common shares outstanding (in shares)	100.2	99.6

Contingencies and Other Commitments (Details) $ in Millions	1 Months Ended Jul. 31, 2019 USD ($)
Maximum | Settled Litigation | Nichols Litigation	
Loss Contingencies [Line Items]	
Cash payment for litigation settlement	$ 0.1

Segment Reporting - Textual (Details)	3 Months Ended Mar. 31, 2021 state hospital location segment
Segment Reporting Information [Line Items]	
Number of operating segments | segment	2
Number of states in which entity operates | state	39
Inpatient Rehabilitation	
Segment Reporting Information [Line Items]	
Number of states in which entity operates | state	35
Number of inpatient rehabilitation hospitals operated	138
Number of solely owned inpatient rehabilitation hospitals	86
Number of jointly owned inpatient rehabilitation hospitals	52
Number of inpatient rehabilitation units under management contracts	4
Inpatient Rehabilitation | Minimum	
Segment Reporting Information [Line Items]	
Joint venture ownership percentage	50.00%
Inpatient Rehabilitation | Maximum	
Segment Reporting Information [Line Items]	
Joint venture ownership percentage	97.50%
Home Health and Hospice	
Segment Reporting Information [Line Items]	
Number of states in which entity operates | state	31
Number of home health locations | location	241
Number of hospice locations | location	82
Number of hospitals or agencies operated as a joint venture	1
Number of solely owned hospital based home health and hospice locations | location	317
Number of jointly owned hospital based home health and hospice locations | location	6
Home Health and Hospice | Minimum	
Segment Reporting Information [Line Items]	
Joint venture ownership percentage	50.00%
Home Health and Hospice | Maximum	
Segment Reporting Information [Line Items]	
Joint venture ownership percentage	81.00%

Segment Reporting - Segment Reporting Information, Reconciliation of Net Operating Revenues to Segment Adjusted EBITDA (Details) - USD ($) $ in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Segment Reporting Information [Line Items]		
Net operating revenues	$ 1,230.4	$ 1,182.0
Operating expenses:		
Salaries and benefits	687.2	679.1
Other operating expenses	162.3	159.6
Supplies	51.9	45.7
Occupancy costs	20.2	20.2
Total operating expenses	1,022.7	1,001.8
Other (income) expense	(1.4)	1.9
Equity in net income of nonconsolidated affiliates	(1.0)	(0.8)
Noncontrolling interests	25.5	21.7
Inpatient Rehabilitation		
Segment Reporting Information [Line Items]		
Net operating revenues	959.9	909.2
Operating expenses:		
Salaries and benefits	501.9	482.3
Other operating expenses	140.0	134.7
Supplies	45.2	39.6
Occupancy costs	15.1	15.3
Cost of service (excluding depreciation and amortization)	0.0	0.0
Support and overhead costs	0.0	0.0
Total operating expenses	702.2	671.9
Other (income) expense	(1.5)	1.6
Equity in net income of nonconsolidated affiliates	(0.8)	(0.6)
Noncontrolling interests	25.1	20.8
Segment Adjusted EBITDA	234.9	215.5
Capital expenditures	99.8	83.3
Home Health and Hospice		
Segment Reporting Information [Line Items]		
Net operating revenues	270.5	272.8
Operating expenses:		
Salaries and benefits	0.0	0.0
Other operating expenses	0.0	0.0
Supplies	0.0	0.0
Occupancy costs	0.0	0.0
Cost of service (excluding depreciation and amortization)	118.1	130.9
Support and overhead costs	101.4	100.2

Total operating expenses	219.5	231.1
Other (income) expense	0.0	0.0
Equity in net income of nonconsolidated affiliates	(0.2)	(0.2)
Noncontrolling interests	0.4	0.9
Segment Adjusted EBITDA	50.8	41.0
Capital expenditures	$ 0.9	$ 1.5

Segment Reporting - Reconciliation of Segment Adjusted EBITDA to Income from Continuing Operations Before Income Tax Expense (Details) - USD ($) $ in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]		
General and administrative expenses	$ (38.6)	$ (35.6)
Depreciation and amortization	(62.5)	(58.8)
Government, class action, and related settlements	0.0	(2.8)
Net income attributable to noncontrolling interests	25.5	21.7
Income from continuing operations before income tax expense	167.3	135.9
Operating Segments		
Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]		
Total Segment Adjusted EBITDA	285.7	256.5
Segment Reconciling Items		
Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]		
General and administrative expenses	(38.6)	(35.6)
Depreciation and amortization	(62.5)	(58.8)
Gain (loss) on disposal or impairment of assets	0.1	(0.1)
Government, class action, and related settlements	0.0	(2.8)
Interest expense and amortization of debt discounts and fees	(42.8)	(43.2)
Net income attributable to noncontrolling interests	25.5	21.7
Change in fair market value of equity securities	(0.1)	(2.5)
Gain on consolidation of joint venture formerly accounted for under the equity method of accounting	0.0	2.2
Payroll taxes on SARs exercise	$ 0.0	$ (1.5)

Segment Reporting - Reconciliation of Revenue from Segments to Consolidated (Details) - USD ($) $ in Millions	3 Months Ended	
	Mar. 31, 2021	Mar. 31, 2020
Segment Reporting, Revenue Reconciling Item [Line Items]		
Net operating revenues	$ 1,230.4	$ 1,182.0
Inpatient Rehabilitation		
Segment Reporting, Revenue Reconciling Item [Line Items]		
Net operating revenues	959.9	909.2
Inpatient Rehabilitation | Inpatient		
Segment Reporting, Revenue Reconciling Item [Line Items]		
Net operating revenues	942.3	890.0
Inpatient Rehabilitation | Outpatient and other		
Segment Reporting, Revenue Reconciling Item [Line Items]		
Net operating revenues	17.6	19.2
Home Health and Hospice		
Segment Reporting, Revenue Reconciling Item [Line Items]		
Net operating revenues	270.5	272.8
Home Health and Hospice | Home health		
Segment Reporting, Revenue Reconciling Item [Line Items]		
Net operating revenues	219.9	224.8
Home Health and Hospice | Hospice		
Segment Reporting, Revenue Reconciling Item [Line Items]		
Net operating revenues	$ 50.6	$ 48.0