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LHC GROUP, INC

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 September 30, 2016

OR

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

For the transition period from __________ to __________

Commission file number: 001-33989

LHC GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**71-0918189**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

901 Hugh Wallis Road South
Lafayette, LA 70508
(Address of principal executive offices including zip code)

(337) 233-1307
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐		Accelerated filer	☒
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

Number of shares of common stock, par value $0.01, outstanding as of October 31, 2016 : 18,176,864 shares.

LHC GROUP, INC.
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PART I — FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.
LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)
(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash	$ 16,518	$ 6,139
Receivables:		
Patient accounts receivable, less allowance for uncollectible accounts of $29,258 and $26,712, respectively	119,491	110,350
Other receivables	2,261	2,093
Amounts due from governmental entities	964	1,081
Total receivables, net	122,716	113,524
Prepaid income taxes	4,124	1,949
Prepaid expenses	9,767	10,833
Other current assets	6,421	5,835
Receivable due from insurance carrier	—	550
Total current assets	159,546	138,830
Property, building and equipment, net of accumulated depreciation of $40,972 and $38,907, respectively	44,130	38,096
Goodwill	305,739	290,694
Intangible assets, net of accumulated amortization of $10,342 and $8,496, respectively	101,680	96,405
Other assets	2,358	2,029
Total assets	$ 613,453	$ 566,054
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 28,511	$ 24,586
Salaries, wages, and benefits payable	41,904	28,098
Self-insurance reserve	11,473	9,636
Current portion of long-term debt	249	241
Amounts due to governmental entities	4,895	7,055
Legal settlement payable	—	550
Total current liabilities	87,032	70,166
Deferred income taxes	30,601	23,729
Income tax payable	1,678	3,415
Revolving credit facility	92,000	98,000
Long-term debt, less current portion	379	543
Total liabilities	211,690	195,853
Noncontrolling interest — redeemable	12,668	12,408
Stockholders' equity:		
LHC Group, Inc. stockholders' equity:		
Common stock — $0.01 par value; 40,000,000 shares authorized; 22,419,523 and 22,224,423 shares issued in 2016 and 2015, respectively	224	222
Treasury stock — 4,826,872 and 4,776,560 shares at cost, respectively	(39,070)	(37,139)
Additional paid-in capital	118,689	113,793
Retained earnings	304,472	277,706
Total LHC Group, Inc. stockholders' equity	384,315	354,582
Noncontrolling interest — non-redeemable	4,780	3,211
Total equity	389,095	357,793
Total liabilities and equity	$ 613,453	$ 566,054

See accompanying notes to condensed consolidated financial statements.

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net service revenue	$ 230,797	$ 204,122	$ 679,380	$ 597,373
Cost of service revenue	140,832	120,873	413,561	351,938
Gross margin	89,965	83,249	265,819	245,435
Provision for bad debts	3,275	4,809	11,658	14,873
General and administrative expenses	66,999	60,472	201,296	179,736
Loss on disposal of assets	142	276	1,389	680
Operating income	19,549	17,692	51,476	50,146
Interest expense	(816)	(434)	(2,167)	(1,533)
Income before income taxes and noncontrolling interest	18,733	17,258	49,309	48,613
Income tax expense	6,562	6,148	15,500	17,097
Net income	12,171	11,110	33,809	31,516
Less net income attributable to noncontrolling interests	2,555	2,265	7,043	6,916
Net income attributable to LHC Group, Inc.'s common stockholders	$ 9,616	$ 8,845	$ 26,766	$ 24,600
Earnings per share — basic:				
Net income attributable to LHC Group, Inc.'s common stockholders	$ 0.55	$ 0.51	$ 1.53	$ 1.41
Earnings per share — diluted:				
Net income attributable to LHC Group, Inc.'s common stockholders	$ 0.54	$ 0.50	$ 1.52	$ 1.40
Weighted average shares outstanding:				
Basic	17,588,163	17,436,731	17,546,773	17,389,934
Diluted	17,719,473	17,610,953	17,664,284	17,526,687

See accompanying notes to the condensed consolidated financial statements.

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in thousands, except share data)
(Unaudited)

	Common Stock							
	Issued		Treasury					
	Amount	Shares	Amount	Shares	Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest Non Redeemable	Total Equity
Balance as of December 31, 2015	$ 222	22,224,423	$ (37,139)	(4,776,560)	$ 113,793	$ 277,706	$ 3,211	$ 357,793
Net income (1)	—	—	—	—	—	26,766	1,051	27,817
Acquired noncontrolling interest	—	—	—	—	—	—	970	970
Noncontrolling interest distributions	—	—	—	—	—	—	(1,127)	(1,127)
Stock options exercised	—	5,500	—	—	109	—	—	109
Sale of noncontrolling interest	—	—	—	—	(374)	—	539	165
Other	—	—	—	—	—	—	136	136
Nonvested stock compensation	—	—	—	—	3,518	—	—	3,518
Issuance of vested stock	2	172,586	—	—	(2)	—	—	—
Treasury shares redeemed to pay income tax	—	—	(1,931)	(50,312)	—	—	—	(1,931)
Excess tax benefits — vesting nonvested stock	—	—	—	—	982	—	—	982
Issuance of common stock under Employee Stock Purchase Plan	—	17,014	—	—	663	—	—	663
Balance as of September 30, 2016	$ 224	22,419,523	$ (39,070)	(4,826,872)	$ 118,689	$ 304,472	$ 4,780	$ 389,095

(1) Net income excludes net income attributable to noncontrolling interest-redeemable of $6.0 million during the nine months ending September 30, 2016 . Noncontrolling interest-redeemable is reflected outside of permanent equity on the condensed consolidated balance sheets. See Note 9 of the Notes to Condensed Consolidated Financial Statements.

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2016	2015
Operating activities:		
Net income	$ 33,809	$ 31,516
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	9,024	8,685
Provision for bad debts	11,658	14,873
Stock-based compensation expense	3,518	3,150
Deferred income taxes	6,062	1,125
Impairment of intangibles and other	—	248
Loss on disposal of assets	1,389	680
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(21,175)	(24,643)
Prepaid expenses and other assets	450	(3,660)
Prepaid income taxes	(2,482)	779
Accounts payable and accrued expenses	17,633	19,071
Net amounts due to/from governmental entities	(2,043)	(205)
Net cash provided by operating activities	57,843	51,619
Investing activities:		
Purchases of property, building and equipment	(14,576)	(11,401)
Cash paid for acquisitions, primarily goodwill and intangible assets	(20,332)	(4,359)
Other	273	—
Net cash used in investing activities	(34,635)	(15,760)
Financing activities:		
Proceeds from line of credit	38,000	64,000
Payments on line of credit	(44,000)	(32,000)
Proceeds from employee stock purchase plan	663	569
Payments on debt	(156)	(172)
Noncontrolling interest distributions	(6,859)	(6,372)
Excess tax benefits from vesting of stock awards	1,293	897
Withholding taxes paid on stock-based compensation	(1,931)	(1,449)
Purchase of additional controlling interest	—	(275)
Sale of noncontrolling interest	52	—
Proceeds from exercise of stock options	109	145
Net cash provided by (used in) financing activities	(12,829)	25,343
Change in cash	10,379	61,202
Cash at beginning of period	6,139	531
Cash at end of period	$ 16,518	$ 61,733
Supplemental disclosures of cash flow information:		
Interest paid	$ 2,329	$ 1,227
Income taxes paid	$ 11,390	$ 14,242

See accompanying notes to condensed consolidated financial statements.

LHC GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

LHC Group, Inc. (the “Company”) is a health care provider specializing in the post-acute continuum of care primarily for Medicare beneficiaries. The Company provides home health services, hospice services, community-based services, and facility-based services, the latter primarily through long-term acute care hospitals (“LTACHs”). As of September 30, 2016 , the Company, through its wholly- and majority-owned subsidiaries, equity joint ventures and controlled affiliates, operated 375 service providers in 25 states within the continental United States.

Unaudited Interim Financial Information

The condensed consolidated balance sheets as of September 30, 2016 and December 31, 2015 , and the related condensed consolidated statements of income for the three and nine months ended September 30, 2016 and 2015 , condensed consolidated statement of changes in equity for the nine months ended September 30, 2016 , condensed consolidated statements of cash flows for the nine months ended September 30, 2016 and 2015 and related notes (collectively, these financial statements and the related notes are referred to herein as the “interim financial information”) have been prepared by the Company. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been included. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016 .

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from the interim financial information presented. This report should be read in conjunction with the Company’s consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission (the “SEC”) on March 3, 2016, which includes information and disclosures not included herein.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical Accounting Policies

The Company’s most critical accounting policies relate to the principles of consolidation, revenue recognition and accounts receivable and allowances for uncollectible accounts.

Principles of Consolidation

The interim financial information includes all subsidiaries and entities controlled by the Company. Control is defined by the Company as ownership of a majority of the voting interest of an entity. The interim financial information includes entities in which the Company receives a majority of the entities’ expected residual returns and absorbs a majority of the entities’ expected losses. Third party equity interests in the consolidated joint ventures are reflected as noncontrolling interests in the Company’s interim financial information.

The following table summarizes the percentage of net service revenue earned by type of ownership or relationship the Company had with the operating entity:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Ownership type	**2016**	**2015**	**2016**	**2015**
Wholly-owned subsidiaries	57.6%	54.5%	57.3%	54.5%
Equity joint ventures	40.7	43.6	41.0	43.5
License leasing arrangements	0.9	1.0	0.9	1.1
Management services	0.8	0.9	0.8	0.9
	100.0%	100.0%	100.0%	100.0%

All significant intercompany accounts and transactions have been eliminated in the Company’s accompanying interim financial information. Business combinations accounted for under the acquisition method have been included in the interim financial information from the respective dates of acquisition.

The Company consolidates equity joint venture entities as the Company has voting control over these entities. The members of the Company's equity joint ventures participate in profits and losses in proportion to their equity interests. The Company also consolidates entities which have license leasing arrangements as the Company owns 100% of the equity of these subsidiaries.

The Company has various management services agreements under which the Company manages certain operations of agencies. The Company does not consolidate these agencies because the Company does not have an ownership interest in, and does not have an obligation to absorb losses of, the entities that own the agencies or the right to receive the benefits from those entities.

Revenue Recognition

The Company reports net service revenue at the estimated net realizable amount due from Medicare, Medicaid and others for services rendered. The Company assesses the patient's ability to pay for their healthcare services at the time of patient admission based on the Company's verification of the patient's insurance coverage under the Medicare, Medicaid, and other commercial or managed care insurance program. All such payors contribute to the net service revenue of the Company’s home health services, hospice services, community-based services, and facility-based services.

The following table sets forth the percentage of net service revenue earned by category of payor for the three and nine months ended September 30, 2016 and 2015 :

	Three Months Ended September 30,		Nine Months Ended September 30,	
Payor:	**2016**	**2015**	**2016**	**2015**
Medicare	74.3%	74.0%	74.7%	74.2%
Medicaid	1.9	1.5	1.8	1.5
Other	23.8	24.5	23.5	24.3
	100.0%	100.0%	100.0%	100.0%

The following table sets forth the percentage of net service revenue contributed from each reporting segment for the three and nine months ended September 30, 2016 and 2015 :

Reporting segment:	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Home health services	72.6%	76.0%	72.5%	76.2%
Hospice services	15.3	9.4	14.7	9.1
Community-based services	5.1	5.2	4.8	5.1
Facility-based services	7.0	9.4	8.0	9.6
	100.0%	100.0%	100.0%	100.0%

Medicare

Home Health

The Company's home nursing Medicare patients are classified into one of 153 home health resource groups prior to receiving services. Based on the patient's home health resource group, the Company is entitled to receive a standard prospective Medicare payment for delivering care over a 60 -day period referred to as an episode. The Company recognizes revenue based on the number of days elapsed during an episode of care within the reporting period.

Final payments from Medicare may reflect one of four retroactive adjustments to ensure the adequacy and effectiveness of the total reimbursement: (a) an outlier payment if the patient's care was unusually costly; (b) a low utilization adjustment if the number of visits was fewer than five ; (c) a partial payment if the patient transferred to another provider before completing the episode; or (d) a payment adjustment based upon the level of therapy services required. In calculating net service revenue, management estimates the impact of these payment adjustments based on historical experience and records this estimate as the services are rendered using the expected level of services that will be provided.

Hospice Services

The Company is paid by Medicare under a per diem payment system. The Company receives one of four predetermined daily rates based upon the level of care the Company furnished. The Company records net service revenue from hospice services based on the daily rate and recognizes revenue as hospice services are provided.

Hospice payments are subject to an inpatient cap and an overall Medicare payment cap. The inpatient cap relates to individual programs receiving more than 20% of its total Medicare reimbursement from inpatient care services and the overall Medicare payment cap relates to individual providers receiving reimbursements in excess of a "cap amount," calculated by multiplying the number of beneficiaries during the period by a statutory amount that is indexed for inflation. The determination for each cap is made annually based on the 12 -month period ending on October 31 of each year. The Company monitors its limits on a provider-by-provider basis and records an estimate of its liability for reimbursements received in excess of the cap amount. Beginning with the cap year October 1, 2014, CMS implemented a new process requiring hospice providers to self-report their cap liabilities and remit applicable payment by March 31 of the following year.

Facility-Based Services

The Company is reimbursed by Medicare for services provided under the LTACH prospective payment system. Each patient is assigned a long-term care diagnosis-related group. The Company is paid a predetermined fixed amount intended to reflect the average cost of treating a Medicare patient classified in that particular long-term care diagnosis-related group. For selected patients, the amount may be further adjusted based on length of stay and facility-specific costs, as well as in instances where a patient is discharged and subsequently re-admitted, among other factors. The Company calculates the adjustment based on a historical average of these types of adjustments for claims paid. Similar to other Medicare prospective payment systems, the rate is also adjusted for geographic wage differences. Revenue is recognized for the Company's LTACHs as services are provided.

Medicaid, managed care and other payors

The Company's Medicaid reimbursement is based on a predetermined fee schedule applied to each service provided. Therefore, revenue is recognized for Medicaid services as services are provided based on this fee schedule. The Company's managed care and other payors reimburse the Company based upon a predetermined fee schedule or an episodic basis, depending on the terms of the applicable contract. Accordingly, the Company recognizes revenue from managed care and other payors in the same manner as the Company recognizes revenue from Medicare or Medicaid.

Accounts Receivable and Allowances for Uncollectible Accounts

The Company reports accounts receivable net of estimated allowances for uncollectible accounts and adjustments. Accounts receivable are uncollateralized and consist of amounts due from Medicare, other third-party payors and patients. To provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for uncollectible accounts to reduce the carrying amount of such receivables to their estimated net realizable value. The credit risk for other concentrations of receivables is limited due to the significance of Medicare as the primary payor. The Company believes the credit risk associated with its Medicare accounts, which have historically exceeded 55% of its patient accounts receivable, is limited due to (i) the historical collection rate from Medicare and (ii) the fact that Medicare is a U.S. government payor. The Company does not believe that there are any other concentrations of receivables from any particular payor that would subject it to any significant credit risk in the collection of accounts receivable.

The provision for bad debts is based upon the Company's assessment of historical and expected net collections, business and economic conditions and trends in government reimbursement. Uncollectible accounts are written off when the Company has determined the account will not be collected.

A portion of the estimated Medicare prospective payment system reimbursement from each submitted home nursing episode is received in the form of a request for anticipated payment ("RAP"). The Company submits a RAP for 60% of the estimated reimbursement for the initial episode at the start of care. The full amount of the episode is billed after the episode has been completed. The RAP received for that particular episode is deducted from the final payment. If a final bill is not submitted within the greater of 120 days from the start of the episode, or 60 days from the date the RAP was paid, any RAP received for that episode will be recouped by Medicare from any other Medicare claims in process for that particular provider. The RAP and final claim must then be resubmitted. For subsequent episodes of care contiguous with the first episode for a particular patient, the Company submits a RAP for 50% instead of 60% of the estimated reimbursement.

The Company's services to the Medicare population are paid at prospectively set amounts that can be determined at the time services are rendered. The Company's Medicaid reimbursement is based on a predetermined fee schedule applied to each individual service it provides. The Company's managed care contracts and contracts with other payors provide for payments based upon a predetermined fee schedule or an episodic basis, depending on the terms of the applicable contract. The Company is able to calculate its actual amount due at the patient level and adjust the gross charges down to the actual amount at the time of billing. This negates the need to record an estimated contractual allowance when reporting net service revenue for each reporting period.

Other Significant Accounting Policies

Earnings Per Share

Basic per share information is computed by dividing the relevant amounts from the condensed consolidated statements of income by the weighted-average number of shares outstanding during the period, under the treasury stock method. Diluted per share information is also computed using the treasury stock method, by dividing the relevant amounts from the condensed consolidated statements of income by the weighted-average number of shares outstanding plus potentially dilutive shares.

The following table sets forth shares used in the computation of basic and diluted per share information:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted average number of shares outstanding for basic per share calculation	17,588,163	17,436,731	17,546,773	17,389,934
Effect of dilutive potential shares:				
Options	—	2,227	1,146	4,070
Nonvested stock	131,310	171,995	116,365	132,683
Adjusted weighted average shares for diluted per share calculation	17,719,473	17,610,953	17,664,284	17,526,687
Anti-dilutive shares	20,001	8,000	214,856	182,185

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-3, *Simplifying the Presentation of Debt Issuance Costs,* ("ASU 2015-3") which requires an entity to present debt issuance costs related to a recognized debt liability as a direct deduction from that liability. The Company adopted this standard during the nine months ended September 30, 2016. In August 2015, the FASB issued ASU No. 2015-15, *Interest - Imputation of Interest* , which stated ASU No. 2015-3 does not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements; therefore, ASU No. 2015-3 will not have an effect on the Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements

On May 28, 2014, the FASB issued ASU No. 2014-9, *Revenue from Contracts with Customers,* ("ASU 2014-9") which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-9 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for reporting periods beginning after December 15, 2017, with early adoption permitted for reporting periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-9 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-2, *Leases* , ("ASU 2016-2") which requires lessees to recognize qualifying leases on the statement of financial position. Qualifying leases will be classified as right-of-use assets and lease liabilities. The new standard is effective on January 1, 2019. Early adoption is permitted. ASU 2016-2 mandates a modified retrospective transition method for all entities. The Company is evaluating the effect that ASU 2016-2 will have on its consolidated financial statements and related disclosures.

In March 2016, as part of its Simplification Initiative, the FASB issued ASU No. 2016-9, *Compensation - Stock Compensation* (ASU 2016-09) *,* which finalizes Proposed ASU No. 2015-270 of the same name, and seeks to reduce complexity in accounting standards. The areas for simplification in ASU 2016-09 involve several aspects of the accounting for share-based payment transaction, including (1) accounting for income taxes, (2) classification of excess tax benefits on the statement of cash flows, (3) forfeitures, (4) minimum statutory tax withholding requirements, (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax withholding purposes, (6) the practical expedient for estimating the expected term, and (7) intrinsic value. The new standard is effective on January 1, 2017. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

3. Acquisitions and Disposals

The Company acquired the majority-ownership of 11 home health agencies, nine hospice agencies and one community-based agency during the nine months ended September 30, 2016 . The total aggregate purchase prices for the Company’s acquisitions were $20.8 million , of which $20.3 million was paid in cash. The purchase prices are determined based on the Company’s analysis of comparable acquisitions and the target market’s potential future cash flows.

The Company's home health services segment, hospice services segment, and community-based services segment recognized goodwill of $6.2 million , $7.8 million , and $0.8 million , respectively. Goodwill generated from the acquisitions was recognized based on the expected contribution of each acquisition to the overall corporate strategy. The Company expects its portion of goodwill to be fully tax deductible. The acquisitions were accounted for under the acquisition method of accounting, and, accordingly, the accompanying interim financial information includes the results of operations of the acquired entities from the date of acquisition.

The following table summarizes the aggregate consideration paid for the acquisitions and the amounts of the assets acquired and liabilities assumed at the acquisition dates, as well as their fair value at the acquisition dates and the noncontrolling interest acquired (amounts in thousands):

Consideration		
Cash	$	20,259
Fair value of total consideration transferred		
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Trade name		3,311
Certificates of need/licenses		3,372
Other identifiable intangible assets		258
Other assets and (liabilities), net		(538)
Total identifiable assets		6,403
Noncontrolling interest		970
Goodwill, including noncontrolling interest of $710	$	14,826

Trade names, certificates of need and licenses are indefinite-lived assets and, therefore, not subject to amortization. Acquired trade names that are not being used actively are amortized over the estimated useful life on the straight line basis. Trade names are valued using the relief from royalty method, a form of the income approach. Certificates of need are valued using the replacement cost approach based on registration fees and opportunity costs. Licenses are valued based on the estimated direct costs associated with recreating the asset, including opportunity costs based on an income approach. In the case of states with a moratorium in place, the licenses are valued using the multi-period excess earnings method. The other identifiable assets include non-compete agreements that are amortized over the life of the agreements. Noncontrolling interest is valued at fair value by applying a discount to the value of the acquired entity for lack of control.

The Company conducted a preliminary assessment of deferred income tax accounting and the calculation of the final net working capital adjustment and has recognized provisional amounts in its initial accounting for prior year acquisitions for all identified liabilities in accordance with the requirements of ASC Topic 805. During the nine months ended September 30, 2016 , a net working capital adjustment of $0.6 million and deferred tax liabilities of $0.8 million were recorded in goodwill. The Company is continuing its review of these matters during the measurement period.

4. Goodwill and Intangibles

The changes in recorded goodwill by reporting unit for the nine months ended September 30, 2016 were as follows (amounts in thousands):

	Home health reporting unit	Hospice reporting unit	Community - based reporting unit	Facility-based reporting unit	Total
Balance as of December 31, 2015	$ 202,995	$ 58,136	$ 17,972	$ 11,591	$ 290,694
Goodwill from acquisitions	5,809	7,459	848	—	14,116
Goodwill related to noncontrolling interests	354	356	—	—	710
Goodwill related to prior period net working capital adjustments..	504	(285)	—	—	219
Balance as of September 30, 2016	$ 209,662	$ 65,666	$ 18,820	$ 11,591	$ 305,739

Intangible assets consisted of the following as of September 30, 2016 and December 31, 2015 (amounts in thousands):

	September 30, 2016			
	Remaining useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
Indefinite-lived assets :				
Trade names	Indefinite	$ 63,870	$ —	$ 63,870
Certificates of need/licenses	Indefinite	33,179	—	33,179
Total		$ 97,049	$ —	$ 97,049
Definite-lived assets:				
Trade names	1 year — 10 years	$ 9,296	$ (5,588)	$ 3,708
Non-compete agreements	5 months — 3 years	5,677	(4,754)	923
Total		$ 14,973	$ (10,342)	$ 4,631
Balance as of September 30, 2016		$ 112,022	$ (10,342)	$ 101,680

	December 31, 2015			
	Remaining useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
Indefinite-lived assets :				
Trade names	Indefinite	$ 60,762	$ —	$ 60,762
Certificates of need/licenses	Indefinite	29,807	—	$ 29,807
Total		$ 90,569	$ —	$ 90,569
Definite-lived assets:				
Trade names	2 months — 5 years	$ 8,985	$ (4,385)	$ 4,600
Non-compete agreements	3 months — 2 years	5,347	(4,111)	1,236
Total		$ 14,332	$ (8,496)	$ 5,836
Balance as of December 31, 2015		$ 104,901	$ (8,496)	$ 96,405

Intangible assets of $69.5 million , net of accumulated amortization, were related to the home health services segment, $24.0 million were related to the hospice services segment, $7.4 million were related to the community-based services segment, and $0.8 million were related to the facility-based services segment as of September 30, 2016 . The Company recorded $1.8 million and $1.4 million of amortization expense during the nine months ended September 30, 2016 and 2015 , respectively. This was recorded in general and administrative expenses.

5. Debt

Credit Facility

On June 18, 2014, the Company entered into a Credit Agreement (the "Credit Agreement") with Capital One, National Association, which provides a senior, secured revolving line of credit commitment with a maximum principal borrowing limit of $225.0 million and a letter of credit sub-limit equal to $15.0 million . The expiration date of the Credit Agreement is June 18, 2019 . Revolving loans under the Credit Agreement bear interest at either a (1) Base Rate, which is defined as a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate in effect on such day plus 0.5% (b) the Prime Rate in effect on such day and (c) the Eurodollar Rate for a one month interest period on such day plus 1.0% , plus a margin ranging from 0.75% to 1.5% per annum or (2) Eurodollar rate plus a margin ranging from 1.75% to 2.5% per annum. Swing line loans bear interest at the Base Rate. The Company is limited to 15 Eurodollar borrowings outstanding at the same time. The Company is required to pay a commitment fee for the unused commitments at rates ranging from 0.225% to 0.375% per annum depending upon the Company's consolidated Leverage Ratio, as defined in the Credit Agreement. The Base Rate at September 30, 2016 was 4.75% and the Eurodollar rate was 2.78% .

As of September 30, 2016 and December 31, 2015 , respectively, the Company had $92.0 million and $98.0 million drawn and letters of credit totaling $9.8 million outstanding under its credit facilities with Capital One, National Association.

As of September 30, 2016 , the Company had $123.2 million available for borrowing under the Credit Agreement with Capital One, National Association.

6. Income Taxes

As of September 30, 2016 , an unrecognized tax benefit of $1.6 million was recorded in income tax payable, which, if recognized, would decrease the Company's effective tax rate. All of the Company's unrecognized tax benefit is due to the settlement with the United States of America, which was announced September 30, 2011 at which point, the Company recorded an uncertain tax position of $3.2 million . On July 30, 2014, the Internal Revenue Service ("IRS") issued a notice of proposed adjustment asserting that a portion of the original tax deduction claimed by the Company associated with the settlement with the United States of America should be disallowed. The Company is currently appealing this proposed adjustment with IRS Appeals. During the nine months ended September 30, 2016, the Company reduced the unrecognized tax benefit, and reduced the income tax expense for such period, by $1.6 million in response to new information that has changed the expectations of the potential outcome.

7. Stockholder's Equity

Equity Based Awards

The 2010 Long Term Incentive Plan (the "2010 Incentive Plan") is administered by the Compensation Committee of the Company's Board of Directors. A total of 1,500,000 shares of the Company's common stock were reserved and 259,937 shares are currently available for issuance pursuant to awards granted under the 2010 Incentive Plan. A variety of discretionary awards for employees, officers, directors, and consultants are authorized under the 2010 Incentive Plan, including incentive or non-qualified statutory stock options and nonvested stock. All awards must be evidenced by a written award certificate which will include the provisions specified by the Compensation Committee of the Board of Directors. The Compensation Committee determines the exercise price for non-statutory stock options. The exercise price for any option cannot be less than the fair market value of the Company's common stock as of the date of grant.

Share Based Compensation

Nonvested Stock

During the nine months ended September 30, 2016 , employees were granted 215,800 nonvested shares of common stock pursuant to the 2010 Incentive Plan. The shares vest over a period of five years , conditioned on continued employment. During the nine months ended September 30, 2016 , the Company's independent directors were granted 15,300 nonvested shares of common stock under the Second Amended and Restated 2005 Non-Employee Directors Compensation Plan. The shares were drawn from the 1,500,000 shares of common stock reserved for issuance under the 2010 Incentive Plan. The shares vest 100% on the one year anniversary date. The fair value of nonvested shares of common stock is determined based on the closing trading price of the Company's common stock on the grant date. The weighted average grant date fair value of nonvested shares of common stock granted during the nine months ended September 30, 2016 was $38.01 .

The following table represents the nonvested stock activity for the nine months ended September 30, 2016 :

	Number of shares	Weighted average grant date fair value
Nonvested shares outstanding as of December 31, 2015	527,091	$ 26.64
Granted	231,100	$ 38.01
Vested	(172,586)	$ 25.77
Forfeited	(13,511)	$ 25.27
Nonvested shares outstanding as of September 30, 2016	572,094	$ 31.53

During the nine months ended September 30, 2016 , an independent director of the Company received a share based award, which will be settled in cash at March 1, 2017. The amount of such cash payment will equal the fair market value of 1,700 shares on the settlement date.

As of September 30, 2016 , there was $13.0 million of total unrecognized compensation cost related to nonvested shares of common stock granted. That cost is expected to be recognized over the weighted average period of 3.27 years . The total fair value of shares of common stock vested during the nine months ended September 30, 2016 was $4.5 million . The Company records compensation expense related to nonvested stock awards at the grant date for shares of common stock that are awarded fully vested, and over the vesting term on a straight line basis for shares of common stock that vest over time. The Company recorded $3.5 million and $3.2 million of compensation expense related to nonvested stock grants in the nine months ended September 30, 2016 and 2015 , respectively.

Employee Stock Purchase Plan

In 2006, the Company adopted the Employee Stock Purchase Plan whereby eligible employees may purchase the Company’s common stock at 95% of the market price on the last day of the calendar quarter. There were 250,000 shares of common stock initially reserved for the plan. In 2013, the Company adopted the Amended and Restated Employee Stock Purchase Plan, which reserved an additional 250,000 shares of common stock to the plan.

The table below details the shares of common stock issued during 2016 :

	Number of shares	Per share price
Shares available as of December 31, 2015	213,760	
Shares issued during the three months ended March 31, 2016	5,341	$ 43.03
Shares issued during the three months ended June 30, 2016	6,434	$ 33.78
Shares issued during the three months ended September 30, 2016	5,239	$ 41.12
Shares available as of September 30, 2016	196,746	

Stock Options

During the nine months ended September 30, 2016 , 5,500 options were exercised with an exercise price of $19.75 . No options were granted or forfeited during the nine months ended September 30, 2016 . There were no options issued or exercisable as of September 30, 2016 .

Treasury Stock

In conjunction with the vesting of the nonvested shares of common stock, recipients incur personal income tax obligations. The Company allows the recipients to turn in shares of common stock to satisfy minimum tax obligations. During the nine months ended September 30, 2016 , the Company redeemed 50,312 shares of common stock valued at $1.9 million , related to these tax obligations.

8. Commitments and Contingencies

Contingencies

The Company is involved in various legal proceedings arising in the ordinary course of business. Although the results of litigation cannot be predicted with certainty, management believes the outcome of pending litigation will not have a material adverse effect, after considering the effect of the Company’s insurance coverage, on the Company’s interim financial information.

On October 7, 2015, the parties entered into a Stipulation of Settlement in the consolidated case styled In re LHC Group, Inc. Derivative Litigation, Case No. 6:13-cv-02899-JTT-CBW. On October 19, 2015, Plaintiffs filed an Unopposed Motion for Preliminary Approval of Proposed Derivative Settlement. On October 26, 2015, the District Court entered an Order Preliminarily Approving Settlement in the amount of $0.6 million . On January 11, 2016, the District Court entered its Order and Final Judgment approving the settlement and dismissing the consolidated action with prejudice. The Company's insurance carrier has funded the entire settlement amount, which was immediately releasable to Plaintiffs' counsel on January 11, 2016. The time for appeal has passed and no appeals were filed. This matter is now concluded. At December 31, 2015, the Company's balance sheet reflected the entire settlement in current assets as a receivable due from insurance carrier and correspondingly reflected the entire settlement in current liabilities as a legal settlement payable.

Joint Venture Buy/Sell Provisions

Most of the Company's joint ventures include a buy/sell option that grants to the Company and its joint venture partners the right to require the other joint venture party to either purchase all of the exercising member's membership interests or sell to the exercising member all of the non-exercising member's membership interest, at the non-exercising member's option, within 30 days of the receipt of notice of the exercise of the buy/sell option. In some instances, the purchase price is based on a multiple of the historical or future earnings before income taxes and depreciation and amortization of the equity joint venture at the time the buy/sell option is exercised. In other instances, the buy/sell purchase price will be negotiated by the partners and subject to a fair market valuation process. The Company has not received notice from any joint venture partners of their intent to exercise the terms of the buy/sell agreement nor has the Company notified any joint venture partners of its intent to exercise the terms of the buy/sell agreement.

Compliance

The laws and regulations governing the Company's operations, along with the terms of participation in various government programs, regulate how the Company does business, the services offered and its interactions with patients and the public. These laws and regulations, and their interpretations, are subject to frequent change. Changes in existing laws or regulations, or their interpretations, or the enactment of new laws or regulations could materially and adversely affect the Company's operations and financial condition.

The Company is subject to various routine and non-routine governmental reviews, audits and investigations. In recent years, federal and state civil and criminal enforcement agencies have heightened and coordinated their oversight efforts related to the health care industry, including referral practices, cost reporting, billing practices, joint ventures and other financial relationships among health care providers. Violation of the laws governing the Company's operations, or changes in the interpretation of those laws, could result in the imposition of fines, civil or criminal penalties and/or termination of the Company's rights to participate in federal and state-sponsored programs and suspension or revocation of the Company's licenses. The Company believes that it is in material compliance with all applicable laws and regulations.

9. Noncontrolling interest

Noncontrolling Interest-Redeemable

A majority of the Company's equity joint venture agreements include a provision that requires the Company to purchase the noncontrolling partner's interest upon the occurrence of certain triggering events, such as death or bankruptcy of the partner or the partner's exclusion from the Medicare or Medicaid programs. These triggering events and the related repurchase provisions are specific to each individual equity joint venture; if the repurchase provision is triggered in any one equity joint venture, the remaining equity joint ventures would not be impacted. Upon the occurrence of a triggering event, the Company would be required to purchase the noncontrolling partner's interest at either the fair value or the book value at the time of purchase, as stated in the applicable joint venture agreement. The Company has never been required to purchase the noncontrolling interest of any of its equity joint venture partners, and the Company believes the likelihood of a triggering event occurring is remote. According to authoritative guidance, redeemable noncontrolling interests must be reported outside of permanent equity on the consolidated balance sheet in instances where there is a repurchase provision with a triggering event that is outside the control of the Company.

The following table summarizes the activity of noncontrolling interest-redeemable for the nine months ended September 30, 2016 (amounts in thousands):

Balance as of December 31, 2015	$	12,408
Net income attributable to noncontrolling interest-redeemable		5,992
Noncontrolling interest-redeemable distributions		(5,732)
Balance as of September 30, 2016	$	12,668

10. Allowance for Uncollectible Accounts

The following table summarizes the activity in the allowance for uncollectible accounts for the nine months ended September 30, 2016 (amounts in thousands):

Balance as of December 31, 2015	$ 26,712
Additions	11,658
Deductions	(9,112)
Balance as of September 30, 2016	$ 29,258

11. Fair Value of Financial Instruments

The carrying amounts of the Company's cash, receivables, accounts payable and accrued liabilities approximate their fair values because of their short maturity. The estimated fair value of intangible assets acquired was calculated using level 3 inputs based on the present value of anticipated future benefits. For the nine months ended September 30, 2016 , the carrying value of the Company's long-term debt approximates fair value as the interest rates approximate current rates.

12. Segment Information

The Company's reportable segments consist of home health services, hospice services, community-based services, and facility-based services. The accounting policies of the segments are the same as those described in the summary of significant accounting policies, as described in Note 2 of the Notes to Condensed Consolidated Financial Statements.

The following tables summarize the Company's segment information for the three and nine months ended September 30, 2016 and 2015 (amounts in thousands):

	Three Months Ended September 30, 2016				
	Home health services	Hospice services	Community-based services	Facility-based services	Total
Net service revenue	$ 167,529	$ 35,322	11,793	$ 16,153	$ 230,797
Cost of service revenue	100,057	21,243	9,100	10,432	140,832
Provision for bad debts	2,049	797	190	239	3,275
General and administrative expenses	50,293	9,491	2,263	4,952	66,999
Loss on disposal of assets	20	5	—	117	142
Operating income	15,110	3,786	240	413	19,549
Interest expense	(612)	(90)	(41)	(73)	(816)
Income before income taxes and noncontrolling interest	14,498	3,696	199	340	18,733
Income tax expense	5,133	1,275	83	71	6,562
Net income	9,365	2,421	116	269	12,171
Less net income attributable to noncontrolling interests	1,853	553	—	149	2,555
Net income attributable to LHC Group, Inc.'s common stockholders	$ 7,512	$ 1,868	$ 116	$ 120	$ 9,616
Total assets	$ 425,923	$ 119,906	$ 33,549	$ 34,075	$ 613,453

	Three Months Ended September 30, 2015				
	Home health services	Hospice services	Community-based services	Facility-based services	Total
Net service revenue	$ 155,047	$ 19,205	$ 10,628	$ 19,242	$ 204,122
Cost of service revenue	90,013	11,691	7,276	11,893	120,873
Provision for bad debts	3,988	51	560	210	4,809
General and administrative expenses	47,451	5,364	2,084	5,573	60,472
Loss on disposal of assets	215	34	7	20	276
Operating income	13,380	2,065	701	1,546	17,692
Interest expense	(343)	(47)	(5)	(39)	(434)
Income before income taxes and noncontrolling interest	13,037	2,018	696	1,507	17,258
Income tax expense	4,602	713	297	536	6,148
Net income	8,435	1,305	399	971	11,110
Less net income attributable to noncontrolling interests	1,812	279	(29)	203	2,265
Net income attributable to LHC Group, Inc.'s common stockholders	$ 6,623	$ 1,026	$ 428	$ 768	$ 8,845
Total assets	$ 449,038	$ 41,694	$ 33,070	$ 45,085	$ 568,887

	Nine Months Ended September 30, 2016				
	Home health services	Hospice services	Community-based services	Facility-based services	Total
Net service revenue	$ 492,090	$ 100,051	$ 32,823	$ 54,416	$ 679,380
Cost of service revenue	294,359	61,836	24,656	32,710	413,561
Provision for bad debts	8,122	2,364	488	684	11,658
General and administrative expenses	150,948	27,787	6,557	16,004	201,296
Loss on disposal of assets	811	329	46	203	1,389
Operating income	37,850	7,735	1,076	4,815	51,476
Interest expense	(1,640)	(232)	(106)	(189)	(2,167)
Income before income taxes and noncontrolling interest	36,210	7,503	970	4,626	49,309
Income tax expense	11,026	2,484	413	1,577	15,500
Net income	25,184	5,019	557	3,049	33,809
Less net income attributable to noncontrolling interests	5,002	1,368	(57)	730	7,043
Net income attributable to LHC Group, Inc.'s common stockholders	$ 20,182	$ 3,651	$ 614	$ 2,319	$ 26,766

	Nine Months Ended September 30, 2015				
	Home health services	Hospice services	Community-based services	Facility-based services	Total
Net service revenue	$ 454,911	$ 54,688	$ 30,713	$ 57,061	$ 597,373
Cost of service revenue	262,604	32,634	21,632	35,068	351,938
Provision for bad debts	12,109	697	1,431	636	14,873
General and administrative expenses	141,178	15,325	6,331	16,902	179,736
Loss on disposal of assets	518	72	45	45	680
Operating income	38,502	5,960	1,274	4,410	50,146
Interest expense	(1,211)	(168)	(17)	(137)	(1,533)
Income before income taxes and noncontrolling interest	37,291	5,792	1,257	4,273	48,613
Income tax expense	12,999	2,056	557	1,485	17,097
Net income	24,292	3,736	700	2,788	31,516
Less net income attributable to noncontrolling interests	5,584	778	(101)	655	6,916
Net income attributable to LHC Group, Inc.’s common stockholders	$ 18,708	$ 2,958	$ 801	$ 2,133	$ 24,600

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

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain statements and information that may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements relate to future plans and strategies, anticipated events or trends, future financial performance and expectations and beliefs concerning matters that are not historical facts or that necessarily depend upon future events. The words "may," "should," "could," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions are intended to identify forward-looking statements. Specifically, this report contains, among others, forward-looking statements about:

- our expectations regarding financial condition or results of operations for periods after September 30, 2016 ;
- our critical accounting policies;
- our business strategies and our ability to grow our business;
- our participation in the Medicare and Medicaid programs;
- the impact of healthcare reform;
- the reimbursement levels of Medicare and other third-party payors;
- the prompt receipt of payments from Medicare and other third-party payors;
- our future sources of and needs for liquidity and capital resources;
- the effect of any changes in market rates on our operations and cash flows;
- our ability to obtain financing;
- our ability to make payments as they become due;
- the outcomes of various routine and non-routine governmental reviews, audits and investigations;
- our expansion strategy, the successful integration of recent acquisitions and, if necessary, the ability to relocate or restructure our current facilities;
- the value of our proprietary technology;
- the impact of legal proceedings;
- our insurance coverage;
- the costs of medical supplies;
- our competitors and our competitive advantages;
- our ability to attract and retain valuable employees;
- the price of our stock;
- our compliance with environmental, health and safety laws and regulations;
- our compliance with health care laws and regulations;
- our compliance with SEC laws and regulations and Sarbanes-Oxley requirements;
- the impact of federal and state government regulation on our business; and
- the impact of changes in our interpretations of laws regarding fraud, anti-kickback or other matter.

The forward-looking statements included in this report reflect our current views about future events and are based on assumptions and are subject to known and unknown risks and uncertainties. Many important factors could cause actual results

or achievements to differ materially from any future results or achievements expressed in or implied by our forward-looking statements. Many of the factors that will determine future events or achievements are beyond our ability to control or predict. Important factors that could cause actual results or achievements to differ materially from the results or achievements reflected in our forward-looking statements include, among other things, the factors discussed in the Part II, Item 1A. “Risk Factors,” included in this report and in our other filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2015 (the “ 2015 Form 10-K”), as updated by our subsequent filings with the SEC. This report should be read in conjunction with the 2015 Form 10-K, and all of our other filings made with the SEC through the date of this report, including quarterly reports on Form 10-Q and current reports on Form 8-K.

You should read this report, the information incorporated by reference into this report and the documents filed as exhibits to this report completely and with the understanding that our actual future results or achievements may differ materially from what we expect or anticipate.

The forward-looking statements contained in this report reflect our views and assumptions only as of the date this report is filed with the SEC. Except as required by law, we assume no responsibility for updating any forward-looking statements.

We qualify all of our forward-looking statements by these cautionary statements. In addition, with respect to all of our forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Unless the context otherwise requires, “we,” “us,” “our,” and the “Company” refer to LHC Group, Inc. and its consolidated subsidiaries.

OVERVIEW

We provide quality cost-effective post-acute health care services to our patients. As of September 30, 2016 , we have 375 service providers in 25 states: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Virginia, Washington, West Virginia and Wisconsin. Our services are classified into four segments: (1) home health services, (2) hospice services, (3) community-based services, and (4) facility-based services offered through our long-term acute care hospitals (“LTACHs”).

Through our home health services segment, we offer a wide range of services, including skilled nursing, medically-oriented social services, and physical, occupational and speech therapy. As of September 30, 2016 , we operated 289 home health services locations, of which 171 are wholly-owned, 112 are majority-owned through equity joint ventures, three are under license lease arrangements and the operations of the remaining three locations are only managed by us. We intend to increase the number of home nursing agencies that we operate through continued acquisitions and organic development.

Through our hospice services segment, we offer a wide range of services, including pain and symptom management, emotional and spiritual support, inpatient and respite care, homemaker services, and counseling. As of September 30, 2016 , we operated 64 hospice locations, of which 48 are wholly-owned, 14 are majority-owned through equity joint ventures and two are under license lease arrangements. We intend to increase the number of hospice agencies that we operate through continued acquisitions and organic development.

Through our community-based services segment, services are performed by skilled nursing and paraprofessional personnel, and include assistance with activities of daily living to the elderly, chronically ill, and disabled patients. As of September 30, 2016 , we operated 11 community-based services locations, 10 are wholly-owned and one is majority-owned through an equity joint venture. We intend to increase the number of community-based agencies that we operate through continued acquisitions and organic development.

We provide facility-based services principally through our LTACHs. As of September 30, 2016 , we operated six LTACHs with eight locations, of which all but one are located within host hospitals. Of these facility-based services locations, three are wholly-owned and five are majority-owned through equity joint ventures. We also wholly-own and operate a family health center, a pharmacy, and a family health clinic.

The Joint Commission is a nationwide commission that establishes standards relating to the physical plant, administration, quality of patient care and operation of medical staffs of health care organizations. Currently, Joint Commission accreditation of home nursing and hospice agencies is voluntary. However, some managed care organizations use Joint Commission accreditation as a credentialing standard for regional and state contracts. As of September 30, 2016 , the

Joint Commission had accredited 273 of our 289 home health services locations and 36 of our 64 hospice agencies. Those not yet accredited are working towards achieving this accreditation. As we acquire companies, we apply for accreditation 12 to 18 months after completing the acquisition.

The percentage of net service revenue contributed from each reporting segment for the three and nine months ended September 30, 2016 and 2015 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Type of segment	**2016**	**2015**	**2016**	**2015**
Home health services	72.6%	76.0%	72.5%	76.2%
Hospice services	15.3	9.4	14.7	9.1
Community-based services	5.1	5.2	4.8	5.1
Facility-based services	7.0	9.4	8.0	9.6
	100.0%	100.0%	100.0%	100.0%

Recent Developments

Home Health Services

On April 14, 2015, legislation was passed, which limits any increase in home health payments to 1% for fiscal year 2018, and extended the 3% rural home health safeguard for two years through December 31, 2017.

On October 30, 2015, CMS released a Final Rule (effective January 1, 2016) regarding payment rates for home health services provided during calendar year 2016. The national, standardized 60-day episode payment rate increased to $2,965.12 for 2016. The rural rate is $3,054.07. This is a net 0.01% increase in the national, standardized 60-day episode payment rate, due to application of (1) rebasing decrease of $80.95, (2) case-mix adjustment decrease of 0.97%, (3) net market basket increase of 1.9%, (4) case-mix recalibration budget neutrality adjustment increase of 1.87%, and (5) wage index budget neutrality adjustment increase of 0.11%. The home health market basket percentage increase for 2016 is 2.3% and the multifactor productivity adjustment is 0.4%, resulting in a net home health market basket of 1.9%. CMS reduced its estimate of nominal case-mix growth between 2012 and 2014 from 3.41% to 2.88% (0.53%) and spread the adjustment over three years at 0.97% each year to account for nominal case-mix growth. The finalized payment policies results in a 1.4% reduction in Medicare payments for all home health agencies.

In addition, CMS finalized its proposal to implement a Home Health Value-Based Purchasing ("HHVBP") program that is intended to incentivize the delivery of high-quality patient care. The HHVBP program would withhold 3% to 8% of Medicare payments, which would be redistributed to participating home health agencies depending on their performance relative to specified measures. The HHVBP would apply to all home health agencies in Arizona, Florida, Iowa, Massachusetts, Maryland, Nebraska, North Carolina, Tennessee, and Washington.

On October 31, 2016, CMS released a Final Rule (effective January 1, 2017) regarding payment rates for home health services provided during calendar year 2017. The national, standardized 60-day episode payment rate will increase to $2,989.97 for 2017. The rural rate is $3,079.67. The Final Rule implements the final year of the four year phase-in of the rebasing adjustments to the national, standardized 60-day episode payment rate and the decrease of 0.97% to account for nominal case-mix growth between calendar year 2012 and calendar year 2014, which was not accounted for in the rebasing adjustments finalized in calendar year 2014. The Final Rule also contains minor adjustments to the HHVBP program and to the home health quality reporting program. CMS estimates the overall economic impact of the proposed rule's policy changes and payment rate update is an estimated aggregate decrease of 0.7% in payments to home health agencies, which decrease will vary based on each agency's wage index and patient mix weight.

Hospice

On July 31, 2015, CMS released a Final Rule that updated the Medicare hospice payment rates and wage index for fiscal year 2016, which resulted in an increase in payment rates of 1%. Beginning January, 1, 2016, CMS finalized its proposal for

two routine home care rates, in a budget-neutral manner, to provide separate payment rates for the first 60 days of care and care beyond 60 days. In addition to the two routine home care rates, CMS is implementing a service intensity add-on payment that would help to promote and compensate for the provision of skilled visits at end of life. As finalized, fiscal year 2016 will be the seventh and final year of the Budget Neutrality Adjustment Factor for hospice. CMS updated the aggregate hospice cap to $27,820.75 for the 2016 hospice cap year. CMS is also changing the hospice inpatient and aggregate cap year to coincide with the fiscal year (October 1 to September 30) beginning October 1, 2017. The following table shows the hospice Medicare payment rates for fiscal year 2016, which began on October 1, 2015 and ended September 30, 2016:

Description	Rate per patient day	
Routine Home Care days 1-60 (effective January 1, 2016)	$	186.84
Routine Home Care days 60+ (effective January 1, 2016)	$	146.83
Continuous Home Care	$	944.79
Full Rate = 24 hours of care		
$39.37 = hourly rate		
Inpatient Respite Care	$	167.45
General Inpatient Care	$	720.11

On July 29, 2016, CMS issued a final rule updating Medicare payment rates and the wage index for hospices for fiscal year 2017, which will result in 2.1% increase in payment rates. The 2.1% increase is based on 2.7% inpatient hospital market basket update, reduced by a 0.3% productivity adjustment, and a 0.3% adjustment set by the Patient Protection and Affordable Care Act ("PPACA"). The hospice cap amount for the 2017 hospice cap year will be $28,404.99. The following table shows the hospice Medicare payment rates for fiscal year 2017, which began on October 1, 2016 and will end September 30, 2017:

Description	Rate per patient day	
Routine Home Care days 1-60	$	190.55
Routine Home Care days 60+	$	149.82
Continuous Home Care	$	964.63
Full Rate = 24 hours of care		
$40.19 = hourly rate		
Inpatient Respite Care	$	170.97
General Inpatient Care	$	734.94

Community-Based Services

Community-based services are primarily performed by skilled nursing and paraprofessional personnel and include assistance with activities of daily living to the elderly, chronically ill, and disabled patients. Revenue is generated on an hourly basis and our current primary payors are TennCare Managed Care Organization and Medicaid. Approximately 80% of our net service revenue in this segment was generated in Tennessee.

Facility-Based Services

On December 26, 2013, President Obama signed into law the Bipartisan Budget Act of 2013 (Public Law 113-67). This law prevents a scheduled payment reduction for physicians and other practitioners who treat Medicare patients from taking effect on January 1, 2014. Included in the legislation are the following changes to LTACH reimbursement:

- Medicare discharges from LTACHs will continue to be paid at full LTACH PPS rates if:
    - the patient spent at least three days in a short-term care hospital (“STCH”) intensive care unit (“ICU”) during a STCH stay that immediately preceded the LTACH stay, or
    - the patient was on a ventilator for more than 96 hours in the LTACH (based on the MS-LTACH DRG assigned) and had a STCH stay immediately preceding the LTACH stay.
    - Also, the LTACH discharge cannot have a principal diagnosis that is psychiatric or rehabilitation.

- All other Medicare discharges from LTACHs will be paid at a new “site neutral” rate, which is the lesser of:
    - the inpatient prospective payment system ("IPPS") comparable per diem amount determined using the formula in the short-stay outlier regulation at 42 C.F.R. § 412.529(d)(4) plus applicable outlier payments, or
    - 100% of the estimated cost of the services involved.
- The above new payment policy will be effective for LTACH cost reporting periods beginning on or after October 1, 2015, and the site neutral payment rate will be phased-in over two years. Two of our LTACH providers have a cost report period beginning June 1, 2016 and four of our LTACH providers have a cost report period beginning September 1, 2016.
- For cost reporting periods beginning on or after October 1, 2015, discharges paid at the site neutral payment rate or by a Medicare Advantage plan (Part C) will be excluded from the LTACH average length-of-stay (“ALOS”) calculation.
- For cost reporting periods beginning in fiscal year 2016 and later, CMS will notify LTACHs of their “LTACH discharge payment percentage” (i.e., the number of discharges not paid at the site neutral payment rate divided by the total number of discharges).
- For cost reporting periods beginning in fiscal year 2020 and later, LTACHs with less than 50% of their discharges paid at the full LTACH PPS rates will be switched to payment under the IPPS for all discharges in subsequent cost reporting periods. However, CMS will set up a process for LTACHs to seek reinstatement of LTACH PPS rates for applicable discharges.
- MedPAC will study the impact of the above changes on quality of care, use of hospice and other post-acute care settings, different types of LTACHs and growth in Medicare spending on LTACHs. MedPAC is to submit a report to Congress with any recommendations by June 30, 2019. The report is to also include MedPAC’s assessment of whether the 25 Percent rule should continue to be applied.
- 25 Percent rule relief for freestanding LTACHs, HWHs and satellite facilities will be extended without interruption for cost reporting periods beginning on or after December 29, 2007 through December 28, 2016. Grandfathered HWHs will be permanently exempt from the 25 Percent rule. CMS was to report to Congress by December 18, 2015 on whether the 25 Percent rule should continue to be applied. CMS recommended that the 25 Percent rule relief remain in effect until CMS could evaluate the impact of the revised site neutral payment system.
- The moratorium on new LTACH facilities and increases in LTACH beds will be renewed for the period from April 1, 2014 to September 30, 2017. Although the introductory language only refers to a moratorium extension for LTACH bed increases, the amendment to the Medicare, Medicaid, and SCHIP Extension Act (“MMSEA”) would extend both moratoriums. No exceptions will apply during this extension of the moratoriums. The original rule renewed the moratorium for the period beginning January 1, 2015; however, a provision within HR4302 accelerated the moratorium period beginning on April 1, 2014.

On July 31, 2015, CMS issued a Final Rule to update fiscal year 2016 payment policies and rates under the IPPS and LTACH PPS, which affects discharges occurring in cost reporting periods beginning on or after October 1, 2015. CMS projects that LTACH PPS rates would decrease by 6.9%. This estimated decrease is primarily attributable to the statutory decrease in payment rates for site neutral LTACH PPS cases that do not meet the clinical criteria to qualify for higher LTACH rates in cost reporting years beginning on or after October 1, 2015. Cases that do qualify for higher LTACH PPS rates will see a payment rate increase of 1.7% (based on market basket update of 2.4% adjusted by a multi-factor productivity adjustment of -0.5 percentage point and an additional adjustment of -0.2 percentage point in accordance with the Affordable Care Act). CMS also finalized its proposal to implement a transitional blended payment rate (50% site neutral rate and 50% LTACH PPS rates) for site neutral discharges occurring in fiscal years 2016 and 2017.

On August 2, 2016, CMS released the final rule to update fiscal year 2017 LTACH reimbursement and policies under the LTACH PPS, which affects discharges occurring in cost reporting periods beginning on or after October 1, 2016. CMS projects that overall LTACH PPS spending would decrease by 7.1%, compared to fiscal year 2016 payments. This estimated decrease is attributable to the statutory decrease in payment rates for site neutral LTACH PPS cases that do not meet the clinical criteria to qualify for higher LTACH rates in cost reporting years beginning on or after October 1, 2016. Cases that do qualify for higher LTACH PPS rates will see a payment rate increase of 0.7% (including a market basket update of 2.8% reduced by a multi-factor productivity adjustment of 0.3%, minus an additional adjustment of 0.75 percentage point in accordance with the PPACA, for a net market basket of 1.75%). The LTACH PPS standard federal payment rate for fiscal year 2017 is $42,476.41 (increased from $41,762.85 in fiscal year 2016). Site-neutral discharges will have a 23% reduction in payments. CMS also proposes to begin enforcement of the 25 Percent rule which will cap the number of patients treated at an LTACH who have

been referred from all locations of a hospital. Grandfathered LTACH facilities are exempt from the 25 Percent rule, while rural LTACHs will have a threshold of 50% and MSA-dominant hospitals will have a threshold between 25% and 50%. The 25 Percent rule will apply to discharges occurring after October 1, 2016. CMS will have two separate outlier pools and thresholds for LTACH-appropriate patients and for site-neutral patients. For 2017, CMS finalized an increase of its fixed-loss threshold to $21,943 from 2016's $16,432, to limit outlier spending at no more than 8% of total LTACH spending (2016 outlier payments may reach 9.0%). CMS is applying the proposed inpatient fixed-loss threshold of $23,570 for site neutral patients. CMS also finalized four new measures for the LTACH Quality Reporting Program to meet the requirements of the Improving Medicare Post-Acute Care Transformation (IMPACT) Act. For the fiscal year 2018 LTACH Quality Reporting Program, CMS added quality measures for Medicare spending per beneficiary, discharge to community and potentially-preventable 30-day post-discharge readmissions. For the fiscal year 2020 LTACH Quality Reporting Program, CMS adopted a new drug regimen review measure.

None of the above described estimated changes to Medicare payments for home health, hospice and LTACHs include the deficit reduction sequester cuts to Medicare that began on April 1, 2013, which reduced Medicare payments by 2% for patients whose service dates ended on or after April 1, 2013.

RESULTS OF OPERATIONS

Three months ended September 30, 2016 compared to three months ended September 30, 2015

Consolidated financial statements

The following table summarizes our consolidated results of operations for the three months ended September 30, 2016 and 2015 (amounts in thousands, except percentages which are percentages of consolidated net service revenue, unless indicated otherwise):

	2016			2015			Increase (Decrease)	Percentage Change
Net service revenue	$ 230,797			$ 204,122			$ 26,675	13.1 %
Cost of service revenue	140,832	61.0%		120,873	59.2%		19,959	16.5
Provision for bad debts	3,275	1.4		4,809	2.4		(1,534)	(31.9)
General and administrative expenses	66,999	29.0		60,472	29.6		6,527	10.8
Loss on disposal of assets	142	0.1		276	0.1		(134)	—
Income tax expense	6,562	40.6	(1)	6,148	41.0	(1)	414	6.7
Noncontrolling interest	2,555			2,265			290	
Total non-operating expense	(816)			(434)			(382)	
Net income attributable to LHC Group, Inc.'s common stockholders	$ 9,616			$ 8,845			$ 771	

(1) Effective tax rate as a percentage of income from continuing operations attributable to LHC Group, Inc.'s common stockholders.

Net service revenue

The following table sets forth each of our segment's revenue growth or loss, admissions, census, episodes, patient days, and billable hours for the three months ended September 30, 2016 and the related change from the same period in 2015 (amounts in thousands, except admissions, census, episode data, patient days and billable hours):

	Same Store(1)	De Novo(2)	Organic(3)	Organic Growth (Loss) %	Acquired(4)	Total	Total Growth (Loss) %
Home health services							
Revenue	$ 163,306	$ 185	$ 163,491	5.4 %	$ 4,038	$ 167,529	8.1 %
Revenue Medicare	$ 124,367	$ 155	$ 124,522	4.0	$ 3,118	$ 127,640	6.6
Admissions	39,480	52	39,532	10.5	1,125	40,657	13.7
Medicare Admissions	26,034	45	26,079	8.1	731	26,810	11.2
Average Census	37,453	24	37,477	1.7	1,034	38,511	4.5
Average Medicare Census	27,220	20	27,240	(0.1)	743	27,983	2.6
Home Health Episodes	48,170	47	48,217	0.3	1,013	49,230	2.4
Hospice services							
Revenue	$ 22,088	$ 306	$ 22,394	16.6	$ 12,928	$ 35,322	83.9
Revenue Medicare	$ 20,700	$ 292	$ 20,992	17.9	$ 12,090	$ 33,082	85.8
Admissions	1,704	11	1,715	8.3	839	2,554	61.2
Medicare Admissions	1,507	9	1,516	9.9	750	2,266	64.3
Average Census	1,720	70	1,790	17.2	946	2,736	79.1
Average Medicare Census	1,596	67	1,663	17.8	884	2,547	80.4
Patient days	163,262	2,186	165,448	17.7	86,305	251,753	79.1
Community-based services							
Revenue	$ 11,547	$ —	$ 11,547	8.6	$ 246	$ 11,793	11.0
Billable hours	345,791	—	345,791	12.1	9,207	354,998	15.1
Facility-based services							
LTACHs							
Revenue	$ 15,028	$ —	$ 15,028	(17.1)	—	$ 15,028	(17.1)
Patient days	13,499	—	13,499	(12.5)	—	13,499	(12.5)

(1) Same store — location that has been in service with us for greater than 12 months.
(2) De Novo — internally developed location that has been in service with us for 12 months or less.
(3) Organic — combination of same store and de novo.
(4) Acquired — purchased location that has been in service with us for 12 months or less.

Total organic revenue and patient metrics increased in our home health services segment, hospice services segment, and community-based services segment due to the successful execution of same store growth strategies.

Total organic revenue and patient days decreased in our facility-based services segment due to the negative impact from the reduction of 18 beds in one LTACH location. In addition, patient criteria changes went into effect for two of our LTACH locations on June 1 and six of our LTACH locations on September 1. The criteria changes are reflective in our decrease of revenue per patient days.

Organic growth is primarily generated by population growth in areas covered by mature agencies, agencies five years old or older, and by increased market share in acquired and developing agencies. Historically, acquired agencies have the highest growth in admissions and average census in the first 24 months after acquisition, and have the highest contribution to organic growth, measured as a percentage of growth, in the second full year of operation after the acquisition.

Cost of service revenue

The following table summarizes cost of service revenue (amounts in thousands, except percentages, which are percentages of the segment's respective net service revenue):

	Three Months Ended September 30,					
	2016			2015		
Home health services						
Salaries, wages and benefits	$	90,393	53.9%	$	81,165	52.4%
Transportation		5,624	3.4		5,428	3.5
Supplies and services		4,040	2.4		3,420	2.2
Total	$	100,057	59.7%	$	90,013	58.1%
Hospice services						
Salaries, wages and benefits	$	14,695	41.5%	$	8,068	42.0%
Transportation		1,329	3.8		830	4.3
Supplies and services		5,219	14.8		2,793	14.6
Total	$	21,243	60.1%	$	11,691	60.9%
Community-based services						
Salaries, wages and benefits	$	8,967	76.1%	$	7,129	67.1%
Transportation		69	0.6		71	0.7
Supplies and services		64	0.5		76	0.7
Total	$	9,100	77.2%	$	7,276	68.5%
Facility-based services						
Salaries, wages and benefits	$	6,987	43.2%	$	7,584	39.4%
Transportation		60	0.4		72	0.4
Supplies and services		3,385	21.0		4,237	22.0
Total	$	10,432	64.6%	$	11,893	61.8%

Consolidated cost of service revenue for the three months ended September 30, 2016 was $ 140.8 million , or 61.0% of net service revenue, compared to $120.9 million, or 59.2% of net service revenue, for the same period in 2015 . Consolidated cost of service revenue variances were as follows:

- Home Health Segment -- Cost of service revenue increased as a percentage of net service revenue due in part to 1.5% Medicare reimbursement cuts recognized in 2016. Additionally, acquisitions accounted for $2.5 million of the $10.0 million increase, with the remaining difference caused by the growth in our same store agencies.

- Hospice Segment -- Acquisitions accounted for $7.7 million of the $9.6 million increase in cost of service revenue. However, our cost of service revenue decreased as a percentage of net service revenue from 60.9% to 60.1%.

- Community-Based Services Segment -- Cost of service revenue increased as a percentage of net service revenue due to an increase in labor costs related to providing a higher level of care for our current patient mix.

- Facility-Based Segment -- Cost of service revenue increased as a percentage of net service revenue due to a reduction of salaries, wages, and benefits and supplies related to the loss of 18 beds for one LTACH location and lower revenue per patient day for the period caused by patient criteria changes that went into effect in June and September.

Provision for bad debts

Consolidated provision for bad debts for the three months ended September 30, 2016 was $ 3.3 million , or 1.4% of net service revenue, compared to $ 4.8 million , or 2.4% of net service revenue, for the same period in 2015 . The decrease in provision for bad debts was primarily due to continued process improvements in our revenue cycle department that were implemented within the past 12 months and improved cash collections. In addition, provision for bad debts in 2015 was higher due to claims associated with two payors in our home health services segment and delayed payment issues related to our transition to a new billing system for our community-based services segment. These issues were resolved.

General and administrative expenses

The following table summarizes general and administrative expenses (amounts in thousands, except percentages, which are percentages of the segment's respective net service revenue):

	Three Months Ended September 30,			
	2016		2015	
Home health services				
General and administrative	$ 48,282	28.8%	$ 45,412	29.3%
Depreciation and amortization	2,011	1.2	2,039	1.3
Total	$ 50,293	30.0%	$ 47,451	30.6%
Hospice services				
General and administrative	$ 8,941	25.3%	$ 4,999	26.0%
Depreciation and amortization	550	1.6	365	1.9
Total	$ 9,491	26.9%	$ 5,364	27.9%
Community-based services				
General and administrative	$ 2,158	18.3%	$ 2,049	19.3%
Depreciation and amortization	105	0.9	35	0.3
Total	$ 2,263	19.2%	$ 2,084	19.6%
Facility-based services				
General and administrative	$ 4,506	27.9%	$ 5,129	26.7%
Depreciation and amortization	446	2.8	444	2.3
Total	$ 4,952	30.7%	$ 5,573	29.0%

Consolidated general and administrative expenses for the three months ended September 30, 2016 was $ 67.0 million , or 29.0% of net service revenue, compared to $60.5 million , or 29.6% of net service revenue, for the same period in 2015 . General and administrative expenses for the home health services and hospice services segments increased $1.3 million and $3.4 million, respectively, due to acquisitions.

Nine months ended September 30, 2016 compared to nine months ended September 30, 2015

Consolidated financial statements

The following table summarizes our consolidated results of operations for the nine months ended September 30, 2016 and 2015 (amounts in thousands, except percentages which are percentages of consolidated net service revenue, unless indicated otherwise):

	2016			2015			Increase (Decrease)	Percentage Change
Net service revenue	$ 679,380			$ 597,373			$ 82,007	13.7 %
Cost of service revenue	413,561	60.9%		351,938	58.9%		61,623	17.5
Provision for bad debts	11,658	1.7		14,873	2.5		(3,215)	(21.6)
General and administrative expenses	201,296	29.6		179,736	30.1		21,560	12.0
Loss on disposal of assets	1,389	0.2		680	0.1		709	—
Income tax expense	15,500	40.5	(1)	17,097	41.0	(2)	(1,597)	(9.3)
Noncontrolling interest	7,043			6,916			127	
Total non-operating expense	(2,167)			(1,533)			(634)	
Net income attributable to LHC Group, Inc.'s common stockholders	$ 26,766			$ 24,600			$ 2,166	

(1) Effective tax rate as a percentage of income from continuing operations attributable to LHC Group, Inc.'s common stockholders, excluding the changes in measurement realized in 2016 of the unrecognized tax position of $1.6 million.

For a discussion on the unrecognized tax position, see Note 6 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

(2) Effective tax rate as a percentage of income from continuing operations attributable to LHC Group, Inc.'s common stockholders.

Net service revenue

The following table sets forth each of our segment's revenue growth or loss, admissions, census, episodes, patient days, and billable hours for the nine months ended September 30, 2016 and the related change from the same period in 2015 (amounts in thousands, except admissions, census, episode data, patient days and billable hours):

	Same Store(1)	De Novo(2)	Organic(3)	Organic Growth (Loss) %	Acquired(4)	Total	Total Growth (Loss) %
Home health services							
Revenue	$ 482,136	$ 367	$ 482,503	6.1 %	$ 9,587	$ 492,090	8.2 %
Revenue Medicare	$ 366,739	$ 324	$ 367,063	4.5	$ 7,545	$ 374,608	6.7
Admissions	116,310	93	116,403	8.8	2,327	118,730	11.0
Medicare Admissions	77,141	81	77,222	6.0	1,541	78,763	8.1
Average Census	37,479	17	37,496	2.3	824	38,320	4.5
Average Medicare Census	27,450	14	27,464	0.8	605	28,069	3.0
Home Health Episodes	145,406	94	145,500	2.1	2,695	148,195	3.9
Hospice services							
Revenue	$ 63,058	$ 2,028	$ 65,086	19.0	$ 34,965	$ 100,051	82.9
Revenue Medicare	$ 58,757	$ 1,985	$ 60,742	20.0	$ 32,341	$ 93,083	83.8
Admissions	5,024	55	5,079	11.3	2,461	7,540	65.3
Medicare Admissions	4,485	48	4,533	13.9	2,132	6,665	67.5
Average Census	1,656	68	1,724	19.3	869	2,593	79.5
Average Medicare Census	1,535	66	1,601	20.2	808	2,409	80.8
Patient days	458,140	14,564	472,704	19.9	237,711	710,415	80.2
Community-based services							
Revenue	$ 32,577	$ —	$ 32,577	6.1	$ 246	$ 32,823	6.9
Billable hours	980,922	—	980,922	8.3	9,207	990,129	9.3
Facility-based services							
LTACHs							
Revenue	$ 51,094	$ —	$ 51,094	(6.5)	—	$ 51,094	(6.5)
Patient days	42,965	—	42,965	(8.5)	—	42,965	(8.5)

(1) Same store — location that has been in service with us for greater than 12 months.
(2) De Novo — internally developed location that has been in service with us for 12 months or less.
(3) Organic — combination of same store and de novo.
(4) Acquired — purchased location that has been in service with us for 12 months or less.

Total organic revenue and patient metrics increased in our home health services segment, hospice services segment, and community-based services segment due to the successful execution of same store growth strategies.

Total organic revenue and patient days decreased in our facility-based services segment due to the negative impact from the reduction of 18 beds in one LTACH location. In addition, patient criteria changes went into effect for two of our LTACH locations on June 1 and six of our LTACH locations on September 1. The criteria changes are reflective in our decrease of revenue per patient days.

Organic growth is primarily generated by population growth in areas covered by mature agencies, agencies five years old or older, and by increased market share in acquired and developing agencies. Historically, acquired agencies have the highest

growth in admissions and average census in the first 24 months after acquisition, and have the highest contribution to organic growth, measured as a percentage of growth, in the second full year of operation after the acquisition.

Cost of service revenue

The following table summarizes cost of service revenue (amounts in thousands, except percentages, which are percentages of the segment's respective net service revenue):

	Nine Months Ended September 30,			
	2016		2015	
Home health services				
Salaries, wages and benefits	$ 266,170	54.1%	$ 237,277	52.2%
Transportation	16,648	3.4	15,595	3.4
Supplies and services	11,541	2.3	9,732	2.1
Total	$ 294,359	59.8%	$ 262,604	57.7%
Hospice services				
Salaries, wages and benefits	$ 43,319	43.3%	$ 22,618	41.4%
Transportation	4,005	4.0	2,284	4.2
Supplies and services	14,512	14.5	7,732	14.1
Total	$ 61,836	61.8%	$ 32,634	59.7%
Community-based services				
Salaries, wages and benefits	$ 24,256	73.9%	$ 21,221	69.1%
Transportation	197	0.6	196	0.6
Supplies and services	203	0.6	215	0.7
Total	$ 24,656	75.1%	$ 21,632	70.4%
Facility-based services				
Salaries, wages and benefits	$ 21,626	39.7%	$ 22,725	39.8%
Transportation	190	0.3	183	0.3
Supplies and services	10,894	20.0	12,160	21.3
Total	$ 32,710	60.0%	$ 35,068	61.4%

Consolidated cost of service revenue for the nine months ended September 30, 2016 was $ 413.6 million , or 60.9% of net service revenue, compared to $ 351.9 million , or 58.9% of net service revenue, for the same period in 2015 . Consolidated cost of service revenue variances were as follows:

- Home Health Segment -- Cost of service revenue increased as a percentage of net service revenue due in part to 1.5% Medicare reimbursement cuts recognized in 2016. Additionally, acquisitions accounted for $6.5 million of $31.8 million increase.
- Hospice Segment -- Acquisitions accounted for $22.3 million of the $29.2 million increase in cost of service revenue.
- Community-Based Services Segment -- Cost of service revenue increased as a percentage of net service revenue due to an increase in labor costs related to providing a higher level of care for our current patient mix.
- Facility-Based Services Segment -- Cost of service revenue decreased due to the loss of 18 beds at one LTACH location.

Provision for bad debts

Consolidated provision for bad debts for the nine months ended September 30, 2016 was $ 11.7 million , or 1.7% of net service revenue, compared to $ 14.9 million , or 2.5% of net service revenue, for the same period in 2015 . The decrease in

provision for bad debts was primarily due to continued process improvements in our revenue cycle department that were implemented within the past 12 months and improved cash collections. In addition, provision for bad debts in 2015 was higher due to claims associated with two payors in our home health services segment and delayed payment issues related to our transition to a new billing system for our community-based services segment. These issues were resolved.

General and administrative expenses

The following table summarizes general and administrative expenses (amounts in thousands, except percentages, which are percentages of the segment's respective net service revenue):

	Nine Months Ended September 30,			
	2016		2015	
Home health services				
General and administrative	$ 145,166	29.5%	$ 134,948	29.7%
Depreciation and amortization	5,782	1.2	6,230	1.4
Total	$ 150,948	30.7%	$ 141,178	31.1%
Hospice services				
General and administrative	$ 26,175	26.2%	$ 14,274	26.1%
Depreciation and amortization	1,612	1.6	1,051	1.9
Total	$ 27,787	27.8%	$ 15,325	28.0%
Community-based services				
General and administrative	$ 6,260	19.1%	$ 6,212	20.2%
Depreciation and amortization	297	0.9	119	0.4
Total	$ 6,557	20.0%	$ 6,331	20.6%
Facility-based services				
General and administrative	$ 14,672	27.0%	$ 15,618	27.4%
Depreciation and amortization	1,332	2.4	1,284	2.3
Total	$ 16,004	29.4%	$ 16,902	29.7%

Consolidated general and administrative expenses for the nine months ended September 30, 2016 was $ 201.3 million , or 29.6% of net service revenue, compared to $ 179.7 million , or 30.1% of net service revenue, for the same period in 2015 . The increase in consolidated general and administrative expenses was primarily due to an increase in the number of service providers resulting from acquisitions since September 30, 2015, and the recognition of a severance package of $1.1 million due to the resignation of our prior Chief Financial Officer. General and administrative expenses for the home health services and hospice services segments increased $3.5 million and $9.7 million, respectively, due to acquisitions.

Loss on disposal of assets

The loss on disposal of assets increased during the nine months ended September 30, 2016 due to the sale of an aircraft. The aircraft incurred damage and was subsequently sold at a price below the aircraft's net book value. The sale generated a loss of $0.9 million, which was realized during the nine months ended September 30, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our principal source of liquidity for operating activities is the collection of patient accounts receivable, most of which are collected from governmental and third party commercial payors. We also have the ability to obtain additional liquidity, if necessary, through our credit facility, which provides for aggregate borrowings, including outstanding letters of credit, up to $225 million.

The following table summarizes changes in cash (amounts in thousands):

	Nine Months Ended September 30,	
	2016	2015
Net cash provided by (used in):		
Operating activities	$ 57,843	$ 51,619
Investing activities	(34,635)	(15,760)
Financing activities	(12,829)	25,343

Cash provided by operating activities changed due to the accretion of acquisitions purchased since October 1, 2015.

Cash used in investing activities increased due to acquisition of Heartlite Hospice and five additional acquisitions which occurred during the nine months ended September 30, 2016 compared to three acquisitions during the same period in 2015.

Cash used in financing activities decreased during the nine months ended September 30, 2016 due to the activity on our line of credit. Total proceeds decreased during the nine months ended September 30, 2016 due to the funding of the $58.5 million purchase price of Halcyon Healthcare, LLC, which occurred on October 1, 2015 and was drawn on our line of credit during the nine months ended September 30, 2015. In addition, total payments on the line of credit increased in 2016.

Accounts Receivable and Allowance for Uncollectible Accounts

For home health services, hospice services, and community-based services, we calculate the allowance for uncollectible accounts as a percentage of total patient receivables. The percentage changes depending on the payor and increases as the patient receivables age. For facility-based services, we calculate the allowance for uncollectible accounts based on a claim by claim review.

As of September 30, 2016 , our allowance for uncollectible accounts, as a percentage of patient accounts receivable, was approximately 19.7%, or $29.3 million, compared to 19.5% or $26.7 million at December 31, 2015 . Days sales outstanding as of September 30, 2016 and December 31, 2015 was 48 and 46 days, respectively. Increased accounts receivable from acquisitions, an increase in managed care accounts receivable, and collection delays resulting from ZPICs, RACs, and ADRs have each contributed to the increase in days sales outstanding.

The following table sets forth as of September 30, 2016 , the aging of accounts receivable (amounts in thousands):

Payor	0-90	91-180	181-365	Over 365	Total
Medicare	$ 66,941	$ 9,314	$ 5,449	$ 5,424	$ 87,128
Medicaid	4,191	1,305	1,153	246	6,895
Other	31,807	6,489	8,784	7,646	54,726
Total	$ 102,939	$ 17,108	$ 15,386	$ 13,316	$ 148,749

The following table sets forth as of December 31, 2015 , the aging of accounts receivable (amounts in thousands):

Payor	0-90	91-180	181-365	Over 365	Total
Medicare	$ 65,910	$ 8,244	$ 4,971	$ 4,960	$ 84,085
Medicaid	2,994	1,033	903	561	5,491
Other	26,794	7,248	7,699	5,745	47,486
Total	$ 95,698	$ 16,525	$ 13,573	$ 11,266	$ 137,062

Indebtedness

As of September 30, 2016 , we had $123.2 million available for borrowing under our credit facility with $92.0 million drawn under our credit facility and $9.8 million of letters of credit outstanding. At December 31, 2015 , we had $98.0 million drawn and $9.8 million of letters of credit outstanding under our credit facility.

For a discussion on our Credit Agreement with Capital One National Association, see Note 5 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

A letter of credit fee equal to the applicable Eurodollar rate multiplied-by the face amount of the letter of credit is charged upon the issuance and on each anniversary date while the letter of credit is outstanding. The agent's standard up-front fee and other customary administrative charges will also be due upon issuance of the letter of credit along with a renewal fee on each anniversary date of such issuance while the letter of credit is outstanding. Borrowings accrue interest under the Credit Agreement at either the Base Rate or the Eurodollar rate are subject to the applicable margins set forth below:

Leverage Ratio	Eurodollar Margin	Base Rate Margin	Commitment Fee Rate
≤1.00:1.00	1.75%	0.75%	0.225%
>1.00:1.00 ≤ 1.50:1.00	2.00%	1.00%	0.250%
>1.50:1.00 ≤ 2.00:1.00	2.25%	1.25%	0.300%
>2.00:1.00	2.50%	1.50%	0.375%

Our Credit Agreement contains customary affirmative, negative and financial covenants. For example, without prior approval of our bank group, we are materially restricted in incurring additional debt, disposing of assets, making investments, allowing fundamental changes to our business or organization, and making certain payments in respect of stock or other ownership interests, such as dividends and stock repurchases, up to $50 million. Under our Credit Agreement, we are also required to meet certain financial covenants with respect to minimum fixed charge coverage and leverage ratios.

Our Credit Agreement also contains customary events of default. These include bankruptcy and other insolvency events, cross-defaults to other debt agreements, a change in control involving us or any subsidiary guarantor, and the failure to comply with certain covenants.

At September 30, 2016 , we were in compliance with all covenants contained in the Credit Agreement governing our credit facility.

Contingencies

For a discussion of contingencies, see Note 8 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

Critical Accounting Policies

For a discussion of critical accounting policies, see Note 2 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Accounts Receivable and Allowances for Uncollectible Accounts

We report accounts receivable net of estimated allowances for uncollectible accounts and adjustments. Accounts receivable are uncollateralized and consist of amounts due from Medicare, other third-party payors, and patients. To provide for accounts receivable that could become uncollectible in the future, we establish an allowance for uncollectible accounts to reduce the carrying amount of such receivables to their estimated net realizable value.

The collection of outstanding receivables is our primary source of cash collections and is critical to our operating performance. Because Medicare is our primary payor, the credit risk associated with receivables from other payors is limited.

We believe the credit risk associated with our Medicare accounts, which represent approximately 55% of our patient accounts receivable as of September 30, 2016 and December 31, 2015 , respectively, is limited due to (i) the historical collections from Medicare and (ii) the fact that Medicare is a U.S. government payor. We do not believe that there are any other significant concentrations of receivables from any particular payor that would subject us to any significant credit risk in the collection of accounts receivable.

The amount of the provision for bad debts is based upon our assessment of historical and expected net collections, business and economic conditions and trends in government reimbursement. Quarterly, we perform a detailed review of historical writeoffs and recoveries as well as recent collection trends. Uncollectible accounts are written off when we have exhausted collection efforts and concluded the account will not be collected.

Although our estimated reserves for uncollectible accounts are based on historical experience and the most current collection trends, this process requires significant judgment and interpretation of the observed trends and the actual collections could differ from our estimates.

Insurance

We retain significant exposure for our employee health insurance, workers compensation, employment practices and professional liability insurance programs. Our insurance programs require us to estimate potential payments on filed claims and/or claims incurred but not reported. Our estimates are based on information provided by the third-party plan administrators, historical claim experience, expected costs of claims incurred but not paid and expected costs associated with settling claims. Each month, we review the insurance-related recoveries and liabilities to determine if any adjustments are required.

Our employee health insurance program is self-funded, with stop-loss coverage on claims that exceed $0.2 million for any individually covered employee or employee family member. We are responsible for workers' compensation claims up to $0.5 million per individual incident.

Malpractice, employment practices and general liability claims for incidents which may give rise to litigation have been asserted against us by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. We are aware of incidents that have occurred through September 30, 2016 that may result in the assertion of additional claims. We currently carry professional, general liability and employment practices insurance coverage (on a claims made basis) for this exposure. We also carry D&O coverage (also on a claims made basis) for potential claims against our directors and officers, including securities actions, with a deductible of $1.0 million per security claims and $0.5 million on other claims.

We estimate our liabilities related to these programs using the most current information available. As claims develop, we may need to change the recorded liabilities and change our estimates. These changes and adjustments could be material to our financial statements, results of operations and financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our exposure to market risk relates to changes in interest rates for borrowings under our credit facility. Our letter of credit fees and interest accrued on our debt borrowings are subject to the applicable Eurodollar or Base Rate. A hypothetical basis point increase in interest rates on the average daily amounts outstanding under the credit facility would have increased interest expense by $0.7 million for the nine months ended September 30, 2016 .

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) that are designed to ensure that information that we are required to disclose in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report.

Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) were effective as of September 30, 2016 .

Changes in Internal Controls Over Financial Reporting

There have not been any changes in our internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act, during the quarterly period ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

For a discussion of legal proceedings, see Note 8 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS.

There have been no material changes from the information included in Part I, Item 1A. “Risk Factors” of the Company’s 2015 Form 10-K.

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

None.

ITEM 6. EXHIBITS.

3.1	Certificate of Incorporation of LHC Group, Inc. (previously filed as an Exhibit 3.1 to the Form S-1/A (File No. 333-120792) on February 14, 2005).
3.2	Bylaws of LHC Group, Inc. as amended on December 31, 2007 (previously filed as Exhibit 3.2 to the Form 10-Q on May 9, 2008).
4.1	Specimen Stock Certificate of LHC Group's Common Stock, par value $0.01 per share (previously filed as Exhibit 4.1 to the Form S-1/ A (File No. 333-120792) on February 14, 2005).
10.1	Amendment to LHC Group, Inc. Second Amended and Restated 2005 Non-Employee Directors Compensation Plan, effective January 20, 2015.
10.2	Amended and Restated Employment Agreement between Joshua L. Proffitt and LHC Group, Inc., dated September 12, 2016.
31.1	Certification of Keith G. Myers, Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Joshua L. Proffitt, Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer of LHC Group, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

* This exhibit is furnished to the SEC as an accompanying document and is not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, and the document will not be deemed incorporated by reference into any filing under the Securities Act of 1933.

SIGNATURES

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.

LHC GROUP, INC.

Date: November 3, 2016

/s/ Joshua L. Proffitt

Joshua L. Proffitt

Executive Vice President and Chief Financial Officer
(Principal financial officer)

Exhibit 10.2

AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

BETWEEN

JOSHUA L. PROFFITT

AND

LHC GROUP, INC.

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AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") by and between LHC Group, Inc., a Delaware corporation (the "Company"), and Joshua L. Proffitt ("Executive"), is dated as of September 12, 2016 (the "Agreement Date").

BACKGROUND

WHEREAS, the Company and Executive are parties to that certain Amended and Restated Employment Agreement dated as of August 7, 2015 (the "Original Agreement"), pursuant to which Executive currently serves as an executive officer of the Company;

WHEREAS, the Company desires to retain the services of Executive and engage Executive as Executive Vice President, Chief Financial Officer and Treasurer from and after the Agreement Date, in accordance with the terms of this Agreement and Executive is willing to serve as such in accordance with the terms and conditions of this Agreement; and

WHEREAS, the Original Agreement, and any other prior employment agreements between Executive and the Company, shall be terminated upon the Agreement Date and neither party shall have any further obligations under any such terminated employment agreements.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment . Executive is hereby employed as Executive Vice President, Chief Financial Officer and Treasurer of the Company. In his capacity as Executive Vice President, Chief Financial Officer and Treasurer, Executive shall have the duties, responsibilities and authority commensurate with such position as shall be assigned to him by the Chief Executive Officer of the Company. In his capacity as Executive Vice President, Chief Financial Officer and Treasurer of the Company, Executive will report directly to the Chief Executive Officer of the Company.

2. Term . Executive's employment shall be governed by the terms and conditions of this Agreement for a period beginning on the Agreement Date and ending on September 30, 2019 (the "Term"). Beginning on October 1, 2019, and on each subsequent October 1 thereafter, the Term shall, without further action by Executive or the Company, be extended by an additional one (1)-year period *; provided, however,* that either the Company or Executive may, by notice to the other given at least six (6) months prior to the scheduled expiration of the Term or any then current renewal term, cause the Term or such then current renewal period to cease to extend automatically. Upon such notice, the Term shall terminate upon the expiration of the then-current term, including any prior extensions. Notwithstanding the foregoing, following the occurrence of a Change of Control, the Company may not cause the Term to expire earlier than the second (2 nd) anniversary of the Change of Control.

3. Extent of Service. During the Term, and excluding any periods of vacation, holiday, sick leave and Company-approved leave of absence to which Executive is entitled in accordance with Company policies, Executive agrees to devote substantially all of his business time, attention, skill and efforts exclusively to the faithful performance of his duties hereunder. It shall not be a violation of this Agreement for Executive to (i) devote reasonable time to charitable or community activities, (ii) serve on corporate, civic, educational or charitable boards or committees, subject to the Company's standards of business conduct or other code of ethics, (iii) deliver lectures or fulfill speaking engagements from time to time on an infrequent basis, and/or (iv) manage personal business interests and investments, subject to the Company's standards of business conduct or other code of ethics, and so long as such activities do not interfere in a material manner or on a routine basis with the performance of Executive's responsibilities under this Agreement.

4. Compensation and Benefits.

(a) Base Salary. During the Term, the Company will pay to Executive base salary at the rate of Four Hundred Twenty-Five Thousand Dollars ($425,000) per year ("Base Salary"), less normal withholdings, payable in approximately equal bi-weekly or other installments as are or become customary under the Company's payroll practices for its employees from time to time. The Compensation Committee of the Board of Directors of the Company (or the full Board, if there is no Compensation Committee) shall review Executive's Base Salary annually and may increase (but not decrease) Executive's Base Salary from year to year. Such adjusted salary then shall become Executive's Base Salary for purposes of this Agreement. The annual review of Executive's salary by the Board will consider, among other things, Executive's own performance, and the Company's performance.

(b) Incentive, Savings and Retirement Plans During the Term, Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs available to senior executive officers of the Company ("Peer Executives"). Without limiting the foregoing, the following shall apply:

(i) during the Term, Executive will be entitled to participate in the Company's executive bonus plan, pursuant to which he will have an opportunity to receive an annual cash bonus (paid in quarterly installments) based upon the achievement of performance goals established from year to year by the Compensation Committee of the Board of Directors of the Company (such bonus earned at the stated "goal" level of achievement being referred to herein as the "Target Bonus"); and

(ii) during the Term, Executive will be eligible for grants, under the Company's long-term incentive plan or plans, of stock options and/or restricted stock awards (or such other stock-based awards as the Company makes to Peer Executives). Nothing herein requires the Board of Directors to make grants of options or other awards in any year.

(c) Welfare Benefit Plans. During the Term, Executive and Executive's eligible dependents shall be eligible for participation in, and shall receive all benefits under, the welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription drug, dental, disability, employee life, dependent life,

accidental death and travel accident insurance plans and programs) ("Welfare Plans") to the extent available to other Peer Executives.

(d) Expenses. During the Term, Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by Executive in the course of performing his duties and responsibilities under this Agreement, in accordance with the policies, practices and procedures of the Company to the extent available to other Peer Executives with respect to travel, entertainment and other business expenses.

(e) Fringe Benefits. During the Term, Executive shall be entitled to fringe benefits in accordance with the plans, practices, programs and policies of the Company available to other Peer Executives.

(f) Vacation. During the Term, Executive will be entitled to such paid vacation time as may be provided from time to time under any plans, practices, programs and policies of the Company available to other Peer Executives.

(g) Office and Support Staff. During the Term, Executive will be entitled to office, furnishings and equipment of similar type and quality made available to other Peer Executives. During the Term, Executive will be entitled to secretarial and other assistance reasonably necessary for the performance of his duties and responsibilities.

(h) Annual Compensation Review. As set forth in Section 4(a) herein, on an annual basis the Compensation Committee of the Board of Directors of the Company shall conduct an overall review of Executive's compensation package including base salary, short term incentives and long-term incentives. This review shall be based on input from the Chief Executive Officer of the Company and a review of Executive's performance and the Company's performance. In addition, on an annual basis, the Chief Executive Officer of the Company and the Chair of the Compensation Committee shall review with Executive his compensation package, including any compensation surveys and other comparable data used by the Compensation Committee to establish Executive's compensation package. As set forth above, this review will not result in a decrease in Executive's Base Salary from the previous year.

(i) One-Time Equity Grant and Cash Bonus. Solely in consideration of Executive's execution of this Agreement, the Compensation Committee of the Board of Directors has authorized (i) a one-time equity grant in the amount of Twenty Thousand (20,000) shares of restricted stock to be issued to Executive on the Agreement Date and (ii) a one-time cash bonus in the amount of Seventy-Five Thousand Dollars ($75,000). The Twenty Thousand (20,000) shares of restricted stock will vest as to twenty percent (20%) of the shares on August 1 of each of 2017 – 2021 and will be subject to the terms set forth in this Agreement and in the Company's standard restricted stock agreement.

5. Change of Control. For the purposes of this Agreement, a "Change of Control" shall mean the occurrence of any of the following events:

(a) individuals who, on the Agreement Date, constitute the Board of Directors of the Company (the "Incumbent Directors") cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after the Agreement Date and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board shall be an Incumbent Director; *provided, however* , that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors ("Election Contest") or other actual or threatened solicitation of proxies or consents by or on behalf of any "person" (such term for purposes of this Section 5 being as defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Section 13(d)(3) and 14(d)(2) of the Exchange Act) other than the Board ("Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

(b) any person is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of either (i) thirty-five percent (35%) or more of the then-outstanding shares of common stock of the Company ("Company Common Stock") or (ii) securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of directors (the "Company Voting Securities"); *provided, however* , that for purposes of this paragraph (b), the following acquisitions of Company Common Stock or Company Voting Securities shall not constitute a Change of Control: (A) an acquisition directly from the Company, (B) an acquisition by the Company or a subsidiary of the Company, (C) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary of the Company, or (D) an acquisition pursuant to a Non-Qualifying Transaction (as defined in paragraph (c) below); or

(c) the consummation of a recapitalization, reorganization, merger, consolidation, statutory share exchange or similar form of transaction involving the Company or a subsidiary of the Company (a "Reorganization"), or the sale or other disposition of all or substantially all of the Company's assets (a "Sale") or the acquisition of assets or stock of another entity (an "Acquisition"), unless immediately following such Reorganization, Sale or Acquisition: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such Reorganization, Sale or Acquisition beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from or surviving such Reorganization, Sale or Acquisition (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets or stock either directly or through one or more subsidiary entities, the "Surviving Entity") in substantially the same proportions as their ownership, immediately prior to such Reorganization, Sale or Acquisition, of the outstanding Company Common Stock and the outstanding Company Voting Securities, as the case may be, and (B) no person (other than (x) the Company or any subsidiary of the Company, (y) the Surviving Entity or its ultimate parent

entity, or (z) any employee benefit plan (or related trust) sponsored or maintained by any of the foregoing) is the beneficial owner, directly or indirectly, of thirty-five percent (35%) or more of the total common stock or thirty-five percent (35%) or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Entity, and (C) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization, Sale or Acquisition (any Reorganization, Sale or Acquisition which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction"); or

(d) approval by the members or stockholders of the Company, as the case may be, of a complete liquidation or dissolution of the Company.

6. Termination of Employment.

(a) Death or Retirement. Executive's employment shall terminate automatically upon Executive's death or Retirement during the Term. For purposes of this Agreement, "Retirement" shall mean normal retirement as defined in the Company's then-current retirement plan, or if there is no such retirement plan, "Retirement" shall mean voluntary termination after age sixty-five (65) with at least ten (10) years of service.

(b) Disability. If the Company determines in good faith that the Disability (as defined below) of Executive has occurred during the Term, it may give to Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the thirtieth (30th) day after receipt of such written notice by Executive (the "Disability Effective Date"), provided that, within the thirty (30) days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" shall have the same meaning as provided in the long-term disability plan or policy maintained by the Company and covering Executive. If no such long-term disability plan or policy is maintained, "Disability" shall mean the inability of Executive, as determined by the Board of Directors, to perform the essential functions of his regular duties and responsibilities, with or without reasonable accommodation, due to a medically determinable physical or mental illness which has lasted (or can reasonably be expected to last) for a period of six (6) consecutive months.

(c) Termination by the Company. The Company may terminate Executive's employment during the Term with or without Cause. For purposes of this Agreement, "Cause" shall mean:

(i) any conduct by Executive involving moral turpitude that has a material adverse impact on the Company or on Executive's ability to perform his duties hereunder;

(ii) Executive's commission or conviction of, or pleading guilty or nolo contendere (or any similar plea or admission) to, a felony or a criminal act involving dishonesty or other moral turpitude;

(iii) any failure to abide by any material laws applicable to him in his capacity as an employee or executive of the Company or applicable to the Company or any of its parents or subsidiaries;

(iv) any failure or refusal on the part of Executive to perform his duties under this Agreement or to obey lawful directives from the Board of Directors or Chief Executive Officer of the Company, or either of their designees, if not remedied within ten (10) business days after Company's providing notice thereof;

(v) any violation of any policy of Company relating to equal employment opportunity, harassment, business conduct or conflict of interest;

(vi) use of illegal drugs, abuse of other controlled substances or working under the influence of alcohol or other controlled substances; and

(vii) any breach by Executive of any obligation under this Agreement if not remedied within ten (10) business days after Company's providing notice thereof.

(d) Termination by Executive . Executive's employment may be terminated by Executive during the Term for Good Reason or no reason. For purposes of this Agreement, unless written consent of Executive is obtained, "Good Reason" shall mean:

(i) a material reduction by the Company in Executive's Base Salary as in effect on the Agreement Date (which reduction in Base Salary is not permitted by Section 4(a) hereof) or as the same may be increased from time to time;

(ii) any failure by the Company to comply with and satisfy Section 14(c) of this Agreement;

(iii) the material breach by the Company of any of the financial obligations of Company set forth in this Agreement;

(iv) after the occurrence of a Change of Control, a material diminution in Executive's position, authority, duties or responsibilities; or

(v) after the occurrence of a Change of Control, a change in the geographic location greater than a seventy-five (75)-mile radius from Lafayette, LA at which Executive must perform services or be required to maintain an office.

Any claim of "Good Reason" under this Agreement shall be communicated by Executive to the Company in writing, which writing shall specifically identify the factual details concerning the event(s) giving rise to Executive's claim of Good Reason under this Section 6(d). The Company shall have an opportunity to cure any claimed event of Good Reason within thirty (30) days of such notice from Executive. Good Reason shall cease to exist for an event or condition described in clauses (i), (ii) and (iii) above on the ninetieth (90th) day following its occurrence, unless Executive has given the Company written notice thereof prior to such date.

(e) Notice of Termination . Any termination by the Company for Cause, or by Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 15(f) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, and (iii) specifies the termination date. The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

(f) Date of Termination . "Date of Termination" means (i) if Executive's employment is terminated by the Company for Cause, or by Executive for Good Reason, the date of receipt of the Notice of Termination or a date within thirty (30) days after receipt of the Notice of Termination, as specified in such notice, (ii) if Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date of receipt of the Notice of Termination or a date within ninety (90) days after receipt of the Notice of Termination, as specified in such notice, (iii) if Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of Executive or the Disability Effective Date, as the case may be, and (iv) if Executive's employment is terminated by Executive without Good Reason, the Date of Termination shall be sixty (60) days following the Company's receipt of the Notice of Termination, unless the Company specifies an earlier Date of Termination.

7. Obligations of the Company upon Termination .

(a) Termination by Executive for Good Reason; Termination by the Company Other Than for Cause or Disability . If, during the Term, the Company shall terminate Executive's employment other than for Cause or Disability, or Executive shall terminate employment for Good Reason within a period of one-hundred and eighty (180) days after the occurrence of the event giving rise to Good Reason, then and, with respect to the payments and benefits described below, only if Executive executes a Release in substantially the form of Exhibit A hereto (the "Release"):

(i) the Company shall provide to Executive in a single lump sum cash payment within thirty (30) days after the Date of Termination, or if later, within five (5) days after the Release becomes effective and nonrevocable (but in no event shall such amount be payable later than March 15 of the year following the year in with Executive's employment was terminated), the aggregate of the following amounts:

A. the sum of the following amounts, to the extent not previously paid to Executive (the "Accrued Obligations"): (1) Executive's Base Salary through the Date of Termination, and (2) any accrued pay in lieu of unused vacation (in accordance with the Company's vacation policy; and

B. a severance payment as determined pursuant to clause (x) or (y) below, as applicable:

(x) if the Date of Termination occurs before, or more than two (2) years after, the occurrence of a Change of Control, the severance payment shall be the product of one-and-a-half (1.5) times the sum of (1) Executive's Base Salary in effect as of the Date of Termination (ignoring any decrease in Executive's Base Salary unless consented to by Executive), and (2) the greater of the average of the annual cash bonuses earned by Executive for the two (2) fiscal years in which annual bonuses were paid immediately preceding the year in which the Date of Termination occurs, or Executive's Target Bonus for the year in which the Date of Termination occurs; or

(y) if the Date of Termination occurs within two (2) years after the occurrence of a Change of Control, the severance payment shall be the product of two-and-a-half (2.5) times the sum of (1) Executive's Base Salary in effect as of the Date of Termination, and (2) the greater of the average of the annual bonuses earned by Executive for the two fiscal years in which annual bonuses were paid immediately preceding the year in which the Date of Termination occurs, or Executive's Target Bonus for the year in which the Date of Termination occurs; and

(ii) the Company shall pay to Executive, in a single lump sum cash payment at the time that annual bonuses are paid to Peer Executives, or such later date as may be required pursuant to Section 15(i), an annual bonus for the year in which the Date of Termination occurs, equal to (i) the bonus, if any, that would have been earned by Executive under the annual incentive bonus plan for such year if he had remained employed on such payment date, based on actual performance under applicable financial metrics, multiplied by (ii) a fraction, the numerator of which is the number of days worked by Executive during such final year and the denominator of which is three-hundred and sixty-five (365) (the "Prorated Final Year Bonus"); and

(iii) to the extent not theretofore paid or provided, the Company shall timely pay or deliver, as appropriate, all other benefits due to Executive pursuant to any employee benefit plans or incentive plans maintained by the Company with respect to services rendered by Executive prior to the Date of Termination (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(iv) In addition to the payments and benefits described in clauses (i), (ii) and (iii) above, Executive shall be entitled to the following additional benefits:

A. If the Date of Termination occurs within two (2) years after the occurrence of a Change of Control, all grants of stock options and other equity awards granted by the Company and held by Executive as of the Date of Termination will become immediately vested and exercisable as of the Date of Termination and, to the extent necessary, this Agreement is hereby deemed an amendment of any such outstanding stock option or other equity award;

B. If the Date of Termination occurs before a Change of Control or two (2) years following the occurrence of a Change of Control, then, except as provided below, all grants of stock options and other equity awards granted by the Company and held by Executive as of the Date of Termination will remain outstanding and will (i) continue to vest and become exercisable in accordance with their current vesting schedule provided that Executive continues to comply with the provisions of Section 13 hereof following the Date of Termination and during the Restricted Period (and any unvested award shall be forfeited in the event Executive breaches any of the provisions of Section 13 during such period), and (ii) continue to vest and become exercisable in accordance with their current vesting schedule without condition following the end of the Restricted Period provided that Executive complied with the provisions of Section 13 hereof during the Restricted Period. Notwithstanding the foregoing, if Executive incurs a tax liability with respect to an award of restricted stock prior to the time the restrictions on such restricted stock would lapse in accordance with this Section 7(a)(iv)(B), the restrictions shall lapse on the date such tax liability arises with respect to the number of whole shares of the Company's common stock having a fair market value at such time no greater than the amount required to satisfy all tax withholding requirements applicable thereto. The Company shall withhold such released shares to satisfy such withholding obligations, and any unvested shares of restricted stock will be subject to the remaining vesting schedule. To the extent necessary, this Agreement is hereby deemed an amendment of any such outstanding stock option or other equity award; and

C. If Executive elects to continue participation in any group medical, dental, vision and/or prescription drug plan benefits to which Executive and/or Executive's eligible dependents would be entitled under Section 4980B of the Code (COBRA), then during the period that Executive is entitled to such coverage under COBRA (the "Coverage Period"), the Company shall pay the excess of (i) the COBRA cost of such coverage, over (ii) the amount that Executive would have had to pay for such coverage if he had remained employed during the Coverage Period and paid the active employee rate for such coverage, *provided, however* , that the cost so paid on behalf of Executive by the Company will be deemed taxable income to Executive to the extent required by law, and *provided, further* , that if Executive becomes eligible to receive group health benefits under a program of a subsequent employer or otherwise (including coverage available to Executive's spouse), the Company's obligation to pay the cost of health coverage as described herein shall cease, except as otherwise provided by law.

If Executive's employment is terminated by the Company without Cause prior to the occurrence of a Change of Control and if it can reasonably be shown that Executive's termination (i) was at the direction or request of a third party that had taken steps reasonably calculated to effect a Change of Control after such termination, or (ii) otherwise occurred in anticipation of a Change of Control, and in either case a Change of Control as defined hereunder does, in fact, occur, then Executive shall have the rights described in this Section 7(a) as if the Change of Control had occurred on the date immediately preceding the Date of Termination.

Executive acknowledges and agrees that the receipt of severance benefits provided in this Section 7(a) constitutes consideration for the restrictions on the conduct of Executive contained in Section 12 of this Agreement.

(b) Death or Disability . If Executive's employment is terminated by reason of his death or Disability during the Term, all grants of stock options and other equity awards granted by the Company and held by Executive will become immediately vested and exercisable as of the Date of Termination (and this Agreement is hereby deemed an amendment of any such outstanding stock option or other equity award to the extent necessary), and this Agreement shall terminate without further obligations to Executive or his estate, beneficiaries or legal representatives, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to Executive or his estate, beneficiary or legal representative, as applicable, in a lump sum in cash within thirty (30) days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as used in this Section 7(b) shall include, without limitation, and Executive or his estate, beneficiaries or legal representatives, as applicable, shall be entitled to receive, benefits under such plans, programs, practices and policies relating to death, disability or retirement benefits, if any, as are applicable to Executive or his family on the Date of Termination.

(c) Cause, Voluntary Termination without Good Reason or Retirement . If Executive's employment shall be terminated for Cause during the Term, or if Executive voluntarily terminates employment during the Term without Good Reason or by reason of his Retirement, this Agreement shall terminate without further obligations to Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits.

(d) Expiration of Term Following Notice . If either party gives notice under Section 2 to cause the Term to cease to extend automatically, this Agreement shall terminate without further obligations to Executive upon the expiration of the then-current term, *provided, however* , that if it is the Company who gives notice to Executive under Section 2 to cause the Term to cease to extend automatically, then upon Executive's termination of employment following such notice, all grants of stock options and other equity awards granted by the Company and held by Executive as of the Date of Termination will remain outstanding and will continue to vest and become exercisable in accordance with their current vesting schedule for so long as Executive voluntarily complies with the restrictions of Section 13 hereof following the Date of Termination as if such restrictions applied to Executive. Any unvested award shall be forfeited upon Executive's failure to comply with any of the restrictions of Section 13 as if such restrictions applied to Executive. To the extent necessary, this Agreement is hereby deemed an amendment of any such outstanding stock option or other equity award.

(e) Resignations . Termination of Executive's employment for any reason whatsoever shall constitute Executive's resignation as an officer of the Company, its subsidiaries and affiliates.

8. Non-exclusivity of Rights . Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any employee benefit plan, program, policy or practice provided by the Company and for which Executive may qualify, except as specifically

provided herein. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any employee benefit plan, policy, practice or program of the Company, its subsidiaries or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program except as explicitly modified by this Agreement.

9. Full Settlement; No Obligation to Mitigate . The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and, except as explicitly provided herein, such amounts shall not be reduced whether or not Executive obtains other employment.

10. Certain Additional Payments by the Company .

(a) Notwithstanding any other contrary provisions in any plan, program or policy of the Company, if all or any portion of the benefits payable under this Agreement, either alone or together with other payments and benefits which Executive receives or is entitled to receive from the Company, would constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall reduce Executive's payments and benefits payable under this Agreement to the extent necessary so that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Code, but only if, by reason of such reduction, the net after-tax benefit shall exceed the net after-tax benefit if such reduction were not made. "Net after-tax benefit" for these purposes shall mean the sum of (i) the total amount payable to Executive under the Agreement, plus (ii) all other payments and benefits which Executive receives or is then entitled to receive from the Company that, alone or in combination with the payments and benefits payable under the Agreement, would constitute a "parachute payment" within the meaning of Section 280G of the Code (each such benefit hereinafter referred to as an "Additional Parachute Payment"), less (iii) the amount of federal income taxes payable with respect to the foregoing calculated at the maximum marginal income tax rate for each year in which the foregoing shall be paid to Executive (based upon the rate in effect for such year as set forth in the Code at the time of the payment under the Agreement), less (iv) the amount of excise taxes imposed with respect to the payments and benefits described in (i) and (ii) above by Section 4999 of the Code. The parachute payments reduced shall be those that provide Executive the best economic benefit and to the extent any parachute payments are economically equivalent with each other, each shall be reduced pro rata; *provided, however* , that Executive may elect to have the non-cash payments and benefits due Executive reduced (or eliminated) prior to any reduction of the cash payments due under this Agreement.

(b) All determinations required to be made under this Section 10 shall be made by the accounting firm that was the Company's independent auditor prior to the Change of

Control or any other third party acceptable to Executive and the Company (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and Executive. All fees and expenses of the Accounting Firm shall be borne solely by the Company as set forth in Section 11(b) hereof. Absent manifest error, any determination by the Accounting Firm shall be binding upon the Company and Executive.

(c) For purposes of determining whether and the extent to which any payments would constitute a "parachute payment" (i) no portion of any payments or benefits that Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account, (ii) no portion of the payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to Executive and selected by the Accounting Firm, does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the excise tax, no portion of such payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (within the meaning set forth in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the payments shall be determined by the Accounting Firm in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

11. Costs of Enforcement .

(a) In any action taken in good faith relating to the enforcement of this Agreement or any provision herein, Executive shall be entitled to reimbursement for any and all costs and expenses incurred by him in enforcing or establishing his rights thereunder, including, without limitation, reasonable attorneys' fees, whether suit be brought or not, and whether or not incurred in arbitration, trial, bankruptcy or appellate proceedings, but only if and to the extent Executive is successful in asserting such rights. If Executive becomes entitled to recover fees and expenses under this Section 11(a), the reimbursement of an eligible expense shall be made within ten (10) business days after delivery of Executive's respective written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require, but in no event later than March 15 of the year after the year in which such rights are established.

(b) Executive shall also be entitled to be paid all reasonable legal fees and expenses, if any, incurred in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Internal Revenue Code to any payment or benefit hereunder. Such reimbursement of expenses shall be made on a current basis, as incurred, and in no event later than December 31 of the year following the calendar year in which the taxes that are the subject of the audit or proceeding are remitted to the taxing authority, or where as a result of such audit or proceeding no taxes are remitted, December 31 of the year following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the proceeding.

12. Restrictions on Conduct of Executive.

(a) General . Executive and the Company understand and agree that the purpose of the provisions of this Section 12 is to protect legitimate business interests of the Company, as more fully described below, and is not intended to impair or infringe upon Executive's right to work, earn a living, or acquire and possess property from the fruits of his labor. Executive hereby acknowledges that Executive has received good and valuable consideration for the post-employment restrictions set forth in this Section 12 in the form of the compensation and benefits provided for herein. Executive hereby further acknowledges that the post-employment restrictions set forth in this Section 12 are reasonable and that they do not, and will not, unduly impair his ability to earn a living after the termination of this Agreement.

In addition, the parties acknowledge: (A) that Executive's services under this Agreement require unique expertise and talent in the provision of Competitive Services and that Executive will have substantial contacts with customers, suppliers, advertisers and vendors of the Company; (B) that pursuant to this Agreement, Executive will be placed in a position of trust and responsibility and he will have access to a substantial amount of Confidential Information and Trade Secrets and that the Company is placing him in such position and giving him access to such information in reliance upon his agreement to abide by the covenants set forth in this Section 12; (C) that due to Executive's unique experience and talent, the loss of Executive's services to the Company under this Agreement cannot reasonably or adequately be compensated solely by damages in an action at law; (D) that Executive is capable of competing with the Company; and (E) that Executive is capable of obtaining gainful, lucrative and desirable employment that does not violate the restrictions contained in this Agreement.

Therefore, Executive shall be subject to the restrictions set forth in this Section 12.

(b) Definitions . The following capitalized terms used in this Section 12 shall have the meanings assigned to them below, which definitions shall apply to both the singular and the plural forms of such terms:

" *Competitive Services* " means the business of providing post-acute healthcare services to patients through home nursing agencies, hospices, community based/private duty agencies and long-term acute care hospitals.

" *Confidential Information* " means all information regarding the Company, its activities, business or clients that is the subject of reasonable efforts by the Company to maintain its confidentiality and that is not generally disclosed by practice or authority to persons not employed by the Company, but that does not rise to the level of a Trade Secret. "Confidential Information" shall include, but is not limited to, financial plans and data concerning the Company; management planning information; business plans; operational methods; market studies; marketing plans or strategies; product development techniques or plans; customer lists; customer files, data and financial information, details of customer contracts; current and anticipated customer requirements; identifying and other information pertaining to business referral sources; past, current and planned research and development; business acquisition plans; and new personnel acquisition plans. "Confidential Information" shall not include information that has become generally available to the

public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. This definition shall not limit any definition of “confidential information” or any equivalent term under state or federal law.

“ *Determination Date* ” means the date of termination of Executive’s employment with the Company for any reason whatsoever or any earlier date (during the Term) of an alleged breach of the Restrictive Covenants by Executive.

“ *Person* ” means any individual or any corporation, partnership, joint venture, limited liability company, association or other entity or enterprise.

“ *Principal or Representative* ” means a principal, owner, partner, stockholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative or consultant.

“ *Protected Customers* ” means any Person to whom the Company has sold its products or services or solicited to sell its products or services, other than through general advertising targeted at consumers, during the twelve (12) months prior to the Determination Date.

“ *Protected Employees* ” means employees of the Company who were employed by the Company or its affiliates at any time within six (6) months prior to the Determination Date, other than those who were discharged by the Company or such affiliated employer without cause.

“ *Restricted Period* ” means the Term, and if Executive’s employment is terminated for any reason during the Term or if Executive has given notice to the Company under Section 2 to cause the Term to cease to extend automatically, the Restricted Period shall mean the Term plus twenty-four (24) months (or the Term plus six (6) months if Executive’s termination occurs within two (2) years after the occurrence of a Change of Control); *provided, however* , that the Restricted Period shall end with respect to the covenants in clauses (ii), (iii) and (iv) of Section 12(c) on the sixtieth (60th) day after the Date of Termination in the event the Company breaches its obligation, if any, to make any payment required under Section 7(a)(i).

“ *Restricted Territory* ” means the geographical territories described on Exhibit B hereto. The Company and Executive agree that Exhibit B shall be periodically reviewed and updated as necessary to maintain a current and complete description of the geographic territories in which the Company does business.

“ *Restrictive Covenants* ” means the restrictive covenants contained in Section 12(c) hereof.

“ *Third Party Information* ” means confidential or proprietary information subject to a duty on the Company’s and its affiliates’ part to maintain the confidentiality of such information and to use it only for certain limited purposes.

“ *Trade Secret* ” means all information, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers which is not commonly known by or available to the public and which information: (A) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Without limiting the foregoing, Trade Secret means any item of confidential information that constitutes a “trade secret(s)” under the common law or statutory law of the State of Louisiana.

“ *Work Product* ” means all inventions, innovations, improvements, developments, methods, processes, programs, designs, analyses, drawings, reports, and all similar or related information (whether or not patentable) that relate to the Company’s or its affiliates’ actual or anticipated business, research and development, or existing or future products or services and that are conceived, developed, contributed to, made, or reduced to practice by Executive (either solely or jointly with others) while employed by the Company or its affiliates.

(c) Restrictive Covenants .

(i) Restriction on Disclosure and Use of Confidential Information and Trade Secrets . Executive understands and agrees that the Confidential Information and Trade Secrets constitute valuable assets of the Company and its affiliated entities, and may not be converted to Executive’s own use. Accordingly, Executive hereby agrees that Executive shall not, directly or indirectly, at any time during the Restricted Period reveal, divulge, or disclose to any Person not expressly authorized by the Company any Confidential Information, and Executive shall not, directly or indirectly, at any time during the Restricted Period use or make use of any Confidential Information in connection with any business activity other than that of the Company. Throughout the Term and at all times after the date that this Agreement terminates for any reason, Executive shall not directly or indirectly transmit or disclose any Trade Secret of the Company to any Person, and shall not make use of any such Trade Secret, directly or indirectly, for himself or for others, without the prior written consent of the Company. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company’s rights or Executive’s obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices.

Anything herein to the contrary notwithstanding, Executive shall not be restricted from disclosing or using Confidential Information or any Trade Secret that is required to be disclosed by law, court order or other legal process; *provided, however* , that in the event disclosure is required by law, Executive shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by Executive.

Executive acknowledges that any and all Confidential Information is the exclusive property of the Company and agrees to deliver to the Company on the Date of Termination, or at any other time the Company may request in writing, any and all Confidential Information which

he may then possess or have under his control in whatever form same may exist, including, but not by way of limitation, hard copy files, soft copy files, computer disks, and all copies thereof.

(ii) Nonsolicitation of Protected Employees. Executive understands and agrees that the relationship between the Company and each of its Protected Employees constitutes a valuable asset of the Company and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that during the Restricted Period, Executive shall not directly or indirectly on Executive's own behalf or as a Principal or Representative of any Person or otherwise solicit or induce any Protected Employee to terminate his employment relationship with the Company or to enter into employment with any other Person.

(iii) Restriction on Relationships with Protected Customers. Executive understands and agrees that the relationship between the Company and each of its Protected Customers constitutes a valuable asset of the Company and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that, during the Restricted Period and in the Restricted Territory, Executive shall not, without the prior written consent of the Company, directly or indirectly, on Executive's own behalf or as a Principal or Representative of any Person, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for the purpose of providing or selling Competitive Services; *provided, however*, that the prohibition of this covenant shall apply only to Protected Customers with whom Executive had Material Contact on the Company's behalf during the twelve (12) months immediately preceding the Date of Termination; and, *provided further*, that the prohibition of this covenant shall not apply to the conduct of general advertising activities. For purposes of this Agreement, Executive had "Material Contact" with a Protected Customer if (a) he had business dealings with the Protected Customer on the Company's behalf; (b) he was responsible for supervising or coordinating the dealings between the Company and the Protected Customer; or (c) he obtained Trade Secrets or Confidential Information about the customer as a result of his association with the Company.

(iv) Noncompetition with the Company. In consideration of the compensation and benefits being paid and to be paid by the Company to Executive hereunder, Executive understands and agrees that, during the Restricted Period and within the Restricted Territory, he shall not, directly or indirectly, carry on or engage in Competitive Services on his own or on behalf of any Person, or any Principal or Representative of any Person; *provided, however*, that the provisions of this Agreement shall not be deemed to prohibit the ownership by Executive of any securities of the Company or its affiliated entities or not more than five percent (5%) of any class of securities of any corporation having a class of securities registered pursuant to the Exchange Act. Executive acknowledges that the Restricted Territory is reasonable because the Company carries on and engages in Competitive Services throughout the Restricted Territory and that in the performance of his duties for the Company he is charged with operating on the Company's behalf throughout the Restricted Territory.

(v) Ownership of Work Product. Executive acknowledges that the Work Product belongs to the Company or its affiliates and Executive hereby assigns, and agrees to assign, all of the Work Product to the Company or its affiliates. Any copyrightable work

prepared in whole or in part by Executive in the course of his work for any of the foregoing entities shall be deemed a "work made for hire" under the copyright laws, and the Company or such affiliate shall own all rights therein. To the extent that any such copyrightable work is not a "work made for hire," Executive hereby assigns and agrees to assign to the Company or such affiliate all right, title, and interest, including without limitation, copyright in and to such copyrightable work. Executive shall promptly disclose such Work Product and copyrightable work to the Board of Directors and perform all actions reasonably requested by the Board (whether during or after the Term) to establish and confirm the Company's or such affiliate's ownership (including, without limitation, assignments, consents, powers of attorney, and other instruments).

(vi) Third Party Information. Executive understands that the Company and its affiliates will receive Third Party Information. During the Term and thereafter, and without in any way limiting the provisions of Section 12(c)(i) above, Executive will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than personnel of the Company or its affiliates who need to know such information in connection with their work for the Company or its affiliates) or use, except in connection with his work for the Company or its affiliates, Third Party Information unless expressly authorized by a member of the Board of Directors in writing.

(vii) Use of Information of Prior Employers. During the Term, Executive will not improperly use or disclose any confidential information or trade secrets, if any, of any former employers or any other person to whom Executive has an obligation of confidentiality, and will not bring onto the premises of the Company or any of its affiliates any unpublished documents or any property belonging to any former employer or any other person to whom Executive has an obligation of confidentiality unless consented to by in writing the former employer or person. Executive will use in the performance of his duties only information which is (i) generally known and used by persons with training and experience comparable to Executive's and which is (x) common knowledge in the industry or (y) is otherwise legally in the public domain, (ii) is otherwise provided or developed by the Company or its affiliates or (iii) in the case of materials, property or information belonging to any former employer or other person to whom Executive has an obligation of confidentiality, approved for such use in writing by such former employer or person.

(d) Enforcement of Restrictive Covenants.

(i) Rights and Remedies Upon Breach. In the event Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company shall have the right and remedy to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court or tribunal of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Such right and remedy shall be independent of any others and

severally enforceable, and shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity.

(ii) Severability of Covenants . Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in time and scope and in all other respects. The covenants set forth in this Agreement shall be considered and construed as separate and independent covenants. Should any part or provision of any covenant be held invalid, void or unenforceable, such invalidity, voidness or unenforceability shall not render invalid, void or unenforceable any other part or provision of this Agreement. If any portion of the foregoing provisions is found to be invalid or unenforceable because its duration, the territory, the definition of activities or the definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable term shall be redefined, or a new enforceable term provided, such that the intent of the Company and Executive in agreeing to the provisions of this Agreement will not be impaired and the provision in question shall be enforceable to the fullest extent of the applicable laws.

(iii) Reformation . The parties hereunder agree that it is their intention that the Restrictive Covenants be enforced in accordance with their terms to the maximum extent possible under applicable law. The parties further agree that, in the event any tribunal of competent jurisdiction shall find that any provision hereof is not enforceable in accordance with its terms, the tribunal shall reform the Restrictive Covenants such that they shall be enforceable to the maximum extent permissible at law.

13. Consent to Jurisdiction . The Company and Executive irrevocably consent to the exclusive jurisdiction and venue of the 15th Judicial District Court in Lafayette, Louisiana, in any judicial proceeding brought to enforce this Agreement. The parties agree that any forum is an inconvenient forum and that a lawsuit (or non-compulsory counterclaim) brought by one party against another party, in a court of any jurisdiction other than the 15th Judicial District Court in Lafayette, Louisiana should be forthwith dismissed or transferred to 15th Judicial District Court in Lafayette, Louisiana.

14. Assignment and Successors .

(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive’s legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any Surviving Entity resulting from a Reorganization, Sale or Acquisition (if other than the Company) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no Reorganization, Sale or Acquisition had taken place. As used in this Agreement, “Company” shall mean the Company as hereinbefore defined and any successor

to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

15. Miscellaneous.

(a) Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

(b) Severability. If any provision or covenant, or any part thereof, of this Agreement should be held by any tribunal of competent jurisdiction to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

(c) Other Agents. Nothing in this Agreement is to be interpreted as limiting the Company from employing other personnel on such terms and conditions as may be satisfactory to it, except that this Section 15(c) shall not override the provision of Section 6(d)(i).

(d) Entire Agreement. Except as provided herein, this Agreement contains the entire agreement between the Company and Executive with respect to the subject matter hereof and, from and after the Agreement Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof, including without limitation, the Original Agreement.

(e) Governing Law. Except to the extent preempted by federal law, and without regard to conflict of laws principles, the laws of the State of Louisiana shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

(f) Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered or three days after mailing if mailed, first class, certified mail, postage prepaid:

To the Company: LHC Group, Inc.
901 Hugh Wallis Road South
Lafayette, LA 70508
Attention: Legal Department

To Executive: Joshua L. Proffitt
Address on File with Company Records

Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

(g) Amendments and Modifications . This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

(h) Construction . Each party and his or its counsel have reviewed this Agreement and have been provided the opportunity to revise this Agreement and accordingly, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement. Instead, the language of all parts of this Agreement shall be construed as a whole, and according to its fair meaning, and not strictly for or against either party.

(i) Code Section 409A . Notwithstanding anything in this Agreement to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Agreement by reason of Executive's separation from service during a period in which he is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Company under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, Executive's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of Executive's death or the first day of the seventh (7 th) month following Executive's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six (6)-month period immediately following Executive's separation from service will be accumulated and Executive's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of Executive's death or the first day of the seventh (7 th) month following Executive's separation from service, whereupon the accumulated amount will be paid or distributed to Executive and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Agreement, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder ("Final 409A Regulations"), *provided, however* , that, as permitted in the Final 409A Regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board of Directors or a committee thereof, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Agreement.

(j) Withholding. The Company or its subsidiaries, if applicable, shall be entitled to deduct or withhold from any amounts owing from the Company or any such affiliate to Executive any federal, state, local or foreign withholding taxes, excise taxes, or employment taxes ("Taxes") imposed with respect to Executive's compensation or other payments from the Company or any of its affiliates. In the event the Company or its affiliates do not make such deductions or withholdings, Executive shall indemnify the Company and its affiliates for any amounts paid with respect to any such Taxes.

[Remainder of Page Intentionally Left Blank; Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

LHC GROUP, INC.

By: /s/ Keith G. Myers
Keith G. Myers
Chairman and Chief Executive Officer

EXECUTIVE:

/s/ Joshua L. Proffitt
Joshua L. Proffitt

EXHIBIT A

Form of Release

THIS RELEASE ("Release") is granted effective as of the ____ day of _________, 20__, by ________ ("Executive") in favor of LHC Group, Inc. (the "Company"). This is the Release referred to that certain Employment Agreement effective as of _________, 20__ by and between the Company and Executive (the "Employment Agreement"), with respect to which this Release is an integral part.

FOR AND IN CONSIDERATION of the payments and benefits provided by Section 7 of the Employment Agreement and the Company's other promises and covenants as recited in the Employment Agreement, the receipt and sufficiency of which are hereby acknowledged, Executive, for himself, his successors and assigns, now and forever hereby releases and discharges the Company and all its past and present officers, directors, stockholders, employees, agents, parent corporations, predecessors, subsidiaries, affiliates, estates, successors, assigns, benefit plans, consultants, administrators, and attorneys (hereinafter collectively referred to as "Releasees") from any and all claims, charges, actions, causes of action, sums of money due, suits, debts, covenants, contracts, agreements, promises, demands or liabilities (hereinafter collectively referred to as "Claims") whatsoever, in law or in equity, whether known or unknown, which Executive ever had or now has from the beginning of time up to the date this Release ("Release") is executed, including, but not limited to, claims under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964 (and all of its amendments), the Americans with Disabilities Act, as amended, or any other federal or state statutes, all tort claims, all claims for wrongful employment termination or breach of contract, and any other claims which Executive has, had, or may have against the Releasees on account of or arising out of Executive's employment with or termination from the Company; provided, however, that nothing contained in this Release shall in any way diminish or impair (i) any rights of Executive to the benefits conferred or referenced in the Employment Agreement or Executive's Retention Bonus Agreement with the Company, (ii) any rights to indemnification that may exist from time to time under the Company’s bylaws, certificate of incorporation, Louisiana law or otherwise, or (iii) Executive's ability to raise an affirmative defense in connection with any lawsuit or other legal claim or charge instituted or asserted by the Company against Executive.

Without limiting the generality of the foregoing, Executive hereby acknowledges and covenants that in consideration for the sums being paid to him he has knowingly waived any right or opportunity to assert any claim that is in any way connected with any employment relationship or the termination of any employment relationship which existed between the Company and Executive. Executive further understands and agrees that he has knowingly relinquished, waived and forever released any and all remedies arising out of the aforesaid employment relationship or the termination thereof, including, without limitation, claims for backpay, front pay, liquidated damages, compensatory damages, general damages, special damages, punitive damages, exemplary damages, costs, expenses and attorneys' fees. Nothing in this Release shall constitute a waiver of Executive's right to file an administrative charge with the Equal Employment Opportunity Commission or other government agency authorized to handle administrative employment claims,

but Executive shall not receive or accept, and waives his right to, any monetary relief or remedies obtained on his behalf by any agency, organization, or other person.

Executive specifically acknowledges and agrees that he has knowingly and voluntarily released the Company and all other Releasees from any and all claims arising under the Age Discrimination in Employment Act ("ADEA"), 29 U.S.C. § 621, et seq., which Executive ever had or now has from the beginning of time up to the date this Release is executed, including but not limited to those claims which are in any way connected with any employment relationship or the termination of any employment relationship which existed between the Company and Executive. Executive further acknowledges and agrees that he has been advised to consult with an attorney prior to executing this Release and that he has been given twenty one (21) days to consider this Release prior to its execution. Executive also understands that he may revoke this Release at any time within seven (7) days following its execution. Executive understands, however, that this Release shall not become effective and that none of the consideration described above shall be paid to him until the expiration of the seven day revocation period.

Executive agrees never to seek reemployment or future employment with the Company or any of the other Releasees.

Executive acknowledges that the terms of this Release must be kept confidential. Accordingly, Executive agrees not to disclose or publish to any person or entity, except as required by law or as necessary to prepare tax returns, the terms and conditions or sums being paid in connection with this Release.

It is understood and agreed by Executive that the payment made to him is not to be construed as an admission of any liability whatsoever on the part of the Company or any of the other Releasees, by whom liability is expressly denied.

This Release is executed by Executive voluntarily and is not based upon any representations or statements of any kind made by the Company or any of the other Releasees as to the merits, legal liabilities or value of his claims. Executive further acknowledges that he has had a full and reasonable opportunity to consider this Release and that he has not been pressured or in any way coerced into executing this Release.

Executive acknowledges and agrees that this Release may not be revoked at any time after the expiration of the seven-day revocation period and that he will not institute any suit, action, or proceeding, whether at law or equity, challenging the enforceability of this Release. Executive further acknowledges and agrees that, with the exception of an action to challenge his waiver of claims under the ADEA, he shall not ever attempt to challenge the terms of this Release, attempt to obtain an order declaring this Release to be null and void, or institute litigation against the Company or any other Releasee based upon a claim which is covered by the terms of the release contained herein, without first repaying all monies paid to him under Section 7 of the Employment Agreement. Furthermore, with the exception of an action to challenge his waiver of claims under the ADEA, if Executive does not prevail in an action to challenge this Release, to obtain an order declaring this Release to be null and void, or in any action against the Company or any other Releasee based upon a claim which is covered by the release set forth herein, Executive shall pay to the

Company and/or the appropriate Releasee all their costs and attorneys' fees incurred in their defense of Executive's action.

This Release and the rights and obligations of the parties hereto shall be governed and construed in accordance with the laws of the State of Louisiana. If any provision hereof is unenforceable or is held to be unenforceable, such provision shall be fully severable, and this document and its terms shall be construed and enforced as if such unenforceable provision had never comprised a part hereof, the remaining provisions hereof shall remain in full force and effect, and the court construing the provisions shall add as a part hereof a provision as similar in terms and effect to such unenforceable provision as may be enforceable, in lieu of the unenforceable provision.

This document contains all terms of the Release and supersedes and invalidates any previous agreements or contracts. No representations, inducements, promises or agreements, oral or otherwise, which are not embodied herein shall be of any force or effect.

IN WITNESS WHEREOF, the undersigned acknowledges that he has read these three pages and he sets his hand and seal this ____ day of ____________, 20___.

Sworn to and subscribed
before me this _____ day of
______________, 20___.

____
Notary Public

My Commission Expires:

____

EXHIBIT B

Restricted Territory

The Restricted Territory shall include the following counties and parishes in the states where the Company and its subsidiaries and affiliates conduct business:

ALABAMA
Autauga, Baldwin, Barbour, Bibb, Blount, Bullock, Butler, Calhoun, Chambers, Choctaw, Clarke, Clay, Cleburne, Coffee, Colbert, Conecuh, Coosa, Covington, Crenshaw, Cullman, Dale, Dallas, DeKalb, Elmore, Escambia, Etowah, Fayette, Franklin, Geneva, Greene, Hale, Henry, Houston, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Lee, Limestone, Lowndes, Macon, Madison, Marengo, Marion, Marshall, Mobile, Monroe, Montgomery, Morgan, Perry, Pickens, Pike, Randolph, Russell, Shelby, St. Clair, Talladega, Tallapoosa, Tuscaloosa, Walker, Washington, Wilcox, Winston

ARIZONA
Cochise, Coconino, Gila, Maricopa, Navajo, Pima, Pinal, Santa Cruz, Yavapai

ARKANSAS
Arkansas, Ashley, Baxter, Benton, Boone, Bradley, Calhoun, Carroll, Clark, Cleburne, Cleveland, Conway, Crawford, Crittenden, Cross, Dallas, Desha, Drew, Faulkner, Franklin, Fulton, Garland, Grant, Hempstead, Hot Spring, Howard, Independence, Izard, Jackson, Jefferson, Johnson, Lafayette, Lawrence, Lee, Lincoln, Little River, Logan, Lonoke, Madison, Marion, Miller, Mississippi, Monroe, Montgomery, Nevada, Newton, Ouachita, Perry, Phillips, Pike, Poinsett, Polk, Pope, Prairie, Pulaski, Randolph, Saline, Scott, Searcy, Sebastian, Sevier, Sharp, St. Francis, Stone, Union, Van Buren, Washington, White, Woodruff, Yell

CALIFORNIA
Alameda, Butte, Contra Costa, Glenn, Merced, San Joaquin, Shasta, Solano, Stanislaus, Tehama

COLORADO
Adams, Alamosa, Arapahoe, Boulder, Broomfield, Conejos, Costilla, Denver, Douglas, El Paso, Elbert, Huerfano, Jefferson, Larimer, Lincoln, Rio Grande, Saguache, Teller, Washington, Weld

FLORIDA
Alachua, Citrus, Escambia, Lake, Levy, Marion, Okaloosa, Putnam, Santa Rosa, Sumter, Walton

GEORGIA
Atkinson, Banks, Barrow, Bartow, Ben Hill, Berrien, Brooks, Butts, Carroll, Catoosa, Chattooga, Cherokee, Clarke, Clayton, Clinch, Cobb, Colquitt, Cook, Coweta, Dade, Dawson, Decatur, Dekalb, Douglas, Echols, Fannin, Fayette, Floyd, Forsyth, Fulton, Gilmer, Gordon, Grady, Gwinnett, Habersham, Hall, Haralson, Harris, Heard, Henry, Irwin, Jackson, Lanier, Lowndes, Lumpkin, Madison, Meriwether, Murray, Muscogee, Newton, Oconee, Paulding, Pickens, Polk,

Rabun, Rockdale, Spalding, Stephens, Thomas, Tift, Towns, Troup, Turner, Union, Walker, Walton, Ware, White, Whitfield, Worth

IDAHO
Ada, Bannock, Bear Lake, Benewah, Bingham, Blaine, Boise, Bonner, Bonneville, Butte, Camas, Canyon, Caribou, Cassia, Clark, Custer, Elmore, Franklin, Freemont, Gem, Gooding, Jefferson, Jerome, Kootenai, Lemhi, Lincoln, Madison, Minidoka, Oneida, Owyhee, Payette, Power, Shoshone, Teton, Twin Falls

ILLINOIS
Alexander, Bond, Bureau, Calhoun, Cass, Champaign, Christian, Clark, Clay, Clinton, Coles, Cook, Crawford, Cumberland, Dewitt, Douglas, DuPage, Edgar, Edwards, Effingham, Fayette, Ford, Franklin, Fulton, Gallatin, Greene, Grundy, Hamilton, Hardin, Henry, Iroquois, Jackson, Jasper, Jefferson, Jersey, Johnson, Kane, Kankakee, Knox, Lake, Lasalle, Lawrence, Lee, Livingston, Logan, Macon, Macoupin, Madison, Marion, Marshall, Mason, Massac, McHenry, Mclean, Menard, Mercer, Monroe, Montgomery, Morgan, Moultrie, Peoria, Perry, Piatt, Pope, Pulaski, Putnam, Randolph, Richland, Rock Island, Saline, Sangamon, Scott, Shelby, St. Clair, Stark, Tazewell, Union, Vermillion, Wabash, Washington, Wayne, White, Whiteside, Will, Williamson, Woodford

KENTUCKY
Allen, Anderson, Boone, Bourbon, Boyle, Butler, Caldwell, Campbell, Casey, Christian, Clark, Clinton, Crittenden, Cumberland, Daviess, Edmonson, Estill, Fayette, Franklin, Fulton, Garrard, Grayson, Green, Hardin, Harrison, Hart, Henderson, Hickman, Jessamine, Kenton, Lincoln, Livingston, Logan, Lyon, Madison, Marshall, Mercer, Metcalfe, McCreary, Monroe, Nicholas, Owen, Pulaski, Rockcastle, Russell, Scott, Simpson, Taylor, Todd, Trigg, Union, Warren, Wayne, Webster, Woodford

LOUISIANA
Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, De Soto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, La Salle, Lafayette, Lafourche, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana, Winn

MARYLAND
Anne Arundel, Baltimore, Jurisdiction of Baltimore City, Calvert, Caroline, Carroll, Charles, Dorchester, Frederick, Harford, Howard, Montgomery, Prince George’s, Queen Anne’s, St. Mary’s, Talbot, Washington, Wicomico, Worcester.

MISSISSIPPI
Adams, Amite, Attala, Benton, Calhoun, Carroll, Chickasaw, Choctaw, Claiborne, Clarke, Clay, Coahoma, Copiah, Covington, Desoto, Forrest, Franklin, George, Greene, Grenada, Hancock, Harrison, Hinds, Holmes, Humphreys, Issaquena, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lafayette, Lamar, Lauderdale, Lawrence, Leake, Leflore, Lincoln, Lowndes, Madison, Marion, Marshall, Montgomery, Neshoba, Newton, Noxubee, Oktibbeha, Panola, Pearl River, Perry, Pike, Pontotoc, Quitman, Rankin, Scott, Sharkey, Simpson, Smith, Stone, Sunflower, Tallahatchie, Tate, Tippah, Tunica, Union, Walthall, Warren, Washington, Wayne, Webster, Wilkinson, Winston, Yalobusha, Yazoo

MISSOURI
Audrain, Barry, Barton, Bollinger, Butler, Camden, Cape Girardeau, Carter, Cedar, Christian, Dade, Dallas, Douglas, Dunklin, Franklin, Gasconade, Greene, Hickory, Howell, Jasper, Lawrence, Laclede, Lincoln, Marion, McDonald, Mississippi, Monroe, Montgomery, New Madrid, Newton, Ozark, Pemiscot, Pike, Pulaski, Polk, Ralls, Reynolds, Scott, Shelby, St. Charles, St. Louis, Stoddard, Stone, Taney, Texas, Warren, Wayne, Webster, Wright

NORTH CAROLINA
Alamance, Beaufort, Bladen, Brunswick, Carteret, Caswell, Chatham, Columbus, Craven, Cumberland, Duplin, Durham, Edgecombe, Franklin, Granville, Greene, Guilford, Halifax, Harnett, Hoke, Johnston, Jones, Lee, Lenoir, Martin, Moore, Nash, New Hanover, Onslow, Orange, Pamlico, Pender, Person, Pitt, Randolph, Robeson, Rockingham, Sampson, Vance, Wake, Warren, Wayne, Wilson

OHIO
Adams, Athens, Belmont, Brown, Coshocton, Fairfield, Fayette, Gallia, Guernsey, Harrison, Highland, Hocking, Jackson, Jefferson, Lawrence, Licking, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Pickaway, Pike, Ross, Scioto, Tuscarawas, Vinton, Washington

OREGON
Benton, Clackamas, Douglas, Jackson, Josephine, Linn, Marion, Multnomah, Polk, Washington, Yamhill

RHODE ISLAND
Bristol, Kent, Newport, Providence, Washington

SOUTH CAROLINA
Abbeville, Aiken, Allendale, Anderson, Bamberg, Barnwell, Beaufort, Berkeley, Calhoun, Charleston, Cherokee, Chester, Chesterfield, Clarendon, Colleton, Darlington, Dillon, Dorchester, Edgefield, Fairfield, Florence, Georgetown, Greenville, Greenwood, Hampton, Horry, Jasper, Kershaw, Lancaster, Laurens, Lee, Lexington, Marion, Marlboro, McCormick, Newberry, Oconee, Orangeburg, Pickens, Richard, Richland, Saluda, Spartanburg, Sumter, Union, Williamsburg, York

TENNESSEE

Anderson, Bedford, Benton, Bledsoe, Blount, Bradley, Campbell, Cannon, Carroll, Carter, Cheatham, Chester, Claiborne, Clay, Cocke, Coffee, Crockett, Cumberland, Davidson, Decatur, Dekalb, Dickson, Dyer, Fayette, Fentress, Franklin, Gibson, Giles, Grainger, Greene, Grundy, Hamblen, Hamilton, Hancock, Hardeman, Hardin, Hawkins, Haywood, Henderson, Henry, Hickman, Houston, Humphreys, Jackson, Jefferson, Johnson, Knox, Lake, Lauderdale, Lawrence, Lewis, Lincoln, Loudon, Macon, Madison, Marion, Marshall, Maury, McMinn, McNairy, Meigs, Monroe, Montgomery, Moore, Morgan, Obion, Overton, Perry, Pickett, Polk, Putnam, Rhea, Roane, Robertson, Rutherford, Scott, Sequatchie, Sevier, Shelby, Smith, Stewart, Sullivan, Sumner, Tipton, Trousdale, Unicoi, Union, Van Buren, Warren, Washington, Wayne, Weakley, White, Williamson, Wilson

TEXAS

Andrews, Angelina, Armstrong, Borden, Bowie, Briscoe, Camp, Carson, Cass, Castro, Cherokee, Collin, Crane, Crosby, Dallas, Dawson, Deaf Smith, Delta, Denton, Donley, Ector, Ellis, Erath, Fannin, Floyd, Franklin, Garza, Glasscock, Gray, Grayson, Gregg, Hale, Hall, Hardin, Harrison, Hartley, Hockley, Hood, Hopkins, Howard, Hunt, Hutchinson, Jefferson, Johnson, Kaufman, Lamar, Lamb, Liberty, Loving, Lubbock, Lynn, Marion, Martin, Midland, Moore, Morris, Nacogdoches, Oldham, Orange, Panola, Parker, Pecos, Polk, Potter, Rains, Randall, Reagan, Red River, Reeves, Rockwell, Rusk, San Jacinto, Shelby, Smith, Somervell, Swisher, Tarrant, Terry, Titus, Tyler, Upshur, Upton, Ward, Winkler, Wise, Wood

VIRGINIA

Bedford, Bedford City, Bland, Botetourt, Carroll, Craig, Floyd, Franklin, Galax City, Giles, Grayson, Montgomery, Pulaski, Roanoke, Roanoke City, Smyth, Tazewell, Wythe

WASHINGTON

Adams, Clallam, Cowlitz, Ferry, Grant, Grays Harbor, Jefferson, King, Lewis, Lincoln, Mason, Pacific, Pend Oreille, Pierce, Snohomish, Spokane, Stevens, Thurston, Wahkiakum

WEST VIRGINIA

Barbour, Boone, Braxton, Cabell, Calhoun, Doddridge, Fayette, Gilmer, Grant, Greenbrier, Hampshire, Hardy, Harrison, Jackson, Kanawha, Lewis, Lincoln, Logan, Marion, Marshall, Mason, McDowell, Mercer, Mingo, Monongalia, Monroe, Nicholas, Ohio, Pendleton, Pleasants, Pocahontas, Preston, Putnam, Raleigh, Randolph, Ritchie, Roane, Summers, Taylor, Tucker, Tyler, Upshur, Wayne, Webster, Wetzel, Wirt, Wood, Wyoming

WISCONSIN

Dodge, Fond Du Lac, Jefferson, Kenosha, Milwaukee, Ozaukee, Racine, Rock, Sheboygan, Walworth, Washington, Waukesha

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith G. Myers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LHC Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(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: November 3, 2016

/s/ Keith G. Myers

Keith G. Myers
Chief Executive Officer (Principal executive officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joshua L. Proffitt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LHC Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(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: November 3, 2016

/s/ Joshua L. Proffitt

Joshua L. Proffitt
Executive Vice President and Chief Financial Officer
(Principal financial officer)

Exhibit 32.1

CERTIFICATION 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 LHC Group, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Keith G. Myers, Chief Executive Officer of the Company, and Joshua L. Proffitt, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 3, 2016

/s/ Keith G. Myers

Keith G. Myers
Chief Executive Officer
(Principal executive officer)

/s/ Joshua L. Proffitt

Joshua L. Proffitt
Executive Vice President and Chief Financial Officer
(Principal financial officer)