Table of Contents

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 June 30, 2021

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 001-34504

ADDUS HOMECARE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**20-5340172** **(I.R.S. Employer Identification No.)**
6303 Cowboys Way, Suite 600 **Frisco, TX** **(Address of principal executive offices)**	**75034** **(Zip Code)**

(469) 535-8200
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	ADUS	The Nasdaq Global Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

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

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

As of July 30, 2021, Addus HomeCare Corporation had 15,916,799 shares of Common Stock outstanding.

ADDUS HOMECARE CORPORATION

FORM 10-Q

INDEX

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

ADDUS HOMECARE CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2021 and December 31, 2020
(Amounts and Shares in Thousands, Except Per Share Data)
(Unaudited)

	June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash	$ 139,400	$ 145,078
Accounts receivable, net	138,270	132,650
Prepaid expenses and other current assets	12,740	9,969
Total current assets	290,410	287,697
Property and equipment, net of accumulated depreciation and amortization	18,708	19,749
Other assets		
Goodwill	469,476	469,072
Intangibles, net of accumulated amortization	67,247	71,549
Deferred tax assets, net	6,128	6,524
Operating lease assets, net	37,191	37,991
Total other assets	580,042	585,136
Total assets	$ 889,160	$ 892,582
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 23,942	$ 23,705
Accrued payroll	33,836	35,815
Accrued expenses	35,717	37,564
Government stimulus advances	8,094	32,087
Accrued workers' compensation insurance	14,382	13,759
Current portion of long-term debt	973	971
Total current liabilities	116,944	143,901
Long-term liabilities		
Long-term debt, less current portion, net of debt issuance costs	193,714	193,901
Long-term operating lease liabilities	34,339	35,516
Other long-term liabilities	108	588
Total long-term liabilities	228,161	230,005
Total liabilities	$ 345,105	$ 373,906
Stockholders' equity		
Common stock—$.001 par value; 40,000 authorized and 15,917 and 15,826 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	$ 16	$ 16
Additional paid-in capital	374,383	369,495
Retained earnings	169,656	149,165
Total stockholders' equity	544,055	518,676
Total liabilities and stockholders' equity	$ 889,160	$ 892,582

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

ADDUS HOMECARE CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2021 and 2020
(Amounts and Shares in Thousands, Except Per Share Data)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Net service revenues	$ 217,893	$ 184,576	$ 423,195	$ 374,792
Cost of service revenues	149,083	129,579	293,188	263,960
Gross profit	68,810	54,997	130,007	110,832
General and administrative expenses	48,175	42,450	93,601	84,737
Depreciation and amortization	3,587	2,940	7,188	5,827
Total operating expenses	51,762	45,390	100,789	90,564
Operating income	17,048	9,607	29,218	20,268
Interest income	(31)	(155)	(53)	(489)
Interest expense	1,262	721	2,478	1,629
Total interest expense, net	1,231	566	2,425	1,140
Income before income taxes	15,817	9,041	26,793	19,128
Income tax expense	4,220	2,134	6,302	3,563
Net income	$ 11,597	$ 6,907	$ 20,491	$ 15,565
Net income per common share				
Basic income per share	$ 0.74	$ 0.44	$ 1.30	$ 1.00
Diluted income per share	$ 0.72	$ 0.43	$ 1.28	$ 0.98
Weighted average number of common shares and potential common shares outstanding:				
Basic	15,738	15,582	15,716	15,551
Diluted	16,043	15,916	16,063	15,917

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

ADDUS HOMECARE CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three and Six Months Ended June 30, 2021 and 2020
(Amounts and Shares in Thousands)
(Unaudited)

	For the Three Months Ended June 30, 2021				
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at April 1, 2021	15,903	$ 16	$ 371,835	$ 158,059	$ 529,910
Issuance of shares of common stock under restricted stock award agreements	13	—	—	—	—
Stock-based compensation	—	—	2,525	—	2,525
Shares issued for exercise of stock options	1	—	23	—	23
Net income	—	—	—	11,597	11,597
Balance at June 30, 2021	15,917	$ 16	$ 374,383	$ 169,656	$ 544,055

	For the Six Months Ended June 30, 2021				
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2021	15,826	$ 16	$ 369,495	$ 149,165	$ 518,676
Issuance of shares of common stock under restricted stock award agreements	88	—	—	—	—
Stock-based compensation	—	—	4,764	—	4,764
Shares issued for exercise of stock options	3	—	124	—	124
Net income	—	—	—	20,491	20,491
Balance at June 30, 2021	15,917	$ 16	$ 374,383	$ 169,656	$ 544,055

	For the Three Months Ended June 30, 2020				
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at April 1, 2020	15,660	$ 16	$ 362,102	$ 124,690	$ 486,808
Forfeiture of shares of common stock under restricted stock award agreements	(1)	—	—	—	—
Stock-based compensation	—	—	1,118	—	1,118
Shares issued for exercise of stock options	6	—	28	—	28
Net income	—	—	—	6,907	6,907
Balance at June 30, 2020	15,665	$ 16	$ 363,248	$ 131,597	$ 494,861

	For the Six Months Ended June 30, 2020				
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2020	15,617	$ 15	$ 359,545	$ 116,032	$ 475,592
Forfeiture of shares of common stock under restricted stock award agreements	(6)	—	—	—	—
Stock-based compensation	—	—	2,525	—	2,525
Shares issued for exercise of stock options	54	1	1,178	—	1,179
Net income	—	—	—	15,565	15,565
Balance at June 30, 2020	15,665	$ 16	$ 363,248	$ 131,597	$ 494,861

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

ADDUS HOMECARE CORPORATION
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2021 and 2020
(Amounts in Thousands)
(Unaudited)

	For the Six Months Ended June 30,	
	2021	**2020**
Cash flows from operating activities:		
Net income	$ 20,491	$ 15,565
Adjustments to reconcile net income to net cash (used in) provided by operating activities, net of acquisitions:		
Depreciation and amortization	7,188	5,827
Deferred income taxes	396	100
Stock-based compensation	4,764	2,525
Amortization of debt issuance costs under the credit facility	368	370
Provision for doubtful accounts	529	436
Loss (gain) of disposal of assets	—	352
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(6,232)	23,342
Prepaid expenses and other current assets	(3,004)	(3,608)
Government stimulus advances	(23,993)	—
Accounts payable	111	(2,700)
Accrued payroll	(1,900)	(1,800)
Accrued expenses and other long-term liabilities	(2,039)	10,478
Net cash (used in) provided by operating activities	(3,321)	50,887
Cash flows from investing activities:		
Purchases of property and equipment	(1,847)	(4,842)
Acquisitions of businesses, net of cash acquired	(81)	(295)
Proceeds from disposal of assets	—	172
Net cash used in investing activities	(1,928)	(4,965)
Cash flows from financing activities:		
Payments on term loan — credit facility	(490)	(245)
Cash received from exercise of stock options	124	1,179
Other	(63)	(21)
Net cash (used in) provided by financing activities	(429)	913
Net change in cash	(5,678)	46,835
Cash, at beginning of period	145,078	111,714
Cash, at end of period	$ 139,400	$ 158,549
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 2,136	$ 992
Cash paid for income taxes	10,950	6,414

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

ADDUS HOMECARE CORPORATION
AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Nature of Operations, Consolidation, and Presentation of Financial Statements

Addus HomeCare Corporation ("Holdings") and its subsidiaries (together with Holdings, the "Company", "we", "us" or "our") operate as a multi-state provider of three distinct but related business segments providing in-home services. In its personal care services segment, the Company provides non-medical assistance with activities of daily living, primarily to persons who are at increased risk of hospitalization or institutionalization, such as the elderly, chronically ill or disabled. In its hospice segment, the Company provides physical, emotional and spiritual care for people who are terminally ill as well as related services for their families. In its home health segment, the Company provides services that are primarily medical in nature to individuals who may require assistance during an illness or after hospitalization and include skilled nursing and physical, occupational and speech therapy. The Company's payors include federal, state and local governmental agencies, managed care organizations, commercial insurers and private individuals.

Basis of Presentation

The accompanying Unaudited Condensed Consolidated Financial Statements and related notes have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for Quarterly Reports on Form 10-Q. The accompanying balance sheet as of December 31, 2020 has been derived from the Company's audited financial statements for the year ended December 31, 2020 previously filed with the SEC. Accordingly, these financial statements do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for annual financial statements and should be read in conjunction with our consolidated financial statements and notes thereto for the year ended December 31, 2020 included in our Annual Report on Form 10-K, which includes information and disclosures not included herein.

In the opinion of management, these financial statements reflect all adjustments of a normal, recurring nature necessary for the fair statement of our financial position, results of operations, and cash flows for the interim periods presented in conformity with GAAP. Our results for any interim period are not necessarily indicative of results for a full year or any other interim period.

Principles of Consolidation

These Unaudited Condensed Consolidated Financial Statements include the accounts of Addus HomeCare Corporation, and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Estimates

The financial statements are prepared by management in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") and include estimated amounts and certain disclosures based on assumptions about future events. The Company's critical accounting estimates include the following areas: revenue recognition, allowance for doubtful accounts, intangible assets acquired in business combinations and, when required, the quantitative impairment assessment of goodwill and indefinite lived intangible assets. Actual results could differ from those estimates.

Diluted Net Income Per Common Share

Diluted net income per common share, calculated on the treasury stock method, is based on the weighted average number of shares outstanding during the period. The Company's outstanding securities that may potentially dilute the common stock are stock options and restricted stock awards.

As of June 30, 2021 and 2020, dilutive stock options outstanding were approximately 526,000 and 579,000, respectively, and dilutive restricted stock awards outstanding were approximately 172,000 and 72,000, respectively.

Included in the Company's calculation of diluted earnings per share for the three and six months ended June 30, 2021, dilutive stock options outstanding were approximately 286,000 and 298,000, respectively. In addition, dilutive restricted stock awards outstanding were approximately 20,000 and 49,000 for the three and six months ended June 30, 2021, respectively.

Included in the Company's calculation of diluted earnings per share for the three and six months ended June 30, 2020, dilutive stock options outstanding were approximately 296,000 and 304,000, respectively. In addition, dilutive restricted stock awards outstanding were approximately 37,000 and 63,000 for the three and six months ended June 30, 2020, respectively.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. ASU 2019-12 simplifies various aspects related to accounting for income taxes and removes certain exceptions to the general guidance in ASC 740. In addition, the ASU clarifies and amends existing guidance to improve consistent application of its requirements. The ASU was adopted as of January 1, 2021 and did not have an impact on the Company's results of operations or liquidity.

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, and other transactions subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. Therefore, it will be in effect for a limited time through December 31, 2022. The ASU can be adopted no later than December 1, 2022 with early adoption permitted. The Company is evaluating the effect of adopting this new accounting guidance.

3. Leases

Amounts reported in the Company's Unaudited Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020 for our operating leases were as follows:

	June 30, 2021	December 31, 2020
	(Amounts in Thousands)	
Operating lease assets, net	$ 37,191	$ 37,991
Short-term operating lease liabilities (in accrued expenses)	9,621	9,283
Long-term operating lease liabilities	34,339	35,516
Total operating lease liabilities	$ 43,960	$ 44,799

Lease Costs

Components of lease costs were reported in general and administrative expenses in the Company's Unaudited Condensed Consolidated Statements of Income as follows:

	For the Three Months Ended June 30, (Amounts in Thousands)		For the Six Months Ended June 30, (Amounts in Thousands)	
	2021	2020	2021	2020
Operating lease costs	$ 2,775	$ 2,120	$ 5,552	$ 4,238
Short-term lease costs	194	161	375	428
Less: sublease income	(152)	(74)	(303)	(149)
Total lease costs, net	$ 2,817	$ 2,207	$ 5,624	$ 4,517

Lease Term and Discount Rate

Weighted average remaining lease terms and discount rates were as follows:

	June 30, 2021	December 31, 2020
Operating leases:		
Weighted average remaining lease term	6.72	6.97
Weighted average discount rate	4.03%	4.18%

Maturity of Lease Liabilities

A summary of our remaining operating lease payments as of June 30, 2021 were as follows:

		Operating Leases (Amounts in Thousands)
Due in the 12-month period ended June 30,		
2022	$	10,967
2023		9,012
2024		7,109
2025		4,960
2026		3,289
Thereafter		15,095
Total future minimum rental commitments		50,432
Less: Imputed interest		(6,472)
Total lease liabilities	$	43,960

Supplemental cash flows information

	For the Six Months Ended June 30, (Amounts in Thousands)			
		2021		2020
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$	5,313	$	4,321
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases		3,919		2,441

4. Acquisitions

The Company’s acquisitions have been accounted for in accordance with ASC Topic 805, *Business Combinations*, and the resulting goodwill and other intangible assets were accounted for under ASC Topic 350, *Goodwill and Other Intangible Assets*. Under business combination accounting, the assets and liabilities are generally recognized at their fair values and the difference between the consideration transferred, excluding transaction costs, and the fair values of the assets and liabilities is recognized as goodwill. The results of each business acquisition are included on the Unaudited Condensed Consolidated Statements of Income from the date of the acquisition.

Management’s assessment of qualitative factors affecting goodwill for each acquisition includes estimates of market share at the date of purchase, ability to grow in the market, synergy with existing Company operations and the payor profile in the markets.

Queen City Hospice

On December 4, 2020, we completed the acquisition of Queen City Hospice, LLC and its affiliate Miracle City Hospice, LLC (together “Queen City Hospice”). The purchase price was approximately $194.8 million, including the amount of acquired excess cash held by Queen City Hospice at the closing of the acquisition (approximately $15.4 million). The purchase of Queen City Hospice was funded with the Company’s revolving credit facility and available cash. With the purchase of Queen City Hospice, the Company expanded its hospice services in the state of Ohio. The related integration costs were $0.8 million and $1.7 million for the three and six months ended June 30, 2021, respectively. These costs were included in general and administrative expenses on the Unaudited Condensed Consolidated Statements of Income and were expensed as incurred.

Based upon management's valuations, which are preliminary and subject to completion of working capital adjustments, the fair values of the assets and liabilities acquired are as follows:

		Total (Amounts in Thousands)
Goodwill	$	169,356
Identifiable intangible assets		20,015
Cash		15,444
Property and equipment		759
Accounts receivable		5,835
Operating lease assets, net		3,028
Other assets		94
Accounts payable		(2,257)
Accrued expenses		(503)
Accrued payroll		(1,555)
Long-term operating lease liabilities		(2,765)
Government stimulus advances		(12,694)
Total purchase price	$	194,757

Identifiable intangible assets acquired included $11.0 million in trade names and $1.5 million of non-competition agreements with estimated useful lives of fifteen years and five years, respectively, and $7.5 million of indefinite lived state licenses. The preliminary estimated fair value of identifiable intangible assets was determined with the assistance of a valuation specialist, using Level 3 inputs as defined under ASC Topic 820. The fair value analysis and related valuations reflect the conclusions of management. All estimates, key assumptions, and forecasts were either provided by or reviewed by the Company. The goodwill and intangible assets acquired are deductible for tax purposes.

County Homemakers

On November 1, 2020, we completed the acquisition of County Homemakers. The purchase price was approximately $15.8 million, including the amount of acquired excess cash held by County Homemakers at the closing of the acquisition (approximately $1.1 million). The purchase of County Homemakers was funded with the Company's available cash. With the purchase of County Homemakers, the Company expanded its personal care services in the state of Pennsylvania. The related integration costs were $0.2 million for the six months ended June 30, 2021. These costs were included in general and administrative expenses on the Unaudited Condensed Consolidated Statements of Income and were expensed as incurred.

Based upon management's valuations, which are preliminary and subject to completion of working capital adjustments, the fair values of the assets and liabilities acquired are as follows:

		Total (Amounts in Thousands)
Goodwill	$	13,457
Identifiable intangible assets		474
Cash		1,104
Property and equipment		52
Accounts receivable		1,396
Operating lease assets, net		485
Other assets		40
Accounts payable		(122)
Accrued expenses		(37)
Accrued payroll		(543)
Long-term operating lease liabilities		(485)
Total purchase price	$	15,821

Identifiable intangible assets acquired included approximately $0.3 million in state licenses and $0.1 million in trade names with estimated useful lives of eight years and one year, respectively. The preliminary estimated fair value of identifiable intangible assets was determined with the assistance of a valuation specialist, using Level 3 inputs as defined under ASC Topic 820. The fair value analysis and related valuations reflect the conclusions of management. All estimates, key assumptions, and forecasts were either provided by or reviewed by the Company. The goodwill and intangible assets acquired are deductible for tax purposes.

A Plus Health Care

On July 1, 2020, we completed the acquisition of A Plus Health Care, Inc. ("A Plus"). The purchase price was approximately $14.5 million, including the amount of acquired excess cash held by A Plus at the closing of the acquisition (approximately $2.8 million). The purchase of A Plus was funded with the Company's available cash. With the purchase of A Plus, the Company expanded its personal care services in the state of

Montana. The related integration costs were $0.1 million for the six months ended June 30, 2021. These costs were included in general and administrative expenses on the Unaudited Condensed Consolidated Statements of Income and were expensed as incurred.

Based upon management's final valuations, the fair values of the assets and liabilities acquired are as follows:

	Total (Amounts in Thousands)
Goodwill	$ 9,732
Identifiable intangible assets	1,523
Cash	2,819
Accounts receivable	1,009
Operating lease assets, net	180
Other assets	26
Accounts payable	(34)
Accrued expenses	(353)
Accrued payroll	(275)
Long-term operating lease liabilities	(100)
Total purchase price	$ 14,527

Identifiable intangible assets acquired included $1.4 million in trade names with an estimated useful life of fifteen years. The estimated fair value of identifiable intangible assets was determined with the assistance of a valuation specialist, using Level 3 inputs as defined under ASC Topic 820. The fair value analysis and related valuations reflect the conclusions of management. All estimates, key assumptions, and forecasts were either provided by or reviewed by the Company. The goodwill and intangible assets acquired are deductible for tax purposes.

SunLife Home Care

On December 1, 2020, we completed the acquisition of SunLife Home Care ("SunLife") for approximately $1.7 million and recorded goodwill of $1.6 million. With the purchase of SunLife, we expanded our personal care services in the state of Arizona. Goodwill generated from the acquisition is primarily attributable to expected synergies with existing Company operations and the goodwill acquired is deductible for tax purposes.

The following table contains unaudited pro forma condensed consolidated income statement information of the Company for the three and six months ended June 30, 2020 as if each of the acquisitions of Queen City Hospice, County Homemakers and A Plus closed on January 1, 2020.

	For the Three Months Ended June 30, 2020 (Amounts in Thousands)	For the Six Months Ended June 30, 2020 (Amounts in Thousands)
Net service revenues	$ 203,465	$ 412,434
Operating income	11,344	23,941
Net income	8,354	18,661
Net income per common share		
Basic income per share	$ 0.54	$ 1.20
Diluted income per share	$ 0.52	$ 1.17

The pro forma disclosures in the table above include adjustments for amortization of intangible assets, tax expense and acquisition costs to reflect results that are more representative of the combined results of the transactions as if Queen City Hospice, County Homemakers and A Plus had been acquired effective January 1, 2020. This pro forma information is presented for illustrative purposes only and may not be indicative of the results of operations that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro forma information. The unaudited pro forma financial information does not reflect the impact of future events that may occur after the acquisition, such as anticipated cost savings from operating synergies.

5. Goodwill and Intangible Assets

The goodwill for the Company was $469.5 million and $469.1 million as of June 30, 2021 and December 31, 2020, respectively.

A summary of the goodwill activity for the six months ended June 30, 2021 is provided below:

	Goodwill			
	Hospice	Personal Care	Home Health	Total
	(Amounts in Thousands)			
Goodwill as of December 31, 2020	$ 314,833	$ 152,448	$ 1,791	$ 469,072
Additions for acquisitions	—	115	—	115
Adjustments to previously recorded goodwill	149	140	—	289
Goodwill as of June 30, 2021	$ 314,982	$ 152,703	$ 1,791	$ 469,476

The Company's identifiable intangible assets consist of customer and referral relationships, trade names and trademarks, non-competition agreements and state licenses. Amortization is computed using straight-line and accelerated methods based upon the estimated useful lives of the respective assets, which range from one to twenty-five years. Customer and referral relationships are amortized systematically over the periods of expected economic benefit, which range from five to ten years.

The carrying amount and accumulated amortization of each identifiable intangible asset category consisted of the following as of June 30, 2021:

	Customer and referral relationships	Trade names and trademarks	Non-competition agreements	State Licenses	Total
	(Amounts in Thousands)				
Intangible assets with indefinite lives	$ —	$ —	$ —	$ 20,791	$ 20,791
Intangible assets subject to amortization:					
Gross carrying amount	44,672	42,926	6,225	12,507	106,330
Accumulated amortization	(35,391)	(17,106)	(3,336)	(4,041)	(59,874)
Intangible assets subject to amortization, net	9,281	25,820	2,889	8,466	46,456
Total intangible assets at June 30, 2021	$ 9,281	$ 25,820	$ 2,889	$ 29,257	$ 67,247

Amortization expense related to the identifiable intangible assets amounted to $2.1 million and $4.3 million for the three and six months ended June 30, 2021, respectively, and $1.8 million and $3.5 million for the three and six months ended June 30, 2020, respectively. The weighted average remaining useful lives of identifiable intangible assets as of June 30, 2021 is 9.5 years.

6. Details of Certain Balance Sheet Accounts

Prepaid expenses and other current assets consisted of the following:

	June 30, 2021	December 31, 2020
	(Amounts in Thousands)	
Prepaid workers' compensation and liability insurance	$ 2,782	$ 2,838
Workers' compensation insurance receivable	1,860	1,860
Health insurance receivable	1,108	528
Other	6,990	4,743
Total prepaid expenses and other current assets	$ 12,740	$ 9,969

Accrued expenses consisted of the following:

	June 30, 2021	December 31, 2020
	(Amounts in Thousands)	
Current portion of operating lease liabilities	$ 9,621	$ 9,283
Payor advances (1)	6,375	4,206
Accrued health insurance	5,010	5,607
Accrued professional fees	3,729	4,220
Accrued payroll taxes	1,812	4,543
Other	9,170	9,705
Total accrued expenses	$ 35,717	$ 37,564

(1) Represents the deferred portion of payments received from payors for COVID-19 reimbursements which will be recognized as we incur specific COVID-19 related expenses (including expenses related to securing and maintaining adequate personnel) or will be returned to the extent such related expenses are not incurred.

Government stimulus advances consisted of the following:

	June 30, 2021	December 31, 2020
	(Amounts in Thousands)	
Payroll tax deferral	$ 7,141	$ 7,141
Provider Relief Fund	953	12,252
CMS advanced payment program — Queen City Hospice	—	10,801
Provider Relief Fund — Queen City Hospice	—	1,893
Total government stimulus advances	$ 8,094	$ 32,087

In recognition of the significant threat to the liquidity of financial markets posed by the COVID-19 pandemic, the Federal Reserve and Congress have taken dramatic actions to provide liquidity to businesses and the banking system in the United States. One of the primary sources of relief for healthcare providers is the CARES Act, which was expanded by the PPPHCE Act, and the CAA. The American Rescue Plan Act of 2021 (“ARPA”), another relief package with numerous provisions that affect healthcare providers, was signed into law in March 2021. See Note 9 for additional information regarding government actions to mitigate COVID-19’s impact.

Provider Relief Fund

In total, the CARES Act and other relief legislation include over $178 billion in funding to be distributed through the Provider Relief Fund to eligible providers, including public entities and Medicare- and/or Medicaid-enrolled providers. In November 2020, the Company received grants in an aggregate principal amount of $13.7 million from the Provider Relief Fund, for which we had previously applied. The Company utilized $10.4 million and $11.3 million of these funds for the three and six months ended June 30, 2021, respectively, for healthcare related expenses, including retention payments, attributable to COVID-19 that were unreimbursed by other sources. In accordance with the current guidance issued by HHS, the Company expects to utilize additional funds through December 31, 2021, at which point we anticipate any unused funds will be returned. We are required to properly and fully document the use of such funds in reports to HHS, which must be submitted no later than March 31, 2022. The Company’s ability to utilize and retain some or all of such funds will depend on the magnitude, timing and nature of the impact of the COVID-19 pandemic, as well as the terms and conditions of the funds received. Queen City Hospice administered retention payments totaling $1.9 million to caregivers for the three and six months ended June 30, 2021, which we believe to be necessary to secure and maintain adequate personnel. Commercial organizations that receive and expend annual total awards of $750,000 or more in federal funding, including payments received through the Provider Relief Fund, are subject to federal audit requirements.

Medicare Accelerated and Advance Payment Program – Queen City Hospice

The CARES Act expanded the Medicare Accelerated and Advance Payment Program to increase cash flow to providers impacted by the COVID-19 pandemic. Hospice and home health providers were able to request an advance or accelerated payment of up to 100% of the Medicare payment amount for a three-month period (not including Medicare Advantage payments). The Medicare Accelerated and Advance Payment Program payments are a loan that providers must repay. In April 2020, Queen City Hospice received an amount equal to $10.8 million pursuant to the Medicare Accelerated and Advance Payment Program. Queen City Hospice did not repay the funds prior to the completion of our acquisition of Queen City Hospice. However, Queen City Hospice repaid such funds following its acquisition in March 2021, prior to any CMS recoupment and before any interest accrual.

Payroll tax deferral

The CARES Act also provides for certain federal income and other tax changes, including allowing for the deferral of the employer portion of Social Security payroll taxes through December 31, 2020. The Company received a cash benefit of approximately $7.1 million related to the deferral of employer payroll taxes for 2020 under the CARES Act, for the period April 2, 2020 through June 30, 2020. Effective July 1, 2020, the Company began paying its deferred portion of employer Social Security payroll taxes and expects to repay the $7.1 million in the fourth quarter of 2021.

7. Long-Term Debt

Long-term debt consisted of the following:

	June 30, 2021	December 31, 2020
	(Amounts in Thousands)	
Revolving loan under the credit facility	$ 178,458	$ 178,458
Term loan under the credit facility	17,640	18,130
Less unamortized issuance costs	(1,411)	(1,716)
Total	$ 194,687	$ 194,872
Less current maturities	(973)	(971)
Long-term debt	$ 193,714	$ 193,901

Amended and Restated Senior Secured Credit Facility

On October 31, 2018, the Company entered into the Amended and Restated Credit Agreement, dated as of October 31, 2018, with certain lenders and Capital One, National Association, as a lender and as agent for all lenders (as amended by the Amendment (as hereinafter defined), the “Credit Agreement”). This credit facility totaled $269.6 million, inclusive of a $250.0 million revolving loan and a $19.6 million delayed draw term loan, and is evidenced by the Credit Agreement. This credit facility amended and restated the Company’s existing senior secured credit facility totaling $250.0 million. As used throughout this Quarterly Report on Form 10-Q, “credit facility” shall mean the credit facility evidenced by the Credit Agreement. The maturity of this credit facility is May 8, 2023. Interest on the Company’s credit facility may be payable at (x) the sum of (i) an applicable margin ranging from 0.75% to 1.50% based on the applicable senior net leverage ratio plus (ii) a base rate equal to the greatest of (a) the rate of interest last quoted by The Wall Street Journal as the “prime rate,” (b) the sum of the federal funds rate plus a margin of 0.50% and (c) the sum of the adjusted LIBOR that would be applicable to a loan with an interest period of one month advanced on the applicable day (not to be less than 0.00%) plus a margin of 1.00% or (y) the sum of (i) an applicable margin ranging from 1.75% to 2.50% based on the applicable senior net leverage ratio plus (ii) the offered rate per annum for similar dollar deposits for the applicable interest period that appears on Reuters Screen LIBOR01 Page (not to be less than zero). Swing loans may not be LIBOR loans. The availability of additional draws under this credit facility is conditioned, among other things, upon (after giving effect to such draws) the Total Net Leverage Ratio (as defined in the Credit Agreement) not exceeding 3.75:1.00. In certain circumstances, in connection with a Material Acquisition (as defined in the Credit Agreement), the Company can elect to increase its Total Net Leverage Ratio compliance covenant to 4.25:1.00 for the then current fiscal quarter and the three succeeding fiscal quarters.

Addus HealthCare, Inc. (“Addus HealthCare”) is the borrower, and its parent, Holdings, and substantially all of Holdings’ subsidiaries are guarantors under this credit facility, and it is collateralized by a first priority security interest in all of the Company’s and the other credit parties’ current and future tangible and intangible assets, including the shares of stock of the borrower and subsidiaries. The Credit Agreement contains affirmative and negative covenants customary for credit facilities of this type, including limitations on the Company with respect to liens, indebtedness, guaranties, investments, distributions, mergers and acquisitions and dispositions of assets.

The Company pays a fee ranging from 0.20% to 0.35% based on the applicable senior net leverage ratio times the unused portion of the revolving loan portion of the credit facility.

The Credit Agreement contains customary affirmative covenants regarding, among other things, the maintenance of records, compliance with laws, maintenance of permits, maintenance of insurance and property and payment of taxes. The Credit Agreement also contains certain customary financial covenants and negative covenants that, among other things, include a requirement to maintain a minimum Interest Coverage Ratio (as defined in the Credit Agreement), a requirement to stay below a maximum Total Net Leverage Ratio (as defined in the Credit Agreement) and a requirement to stay below a maximum permitted amount of capital expenditures. The Credit Agreement also contains restrictions on guarantees, indebtedness, liens, investments and loans, subject to customary carve outs, a restriction on dividends (provided that Addus HealthCare may make distributions to the Company in an amount that does not exceed $7.5 million in any year absent of an event of default, plus limited exceptions for tax and administrative distributions), a restriction on the ability to consummate acquisitions (without the consent of the lenders) under its credit facility subject to compliance with the Total Net Leverage Ratio (as defined in the Credit Agreement thresholds), restrictions on mergers, dispositions of assets, and affiliate transactions, and restrictions on fundamental changes and lines of business. As of June 30, 2021, the Company was in compliance with all financial covenants under the Credit Agreement.

On September 12, 2019, the Company entered into a First Amendment (the “Amendment”) to its Credit Agreement. The Amendment increased the Company’s credit facility by $50.0 million in incremental revolving loans, for an aggregate $300.0 million in revolving loans. The Amendment provides that future incremental loans may be for term loans or an increase to the revolving loan commitments. The Amendment further provides that the proceeds of such $50.0 million incremental revolving loans may be used for, among other things, general corporate purposes.

On July 30, 2021, the Company entered into a Second Amendment (the “Second Amendment”) to its Credit Agreement, see Note 12 for additional information.

During the six months ended June 30, 2021 and 2020, the Company had no draws under its credit facility.

As of June 30, 2021, the Company had a total of $178.5 million of revolving loans, with an interest rate of 2.08%, and $17.6 million of term loans, with an interest rate of 2.09%, outstanding on its credit facility. After giving effect to the amount drawn on its credit facility, approximately $8.7 million of outstanding letters of credit and borrowing limits based on an advance multiple of adjusted EBITDA (as defined in the Credit Agreement), the Company had $112.8 million available for borrowing under its credit facility. As of December 31, 2020, the Company had a total of $178.5 million of revolving loans, with an interest rate of 1.90%, and $18.1 million of term loans, with an interest rate of 1.90%, outstanding on its credit facility.

8. Income Taxes

The effective income tax rates were 26.7% and 23.6% for the three months ended June 30, 2021 and 2020, respectively. The difference between our federal statutory and effective income tax rates is principally due to the inclusion of state taxes and non-deductible compensation partially offset by the use of federal employment tax credits.

The effective income tax rates were 23.5% and 18.6% for the six months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021, the difference between our federal statutory and effective income tax rates was principally due to the inclusion of state taxes and non-deductible compensation partially offset by the use of federal employment tax credits and excess tax benefit. For the six months ended June 30, 2020, the difference between our federal statutory and effective income tax rates was principally due to the inclusion of an excess tax benefit and the use of federal employment tax credits partially offset by state taxes and non-deductible compensation. For the six months ended June 30, 2021 and 2020, the effective tax rates were inclusive of an excess tax benefit of 3.0% and 7.5%, respectively. The excess tax benefit is a discrete item, related to the vesting of equity shares, which requires the Company to recognize the benefit fully in the period. An excess tax benefit results if the Company's income tax deduction exceeds the cumulative costs of the award recognized on the Unaudited Condensed Consolidated Statements of Income.

9. Commitments and Contingencies

Government Actions to Mitigate COVID-19's Impact

On January 31, 2020, the Secretary of the U.S. Department of Health and Human Services ("HHS") declared a national public health emergency due to a novel coronavirus. In March 2020, the World Health Organization declared the outbreak of COVID-19, a disease caused by this novel coronavirus, a pandemic. This disease continues to impact the United States and other parts of the world.

In recognition of the significant threat to the liquidity of financial markets posed by the COVID-19 pandemic, the Federal Reserve and Congress have taken dramatic actions to provide liquidity to businesses and the banking system in the United States. For example, on March 27, 2020, the CARES Act, a sweeping stimulus bill intended to bolster the U.S. economy, was enacted. The PPPHCE Act and the CAA both expansions of the CARES Act, were signed into law on April 24, 2020 and December 27, 2020, respectively. In total, the CARES Act, the PPPHCE Act and CAA authorize $178 billion in funding to be distributed to health care providers through the Provider Relief Fund. This funding is intended to support healthcare providers by reimbursing them for healthcare-related expenses or lost revenues attributable to COVID-19. On March 11, 2021, the ARPA was signed into law, another COVID-19 relief package with numerous provisions that affect healthcare providers, including additional funding targeted to specified healthcare providers and to improve coronavirus testing and vaccine-related activities.

In addition to the Provider Relief Fund, the CARES Act and related laws include temporary changes to Medicare and Medicaid payment rules and relief from certain accounting provisions. For example, the laws temporarily lift the Medicare sequester, which would have otherwise reduced payments to Medicare providers by 2% as required by the Budget Control Act of 2011, from May 1, 2020, through December 31, 2021 (but also extend sequestration through 2030). This Medicare sequester relief resulted in an increase of $0.1 million and $0.2 million to home health net service revenues, and $0.7 million and $1.4 million, to hospice net service revenues for the three and six months ended June 30, 2021, respectively. For the three months ended June 30, 2020, the Medicare sequester relief resulted in an increase of $0.3 million and $0.1 million, respectively, to hospice and home health net service revenues. However, the ARPA increases the federal budget deficit in a manner that triggers an additional statutorily mandated sequestration under the Pay-As-You-Go Act of 2010 ("PAYGO Act"). As a result, absent congressional action, Medicare spending will be reduced by up to 4% in fiscal year 2022, in addition to the existing sequestration requirements of the Budget Control Act of 2011. We cannot currently determine if, or to what extent, our business, results of operations, financial condition or liquidity will ultimately be impacted by mandated sequestration triggers under the PAYGO Act, or if the mandated sequestration will occur.

While conditions related to the COVID-19 pandemic have improved in recent months in the United States as vaccinations have become more widely available, it is impossible to predict the effect and ultimate impact of the COVID-19 pandemic on the Company as the situation continues to evolve. See Note 6 for additional information regarding government stimulus advances the Company has received.

Legal Proceedings

From time to time, the Company is subject to legal and/or administrative proceedings incidental to its business.

On June 2, 2021, the Company received a $6.5 million Request for Repayment from Palmetto, GBA, LLC ("Palmetto"), a Medicare administrative contractor, regarding Ambercare Hospice Inc. ("Ambercare"), our subsidiary that provides hospice services in New Mexico. The Centers for Medicare and Medicaid Services Office of Inspector General's Office of Audit Services ("OAS") had in 2018 initiated a clinical review of certain hospice claims billed during a timeframe from January 1, 2016 to December 31, 2017. The OAS review concluded that certain payments to Ambercare for hospice services during the review period were made in error. The Company acquired Ambercare in May 2018 and has a contractual right to full indemnification from any potential losses from the OAS review through the terms of the Ambercare purchase agreement. The Company disputes the results of the OAS review and related asserted billing errors and is in the process of filing administrative appeals. At this stage, the Company cannot predict the ultimate outcome of the appeal process.

It is the opinion of management that the outcome of pending legal and/or administrative proceedings will not have a material effect on the Company's Unaudited Condensed Consolidated Balance Sheets and Unaudited Condensed Consolidated Statements of Income.

10. Segment Information

Operating segments are defined as components of a company that engage in business activities from which it may earn revenues and incur expenses, and for which separate financial information is available and is regularly reviewed by the Company's chief operating decision makers, to assess the performance of the individual segments and make decisions about resources to be allocated to the segments. The Company operates as a multi-state provider of three distinct but related business segments providing in-home services.

In its personal care segment, the Company provides non-medical assistance with activities of daily living, primarily to persons who are at increased risk of hospitalization or institutionalization, such as the elderly, chronically ill or disabled. In its hospice segment, the Company provides physical, emotional and spiritual care for people who are terminally ill as well as related services for their families. In its home health segment, the Company provides services that are primarily medical in nature to individuals who may require assistance during an illness or after hospitalization and include skilled nursing and physical, occupational and speech therapy.

The tables below set forth information about the Company's reportable segments for the three and six months ended June 30, 2021 and 2020, along with the items necessary to reconcile the segment information to the totals reported in the accompanying Unaudited Condensed Consolidated Financial Statements. Segment assets are not reviewed by the Company's chief operating decision maker function and therefore are not disclosed below.

Segment operating income consists of revenue generated by a segment, less the direct costs of service revenues and general and administrative expenses that are incurred directly by the segment. Unallocated general and administrative costs are those costs for functions performed in a centralized manner and therefore not attributable to a particular segment. These costs include accounting, finance, human resources, legal, information technology, corporate office support and facility costs and overall corporate management.

	For the Three Months Ended June 30, 2021 (Amounts in Thousands)			
	Personal Care	Hospice	Home Health	Total
Net service revenues	$ 176,267	$ 36,909	$ 4,717	$ 217,893
Cost of services revenues	127,258	18,912	2,913	149,083
Gross profit	49,009	17,997	1,804	68,810
General and administrative expenses	16,358	8,673	968	25,999
Segment operating income	$ 32,651	$ 9,324	$ 836	$ 42,811

	For the Three Months Ended June 30, 2020 (Amounts in Thousands)			
	Personal Care	Hospice	Home Health	Total
Net service revenues	$ 156,268	$ 24,525	$ 3,783	$ 184,576
Cost of services revenues	115,822	10,924	2,833	129,579
Gross profit	40,446	13,601	950	54,997
General and administrative expenses	14,603	6,297	883	21,783
Segment operating income	$ 25,843	$ 7,304	$ 67	$ 33,214

	For the Three Months Ended June 30, 2021	2020
	(Amounts in Thousands)	
Segment reconciliation:		
Total segment operating income	$ 42,811	$ 33,214
Items not allocated at segment level:		
Other general and administrative expenses	22,176	20,667
Depreciation and amortization	3,587	2,940
Interest income	(31)	(155)
Interest expense	1,262	721
Income before income taxes	$ 15,817	$ 9,041

	For the Six Months Ended June 30, 2021 (Amounts in Thousands)			
	Personal Care	Hospice	Home Health	Total
Net service revenues	$ 341,135	$ 73,003	$ 9,057	$ 423,195
Cost of services revenues	250,097	37,508	5,583	293,188
Gross profit	91,038	35,495	3,474	130,007
General and administrative expenses	31,641	17,136	1,933	50,710
Segment operating income	$ 59,397	$ 18,359	$ 1,541	$ 79,297

	For the Six Months Ended June 30, 2020 (Amounts in Thousands)			
	Personal Care	Hospice	Home Health	Total
Net service revenues	$ 316,933	$ 49,737	$ 8,122	$ 374,792
Cost of services revenues	234,850	23,242	5,868	263,960
Gross profit	82,083	26,495	2,254	110,832
General and administrative expenses	30,205	12,754	1,905	44,864
Segment operating income	$ 51,878	$ 13,741	$ 349	$ 65,968

	For the Six Months Ended June 30, 2021	2020
	(Amounts in Thousands)	
Segment reconciliation:		
Total segment operating income	$ 79,297	$ 65,968
Items not allocated at segment level:		
Other general and administrative expenses	42,891	39,873
Depreciation and amortization	7,188	5,827
Interest income	(53)	(489)
Interest expense	2,478	1,629
Income before income taxes	$ 26,793	$ 19,128

Table of Contents

11. Significant Payors

For the three and six months ended June 30, 2021 and 2020, the Company's revenue by payor type was as follows:

	Personal Care							
	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues
State, local and other governmental programs	$ 88,382	50.2 %	$ 78,054	50.0 %	$ 169,231	49.6 %	$ 157,398	49.7 %
Managed care organizations	78,865	44.7	69,282	44.3	154,321	45.2	141,393	44.6
Private pay	5,046	2.9	4,986	3.2	9,949	2.9	10,257	3.2
Commercial insurance	2,676	1.5	2,394	1.5	5,022	1.5	4,970	1.6
Other	1,298	0.7	1,552	1.0	2,612	0.8	2,915	0.9
Total personal care segment net service revenues	$ 176,267	100.0 %	$ 156,268	100.0 %	$ 341,135	100.0 %	$ 316,933	100.0 %

	Hospice							
	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues
Medicare	$ 34,452	93.3 %	$ 22,753	92.8 %	$ 68,437	93.8 %	$ 45,971	92.4 %
Managed care organizations	1,395	3.8	1,198	4.9	2,882	3.9	2,578	5.2
Other	1,062	2.9	574	2.3	1,684	2.3	1,188	2.4
Total hospice segment net service revenues	$ 36,909	100.0 %	$ 24,525	100.0 %	$ 73,003	100.0 %	$ 49,737	100.0 %

	Home Health							
	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues
Medicare	$ 3,825	81.1 %	$ 3,010	79.6 %	$ 7,327	80.9 %	$ 6,480	79.8 %
Managed care organizations	822	17.4	688	18.2	1,620	17.9	1,495	18.4
Other	70	1.5	85	2.2	110	1.2	147	1.8
Total home health segment net service revenues	$ 4,717	100.0 %	$ 3,783	100.0 %	$ 9,057	100.0 %	$ 8,122	100.0 %

The Company derives a significant amount of its revenue from its operations in Illinois, New York and New Mexico. The percentages of segment revenue for each of these significant states for the three and six months ended June 30, 2021 and 2020 were as follows:

	Personal Care							
	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues
Illinois	$ 84,788	48.0 %	$ 69,052	44.2 %	$ 158,172	46.3 %	$ 140,598	44.4 %
New York	25,535	14.5	27,244	17.4	53,110	15.6	59,082	18.6
New Mexico	25,484	14.5	21,831	14.0	49,077	14.4	42,525	13.4
All other states	40,460	23.0	38,141	24.4	80,776	23.7	74,728	23.6
Total personal care segment net service revenues	$ 176,267	100.0 %	$ 156,268	100.0 %	$ 341,135	100.0 %	$ 316,933	100.0 %

	Hospice							
	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues
Ohio	$ 14,694	39.8 %	$ —	— %	$ 28,808	39.4 %	$ —	— %
New Mexico	8,717	23.6	11,443	46.7	17,948	24.6	22,452	45.1
All other states	13,498	36.6	13,082	53.3	26,247	36.0	27,285	54.9
Total hospice segment net service revenues	$ 36,909	100.0 %	$ 24,525	100.0 %	$ 73,003	100.0 %	$ 49,737	100.0 %

With the acquisition of Queen City Hospice, the Company expanded our hospice services in the state of Ohio.

	Home Health							
	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues
New Mexico	$ 4,717	100.0 %	$ 3,783	100.0 %	$ 9,057	100.0 %	$ 8,122	100.0 %
Total home health segment net service revenues	$ 4,717	100.0 %	$ 3,783	100.0 %	$ 9,057	100.0 %	$ 8,122	100.0 %

A substantial portion of the Company’s revenue and accounts receivable are derived from services performed for federal, state and local governmental agencies. We derive a significant amount of our net service revenues in Illinois, which represented 38.9%, and 37.4% of our net service revenues for the three months ended June 30, 2021, and 2020, respectively, and accounted for 37.4% and 37.5% of our net service revenues for the six months ended June 30, 2021 and 2020, respectively. The Illinois Department on Aging, the largest payor program for the Company’s Illinois personal care operations, accounted for 22.6% and 23.2% of the Company’s net service revenues for the three months ended June 30, 2021 and 2020, respectively, and accounted for 21.5% and 23.2% of the Company’s net service revenues for the six months ended June 30, 2021 and 2020, respectively.

The related receivables due from the Illinois Department on Aging represented 16.7% and 15.9% of the Company’s net accounts receivable at June 30, 2021 and December 31, 2020, respectively.

12. Subsequent Events

On July 30, 2021, the Company entered into the Second Amendment to its Credit Agreement. The Second Amendment, among other things, reallocated and refinanced the Company’s outstanding initial term loans as revolving loans (such that the Company has no outstanding initial term loans and no further initial term loans may be borrowed) and increased the Company’s revolving credit facility to an aggregate amount of $600,000,000. Moreover, the Second Amendment increased the Company’s incremental loan facility to an aggregate amount $125,000,000, which incremental loan facility may be for term loans or an increase to the revolving loan commitments. The maturity of the revolving credit facility was also extended from May 8, 2023 to July 30, 2026.

On August 1, 2021, we completed the acquisition of Armada Skilled Homecare of New Mexico LLC, Armada Hospice of New Mexico LLC and Armada Hospice of Santa Fe LLC (“Armada”) for approximately $29.1 million, with funding provided by the revolving credit facility. With the purchase of Armada, the Company expanded our home health and hospice services in the state of New Mexico. The Company is currently assessing the fair value of identifiable net assets acquired.

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

You should read the following discussion together with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this quarterly report on Form 10-Q. This discussion contains forward-looking statements about our business and operations. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words like "believes," "belief," "expects," "plans," "anticipates," "intends," "projects," "estimates," "may," "might," "would," "should" and similar expressions are intended to be forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the future impact to our business with respect to developments related to the COVID-19 pandemic, including, without limitation, the impact of government regulation and stimulus measures, including the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Paycheck Protection Program and Health Care Enhancement Act ("PPPHCE Act"), the Consolidated Appropriations Act, 2021 ("CAA"), the COVID-Related Tax Relief Act of 2020, the American Rescue Plan of 2021 ("ARPA") and other stimulus legislation, along with the related uncertainties regarding the implementation of such stimulus measures and any future stimulus measures related to COVID-19; increased expenses related to personal protective equipment ("PPE"), labor, supply chain, or other expenditures; workforce disruptions and supply shortages and disruptions; changes in operational and reimbursement processes and payment structures at the state or federal levels; changes in Medicaid, Medicare, other government program and managed care organizations policies and payment rates; changes in, or our failure to comply with, existing, federal and state laws or regulations, or our failure to comply with new government laws or regulations on a timely basis; competition in the healthcare industry; the geographical concentration of our operations; changes in the case mix of consumers and payment methodologies; operational changes resulting from the assumption by managed care organizations of responsibility for managing and paying for our services to consumers; the nature and success of future financial and/or delivery system reforms; changes in estimates and judgments associated with critical accounting policies; our ability to maintain or establish new referral sources; our ability to renew significant agreements or groups of agreements; our ability to attract and retain qualified personnel; federal, city and state minimum wage pressure, including any failure of Illinois or any other governmental entity to enact a minimum wage offset and/or the timing of any such enactment; changes in payments and covered services due to the overall economic conditions, including economic and business conditions resulting from the COVID-19 pandemic, and deficit spending by federal and state governments; cost containment initiatives undertaken by state and other third-party payors; our ability to access financing through the capital and credit markets; our ability to meet debt service requirements and comply with covenants in debt agreements; business disruptions due to natural disasters, acts of terrorism, pandemics, riots, civil insurrection or social unrest, looting, protests, strikes or street demonstrations; our ability to integrate and manage our information systems; our ability to prevent cyber-attacks or security breaches to protect our computer systems and confidential consumer data; our expectations regarding the size and growth of the market for our services; the acceptance of privatized social services; our expectations regarding changes in reimbursement rates; eligibility standards and limits on services imposed by state governmental agencies; the potential for litigation; discretionary determinations by government officials; our ability to successfully implement our business model to grow our business; our ability to continue identifying, pursuing, consummating and integrating acquisition opportunities and expand into new geographic markets; the impact of acquisitions and dispositions on our business, including the potential inability to realize the benefits of the acquisition of Queen City Hospice, LLC and its affiliate Miracle City Hospice, LLC (together "Queen City Hospice"); the potential impact of the discontinuation or modification of LIBOR; the effectiveness, quality and cost of our services; our ability to successfully execute our growth strategy; changes in tax rates; the impact of public health emergencies; the impact of inclement weather or natural disasters; and various other matters, many of which are beyond our control. In addition, these forward-looking statements are subject to the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the period ended December 31, 2020, filed with the SEC on March 1, 2021. You should carefully review all of these factors. Moreover, our business may be materially adversely affected by factors that are not currently known to us, by factors that we currently consider immaterial or by factors that are not specific to us, such as general economic conditions. These forward-looking statements were based on information, plans and estimates at the date of this report, and we assume no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes, except as may be required by law.

Overview

We are a home care services provider operating in three segments: personal care, hospice and home health. Our services are principally provided in-home under agreements with federal, state and local government agencies, managed care organizations, commercial insurers and private individuals. Our consumers are predominantly "dual eligible," meaning they are eligible to receive both Medicare and Medicaid benefits. Managed care revenues accounted for 37.2% and 38.6% of our net service revenues during the three months ended June 30, 2021 and 2020, respectively, and 37.5% and 38.8% of our net service revenues during the six months ended June 30, 2021 and 2020, respectively.

A summary of our financial results for the three and six months ended June 30, 2021 and 2020 is provided in the table below.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
	(Amounts in Thousands)		(Amounts in Thousands)	
Net service revenues	$ 217,893	$ 184,576	$ 423,195	$ 374,792
Net income	$ 11,597	$ 6,907	$ 20,491	$ 15,565

As of June 30, 2021, we provided our services in 22 states through 207 offices. For the six months ended June 30, 2021 and 2020, we served approximately 56,000 and 55,000 discrete individuals, respectively. Our personal care segment also includes staffing services, with clients including assisted living facilities, nursing homes and hospice facilities.

COVID-19 Pandemic Update

COVID-19, the disease caused by a novel coronavirus, continues to be widespread throughout the United States and other parts of the world. Governments and public health officials continue to recommend and mandate certain precautions to mitigate the spread of the virus. The number of cases of COVID-19 has decreased in the United States in recent months as vaccines have become more widely available, and a significant number of restrictions related to the COVID-19 pandemic in the United States have been eliminated or relaxed as the result of such decrease. In connection with the decrease in the number of COVID-19 cases and the change of restrictions in the United States, economic conditions in the United States have significantly improved during 2021. However in July 2021, due in part to the emergence of new variants of the novel coronavirus, as well as low vaccination rates and an increase in the number of COVID-19 cases in certain parts of the United States and other parts of the world, certain governments and public health officials in the United States and globally have begun to recommend the reinstitution of certain mitigation strategies, such as masking. As such, it is difficult to predict the future impact of the pandemic on economic conditions in the United States and our business at this time.

For the three and six months ended June 30, 2021, COVID-19-related expenses in our personal care segment were approximately $11.4 million and 13.3 million, respectively, which were offset by $10.4 million and $11.3 million, respectively, related to the utilization of a portion of the funds received from the Provider Relief Fund in November 2020 and included in cost of service revenues on the Condensed Consolidated Statements of Income. As of June 30, 2021, the Company deferred the recognition of the remaining Provider Relief Fund of approximately $1.0 million, which will be recognized as we incur specific expenses related to the pandemic, or we anticipate will be returned, to the extent COVID-19-related expenses are not incurred, by December 31, 2021. Additionally, we recognized revenue of $3.1 million and $4.8 million attributable to temporary rate increases from certain payors in our personal care segment for the three and six months ended June 30, 2021, respectively.

For the three and six months ended June 30, 2021, COVID-19-related expenses in our hospice segment were approximately $1.9 million, which were offset by $1.9 million, related to the utilization of a portion of the funds received from the Queen City Hospice Provider Relief Fund and included in cost of service revenues on the Condensed Consolidated Statements of Income.

As of June 30, 2021, the Company deferred the recognition of $6.4 million of payments received from payors for COVID-19 reimbursement, included within accrued expenses, which will be recognized as we incur specific expenses related to the pandemic, such as expenses related to acquiring additional PPE, or will be returned to the extent COVID-19-related expenses are not incurred. We are not able to reasonably predict the total costs we will incur related to the COVID-19 pandemic, and such costs could be substantial.

Due to lower COVID-19 infection rates and the widespread availability of vaccinations, various restriction that previously limited non-essential employment opportunities in most states that we operate in have been lifted. Consequently, the competition for new caregivers has increased. The continuation of enhanced unemployment benefits also continues to impact our ability to attract new caregivers. For example, the Continued Assistance for Unemployed Workers Act, signed into law on December 27, 2020, provides up to 50 weeks of unemployment benefits plus an additional $300 per week in supplemental benefits. As these enhanced unemployment benefits begin to phase-out we continue to believe that the near term hiring challenges for new caregivers will alleviate to a certain degree. However, in the event that we return to a period of low unemployment in the United States, it may hinder our ability to attract and retain sufficient caregivers.

Federal agencies continue to issue regulations and guidance related to the COVID-19 pandemic, and the public health situation continues to evolve, and, therefore, we cannot currently predict with certainty the extent to which our business, results of operations, financial condition or liquidity will ultimately be impacted. We will continue to assess the impact and consequences of COVID-19 and government responses to the pandemic, including the enactment and implementation of the CARES Act, the PPPHCE Act, the CAA, the ARPA and other stimulus legislation, on our business, results of operations, financial condition and cash flows. Given the dynamic nature of these circumstances, the related financial effect cannot be reasonably estimated at this time but is not expected to materially adversely impact our business. See Part I, Item 1A—"Risk Factors — *The COVID-19 pandemic could negatively affect our operations, business and financial condition, and our liquidity could also be negatively impacted, particularly if the U.S. economy remains unstable for a significant amount of time*" of our Annual Report on Form 10-K for the period ended December 31, 2020, filed with the SEC on March 1, 2021.

See "Liquidity and Capital Resources" below for additional information regarding funds received related to COVID-19 relief.

Acquisitions

In addition to our organic growth, we have grown through acquisitions that have expanded our presence in current markets or facilitated our entry into new markets where in-home care has been moving to managed care organizations.

On July 1, 2020, we completed the acquisition of A Plus for approximately $14.5 million, including the amount of excess cash held by A Plus at the closing of the acquisition (approximately $2.8 million), with funding provided by available cash. With the purchase of A Plus, we expanded our personal care services in the state of Montana.

On November 1, 2020, we completed the acquisition of County Homemakers for approximately $15.8 million, including the amount of acquired excess cash held by County Homemakers at the closing of the acquisition (approximately $1.1 million), with funding provided by available cash. With the purchase of County Homemakers, we expanded our personal care services in the state of Pennsylvania.

On December 4, 2020, we completed the acquisition of Queen City Hospice for approximately $194.8 million, including the amount of acquired excess cash held by Queen City Hospice at the closing of the acquisition (approximately $15.4 million). With the purchase of Queen City Hospice, we expanded our hospice services in the state of Ohio. Additionally, on December 1, 2020, we completed the acquisition of SunLife Home Care for approximately $1.7 million. With the purchase of SunLife Home Care, we expanded our personal care services in the state of Arizona. We funded these acquisitions through a combination of our revolving credit facility and available cash.

On August 1, 2021, we completed the acquisition of Armada Skilled Homecare of New Mexico LLC, Armada Hospice of New Mexico LLC and Armada Hospice of Santa Fe LLC (“Armada”) for approximately $29.1 million, with funding provided by our revolving credit facility. With the purchase of Armada, we increased our clinical depth and operational strength in New Mexico and enhanced our ability to provide all three levels of home care in the state.

Revenue by Payor and Significant States

Our payor clients are principally federal, state and local governmental agencies and managed care organizations. The federal, state and local programs under which the agencies operate are subject to legislative, budgetary and other risks that can influence reimbursement rates. We are experiencing a transition of business from government payors to managed care organizations, which we believe aligns with our emphasis on coordinated care and the reduction of the need for acute care.

For the three and six months ended June 30, 2021 and 2020, our revenue by payor and significant states by segment were as follows:

	Personal Care							
	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues
State, local and other government programs	$ 88,382	50.2 %	$ 78,054	50.0 %	$ 169,231	49.6 %	$ 157,398	49.7 %
Managed care organizations	78,865	44.7	69,282	44.3	154,321	45.2	141,393	44.6
Private pay	5,046	2.9	4,986	3.2	9,949	2.9	10,257	3.2
Commercial insurance	2,676	1.5	2,394	1.5	5,022	1.5	4,970	1.6
Other	1,298	0.7	1,552	1.0	2,612	0.8	2,915	0.9
Total personal care segment net service revenues	$ 176,267	100.0 %	$ 156,268	100.0 %	$ 341,135	100.0 %	$ 316,933	100.0 %
Illinois	$ 84,788	48.0 %	$ 69,052	44.2 %	$ 158,172	46.3 %	$ 140,598	44.4 %
New York	25,535	14.5	27,244	17.4	53,110	15.6	59,082	18.6
New Mexico	25,484	14.5	21,831	14.0	49,077	14.4	42,525	13.4
All other states	40,460	23.0	38,141	24.4	80,776	23.7	74,728	23.6
Total personal care segment net service revenues	$ 176,267	100.0 %	$ 156,268	100.0 %	$ 341,135	100.0 %	$ 316,933	100.0 %

Hospice								
	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues
Medicare	$ 34,452	93.3 %	$ 22,753	92.8 %	$ 68,437	93.8 %	$ 45,971	92.4 %
Managed care organizations	1,395	3.8	1,198	4.9	2,882	3.9	2,578	5.2
Other	1,062	2.9	574	2.3	1,684	2.3	1,188	2.4
Total hospice segment net service revenues	$ 36,909	100.0 %	$ 24,525	100.0 %	$ 73,003	100.0 %	$ 49,737	100.0 %
Ohio	$ 14,694	39.8 %	$ —	— %	$ 28,808	39.4 %	$ —	— %
New Mexico	8,717	23.6	11,443	46.7	17,948	24.6	22,452	45.1
All other states	13,498	36.6	13,082	53.3	26,247	36.0	27,285	54.9
Total hospice segment net service revenues	$ 36,909	100.0 %	$ 24,525	100.0 %	$ 73,003	100.0 %	$ 49,737	100.0 %

With the acquisition of Queen City Hospice, the Company expanded our hospice services in the state of Ohio.

Home Health								
	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2021		2020		2021		2020	
	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues	Amount (in Thousands)	% of Segment Net Service Revenues
Medicare	$ 3,825	81.1 %	$ 3,010	79.6 %	$ 7,327	80.9 %	$ 6,480	79.8 %
Managed care organizations	822	17.4	688	18.2	1,620	17.9	1,495	18.4
Other	70	1.5	85	2.2	110	1.2	147	1.8
Total home health segment net service revenues	$ 4,717	100.0 %	$ 3,783	100.0 %	$ 9,057	100.0 %	$ 8,122	100.0 %
New Mexico	$ 4,717	100.0 %	$ 3,783	100.0 %	$ 9,057	100.0 %	$ 8,122	100.0 %
Total home health segment net service revenues	$ 4,717	100.0 %	$ 3,783	100.0 %	$ 9,057	100.0 %	$ 8,122	100.0 %

We derive a significant amount of our net service revenues in Illinois, which represented 38.9% and 37.4% of our net service revenues for the three months ended June 30, 2021 and 2020, respectively, and accounted for 37.4% and 37.5% of our net service revenues for the six months ended June 30, 2021 and 2020, respectively.

A significant amount of our net service revenues are derived from one payor client, the Illinois Department on Aging, the largest payor program for our Illinois personal care operations, which accounted for 22.6% and 23.2% of our net service revenues for the three months ended June 30, 2021 and 2020, respectively, and accounted for 21.5% and 23.2% of the Company's net service revenues for the six months ended June 30, 2021 and 2020, respectively.

On November 26, 2019, the City of Chicago voted to approve additional increases in the Chicago minimum wage to $14 per hour beginning July 1, 2020 and to $15 per hour beginning July 1, 2021.

Effective January 1, 2021, the state of Illinois fiscal year 2021 budget increased in-home care rates through the Community Care Program by 7.1%, to $23.40 from $21.84. However, the rate increase was delayed and did not take effect until April 1, 2021, as a result of on-going state revenue declines due to COVID-19 and the failure of the November 2020 referendum to revise the Illinois income tax code. On June 29, 2021, the Governor announced the authorization of bonus payments to providers in an amount equivalent to the rate increase for services delivered from January 1, 2021 to March 31, 2021 for state reimbursed hours of care. The bonus payment of $3.0 million was recognized as net service revenues during the three and six months ended June 30, 2021, and is expected to be received in September 2021. On June 17, 2021, the Governor of Illinois signed the fiscal year 2022 budget, which funds an increase of in-home care rates to $24.96 effective January 1, 2022.

Our business will benefit from the rate increases noted above as planned for 2022, but there is no assurance that additional offsetting rate increases will be adopted in Illinois for fiscal years beyond fiscal year 2022, and our financial performance will be adversely impacted for any periods in which an additional offsetting reimbursement rate increase is not in effect.

Impact of Changes in Medicare and Medicaid Reimbursement

Home Health

Home health services provided to Medicare beneficiaries are paid under the Medicare Home Health Prospective Payment System (“HHPPS”). CMS updates the HHPPS payment rates each calendar year. Effective calendar year 2021, HHPPS rates increased by 2.0%, which reflects a 2.3% market basket update, reduced by a multifactor productivity adjustment of 0.3 percentage points. CMS expects Medicare payments to home health agencies in 2021 to increase in the aggregate by 1.9% after accounting for a 0.1 percentage point decrease in payments to home health agencies due to changes in the rural add-on percentages mandated by the Bipartisan Budget Act of 2018. Home health providers that do not comply with quality data reporting requirements are subject to a 2 percentage point reduction to their market basket update.

Historically, CMS paid home health providers 50% to 60% of anticipated payment at the beginning of a patient’s care episode through a request for anticipated payment (“RAP”). However, to address potential program integrity risks, CMS has phased out RAP payments. In calendar year 2021, CMS will not provide any up-front payments in response to a RAP but will continue to require home health providers to submit streamlined RAPs as notice that a beneficiary is under a home health period of care. In calendar year 2022, CMS will replace the RAP with a “Notice of Admission.”

Hospice

Hospice services provided to Medicare beneficiaries are paid under the Medicare Hospice Prospective Payment System, under which CMS sets a daily rate for each day a patient is enrolled in the hospice benefit. CMS updates these rates each federal fiscal year. Effective October 1, 2020, CMS increased hospice payment rates by 2.4%. This reflected a 2.4% market basket increase reduced by the multifactor productivity adjustment of 0.0 percentage points. Additionally, the aggregate cap, which limits the total Medicare reimbursement that a hospice may receive based on an annual per-beneficiary cap amount and the number of Medicare patients served, was updated to $30,683.93 for federal fiscal year 2021. If a hospice’s Medicare payments exceed its aggregate cap, it must repay Medicare the excess amount.

New York CDPAP

On February 11, 2021, the state of New York announced its initial selection of parties to enter into contracts as a Lead Fiscal Intermediary under its previously announced Request for Offer (“RFO”) process related to its Consumer Directed Personal Assistance Program (“CDPAP”), in which the Company currently participates as a provider. The Company was not one of the selected entities in the initial RFO process. The announcement followed an extended RFO process first begun in 2019, with responses originally due in February 2020. Management believes changes are unlikely to occur during an estimated nine to 12 month transition period and does not expect a financial impact in 2021. Based on its current run rate, the Company estimates it will receive $52 million and $4 million in revenue and operating income, respectively, from the program for the year ended December 31, 2021. The Company continues to explore its options, including appeals, other arrangements under which the Company may continue to provide these services, and expense reductions to minimize any potential final impact of the RFO process.

The New York fiscal year 2022 state budget included a provision to add one or two entities per county to those awarded the Lead Fiscal Intermediary, based on the scoring of the original RFO. As scoring of RFOs was not publicly released, it is unknown at this time if the Company’s score ranked high enough to qualify for these additional awards. The Company has submitted a response to the survey issued by Department of Health to determine the additional contract awards. Department of Health has published an anticipated contract start date for all awards to be on or after November 1, 2021. In the meantime, we continue to consider other arrangements and to pursue our protest of the award, which was filed and accepted on March 19, 2021. The Company has not yet received a response to the formal protest.

Components of our Statements of Income

Net Service Revenues

We generate net service revenues by providing our services directly to consumers and primarily on an hourly basis in our personal care segment, on a daily basis in our hospice segment and on an episodic basis in our home health segment. We receive payment for providing such services from our payor clients, including federal, state and local governmental agencies, managed care organizations, commercial insurers and private pay consumers.

In our personal care segment, net service revenues are principally provided based on authorized hours, determined by the relevant agency, at an hourly rate, which is either contractual or fixed by legislation, and are recognized at the time services are rendered. In our hospice segment, net service revenues are provided based on daily rates for each of the levels of care and are recognized as services are provided. In our home health segment, net service revenues are based on an episodic basis at a stated rate and recognized based on the number of days elapsed during a period of care within the reporting period. We also record estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record revenues.

Cost of Service Revenues

We incur direct care wages, payroll taxes and benefit-related costs in connection with providing our services. We also provide workers' compensation and general liability coverage for our employees. Employees are also reimbursed for their travel time and related travel costs in certain instances.

General and Administrative Expenses

Our general and administrative expenses include our costs for operating our network of local agencies and our administrative offices. Our agency expenses consist of costs for supervisory personnel, our community care supervisors and office administrative costs. Personnel costs include wages, payroll taxes and employee benefits. Facility costs include rents, utilities, and postage, telephone and office expenses. Our corporate and support center expenses include costs for accounting, information systems, human resources, billing and collections, contracting, marketing and executive leadership. These expenses consist of compensation, including stock-based compensation, payroll taxes, employee benefits, legal, accounting and other professional fees, travel, general insurance, rents, provision for doubtful accounts and related facility costs. Expenses related to streamlining our operations such as costs related to terminated employees, termination of professional services relationships, other contract termination costs and asset write-offs are also included in general and administrative expenses.

Depreciation and Amortization Expenses

Depreciable assets consist principally of furniture and equipment, network administration and telephone equipment, and operating system software. Depreciable and leasehold assets are depreciated or amortized on a straight-line method over their useful lives or, if less and if applicable, their lease terms. We amortize our intangible assets with finite lives, consisting of customer and referral relationships, trade names, trademarks and non-competition agreements, using straight line or accelerated methods based upon their estimated useful lives.

Interest Expense

Interest expense is reported when incurred and principally consists of interest and unused credit line fees on the credit facility.

Income Tax Expense

All of our income is from domestic sources. We incur state and local taxes in states in which we operate. For the three and six months ended June 30, 2021 and 2020, the federal statutory rate was 21.0%. The effective income tax rate was 26.7% and 23.6% for the three months ended June 30, 2021 and 2020, respectively. The effective income tax rates are 23.5% and 18.6% for the six months ended June 30, 2021 and 2020, respectively. The difference between our federal statutory and effective income tax rates is due to the inclusion of state taxes, non-deductible compensation, excess tax benefit, and the use of federal employment tax credits.

Results of Operations — Consolidated

Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

The following table sets forth, for the periods indicated, our unaudited condensed consolidated results of operations.

	For the Three Months Ended June 30, 2021		2020		Change	
	Amount	% Of Net Service Revenues	Amount	% Of Net Service Revenues	Amount	%
	(Amounts in Thousands, Except Percentages)					
Net service revenues	$ 217,893	100.0 %	$ 184,576	100.0 %	$ 33,317	18.1 %
Cost of service revenues	149,083	68.4	129,579	70.2	19,504	15.1
Gross profit	68,810	31.6	54,997	29.8	13,813	25.1
General and administrative expenses	48,175	22.1	42,450	23.0	5,725	13.5
Depreciation and amortization	3,587	1.6	2,940	1.6	647	22.0
Total operating expenses	51,762	23.8	45,390	24.6	6,372	14.0
Operating income	17,048	7.8	9,607	5.2	7,441	77.5
Interest income	(31)	—	(155)	(0.1)	124	(80.0)
Interest expense	1,262	0.6	721	0.4	541	75.0
Total interest expense, net	1,231	0.6	566	0.3	665	117.5
Income before income taxes	15,817	7.3	9,041	4.9	6,776	74.9
Income tax expense	4,220	1.9	2,134	1.2	2,086	97.8
Net income	$ 11,597	5.3 %	$ 6,907	3.7 %	$ 4,690	67.9 %

Net service revenues increased by 18.1% to $217.9 million for the three months ended June 30, 2021 compared to $184.6 million for the three months ended June 30, 2020. The increase was due to a 3.7% increase in billable hours and a 6.9% increase in revenues per billable hour for the three months ended June 30, 2021 in our personal care segment. In addition, revenue increased by $12.4 million from our hospice segment during the three months ended June 30, 2021, compared to the same period in 2020. The increase in our hospice segment revenue was primarily due to an increase in average daily census and revenue per patient day, mainly attributed to the acquisition of Queen City Hospice on December 4, 2020.

Gross profit, expressed as a percentage of net service revenues, increased to 31.6% for the three months ended June 30, 2021, compared to 29.8% for the same period in 2020. The increase was mainly attributed to the full-quarter effect in 2021 of the acquisition of a relatively higher margin hospice segment business in 2020.

General and administrative expenses increased to $48.2 million for the three months ended June 30, 2021, as compared to $42.5 million for the three months ended June 30, 2020. The increase in general and administrative expenses was primarily due to acquisitions that resulted in an increase in administrative employee wages, taxes and benefit costs of $3.3 million and an increase in rent expense of $0.6 million. In addition, stock-based compensation increased by $1.4 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. General and administrative expenses, expressed as a percentage of net service revenues decreased to 22.1% for the three months ended June 30, 2021, from 23.0% for the three months ended June 30, 2020.

Depreciation and amortization expense increased to $3.6 million from $2.9 million for the three months ended June 30, 2021 and 2020, respectively, primarily due to the intangible assets and property and equipment acquired in the fiscal year 2020 acquisitions.

Interest expense increased to $1.3 million for the three months ended June 30, 2021 from $0.7 million for the three months ended June 30, 2020. The increase in interest expense was primarily due to higher outstanding borrowings under our credit facility for the three months ended June 30, 2021 compared to the three months ended June 30, 2020.

All of our income is from domestic sources. We incur state and local taxes in states in which we operate. The effective income tax rate was 26.7% and 23.6% for the three months ended June 30, 2021 and 2020, respectively. The difference between the federal statutory and our effective income tax rates was principally due to the inclusion of state taxes and non-deductible compensation partially offset by the use of federal employment tax credits.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

The following table sets forth, for the periods indicated, our consolidated results of operations.

	For the Six Months Ended June 30, 2021 Amount	2021 % Of Net Service Revenues	2020 Amount	2020 % Of Net Service Revenues	Change Amount	Change %
	(Amounts in Thousands, Except Percentages)					
Net service revenues	$ 423,195	100.0 %	$ 374,792	100.0 %	$ 48,403	12.9 %
Cost of service revenues	293,188	69.3	263,960	70.4	29,228	11.1
Gross profit	130,007	30.7	110,832	29.6	19,175	17.3
General and administrative expenses	93,601	22.1	84,737	22.6	8,864	10.5
Depreciation and amortization	7,188	1.7	5,827	1.6	1,361	23.4
Total operating expenses	100,789	23.8	90,564	24.2	10,225	11.3
Operating income	29,218	6.9	20,268	5.4	8,950	44.2
Interest income	(53)	—	(489)	(0.1)	436	(89.2)
Interest expense	2,478	0.6	1,629	0.4	849	52.1
Total interest expense, net	2,425	0.6	1,140	0.3	1,285	112.7
Income before income taxes	26,793	6.3	19,128	5.1	7,665	40.1
Income tax expense	6,302	1.5	3,563	1.0	2,739	76.9
Net income	$ 20,491	4.8 %	$ 15,565	4.1 %	$ 4,926	31.6 %

Net service revenues increased by 12.9% to $423.2 million for the six months ended June 30, 2021 compared to $374.8 million for the six months ended June 30, 2020. The increase was due to a 0.9% increase in billable hours and a 6.7% increase in revenues per billable hour for the three months ended June 30, 2021 in our personal care segment. In addition, revenue increased by $23.3 million from our hospice segment during the six months ended June 30, 2021, compared to the same period in 2020. The increase in our hospice segment revenue was primarily due to an increase in average daily census and revenue per patient day, mainly attributed to the acquisition of Queen City Hospice on December 4, 2020.

Gross profit, expressed as a percentage of net service revenues, increased to 30.7% for the six months ended June 30, 2021, compared to 29.6% for the same period in 2020. The increase was mainly attributed to the acquisition of a relatively higher margin hospice business in 2020.

General and administrative expenses increased to $93.6 million for the six months ended June 30, 2021 as compared to $84.7 million for the six months ended June 30, 2020. The increase in general and administrative expenses was primarily due to acquisitions that resulted in an increase in administrative employee wages, taxes and benefit costs of $5.4 million and an increase in rent expense of $1.1 million. In addition, stock-based compensation increased by $2.2 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. General and administrative expenses, expressed as a percentage of net service revenues decreased to 22.1% for the six months ended June 30, 2021, from 22.6% for the six months ended June 30, 2020.

Depreciation and amortization expense increased to $7.2 million from $5.8 million for the six months ended June 30, 2021 and 2020, respectively, primarily due to the intangible assets and property and equipment acquired in the fiscal year 2020 acquisitions.

Interest expense increased to $2.5 million from $1.6 million for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020. The increase in interest expense was primarily due to higher outstanding borrowings under our credit facility for the six months ended June 30, 2021, compared to the six months ended June 30, 2020.

All of our income is from domestic sources. We incur state and local taxes in states in which we operate. The effective income tax rate was 23.5% and 18.6% for the six months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021, the difference between our federal statutory and effective income tax rates was principally due to the inclusion of state taxes and non-deductible compensation partially offset by the use of federal employment tax credits and excess tax benefit. For the six months ended June 30, 2020, the difference between our federal statutory and effective income tax rates was principally due to the inclusion of an excess tax benefit and the use of federal employment tax credits partially offset by state taxes and non-deductible compensation. For the six months ended June 30, 2021 and 2020, the effective tax rates were inclusive of an excess tax benefit of 3.0% and 7.5%, respectively. The excess tax benefit is a discrete item, related to the vesting of equity shares, which requires the Company to recognize the benefit fully in the period.

Results of Operations – Segments

The following tables and related analysis summarize our operating results and business metrics by segment:

Personal Care Segment

	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2021		2020		Change		2021		2020		Change	
Personal Care Segment	**Amount**	**% of Segment Net Service Revenues**	**Amount**	**% of Segment Net Service Revenues**	**Amount**	**%**	**Amount**	**% of Segment Net Service Revenues**	**Amount**	**% of Segment Net Service Revenues**	**Amount**	**%**
	(Amounts in Thousands, Except Percentages)						(Amounts in Thousands, Except Percentages)					
Operating Results												
Net service revenues	$ 176,267	100.0 %	$ 156,268	100.0 %	$ 19,999	12.8 %	$ 341,135	100.0 %	$ 316,933	100.0 %	$ 24,202	7.6 %
Cost of services revenues	127,258	72.2	115,822	74.1	11,436	9.9	250,097	73.3	234,850	74.1	15,247	6.5
Gross profit	49,009	27.8	40,446	25.9	8,563	21.2	91,038	26.7	82,083	25.9	8,955	10.9
General and administrative expenses	16,358	9.3	14,603	9.3	1,755	12.0	31,641	9.3	30,205	9.5	1,436	4.8
Segment operating income	$ 32,651	18.5 %	$ 25,843	16.5 %	$ 6,808	26.3 %	$ 59,397	17.4 %	$ 51,878	16.4 %	$ 7,519	14.5 %
Business Metrics (Actual Numbers, Except Billable Hours in Thousands)												
Location at period end							164		150			
Average billable census * (1)	38,493		36,197		2,296	6.3 %	38,410		37,560		850	2.3 %
Billable hours * (2)	7,650		7,374		276	3.7	15,187		15,048		139	0.9
Average billable hours per census per month * (2)	65.9		67.5		(1.6)	(2.4)	65.6		66.3		(0.7)	(1.1)
Billable hours per business day * (2)	117,688		113,447		4,241	3.7	117,729		115,750		1,979	1.7
Revenues per billable hour * (2)	$ 22.60		$ 21.14		$ 1.46	6.9 %	$ 22.42		$ 21.01		$ 1.41	6.7 %
Same store revenue growth % * (3)	7.4		9.7				5.9		11.8			

(1) Average billable census is the average number of unique clients receiving a billable service during the year and is the total census divided by months in operation during the period.

(2) Billable hours is the total number of hours served to clients during the period. Average billable hours per census per month is billable hours divided by average billable census. Billable hours per day is total billable hours divided by the number of business days in the period. Revenues per billable hour is revenue attributed to billable hours divided by billable hours.

(3) Same store revenue growth reflects the change in year-over-year revenue for the same store base. We define the same store base to include those stores open for at least 52 full weeks. This measure highlights the performance of existing stores, while excluding the impact of acquisitions, new store openings and closures.

* Management deems these metrics to be key performance indicators. Management uses these metrics to monitor our performance, both in our existing operations and acquisitions. Many of these metrics serve as the basis of reported revenues, and assessment of them provide direct correlation to the results of operations from period to period and we believe these metrics facilitate comparison with the results of our peers. Historical trends established in these metrics can be used to evaluate current operating results, identify trends affecting our business, determine the allocation of resources and assess the quality and potential variability of our cash flows and earnings. We believe they are useful to investors in evaluating and understanding our business but should not be used solely in assessing the Company's performance. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein to fully evaluate and understand the business as a whole. These measures may not be comparable to similarly-titled performance indicators used by other companies.

We derive a significant amount of our net service revenues from operations in Illinois, which represented 38.9% and 37.4% of our net service revenues for the three months ended June 30, 2021 and 2020, respectively, and accounted for 37.4% and 37.5% of our net service revenues for the six months ended June 30, 2021 and 2020, respectively. One payor client, the Illinois Department on Aging, accounted for 22.6% and 23.2% of net service revenues for the three months ended June 30, 2021 and 2020, respectively, and accounted for 21.5% and 23.2% of net service revenues for the six months ended June 30, 2021 and 2020, respectively.

Net service revenues from state, local and other governmental payors accounted for 50.2% and 50.0% of net service revenues for the three months ended June 30, 2021 and 2020, respectively. Managed care organizations accounted for 44.7% and 44.3% of net service revenues for the three months ended June 30, 2021 and 2020, respectively, with commercial insurance, private pay and other payors accounting for the remainder of net service revenues. Net service revenues from state, local and other governmental payors accounted for 49.6% and 49.7% of net service revenues for the six months ended June 30, 2021 and 2020, respectively. Managed care organizations accounted for 45.2% and 44.6% of net service revenues for the six months ended June 30, 2021 and 2020, respectively with commercial insurance, private pay and other payors accounting for the remainder of net service revenues.

Net service revenues increased by 12.8% and 7.6% for the three and six months ended June 30, 2021, respectively, compared to the three and six months ended June 30, 2020. Net service revenues included a 6.9% and 6.7% increase in revenues per billable hour for the three and six months ended June 30, 2021, respectively, mainly attributed to rate increases discussed above, as compared to the three and six months ended June 30, 2020. Due to a decrease in restrictions related to COVID-19, billable hours increased by 3.7% and 0.9% for the three and six months ended June 30, 2021, respectively, compared to the three and six months ended June 30, 2020.

Gross profit, expressed as a percentage of net service revenues, increased to 27.8% for the three months ended June 30, 2021 from 25.9% for the three months ended June 30, 2020 and from 26.7% for the six months ended June 30, 2021 to 25.9% for the six months ended June 30, 2020. This increase was primarily due to a decrease in direct payroll as a percentage of net service revenues of 1.9% for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. For the six months ended June 30, 2021, the increase was due to a decrease of direct payroll of 0.8% as a percentage of net service revenues, compared to the six months ended June 30, 2020.

For the three months ended June 30, 2021 and 2020, general and administrative expenses, expressed as a percentage of net service revenues, was 9.3% and for the six months ended June 30, 2021 and 2020 was 9.3% and 9.5%, respectively.

Hospice Segment

	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2021		2020		Change		2021		2020		Change	
Hospice Segment	Amount	% of Segment Net Service Revenues	Amount	% of Segment Net Service Revenues	Amount	%	Amount	% of Segment Net Service Revenues	Amount	% of Segment Net Service Revenues	Amount	%
	(Amounts in Thousands, Except Percentages)						(Amounts in Thousands, Except Percentages)					
Operating Results												
Net service revenues	$ 36,909	100.0 %	$ 24,525	100.0 %	$ 12,384	50.5 %	$ 73,003	100.0 %	$ 49,737	100.0 %	$ 23,266	46.8 %
Cost of services revenues	18,912	51.2	10,924	44.5	7,988	73.1	37,508	51.4	23,242	46.7	14,266	61.4
Gross profit	17,997	48.8	13,601	55.5	4,396	32.3	35,495	48.6	26,495	53.3	9,000	34.0
General and administrative expenses	8,673	23.5	6,297	25.7	2,376	37.7	17,136	23.5	12,754	25.6	4,382	34.4
Segment operating income	$ 9,324	25.3 %	$ 7,304	29.8 %	$ 2,020	27.7 %	$ 18,359	25.1 %	$ 13,741	27.7 %	$ 4,618	33.6 %
Business Metrics (Actual Numbers)												
Locations at period end							33		30			
Admissions * (1)	2,252		1,339		913	68.2 %	4,646		2,994		1,652	55.2 %
Average daily census * (2)	2,460		1,743		717	41.1	2,430		1,803		627	34.8
Average discharge length of stay * (3)	89		103		(14)	(13.4)	96		101		(5)	(5.4)
Patient days * (4)	223,901		158,644		65,257	41.1	439,908		328,156		111,752	34.1
Revenue per patient day * (5)	$ 164.85		$ 154.59		$ 10.26	6.6 %	$ 165.95		$ 151.57		$ 14.38	9.5 %
Same store revenue growth % * (6)	(8.4)		2.7				(8.4)		2.7			

(1) Represents referral process and new patients on service during the period.

(2) Average daily census is total patient days divided by the number of days in the period.

(3) Average length of stay is the average number of days a patient is on service, calculated upon discharge, and is total patient days divided by total discharges in the period.

(4) Patient days is days of service for all patients in the period.

(5) Revenue per patient day is hospice revenue divided by the number of patient days in the period.

(6) Same store revenue growth reflects the change in year-over-year revenue for the same store base. We define the same store base to include those stores open for at least 52 full weeks. This measure highlights the performance of existing stores, while excluding the impact of acquisitions, new store openings and closures.

* Management deems these metrics to be key performance indicators. Management uses these metrics to monitor our performance, both in our existing operations and acquisitions. Many of these metrics serve as the basis of reported revenues, and assessment of them provide direct correlation to the results of operations from period to period and we believe that these metrics facilitate comparison with the results of our peers. Historical trends established in these metrics can be used to evaluate current operating results, identify trends affecting our business, determine the allocation of resources and assess the quality and potential variability of our cash flows and earnings. We believe they are useful to investors in evaluating and understanding our business but should not be used solely in assessing the Company's performance. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein to fully evaluate and understand the business as a whole. These measures may not be comparable to similarly-titled performance indicators used by other companies.

Hospice generates net service revenues by providing care to patients with a life expectancy of six months or less, as well as related services for their families. Hospice offers four levels of care, as defined by Medicare, to meet the varying needs of patients and their families. The four levels of hospice include routine care, continuous care, general inpatient care and respite care. Our Hospice segment principally provides routine care, but with the acquisition of Queen City Hospice, the Company expanded continuous care services.

Net service revenues from Medicare accounted for 93.3% and 92.8% and managed care organizations accounted for 3.8% and 4.9% for the three months ended June 30, 2021 and 2020, respectively. Net service revenues from Medicare accounted for 93.8% and 92.4% and managed care organizations accounted for 3.9% and 5.2% for the six months ended June 30, 2021 and 2020, respectively.

Net service revenues increased by $12.4 million and $23.3 for the three and six months ended June 30, 2021, compared to the three and six months ended June 30, 2020. For the three and six months ended June 30, 2021, net service revenues increased primarily due to increases in average daily census and revenue per patient day mainly attributed to the acquisition of Queen City Hospice on December 4, 2020.

Gross profit, expressed as a percentage of net service revenues was 48.8% and 55.5% for the three months ended June 30, 2021 and 2020, respectively, and 48.6% and 53.3%, for the six months ended June 30, 2021 and 2020, respectively. For the three and six months ended June 30, 2021, the decrease as a percentage of net service revenues was mainly attributed to an increase of direct employee wages, taxes and benefit costs of 5.5% and 4.9%, respectively.

The hospice segment's general and administrative expenses primarily consist of administrative employee wages, taxes and benefit costs, rent, information technology and office expenses. General and administrative expenses, expressed as a percentage of net service revenues was 23.5% and 25.7% for the three months ended June 30, 2021 and 2020, respectively, and 23.5% and 25.6% for the six months ended June 30, 2021 and 2020, respectively. These decreases for the three and six months ended June 30, 2021 compared to corresponding periods in 2020 are primarily due to acquisitions synergies. The increase in general and administrative expenses for the three and six months ended June 30, 2021, was primarily due to acquisitions that resulted in a $1.7 million and $3.2 million increase in administrative employee wages, taxes and benefit costs.

Home Health Segment

	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2021		2020		Change		2021		2020		Change	
Home Health Segment	**Amount**	**% of Segment Net Service Revenues**	**Amount**	**% of Segment Net Service Revenues**	**Amount**	**%**	**Amount**	**% of Segment Net Service Revenues**	**Amount**	**% of Segment Net Service Revenues**	**Amount**	**%**
	(Amounts in Thousands, Except Percentages)						(Amounts in Thousands, Except Percentages)					
Operating Results												
Net service revenues	$ 4,717	100.0 %	$ 3,783	100.0 %	$ 934	24.7 %	$ 9,057	100.0 %	$ 8,122	100.0 %	$ 935	11.5 %
Cost of services revenues	2,913	61.8	2,833	74.9	80	2.8	5,583	61.6	5,868	72.2	(285)	(4.9)
Gross profit	1,804	38.2	950	25.1	854	89.9	3,474	38.4	2,254	27.8	1,220	54.1
General and administrative expenses	968	20.5	883	23.3	85	9.6	1,933	21.3	1,905	23.5	28	1.5
Segment operating income	$ 836	17.7 %	$ 67	1.8 %	$ 769	1,147.8 %	$ 1,541	17.0 %	$ 349	4.3 %	$ 1,192	341.5 %
Business Metrics (Actual Numbers)												
Locations at period end							10		10			
New admissions * (1)	1,186		1,068		118	11.0 %	2,354		2,090		264	12.6 %
Recertifications * (2)	738		689		49	7.1	1,395		1,399		(4)	(0.3)
Total volume * (3)	1,924		1,757		167	9.5	3,749		3,489		260	7.5
Visits * (4)	31,582		29,797		1,785	6.0 %	59,247		63,507		(4,260)	(6.7) %
Same store revenue growth % * (5)	24.7		(4.3)				11.5		4.1			

(1) Represents new patients during the period.

(2) A home health certification period is an episode of care that begins with a start of care visit and continues for 60 days. If at the end of the initial episode of care, the patient continues to require home health services, a recertification is required. This represents the number of recertifications during the period.

(3) Total volume is total admissions and total recertifications in the period.

(4) Represents number of services to patients in the period.

(5) Same store revenue growth reflects the change in year-over-year revenue for the same store base. We define the same store base to include those stores open for at least 52 full weeks. This measure highlights the performance of existing stores, while excluding the impact of acquisitions, new store openings and closures.

* Management deems these metrics to be key performance indicators. Management uses these metrics to monitor our performance, both in our existing operations and acquisitions. Many of these metrics serve as the basis of reported revenues, and assessment of them provide direct correlation to the results of operations from period to period and we believe that these metrics facilitate comparison with the results of our peers. Historical trends established in these metrics can be used to evaluate current operating results, identify trends affecting our business, determine the allocation of resources and assess the quality and potential variability of our cash flows and earnings. We believe they are useful to investors in evaluating and understanding our business but should not be used solely in assessing the Company's performance. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein to fully evaluate and understand the business as a whole. These measures may not be comparable to similarly-titled performance indicators used by other companies.

Home health generates net service revenues by providing home health services on a short-term, intermittent or episodic basis to individuals, generally to treat an illness or injury. Net service revenues from Medicare accounted for 81.1% and 79.6%, managed care organizations accounted for 17.4% and 18.2% and other accounted for 1.5% and 2.2% for the three months ended June 30, 2021 and 2020, respectively. Net service revenues from Medicare accounted for 80.9% and 79.8%, managed care organizations accounted for 17.9% and 18.4% and other accounted for 1.2% and 1.8% for the six months ended June 30, 2021 and 2020, respectively. Home health services provided to Medicare beneficiaries are paid under the Medicare Home Health Prospective Payment System ("HHPPS"). Effective January 1, 2020, CMS began using a 30-day episode of care for home health payments and implemented the Patient-Driven Groupings Model ("PDGM") as part of the shift toward value-based care. The PDGM classifies patients based on clinical characteristics and other patient information into payment categories and eliminates the use of therapy service thresholds for determination of payments. Also effective January 1, 2020, CMS finalized a policy allowing therapy assistants to provide maintenance therapy services in the home and modified certain requirements relating to the home health plan of care.

Net service revenues increased by $0.9 million for each of the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020. Total visits increased for the three months ended June 30, 2021, as COVID-19 restrictions ease.

Gross profit, expressed as a percentage of net service revenues was 38.2% and 25.1% for the three months ended June 30, 2021 and 2020, respectively, and 38.4% and 27.8%, for the six months ended June 30, 2021 and 2020, respectively. For the three and six months ended June 30, 2021, the increase was due to a decrease of direct employee wages, taxes and benefit costs of 11.1% and 9.0%, respectively, as a percentage of net service revenues. Cost of service for the six months ended June 30, 2021 decreased compared to the corresponding period in 2020, due to a decrease in visits in connection with PDGM case mix.

The home health segment's general and administrative expenses consist of administrative employee wages, taxes and benefit costs, rent, information technology and office expenses. General and administrative expenses, expressed as a percentage of net service revenues was 20.5% and 23.3% for the three months ended June 30, 2021 and 2020, respectively, and 21.3% and 23.5% for the six months ended June 30, 2021 and 2020, respectively.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash on hand and cash from operations. At June 30, 2021 and December 31, 2020, we had cash balances of $139.4 million and $145.1 million, respectively.

Cash flows from operating activities represent the inflow of cash from our payor clients and the outflow of cash for payroll and payroll taxes, operating expenses, interest and taxes. The open receivable balance from the Illinois Department on Aging, the largest payor program for the Company's Illinois personal care operation, increased by $1.7 million from $21.2 million as of December 31, 2020 to $22.9 million as of June 30, 2021. The state of Illinois fiscal year 2021 budget included an appropriation to raise in-home care rates to offset previous minimum wage increases by the City of Chicago. However the rate increase was delayed and did not take effect until April 1, 2021, as a result of on-going state revenue declines due to COVID-19 and the failure of the November 2020 referendum to revise the Illinois income tax code. On June 29, 2021, the Governor announced the authorization of bonus payments to providers in an amount equivalent to the rate increase for services delivered from January 1, 2021 to March 31, 2021 for state reimbursed hours of care. The bonus payment of $3.0 million was recognized as net service revenues during the three and six months ended June 30, 2021, and is expected to be received in September 2021.

During the three and six months ended June 30, 2021, we did not draw on the term loan. As of June 30, 2021, we had a total of $178.5 million in revolving loans, with an interest rate of 2.08% and $17.6 million of term loans, with an interest rate of 2.09%. After giving effect to the amount drawn on our credit facility, approximately $8.7 million of outstanding letters of credit and borrowing limits based on an advance multiple of adjusted EBITDA, we had $112.8 million available for borrowing under our revolving credit loan facility. At December 31, 2020, we had a total of $178.5 million revolving credit loans, with an interest rate of 1.90%, and $18.1 million term loans, with an interest rate of 1.90%.

Our credit facility requires us to maintain a total net leverage ratio not exceeding 3.75:1.00. At June 30, 2021, we were in compliance with our financial covenants under the Credit Agreement. Although we believe our liquidity position remains strong, we can provide no assurance that we will remain in compliance with the covenants in our Credit Agreement, and in the future, it may prove necessary to seek an amendment with the bank lending group under our credit facility. Additionally, there can be no assurance that we will be able to raise additional funds on terms acceptable to us, if at all.

COVID-19

The economic slowdown caused by the COVID-19 pandemic continues to pose risks to states' budgets for the 2021 fiscal year, which began July 1 in most states. Depending on the severity and length of a downturn, sales tax collections and income tax withholdings could continue to be depressed in fiscal 2022 and, potentially, future fiscal years. States could face significant fiscal challenges and may revise their revenue forecasts and adjust their budgets for fiscal 2022 and, potentially, future fiscal years, accordingly. Illinois, New York and New Mexico, our top three markets, have revised revenue estimates downward for the 2021 fiscal year. New York, which started its fiscal year April 1, 2021, recently estimated that the state would collect at least $5 billion more than originally forecasted, due to better than expected receipts through January 2021. The New York state comptroller initially decreased its estimate for 2021 fiscal year collections by $10 billion. Although receipts are higher than this estimate, revenues are still significantly below pre-COVID estimates. The current New York fiscal plan authorizes the state of New York to issue up to $11 billion in short-term bonds to ameliorate reduced revenues during the fiscal year. Also in response to reduced revenues, the state implemented uniform reductions to Medicaid payments. Effective for dates of service on or after April 2, 2020, the uniform reduction rate is 1.5%. The reduction applies to home health services but hospice services are exempt. We cannot determine the impact that COVID-19 may have on states' budgets for 2022 or beyond. However, such impacts could have a material adverse effect on our financial condition, results of operations and cash flows.

As a result of the COVID-19 pandemic, federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist healthcare providers in providing care to COVID-19 patients and other patients during the public health emergency. These temporary measures include relief from Medicare conditions of participation requirements for healthcare providers, relaxation of licensure requirements for healthcare professionals, relaxation of privacy restrictions for telehealth remote communications, promoting use of telehealth by expanding the scope of services for which Medicare reimbursement is available, and limited waivers of fraud and abuse laws for activities related to COVID-19 during the emergency period. The current federal public health emergency declaration expires October 18, 2021, but HHS has indicated it will likely extend through 2021 and that HHS will provide states with 60 days' notice prior to termination of the declaration.

The American Rescue Plan Act of 2021, which became law on March 11, 2021, provides for $350 billion in relief funding for eligible state, local, territorial, and Tribal governments to mitigate the fiscal effects of the COVID-19 public health emergency. Additionally, the law provides for a 10 percentage point increase in federal matching funds for Medicaid home and community based services from April 1, 2021, through March 30, 2022, provided the state satisfies certain conditions. These and other federal stimulus measures may help to ease state-level budget constraints due to COVID-19.

Government Stimulus Advances

Provider Relief Fund

One of the primary sources of relief for healthcare providers is the Provider Relief Fund, which was established by the CARES Act, which was expanded by the PPPHCE Act and the CAA. Provider Relief Fund payments are intended to compensate healthcare providers for lost revenues and health care related expenses incurred in response to the COVID-19 pandemic and are not required to be repaid, provided that recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using funds received from the Provider Relief Fund to reimburse expenses or losses that other sources are obligated to reimburse.

In November 2020, the Company received grants in an aggregate principal amount of $13.7 million from the Provider Relief Fund, for which we had previously applied. The Company utilized $10.4 million and $11.3 million of these funds for the three and six months ended June 30, 2021, respectively, for healthcare related expenses, including retention payments, attributable to COVID-19 that were unreimbursed by other sources. In accordance with the current guidance issued by HHS, the Company expects to utilize additional funds through December 31, 2021, at which point we anticipate any unused funds will be returned. We are required to properly and fully document the use of such funds in reports to HHS, which must be submitted no later than March 31, 2022. The Company's ability to utilize and retain some or all of such funds will depend on the terms and conditions of the funds received. Queen City Hospice administered retention payments totaling $1.9 million to caregivers for the three and six months ended June 30, 2021, which we believed to be necessary to secure and maintain adequate personnel. Commercial organizations that receive and expend annual total awards of $750,000 or more in federal funding, including payments received through the Provider Relief Fund, are subject to federal audit requirements.

Medicare Accelerated and Advance Payment Program – Queen City Hospice

In addition, the CARES Act expands the Medicare Accelerated and Advance Payment Program to increase cash flow to providers impacted by the COVID-19 pandemic. Hospice and home health providers were able to request an advance or accelerated payment of up to 100% of the Medicare payment amount for a three-month period (not including Medicare Advantage payments). The Medicare Accelerated and Advance Payment Program payments are a loan that providers must repay. In April 2020, Queen City Hospice received an amount equal to $10.8 million pursuant to the Medicare Accelerated and Advance Payment Program. Queen City Hospice did not repay the funds prior to the completion of our acquisition of Queen City Hospice. However, Queen City Hospice repaid such funds following its acquisition in March 2021, prior to any CMS recoupment and before any interest accrual.

Payroll tax deferral

The CARES Act also provides for certain federal income and other tax changes, including allowing for the deferral of the employer portion of Social Security payroll taxes through December 31, 2020. The Company received a cash benefit of approximately $7.1 million related to the deferral of employer payroll taxes for 2020 under the CARES Act, for the period April 2, 2020 through June 30, 2020. Effective July 1, 2020, the Company began paying its deferred portion of employer Social Security payroll taxes and expects to repay the $7.1 million in the fourth quarter of 2021.

Medicare sequester

The CARES Act and related legislation also include other provisions offering financial relief, for example temporarily lifting the Medicare sequester, which would have otherwise reduced payments to Medicare providers by 2% as required by the Budget Control Act of 2011, from May 1, 2020, through December 31, 2021 (but also extending sequestration through 2030). This Medicare sequester relief resulted in an increase of $0.1 million and $0.2 million to home health net service revenues, and $0.7 million and $1.4 million to hospice net service revenues for the three and six months ended June 30, 2021, respectively. For the three months ended June 30, 2020, the Medicare sequester relief resulted in an increase of $0.3 million and $0.1 million, respectively, to hospice and home health net service revenues. However, the ARPA increases the federal budget deficit in a manner that triggers an additional statutorily mandated sequestration under the PAYGO Act. As a result, absent congressional action, Medicare spending will be reduced by up to 4% in fiscal year 2022, in addition to the existing sequestration requirements of the Budget Control Act of 2011. We cannot currently determine if, or to what extent, our business, results of operations, financial condition or liquidity will ultimately be impacted by mandated sequestration triggers under the PAYGO Act, or if the mandated sequestration will occur.

Amended and Restated Senior Secured Credit Facility

We entered into the Amended and Restated Credit Agreement, dated as of October 31, 2018, with certain lenders and Capital One, National Association, as a lender and as agent for all lenders (as amended by the Amendment (as hereinafter defined), the "Credit Agreement"). This credit facility totaled $269.6 million, inclusive of a $250.0 million revolving loan and a $19.6 million delayed draw term loan and is evidenced by the Credit Agreement. This credit facility amended and restated our existing senior secured credit facility totaling $250.0 million. As used throughout this Annual Report on Form 10-K, "credit facility" shall mean the credit facility evidenced by the Credit Agreement.

The maturity of this credit facility is May 8, 2023. Interest on this credit facility may be payable at (x) the sum of (i) an applicable margin ranging from 0.75% to 1.50% based on the applicable senior net leverage ratio plus (ii) a base rate equal to the greatest of (a) the rate of interest last quoted by The Wall Street Journal as the "prime rate," (b) the sum of the federal funds rate plus a margin of 0.50% and (c) the sum of the adjusted LIBOR that would be applicable to a loan with an interest period of one month advanced on the applicable day (not to be less than 0.00%) plus a margin of 1.00% or (y) the sum of (i) an applicable margin ranging from 1.75% to 2.50% based on the applicable senior net leverage ratio plus (ii) the offered rate per annum for similar dollar deposits for the applicable interest period that appears on Reuters Screen LIBOR01 Page (not to be less than zero). Swing loans may not be LIBOR loans. The availability of additional draws under this credit facility is conditioned, among other things, upon (after giving effect to such draws) the Total Net Leverage Ratio (as defined in the Credit Agreement) not exceeding 3.75:1.00. In certain circumstances, in connection with a Material Acquisition (as defined in the Credit Agreement), we can elect to increase our Total Net Leverage Ratio compliance covenant to 4.25:1.00 for the then current fiscal quarter and the three succeeding fiscal quarters.

Addus HealthCare, Inc. ("Addus HealthCare") is the borrower, and its parent, Holdings, and substantially all of Holdings' subsidiaries are guarantors under this credit facility, and it is collateralized by a first priority security interest in all of our and the other credit parties' current and future tangible and intangible assets, including the shares of stock of the borrower and subsidiaries. The Credit Agreement contains affirmative and negative covenants customary for credit facilities of this type, including limitations on us with respect to liens, indebtedness, guaranties, investments, distributions, mergers and acquisitions and dispositions of assets. We pay a fee ranging from 0.20% to 0.35% based on the applicable senior net leverage ratio times the unused portion of the revolving loan portion of the credit facility.

The Credit Agreement contains customary affirmative covenants regarding, among other things, the maintenance of records, compliance with laws, maintenance of permits, maintenance of insurance and property and payment of taxes. The Credit Agreement also contains certain customary financial covenants and negative covenants that, among other things, include a requirement to maintain a minimum Interest Coverage Ratio (as defined in the Credit Agreement), a requirement to stay below a maximum Total Net Leverage Ratio (as defined in the Credit Agreement) and a requirement to stay below a maximum permitted amount of capital expenditures, as well as restrictions on guarantees, indebtedness, liens, investments and loans, subject to customary carve outs, a restriction on dividends (provided that Addus HealthCare may make distributions to us in an amount that does not exceed $7.5 million in any year absent of an event of default, plus limited exceptions for tax and administrative distributions), a restriction on the ability to consummate acquisitions (without the consent of the lenders) under our credit facility subject to compliance with the Total Net Leverage Ratio (as defined in the Credit Agreement) thresholds, restrictions on mergers, dispositions of assets, and affiliate transactions, and restrictions on fundamental changes and lines of business.

On September 12, 2019, we entered into a First Amendment (the "Amendment") to our Credit Agreement. The Amendment increased our credit facility by $50.0 million in incremental revolving loans, for an aggregate $300.0 million in revolving loans. The Amendment provides that future incremental loans may be for term loans or an increase to the revolving loan commitments. The Amendment further provides that the proceeds of such $50.0 million incremental revolving loan may be used for, among other things, general corporate purposes.

On July 30, 2021, the Company entered into the Second Amendment. The Second Amendment, among other things, reallocated and refinanced the Company's outstanding initial term loans as revolving loans (such that the Company has no outstanding initial term loans and no further initial term loans may be borrowed) and increased the Company's revolving credit facility to an aggregate amount of $600,000,000. Moreover, the Second Amendment increased the Company's incremental loan facility to an aggregate amount $125,000,000, which incremental loan facility may be for term loans or an increase to the revolving loan commitments. The maturity of the revolving credit facility was also extended from May 8, 2023 to July 30, 2026.

At June 30, 2021, we were in compliance with our financial covenants under the Credit Agreement.

Cash Flows

The following table summarizes changes in our cash flows for the six months ended June 30, 2021 and 2020:

	For the Six Months Ended June 30,	
	2021	2020
	(Amounts in Thousands)	
Net cash (used in) provided by operating activities	$ (3,321)	$ 50,887
Net cash used in investing activities	(1,928)	(4,965)
Net cash (used in) provided by financing activities	(429)	913

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Net cash used in operating activities was $3.3 million for the six months ended June 30, 2021, compared to net cash provided by operating activities of $50.9 million for the same period in 2020. The decrease in cash provided by operations was due to the timing of accounts receivable, of $29.5 million, and the repayment and the use of $24.0 million of government stimulus funds for the six months ended June 30, 2021.

Net cash used in investing activities was $1.9 million for the six months ended June 30, 2021 compared to cash used in investing activities of $5.0 million for the six months ended June 30, 2020, which mainly consisted of property and equipment purchases primarily related to our ongoing investments in our technology infrastructure.

Net cash used by financing activities related to cash payments on term loan of $0.5 and $0.3 million for the six months ended June 30, 2021 and 2020. For the six months ended June 30, 2020, the Company received cash from the exercise of stock options of $1.2 million.

Outstanding Accounts Receivable

Gross accounts receivable as of June 30, 2021 and December 31, 2020 were approximately $139.6 million and $133.4 million, respectively. Outstanding accounts receivable, net of allowance, increased by $5.6 million as of June 30, 2021 as compared to December 31, 2020. Accounts receivable for the Illinois Department on Aging increased approximately $1.7 million during the quarter ended June 30, 2021. Our collection procedures include review of account aging and direct contact with our payors. We have historically not used collection agencies. An uncollectible amount is written off to the allowance account after reasonable collection efforts have been exhausted.

We calculate our DSO by taking the trade accounts receivable outstanding, net of allowance for doubtful accounts, divided by the net service revenues for the last quarter, multiplied by the number of days in that quarter. Our DSOs were 57 days and 61 days at June 30, 2021 and December 31, 2020, respectively. The DSOs for our largest payor, the Illinois Department on Aging, at June 30, 2021 and December 31, 2020 were 43 days and 46 days, respectively. We may not receive payments on a consistent basis in the near term and our DSOs and the DSO for the Illinois Department on Aging may increase despite the state of Illinois's enactment of state budgets for fiscal years 2021 and 2022.

The economic slowdown caused by the COVID-19 pandemic continues to pose a risk to states' budgets for the 2021 fiscal year, which began July 1 in most states. Depending on the severity and length of a downturn, sales tax collections and income tax withholdings could continue to be depressed in fiscal 2022 and, potentially, future fiscal years. States could face significant fiscal challenges and may revise their revenue forecasts and adjust their budgets for fiscal 2022 and, potentially, future fiscal years, accordingly. Illinois, New York and New Mexico, our top three markets, have revised revenue estimates downward for the 2021 fiscal year. New York, which started its fiscal year April 1, 2021, recently estimated that the state would collect at least $5 billion more than originally forecasted, due to better than expected receipts through January 2021. The New York state comptroller initially decreased its estimate for 2021 fiscal year collections by $10 billion. Although receipts are higher than this estimate, revenues are still significantly below pre-COVID estimates. The current New York fiscal plan authorizes the state of New York to issue up to $11 billion in short-term bonds to ameliorate reduced revenues during the fiscal year. Also in response to reduced revenues, the state implemented uniform reductions to Medicaid payments. Effective for dates of service on or after April 2, 2020, the uniform reduction rate is 1.5%. The reduction applies to home health services but hospice services are exempt. We cannot determine the impact that COVID-19 may have on states' budgets for 2022 or beyond. However, such impacts could have a material adverse effect on our financial condition, results of operations and cash flows.

The ARPA provided $350 billion dollars in emergency funding for state, local, territorial, and Tribal governments to remedy the mismatch between increasing costs and decreasing revenues. We cannot determine if Congress will provide additional relief with additional stimulus and relief legislation, including extension of unemployment benefits and relief for states. Additionally, we cannot determine the impact that the economic slowdown caused by the COVID-19 pandemic may have on states' budgets for 2022 or beyond. However, such impacts could have a material adverse effect on our financial condition, results of operations and cash flows.

Off-Balance Sheet Arrangements

As of June 30, 2021, we did not have any off-balance sheet guarantees or arrangements with unconsolidated entities.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates previously disclosed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates" set forth in Part II, Item 7 of our Annual Report on Form 10-K for the period ended December 31, 2020, filed on March 1, 2021.

Recently Issued Accounting Pronouncements

Refer to Note 2 to the Notes to Condensed Consolidated Financial Statements (Unaudited) for further discussion.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk associated with changes in interest rates on our variable rate long-term debt. As of June 30, 2021, we had outstanding borrowings of approximately $196.1 million on our credit facility, all of such borrowings were subject to variable interest rates. If the variable rates on this debt were 100 basis points higher than the rate applicable to the borrowing during the three and six month periods ended June 30, 2021, our net income would have decreased by $0.4 million, or $0.02 per diluted share, and $0.7 million, or $0.05 per diluted share, respectively. We do not currently have any derivative or hedging arrangements, or other known exposures, to changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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 were effective as of June 30, 2021.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the fiscal quarter ended June 30, 2021 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

Legal Proceedings

From time to time, we are subject to legal and/or administrative proceedings incidental to our business. It is the opinion of management that the outcome of pending legal and/or administrative proceedings will not have a material effect on our financial position and results of operations.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risk factors discussed under the caption "Risk Factors" set forth in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2020, filed on March 1, 2021. There have been no material changes to the risk factors previously disclosed under the caption "Risk Factors" in our Annual Report on Form 10-K. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

3.1	Amended and Restated Certificate of Incorporation of the Company dated as of October 27, 2009 (filed on November 20, 2009 as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-34504) and incorporated by reference herein).
3.2	Amended and Restated Bylaws of the Company, as amended by the First Amendment to the Amended and Restated Bylaws (filed on May 9, 2013 as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-34504) and incorporated by reference herein).
4.1	Form of Common Stock Certificate (filed on October 2, 2009 as Exhibit 4.1 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-160634) and incorporated by reference herein).
10.1	Transition Agreement and Release, effective June 11, 2021, by and among Addus HealthCare, Inc. and Laurie Manning. *
10.2	Employment and Non-Competition Agreement, effective June 14, 2021, by and between Addus HealthCare, Inc. and Roberton James Stevenson. *
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE	Inline XBRL Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101).

* Management compensatory plan or arrangement

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.

		ADDUS HOMECARE CORPORATION
Date: August 4, 2021	By:	/s/ R. DIRK ALLISON
		R. Dirk Allison **Chairman and Chief Executive Officer** **(As Principal Executive Officer)**
Date: August 4, 2021	By:	/s/ BRIAN POFF
		Brian Poff **Chief Financial Officer** **(As Principal Financial Officer)**

TRANSITION AGREEMENT AND RELEASE

This TRANSITION AGREEMENT AND RELEASE (this "Agreement") is effective as of August 11, 2021 (the "Effective Date"), by and between Addus HealthCare, Inc., an Illinois corporation (the "Company"), and Laurie Manning, an individual domiciled in the State of Texas (the "Employee"). The Company and Employee are hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties."

WHEREAS, Employee has served as the Chief Human Resource Officer of the Company, pursuant to an Employment and Non-Competition Agreement, as amended and restated on November 5 2018 (the "Employment Agreement");

WHEREAS, Employee intends to retire from employment and has provided notice of her intent to terminate her employment under the Employment Agreement without Good Reason prior to the expiration of the Employment Term (as defined therein), pursuant to, and in accordance with, Section 7(b) of the Employment Agreement;

WHEREAS, the Company, however, desires to continue to employ Employee in a reduced, non-executive role from and after the Effective Date until August 15, 2021 in order for Employee to perform certain transition services for the Company as set forth in this Agreement (the "Transition Services");

WHEREAS, in exchange for the additional promises set forth herein, Employee has agreed to perform the Transition Services, and the Company has agreed to employ Employee; and

WHEREAS, Employee acknowledges that, as a result of Employee's Section 7(b) resignation, Employee would not be entitled to any Severance Pay (defined herein below) absent Employee's execution of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the Parties, intending to be legally bound, agree as follows:

1. **Term of Employment**.

The Company hereby employs the Employee, and the Employee hereby accepts employment by the Company for the period commencing as of the Effective Date and ending on August 15, 2021 (the "Transition Term").

2. **Employment Duties**.

During the Transition Term, Employee shall provide services to accomplish the orderly transition of Employee's former duties and responsibilities with the Company and such other special projects as requested by the Company from time to time (the "Transition Services"). During the Transition Term, Employee shall report directly to the Chief Executive Officer (the "CEO") of the Company.

3. **Compensation**.

The Company will pay the Employee certain amounts as separation benefits as follows during the Transition Term:

(a) **Separation Payments**. During the Transition Term, the Company will continue to pay Employee amounts consistent with the rate of compensation set forth in Section 3(a) of the Employment Agreement (the "Separation Payments"). The Separation Payments shall be paid in accordance with the normal payroll practice of the Company and subject to applicable withholdings and deductions.

(b) **Equity Awards**. Employee has previously received stock options and restricted stock awards pursuant to the Employment Agreement. Such equity awards shall continue to vest during the Transition Term. However, Employee shall not be eligible for any other stock option or restricted stock awards during the Transition Term.

(c) **Eligibility for Separation Pay and Benefits Generally**. Employee's entitlement to: (i) the Separation Payments, (ii) continued vesting of equity awards, and (iii) health benefits (set forth in Section 5, below) (collectively, the "Severance Pay") is expressly conditioned on Employee timely executing and delivering the general release attached hereto as Exhibit 1 on August 5, 2021 and not revoking such release. If Employee chooses to revoke the release during the Revocation Period (as defined in Exhibit 1) or otherwise not execute the release during the Consideration Period (as defined in Exhibit 1), the Employee shall not be entitled to any of the Severance Pay and shall, to the extent already received, immediately return any such Severance Pay to the Company.

(d) **Sufficiency of Consideration for Release**. Employee acknowledges that: (x) the Severance Pay constitutes full-time executive-level compensation; (y) Employee will not be performing full-time executive-level duties during the Transition Term; and (z) her execution of the general release is a material inducement for the Company to provide the Severance Pay and she would not be entitled to the Severance Pay but for her execution of the general release.

4. **Reserved**.

5. **Benefits**.

During the Transition Term, Employee shall continue to receive the same health benefits Employee received under Section 5(d) of the Employment Agreement.

6. **Employee Covenants**.

Employee acknowledges that Employee has previously executed an Employment Agreement, which includes in Section 9 thereof certain non-competition, non-solicitation, non-disclosure, and non-disparagement covenants, as well as covenants to return Company property; confidentiality and other acknowledgement provisions; and remedies for any breach of Section 9 of the Employment Agreement. Employee promises to adhere to all the terms of Section 9 of the Employment Agreement, which shall remain in full force and effect following execution of this Agreement and which are hereby incorporated by reference as originally executed and acknowledged by both Parties, provided, however, that nothing incorporated herein shall prevent Employee from making a good-faith, truthful report to a government agency with oversight responsibility of the Company or from otherwise participating in a government investigation. For an avoidance of doubt, all remedies for any breach of Section 9 of the Employment Agreement are also hereby incorporated by reference.

7. **Prior Agreement**.

Except as otherwise provided herein, including, without limitation with respect to Section 6 hereof, this Agreement supersedes and is in lieu of any and all other employment arrangements between Employee and the Company or its predecessor or any subsidiary, and any and all such employment agreements and arrangements are hereby terminated and deemed of no further force or effect.

8. **Assignment**.

Neither this Agreement nor any rights or duties of Employee hereunder shall be assignable by Employee, and any such purported assignment by her shall be void. The Company may assign all or any of its rights hereunder.

9. **Notices**.

Unless specified in this Agreement, all notices and other communications hereunder shall be in writing and shall be deemed given upon receipt or refusal thereof if delivered personally, sent by overnight courier service, mailed by registered or certified mail (return receipt requested), postage prepaid, or emailed to the other Party's email address on the Company's computer network. Notice to the respective Parties, if mailed or sent by overnight courier service, shall be to the following addresses:

(a) if to Employee, to:

Laurie Manning
2299 Briar Court
Frisco, TX 75034

(b) if to the Company, to:

Addus HealthCare, Inc.
6303 Cowboys Way
Suite 600
Frisco, TX 75034
Attention: Sean Gaffney, Chief Legal Officer

with a copy, which shall not constitute notice, to:

Bass Berry & Sims PLC
150 Third Avenue South
Suite 2800
Nashville, TN 37201
Attention: David Cox, Esq.
Telephone: (615) 742-6299
Facsimile: (615) 742-2864
E-mail: dcox@bassberry.com

Any Party may change its address for notice by giving all other Parties notice of such change pursuant to this Section 9.

10. **Amendment**.

This Agreement may not be changed, modified, or amended except in writing signed by both Parties to this Agreement.

11. **Waiver of Breach**.

The waiver by either Party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either Party.

12. **Invalidity of Any Provision**.

The provisions of this Agreement are severable, it being the intention of the Parties that, should any provision hereof be invalid or unenforceable, such invalidity or enforceability of any provisions shall not affect the remaining provisions hereof, but the same shall remain in full force and effect as if such invalid or unenforceable provision or provisions were omitted.

13. **409A Compliance**.

This Agreement is intended to comply with or be exempt from Code §409A, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance with or exempt from Code §409A. Notwithstanding any other provision to the contrary, a termination of employment with the Company shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of "deferred compensation" (as such term is defined in §409A) upon or following a termination of employment unless such termination is also a "separation from service" from the Company within the meaning of Code §409A and Section 1.409A-1(h) of the Treasury Regulations and, for purposes of any such provision of this agreement, references to a "separation," "termination," "termination of employment or like terms shall mean "separation from service." If Employee is a specified employee within the meaning of that term under Code §409A, then with regard to any payment that is considered non-qualified deferred compensation under Code §409A and payable on account of a separation from service, such payment shall be made on the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such separation from service, and (ii) the date of Employee's death (the "Delay Period") to the extent required under Code §409A. Upon the expiration of the Delay Period, all payments delayed shall be paid to Employee in a lump sum, and all remaining payments due under this Agreement shall be paid or provided for in accordance with the normal payment dates specified herein. To the extent any reimbursements or in-kind benefits under this Agreement constitute non-qualified deferred compensation for purposes of Code §409A, (i) all such expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Employee, (ii) any right to such reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit and (iii) no such reimbursement, expenses eligible for reimbursement or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. For purposes of Code §409A, Employee's right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. In no event shall any payment under this Agreement that constitutes non-qualified deferred compensation for purposes of Code §409A be subject to offset, counterclaim or recoupment by any other amount unless otherwise permitted by Code §409A.

14. **Governing Law**.

This Agreement shall be governed by, and construed, interpreted, and enforced in accordance with, the laws of the State of Texas as applied to agreements entirely entered into and performed in Texas by Texas residents exclusive of the conflicts of laws provisions of any other state.

15. **Arbitration**.

Except as set forth below, any controversy or claim arising out of or relating to this Agreement (including, without limitation, as to arbitrability and any disputes with respect to the Employee's employment with the Company or the termination of such employment), or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect as of the date of filing of the arbitration administered by a person authorized to practice law in the State of Texas and mutually selected by the Company and Employee (the "Arbitrator"). If the Company and Employee are unable to agree upon the Arbitrator within fifteen (15) days, they shall each select an arbitrator within fifteen (15) days, and the arbitrators selected by the Company and Employee shall appoint a third arbitrator to act as the Arbitrator within fifteen (15) days (at which point the Arbitrator alone shall judge the controversy or claim). The arbitration hearing shall commence within ninety (90) calendar days after the Arbitrator is selected, unless the Company and Employee mutually agree to extend this time period. The arbitration shall take place in Dallas, Texas. The Arbitrator will have full power to give directions and make such orders as the Arbitrator deems just. Nonetheless, the Arbitrator explicitly shall not have the authority, power, or right to alter, change, amend, modify, add, or subtract from any provision of this Agreement except pursuant to Section 12. The Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator's award or decision is based within thirty (30) days after the conclusion of the arbitration hearing. The agreement to arbitrate will be specifically enforceable. The award rendered by the Arbitrator shall be final and binding (absent fraud or manifest error), and any arbitration award may be enforced by judgment entered in any court of competent jurisdiction. The Company and Employee shall each pay one-half (1/2) of the fees of the Arbitrator. Notwithstanding anything set forth above to the contrary, in the event that the Company seeks injunctive relief and/or specific performance to remedy a breach, evasion, violation, or threatened violation of this Agreement, Employee irrevocably waives her right, if any, to have any such dispute decided by arbitration or in any jurisdiction or venue other than a state or federal court in the State of Texas. For any such action, Employee further irrevocably consents to the personal jurisdiction of the state and federal courts in the State of Texas.

16. **WAIVER OF JURY TRIAL**.

NO PARTY TO THIS AGREEMENT OR ANY ASSIGNEE, SUCCESSOR, HEIR OR PERSONAL REPRESENTATIVE OF A PARTY SHALL SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM, OR ANY OTHER LITIGATION PROCEDURE BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE ANCILLARY AGREEMENTS OR THE DEALINGS OR THE RELATIONSHIP BETWEEN THE PARTIES. NO PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION, IN WHICH A JURY TRIAL HAS BEEN WAIVED, WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS SECTION 19 HAVE BEEN FULLY DISCUSSED BY THE PARTIES HERETO, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NO PARTY HERETO HAS IN ANY WAY AGREED WITH OR REPRESENTED TO ANY OTHER PARTY HERETO THAT THE PROVISIONS OF THIS SECTION 16 WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

20. **Attorneys' Fees**.

If either Party is required to enforce any of her or its rights under this Agreement, including, without limitation, any right under Section 6 hereof, the prevailing party shall be entitled to recover from the other Party all attorneys' fees, court costs, and other reasonable expenses incurred in connection with the enforcement of those rights.

21. **Survival**.

Notwithstanding anything herein to the contrary, obligations under this Agreement which by their nature would continue beyond the termination of this Agreement, including without limitation those obligations contained in Section 6, shall survive termination or expiration of this Agreement for any reason.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

ADDUS HEALTHCARE, INC.

By: /s/R. DIRK ALLISON
Name: R. Dirk Allison
Title: President & Chief Executive Officer

/s/LAURIE MANNING
Laurie Manning

Exhibit 1

GENERAL RELEASE

In consideration of the Severance Pay described in the Transition Agreement and Release by and between Addus HealthCare, Inc., an Illinois corporation (the "Company"), and Laurie Manning, an individual domiciled in the State of Texas (the "Employee") (the "Transition Agreement"), and as required by Section 3(c) thereof, Employee hereby agrees to the following general release (the "Release"). The Company and Employee are hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties."

1. **Release**.

(a) Employee hereby waives, releases, and forever discharges the Company, its subsidiaries, business units, affiliates, parent companies, predecessors, successors, and its respective officers, directors, employees, agents, and legal counsel (collectively, the "Released Parties") from any and all claims, causes of action, demands, damages, costs, expenses, liabilities, grievances, or other losses, whether known or unknown, that in anyway arise from, grow out of, or are related to Employee's employment with the Company, Employee's termination of employment with the Company, or events that occurred before the date Employee executes this Release. Employee understands that the general release of claims contained in this Section 1 does not, however, waive any claim or cause of action that may arise after this Release is executed by Employee.

(b) Without limiting the generality of the foregoing, this general release of claims is intended to and shall release the Released Parties from any and all claims arising under federal, state, or local law prohibiting employment discrimination and all claims arising out of any legal restrictions on the Company's right to terminate its employees, including any breach of contract claims. This general release of claims also specifically releases the Released Parties from all claims under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act (ADEA), the National Labor Relations Act (NLRA), the Employment Retirement Income Security Act (ERISA), the Americans with Disabilities Act (ADA), the Uniformed Services Employment and Reemployment Rights Act (USERRA), the Genetic Information Nondiscrimination Act (GINA), and the Equal Pay Act (EPA), as well as all other applicable federal, state, or local codes, laws, regulations, and ordinances concerning Employee's employment. This general release of claims shall not apply to claims that cannot be waived as a matter of law, including *certain* wage claims under the Fair Labor Standards Act (FLSA) or other state laws, claims under any applicable workers' compensation laws, or claims under unemployment compensation laws.

2. **No Current Claims; Covenant Not to Sue**. Employee represents and warrants that Employee has not filed any complaint(s) or charge(s) against the Company or any of the other Released Parties with the Equal Employment Opportunity Commission ("EEOC") or the state commission empowered to investigate claims of employment discrimination, the Department of Labor, the Office of Federal Contract Compliance Programs, or with any other local, state, or

federal agency or court. Employee acknowledges and understands, however, that nothing in this Release shall prevent Employee from filing a charge of discrimination with the EEOC or a comparable state agency, but Employee agrees that should Employee obtain damages, or should the EEOC or any other third party obtain damages or other relief on Employee's behalf, arising out of a claim concerning Employee's employment with the Company, Employee will completely waive and forego the receipt of all such damages or other relief. Other than as authorized by the second sentence of this Section 2, Employee covenants and agrees not to file, commence, or initiate, whether directly or indirectly, any complaint or charge of any nature, whether related to employment discrimination or not, at any time hereafter against any of the Released Parties, and if any court, tribunal, or agency assumes or has assumed jurisdiction over any such complaint or charge, Employee shall promptly request in writing that the court, tribunal, or agency dismiss the matter. If Employee breaches this covenant not to sue, Employee hereby agrees to pay all of the reasonable costs and attorneys' fees actually incurred by the Released Parties in defending against such claims, together with any further damages as may result, directly or indirectly, from that breach.

3. **No Admission of Wrongdoing or Liability**. It is understood and agreed that this Release is in compromise of all existing, potential, or disputed claims. Nothing contained in this Release will constitute, or be construed as or is intended to be, an admission or an acknowledgment by the Released Parties of any wrongdoing or liability, all such wrongdoing and liability being expressly denied.

4. **Reserved**.

5. **Restrictive Covenants**. Employee acknowledges that Employee has previously executed a Transition Agreement, which incorporates by reference in Section 6 thereof certain non-competition, non-solicitation, non-disclosure, and non-disparagement covenants, as well as covenants to return Company property; confidentiality and other acknowledgement provisions; and remedies for any breach of Section 6 of the Transition Agreement. Employee acknowledges and understands that the restrictive covenants included in Section 6 of the Transition Agreement survive the termination or expiration of the Transition Agreement and shall remain in full force and effect following the execution of this Release.

6. **Disclosure**. Employee acknowledges and warrants that Employee is not aware of, or that Employee has fully disclosed to the Company, in writing, any matters for which Employee was responsible or that came to Employee's attention as an employee of the Company that might give rise to, evidence, or support any claim of illegal conduct, regulatory violation, unlawful discrimination, or other cause of action against the Company.

7. **Company Property**. Employee represents and covenants that Employee has returned, or will return to Company, upon Company's request and in no event any later than August 15, 2021, all property of the Company, including but not limited to all keys to the Company's offices, all equipment of any type, all documents, client lists, vendor lists, sales data or sales materials, customer preferences, marketing materials, product cost information, written information, forms, formulae, Company plan documents, Company legal documents, work-related e-mails, password access codes, and any other items relating to the Company's business that

Employee generated or received from the Company (or any entity affiliated with the Company), as well as any records and copies of the same, which are in Employee's possession or control, including but not limited to all originals, copies, derivations, and summaries of any of the Company's confidential or proprietary information and/or trade secrets. Employee agrees to destroy any and all Company documents, including but not limited to e-mails and documents that Employee may have stored on Employee's personal computers or other electronic devices of any kind.

8. **Remedies**. Employee understands and agrees that if Employee breaches any term of this Release, including, without limitation, any obligation under Section 5 hereof, Employee shall be subject, upon petition to any court of competent jurisdiction, to any remedy available to the Company at law or in equity, including the disgorgement and recoupment of any consideration given under this Release and the Transition Agreement; temporary, preliminary, and permanent injunctive relief enjoining Employee from any such breach or threatened breach, without the necessity of proving the inadequacy of monetary damages or the posting of any bond or security; damages; and pursuant to Section 17 hereof, payment of all reasonable attorney's fees incurred by the Company.

9. **Binding Effect**. This Release will be binding upon and inure to the benefit of the Parties and their respective officers, directors, employees, agents, legal counsel, heirs, successors, and assigns.

10. **Governing Law**. This Release will be governed by and construed and enforced in accordance with the laws of the State of Texas, without regard to its choice of law rules.

11. **Notice**. All notices, demands, or other communications hereunder shall be in writing and shall be deemed to have been duly given and received (i) if delivered personally, (ii) three (3) business days after being mailed, certified mail, return receipt requested, (iii) one (1) business day after being sent by nationally recognized overnight delivery service, or (iv) if sent via facsimile or similar electronic transmission during normal business hours, as evidenced by mechanical confirmation of such facsimile or other electronic transmission:

(a) if to Employee, to:

Laurie Manning
2299 Briar Court
Frisco, TX 75034

(b) if to the Company, to:

Addus HealthCare, Inc.
6303 Cowboys Way
Suite 600
Frisco, TX 75034
Attention: Sean Gaffney, Chief Legal Officer

with a copy, which shall not constitute notice, to:

Bass Berry & Sims PLC
150 Third Avenue South
Suite 2800
Nashville, TN 37201
Attention: David Cox, Esq.
Telephone: (615) 742-6299
Facsimile: (615) 742-2864
E-mail: dcox@bassberry.com

Any Party may change its address for notice by giving all other Parties notice of such change pursuant to this Section 11.

12. **Counterparts**. This Release may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same Release. Counterpart signature pages to this Release transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

13. **No Waiver**. Should the Company fail to require strict compliance with any term or condition of this Release, such failure shall not be deemed a waiver of such terms or conditions, nor shall the Company's failure to enforce any right it may have preclude it from thereafter enforcing its rights under this Release.

14. **Entire Agreement**. This Release, together with the Transition Agreement, contains the entire understanding of the Parties as to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions with respect to the subject matter hereof.

15. **No Oral Modification**. This Release may not be amended or modified except by an agreement in writing signed by both Parties.

16. **Severability**. If a court of competent jurisdiction should rule that any provision of this Release is invalid, illegal, or unenforceable in any respect, such ruling shall not affect the validity and enforceability of any other provision thereof, and this Release shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

17. **Attorneys' Fees**. The Parties agree that in the event it becomes necessary to seek judicial remedies for the breach or threatened breach of this Release, the prevailing party will be entitled, in addition to all other remedies, to recover from the non-prevailing party reasonable attorneys' fees and costs.

18. **Section 409A Compliance**. The intent of the parties is that payments and benefits under this Release comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the

maximum extent permitted, this Release shall be interpreted to be in compliance therewith. In no event whatsoever shall the Company be liable for any additional tax, interest, or penalty that may be imposed on Employee by Code Section 409A or damages for failing to comply with Code Section 409A. The Parties acknowledge that the provisions of Section 13 of the Transition Agreement are hereby incorporated herein.

19. **Consideration and Revocation Period**. Employee acknowledges that Employee has a period of sixty (60) days after Employee's receipt of this Release in which to consider entering into this Release (the "Consideration Period"). Employee has the right to sign this Release sooner than the expiration of the Consideration Period, but no earlier than August 5, 2021. If Employee does so, Employee acknowledges that Employee waives the right to the full 60-day Consideration Period. Employee may also revoke the signed Release at any time during a seven (7) day period following Employee's execution of this Release, (the "Revocation Period") by providing written notice of revocation in accordance with Section 11 of this Release. The notice must be received by the Company no later than the seventh day after signing this Release.

20. **Agreement Knowing and Voluntary**. Employee is advised that Employee has the right to and should consult with an attorney of Employee's choice, at Employee's expense, during the Consideration and/or Revocation Periods. By signing this Release, Employee acknowledges that Employee has had an adequate opportunity to consult with an attorney and consider this Release. Employee further acknowledges that Employee has carefully read and fully understands all the provisions of this Release, specifically including the General Release of Claims included in Section 1 of this Release. Employee acknowledges that Employee is fully satisfied with the terms and conditions of this Release, including, without limitation, the Severance Pay received, or to be received, by Employee from the Company, which serves as adequate consideration to support Employee's release of claims herein. Finally, Employee also acknowledges that Employee is voluntarily entering into this Release without any threat or coercion. If Employee chooses to revoke this Release within the Revocation Period, the Release shall become null and void, and Employee shall not be entitled to any of the Severance Pay and shall, to the extent already received, immediately return any such Severance Pay to the Company, as further required by Section 3(c) of the Transition Agreement. Should Employee not exercise Employee's right to revoke this Release within seven (7) days of the date of execution, this Release shall be held in full force and effect, and each Party shall be obligated to comply with its requirements.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Release as of the date below.

Dated: ___________________________

Laurie Manning

Dated: ADDUS HEALTHCARE, INC.

____

By:

Title:

AMENDED AND RESTATED EMPLOYMENT AND NON-COMPETITION AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AND NON-COMPETITION AGREEMENT (this "Agreement") is effective as of June 14, 2021 (the "Effective Date"), by and between Addus HealthCare, Inc., an Illinois corporation (the "Company"), and Roberton Stevenson, an individual domiciled in the State of Texas (the "Executive"). The Company and Executive are hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties."

WHEREAS, the Company, its parent and its subsidiaries (collectively, the "Addus HealthCare Group") provide home care, home health and hospice services.

WHEREAS, the Parties desire to enter this Agreement to secure the Executive's employment, all on the terms and conditions set forth herein;

WHEREAS, by virtue of the Executive's employment by the Company pursuant to the terms hereof, the Executive will obtain and become familiar with certain valuable confidential and proprietary information relating to the Addus HealthCare Group;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the Parties, intending to be legally bound, agree as follows:

1. **Effectiveness; Term of Employment.**

(a) This Agreement shall automatically become effective on the Effective Date.

(b) The Company hereby employs the Executive, and the Executive hereby accepts employment by the Company, for the period commencing as of the Effective Date and ending on the first (1st) anniversary of the Effective Date, or on such earlier date as provided pursuant to the terms and conditions of this Agreement (the "Initial Employment Term"). At the end of the Initial Employment Term, this Agreement shall automatically renew for successive one (1) year terms (each, as may be earlier terminated pursuant to the terms and conditions of this Agreement, an "Additional Employment Term" and together with the Initial Employment Term, the "Employment Term"), unless either Party provides notice to the other of its or his intention not to renew this Agreement at least thirty (30) days prior to the expiration of the Initial Employment Term or any Additional Employment Term (a "Non-Renewal"). During the Employment Term, the Executive shall (i) devote substantially all of his professional time, loyalty, and efforts to discharge his duties hereunder on a timely basis; (ii) use his best efforts to loyally and diligently serve the business and affairs of the Addus HealthCare Group; and (iii) endeavor in all respects to promote, advance and further the Addus HealthCare Group's interests in all matters. To the extent it does not interfere with Executive's duties hereunder in any material respect, the Parties agree that this provision should not be construed as limiting Executive's right to serve on up to one (1) board of, or otherwise engage in activities on behalf of, charitable and civic organizations and, upon prior written approval of the Company, one (1) board of a for profit entity that does not compete with the business of the Company.

2. **Employment Duties.**

During the Employment Term, the Company will employ the Executive as its Executive Vice President - Chief Human Resource Officer, a senior executive position that reports directly to the Chief Executive Officer ("CEO") of the Company. The Executive's principal duties and responsibilities shall be to oversee and direct the operations of the Addus HealthCare Group including the management and delivery of home care and adult day care services and the performance of such other executive duties and responsibilities as may be assigned to him by the CEO or the Board of Directors and are consistent with the Executive's position as Chief Human Resource Officer of the Company.

3. **Compensation.**

The Company will pay the Executive as follows during the Employment Term:

(a) **Base Salary**

. The Company shall pay the Executive a base salary at the annual rate of Two Hundred Ninety Thousand Dollars ($290,000), which shall be paid in accordance with the normal payroll practices of the Company and shall be subject to applicable withholdings and deductions. Thereafter, the Executive's base salary shall be subject to review and adjustment upward by the compensation committee (the "Compensation Committee") of the board of directors of Addus HomeCare Corporation ("Addus HomeCare") (the "Board of Directors") on or about each anniversary of the Effective Date for each year during the Employment Term (as adjusted from time-to-time, the "Base Salary").

(b) **Bonus**

. The Executive, at the discretion of the Compensation Committee, shall be eligible (but not entitled) to receive an annual bonus as set forth on Exhibit A hereto. The Compensation Committee, at its sole discretion, may determine the amount of the annual bonus, if any, to which the Executive may become entitled based on the quantitative and qualitative factors described on Exhibit A or any other factors the Compensation Committee may deem appropriate from time to time. All amounts payable pursuant to this Section 3(b), if any, shall be paid within no more than thirty (30) days after completion of Addus HomeCare's audited financial statements for the most recently completed fiscal year, but in all events, in the fiscal year following the fiscal year in which the performance occurred, and shall be subject to applicable withholdings and deductions. Bonus is not salary and is earned on the day it is paid. To be eligible to receive the bonus, the Executive must be actively employed and must not have given notice of termination on or prior to such date, except as expressly provided for in this Agreement.

(c) **Equity Awards**

. The Executive shall be eligible to receive equity awards and, as of the Effective Date, Executive would be issued options to acquire 23,000 unrestricted shares of Addus common stock and granted 2,300 restricted shares of

Addus common stock (the “Initial Grants”). The Initial Grants vest annually over a four-year period, subject to the terms and conditions set forth in the Company’s stock incentive plan and the respective stock agreements.

4. **Expenses.**

It is recognized that the Executive, in the performance of his duties hereunder, may be required to expend sums for travel (e.g., airfare, automobile rental, etc.), entertainment, and lodging. During the Employment Term, the Company shall reimburse the Executive for reasonable business expenses incurred by him during the Employment Term in connection with the performance of his duties hereunder conditioned upon and subject to the Company’s established policies and procedures, including written receipt from the Executive of an itemized accounting in accordance with the Company’s regular business expense verification practices.

5. **Benefits.**

During the Employment Term, the Executive shall be entitled to benefits under such plans, programs, or arrangements as the Board of Directors may establish or maintain from time to time for similarly-situated employees, and in accordance with its policies, which may change at the sole discretion of the Board of Directors. Benefits as of the Effective Date are:

(a) The Company has chosen to forgo a traditional sick or vacation accrual policy for its executives. Instead, executives may request Paid Time Off (PTO). Executives do not “accrue” PTO days as in traditional plans, and therefore will not be compensated for any unused PTO time upon separation of employment. The Company has discretion to approve or deny PTO requests under this program.

(b) Six (6) Company holidays, plus two (2) floating holidays, per year.

(c) Coverage under the health benefit plan provided by the Company to its executives, which may change, at the sole discretion of the Board of Directors, from time to time. The Company will cover the Executive and his dependents, if any, during the Employment Term to the same extent and according to the same terms as the Company’s other executives are covered.

(d) Life insurance policy with a face amount of up to five (5) times the Base Salary, provided that the Company shall not be required to spend greater than three percent (3%) of the Base Salary in purchasing such insurance policy.

(e) Short-term and long-term disability insurance to the same extent and according to the same terms as the Company’s other similarly-situated executives are covered, which may change, at the sole discretion of the Board of Directors, from time to time.

(f) Tuition reimbursement shall be available for courses relevant to the Executive’s position and taken at an accredited institution, subject to prior approval by the Chief Executive Officer.

(g) Participation in the Company's 401(k) plan up to the defined Internal Revenue Service limit beginning 30 days after the Effective Date or such other date as required under the plan. The Company will annually match 6% of the Executive's annual contribution to such plan during the Employment Term, subject to the Company's established policies and procedures.

6. **<u>Termination by the Company.</u>**

(a) The Company may terminate the Executive's employment hereunder at any time for Reasonable Cause. The term "Reasonable Cause" shall be limited to the following:

(i) A material breach or omission by the Executive of any of his duties or obligations under this Agreement (except due to Disability, as defined below) that the Executive shall fail to cure after receipt of written notice of such breach or omission from the Company's CEO or Board of Directors, which notice shall designate a reasonable period of time, if curable at all, of not less than ten (10) business days within which the breach or omission must be cured to the reasonable satisfaction of the CEO or the Board of Directors, as applicable, in order to prevent a termination for Reasonable Cause; provided, however, that the Executive shall only be permitted the opportunity to cure such breaches or omissions a total of two times in any twelve (12)-month rolling period;

(ii) Willfully engaging in any action that materially damages, or that may reasonably be expected to materially damage, the Addus HealthCare Group or the business or goodwill thereof;

(iii) Breaching the Executive's fiduciary duty to the Addus HealthCare Group;

(iv) Committing any act involving fraud, misusing or misappropriating money or other property of the Addus HealthCare Group, committing a felony, using illegal drugs, misusing or abusing prescriptive or over-the-counter drugs, habitually using other intoxicants, or chronic absenteeism;

(v) Gross negligence or willful misconduct by the Executive;

(vi) Committing acts constituting gross insubordination, such as, without limitation, the intentional disregard of any reasonable directive of the CEO or the Board of Directors; or

(vii) failing to perform any material duty in a timely and effective manner and failing to cure any such performance deficiency after receipt of written notice of the deficiency from the CEO or Board of Directors, which notice shall designate the reasonable period of time, if curable at all, of not less than ten (10) days within which the performance deficiency must be cured to the reasonable satisfaction of the CEO or the Board of Directors, as applicable, in order to prevent a termination for reasonable cause; provided, however, that the Executive shall only be permitted the opportunity to cure such performance deficiencies a total of two times in any twelve (12)-month rolling period.

(b) The Executive's employment hereunder shall be terminated in the event of his death, and the Company may terminate the Executive's employment hereunder if the Executive suffers a physical or mental disability (a "Disability") so that the Executive is or, in the opinion of an independent physician retained by the Company for purposes of this determination will be, unable to perform his duties in a manner satisfactory to the Company for a period of ninety (90) days out of any one hundred eighty (180) consecutive-day period (in which event the Executive shall be deemed to have suffered a permanent Disability).

(c) The Company may terminate the Executive's employment hereunder at any time for any other reason, or for no reason.

(d) Termination of the Executive's employment for any reason shall terminate the Employment Term but shall not affect the Executive's obligations pursuant to Section 9 hereof, which obligations shall remain in effect for the period therein provided.

7. **Termination by the Executive.**

The Executive may terminate his employment with the Company (a) for Good Reason (as defined below) or (b) without Good Reason, in each case, upon not less than thirty (30) days prior written notice to the Company; *provided*, *however*, that after the receipt of such notice, the Company may, in its discretion accelerate the effective date of such termination at any time by written notice to the Executive. Termination of the Executive's employment by the Executive shall terminate the Employment Term but shall not affect the Executive's obligations under Section 9 hereof, which obligations shall remain in effect for the period therein provided. As used herein, "Good Reason" means (i) any reduction in the Executive's Base Salary, (ii) any material reduction to the Executive's employment duties and responsibilities, (iii) any material breach by the Company of any material term of this Agreement, other than a breach which is remedied by the Company within 10 days after receipt of written notice given by the Executive, (iv) a change in the Executive's direct reporting duty to a person other than the CEO of the Company or the Board of Directors; or (v) the relocation of the Executive's principal office to a location more than fifty (50) miles from Frisco, Texas.

8. **Rights and Obligations Upon Termination.**

(a) If the Executive's employment is terminated by the Company pursuant to Section 6(a) or 6(b) hereof or by the Executive pursuant to Section 7(b) hereof, the Executive or his estate shall have no further rights against the Addus HealthCare Group hereunder, except for the right to receive, with respect to the period prior to the effective date of termination:

(i) Any unpaid Base Salary under Section 3(a) hereof for any period prior to the effective date of termination;

(ii) Any accrued but unpaid benefits under Section 5 hereof for any period prior to the effective date of termination; and

(iii) In the case of termination pursuant to Section 6(b), eligibility for life or disability insurance benefits described in Sections 5(e) or (f), as applicable.

Such payments shall be made to the Executive whether or not the Company chooses to utilize the services of the Executive for the required notice period specified in Section 7.

(b) If the Executive's employment is terminated pursuant to Section 6(c) hereof or Section 7(a) hereof, or as a result of Non-Renewal by the Company, the Executive shall be entitled to, in lieu of any further payments to the Executive for periods subsequent to the date of termination:

(i) Any unpaid Base Salary under Section 3(a) hereof for any period prior to the effective date of termination;

(ii) A pro rata portion of the bonus under Section 3(b) hereof based on what Executive would have been entitled to receive pursuant to the Company's then-effective bonus plan had his employment not been terminated, which shall be payable following the time the Company determines the amount of bonuses payable to its executives following the end of the year in which termination occurs, which determination will be based on the actual performance of the Company;

(iii) Any accrued but unpaid benefits under Section 5 hereof for any period prior to the effective date of termination, in accordance with the terms of the applicable plan or arrangement;

(iv) Conditioned upon the Executive's strict compliance with the post-employment restrictions described in Section 9 below and subject to applicable withholdings and deductions, severance pay ("Base Severance Pay") in an amount equal to the Executive's Base Cash Compensation (as defined below) to be paid in equal installments on the Company's regular pay dates over the twelve (12) month period following termination of the Executive's employment (subject to applicable withholdings and deductions), plus after-tax cash payments equal to the difference between the premiums for COBRA continuation coverage that would be available to Executive and the amount of premiums paid by similarly-situated active employees of the Company under the Company's health, dental, and/or vision insurance plans (calculated as of the first calendar month following Executive's termination and then multiplied by 12 months), for a period of one (1) year following the Executive's date of termination of employment, to be paid in equal installments on the Company's regular pay dates (subject to applicable tax withholdings and deductions).

For purposes of this Agreement, "Base Cash Compensation" shall mean the highest annual Base Salary in effect for the Executive.

(c) Notwithstanding anything to the contrary set forth herein, if the Executive's employment is terminated by the Company pursuant to Section 6(c) or by the Executive pursuant to Section 7(a) or as a result of Non-Renewal by the Company, in each case within six (6) months prior to, or one (1) year following, a Change in Control (as defined below), the Executive shall be entitled to, in lieu of the payments to be made pursuant to Section 8(b)(iv), (A) an amount equal to twenty four (24) months of the Executive's Annual Cash Compensation (as defined below) (subject to applicable withholdings and deductions), less any payment already received pursuant to Section 8(b)(iv) ("Change of Control Severance Pay" and, together with Base Severance Pay, "Severance Pay"), which shall be payable in accordance with the normal payroll practices of the Company in equal installments on the Company's regular pay dates over the twelve (12) month period following termination of the Executive's employment, (B) any unpaid bonus for a completed performance period that the Executive would have earned had he remained employed through date of payment, as determined by the Company and paid at the same time bonuses are paid to other senior executives based upon the actual performance of the Company, and (C) the Executive shall be eligible to receive after-tax cash payments equal to the difference between the premiums for COBRA continuation coverage that would be available to Executive and the amount of premiums paid by similarly-situated active employees of the Company under the Company's health, dental and/or vision insurance plans (calculated as of the first calendar month following Executive's termination and then multiplied by 24 months), payable in equal installments on the Company's regular pay dates (subject to applicable tax withholdings and deductions) until one (1) year following the termination of the Executive's employment. As used herein, a "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than a trustee or other fiduciary holding securities under an employee benefit plan of Addus HomeCare, or a corporation owned directly or indirectly by the stockholders of Addus HomeCare in substantially the same proportions as their ownership of stock of Addus HomeCare, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Addus HomeCare representing more than 50% of the total voting power represented by Addus HomeCare's then outstanding securities that vote generally in the election of directors (referred to herein as "Voting Securities"); or (ii) after the date of this Agreement, the stockholders of Addus HomeCare approve (x) a merger or consolidation of Addus HomeCare with any other corporation, other than a merger or consolidation that would result in the Voting Securities of Addus HomeCare outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) more than 50% of the total voting power represented by the Voting Securities of Addus HomeCare or such surviving entity outstanding immediately after such merger or consolidation, or (y) a plan of complete liquidation of Addus HomeCare or an agreement for the sale or disposition by Addus HomeCare of (in one transaction or a series of transactions) all or substantially all of Addus HomeCare's assets.

For purposes of this Agreement, "Annual Cash Compensation" shall mean the sum of (a) the highest annual Base Salary in effect for the Executive and (b) the greater of (i) the Executive's bonus for the most recently-completed year (excluding any special bonuses awarded for performance after the conclusion of the performance period), if any, or (ii) the annualized amount of the Executive's target bonus for the then current year.

(d) The Executive acknowledges and agrees that the Company's obligations to make payments pursuant to Sections 8(b)(iv) and 8(c) above are expressly conditioned on the Executive timely executing, delivering and not revoking a customary general release in form and substance satisfactory to the Company within the period that is sixty (60) days following the date of the Executive's termination of employment or service with the Company. To the extent that such sixty (60) day period spans two (2) calendar years, no payment of any severance amount or benefit that is (i) considered to be nonqualified deferred compensation within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, "Code §409A") and (ii) conditioned upon the release, shall be made before the first day of the second calendar year, regardless of when the release is actually executed and returned to the Company.

9. **Covenants of the Executive.**

(a) **No Conflicts**

. The Executive represents and warrants that he is not personally subject to any agreement, order, or decree that restricts his acceptance of this Agreement and performance of his duties with the Company hereunder.

(b) **Non-Competition; Non-Solicitation**

. During the Employment Term and during the Restrictive Period (as defined below), the Executive shall not, without the prior written consent of the Company, directly or indirectly, in any capacity whatsoever, either on his own behalf or on behalf of any other person or entity whom he may manage, control, participate in, consult with, render services for, or be employed by or associated with, compete with the Business (as defined below) in any of the following described manners:

(i) Engage in, assist, or have any interest in, as principal, consultant, advisor, agent, financier, or employee, any business entity that is, or that is about to become engaged in, providing goods or services in competition with the Addus HealthCare Group within a geographic radius of fifty (50) miles from any Addus HealthCare Group branch office;

(ii) Solicit or accept any business (or help any other person solicit or accept any business) from any person or entity that on the Effective Date is a customer of the Addus HealthCare Group, or during the Employment Term becomes a customer of the Addus HealthCare Group, other than a customer that does not engage in the Business;

(iii) Induce or attempt to induce any employee of the Addus HealthCare Group to terminate such employee's relationship with the Addus HealthCare Group or in any way interfere with the relationship between the Addus HealthCare Group and any employee thereof; or

(iv) Induce or attempt to induce any customer, referral source, supplier, vendor, licensee, or other business relation of the Addus HealthCare Group to cease doing business with the Addus HealthCare Group, or in any way interfere with the relationship between any such customer, referral source, supplier, vendor, licensee, or business relation, on the one hand, and the Addus HealthCare Group, on the other hand.

For purposes hereof, the term "Business" means the business of providing home care services of the type and nature that the Addus HealthCare Group performs and/or any other business activity in which the Addus HealthCare Group performs or program or service under active development proposed to be performed and/or any other business activity in which the Addus HealthCare Group becomes engaged in on or after the date hereof while the Executive is employed by the Company.

For purposes hereof, the term "Restrictive Period" means the period beginning on the date on which the Executive's employment is terminated by the Company or the Executive for any reason and ending on the first anniversary of such date; provided, however, if the Executive is eligible for the compensation described in Section 8(c), "Restrictive Period" shall mean the period beginning on the date on which the Executive's employment is terminated by the Company or the Executive for any reason and ending on the second anniversary of such date

Notwithstanding the foregoing provisions, nothing herein shall prohibit the Executive from owning one percent (1%) or less of any securities of an Addus HealthCare Group competitor, if such securities are listed on a nationally recognized securities exchange or traded over-the-counter. If, at the time of enforcement of this Section 9(b), a court holds that the restrictions stated herein are unreasonable under the circumstances then existing, the Parties agree that the maximum period, scope or geographic area reasonable under such circumstances shall be substituted for the stated period, scope or area determined to be reasonable under the circumstances by such court.

(c) **Non-Disclosure**

. The Executive recognizes and acknowledges that he will have access to certain confidential and proprietary information of Addus HealthCare Group, including, but not limited to, Trade Secrets (as defined below) and other proprietary commercial information, and that such information constitutes valuable, special, and unique property of Addus HealthCare Group. The Executive agrees that he will not, for any reason or purpose whatsoever, except in the performance of his duties hereunder, or as required by law, disclose any of such confidential information to any person, entity, or governmental authority without express authorization of the Company. This restriction shall not, however, prohibit the Executive from communicating with any Government Agency or otherwise participating in any investigation or proceeding that may be conducted by any Government Agency, including providing Company documents or other information, without consent of the Company. The Executive further agrees that he shall not, at any time during the Employment Term or thereafter, without the express prior written consent of the Company, directly or indirectly, in any capacity whatsoever, either on his own behalf or on behalf of any other person or entity that he manages, controls, participates in, consults with, renders services for, or is employed by or associated with, disclose or use, except when necessary to further the interests of the Business, any Trade Secret of the Addus HealthCare Group, whether such Trade Secret is in the Executive's memory or embodied in writing or other physical form. For purposes of this Agreement, "Trade Secret" means any information, not generally known to, and not readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and is the subject of efforts to maintain its secrecy that are reasonable under the circumstances, including, but not limited to, (i) trade secrets; (ii) information concerning the business or affairs of the Addus HealthCare Group, including its products or services, fees, costs, and pricing structures, charts, manuals and documentation, databases, accounting and business models, designs, analyses, drawings, photographs and reports, computer software, copyrightable works, inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, sales records, and other proprietary commercial information; (iii) information concerning actual and prospective clients and customers of the Addus HealthCare Group, including client and customer lists and other compilations; and (iv) information concerning employees, contractors, and vendors of the Addus HealthCare Group, including personal information and information concerning the compensation or other terms of employment of such individuals. "Trade Secret," however, shall not include general "know-how" information acquired by the Executive during the course of his employment that could have been obtained by him from public sources without the expenditure of significant time, effort, and expense. Notwithstanding anything in this Section 9(c) to the contrary, nothing herein shall prohibit Executive from making a good-faith, truthful report to a government agency with oversight responsibility of the Company.

(d) **<u>Covenant Regarding Confidential and Proprietary Information</u>**

. The Executive will promptly disclose in writing to the Company each improvement, discovery, idea, invention, and each proposed publication of any kind whatsoever, relating to the Business made or conceived by the Executive either alone or in conjunction with others while employed hereunder if such improvement, discovery, idea, invention, or publication results from or was suggested by such employment (whether or not patentable and whether or not made or conceived at the request of or upon the suggestion of the Company, and whether or not during his usual hours of work, whether in or about the premises of the Addus HealthCare Group and whether prior or subsequent to the execution hereof). The Executive will not disclose any such improvement, discovery, idea, invention or publication to any person, entity, or governmental authority, except to the Company. Each such improvement, discovery, idea, invention, and publication shall be the sole and exclusive property of, and is hereby assigned by the Executive to, the Company, and at the request of the Company, the Executive will assist and cooperate with the Company and any person or entity from time to time designated by the Company to obtain for the Company or its designee the grant of any letters patent in the United States of America and/or such other country or countries as may be designated by the Company, covering any such improvement, discovery, idea, invention, or publication and will in connection therewith execute such applications, statements, assignments, or other documents, furnish such information and data, and take all such other action (including, without limitation, the giving of testimony) as the Company may from time to time reasonably request. The foregoing provisions of this Section 9(d) shall not apply to any improvement, discovery, idea, invention, or publication for which no equipment, supplies, facilities, or confidential and proprietary information of Addus HealthCare Group was used and that was developed entirely on the Executive's own time, unless (x) the improvement, discovery, idea, invention, or publication relates to the Business or the actual or demonstrably anticipated research or development of the Business, or (y) the improvement, discovery, idea, invention, or publication results from any work performed by the Executive for the Addus HealthCare Group.

(e) **Non-Disparagement**

. The Executive agrees that, during the Employment Term and the Restrictive Period, he will not make any statement, either in writing or orally, that is communicated publicly or is reasonably likely to be communicated publicly and that is reasonably likely to disparage or otherwise harm the business or reputation of the Addus HealthCare Group, or the reputation of any of its current or former directors, officers, employees, or stockholders.

(f) **Return of Documents and Other Property**

. Upon termination of employment, the Executive shall return all originals and copies of books, records, documents, customer lists, sales materials, tapes, keys, credit cards and other tangible property of Addus HealthCare Group within the Executive's possession or under his control.

(g) **Remedies for Breach**

. In the event of a breach or threat of a breach of the provisions of this Section 9, the Executive hereby acknowledges that such breach or threat of a breach will cause the Company to suffer irreparable harm and that the Company shall be entitled to an injunction restraining the Executive from breaching such provisions. The foregoing shall not, however, be construed as prohibiting the Company from having available to it any other remedy, either at law or in equity, for such breach or threatened breach, including, but not limited to, the immediate cessation of employment and any remaining Severance Pay and benefits pursuant to Section 8, the recovery of damages from the Executive, and the notification of any employer or prospective employer of the Executive as to the limitations and restrictions contained in this Agreement (without limiting or affecting the Executive's obligations under the other paragraphs of this Section 9). In addition, the Executive also expressly acknowledges and agrees that, in addition to the foregoing rights and remedies, the Executive shall reimburse the Company for all attorneys' fees, costs, and expenses incurred by Company to enforce the provisions of this Section 9.

(h) **Acknowledgement**

. The Executive acknowledges that he will be directly and materially involved as a senior executive in all important policy and operational decisions of Addus HealthCare Group. The Executive further acknowledges that the scope of the foregoing restrictions has been specifically bargained between the Company and the Executive, each being fully informed of all relevant facts. Accordingly, the Executive acknowledges that the foregoing restrictions of this Section 9 are fair and reasonable, are minimally necessary to protect Addus HealthCare Group, its stockholders, and the public from the unfair competition of the Executive who, as a result of his employment with the Company, will have had access to the most confidential and important information of Addus HealthCare Group, its Business, and future plans. The Executive furthermore acknowledges that no unreasonable harm or injury will be suffered by him from enforcement of the covenants contained herein and that he will be able to earn a reasonable livelihood following termination of his employment notwithstanding enforcement of the covenants contained herein.

(i) **Right of Set Off**

. In the event of a breach by the Executive of the provisions of this Agreement, the Company is hereby authorized at any time and from time to time, to the fullest extent permitted by law, and after ten (10) days prior written notice to the Executive, to set-off and apply any and all amounts at any time held by the Company on behalf of the Executive and all indebtedness at any time owing by the Addus HealthCare Group to the Executive against any and all of the obligations of the Executive now or hereafter existing, to the extent such set-off would not result in a penalty under Code §409A with regard to amounts that are deemed deferred compensation under Code §409A.

10. **Prior Agreement.**

This Agreement contains the entire understanding of the Parties with respect to the matters set forth herein. Each Party acknowledges that there are no warranties, representations, promises, covenants, or understandings of any kind except those that are expressly set forth in this Agreement. This Agreement supersedes and is in lieu of any and all other agreements between the Executive and the Company or its predecessor or any subsidiary, and any and all such employment agreements or arrangements are hereby terminated and deemed of no further force or effect.

11. **Assignment.**

Neither this Agreement, nor any rights or duties of the Executive hereunder shall be assignable by the Executive, and any such purported assignment by him shall be void. The Company may assign all or any of its rights hereunder.

12. **Notices.**

Unless specified in this Agreement, all notices and other communications hereunder shall be in writing and shall be deemed given upon receipt or refusal thereof if delivered personally, sent by overnight courier service, mailed by registered or certified mail (return receipt requested), postage prepaid, or emailed to the other Party's email address on the Company's computer network (except that email shall not be deemed given upon refusal thereof). Notice to each Party, if mailed or sent by overnight courier service, shall be to the following addresses:

(a) If to the Executive, to:

Roberton Stevenson
1621 Chisholm Trail
Prosper, TX 75078

If to the Company, to:

Addus HealthCare, Inc.
6303 Cowboys Way
Suite 600
Frisco, TX 75034
Attention: Sean Gaffney, Chief Legal Officer

With a copy, which shall not constitute notice, to:

Bass Berry & Sims PLC
150 Third Avenue South
Suite 2800
Nashville, TN 37201
Attention: David Cox, Esq.
Telephone: (615) 742-6299
Facsimile: (615) 742-2864
E-mail: dcox@bassberry.com

Any Party may change its address for notice by giving all other Parties notice of such change pursuant to this Section 12.

13. **Amendment.**

This Agreement may not be changed, modified, or amended except in writing signed by both Parties to this Agreement.

14. **Waiver of Breach.**

The waiver by either Party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either Party.

15. **Invalidity of Any Provision.**

The provisions of this Agreement are severable, it being the intention of the parties hereto that should any provision hereof be invalid or unenforceable, such invalidity or enforceability of any provisions shall not affect the remaining provisions hereof, but the same shall remain in full force and effect as if such invalid or unenforceable provision or provisions were omitted.

16. **<u>409A Compliance.</u>**

This Agreement is intended to comply with or be exempt from Code §409A, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance with or exempt from Code §409A. Notwithstanding any other provision to the contrary, a termination of employment with the Company shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of "deferred compensation" (as such term is defined in §409A) upon or following a termination of employment unless such termination is also a "separation from service" from the Company within the meaning of Code §409A and Section 1.409A-1(h) of the Treasury Regulations and, for purposes of any such provision of this agreement, references to a "separation," "termination," "termination of employment or like terms shall mean "separation from service." If the Executive is a specified employee within the meaning of that term under Code §409A, then with regard to any payment that is considered non-qualified deferred compensation under Code §409A and payable on account of a separation from service, such payment shall be made on the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such separation from service, and (ii) the date of the Executive's death (the "<u>Delay Period</u>") to the extent required under Code §409A. Upon the expiration of the Delay Period, all payments delayed shall be paid to the Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided for in accordance with the normal payment dates specified herein. To the extent any reimbursements or in-kind benefits under this Agreement constitute non-qualified deferred compensation for purposes of Code §409A, (i) all such expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive, (ii) any right to such reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit, and (iii) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. For purposes of Code §409A, the Executive's right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. In no event shall any payment under this Agreement that constitutes non-qualified deferred compensation for purposes of Code §409A be subject to offset, counterclaim, or recoupment by any other amount unless otherwise permitted by Code §409A.

17. **<u>Governing Law.</u>**

This Agreement shall be governed by, and construed, interpreted and enforced in accordance with the laws of the State of Texas as applied to agreements entirely entered into and performed in Texas by Texas residents exclusive of the conflict of laws provisions of any other state.

18. **<u>Survival.</u>**

Obligations under this Agreement which by their nature would continue beyond the termination of this Agreement, including without limitation Sections 8 and 9, shall survive termination of this Agreement for any reason.

19. **<u>Arbitration.</u>**

Except as set forth below, any controversy or claim arising out of or relating to this Agreement (including, without limitation, as to arbitrability and any disputes with respect to the Executive's employment with the Company or the termination of such employment), or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect as of the date of filing of the arbitration administered by a person authorized to practice law in the State of Texas and mutually selected by the Company and the Executive (the "Arbitrator"). If the Company and the Executive are unable to agree upon the Arbitrator within fifteen (15) days, they shall each select an arbitrator within fifteen (15) days, and the arbitrators selected by the Company and the Executive shall appoint a third arbitrator to act as the Arbitrator within fifteen (15) days (at which point the Arbitrator alone shall judge the controversy or claim). The arbitration hearing shall commence within ninety (90) calendar days after the Arbitrator is selected, unless the Company and the Executive mutually agree to extend this time period. The arbitration shall take place in Dallas, Texas. The Arbitrator will have full power to give directions and make such orders as the Arbitrator deems just. Nonetheless, the Arbitrator explicitly shall not have the authority, power, or right to alter, change, amend, modify, add, or subtract from any provision of this Agreement except pursuant to Section 15. The Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator's award or decision is based within thirty (30) days after the conclusion of the arbitration hearing. The agreement to arbitrate will be specifically enforceable. The award rendered by the Arbitrator shall be final and binding (absent fraud or manifest error), and any arbitration award may be enforced by judgment entered in any court of competent jurisdiction. The Company and the Executive shall each pay one-half (1/2) of the fees of the Arbitrator. Notwithstanding anything set forth above to the contrary, in the event that the Company seeks injunctive relief and/or specific performance to remedy a breach, evasion, violation or threatened violation of this Agreement, the Executive irrevocably waives his right, if any, to have any such dispute decided by arbitration or in any jurisdiction or venue other than a state or federal court in the State of Texas. For any such action, the Executive further irrevocably consents to the personal jurisdiction of the state and federal courts in the State of Texas.

20. **WAIVER OF JURY TRIAL.**

NO PARTY TO THIS AGREEMENT OR ANY ASSIGNEE, SUCCESSOR, HEIR OR PERSONAL REPRESENTATIVE OF A PARTY SHALL SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM, OR ANY OTHER LITIGATION PROCEDURE BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE ANCILLARY AGREEMENTS OR THE DEALINGS OR THE RELATIONSHIP BETWEEN THE PARTIES. NO PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION, IN WHICH A JURY TRIAL HAS BEEN WAIVED, WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS SECTION 20 HAVE BEEN FULLY DISCUSSED BY THE PARTIES HERETO, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NO PARTY HERETO HAS IN ANY WAY AGREED WITH OR REPRESENTED TO ANY OTHER PARTY HERETO THAT THE PROVISIONS OF THIS SECTION 20 WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

ADDUS HEALTHCARE, INC.

By: /s/R. DIRK ALLISON
Name: R. Dirk Allison
Title: President and Chief Executive Officer

/s/ROBERTON STEVENSON
Roberton Stevenson

Signature Page to Employment Agreement

Exhibit A
Bonus

The Executive is eligible to receive a bonus with a target amount of 75% of the Executive's annual Base Salary during the applicable calendar year (pro-rated for any partial year, including, without limitation, the 2021 calendar year, during which Executive's bonus will be pro-rated based on 6 months of employment at the Senior Vice President level and 6 months of employment as EVP, Chief Human Resource Officer), based on the Company's evaluation of the Executive's performance compared to established Company and/or individual objectives, in each case, at the discretion of the Compensation Committee of the Board of Directors. The Compensation Committee shall review and establish the objectives and threshold, target and maximum levels with respect to such objectives annually.

Exhibit 31.1

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

I, R. Dirk Allison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Addus HomeCare Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 4, 2021

By: /s/ R. Dirk Allison
R. Dirk Allison
Chairman and Chief Executive Officer

Exhibit 31.2

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

I, Brian Poff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Addus HomeCare Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021

By: /s/ Brian Poff
Brian Poff
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2021 of Addus HomeCare Corporation (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, R. Dirk Allison, Chairman and Chief Executive 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: August 4, 2021

By: /s/ R. Dirk Allison
R. Dirk Allison
Chairman and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2021 of Addus HomeCare Corporation (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian Poff, 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: August 4, 2021

By: /s/ Brian Poff
Brian Poff
Chief Financial Officer