[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, 2022

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 25, 2022, Addus HomeCare Corporation had 16,080,337 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, 2022 and December 31, 2021
(Amounts and Shares in Thousands, Except Per Share Data)
(Unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash	$ 120,917	$ 168,895
Accounts receivable, net of allowances for credit losses	124,554	136,955
Prepaid expenses and other current assets	10,901	18,491
Total current assets	256,372	324,341
Property and equipment, net of accumulated depreciation and amortization	17,733	18,483
Other assets		
Goodwill	574,752	504,392
Intangibles, net of accumulated amortization	74,464	64,321
Operating lease assets, net	41,207	36,048
Total other assets	690,423	604,761
Total assets	$ 964,528	$ 947,585
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 21,346	$ 19,358
Accrued payroll	39,432	44,083
Accrued expenses	38,054	37,077
Government stimulus advances	16,735	4,173
Accrued workers' compensation insurance	12,437	12,998
Total current liabilities	128,004	117,689
Long-term liabilities		
Long-term debt, net of debt issuance costs	196,342	220,912
Long-term operating lease liabilities	38,343	32,859
Other long-term liabilities	2,062	1,781
Total long-term liabilities	236,747	255,552
Total liabilities	$ 364,751	$ 373,241
Stockholders' equity		
Common stock—$.001 par value; 40,000 authorized and 16,081 and 15,940 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	$ 16	$ 16
Additional paid-in capital	385,750	380,037
Retained earnings	214,011	194,291
Total stockholders' equity	599,777	574,344
Total liabilities and stockholders' equity	$ 964,528	$ 947,585

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, 2022 and 2021
(Amounts and Shares in Thousands, Except Per Share Data)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net service revenues	$ 236,940	$ 217,893	$ 463,574	$ 423,195
Cost of service revenues	161,342	149,083	317,790	293,188
Gross profit	75,598	68,810	145,784	130,007
General and administrative expenses	55,095	48,175	108,247	93,601
Depreciation and amortization	3,609	3,587	7,130	7,188
Total operating expenses	58,704	51,762	115,377	100,789
Operating income	16,894	17,048	30,407	29,218
Interest income	(108)	(31)	(166)	(53)
Interest expense	1,986	1,262	3,806	2,478
Total interest expense, net	1,878	1,231	3,640	2,425
Income before income taxes	15,016	15,817	26,767	26,793
Income tax expense	3,766	4,220	7,047	6,302
Net income	$ 11,250	$ 11,597	$ 19,720	$ 20,491
Net income per common share				
Basic income per share	$ 0.71	$ 0.74	$ 1.25	$ 1.30
Diluted income per share	$ 0.70	$ 0.72	$ 1.22	$ 1.28
Weighted average number of common shares and potential common shares outstanding:				
Basic	15,854	15,738	15,833	15,716
Diluted	16,131	16,043	16,113	16,063

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, 2022
(Amounts and Shares in Thousands)
(Unaudited)

	For the Three Months Ended June 30, 2022				
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at April 1, 2022	16,068	$ 16	$ 383,001	$ 202,761	$ 585,778
Issuance of shares of common stock under restricted stock award agreements	15	—	—	—	—
Forfeiture of shares of common stock under restricted stock award agreements	(3)	—	—	—	—
Stock-based compensation	—	—	2,680	—	2,680
Shares issued for exercise of stock options	1	—	69	—	69
Net income	—	—	—	11,250	11,250
Balance at June 30, 2022	16,081	$ 16	$ 385,750	$ 214,011	$ 599,777

	For the Six Months Ended June 30, 2022				
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2022	15,940	$ 16	$ 380,037	$ 194,291	$ 574,344
Issuance of shares of common stock under restricted stock award agreements	130	—	—	—	—
Forfeiture of shares of common stock under restricted stock award agreements	(3)	—	—	—	—
Stock-based compensation	—	—	5,165	—	5,165
Shares issued for exercise of stock options	14	—	548	—	548
Net income	—	—	—	19,720	19,720
Balance at June 30, 2022	16,081	$ 16	$ 385,750	$ 214,011	$ 599,777

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
(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

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, 2022 and 2021
(Amounts in Thousands)
(Unaudited)

	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Cash flows from operating activities:		
Net income	$ 19,720	$ 20,491
Adjustments to reconcile net income to net cash provided by (used in) operating activities, net of acquisitions:		
Depreciation and amortization	7,130	7,188
Deferred income taxes	291	396
Stock-based compensation	5,165	4,764
Amortization of debt issuance costs under the credit facility	430	368
Provision for doubtful accounts	318	529
Impairment of operating lease assets	1,174	—
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	20,249	(6,232)
Prepaid expenses and other current assets	7,909	(3,004)
Government stimulus advances	12,562	(23,993)
Accounts payable	1,398	111
Accrued payroll	(5,756)	(1,900)
Accrued expenses and other long-term liabilities	(8,088)	(2,039)
Net cash provided by (used in) operating activities	62,502	(3,321)
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(84,490)	(81)
Purchases of property and equipment	(1,538)	(1,847)
Net cash used in investing activities	(86,028)	(1,928)
Cash flows from financing activities:		
Payments on revolver loan — credit facility	(60,000)	—
Proceeds from borrowings on revolver — credit facility	35,000	—
Payments on term loan — credit facility	—	(490)
Cash received from exercise of stock options	548	124
Other	—	(63)
Net cash used in financing activities	(24,452)	(429)
Net change in cash	(47,978)	(5,678)
Cash, at beginning of period	168,895	145,078
Cash, at end of period	$ 120,917	$ 139,400
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 3,403	$ 2,136
Cash paid for income taxes	—	10,950
Acquisition consideration payable included in accrued expenses	1,605	—

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, 2021 has been derived from the Company's audited financial statements for the year ended December 31, 2021 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, 2021 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 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, goodwill and intangibles in business combinations and when required, the quantitative assessment of goodwill. Actual results could differ from those estimates.

Computation of Weighted Average Shares

The following table sets forth the computation of basic and diluted common shares:

	For the Three Months Ended June 30, (Amounts in thousands)		For the Six Months Ended June 30, (Amounts in thousands)	
	2022	2021	2022	2021
Weighted average number of shares outstanding for basic per share calculation	15,854	15,738	15,833	15,716
Effect of dilutive potential shares:				
Stock options	241	285	237	298
Restricted stock awards	36	20	43	49
Adjusted weighted average shares outstanding for diluted per share calculation	16,131	16,043	16,113	16,063
Anti-dilutive shares:				
Stock options	111	73	111	73
Restricted stock awards	81	127	19	75

Recently Adopted Accounting Pronouncements

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. ASU 2021-10 requires entities to disclose certain information about the nature of certain governmental assistance received, including the nature of the transaction and the related accounting policy, the financial statement line items impacted by the assistance, as well as the significant terms and conditions of the transactions. The ASU was adopted as of January 1, 2022 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. On July 30, 2021, the Company entered into the Second Amendment to the Credit Agreement as discussed further in Note 8. The Credit Agreement contains hardwired fallback language that contemplates a transition from LIBOR, specifically identifies the secured overnight financing rate (“SOFR”) as the replacement reference rate and details the mechanism for transition at LIBOR cessation, which is anticipated to occur on June 30, 2023. The transition to SOFR is not expected to have a material impact on the Company’s results of operations or liquidity.

3. Leases

Amounts reported on the Company’s Unaudited Condensed Consolidated Balance Sheets for operating leases were as follows:

	June 30, 2022	December 31, 2021
	(Amounts in Thousands)	
Operating lease assets, net	$ 41,207	$ 36,048
Short-term operating lease liabilities (in accrued expenses)	10,702	9,774
Long-term operating lease liabilities	38,343	32,859
Total operating lease liabilities	$ 49,045	$ 42,633

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)	
	2022	2021	2022	2021
Operating lease costs	$ 3,103	$ 2,775	$ 5,904	$ 5,552
Short-term lease costs	911	194	1,662	375
Total lease costs	4,014	2,969	7,566	5,927
Less: sublease income	(176)	(152)	(353)	(303)
Total lease costs, net	$ 3,838	$ 2,817	$ 7,213	$ 5,624

Lease Term and Discount Rate

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

	June 30, 2022	December 31, 2021
Operating leases:		
Weighted average remaining lease term (years)	6.16	6.39
Weighted average discount rate	3.86%	3.91%

Maturity of Lease Liabilities

Remaining operating lease payments as of June 30, 2022 were as follows:

	Operating Leases
	(Amounts in Thousands)
Due in the 12-month period ended June 30,	
2023	$ 12,213
2024	10,592
2025	8,177
2026	5,730
2027	4,611
Thereafter	14,069
Total future minimum rental commitments	55,392
Less: Imputed interest	(6,347)
Total lease liabilities	$ 49,045

Supplemental cash flows information

	For the Six Months Ended June 30, (Amounts in Thousands)	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 6,476	$ 5,313
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 11,319	$ 3,919

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.

JourneyCare

On February 1, 2022, the Company completed the acquisition of the hospice and palliative operations of JourneyCare Inc. ("JourneyCare"). The purchase price was approximately $86.6 million, including the amount of acquired excess cash held by JourneyCare at the closing of the acquisition (approximately $0.5 million) plus the finalization of net working capital payable to seller of $1.6 million. The JourneyCare acquisition was funded with a combination of a $35.0 million draw on the Company's revolving credit facility and available cash. With the JourneyCare acquisition, the Company expanded its hospice services in the state of Illinois. The related acquisition costs were $0.2 million and $0.5 million for the three and six months ended June 30, 2022, respectively, and integration costs were $1.3 million and $3.1 million for the three and six months ended June 30, 2022, 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	$	70,775
Identifiable intangible assets		13,792
Cash		500
Accounts receivable		8,120
Property and equipment		1,194
Operating lease assets, net		3,728
Other assets		333
Accrued expenses		(6,799)
Accrued payroll		(1,511)
Long-term operating lease liabilities		(3,537)
Total purchase price	$	86,595

Identifiable intangible assets acquired included $9.0 million in a trade name and $4.8 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.

The JourneyCare acquisition accounted for $13.6 million and $23.1 million of net service revenues and $2.6 million and $4.6 million of operating income for the three and six months ended June 30, 2022, respectively.

The following table contains unaudited pro forma condensed consolidated income statement information of the Company for the three and six months ended June 30, 2022 as if the JourneyCare acquisition closed on January 1, 2021.

	For the Three Months Ended June 30, (Amounts in Thousands)				For the Six Months Ended June 30, (Amounts in Thousands)			
	2022		2021		2022		2021	
Net service revenues	$	236,940	$	232,469	$	468,787	$	452,389
Operating income		16,921		16,340		29,161		27,276
Net income		11,315		11,078		18,921		19,005
Net income per common share								
Basic income per share	$	0.71	$	0.70	$	1.20	$	1.21
Diluted income per share	$	0.70	$	0.69	$	1.17	$	1.18

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 the operations of JourneyCare had been acquired effective January 1, 2021. 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

A summary of the goodwill and related adjustments is provided below:

	Hospice		Personal Care		Home Health		Total	
	(Amounts in Thousands)							
Goodwill as of December 31, 2021	$	328,334	$	152,688	$	23,370	$	504,392
Additions for acquisitions		70,775		—		—		70,775
Adjustments to previously recorded goodwill		(91)		—		(324)		(415)
Goodwill as of June 30, 2022	$	399,018	$	152,688	$	23,046	$	574,752

In connection with the JourneyCare acquisition, the Company recognized goodwill in its hospice segment of $70.8 million, during the six months ended June 30, 2022. See Note 4 for additional information regarding the acquisition.

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 five 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, 2022:

	Customer and referral relationships	Trade names and trademarks	Non-competition agreements	State Licenses	Total
	(Amounts in Thousands)				
Intangible assets with indefinite lives	$ —	$ —	$ —	$ 25,891	$ 25,891
Intangible assets subject to amortization:					
Gross carrying amount	44,672	51,941	6,785	12,517	115,915
Accumulated amortization	(37,215)	(19,773)	(4,331)	(6,023)	(67,342)
Intangible assets subject to amortization, net	7,457	32,168	2,454	6,494	48,573
Total intangible assets at June 30, 2022	$ 7,457	$ 32,168	$ 2,454	$ 32,385	$ 74,464

In connection with the JourneyCare acquisition, the Company recognized a trade name of $9.0 million and indefinite lived state licenses of $4.8 million in its hospice segment during the three months ended March 31, 2022. See Note 4 for additional information regarding the acquisition.

Amortization expense related to the intangible assets was $1.8 million and $3.6 million for the three and six months ended June 30, 2022, respectively, and $2.1 million and $4.3 million for the three and six months ended June 30, 2021, respectively. The weighted average remaining useful lives of identifiable intangible assets as of June 30, 2022 was 10.0 years.

6. Details of Certain Balance Sheet Accounts

Prepaid expenses and other current assets consisted of the following:

	June 30, 2022	December 31, 2021
	(Amounts in Thousands)	
Prepaid workers' compensation and liability insurance	$ 3,520	$ 3,206
Workers' compensation insurance receivable	783	1,559
Income tax receivable	737	7,556
Other	5,861	6,170
Total prepaid expenses and other current assets	$ 10,901	$ 18,491

Accrued expenses consisted of the following:

	June 30, 2022	December 31, 2021
	(Amounts in Thousands)	
Current portion of operating lease liabilities	$ 10,702	$ 9,774
Payor advances (1)	5,404	6,485
Accrued health insurance	5,381	5,200
Accrued professional fees	3,435	2,978
Other	13,132	12,640
Total accrued expenses	$ 38,054	$ 37,077

(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.

7. COVID-19 Pandemic

In recognition of the significant threat to the liquidity of financial markets posed by the COVID-19 pandemic, the Federal Reserve and Congress took dramatic actions to provide liquidity to businesses and the banking system in the United States, as described below.

Provider Relief Fund

One of the primary sources of relief for healthcare providers is the Provider Relief Fund, which has been funded through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and related legislation. 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. 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.

In November 2020, the Company received grants in an aggregate principal amount of $13.7 million from the Provider Relief Fund, and fully utilized these funds as of December 31, 2021, including $10.4 million and $11.3 million during 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. We were required to properly and fully document the use of such funds in reports to the U.S. Department of Health & Human Services ("HHS"), which we were required to submit no later than March 31, 2022. We have submitted the required reports.

Payroll tax deferral

The CARES Act also provided 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. As of June 30, 2022 and December 31, 2021, the deferred portion of employer Social Security payroll taxes was $4.1 million, which is included within Government stimulus advances on the Company's Unaudited Condensed Consolidated Balance Sheets. The payroll tax deferral requires that the remaining deferred payroll taxes be paid by December 31, 2022.

ARPA Spending Plans

The American Rescue Plan Act of 2021 ("ARPA"), 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 ("HCBS") from April 1, 2021, through March 31, 2022, provided the state satisfied certain conditions. States are permitted to use the state funds equivalent to the additional federal funds through March 31, 2025. States must use the monies attributable to this matching fund increase to supplement, not supplant, their level of state spending for the implementation of activities enhanced under the Medicaid HCBS in effect as of April 1, 2021.

For certain states, the Company must implement efforts and expend funds primarily for the further recruitment, retention and training of caregivers and funds may be subject to recoupment if not expended or are expended on non-approved uses. In addition, the Company is required to properly and fully document the use of such funds in reports to the state in which the funds originated. During the six months ended June 30, 2022, the Company received state funding provided by the ARPA in an aggregate amount of $14.6 million. The Company recorded revenue of $1.6 million and related cost of service revenues of $1.2 million for certain states that met the revenue recognition criteria. The Company deferred the remaining $13.0 million, which was received from states with specific spending plans and reporting requirements. The Company utilized $0.4 million of these funds during the three and six months ended June 30, 2022, primarily for caregivers and adding support to recruiting and retention efforts, included as a reduction of cost of service revenues in the Company's Unaudited Condensed Consolidated Statements of Income. As of June 30, 2022, the deferred portion of ARPA funding was $12.6 million, which is included within Government stimulus advances on the Company's Unaudited Condensed Consolidated Balance Sheets.

Medicare sequester

The CARES Act and related laws temporarily lifted 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 extended sequestration through 2030). Congress further delayed these sequestration cuts through March 31, 2022, and reduced the sequestration adjustment to 1% from April 1 through June 30, 2022. The full 2% reduction resumed July 1, 2022. These sequestration cuts have been extended through 2030, with the reductions for 2030 set to increase to 2.25% for the first six months and to 3% for the second six months.

In the hospice segment, Medicare sequester relief resulted in an increase in net service revenues of $0.5 million and $0.7 million for the three months ended June 30, 2022 and 2021, respectively, and $1.4 million for each of the six months ended June 30, 2022 and 2021. In the home health segment, Medicare sequester relief resulted in an increase in net service revenues of $0.1 million for each of the three months ended June 30, 2022 and 2021, and $0.3 million and $0.2 million for the six months ended June 30, 2022 and 2021, respectively.

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, an additional Medicare payment reduction of up to 4% was required to take effect in January 2022. However, Congress delayed implementation of this payment reduction until 2023. 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 or when the mandated sequestration will occur.

For the three and six months ended June 30, 2022, COVID-19-related expenses in our personal care segment were approximately $1.1 million and $2.8 million, respectively, and are included in cost of service revenues on the Consolidated Statements of Income. 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. Additionally, the Company recognized revenue of $1.6 million and $3.0 million attributable to temporary rate increases from certain payors in our personal care segment for the three and six months ended June 30, 2022, respectively, and $3.1 million and $4.8 million 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.

Although the United States has experienced a moderation of infection and related hospitalization rates, there continues to be a significant number of COVID-19 cases and deaths in the United States and throughout the world. Given the longer-term uncertainties associated with the COVID-19 pandemic, it is impossible to predict the effect and ultimate impact of the COVID-19 pandemic on the Company as conditions related to the COVID-19 pandemic continue to evolve.

8. Long-Term Debt

Long-term debt consisted of the following:

	June 30, 2022	December 31, 2021
	(Amounts in Thousands)	
Revolving loan under the credit facility	$ 199,853	$ 224,853
Less unamortized issuance costs	(3,511)	(3,941)
Long-term debt	$ 196,342	$ 220,912

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 First Amendment to Amended and Restated Credit Agreement, dated as of September 12, 2019, and as further amended by the Second Amendment to Amended and Restated Credit Agreement, dated as of July 30, 2021 (as amended, the "Credit Agreement"; as used throughout this Quarterly Report on Form 10-Q, "credit facility" shall mean the credit facility evidenced by the Credit Agreement). The credit facility consists of a $600.0 million revolving credit facility and a $125.0 million incremental loan facility, which incremental loan facility may be for term loans or an increase to the revolving loan commitments. The maturity of this credit facility is July 30, 2026. Interest on the 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 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.

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 facility contains hardwired fallback language that contemplates a transition from LIBOR, and specifically identifies SOFR as the replacement reference rate and details the mechanism for transition at LIBOR cessation, which is anticipated to occur on June 30, 2023. The transition to SOFR is not expected to have a material impact on the Company's results of operations or liquidity.

During the six months ended June 30, 2022, the Company (i) drew $35.0 million under its credit facility to fund, in part, the JourneyCare acquisition and (ii) repaid $60.0 million under the revolving credit facility. During the six months ended June 30, 2021, the Company had no draws under its credit facility.

At June 30, 2022, the Company had a total of $199.9 million of revolving loans, with an interest rate of 3.67%, outstanding on its credit facility. After giving effect to the amount drawn on its credit facility, approximately $8.1 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 $376.4 million of capacity and $168.4 million available for borrowing under its credit facility. As of December 31, 2021, the Company had a total of $224.9 million of revolving loans, with an interest rate of 2.10%, outstanding on its credit facility.

As of June 30, 2022, the Company was in compliance with all financial covenants under the Credit Agreement.

9. Income Taxes

The effective income tax rates were 25.1% and 26.7% for the three months ended June 30, 2022 and 2021, respectively. The difference between our federal statutory and effective income tax rates is principally due to the inclusion of state taxes, non-deductible compensation and an excess tax expense, partially offset by the use of federal employment tax credits.

The effective income tax rates were 26.3% and 23.5% for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022, the difference between our federal statutory and effective income tax rates was principally due to the inclusion of state taxes, non-deductible compensation, and excess tax expense, partially offset by the use of federal employment tax credits. For the six months ended June 30, 2022 and 2021, the effective tax rates were inclusive of an excess tax expense of 1.2% and an excess tax benefit of 3.0%, respectively. The excess tax expense or benefit is a discrete item, related to the vesting of equity shares, which requires the Company to recognize the expense or benefit fully in the period. An excess tax expense results if the Company's cumulative costs of the award recognized exceed the income tax deduction on the Unaudited Condensed Consolidated Statements of Income, whereas an excess tax benefit results if the Company's cumulative costs of the award recognized are less than the income tax deduction on the Unaudited Condensed Consolidated Statements of Income.

10. Commitments and Contingencies

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. In 2018, the Office of Audit Services ("OAS"), under the HHS Office of Inspector General, 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.

11. 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, 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, 2022 (Amounts in Thousands)			
	Personal Care	Hospice	Home Health	Total
Net service revenues	$ 174,330	$ 52,074	$ 10,536	$ 236,940
Cost of services revenues	128,682	25,522	7,138	161,342
Gross profit	45,648	26,552	3,398	75,598
General and administrative expenses	15,447	13,036	2,501	30,984
Segment operating income	$ 30,201	$ 13,516	$ 897	$ 44,614

	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,	
	2022	2021
	(Amounts in Thousands)	
Segment reconciliation:		
Total segment operating income	$ 44,614	$ 42,811
Items not allocated at segment level:		
Other general and administrative expenses	24,111	22,176
Depreciation and amortization	3,609	3,587
Interest income	(108)	(31)
Interest expense	1,986	1,262
Income before income taxes	$ 15,016	$ 15,817

	For the Six Months Ended June 30, 2022 (Amounts in Thousands)			
	Personal Care	Hospice	Home Health	Total
Net service revenues	$ 343,962	$ 99,801	$ 19,811	$ 463,574
Cost of services revenues	254,973	48,963	13,854	317,790
Gross profit	88,989	50,838	5,957	145,784
General and administrative expenses	30,451	24,748	4,860	60,059
Segment operating income	$ 58,538	$ 26,090	$ 1,097	$ 85,725

	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,	
	2022	2021
	(Amounts in Thousands)	
Segment reconciliation:		
Total segment operating income	$ 85,725	$ 79,297
Items not allocated at segment level:		
Other general and administrative expenses	48,188	42,891
Depreciation and amortization	7,130	7,188
Interest income	(166)	(53)
Interest expense	3,806	2,478
Income before income taxes	$ 26,767	$ 26,793

12. Significant Payors

The Company's revenue by payor type was as follows:

Personal Care Segment

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2022		2021		2022		2021	
	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	$ 85,462	49.0 %	$ 88,382	50.2 %	$ 169,370	49.2 %	$ 169,231	49.6 %
Managed care organizations	80,577	46.2	78,865	44.7	157,967	45.9	154,321	45.2
Private pay	4,610	2.7	5,046	2.9	9,236	2.7	9,949	2.9
Commercial insurance	2,093	1.2	2,676	1.5	4,117	1.2	5,022	1.5
Other	1,588	0.9	1,298	0.7	3,272	1.0	2,612	0.8
Total personal care segment net service revenues	$ 174,330	100.0 %	$ 176,267	100.0 %	$ 343,962	100.0 %	$ 341,135	100.0 %

Hospice Segment

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2022		2021		2022		2021	
	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	$ 47,152	90.5 %	$ 34,452	93.3 %	$ 90,637	90.8 %	$ 68,437	93.8 %
Commercial insurance	2,726	5.2	959	2.6	4,970	5.0	1,492	2.0
Managed care organizations	1,968	3.8	1,395	3.8	3,683	3.7	2,882	3.9
Other	228	0.5	103	0.3	511	0.5	192	0.3
Total hospice segment net service revenues	$ 52,074	100.0 %	$ 36,909	100.0 %	$ 99,801	100.0 %	$ 73,003	100.0 %

Home Health Segment

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2022		2021		2022		2021	
	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	$ 7,592	72.1 %	$ 3,825	81.1 %	$ 14,404	72.7 %	$ 7,327	80.9 %
Managed care organizations	2,262	21.5	822	17.4	4,166	21.0	1,620	17.9
Other	682	6.4	70	1.5	1,241	6.3	110	1.2
Total home health segment net service revenues	$ 10,536	100.0 %	$ 4,717	100.0 %	$ 19,811	100.0 %	$ 9,057	100.0 %

Table of Contents

The Company derives a significant amount of its revenue from its operations in Illinois, New Mexico and New York. The percentages of segment revenue for each of these significant states for the three and six months ended June 30, 2022 and 2021 were as follows:

Personal Care Segment	For the Three Months Ended June 30, 2022 Amount (in Thousands)	2022 % of Segment Net Service Revenues	2021 Amount (in Thousands)	2021 % of Segment Net Service Revenues	For the Six Months Ended June 30, 2022 Amount (in Thousands)	2022 % of Segment Net Service Revenues	2021 Amount (in Thousands)	2021 % of Segment Net Service Revenues
Illinois	$ 88,797	50.9 %	$ 84,788	48.0 %	$ 173,480	50.4 %	$ 158,172	46.3 %
New Mexico	26,473	15.2	25,484	14.5	51,912	15.1	49,077	14.4
New York (1)	21,127	12.1	25,535	14.5	42,513	12.4	53,110	15.6
All other states	37,933	21.8	40,460	23.0	76,057	22.1	80,776	23.7
Total personal care segment net service revenues	$ 174,330	100.0 %	$ 176,267	100.0 %	$ 343,962	100.0 %	$ 341,135	100.0 %

(1) In 2019, New York initiated a new Request For Offer ("RFO") process to competitively procure CDPAP fiscal intermediaries. The Company was not selected in the initial RFO process. We submitted a formal protest in response to the selection process, which was filed and accepted in March 2021, but we have not received a response to the formal protest. The Company continues to consider other arrangements and to pursue our protest of the award. The New York fiscal year 2023 state budget, passed in April 2022, amends the current Fiscal Intermediary RFO process to authorize all fiscal intermediaries that submitted an RFO application and served at least 200 clients in New York City or 50 clients in other counties between January 1, 2020 and March 31, 2020 to contract with the New York State Department of Health and continue to operate in all counties contained in their application. Under this provision, the Company is allowed to continue to contract with all of its current payors for CDPAP services. The Company continues to assess the future of its participation in this program. Given the status of the program, the Company has suspended materially all of its new patient admissions under the New York CDPAP program.

Hospice Segment	For the Three Months Ended June 30, 2022 Amount (in Thousands)	2022 % of Segment Net Service Revenues	2021 Amount (in Thousands)	2021 % of Segment Net Service Revenues	For the Six Months Ended June 30, 2022 Amount (in Thousands)	2022 % of Segment Net Service Revenues	2021 Amount (in Thousands)	2021 % of Segment Net Service Revenues
Ohio	$ 17,245	33.1 %	$ 14,694	39.8 %	$ 33,574	33.7 %	$ 28,808	39.4 %
Illinois (2)	13,561	26.0	—	—	16,078	16.1	—	—
New Mexico	7,846	15.1	8,717	23.6	23,102	23.1	17,948	24.6
All other states	13,422	25.8	13,498	36.6	27,047	27.1	26,247	36.0
Total hospice segment net service revenues	$ 52,074	100.0 %	$ 36,909	100.0 %	$ 99,801	100.0 %	$ 73,003	100.0 %

(2) With the JourneyCare acquisition, the Company expanded its hospice services in the state of Illinois.

Home Health Segment	For the Three Months Ended June 30, 2022 Amount (in Thousands)	2022 % of Segment Net Service Revenues	2021 Amount (in Thousands)	2021 % of Segment Net Service Revenues	For the Six Months Ended June 30, 2022 Amount (in Thousands)	2022 % of Segment Net Service Revenues	2021 Amount (in Thousands)	2021 % of Segment Net Service Revenues
New Mexico	$ 9,070	86.1 %	$ 4,717	100.0 %	$ 16,579	83.7 %	$ 9,057	100.0 %
Illinois (3)	1,466	13.9	—	—	3,232	16.3	—	—
Total home health segment net service revenues	$ 10,536	100.0 %	$ 4,717	100.0 %	$ 19,811	100.0 %	$ 9,057	100.0 %

(3) With the acquisition of Summit Home Health, LLC ("Summit") on October 1, 2021, the Company expanded its home health services in the state of Illinois.

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 43.8%, and 38.9% of our net service revenues for the three months ended June 30, 2022, and 2021, respectively, and accounted for 41.6% and 37.4% of our net service revenues for the six months ended June 30, 2022 and 2021, respectively. The Illinois Department on Aging, the largest payor program for the Company's Illinois personal care operations, accounted for 20.7% and 22.6% of the Company's net service revenues for the three months ended June 30, 2022 and 2021, respectively, and accounted for 20.7% and 21.5% of the Company's net service revenues for the six months ended June 30, 2022 and 2021, respectively.

The related receivables due from the Illinois Department on Aging represented 18.3% and 16.1% of the Company's net accounts receivable at June 30, 2022 and December 31, 2021, respectively.

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 anticipated impact to our business with respect to developments related to the COVID-19 pandemic, including, without limitation, those related to the length and severity of the pandemic, as well as the timing, availability and acceptance of effective medical treatments, vaccines and booster shots; the spread of potentially more contagious and/or virulent forms of the virus; the pandemic's impact on our operations, reimbursement and our consumer population; measures we are taking to respond to the pandemic; the impact of government regulation, stimulus and relief 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 any other stimulus or relief legislation, along with the related uncertainties regarding such measures and any future measures related to COVID-19; negative economic conditions in the United States, including inflationary conditions; increased expenses related to personal protective equipment ("PPE"), labor, supply chain, or other expenditures, including as a result of inflationary conditions; workforce disruptions, including shortages and increased labor expenses, associated with competitive labor market conditions; the impact of vaccine mandates on the workforce; 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, state and city minimum wage pressure, including any failure of any 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, and deficit spending by federal and state governments; cost containment initiatives undertaken by federal, 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 information technology 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 potential acquisitions; 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, including the COVID-19 pandemic; 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, 2021, filed with the SEC on February 25, 2022. 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 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 35.8% and 37.2% of our net service revenues during the three months ended June 30, 2022 and 2021, respectively, and 35.8% and 37.5% of our net service revenues during the six months ended June 30, 2022 and 2021, respectively.

A summary of certain consolidated financial results is provided in the table below.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net service revenues by segment:	(Amounts in Thousands)		(Amounts in Thousands)	
Personal care	$ 174,330	$ 176,267	$ 343,962	$ 341,135
Hospice	52,074	36,909	99,801	73,003
Home health	10,536	4,717	19,811	9,057
Total net service revenues	$ 236,940	$ 217,893	$ 463,574	$ 423,195
Net income	$ 11,250	$ 11,597	$ 19,720	$ 20,491

As of June 30, 2022, we provided our services in 22 states through 206 offices. We served approximately 58,000 and 56,000 discrete individuals, respectively, during the six months ended June 30, 2022 and 2021. Our personal care segment also includes staffing services, with clients including assisted living facilities, nursing homes and hospice facilities.

COVID-19 Pandemic Update

Although the United States has experienced a moderation of infection and related hospitalization rates, there continues to be a significant number of COVID-19 cases and deaths in the United States and throughout the world. The long-term trends of new cases and deaths in the United States and the future impact of the pandemic continue to be unknown.

CMS issued an interim rule in November 2021 requiring COVID-19 vaccinations for Medicare- and Medicaid-certified providers and suppliers, including hospices and home health agencies, which covers clinical staff, individuals providing services under arrangements, volunteers and staff who are not involved in direct patient care. Additionally, some states have implemented, or may implement in the future, vaccine mandates with respect to healthcare personnel. It is currently difficult to predict the impact that any of these vaccine mandates may have on us or the extent to which these vaccine mandates will ultimately become effective. However, we expect that these rules, to the extent that they become effective, will impact our home health and hospice segments.

For the three and six months ended June 30, 2022, COVID-19-related expenses in our personal care segment were approximately $1.1 million and $2.8 million, respectively, and are included in cost of service revenues on the Consolidated Statements of Income. 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. Additionally, we recognized revenue of $1.6 million and $3.0 million attributable to temporary rate increases from certain payors in our personal care segment for the three and six months ended June 30, 2022, respectively, and $3.1 million and $4.8 million 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, 2022, the Company deferred the recognition of $5.4 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 and COVID-19 related paid time off, 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.

Federal and state 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 by the pandemic. We will continue to assess the impact and consequences of the COVID-19 pandemic and government responses to the pandemic, including the implementation of the CARES Act, the PPPHCE Act, the CAA, the ARPA, other stimulus and relief legislation, the President's National COVID-19 Preparedness Plan, and existing and potential additional federal, state and local vaccine mandates, 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. economic and/or public health conditions deteriorate in connection with the pandemic*" of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022.

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

Recruiting

As the labor market has tightened and unemployment has declined in comparison to earlier levels, the competition for new caregivers, including skilled healthcare staff, and support staff has increased. In addition, the United States economy continues to experience significant inflationary pressures and a competitive labor market. To the extent that we continue to experience a shortage of caregivers, it may hinder our ability to fully meet the continuing demand for both our non-clinical and clinical services. The increased staffing challenges, including COVID-19 related quarantine requirements and inflationary pressures, resulted in increased labor costs to satisfy our staffing requirements during the three and six months ended June 30, 2022 compared to 2021 in our non-clinical and clinical operations.

Acquisitions

In addition to our organic growth, we have grown through acquisitions that have expanded our presence in current markets, with the goal of having all three levels of in-home care in our markets or facilitating our entry into new markets where in-home care has been moving to managed care organizations.

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 (collectively, “Armada”) for approximately $29.8 million, including the amount of acquired excess cash held by Armada at the closing of the acquisition (approximately $0.7 million), with funding provided by our revolving credit facility. With the purchase of Armada, we expanded our home health and hospice services in the state of New Mexico.

On October 1, 2021, we completed the acquisition of Summit Home Health, LLC (“Summit”) for approximately $8.1 million, with funding provided by available cash. With the purchase of Summit, we added clinical services in Illinois to our home health segment.

On February 1, 2022, we completed the acquisition of the hospice and palliative operations of JourneyCare, Inc. (“JourneyCare”) for approximately $86.6 million, including the amount of acquired excess cash held by JourneyCare at the closing of the acquisition (approximately $0.5 million) plus the finalization of net working capital payable to seller of $1.6 million, with funding provided through a combination of a $35.0 million draw under the revolving credit facility and available cash on hand. With the JourneyCare acquisition, we added hospice services in Illinois.

Revenue by Payor and Significant States

Our payors 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 and budgetary changes 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.

Our revenue by payor and significant states by segment were as follows:

Personal Care Segment	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2022		2021		2022		2021	
	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	$ 85,462	49.0 %	$ 88,382	50.2 %	$ 169,370	49.2 %	$ 169,231	49.6 %
Managed care organizations	80,577	46.2	78,865	44.7	157,967	45.9	154,321	45.2
Private pay	4,610	2.7	5,046	2.9	9,236	2.7	9,949	2.9
Commercial insurance	2,093	1.2	2,676	1.5	4,117	1.2	5,022	1.5
Other	1,588	0.9	1,298	0.7	3,272	1.0	2,612	0.8
Total personal care segment net service revenues	$ 174,330	100.0 %	$ 176,267	100.0 %	$ 343,962	100.0 %	$ 341,135	100.0 %
Illinois	$ 88,797	50.9 %	$ 84,788	48.0 %	$ 173,480	50.4 %	$ 158,172	46.3 %
New Mexico	26,473	15.2	25,484	14.5	51,912	15.1	49,077	14.4
New York (1)	21,127	12.1	25,535	14.5	42,513	12.4	53,110	15.6
All other states	37,933	21.8	40,460	23.0	76,057	22.1	80,776	23.7
Total personal care segment net service revenues	$ 174,330	100.0 %	$ 176,267	100.0 %	$ 343,962	100.0 %	$ 341,135	100.0 %

(1) The Company has suspended materially all of its new patient admissions under the New York CDPAP program as discussed below.

Hospice Segment

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2022		2021		2022		2021	
	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	$ 47,152	90.5 %	$ 34,452	93.3 %	$ 90,637	90.8 %	$ 68,437	93.8 %
Commercial insurance	2,726	5.2	959	2.6	4,970	5.0	1,492	2.0
Managed care organizations	1,968	3.8	1,395	3.8	3,683	3.7	2,882	3.9
Other	228	0.5	103	0.3	511	0.5	192	0.3
Total hospice segment net service revenues	$ 52,074	100.0 %	$ 36,909	100.0 %	$ 99,801	100.0 %	$ 73,003	100.0 %
Ohio	$ 17,245	33.1 %	$ 14,694	39.8 %	$ 33,574	33.7 %	$ 28,808	39.4 %
Illinois (2)	13,561	26.0	—	—	16,078	16.1	—	—
New Mexico	7,846	15.1	8,717	23.6	23,102	23.1	17,948	24.6
All other states	13,422	25.8	13,498	36.6	27,047	27.1	26,247	36.0
Total hospice segment net service revenues	$ 52,074	100.0 %	$ 36,909	100.0 %	$ 99,801	100.0 %	$ 73,003	100.0 %

(2) With the JourneyCare acquisition, the Company expanded its hospice services in the state of Illinois.

Home Health Segment

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2022		2021		2022		2021	
	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	$ 7,592	72.1 %	$ 3,825	81.1 %	$ 14,404	72.7 %	$ 7,327	80.9 %
Managed care organizations	2,262	21.5	822	17.4	4,166	21.0	1,620	17.9
Other	682	6.4	70	1.5	1,241	6.3	110	1.2
Total home health segment net service revenues	$ 10,536	100.0 %	$ 4,717	100.0 %	$ 19,811	100.0 %	$ 9,057	100.0 %
New Mexico	$ 9,070	86.1 %	$ 4,717	100.0 %	$ 16,579	83.7 %	$ 9,057	100.0 %
Illinois (3)	1,466	13.9	—	—	3,232	16.3	—	—
Total home health segment net service revenues	$ 10,536	100.0 %	$ 4,717	100.0 %	$ 19,811	100.0 %	$ 9,057	100.0 %

(3) With the acquisition of Summit, the Company expanded its home health services in the state of Illinois.

We derive a significant amount of our net service revenues in Illinois, which represented 43.8% and 38.9% of our net service revenues for the three months ended June 30, 2022 and 2021, respectively, and accounted for 41.6% and 37.4% of our net service revenues for the six months ended June 30, 2022 and 2021, respectively.

A significant amount of our net service revenues are derived from one payor, the Illinois Department on Aging, the largest payor program for our Illinois personal care operations, which accounted for 20.7% and 22.6% of our net service revenues for the three months ended June 30, 2022 and 2021, respectively, and accounted for 20.7% and 21.5% of the Company’s net service revenues for the six months ended June 30, 2022 and 2021, respectively.

Changes in Reimbursement Rates

Illinois

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. In subsequent years, minimum wage will be increased through a cost of living adjustment capped at 2.5%.

Effective January 1, 2021, the state of Illinois fiscal year 2021 budget increased hourly 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 the failure of the November 2020 referendum to revise the Illinois income tax code. The Company recognized $2.0 million related to the rate increase for the year ended December 31, 2021, which was received during the three and six months ended June 30, 2022.

Originally, the Illinois fiscal year 2022 budget included a scheduled increase of hourly in-home care rates to $24.96, to be effective January 1, 2022. On July 12, 2021, in connection with the temporary increase in federal funding for Medicaid HCBS authorized by the ARPA, Illinois submitted its Initial Spending Plan and Narrative to CMS for approval. This plan included the acceleration of the rate increase to $24.96 to November 1, 2021 from January 1, 2022 (i.e., two months earlier). CMS granted partial approval of the Illinois plan, including the acceleration of the rate increase to November 1, 2021. However, CMS noted that the state will need to submit an amendment for certain Medicaid waiver programs with regard to any rate change methodology and has highlighted that pay increases for providers of HCBS funded through the temporary increase in federal matching funds available under the ARPA will require an updated rate methodology. We recognized revenue of $3.6 million related to the rate increase for the year ended December 31, 2021, of which $2.1 million was received during the three and six months ended June 30, 2022. The remainder is expected to be received during the third quarter of 2022.

The Illinois fiscal year 2023 budget was signed into law by the Governor on April 19, 2022 and includes a $0.70 rate increase effective January 1, 2023. The Chicago minimum wage increased by 2.5% effective July 1, 2022.

Our business will benefit from the rate increases noted above as planned for 2023, but there is no assurance that there will be additional offsetting rate increases in Illinois for fiscal years beyond fiscal year 2023, 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”), which uses national, standardized 30-day period payment rates for periods of care that meet a certain threshold of home health visits (periods of care that do not meet the visit threshold are paid a per-visit payment rate for providing care). Although payment is made for each 30-day period, the HHPPS permits continuous 60-day certification periods through which beneficiaries are verified as eligible for the home health benefit. The daily home health payment rate is adjusted for case-mix and area wage levels. CMS uses the Patient-Driven Groupings Model (“PDGM”) as the case-mix classification model to place periods of care into payment categories, classifying patients based on clinical characteristics and their resource needs. An outlier adjustment may be paid for periods of care where costs exceed a specific threshold amount.

CMS updates the HHPPS payment rates each calendar year. For calendar year 2022, CMS increased HHPPS rates by an estimated 3.2%, which reflects a 3.1% market basket update and a productivity adjustment of negative 0.5 percentage points, among other changes. 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. In addition, beginning January 1, 2022, Medicare requires home health agencies to submit a one-time Notice of Admission (“NOA”) for each patient that establishes that the beneficiary is under a Medicare home health period of care. Failure to submit the NOA within five calendar days from the start of care will result in a reduction to the 30-day period payment amount for each day from the start of care date until the date the NOA is submitted.

Effective January 1, 2022, CMS began implementing a nationwide expansion of the Home Health Value-Based Purchasing (“HHVBP”) Model. Under the model, home health agencies will receive increases or decreases to their Medicare fee-for-service payments of up to 5%, based on performance against specific quality measures relative to the performance of other home health providers. Data collected in each performance year will impact Medicare payments two years later. Calendar year 2023 is the first performance year under the expanded HHVBP Model, which will affect payments in calendar year 2025.

In certain states, payment of claims may be impacted by the Review Choice Demonstration for Home Health Services, a program intended to identify and prevent fraud, reduce the number of Medicare appeals and improve provider compliance with Medicare program requirements. The program applies to home health agencies in Illinois, Ohio, North Carolina, Florida and Texas and may expand, in the future, into additional states. Providers in states subject to the Review Choice Demonstration may initially select from the following claims review and approval processes: pre-claim review, post-payment review or a minimal post-payment review with a 25% payment reduction. Home health agencies that maintain high compliance levels will be eligible for additional options that may be less burdensome. We are currently unable to predict what impact, if any, this program may have on our result of operations or financial position.

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, 2021, CMS increased hospice payment rates by 2.0%. This reflects a 2.7% market basket increase and a negative 0.7 percentage point productivity adjustment. Hospices that do not satisfy quality reporting requirements are subject to a 2 percentage point reduction to the market basket update. Beginning in 2024, the reduction to the market basket update for failure to report quality data will increase to 4 percentage points.

Overall payments made by Medicare to each hospice provider number are subject to an inpatient cap and an aggregate cap, which is set each federal fiscal year. The inpatient cap limits the number of days of inpatient care to no more than 20% of total patient care days. 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 $31,297.61 for federal fiscal year 2022. If a hospice's Medicare payments exceed its inpatient or aggregate caps, it must repay Medicare the excess amount.

New York CDPAP

The New York Consumer Directed Personal Assistance Program ("CDPAP") is a self-directed care alternative program that allows eligible individuals who need help with activities of daily living or skilled nursing services to choose their caregivers. We provide support services as a CDPAP fiscal intermediary. In 2021, the Company was not selected to enter into contracts as a Lead Fiscal Intermediary and submitted a formal protest in response to the selection process, which was filed and accepted on March 19, 2021. The Company has not received a response to the formal protest.

The New York fiscal year 2023 state budget, passed in April 2022, amends the current Fiscal Intermediary Request For Offer ("RFO") process to authorize all fiscal intermediaries that submitted an RFO application and served at least 200 clients in New York City or 50 clients in other counties between January 1, 2020 and March 31, 2020 to contract with the New York State Department of Health and continue to operate in all counties contained in their application. Under this provision, the Company is allowed to continue to contract with all of its current payors for CDPAP services. The Company continues to assess the future of its participation in this program. Given the status of the program, the Company suspended materially all of its new patient admissions under the New York CDPAP.

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 private consumers and payors, including federal, state and local governmental agencies, managed care organizations and commercial insurers.

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. The effective income tax rate was 25.1% and 26.7% for the three months ended June 30, 2022 and 2021, respectively. The effective income tax rates are 26.3% and 23.5% for the six months ended June 30, 2022 and 2021, respectively, compared to our federal statutory rate of 21%. The difference between our federal statutory and effective income tax rates was principally due to the inclusion of state taxes, non-deductible compensation, excess tax expense/benefit and the use of federal employment tax credits.

Results of Operations — Consolidated

Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

The following table sets forth our unaudited condensed consolidated results of operations.

	For the Three Months Ended June 30, 2022		For the Three Months Ended June 30, 2021		Change	
	Amount	% Of Net Service Revenues	Amount	% Of Net Service Revenues	Amount	%
	(Amounts in Thousands, Except Percentages)					
Net service revenues	$ 236,940	100.0 %	$ 217,893	100.0 %	$ 19,047	8.7 %
Cost of service revenues	161,342	68.1	149,083	68.4	12,259	8.2
Gross profit	75,598	31.9	68,810	31.6	6,788	9.9
General and administrative expenses	55,095	23.3	48,175	22.1	6,920	14.4
Depreciation and amortization	3,609	1.5	3,587	1.6	22	0.6
Total operating expenses	58,704	24.8	51,762	23.8	6,942	13.4
Operating income	16,894	7.1	17,048	7.8	(154)	(0.9)
Interest income	(108)	—	(31)	—	(77)	248.4
Interest expense	1,986	0.8	1,262	0.6	724	57.4
Total interest expense, net	1,878	0.8	1,231	0.6	647	52.6
Income before income taxes	15,016	6.3	15,817	7.3	(801)	(5.1)
Income tax expense	3,766	1.6	4,220	1.9	(454)	(10.8)
Net income	$ 11,250	4.7 %	$ 11,597	5.4 %	$ (347)	(3.0) %

Net service revenues increased by 8.7% to $236.9 million for the three months ended June 30, 2022 compared to $217.9 million for the three months ended June 30, 2021. Revenue increased by $15.2 million in our hospice segment and by $5.8 million in our home health segment during the three months ended June 30, 2022, compared to the same period in 2021. The increase in our hospice segment revenue was due to organic growth and the acquisitions of the operations of JourneyCare on February 1, 2022 and Armada on August 1, 2021.

Gross profit, expressed as a percentage of net service revenues, increased to 31.9% for the three months ended June 30, 2022, compared to 31.6% for the same period in 2021 due to growth in our higher margin hospice segment.

General and administrative expenses increased to $55.1 million for the three months ended June 30, 2022, as compared to $48.2 million for the three months ended June 30, 2021. 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 $5.9 million and an increase in rent expense of $0.7 million. General and administrative expenses, expressed as a percentage of net service revenues increased to 23.3% for the three months ended June 30, 2022, from 22.1% for the three months ended June 30, 2021.

Interest expense increased to $2.0 million for the three months ended June 30, 2022 from $1.3 million for the three months ended June 30, 2021. The increase in interest expense was primarily due to higher average outstanding borrowings and increased interest rates under our credit facility for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 due to the JourneyCare acquisition.

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 25.1% and 26.7% for the three months ended June 30, 2022 and 2021, respectively. The difference between the federal statutory and our effective income tax rates was principally due to the inclusion of state taxes, non-deductible compensation, excess tax expense/benefit and the use of federal employment tax credits.

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

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

	For the Six Months Ended June 30,					
	2022		2021		Change	
	Amount	% Of Net Service Revenues	Amount	% Of Net Service Revenues	Amount	%
	(Amounts in Thousands, Except Percentages)					
Net service revenues	$ 463,574	100.0 %	$ 423,195	100.0 %	$ 40,379	9.5 %
Cost of service revenues	317,790	68.6	293,188	69.3	24,602	8.4
Gross profit	145,784	31.4	130,007	30.7	15,777	12.1
General and administrative expenses	108,247	23.4	93,601	22.1	14,646	15.6
Depreciation and amortization	7,130	1.5	7,188	1.7	(58)	(0.8)
Total operating expenses	115,377	24.9	100,789	23.8	14,588	14.5
Operating income	30,407	6.5	29,218	6.9	1,189	4.1
Interest income	(166)	—	(53)	—	(113)	213.2
Interest expense	3,806	0.8	2,478	0.6	1,328	53.6
Total interest expense, net	3,640	0.8	2,425	0.6	1,215	50.1
Income before income taxes	26,767	5.8	26,793	6.3	(26)	(0.1)
Income tax expense	7,047	1.5	6,302	1.5	745	11.8
Net income	$ 19,720	4.3 %	$ 20,491	4.8 %	$ (771)	(3.8) %

Net service revenues increased by 9.5% to $463.6 million for the six months ended June 30, 2022 compared to $423.2 million for the six months ended June 30, 2021. Net service revenue increased by $26.8 million in our hospice segment and by $10.8 million in our home health segment during the six months ended June 30, 2022, compared to the same period in 2021. During the six months ended June 30, 2022, the increase in our hospice segment revenue was primarily due to an increase in revenue per patient day, attributable to the acquisitions of the operations of JourneyCare on February 1, 2022 and Armada on August 1, 2021, compared to the same period in 2021. Net service revenue increased by $2.8 million in our personal care segment due to an increase in revenues per billable hour for the six months ended June 30, 2022 compared to 2021, partially offset by a decrease in the New York CDPAP program patient admissions.

Gross profit, expressed as a percentage of net service revenues, increased to 31.4% for the six months ended June 30, 2022, compared to 30.7% for the same period in 2021. The increase was mainly attributed to the acquisition of a relatively higher margin hospice business in 2022.

General and administrative expenses increased to $108.2 million for the six months ended June 30, 2022 as compared to $93.6 million for the six months ended June 30, 2021. The increase in general and administrative expenses was primarily due to acquisitions and wage increases that resulted in an increase in administrative employee wages, taxes and benefit costs of $10.8 million and an increase in rent expense of $1.3 million. General and administrative expenses, expressed as a percentage of net service revenues increased to 23.4% for the six months ended June 30, 2022, from 22.1% for the six months ended June 30, 2021.

Interest expense increased to $3.8 million from $2.5 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The increase in interest expense was primarily due to higher average outstanding borrowings and increased interest rates under our credit facility for the six months ended June 30, 2022, compared to the six months ended June 30, 2021.

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 26.3% and 23.5% for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022, the difference between our federal statutory and effective income tax rates was principally due to the inclusion of state taxes, non-deductible compensation, and excess tax expense, partially offset by the use of federal employment tax credits. 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, 2022 and 2021, the effective tax rates were inclusive of an excess tax expense of 1.2% and an excess tax benefit of 3.0%, respectively. The excess tax expense/benefit is a discrete item, related to the vesting of equity shares, which requires the Company to recognize the expense/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,					
	2022		2021		Change		2022		2021		Change	
	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	$ 174,330	100.0 %	$ 176,267	100.0 %	$ (1,937)	(1.1) %	$ 343,962	100.0 %	$ 341,135	100.0 %	$ 2,827	0.8 %
Cost of services revenues	128,682	73.8	127,258	72.2	1,424	1.1	254,973	74.1	250,097	73.3	4,876	1.9
Gross profit	45,648	26.2	49,009	27.8	(3,361)	(6.9)	88,989	25.9	91,038	26.7	(2,049)	(2.3)
General and administrative expenses	15,447	8.9	16,358	9.3	(911)	(5.6)	30,451	8.9	31,641	9.3	(1,190)	(3.8)
Segment operating income	$ 30,201	17.3 %	$ 32,651	18.5 %	$ (2,450)	(7.5) %	$ 58,538	17.0 %	$ 59,397	17.4 %	$ (859)	(1.4) %
Business Metrics (Actual Numbers, Except Billable Hours in Thousands)												
Locations at period end							161		164			
Average billable census * (1)	37,501		38,493		(992)	(2.6) %	37,041		38,410		(1,369)	(3.6) %
Billable hours * (2)	7,373		7,650		(277)	(3.6)	14,474		15,187		(713)	(4.7)
Average billable hours per census per month * (2)	65.2		65.9		(0.7)	(1.1)	64.8		65.6		(0.8)	(1.2)
Billable hours per business day * (2)	113,426		117,688		(4,262)	(3.6)	112,198		117,729		(5,531)	(4.7)
Revenues per billable hour * (2)	$ 23.58		$ 22.60		$ 0.98	4.3 %	$ 23.61		$ 22.42		$ 1.19	5.3 %
Same store growth revenue % * (3)	2.5 %		7.4 %				1.7 %		5.9 %			

(1) Average billable census is the 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, and the revenue associated with New York CDPAP and the ARPA.

* 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 these provide direct correlation to the results of operations from period to period and 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.

The personal care segment derives a significant amount of its net service revenues from operations in Illinois, which represented 43.8% and 38.9% of our net service revenues for the three months ended June 30, 2022 and 2021, respectively, and accounted for 41.6% and 37.4% of our net service revenues for the six months ended June 30, 2022 and 2021, respectively. One payor, the Illinois Department on Aging, accounted for 20.7% and 22.6% of net service revenues for the three months ended June 30, 2022 and 2021, respectively, and accounted for 20.7% and 21.5% of net service revenues for the six months ended June 30, 2022 and 2021, respectively.

Net service revenues from state, local and other governmental programs accounted for 49.0% and 50.2% of net service revenues for the three months ended June 30, 2022 and 2021, respectively. Managed care organizations accounted for 46.2% and 44.7% of net service revenues for the three months ended June 30, 2022 and 2021, 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 programs accounted for 49.2% and 49.6% of net service revenues for the six months ended June 30, 2022 and 2021, respectively. Managed care organizations accounted for 45.9% and 45.2% of net service revenues for the six months ended June 30, 2022 and 2021, respectively with commercial insurance, private pay and other payors accounting for the remainder of net service revenues.

Net service revenues decreased by 1.1% and increased by 0.8% for the three and six months ended June 30, 2022, respectively, compared to the three and six months ended June 30, 2021. Net service revenues included a 4.3% and 5.3% increase in revenues per billable hour for the three and six months ended June 30, 2022, respectively, mainly attributed to rate increases discussed above, as compared to the three and six months ended June 30, 2021. The Company experienced a decrease in New York net service revenues of $4.4 million and $10.6 million for the three and six months ended June 30, 2022, primarily driven by a decrease in participation in the New York CDPAP program as discussed above, compared to 2021. Gross profit, expressed as a percentage of net service revenues, decreased to 26.2% for the three months ended June 30, 2022 from 27.8% for the three months ended June 30, 2021 and to 25.9% for the six months ended June 30, 2022 from 26.7% for the six months ended June 30, 2021. This decrease was primarily due to increases in direct payroll as a percentage of net service revenues of 1.9% and 0.9% for the three and six months ended June 30, 2022 as compared to the three and six months ended June 30, 2021 primarily related to labor wage pressures discussed above.

General and administrative expenses, expressed as a percentage of net service revenues, was 8.9% and 9.3% for the three and six months ended June 30, 2022 and 2021, respectively.

Hospice Segment

	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2022		2021		Change		2022		2021		Change	
	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	$ 52,074	100.0 %	$ 36,909	100.0 %	$ 15,165	41.1 %	$ 99,801	100.0 %	$ 73,003	100.0 %	$ 26,798	36.7 %
Cost of services revenues	25,522	49.0	18,912	51.2	6,610	35.0	48,963	49.1	37,508	51.4	11,455	30.5
Gross profit	26,552	51.0	17,997	48.8	8,555	47.5	50,838	50.9	35,495	48.6	15,343	43.2
General and administrative expenses	13,036	25.0	8,673	23.5	4,363	50.3	24,748	24.8	17,136	23.5	7,612	44.4
Segment operating income	$ 13,516	26.0 %	$ 9,324	25.3 %	$ 4,192	45.0 %	$ 26,090	26.1 %	$ 18,359	25.1 %	$ 7,731	42.1 %
Business Metrics (Actual Numbers)												
Locations at period end							33		33			
Admissions * (1)	3,281		2,252		1,029	45.7 %	6,596		4,646		1,950	42.0 %
Average daily census * (2)	3,333		2,460		873	35.5	3,323		2,430		893	36.7
Average discharge length of stay * (3)	84		89		(5)	(5.8)	84		96		(12)	(12.5)
Patient days * (4)	303,289		223,901		79,388	35.5	578,777		439,908		138,869	31.6
Revenue per patient day * (5)	$ 171.70		$ 164.85		$ 6.85	4.2 %	$ 172.43		$ 165.95		$ 6.48	3.9 %
Organic growth												
- Revenue * (6)	2.5 %		(8.4) %				3.4 %		(8.4) %			
- Average daily census * (6)	6.1 %		(14.3) %				6.6 %		(27.2) %			

(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) Revenue organic growth and average daily census organic growth reflect the change in year-over-year revenue and average daily census for the same store base. We define the same store base to include those stores open for at least 52 full weeks. These measures highlight 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 these provide direct correlation to the results of operations from period to period and 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.

The hospice segment 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 home care, continuous home care, general inpatient care and respite care. Our hospice segment principally provides routine home care and continuous home care services, and with the JourneyCare acquisition, expanded into providing general inpatient care services. In our hospice segment, net service revenues from Medicare accounted for 90.5% and 93.3% for the three months ended June 30, 2022 and 2021, respectively, and 90.8% and 93.8% for the six months ended June 30, 2022 and 2021, respectively. Net service revenues from managed care organizations accounted for 3.8% for each the three months ended June 30, 2022 and June 30, 2021, and 3.7% and 3.9% for the six months ended June 30, 2022 and 2021, respectively.

Net service revenues increased by $15.2 million and $26.8 for the three and six months ended June 30, 2022, respectively, compared to the three and six months ended June 30, 2021 attributed to organic growth and the acquisitions of the operations of JourneyCare on February 1, 2022 and Armada on August 1, 2021.

Gross profit, expressed as a percentage of net service revenues was 51.0% and 48.8% for the three months ended June 30, 2022 and 2021, respectively, and 50.9% and 48.6%, for the six months ended June 30, 2022 and 2021, respectively. For the three and six months ended June 30, 2022, the increase as a percentage of net service revenues was mainly attributed to decreases in direct employee wages, taxes and benefit costs of 0.3% and 0.8%, 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 25.0% and 23.5% for the three months ended June 30, 2022 and 2021, respectively, and 24.8% and 23.5% for the six months ended June 30, 2022 and 2021, respectively. The increase in general and administrative expenses for the three and six months ended June 30, 2022, was due to acquisitions that resulted in a $3.2 million and $5.8 million, respectively, 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,					
	2022		2021		Change		2022		2021		Change	
	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	$ 10,536	100.0 %	$ 4,717	100.0 %	$ 5,819	123.4 %	$ 19,811	100.0 %	$ 9,057	100.0 %	$ 10,754	118.7 %
Cost of services revenues	7,138	67.7	2,913	61.8	4,225	145.0	13,854	69.9	5,583	61.6	8,271	148.1
Gross profit	3,398	32.3	1,804	38.2	1,594	88.4	5,957	30.1	3,474	38.4	2,483	71.5
General and administrative expenses	2,501	23.7	968	20.5	1,533	158.4	4,860	24.5	1,933	21.3	2,927	151.4
Segment operating income	$ 897	8.5 %	$ 836	17.7 %	$ 61	7.3 %	$ 1,097	5.5 %	$ 1,541	17.0 %	$ (444)	(28.8) %
Business Metrics (Actual Numbers)												
Locations at period end							12		10			
New admissions * (1)	3,351		1,186		2,165	182.5 %	6,687		2,354		4,333	184.1 %
Recertifications * (2)	1,409		738		671	90.9	2,725		1,395		1,330	95.3
Total volume * (3)	4,760		1,924		2,836	147.4	9,412		3,749		5,663	151.1
Visits * (4)	68,452		31,582		36,870	116.7 %	133,665		59,247		74,418	125.6 %
Organic growth												
- Revenue * (5)	24.6 %		24.7 %				12.6 %		11.5 %			
- Admissions * (5)	25.2 %		29.5 %				13.9 %		21.5 %			

(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) Revenue organic growth and admissions organic growth reflect the change in year-over-year revenue and admissions for the same store base. We define the same store base to include those stores open for at least 52 full weeks. These measures highlight 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 these provide direct correlation to the results of operations from period to period and 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.

The home health segment 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 72.1% and 81.1%, managed care organizations accounted for 21.5% and 17.4% and other accounted for 6.4% and 1.5% for the three months ended June 30, 2022 and 2021, respectively. Net service revenues from Medicare accounted for 72.7% and 80.9%, managed care organizations accounted for 21.0% and 17.9% and other accounted for 6.3% and 1.2% for the six months ended June 30, 2022 and 2021, respectively. Home health services provided to Medicare beneficiaries are paid under the Medicare Home Health Prospective Payment System ("HHPPS"). Home health services provided to Medicare beneficiaries are paid under the Medicare Home Health Prospective Payment System, which uses national, standardized 30-day period payment rates for periods of care. CMS uses the PDGM as the case-mix classification model to place periods of care into payment categories, classifying patients based on clinical characteristics. An outlier adjustment may be paid for periods of care in which costs exceed a specific threshold amount.

Net service revenues increased by $5.8 million and $10.8 million for the three and six months ended June 30, 2022, compared to the three and six months ended June 30, 2021. Total visits increased for the three months ended June 30, 2022, mainly attributed to the acquisition of Armada on August 1, 2021 and Summit on October 1, 2021.

Gross profit, expressed as a percentage of net service revenues was 32.3% and 38.2% for the three months ended June 30, 2022 and 2021, respectively, and 30.1% and 38.4%, for the six months ended June 30, 2022 and 2021, respectively. For the three and six months ended June 30, 2022, the decrease was primarily due to an increase of direct employee wages, taxes and benefit costs of 5.7% and 7.1%, respectively, as a percentage of net service revenues.

The home health 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 23.7% and 20.5% for the three months ended June 30, 2022 and 2021, respectively, and 24.5% and 21.3% for the six months ended June 30, 2022 and 2021, respectively. The increase in general and administrative expenses was primarily due to acquisitions that resulted in a $1.2 million and $2.5 million increase in administrative employee wages, taxes and benefit costs for the three and six months ended June 30, 2022.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash on hand and cash from operations and borrowings under our credit facility. At June 30, 2022 and December 31, 2021, we had cash balances of $120.9 million and $168.9 million, respectively. At June 30, 2022, we had a $600.0 million revolving credit facility and a $125.0 million incremental loan facility, which may be for term loans or an increase to the revolving loan commitments. The maturity of this credit facility is July 30, 2026.

During the six months ended June 30, 2022, we (i) drew $35.0 million under our revolving credit facility to fund, in part, the JourneyCare acquisition and (ii) repaid $60.0 million under our revolving credit facility. As of June 30, 2022, we had a total of $199.9 million in revolving loans, with an interest rate of 3.67% outstanding on its credit facility and after giving effect to the amount drawn on our credit facility, approximately $8.1 million of outstanding letters of credit and borrowing limits based on an advance multiple of adjusted EBITDA (as defined in the Credit Agreement), we had $376.4 million of capacity and $168.4 million available for borrowing under our credit facility. At December 31, 2021, we had a total of $224.9 million revolving credit loans, with an interest rate of 2.10%, outstanding on our credit facility.

Our credit facility requires us to maintain a total net leverage ratio not exceeding 3.75:1.00. At June 30, 2022, 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.

See Note 8 to the Notes to Condensed Consolidated Financial Statements, *Long-Term Debt*, for additional details of our long-term debt.

COVID-19 Pandemic

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 13, 2022, but HHS has indicated it will provide states with 60 days' notice prior to termination of the declaration.

Provider Relief Fund

In November 2020, the Company received grants in an aggregate principal amount of $13.7 million from the Provider Relief Fund, and fully utilized these funds as of December 31, 2021, including $10.4 million and $11.3 million during the three and six months ended June 30, 2021, for healthcare related expenses, including retention payments, attributable to COVID-19 that were unreimbursed by other sources. We were required to properly and fully document the use of such funds in reports to HHS, which we were required to submit no later than March 31, 2022. We have submitted the required reports.

Payroll tax deferral

The CARES Act allowed for the deferral of the employer portion of Social Security payroll taxes through December 31, 2020. As of June 30, 2022 and December 31, 2021, the deferred portion of employer Social Security payroll taxes was $4.1 million, which is included within Government stimulus advances on the Company's Unaudited Condensed Consolidated Balance Sheets. The payroll tax deferral requires that the remaining deferred payroll taxes be paid by December 31, 2022.

ARPA Spending Plans

The ARPA, which became law on March 11, 2021, provided 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 provided for a 10 percentage point increase in federal matching funds for Medicaid HCBS from April 1, 2021, through March 31, 2022, provided the state satisfied certain conditions. States are permitted to use the state funds equivalent to the additional federal funds through March 31, 2025. States must use the monies attributable to this matching fund increase to supplement, not supplant, their level of state spending for the implementation of activities enhanced under the Medicaid HCBS in effect as of April 1, 2021.

For certain states, the Company must implement efforts and expend funds primarily for the further recruitment, retention and training of caregivers and funds may be subject to recoupment if not expended or are expended on non-approved uses. In addition, the Company is required to properly and fully document the use of such funds in reports to the state in which the funds originated. During the six months ended June 30, 2022, the Company received state funding provided by the ARPA in an aggregate amount of $14.6 million. The Company recorded revenue of $1.6 million and related cost of service revenues of $1.2 million for certain states that met the revenue recognition criteria. The Company deferred the remaining $13.0 million, which was received from states with specific spending plans and reporting requirements. The Company utilized $0.4 million of these funds during the three and six months ended June 30, 2022, primarily for caregivers and adding support to recruiting and retention efforts, included as a reduction of cost of service revenues in the Company's Unaudited Condensed Consolidated Statements of Income. As of June 30, 2022, the deferred portion of ARPA funding was $12.6 million, which is included within Government stimulus advances on the Company's Unaudited Condensed Consolidated Balance Sheets.

Medicare sequester

The CARES Act and related legislation temporarily lifted the Medicare sequester that 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. Congress further delayed these sequestration cuts through March 31, 2022, and reduced the sequestration adjustment to 1% from April 1 through June 30, 2022. The full 2% reduction resumed July 1, 2022. These sequestration cuts have been extended through 2030, with the reductions for 2030 set to increase to 2.25% for the first six months and to 3% for the second six months.

In our hospice segment, Medicare sequester relief resulted in an increase in net service revenues of $0.5 million and $0.7 million for the three months ended June 30, 2022 and 2021, respectively, and $1.4 million for each of the six months ended June 30, 2022 and 2021. In our home health segment, Medicare sequester relief resulted in an increase in net service revenues of $0.1 million for each of the three months ended June 30, 2022 and 2021, and $0.3 million and $0.2 million for the six months ended June 30, 2022 and 2021, respectively.

The ARPA increases the federal budget deficit in a manner that triggers an additional statutorily mandated sequestration under the PAYGO Act. As a result, an additional Medicare payment reduction of up to 4% was required to take effect in January 2022. However, Congress has delayed implementation of this payment reduction until 2023. 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 or when the mandated sequestration will occur.

See Note 7 to the Notes to Condensed Consolidated Financial Statements, *COVID-19 Pandemic*, for additional details of the COVID-19 pandemic.

Cash Flows

The following table summarizes changes in our cash flows:

	For the Six Months Ended June 30,	
	2022	2021
	(Amounts in Thousands)	
Net cash provided by (used in) operating activities	$ 62,502	$ (3,321)
Net cash used in investing activities	(86,028)	(1,928)
Net cash used in financing activities	(24,452)	(429)

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Cash flows from operating activities represent the inflow of cash from our payors and the outflow of cash for payroll and payroll taxes, operating expenses, interest and taxes. Net cash provided by operating activities was $62.5 million for the six months ended June 30, 2022, compared to net cash used in operating activities of $3.3 million for the same period in 2021. The increase in cash provided by operations was primarily due to the timing of receipts on accounts receivable and the timing of government stimulus funds. The changes in accounts receivable were primarily related to the growth in revenue and a decrease in days sales outstanding ("DSO") during the six months ended June 30, 2022 compared to 2021, as described below. The related receivables due from the Illinois Department on Aging represented 18.3% and 16.1% of the Company's net accounts receivable at June 30, 2022 and December 31, 2021, respectively, as discussed below.

Net cash used in investing activities for the six months ended June 30, 2022, primarily consisted of $84.5 million of net cash used for the JourneyCare acquisition. For the six months ended June 30, 2022 and 2021, property and equipment purchases, primarily related to our ongoing investments in our technology infrastructure, were $1.5 million and $1.8 million, respectively.

Net cash used in financing activities for the six months ended June 30, 2022, primarily related to a $60.0 million payment on the revolver portion of our credit facility, partially offset by borrowings of $35.0 million on the revolver portion of our credit facility to fund, in part, the JourneyCare acquisition. For the six months ended June 30, 2022 and 2021, net cash provided by financing activities included cash received from the exercise of stock options of $0.5 million and $0.1 million, respectively.

Outstanding Accounts Receivable

Gross accounts receivable as of June 30, 2022 and December 31, 2021 were approximately $125.9 million and $138.4 million, respectively. Outstanding accounts receivable, net of allowance for credit losses, decreased by $12.4 million as of June 30, 2022 as compared to December 31, 2021. Accounts receivable for the Illinois Department on Aging increased approximately $0.1 million during the quarter ended June 30, 2022. 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 credit losses 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 46 days and 54 days at June 30, 2022 and December 31, 2021, respectively. The DSOs for our largest payor, the Illinois Department on Aging, was 43 days at both June 30, 2022 and December 31, 2021.

Off-Balance Sheet Arrangements

As of June 30, 2022, 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, 2021, filed on February 25, 2022.

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, 2022, we had outstanding borrowings of approximately $199.9 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, 2022, our net income would have decreased by $0.4 million, or $0.03 per diluted share, and $1.2 million, or $0.08 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, 2022. 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, 2022.

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, 2022 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, 2021, filed on February 25, 2022. 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

EXHIBIT INDEX

Exhibit Number	Description of Document	Incorporated by Reference Form	File No.	Date Filing	Exhibit Number
3.1	Amended and Restated Certificate of Incorporation of the Company dated as of October 27, 2009.	10-Q	001-34504	11/20/2009	3.1
3.2	Amended and Restated Bylaws of the Company, as amended by the First Amendment to the Amended and Restated Bylaws.	10-Q	001-34504	05/9/2013	3.2
4.1	Form of Common Stock Certificate.	S-1	333-160634	10/2/2009	4.1
10.1*	Employment and Non-Competition Agreement, effective April 20, 2022, by and between Addus HealthCare, Inc. and Cliff Blessing.				
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 2, 2022	By:	/s/ R. DIRK ALLISON
		R. Dirk Allison **Chairman and Chief Executive Officer** **(As Principal Executive Officer)**
Date: August 2, 2022	By:	/s/ BRIAN POFF
		Brian Poff **Chief Financial Officer** **(As Principal Financial Officer)**

EXHIBIT 10.1

EMPLOYMENT AND NON-COMPETITION AGREEMENT

This EMPLOYMENT AND NON-COMPETITION AGREEMENT (this "Agreement") is effective as of April 20, 2022 (the "Effective Date"), by and between Addus HealthCare, Inc., an Illinois corporation (the "Company"), and Cliff Blessing 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/her 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/her professional time, loyalty, and efforts to discharge his/her duties hereunder on a timely basis; (ii) use his/her 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 Development 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 applicable 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/her by the CEO or the Board of Directors and are consistent with the Executive's position as Chief Development 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 Three Hundred Thousand Dollars ($300,000), 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 19,000 unrestricted shares of Addus common stock and granted 2,900 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/her 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/her during the Employment Term in connection with the performance of his/her 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/her 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 may provide an annual discretionary match of the Executive's annual contribution to such plan during the Employment Term, subject to the Company's established policies and procedures.

6. Termination by the Company.

(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/her 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/her 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/her 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/her 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/her 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), 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/her 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/her acceptance of this Agreement and performance of his/her 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/her 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/her 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/her 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/her employment that could have been obtained by him/her 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) **Covenant Regarding Confidential and Proprietary Information**. 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/her 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/her 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/her 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/her from enforcement of the covenants contained herein and that he will be able to earn a reasonable livelihood following termination of his/her 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. <u>Prior Agreement.</u>

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. <u>Assignment.</u>

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/her shall be void. The Company may assign all or any of its rights hereunder.

12. <u>Notices.</u>

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:

Cliff Blessing

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. 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 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 "Delay Period") 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. 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 conflict of laws provisions of any other state.

18. Survival.

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. 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 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/ Cliff Blessing
Cliff Blesssing

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 2022 calendar year), 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 2, 2022

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 2, 2022

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, 2022 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 2, 2022

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, 2022 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 2, 2022

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