UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

x Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended June 30, 2021

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-8351

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

Delaware	31-0791746
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
255 E. Fifth Street, Suite 2600, Cincinnati, Ohio	45202
(Address of principal executive offices)	(Zip code)

(513) 762-6690
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer x Accelerated Filer o Non-accelerated Filer o Smaller Reporting Company o

Emerging growth company o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered	Amount	Date
Capital Stock $1 Par Value	CHE	New York Stock Exchange	15,731,457 Shares	June 30, 2021

CHEMED CORPORATION AND
SUBSIDIARY COMPANIES

Index

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	**$ 92,120**	$ 162,675
Accounts receivable	**123,329**	126,853
Inventories	**7,411**	7,095
Prepaid income taxes	**23,386**	6,603
Prepaid expenses	**22,840**	26,177
Total current assets	**269,086**	329,403
Investments of deferred compensation plans	**98,256**	88,811
Properties and equipment, at cost, less accumulated depreciation of $307,347 (2020 - $293,380)	**192,653**	187,820
Lease right of use asset	**123,207**	123,448
Identifiable intangible assets less accumulated amortization of $52,628 (2020 - $47,607)	**113,137**	118,085
Goodwill	**578,650**	578,585
Other assets	**8,807**	8,759
Total Assets	**$ 1,383,796**	$ 1,434,911
LIABILITIES		
Current liabilities		
Accounts payable	**$ 55,975**	$ 54,234
Income taxes	**5**	9,464
Accrued insurance	**51,963**	54,703
Accrued compensation	**83,608**	91,282
Accrued legal	**1,391**	10,632
Short-term lease liability	**36,440**	36,200
Other current liabilities	**38,020**	42,593
Total current liabilities	**267,402**	299,108
Deferred income taxes	**21,713**	20,664
Deferred compensation liabilities	**97,374**	88,456
Long-term lease liability	**99,093**	99,210
Other liabilities	**27,440**	26,273
Total Liabilities	**513,022**	533,711
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY		
Capital stock - authorized 80,000,000 shares $1 par; issued 36,385,091 shares (2020 - 36,258,638 shares)	**36,385**	36,259
Paid-in capital	**999,697**	961,404
Retained earnings	**1,834,835**	1,723,777
Treasury stock - 20,720,835 shares (2020 - 20,351,562 shares)	**(2,002,326)**	(1,822,579)
Deferred compensation payable in Company stock	**2,183**	2,339
Total Stockholders' Equity	**870,774**	901,200
Total Liabilities and Stockholders' Equity	**$ 1,383,796**	$ 1,434,911

See accompanying Notes to Unaudited Consolidated Financial Statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Service revenues and sales	**$ 532,256**	$ 502,199	**$ 1,059,616**	$ 1,017,997
Cost of services provided and goods sold (excluding depreciation)	**350,493**	352,163	**690,966**	703,908
Selling, general and administrative expenses	**93,838**	84,513	**185,437**	155,096
Depreciation	**13,612**	11,659	**25,327**	23,047
Amortization	**2,510**	2,488	**5,020**	4,965
Other operating expenses/(income)	**104**	(41,384)	**726**	(41,142)
Total costs and expenses	**460,557**	409,439	**907,476**	845,874
Income from operations	**71,699**	92,760	**152,140**	172,123
Interest expense	**(379)**	(651)	**(760)**	(1,626)
Other income/(expense) - net	**3,785**	7,514	**7,387**	(1,952)
Income before income taxes	**75,105**	99,623	**158,767**	168,545
Income taxes	**(18,583)**	(17,522)	**(36,845)**	(30,553)
Net income	**$ 56,522**	$ 82,101	**$ 121,922**	$ 137,992
Earnings Per Share:				
Net income	**$ 3.57**	$ 5.16	**$ 7.66**	$ 8.65
Average number of shares outstanding	**15,829**	15,914	**15,919**	15,953
Diluted Earnings Per Share:				
Net income	**$ 3.51**	$ 5.01	**$ 7.52**	$ 8.39
Average number of shares outstanding	**16,101**	16,373	**16,205**	16,445
Cash Dividends Per Share	**$ 0.34**	$ 0.32	**$ 0.68**	$ 0.64

See accompanying Notes to Unaudited Consolidated Financial Statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2021	**2020**
Cash Flows from Operating Activities		
Net income	$ **121,922**	$ 137,992
Adjustments to reconcile net income to net cash provided		
by operating activities:		
Depreciation and amortization	**30,347**	28,012
Stock option expense	**12,345**	10,113
Litigation settlements paid	**(9,440)**	-
Noncash long-term incentive compensation	**3,402**	3,527
Noncash directors' compensation	**1,173**	1,171
Provision for deferred income taxes	**1,051**	2,717
Amortization of debt issuance costs	**153**	153
Provision for bad debts	**40**	871
Unutilized CARES Act grant	-	39,236
Deferred payroll taxes	-	10,716
Changes in operating assets and liabilities:		
Decrease in accounts receivable	**4,722**	6,696
Increase in inventories	**(316)**	(5)
Decrease/(increase) in prepaid expenses	**3,337**	(33)
(Decrease)/increase in accounts payable and other current liabilities	**(10,815)**	13,303
Change in current income taxes	**(26,242)**	23,725
Net change in lease assets and liabilities	**(436)**	1,287
Increase in other assets	**(10,088)**	(2,988)
Increase in other liabilities	**10,088**	1,383
Other sources/(uses)	**796**	(54)
Net cash provided by operating activities	**132,039**	277,822
Cash Flows from Investing Activities		
Capital expenditures	**(33,604)**	(32,251)
Business combinations	-	(3,600)
Other sources	**302**	473
Net cash used by investing activities	**(33,302)**	(35,378)
Cash Flows from Financing Activities		
Purchases of treasury stock	**(166,649)**	(122,148)
Proceeds from exercise of stock options	**16,186**	19,440
Dividends paid	**(10,864)**	(10,238)
Capital stock surrendered to pay taxes on stock-based compensation	**(8,598)**	(14,845)
Payments on revolving line of credit	-	(264,900)
Proceeds from revolving line of credit	-	174,900
Change in cash overdrafts payable	-	(9,849)
Other sources/(uses)	**633**	(586)
Net cash used by financing activities	**(169,292)**	(228,226)
(Decrease)/Increase in Cash and Cash Equivalents	**(70,555)**	14,218
Cash and cash equivalents at beginning of year	**162,675**	6,158
Cash and cash equivalents at end of period	$ **92,120**	$ 20,376

See accompanying Notes to Unaudited Consolidated Financial Statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(in thousands, except per share data)

For the three months ended June 30, 2021 and 2020:

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at March 31, 2021	**36,345**	**982,739**	**1,783,740**	**(1,876,315)**	**2,375**	**928,884**
Net income	**-**	**-**	**56,522**	**-**	**-**	**56,522**
Dividends paid ($0.34 per share)	**-**	**-**	**(5,427)**	**-**	**-**	**(5,427)**
Stock awards and exercise of stock options	**40**	**16,630**	**-**	**(4,323)**	**-**	**12,347**
Purchases of treasury stock	**-**	**-**	**-**	**(121,882)**	**-**	**(121,882)**
Other	**-**	**328**	**-**	**194**	**(192)**	**330**
Balance at June 30, 2021	**$ 36,385**	**$ 999,697**	**$ 1,834,835**	**$ (2,002,326)**	**$ 2,183**	**$ 870,774**

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at March 31, 2020	35,912	878,550	1,476,151	(1,709,390)	2,378	683,601
Net income	-	-	82,101	-	-	82,101
Dividends paid ($0.32 per share)	-	-	(5,108)	-	-	(5,108)
Stock awards and exercise of stock options	128	25,340	-	(13,995)	-	11,473
Purchases of treasury stock	-	-	-	(21,914)	-	(21,914)
Other	-	531	-	-	12	543
Balance at June 30, 2020	$ 36,040	$ 904,421	$ 1,553,144	$ (1,745,299)	$ 2,390	$ 750,696

The Notes to Consolidated Financial Statements are integral parts of these statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(in thousands, except per share data)

For the six months ended June 30, 2021 and 2020:

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2020	**36,259**	**961,404**	**1,723,777**	**(1,822,579)**	**2,339**	**901,200**
Net income	**-**	**-**	**121,922**	**-**	**-**	**121,922**
Dividends paid ($0.68 per share)	**-**	**-**	**(10,864)**	**-**	**-**	**(10,864)**
Stock awards and exercise of stock options	**126**	**37,637**	**-**	**(13,255)**	**-**	**24,508**
Purchases of treasury stock	**-**	**-**	**-**	**(166,649)**	**-**	**(166,649)**
Other	**-**	**656**	**-**	**157**	**(156)**	**657**
Balance at June 30, 2021	**$ 36,385**	**$ 999,697**	**$ 1,834,835**	**$ (2,002,326)**	**$ 2,183**	**$ 870,774**

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2019	35,811	860,671	1,425,752	(1,597,940)	2,314	726,608
Net income	-	-	137,992	-	-	137,992
Dividends paid ($0.64 per share)	-	-	(10,238)	-	-	(10,238)
Stock awards and exercise of stock options	229	44,312	-	(25,135)	-	19,406
Purchases of treasury stock	-	-	-	(122,148)	-	(122,148)
Other	-	(562)	(362)	(76)	76	(924)
Balance at June 30, 2020	$ 36,040	$ 904,421	$ 1,553,144	$ (1,745,299)	$ 2,390	$ 750,696

The Notes to Consolidated Financial Statements are integral parts of these statements.

1. Basis of Presentation

As used herein, the terms “We,” “Company” and “Chemed” refer to Chemed Corporation or Chemed Corporation and its consolidated subsidiaries.

We have prepared the accompanying unaudited consolidated financial statements of Chemed in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, we have omitted certain disclosures required under generally accepted accounting principles in the United States (“GAAP”) for complete financial statements. The December 31, 2020 balance sheet data were derived from audited financial statements but do not include all disclosures required by GAAP. However, in our opinion, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to state fairly our financial position, results of operations and cash flows. The results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021 or any other future period, and we make no representations related thereto. These financial statements are prepared on the same basis as and should be read in conjunction with the audited Consolidated Financial Statements and related Notes included in our Annual Report on Form 10-K for the year ended December 31, 2020.

CORONAVIRUS AID, RELIEF AND ECONOMIC STIMULUS (CARES) ACT

The current COVID-19 pandemic did have a material impact on our results of operations, cash flow and financial position as of and for the three and six months ended June 30, 2021. We are closely monitoring the impact of the pandemic on all aspects of our business including impacts to employees, customers, patients, suppliers and vendors. The Company’s two operating subsidiaries have been categorized as critical infrastructure businesses and are not currently materially limited by federal, state or local regulations that restrict movement or operating ability.

The length and severity of the pandemic, coupled with related governmental actions including relief acts and actions relating to our workforce at federal, state and local levels, and underlying economic disruption will determine the ultimate short-term and long-term impact to our business operations and financial results. We are unable to predict the myriad of possible issues that could arise or the ultimate effect to our businesses as a result of the unknown short, medium and long-term impacts that the pandemic will have on the United States economy and society as a whole.

On March 27, 2020, the CARES Act was passed. It is intended to provide economic relief to individuals and businesses affected by the coronavirus pandemic. It also contains provisions related to healthcare providers’ operations and the issues caused by the coronavirus pandemic. The following are significant economic impacts for Chemed and its subsidiaries as a result of specific provisions of the CARES Act:

- A portion of the CARES Act provides $100 billion from the Public Health and Social Services Emergency Fund (“Relief Fund”) to healthcare providers on the front lines of the coronavirus response. Of this distribution, $30 billion was designated to be automatically distributed to facilities and healthcare providers based upon their 2019 Medicare fee-for-service revenue.
- On April 10, 2020 VITAS automatically received $80.2 million from the Relief Fund based upon VITAS’s 2019 Medicare fee-for-service Medicare revenue. The main condition that is attached to the grant is that the money will be used “only for health care related expenses or lost revenues that are attributable to coronavirus”. HHS guidance does not specifically designate what healthcare expenses are related to COVID-19. The guidance to date is general and broad but does provide some examples such as equipment and supplies, workforce training, reporting COVID-19 test results, securing separate facilities for COVID-19 patients and acquiring additional resources to expand or preserve care delivery. VITAS has cared for approximately 3,200 COVID positive patients through June 30, 2021.
- The additional conditions to the Relief Fund payment are specific in nature, such as the money cannot be used for gun control advocacy purposes, abortions, embryo research, etc. The Company is in compliance, and intends to maintain compliance, with these specific conditions. Based on this analysis, management believes that there is reasonable assurance that VITAS will comply with the conditions.
- Chemed and its subsidiaries have deferred $36.4 million of certain employer payroll taxes as permitted by the CARES Act. $18.2 million is classified as short-term and $18.2 million is classified as a long-term liability.
- During the period from May 1, 2020 through June 30, 2021, the 2% Medicare sequestration reimbursement cut was suspended. For the three and six month periods ended June 30, 2021, approximately $5.9 million and $11.9 million, respectively, was recognized as revenue due to the suspension of sequestration. In April 2021, legislation was signed into law that suspended sequestration through December 31, 2021.

There is no U.S. GAAP that covers accounting for such government “grants” to for-profit entities. As a result, the Company analogized to International Accounting Standard 20 – *Accounting for Government Grants and Disclosures* (“IAS 20”). Under IAS 20, once it is reasonably assured that the entity will comply with the conditions of the grant, the grant money should be recognized on a systematic basis over the periods in which the entity recognizes the related expenses or lost revenue.

All CARES Act funds received were fully recognized as of December 31, 2020. However, the rules concerning the utilization of the funds continue to evolve and we will continue to comply with those applicable to us. The portal to report utilization of CARES Act funds opened on July 1, 2021. We intend to complete reporting by the September 30, 2021 deadline.

CLOUD COMPUTING

As of June 30, 2021, we have two cloud computing arrangements that are service contracts. Roto-Rooter is implementing a system to assist in technician dispatch and VITAS implemented a new human resources system. We have capitalized approximately $9.1 million related to implementation of these projects which are included in prepaid assets in the accompanying balance sheets. The VITAS human resource system was placed into service in January 2020 and is being amortized over 5 years. For the three months ended June 30, 2021 and 2020, $249,000 and $263,000, respectively, has been amortized. For the six months ended June 30, 2021 and 2020, $448,000 and $525,000, respectively, has been amortized. The Roto-Rooter project was placed into service during the second quarter of 2021. For the quarter and year to date ended June 30, 2021, $349,000 has been amortized.

INCOME TAXES

In December 2019, the FASB issued Accounting Standards Update "ASU No. 2019-12 – Simplifying the Accounting for Income Taxes". The ASU adds new guidance to simplify accounting for income taxes, changes the accounting for certain income tax transactions and makes minor improvements to the codifications. The ASU is effective for the Company on January 1, 2021. The impact of adoption was not material.

Our effective income tax rate was 24.7% in the second quarter of 2021 compared to 17.6% during the second quarter of 2020. Excess tax benefit on stock options reduced our income tax expenses by $868,000 and $8.2 million, respectively for the quarters ended June 30, 2021 and 2020.

Our effective income tax rate was 23.2% in the first six months of 2021 compared to 18.1% during the first six months of 2020. Excess tax benefit on stock options reduced our income tax expenses by $4.1 million and $12.8 million, respectively for the first six months ended June 30, 2021 and 2020.

NON-CASH TRANSACTIONS

Included in the accompanying Consolidated Balance Sheets are $1.6 million and $3.9 million of capitalized property and equipment which were not paid for as of June 30, 2021 and December 31, 2020, respectively. Accrued property and equipment purchases have been excluded from capital expenditures in the accompanying Consolidated Statements of Cash Flow. There are no material non-cash amounts included in interest expense for any period presented.

BUSINESS COMBINATIONS

We account for acquired businesses using the acquisition method of accounting. All assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. The determination of fair value involves estimates and the use of valuation techniques when market value is not readily available. We use various techniques to determine fair value in accordance with accepted valuation models, primarily the income approach. The significant assumptions used in developing fair values include, but are not limited to, revenue growth rates, the amount and timing of future cash flows, discount rates, useful lives, royalty rates and future tax rates. The excess of purchase price over the fair value of assets and liabilities acquired is recorded as goodwill. See Note 16 for discussion of recent acquisitions.

Quarterly amortization of intangible assets is mainly driven by two Roto-Rooter franchise acquisitions completed in 2019. The total purchase price of these acquisitions was $138.0 million. As part of the purchase price allocation, approximately $59.2 million was determined to be the value of reacquired franchise rights which are being amortized over the remaining life of each franchise agreement. The average remaining life on the reacquired franchise agreements was approximately seven years. Quarterly amortization of reacquired franchise rights for these two acquisitions is approximately $2.0 million ($8.1 million annualized through 2026). This contrasts to quarterly franchise fees historically collected from these two franchisees of approximately $470,000 ($1.9 million annualized).

ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying Notes. Actual results could differ from those estimates. Disclosures of after-tax expenses and adjustments are based on estimates of the effective income tax rates for the applicable segments.

2. Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update "ASU No. 2014-09 – Revenue from Contracts with Customers." The standard and subsequent amendments are theoretically intended to develop a common revenue standard for removing inconsistencies and weaknesses, improve comparability, provide for more useful information to users through improved disclosure requirements and simplify the preparation of financial statements. The standard is also referred to as Accounting Standards Codification No. 606 ("ASC 606").

VITAS

Service revenue for VITAS is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and include variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a *per diem* basis regardless of the type of service provided or the payor. Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model. The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to 4 hours per day in 15 minute increments at the continuous home care rate.

General Inpatient Care occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare continuous home care rates are daily rates, Medicare pays for continuous home care in 15 minute increments. This 15 minute rate is calculated by dividing the daily rate by 96.

Respite Care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

Each level of care represents a separate promise under the contract of care and is provided independently for each patient contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that, each patient is subject to the same payor rules and regulations. As a result, we have concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, we have determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care. We believe that the performance obligations for each level of care meet criteria to be satisfied over time. VITAS recognizes revenue based on the service output. VITAS believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by our performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. VITAS' performance obligations relate to contracts with an expected duration of less than one year. Therefore, VITAS has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for at least 12 months after discharge.

Care is provided to patients regardless of their ability to pay. Patients who meet our criteria for charity care are provided care without charge. There is no revenue or associated accounts receivable in the accompanying Consolidated Financial Statements related to charity care. The cost of providing charity care during the quarters ended June 30, 2021 and 2020 was $2.3 million and $1.7 million, respectively. The cost of providing charity care during the first six months ended June 30, 2021 and 2020 was $4.4 million and $3.9 million, respectively. The cost of charity care is included in cost of services provided and goods sold and is calculated by taking the ratio of charity care days to total days of care and multiplying by the total cost of care.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. VITAS also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. VITAS estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e. change in credit risk) are recorded as bad debt expense. VITAS has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Medicare and Medicaid programs have broad authority to audit and review compliance with such laws and regulations, and impose payment suspensions when merited. Additionally, the contracts we have with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available.

We are subject to certain limitations on Medicare payments for services which are considered variable consideration, as follows:

Inpatient Cap. If the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of hospice care such program provided to all Medicare patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. None of VITAS' hospice programs exceeded the payment limits on inpatient services during the three months ended June 30, 2021 and 2020.

Medicare Cap. We are also subject to a Medicare annual per-beneficiary cap ("Medicare cap"). Compliance with the Medicare cap is measured in one of two ways based on a provider election. The "streamlined" method compares total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number with the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs from September 28 through September 27 of the following year. At June 30, 2021, all our programs except one are using the "streamlined" method.

The "proportional" method compares the total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by the Medicare provider number between September 28 and September 27 of the following year with the product of the per beneficiary cap amount and a pro-rated number of Medicare beneficiaries receiving hospice services from that program during the same period. The pro-rated number of Medicare beneficiaries is calculated based on the ratio of days the beneficiary received hospice services during the measurement period to the total number of days the beneficiary received hospice services.

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether revenues are likely to exceed the annual per-beneficiary Medicare cap. Should we determine that revenues for a program are likely to exceed the Medicare cap based on projected trends, we attempt to institute corrective actions, which include changes to the patient mix and increased patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare cap, we estimate revenue recognized during the government fiscal year that will require repayment to the Federal government under the Medicare cap and record an adjustment to revenue of an amount equal to a ratable portion of our best estimate for the year.

In 2013, the U.S. government implemented automatic budget reductions of 2.0% for all government payees, including hospice benefits paid under the Medicare program. In 2015, CMS determined that the Medicare cap should be calculated "as if" sequestration did not occur. As a result of this decision, VITAS has received notification from our third-party intermediary that an additional $8.7

million is owed for Medicare cap in three programs arising during the 2013 through 2020 measurement periods. The amounts are automatically deducted from our semi-monthly PIP payments. We do not believe that CMS is authorized under the sequestration authority or the statutory methodology for establishing the Medicare cap to the amounts they have withheld and intend to withhold under their current "as if" methodology. We have appealed CMS's methodology change. Pursuant to the recent legislation and the April extension, the sequestration has been lifted for the period from May 1, 2020 through December 31, 2021.

During the quarter ended June 30, 2021, we recorded $2.0 million in net Medicare cap revenue reduction related to two programs for the 2021 government fiscal year. During the quarter ended June 30, 2020, we recorded $5.8 million in net Medicare cap revenue reduction related to five programs for the 2020 government fiscal year.

During the first six months ended June 30, 2021, we recorded $3.5 million in net Medicare cap revenue reduction related to two programs for the 2021 government fiscal year. During the first six months ended June 30, 2020, we recorded $8.3 million in net Medicare cap revenue reduction related to five programs for the 2020 government fiscal year.

For VITAS' patients in the nursing home setting in which Medicaid pays the nursing home room and board, VITAS serves as a pass-through between Medicaid and the nursing home. We are responsible for paying the nursing home for that patient's room and board. Medicaid reimburses us for 95% of the amount we have paid. This results in a 5% net expense for VITAS related to nursing home room and board. This transaction creates a performance obligation in that VITAS is facilitating room and board being delivered to our patient. As a result, the 5% net expense is recognized as a contra-revenue account under ASC 606 in the accompanying financial statements.

The composition of patient care service revenue by payor and level of care for the quarter ended June 30, 2021 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 247,061	$ 11,509	6,356	$ 264,926
Continuous care	22,010	1,237	1,035	24,282
Inpatient care	23,905	2,069	1,397	27,371
	$ 292,976	$ 14,815	$ 8,788	$ 316,579
All other revenue - self-pay, respite care, etc.				3,078
Subtotal				$ 319,657
Medicare cap adjustment				(2,000)
Implicit price concessions				(3,065)
Room and board, net				(2,657)
Net revenue				$ 311,935

The composition of patient care service revenue by payor and level of care for the quarter ended June 30, 2020 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 257,550	$ 12,673	$ 6,122	$ 276,345
Continuous care	31,483	1,622	1,477	34,582
Inpatient care	22,448	2,311	1,109	25,868
	$ 311,481	$ 16,606	$ 8,708	$ 336,795
All other revenue - self-pay, respite care, etc.				2,109
Subtotal				$ 338,904
Medicare cap adjustment				(5,750)
Implicit price concessions				(3,042)
Room and board, net				(2,647)
Net revenue				$ 327,465

The composition of patient care service revenue by payor and level of care for the six months ended June 30,2021 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	**$ 493,125**	**$ 23,088**	**$ 12,467**	**$ 528,680**
Continuous care	**46,917**	**2,496**	**2,218**	**51,631**
Inpatient care	**49,346**	**4,539**	**2,642**	**56,527**
	$ 589,388	**$ 30,123**	**$ 17,327**	**$ 636,838**
All other revenue - self-pay, respite care, etc.				**6,016**
Subtotal				**$ 642,854**
Medicare cap adjustment				**(3,500)**
Implicit price concessions				**(6,309)**
Room and board, net				**(5,322)**
Net revenue				**$ 627,723**

The composition of patient care service revenue by payor and level of care for the six months ended June 30, 2020 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 511,505	$ 24,806	$ 11,787	$ 548,098
Continuous care	68,615	3,493	3,029	75,137
Inpatient care	50,596	4,870	2,884	58,350
	$ 630,716	$ 33,169	$ 17,700	$ 681,585
All other revenue - self-pay, respite care, etc.				5,265
Subtotal				$ 686,850
Medicare cap adjustment				(8,250)
Implicit price concessions				(7,192)
Room and board, net				(6,028)
Net revenue				$ 665,380

Roto-Rooter

Roto-Rooter provides plumbing, drain cleaning, water restoration and other related services to both residential and commercial customers primarily in the United States. Services are provided through a network of company-owned branches, independent contractors and franchisees. Service revenue for Roto-Rooter is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing services.

Roto-Rooter owns and operates branches focusing mainly on large population centers in the United States. Roto-Rooter’s primary lines of business in company-owned branches consist of plumbing, sewer and drain cleaning, excavation and water restoration. For purposes of ASC 606 analysis, plumbing, sewer and drain cleaning, and excavation have been combined into one portfolio and are referred to as “short-term core services”. Water restoration is analyzed as a separate portfolio. The following describes the key characteristics of these portfolios:

Short-term Core Services are plumbing, drain and sewer cleaning and excavation services. These services are provided to both commercial and residential customers. The duration of services provided in this category range from a few hours to a few days. There are no significant warranty costs or on-going obligations to the customer once a service has been completed. For residential customers, payment is received at the time of job completion before the Roto-Rooter technician leaves the residence. Commercial customers may be granted credit subject to internally designated authority limits and credit check guidelines. If credit is granted, payment terms are generally 30 days or less.

Each job in this category is a distinct service with a distinct performance obligation to the customer. Revenue is recognized at the completion of each job. Variable consideration consists of pre-invoice discounts and post-invoice discounts. Pre-invoice discounts are given in the form of coupons or price concessions. Post-invoice discounts consist of credit memos generally granted to resolve customer service issues. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

Water Restoration Services involve the remediation of water and humidity after a flood. These services are provided to both commercial and residential customers. The duration of services provided in this category generally ranges from 3 to 5 days. There are no significant warranties or on-going obligations to the customer once service has been completed. The majority of these services are paid by the customer's insurance company. Variable consideration relates primarily to allowances taken by insurance companies upon payment. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

For both short-term core services and water restoration services, Roto-Rooter satisfies its performance obligation at a point in time. The services provided generally involve fixing plumbing, drainage or flood-related issues at the customer's property. At the time service is complete, the customer acknowledges its obligation to pay for service and its satisfaction with the service performed. This provides evidence that the customer has accepted the service and Roto-Rooter is now entitled to payment. As such, Roto-Rooter recognizes revenue for these services upon completion of the job and receipt of customer acknowledgement. Roto-Rooter's performance obligations for short-term core services and water restoration services relate to contracts with an expected duration of less than a year. Therefore, Roto-Rooter has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Roto-Rooter does not have significant unsatisfied or partially unsatisfied performance obligations at the time of initial revenue recognition for short-term core or water restoration services.

Roto-Rooter owns the rights to certain territories and contracts with independent third-parties to operate the territory under Roto-Rooter's registered trademarks. Such contracts are for a specified term but cancellable by either party without penalty with 90 days' advance notice. Under the terms of these arrangements, Roto-Rooter provides certain back office support and advertising along with a limited license to use Roto-Rooter's registered trademarks. The independent contractor is responsible for all day-to-day management of the business including staffing decisions and pricing of services provided. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Independent contractors pay Roto-Rooter a standard fee calculated as a percentage of their cash collection from weekly sales. The primary value for the independent contractors under these arrangements is the right to use Roto-Rooter's registered trademarks. Roto-Rooter recognizes revenue from independent contractors over-time (weekly) as the independent contractor's labor sales are completed and payment from customers are received. Payment from independent contractors is also received on a weekly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the independent contractor as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

Roto-Rooter has licensed the rights to operate under Roto-Rooter's registered trademarks in other territories to franchisees. Each such contract is for a 10 year term but cancellable by Roto-Rooter for cause with 60 day advance notice without penalty. The franchisee may cancel the contract for any reason with 60 days advance notice without penalty. Under the terms of the contract, Roto-Rooter provides national advertising and consultation on various aspects of operating a Roto-Rooter business along with the right to use Roto-Rooter's registered trademarks. The franchisee is responsible for all day- to-day management of the business including staffing decisions, pricing of services provided and local advertising spend and placement. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Franchisees pay Roto-Rooter a standard monthly fee based on the population within the franchise territory. The standard fee is revised on a yearly basis based on changes in the Consumer Price Index for All Urban Consumers. The primary value for the franchisees under this arrangement is the right to use Roto-Rooter's registered trademarks. Roto-Rooter recognizes revenue from franchisees over-time (monthly). Payment from franchisees is also received on a monthly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the franchisees as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

The composition of disaggregated revenue for the second quarter is as follows (in thousands):

	June 30,	
	2021	**2020**
Short-term core service jobs	**$ 162,683**	$ 126,541
Water restoration	**38,583**	31,426
Contractor revenue	**19,026**	15,193
Franchise fees	**1,255**	1,210
All other	**3,882**	2,971
Subtotal	**$ 225,429**	$ 177,341
Implicit price concessions and credit memos	**(5,108)**	(2,607)
Net revenue	**$ 220,321**	$ 174,734

The composition of disaggregated revenue for the first six months is as follows (in thousands):

	June 30,	
	2021	**2020**
Short-term core service jobs	**$ 318,032**	$ 260,965
Water restoration	**76,018**	60,672
Contractor revenue	**37,785**	31,421
Franchise fees	**2,582**	2,400
All other	**7,828**	6,505
Subtotal	**$ 442,245**	$ 361,963
Implicit price concessions and credit memos	**(10,352)**	(9,346)
Net revenue	**$ 431,893**	$ 352,617

3. Segments

Service revenues and sales by business segment are shown in Note 2. After-tax income/(loss) by business segment are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
VITAS	**$ 29,712**	$ 60,245	**$ 70,481**	$ 101,524
Roto-Rooter	**42,773**	29,468	**79,950**	53,790
Total	**72,485**	89,713	**150,431**	155,314
Corporate	**(15,963)**	(7,612)	**(28,509)**	(17,322)
Net income	**$ 56,522**	$ 82,101	**$ 121,922**	$ 137,992

We report corporate administrative expenses and unallocated investing and financing income and expense not directly related to either segment as "Corporate".

4. Earnings per Share

Earnings per share ("EPS") are computed using the weighted average number of shares of capital stock outstanding. Earnings and diluted earnings per share are computed as follows (in thousands, except per share data):

	Net Income		
For the Three Months Ended June 30,	**Income**	**Shares**	**Earnings per Share**
2021			
Earnings	**$ 56,522**	**15,829**	**$ 3.57**
Dilutive stock options	**-**	**235**	
Nonvested stock awards	**-**	**37**	
Diluted earnings	**$ 56,522**	**16,101**	**$ 3.51**
2020			
Earnings	$ 82,101	15,914	$ 5.16
Dilutive stock options	-	383	
Nonvested stock awards	-	76	
Diluted earnings	$ 82,101	16,373	$ 5.01

For the Six Months Ended June 30,	Net Income Income	Shares	Earnings per Share
2021			
Earnings	**$ 121,922**	**15,919**	**$ 7.66**
Dilutive stock options	**-**	**242**	
Nonvested stock awards	**-**	**44**	
Diluted earnings	**$ 121,922**	**16,205**	**$ 7.52**
2020			
Earnings	$ 137,992	15,953	$ 8.65
Dilutive stock options	-	415	
Nonvested stock awards	-	77	
Diluted earnings	$ 137,992	16,445	$ 8.39

For the three and six months ended June 30, 2021, there were 235,000 and 242,000, respectively, stock options were excluded from the computation of dilutive earnings per share because they would have been anti-dilutive.

For the three and six months ended June 30, 2020, there were 285,000 stock options excluded from the computation of dilutive earnings per share because they would have been anti-dilutive.

5. Long-Term Debt and Lines of Credit

On June 20, 2018, we replaced our existing credit agreement with the Fourth Amended and Restated Credit Agreement (“2018 Credit Agreement”). Terms of the 2018 Credit Agreement consist of a five year, $450 million revolving credit facility and a $150 million expansion feature, which may consist of term loans or additional revolving commitments. The interest rate at the inception of the agreement is LIBOR plus 100 basis points. The 2018 Credit Agreement has a floating interest rate that is generally LIBOR plus a tiered additional rate which varies based on our current leverage ratio. The 2018 Credit Agreement includes transition provisions in the instance LIBOR is no longer published or used as an industry-accepted rate.

There is no debt outstanding as of June 30, 2021.

The 2018 Credit Agreement contains the following quarterly financial covenants effective as of June 30, 2021:

Description	Requirement
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00
Fixed Charge Coverage Ratio (Consolidated Free Cash Flow/Consolidated Fixed Charges)	> 1.50 to 1.00

We are in compliance with all debt covenants as of June 30, 2021. We have issued $46.3 million in standby letters of credit as of June 30, 2021, mainly for insurance purposes. Issued letters of credit reduce our available credit under the 2018 Credit Agreement. As of June 30, 2021, we have approximately $403.7 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility.

6. Other Income/(Expense) – Net

Other income/(expense) – net comprises the following (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Market value adjustment on assets held in deferred compensation trust	**$ 3,655**	$ 7,408	**$ 6,693**	$ (2,164)
Interest income	**138**	116	**230**	225
Other-net	**(8)**	(10)	**464**	(13)
Total other income/(expense) - net	**$ 3,785**	$ 7,514	**$ 7,387**	$ (1,952)

7. Leases

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for inpatient units ("IPUs") and/or contract beds within hospitals. Roto-Rooter mainly has leased office space. Our leases have remaining terms of under 1 year to 10 years, some of which include options to extend the lease for up to 5 years, and some of which include options to terminate the lease within 1 year.

Roto-Rooter purchases equipment and leases it to certain of its independent contractors. We analyzed these leases in accordance with ASC 842 and determined they are operating leases. As a result, Roto-Rooter will continue to capitalize the equipment underlying these leases, depreciate the equipment and recognize rental income.

We do not currently have any finance leases, therefore all lease information disclosed is related to operating leases.

The components of balance sheet information related to leases were as follows:

	June 30, 2021	December 31, 2020
Assets		
Operating lease assets	$ **123,207**	$ 123,448
Liabilities		
Current operating leases	**36,440**	36,200
Noncurrent operating leases	**99,093**	99,210
Total operating lease liabilities	$ **135,533**	$ 135,410

The components of lease expense for the second quarter is as follows (in thousands):

	Three months ended June 30,	
	2021	2020
Lease Expense (a)		
Operating lease expense	$ **15,550**	$ 15,103
Sublease income	**(46)**	(7)
Net lease expense	$ **15,504**	$ 15,096

The components of lease expense for the first six months is as follows (in thousands):

	Six months ended June 30,	
	2021	2020
Lease Expense (a)		
Operating lease expense	$ **30,911**	$ 29,731
Sublease income	**(90)**	(7)
Net lease expense	$ **30,821**	$ 29,724

(a) Includes short-term leases and variable lease costs, which are immaterial. Included in both cost of services provided and goods sold and selling, general and administrative expenses.

The components of cash flow information related to leases were as follows:

	Six months ended June 30,	
	2021	**2020**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from leases	$ 25,901	$ 24,967
Leased assets obtained in exchange for new operating lease liabilities	$ 25,685	$ 40,133

Weighted Average Remaining Lease Term at June 30, 2021	
Operating leases	4.9 years
Weighted Average Discount Rate at June 30, 2021	
Operating leases	2.56%

Maturity of Operating Lease Liabilities (in thousands)

2021	$ **23,050**
2022	35,336
2023	27,905
2024	21,414
2025	15,163
Thereafter	21,414
Total lease payments	$ 144,282
Less: interest	(8,749)
Total liability recognized on the balance sheet	$ 135,533

For leases commencing prior to April 2019, minimum rental payments exclude payments to landlords for real estate taxes and common area maintenance. Operating lease payments include $2.3 million related to extended lease terms that are reasonably certain of being exercised and exclude $2.1 million of lease payments for leases signed but not yet commenced.

8. Stock-Based Compensation Plans

On February 19, 2021, the Compensation/Incentive Committee of the Board of Directors (“CIC”) granted 6,277 Performance Stock Units (“PSUs”) contingent upon the achievement of certain total shareholder return (“TSR”) targets as compared to the TSR of a group of peer companies for the three year period ending December 31, 2023, the date at which such awards vest. The cumulative compensation cost of the TSR-based PSU award to be recorded over the three year service period is $3.8 million.

On February 19, 2021, the CIC also granted 6,277 PSUs contingent upon the achievement of certain earnings per share (“EPS”) targets for the three year period ending December 31, 2023. At the end of each reporting period, the Company estimates the number of shares that it believes will ultimately be earned and records the corresponding expense over the service period of the award. We currently estimate the cumulative compensation cost of the EPS-based PSUs to be recorded over the three year service period is $3.1 million.

9. Retirement Plans

All of the Company’s plans that provide retirement and similar benefits are defined contribution plans. These expenses include the impact of market gains and losses on assets held in deferred compensation plans and are recorded in selling, general and administrative expenses. Net (losses)/gains for the Company’s retirement and profit-sharing plans, excess benefit plans and other similar plans are as follows (in thousands):

Three months ended June 30,		Six months ended June 30,	
2021	**2020**	**2021**	**2020**
$ 7,904	$ 11,354	**$ 16,603**	$ 6,940

10. Legal and Regulatory Matters

The VITAS segment of the Company’s business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, which can result in penalties including repayment obligations, funding withholding, or debarment, as well as to lawsuits, including *qui tam* actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. Other than as described below, it is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or reasonably estimable.

Regulatory Matters and Litigation

On October 30, 2017, the Company entered into a settlement agreement to resolve civil litigation under the False Claims Act brought by the United States Department of Justice ("DOJ") on behalf of the OIG and various relators concerning VITAS, filed in the U.S. District Court of the Western District of Missouri. The Company denied any violation of law and agreed to settlement without admission of wrongdoing.

In connection with the settlement, VITAS and certain of its subsidiaries entered into a corporate integrity agreement ("CIA") on October 30, 2017. The CIA formalizes various aspects of VITAS' already existing Compliance Program and contains requirements designed to document compliance with federal healthcare program requirements. It has a term of five years during which it imposes monitoring, reporting, certification, oversight, screening and training obligations, certain of which had previously been implemented by VITAS. It also requires VITAS to engage an Independent Review Organization to perform audit and review functions and to prepare reports regarding compliance with federal healthcare programs. In the event of breach of the CIA, VITAS could become liable for payment of stipulated penalties or could be excluded from participation in federal healthcare programs.

The Company entered into a settlement agreement in March 2019 that resolved the California state-wide wage and hour class action claims raised in four separate cases: (1) *Jordan A. Seper on behalf of herself and others similarly situated v. VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corp of CA, a business entity unknown; and DOES 1 to 100, inclusive*; Los Angeles Superior Court Case Number BC 642857 ("*Seper*"); (2) *Jiwan Chhina v. VITAS Health Services of California, Inc., a California corporation; VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corporation of California, a Delaware corporation dba VITAS Healthcare Inc.; and DOES 1 to 100, inclusive*; San Diego Superior Court Case Number 37-2015-00033978-CU-OE-CTL ("*Chhina*") (which was subsequently merged with *Seper*); (3) *Chere Phillips and Lady Moore v. VITAS Healthcare Corporation of California*, Sacramento County Superior Court, Case No. 34-2017-0021-2755 *("Phillips and Moore");* and (4) *Williams v. VITAS Healthcare Corporation of California*, Alameda County Superior Court Case No. RG 17853886 ("*Williams*"). These actions were brought by both current and former employees including a registered nurse, a licensed vocational nurse (LVN), home health aides and a social worker. Each action stated multiple claims generally including (1) failure to pay minimum wage for all hours worked; (2) failure to provide overtime for all hours worked; (3) failure to pay wages for all hours at the regular rate; (4) failure to provide meal periods; (5) failure to provide rest breaks; (6) failure to provide complete and accurate wage statements; (7) failure to pay for all reimbursement expenses; (8) unfair business practices; and (9) violation of the California Private Attorneys General Act. The cases generally asserted claims on behalf of classes defined to include all current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of each lawsuit.

The settlement amount of $5.75 million plus employment taxes was recorded in the first quarter of 2019. The definition of the class to participate in the settlement is intended to cover claims raised in the consolidated *Seper/Chhina* matter, claims raised in *Phillips and Moore*, as well as any class claims in *Williams*. The court granted final approval of the settlement hearing in December of 2020 and the settlement was paid in the first quarter of 2021.

Alfred Lax ("Lax"), a former employee of Roto-Rooter Services Company ("RRSC") filed a class action lawsuit in Santa Clara County Superior Court in November of 2018 alleging (1) failure to provide or compensate for required rest breaks; (2) failure to properly pay for all hours worked; (3) failure to provide accurate wage statements; (4) failure to reimburse for work-related expenses; and (5) unfair business practices. Lax stated these claims as a representative of a class defined as all service technicians employed by RRSC in California during the four years preceding the filing of the complaint. The lawsuit is, *Alfred Lax on behalf of himself and all others similarly situated v. Roto-Rooter Services Company, and Does 1 through 50 inclusive;* Santa Clara County Superior Court Case Number 18CV338652. The Company entered into a settlement agreement in August 2020 to resolve the allegations, for a settlement amount of $2.6 million plus employment taxes. The settlement includes technicians in its Menlo Park and Bristol locations. The settlement was recorded in the third quarter of 2020. Final approval of the settlement was granted in the first quarter of 2021 and the settlement was paid.

On October 16, 2020, VITAS received a Civil Investigative Demand ("CID") issued by the U.S. Department of Justice pursuant to the False Claims Act concerning allegations of the submission of false claims for hospice services for which reimbursement was sought from federal healthcare programs, including Medicare. The CID has requested information regarding 32 patients from our Florida operations. We are cooperating with the U.S. Department of Justice with respect to this investigation. The Company cannot predict when the investigation will be resolved or the outcome of the investigation.

Regardless of the outcome of any of the preceding matters, dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, withholding of governmental funding, diversion of management time, and related publicity. Although the Company intends to defend them vigorously, there can be no assurance that those suits will not have a material adverse effect on the Company.

11. Concentration of Risk

As of June 30, 2021, and December 31, 2020, approximately 68% and 74%, respectively, of VITAS' total accounts receivable balance were from Medicare and 24% and 20%, respectively, of VITAS' total accounts receivable balance were due from various state Medicaid or managed Medicaid programs. Combined accounts receivable from Medicare, Medicaid, and managed Medicaid represent approximately 75% of the consolidated net accounts receivable in the accompanying consolidated balance sheets as of June 30, 2021.

VITAS has a pharmacy services contract with one service provider for specified pharmacy services related to its hospice operations. A large majority of VITAS' pharmaceutical purchases are from this vendor. The pharmaceuticals purchased by VITAS are available through many providers in the United States. However, a disruption from VITAS' main service provider could adversely impact VITAS' operations, including temporary logistical challenges and increased cost associated with getting medication to our patients.

12. Cash Overdrafts and Cash Equivalents

There are no cash overdrafts payable included in accounts payable at June 30, 2021 or December 31, 2020.

From time to time throughout the year, we invest excess cash in money market funds with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. The amount invested was not material for each balance sheet date presented.

13. Financial Instruments

FASB's authoritative guidance on fair value measurements defines a hierarchy which prioritizes the inputs in fair value measurements. Level 1 measurements are measurements using quoted prices in active markets for identical assets or liabilities. Level 2 measurements use significant other observable inputs. Level 3 measurements are measurements using significant unobservable inputs which require a company to develop its own assumptions. In recording the fair value of assets and liabilities, companies must use the most reliable measurement available.

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of June 30, 2021 (in thousands):

		Fair Value Measure		
	Carrying Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual fund investments of deferred compensation plans held in trust	**$ 98,256**	**$ 98,256**	**$ -**	**$ -**

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2020 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual fund investments of deferred compensation plans held in trust	$ 88,811	$ 88,811	$ -	$ -

For cash and cash equivalents, accounts receivable and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments. As further described in Note 5, our outstanding long-term debt and current portion of long-term debt have floating interest rates that are reset at short-term intervals, generally 30 or 60 days. The interest rate we pay also includes an additional amount based on our current leverage ratio. As such, we believe our borrowings reflect significant nonperformance risks, mainly credit risk. Based on these factors, we believe the fair value of our long-term debt and current portion of long-term debt approximate the carrying value.

14. Capital Stock Repurchase Plan Transactions

We repurchased the following capital stock:

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Total cost of repurchased shares (in thousands)	**$ 121,882**	$ 21,914	**$ 166,649**	$ 122,148
Shares repurchased	**250,000**	50,000	**350,000**	275,000
Weighted average price per share	**$ 487.52**	$ 438.27	**$ 476.14**	$ 444.18

In May 2021, the Board of Directors authorized an additional $300.0 million for stock repurchase under Chemed's existing share repurchase program. We currently have $311.8 million of authorization remaining under this share repurchase plan.

15. Recent Accounting Standards

In March 2020, the FASB issued Accounting Standards Update "ASU No. 2020-04 - Reference Rate Reform". The update provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another rate expected to be discontinued. The update is effective for all entities as of March 12, 2020 and will apply through December 31, 2022. The interest rate charged on borrowings from our existing revolver is based on LIBOR. The credit agreement includes provisions for modifying the interest rate in the instance that LIBOR is discontinued. As a result, no contract modifications will be required when LIBOR is discontinued.

16. Acquisitions

On June 1, 2020, we completed the acquisition of a Roto-Rooter franchise and the related assets in Bloomington, IN for $2.2 million in cash.

Goodwill is assessed for impairment on a yearly basis as of October 1. All goodwill recognized is deductible for tax purposes.

Shown below is movement in Goodwill (in thousands):

	VITAS	Roto-Rooter	Total
Balance at December 31, 2020	$ 333,331	$ 245,254	$ 578,585
Foreign currency adjustments	-	65	65
Balance at June 30, 2021	$ 333,331	$ 245,319	$ 578,650

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

Executive Summary

We operate through our two wholly-owned subsidiaries, VITAS Healthcare Corporation and Roto-Rooter Group, Inc. VITAS focuses on hospice care that helps make terminally ill patients' final days as comfortable as possible. Through its teams of doctors, nurses, home health aides, social workers, clergy and volunteers, VITAS provides direct medical services to patients, as well as spiritual and emotional counseling to both patients and their families. Roto-Rooter's services are focused on providing plumbing, drain cleaning, water restoration and other related services to both residential and commercial customers. Through its network of company-owned branches, independent contractors and franchisees, Roto-Rooter offers plumbing and drain cleaning service to over 90% of the U.S. population.

The following is a summary of the key operating results (in thousands except per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Service revenues and sales	**$ 532,256**	$ 502,199	**$ 1,059,616**	$ 1,017,997
Net income	**$ 56,522**	$ 82,101	**$ 121,922**	$ 137,992
Diluted EPS	**$ 3.51**	$ 5.01	**$ 7.52**	$ 8.39
Adjusted net income	**$ 74,100**	$ 72,223	**$ 146,470**	$ 132,938
Adjusted diluted EPS	**$ 4.60**	$ 4.41	**$ 9.04**	$ 8.08
Adjusted EBITDA	**$ 110,948**	$ 108,741	**$ 219,467**	$ 201,770
Adjusted EBITDA as a % of revenue	**20.8 %**	21.7 %	**20.7 %**	19.8 %

Adjusted net income, adjusted diluted EPS, earnings before interest, taxes and depreciation and amortization ("EBITDA"), Adjusted EBITDA and Adjusted EBITDA as a percent of revenue are not measures derived in accordance with US GAAP. We provide non-GAAP measures to help readers evaluate our operating results and to compare our operating performance with that of similar companies that have different capital structures. Our non-GAAP measures should not be considered in isolation or as a substitute for comparable measures presented in accordance with GAAP. A reconciliation of our non-GAAP measures is presented on pages 35-37.

For the three months ended June 30, 2021, the increase in consolidated service revenues and sales was driven by an 26.1% increase at Roto-Rooter offset by a 4.7% decrease at VITAS. The increase in service revenues at Roto-Rooter was driven by an increase in all major service lines. Roto-Rooter's second quarter 2020 revenue was significantly impacted by shut-downs resulting from the COVID pandemic. The decrease in service revenues at VITAS is comprised primarily of a 6.3% decrease in days-of-care offset by a geographically weighted average Medicare reimbursement rate increase (including the suspension of sequestration on May 1, 2020) of approximately 1.8%. Acuity mix shift had a net impact of reducing revenue approximately $3.8 million, or 1.2% in the quarter when compared to the prior year revenue and level-of-care mix. The combination of a lower Medicare cap revenue reduction and other contra revenue changes offset a portion of the revenue decline by approximately 90 basis points. See page 38 for additional VITAS operating metrics.

For the six months ended June 30, 2021, the increase in consolidated service revenues and sales was driven by a 22.5% increase at Roto-Rooter offset by a 5.7% decrease at VITAS. The increase in service revenues at Roto-Rooter was driven by an increase in all major service lines. Roto-Rooter's first six months 2020 revenue was significantly impacted by the COVID pandemic. The decrease in service revenues at VITAS is comprised primarily of a 6.7% decrease in days-of-care offset by a geographically weighted average Medicare reimbursement rate increase (including the suspension of sequestration on May 1, 2020) of approximately 1.7%. Acuity mix shift had a net impact of reducing revenue approximately $9.1 million, or 1.4% in the quarter when compared to the prior year revenue and level-of-care mix. The combination of a lower Medicare cap revenue reduction and other contra revenue changes offset a portion of the revenue decline by approximately 70 basis points. See page 38 for additional VITAS operating metrics.

The current COVID-19 pandemic did have a material impact on our business operations, results of operations, cash flow and financial position as of and for the three months and six months ended June 30, 2021 and 2020, respectively. We are closely monitoring the impact of the pandemic on all aspects of our business including impacts to employees, customers, patients, suppliers and vendors. The Company's two operating subsidiaries have been categorized as critical infrastructure businesses and are not currently materially limited by federal, state or local regulations that restrict movement or operating ability.

The length and severity of the pandemic, coupled with related governmental actions including relief acts and actions relating to our workforce at federal, state and local levels, and underlying economic disruption will determine the ultimate short-term and long-term impact to our business operations and financial results. We are unable to predict the myriad of possible issues that could arise or the ultimate effect to our businesses as a result of the unknown short, medium and long-term impacts that the pandemic will have on the United States economy and society as a whole.

Historically, Chemed earnings guidance has been developed using previous years' key operating metrics which are then modeled and projected out for the calendar year. Critical within these projections is the understanding of traditional patterned correlations among key operating metrics. This modeling exercise also takes into consideration anticipated industry and macro-economic issues outside of management's control but are somewhat predictable in terms of timing and impact on our business segments' operating results.

The COVID-19 pandemic has made accurate modeling and providing meaningful earnings guidance exceptionally challenging. Since the start of the pandemic, Chemed has been able to successfully navigate within this rapidly changing environment and produce operating results that we believe provide us with the ability to issue earnings guidance for the 2021 calendar year. However, this guidance should be taken with the recognition the pandemic will continue to disrupt our healthcare system and general economy to such an extent that future rules, regulations and government mandates could materially impact the company's ability to achieve this guidance.

Statistically, patients residing in senior housing are identified as hospice appropriate earlier into their terminal prognosis and have a much greater probability of having a length of stay in excess of 90 days. Hospice patients referred from hospitals, oncology practices and similar referral sources are generally more acute and have a significantly lower probability of lengths-of-stay exceeding 90 days. According to data released by the National Investment Center for Seniors Housing & Care, COVID-19 continues to adversely affect senior housing occupancy. This reduced occupancy in senior housing has had a corresponding reduction in VITAS nursing home admissions. Nursing home patients represented 14.9% of VITAS' second quarter 2021 patient census. This compares to nursing home patients averaging 18.2% of total census just prior to the pandemic.

This guidance anticipates senior housing occupancy will begin to normalize to pre-pandemic occupancy starting in the second half of calendar year 2021.

Based upon the above discussion, VITAS 2021 revenue, prior to Medicare Cap, is estimated to decline approximately 4.5% when compared to the prior year. Average Daily Census in 2021 is estimated to decline approximately 5.0%. Full-year Adjusted EBITDA margin, prior to Medicare Cap, is estimated to be 18.3%. We are currently estimating $7.5 million for Medicare Cap billing limitations in calendar year 2021. Roto-Rooter is forecasted to achieve full-year 2021 revenue growth of 15.0% to 15.5%. Roto-Rooter's Adjusted EBITDA margin for 2021 is estimated to be between 28% to 29%.

Based upon the above, full-year 2021 adjusted earnings per diluted share, excluding non-cash expense for stock options, tax benefits from stock option exercises, costs related to litigation, and other discrete items, is estimated to be in the range of $18.20 to $18.50. This compares to initial 2021 adjusted earnings per diluted share guidance of $17.00 to $17.50. This revised 2021 guidance assumes an effective corporate tax rate on adjusted earnings of 24.7%. Chemed's 2020 reported adjusted earnings per diluted share was $18.08.

We anticipate that our operating income and cash flows will be sufficient to operate our businesses and meet any commitments for the foreseeable future.

Financial Condition

Liquidity and Capital Resources

Material changes in the balance sheet accounts from December 31, 2020 to June 30, 2021 include the following:

- A $3.5 million decrease in accounts receivable due to timing of receipts.
- A $16.8 million increase in prepaid income taxes due to timing of payments.
- A $7.7 million decrease in accrued compensation due to the payments of cash bonuses in the first quarter of 2021.
- A $9.2 million decrease in accrued legal mainly as a result of the payments of two legal settlements.
- A $179.7 million increase in treasury stock due mainly to stock repurchases.

Net cash provided by operating activities decreased $145.8 million from June 30, 2020 to June 30, 2021. The main drivers of the decrease are a decrease in net income of $16.1 million, the Unutilized CARES Act grant received in 2020 of $39.2 million, the deferral of payroll taxes during the second quarter of 2020 of $10.7 million and increases in cash outflows associated with accounts payable and current income taxes of $74.0 million. Significant changes in our accounts receivable balances are typically driven by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $40.0 million from the Federal government for hospice services every other Friday. The timing of a period end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two year period, as cash flow variations in one year are offset in the following year.

Management continually evaluates cash utilization alternatives, including share repurchase, debt repurchase, acquisitions and increased dividends to determine the most beneficial use of available capital resources.

On June 20, 2018, we signed the Fourth Amended and Restated Credit Agreement ("2018 Credit Agreement"). Terms of the 2018 Credit Agreement consist of a five year, $450 million revolving credit facility and a $150 million expansion feature, which may consist of term loans or additional revolving commitments. The revolving credit facility has a five year maturity with principal payments due at maturity. The interest rate at the inception of the agreement was LIBOR plus 100 basis points. The 2018 Credit Agreement has a floating interest rate that is generally LIBOR plus a tiered additional rate which varies based on our current leverage ratio. We have no debt outstanding under the 2018 Credit Agreement as of June 30, 2021.

We have issued $46.3 million in standby letters of credit as of June 30, 2021, mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of June 30, 2021, we have approximately $403.7 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

Commitments and Contingencies

Collectively, the terms of our credit agreements require us to meet various financial covenants, to be tested quarterly. We are in compliance with all financial and other debt covenants as of June 30, 2021 and anticipate remaining in compliance throughout the foreseeable future.

We are subject to various lawsuits and claims in the normal course of our business. In addition, we periodically receive communications from governmental and regulatory agencies concerning compliance with Medicare and Medicaid billing requirements at our VITAS subsidiary. We establish reserves for specific, uninsured liabilities in connection with regulatory and legal action that we deem to be probable and estimable. We disclose the existence of regulatory and legal actions when we believe it is reasonably possible that a loss could occur in connection with the specific action. In most instances, we are unable to make a reasonable estimate of any reasonably possible liability due to the uncertainty of the outcome and stage of litigation. We record legal fees associated with legal and regulatory actions as the costs are incurred.

See Note 10 in the Notes to the Unaudited Consolidated Financial Statements in Item 1 above for a description of current material legal matters.

Results of Operations
Three months ended June 30, 2021 versus 2020 - Consolidated Results

Our service revenues and sales for the second quarter of 2021 increased 6.0% versus services and sales revenues for the second quarter of 2020. Of this increase, a $45.6 million increase was attributable to Roto-Rooter offset by a $15.5 million decrease attributable to VITAS. The following chart shows the components of revenue by operating segment (in thousands):

	Three months ended June 30,	
	2021	**2020**
VITAS		
Routine homecare	**$ 264,926**	$ 276,345
Continuous care	**24,282**	34,582
General inpatient	**27,371**	25,868
Other	**3,078**	2,109
Medicare cap adjustment	**(2,000)**	(5,750)
Room and board - net	**(2,657)**	(2,647)
Implicit price concessions	**(3,065)**	(3,042)
Roto-Rooter		
Drain cleaning - short term core	**62,649**	49,455
Plumbing - short term core	**44,609**	32,022
Subtotal	**107,258**	81,477
Excavation - short term core	**55,114**	44,678
Water restoration	**38,583**	31,426
Contractor operations	**19,026**	15,193
Outside franchisee fees	**1,255**	1,210
Other - short term core	**311**	386
Other	**3,882**	2,971
Implicit price concessions	**(5,108)**	(2,607)
Total	**$ 532,256**	$ 502,199

Days of care at VITAS during the quarter ended June 30 were as follows:

	Days of Care		Increase/(Decrease)
	2021	2020	Percent
Routine homecare	**1,335,482**	1,401,744	(4.7)
Nursing home	**244,423**	279,462	(12.5)
Respite	**5,338**	4,158	28.4
Subtotal routine homecare and respite	**1,585,243**	1,685,364	(5.9)
Continuous care	**25,786**	35,814	(28.0)
General inpatient	**26,493**	25,542	3.7
Total days of care	**1,637,522**	1,746,720	(6.3)

The decrease in service revenues at VITAS is comprised primarily of a 6.3% decline in days-of-care offset by a geographically weighted average Medicare reimbursement rate increase (including the suspension of sequestration on May 1, 2020) of approximately 1.8%. Acuity mix shift had a net impact of reducing revenue approximately $3.8 million, or 1.2% in the quarter when compared to the prior year revenue and level-of-care mix. The combination of a lower Medicare cap revenue reduction and other contra revenue changes offset the revenue decline by approximately 0.9%.

The increase in plumbing revenues for the second quarter of 2021 versus 2020 is attributable to a 21.1% increase in job count and to a 18.2% increase in price and service mix shift. The increase in excavation revenues for the second quarter of 2021 versus 2020 is attributable to a 10.1% increase in job count and to a 13.3% increase in price and service mix shift. Drain cleaning revenues for the second quarter of 2021 versus 2020 reflect a 11.7% increase in price and service mix shift and a 15.0% increase in job count. Water restoration revenue increased for the second quarter of 2021 versus 2020 due to a 9.4% increase in job count and a 13.4% increase in price and service mix shift. The increase in job count for all service lines was driven by both residential and commercial customers.

The consolidated gross margin was 34.1% in the second quarter of 2021 as compared with 29.9% in the second quarter of 2020. On a segment basis, VITAS' gross margin was 20.7% in the second quarter of 2021 as compared with 18.5%, in the second quarter of 2020. The increase is primarily due to improved labor costs. The Roto-Rooter segment's gross margin was 53.3% for the second quarter of 2021 as compared with 51.2% in the second quarter of 2020 primarily due to increased revenue and improved labor costs.

Selling, general and administrative expenses ("SG&A") comprise (in thousands):

	Three months ended June 30,	
	2021	2020
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	**$ 88,510**	$ 75,176
Impact of market value adjustments related to assets held in deferred compensation trusts	**3,655**	7,408
Long-term incentive compensation	**1,673**	1,929
Total SG&A expenses	**$ 93,838**	$ 84,513

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for the second quarter of 2021 were up 17.7% when compared to the second quarter of 2020. This increase was mainly a result of the increase in variable selling and general administrative expenses and increased bonus expense at Roto-Rooter caused by increased income as well as a $1.0 million increase in paid time off granted at VITAS.

Depreciation for the second quarter of 2021 increased 16.8% when compared to the second quarter of 2020. This increase is primarily the result of VITAS' acceleration of depreciation on leasehold improvements associated with a facility relocation.

Amortization for the second quarter of 2021 increased 0.9% when compared to the second quarter of 2020. Quarterly amortization of intangible assets is mainly driven by two Roto-Rooter franchise acquisitions completed in 2019. The total purchase price of these acquisitions was $138.0 million. As part of the purchase price allocation, approximately $59.2 million was determined to be the value of reacquired franchise rights which are being amortized over the remaining life of each franchise agreement. The average remaining life on the reacquired franchise agreements was approximately seven years. Quarterly amortization of reacquired franchise rights for these two acquisitions is approximately $2.0 million ($8.1 million annualized through 2026). This contrasts to quarterly franchise fees historically collected from these two franchisees of approximately $470,000 ($1.9 million annualized).

Other operating (income)/expenses comprise the following:

	Three months ended June 30,	
	2021	2020
CARES Act grant	$ -	$ (40,989)
Loss/(gain) on disposal of fixed assets	104	(395)
Total other operating expenses	$ 104	$ (41,384)

Other income – net comprise (in thousands):

	Three months ended June 30,	
	2021	2020
Market value adjustment on assets held in deferred compensation trusts	$ 3,655	$ 7,408
Interest income	138	116
Other	(8)	(10)
Total other income/(expense) - net	$ 3,785	$ 7,514

Our effective tax rate reconciliation is as follows (in thousands):

	Three months ended June 30,	
	2021	2020
Income tax provision calculated at the statutory federal rate	$ 15,772	$ 20,921
Stock compensation tax benefits	(868)	(8,203)
State and local income taxes	2,671	3,604
Other--net	1,008	1,200
Income tax provision	$ 18,583	$ 17,522
Effective tax rate	24.7 %	17.6 %

Net income for both periods included the following after-tax items/adjustments that (reduced) or increased after-tax earnings (in thousands):

	Three months ended June 30,	
	2021	2020
VITAS		
Direct costs related to COVID-19	$ (8,268)	$ (18,101)
Facility relocation costs	(1,384)	-
CARES Act grant	-	30,537
COVID-19 Medicare cap	-	(1,679)
Medicare cap sequestration adjustment	-	(594)
Roto-Rooter		
Amortization of reacquired franchise agreements	(1,729)	(1,729)
Direct costs related to COVID-19	(428)	(822)
Litigation settlements	72	-
Corporate		
Stock option expense	(5,166)	(4,209)
Long-term incentive compensation	(1,543)	(1,728)
Excess tax benefits on stock compensation	868	8,203
Total	$ (17,578)	$ 9,878

Three months ended June 30, 2021 versus 2020 - Segment Results

Net income/(loss) for the second quarter of 2021 versus the second quarter of 2020 by segment (in thousands):

	Three months ended June 30,	
	2021	**2020**
VITAS	**$ 29,712**	$ 60,245
Roto-Rooter	**42,773**	29,468
Corporate	**(15,963)**	(7,612)
	$ 56,522	$ 82,101

VITAS' after-tax earnings decreased primarily due to CARES Grant funds received in 2020. After-tax earnings as a percent of revenue at VITAS in the second quarter of 2021 was 9.5% as compared to 18.4% in the second quarter of 2020.

Roto-Rooter's net income was impacted in 2021 compared to 2020 primarily by higher revenue and improved labor costs. After-tax earnings as a percent of revenue at Roto-Rooter in the second quarter of 2021 was 19.4%, as compared to 16.9% in the second quarter of 2020.

After-tax Corporate expenses for 2021 increased 109.7% when compared to 2020 due mainly to a $7.3 million decrease in the excess tax benefits on stock compensation.

Results of Operations
Six months ended June 30, 2021 versus 2020 - Consolidated Results

Our service revenues and sales for the first six months of 2021 increased 4.1% versus services and sales revenues for the first six months of 2020. Of this increase, $79.3 million was attributable to Roto-Rooter offset by a $37.7 million decrease attributable to VITAS. The following chart shows the components of revenue by operating segment (in thousands):

	Six months ended June 30,	
	2021	**2020**
VITAS		
Routine homecare	$ **528,680**	$ 548,098
Continuous care	**51,631**	75,137
General inpatient	**56,527**	58,350
Other	**6,016**	5,265
Medicare cap adjustment	**(3,500)**	(8,250)
Room and board - net	**(5,322)**	(6,028)
Implicit price concessions	**(6,309)**	(7,192)
Roto-Rooter		
Drain cleaning - short term core	**124,406**	103,475
Plumbing - short term core	**85,922**	68,816
Subtotal	**210,328**	172,291
Excavation - short term core	**107,106**	87,738
Water restoration	**76,018**	60,672
Contractor operations	**37,785**	31,421
Outside franchisee fees	**2,582**	2,400
Other - short term core	**598**	936
Other	**7,828**	6,505
Implicit price concessions	**(10,352)**	(9,346)
Total	$ **1,059,616**	$ 1,017,997

Days of care at VITAS during the six months ended June 30 were as follows:

	Days of Care		Increase/(Decrease)
	2021	**2020**	**Percent**
Routine homecare	**2,665,374**	2,766,490	(3.7)
Nursing home	**477,206**	582,836	(18.1)
Respite	**10,178**	10,850	(6.2)
Subtotal routine homecare and respite	**3,152,758**	3,360,176	(6.2)
Continuous care	**55,086**	77,187	(28.6)
General inpatient	**54,167**	57,890	(6.4)
Total days of care	**3,262,011**	3,495,253	(6.7)

The decrease in service revenues at VITAS is comprised primarily of a 6.7% decline in days-of-care offset by a geographically weighted average Medicare reimbursement rate increase (including the suspension of sequestration on May 1, 2020) of approximately 1.7%. Acuity mix shift had a net impact of reducing revenue approximately $9.1 million, or 1.4% in the first six months when compared to the prior year revenue and level-of-care mix. The combination of a lower Medicare cap revenue reduction and other contra revenue changes offset a portion of the revenue decline by approximately 70 basis points.

The increase in plumbing revenues for the first six months of 2021 versus 2020 is attributable to a 19.1% increase in job count and to a 5.8% increase in price and service mix shift. The increase in excavation revenues for the first six months of 2021 versus 2020 is attributable to a 16.0% increase in job count and to a 6.1% increase in price and service mix shift. Drain cleaning revenues for the first six months of 2021 versus 2020 reflect an 8.0% increase in price and service mix shift and a 12.2% increase in job count. Water restoration revenue increased for the first six months of 2021 versus 2020 due to a 9.8% increase in job count and a 15.5% increase in price and service mix shift. The increase in job count for all service lines was driven by both residential and commercial customers.

The consolidated gross margin was 34.8% in the first six months of 2021 as compared with 30.9% in the first six months of 2020. On a segment basis, VITAS' gross margin was 22.5% in the first six months of 2021 as compared with 20.9%, in the first six months of 2020. The increase is primarily due to improved labor costs. The Roto-Rooter segment's gross margin was 52.6% for the first six months of 2021 as compared with 49.6% in the first six months of 2020 primarily due to increased revenue and improved labor costs.

Selling, general and administrative expenses ("SG&A") comprise (in thousands):

	Six months ended June 30,	
	2021	**2020**
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	**$ 175,178**	$ 153,511
Impact of market value adjustments related to assets held in deferred compensation trusts	**6,693**	(2,164)
Long-term incentive compensation	**3,566**	3,749
Total SG&A expenses	**$ 185,437**	$ 155,096

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for the first six months of 2021 were up 14.1% when compared to the first six months of 2020. This increase was mainly a result of the increase in variable selling and general administrative expenses and increased bonus expense at Roto-Rooter caused by increased income as well as a $1.0 million increase in paid time off granted at VITAS.

Depreciation for the first six months of 2021 increased 9.9% when compared to the first six months of 2020. This increase is primarily the result of VITAS' acceleration of depreciation on leasehold improvements associated with a facility relocation.

Amortization for the first six months of 2021 increased 1.1% when compared to the first six months of 2020. Quarterly amortization of intangible assets is mainly driven by two Roto-Rooter franchise acquisitions completed in 2019. The total purchase price of these acquisitions was $138.0 million. As part of the purchase price allocation, approximately $59.2 million was determined to be the value of reacquired franchise rights which are being amortized over the remaining life of each franchise agreement. The average remaining life on the reacquired franchise agreements was approximately seven years. Quarterly amortization of reacquired franchise rights for these two acquisitions is approximately $2.0 million ($8.1 million annualized through 2026). This contrasts to quarterly franchise fees historically collected from these two franchisees of approximately $470,000 ($1.9 million annualized).

Other operating (income)/expenses comprise the following:

	Six months ended June 30,	
	2021	**2020**
CARES Act grant	**$ -**	$ (40,989)
Loss/(gain) on disposal of fixed assets	**726**	(153)
Total other operating (income)/expenses	**$ 726**	$ (41,142)

Other income – net comprise (in thousands):

	Six months ended June 30,	
	2021	**2020**
Market value adjustment on assets held in deferred compensation trusts	**$ 6,693**	$ (2,164)
Interest income	**230**	225
Other	**464**	(13)
Total other income - net	**$ 7,387**	$ (1,952)

Our effective tax rate reconciliation is as follows (in thousands):

	Six months ended June 30, 2021		Six months ended June 30, 2020	
Income tax provision calculated at the statutory federal rate	$	**33,341**	$	35,394
Stock compensation tax benefits		**(4,106)**		(12,756)
State and local income taxes		**5,627**		6,182
Other--net		**1,983**		1,733
Income tax provision	$	**36,845**	$	30,553
Effective tax rate		**23.2** %		18.1 %

Net income for both periods included the following after-tax items/adjustments that (reduced) or increased after-tax earnings (in thousands):

	Six months ended June 30, 2021		Six months ended June 30, 2020	
VITAS				
Direct costs related to COVID-19	$	**(9,576)**	$	(18,828)
Facility relocation costs		**(1,384)**		-
CARES Act grant		-		30,537
COVID-19 Medicare cap		-		(1,679)
Medicare cap sequestration adjustment		-		(1,097)
Roto-Rooter				
Amortization of reacquired franchise agreements		**(3,457)**		(3,457)
Direct costs related to COVID-19		**(835)**		(1,455)
Litigation settlements		**72**		-
Corporate				
Stock option expense		**(10,232)**		(8,399)
Excess tax benefits on stock compensation		**4,106**		12,756
Long-term incentive compensation		**(3,212)**		(3,324)
Direct costs related to COVID-19		**(30)**		-
Total	**$**	**(24,548)**	$	5,054

<u>Six months ended June 30, 2021 versus 2020 - Segment Results</u>

Net income/(loss) for the first six months of 2021 versus the first six months of 2020 by segment (in thousands):

	Six months ended June 30, 2021		Six months ended June 30, 2020	
VITAS	**$**	**70,481**	$	101,524
Roto-Rooter		**79,950**		53,790
Corporate		**(28,509)**		(17,322)
	$	**121,922**	$	137,992

VITAS' after-tax earnings decreased primarily due to the CARES Act Grant received in 2020. After-tax earnings as a percent of revenue at VITAS in the first six months of 2021 was 11.2% as compared to 15.3% in the first six months of 2020.

Roto-Rooter's net income was impacted in 2021 compared to 2020 primarily by higher revenue and improved labor costs. After-tax earnings as a percent of revenue at Roto-Rooter in the first six months of 2021 was 18.5%, as compared to 15.3% in the first six months of 2020.

After-tax Corporate expenses for 2021 increased 64.6% when compared to 2020 due mainly to a $8.7 million decrease in the excess tax benefits on stock compensation.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2021
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2021 (a)				
Service revenues and sales	$ 311,935	$ 220,321	$ -	$ 532,256
Cost of services provided and goods sold	247,519	102,974	-	350,493
Selling, general and administrative expenses	22,631	53,556	17,651	93,838
Depreciation	7,125	6,468	19	13,612
Amortization	18	2,492	-	2,510
Other operating expense	87	17	-	104
Total costs and expenses	277,380	165,507	17,670	460,557
Income/(loss) from operations	34,555	54,814	(17,670)	71,699
Interest expense	(43)	(89)	(247)	(379)
Intercompany interest income/(expense)	4,486	1,649	(6,135)	-
Other income—net	99	32	3,654	3,785
Income/(expense) before income taxes	39,097	56,406	(20,398)	75,105
Income taxes	(9,385)	(13,633)	4,435	(18,583)
Net income/(loss)	$ 29,712	$ 42,773	$ (15,963)	$ 56,522

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Direct costs related to COVID-19	$ (11,084)	$ (582)	$ -	$ (11,666)
Stock option expense	-	-	(6,239)	(6,239)
Amortization of reacquired franchise agreements	-	(2,352)	-	(2,352)
Facility relocation costs	(1,855)	-	-	(1,855)
Long-term incentive compensation	-	-	(1,673)	(1,673)
Litigation settlements	-	98	-	98
Total	$ (12,939)	$ (2,836)	$ (7,912)	$ (23,687)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Direct costs related to COVID-19	$ (8,268)	$ (428)	$ -	$ (8,696)
Stock option expense	-	-	(5,166)	(5,166)
Amortization of reacquired franchise agreements	-	(1,729)	-	(1,729)
Long-term incentive compensation	-	-	(1,543)	(1,543)
Facility relocation costs	(1,384)	-	-	(1,384)
Litigation settlements	-	72	-	72
Excess tax benefits on stock compensation	-	-	868	868
Total	$ (9,652)	$ (2,085)	$ (5,841)	$ (17,578)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2020
(in thousands)(unaudited)

2020 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 327,465	$ 174,734	$ -	$ 502,199
Cost of services provided and goods sold	266,815	85,348	-	352,163
Selling, general and administrative expenses	21,072	44,231	19,210	84,513
Depreciation	5,556	6,069	34	11,659
Amortization	18	2,470	-	2,488
Other operating income	(40,826)	(558)	-	(41,384)
Total costs and expenses	252,635	137,560	19,244	409,439
Income/(loss) from operations	74,830	37,174	(19,244)	92,760
Interest expense	(45)	(90)	(516)	(651)
Intercompany interest income/(expense)	4,739	1,422	(6,161)	-
Other income/(expense)—net	104	(10)	7,420	7,514
Income/(expense) before income taxes	79,628	38,496	(18,501)	99,623
Income taxes	(19,383)	(9,028)	10,889	(17,522)
Net income/(loss)	$ 60,245	$ 29,468	$ (7,612)	$ 82,101

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
CARES Act grant	$ 40,989	$ -	$ -	$ 40,989
Direct costs related to COVID-19	(24,265)	(1,117)	-	(25,382)
Stock option expense	-	-	(5,068)	(5,068)
Amortization of reacquired franchise agreements	-	(2,352)	-	(2,352)
COVID-19 Medicare cap	(2,250)	-	-	(2,250)
Long-term incentive compensation	-	-	(1,929)	(1,929)
Medicare cap sequestration adjustment	(796)	-	-	(796)
Total	$ 13,678	$ (3,469)	$ (6,997)	$ 3,212

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
CARES Act grant	$ 30,537	$ -	$ -	$ 30,537
Direct costs related to COVID-19	(18,101)	(822)	-	(18,923)
Stock option expense	-	-	(4,209)	(4,209)
Amortization of reacquired franchise agreements	-	(1,729)	-	(1,729)
Long-term incentive compensation	-	-	(1,728)	(1,728)
COVID-19 Medicare cap	(1,679)	-	-	(1,679)
Medicare cap sequestration adjustment	(594)	-	-	(594)
Excess tax benefits on stock compensation	-	-	8,203	8,203
	$ 10,163	$ (2,551)	$ 2,266	$ 9,878

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(in thousands)(unaudited)

2021 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 627,723	$ 431,893	$ -	$ 1,059,616
Cost of services provided and goods sold	486,186	204,780	-	690,966
Selling, general and administrative expenses	44,721	106,878	33,838	185,437
Depreciation	12,462	12,821	44	25,327
Amortization	36	4,984	-	5,020
Other operating expense	590	136	-	726
Total costs and expenses	543,995	329,599	33,882	907,476
Income/(loss) from operations	83,728	102,294	(33,882)	152,140
Interest expense	(85)	(179)	(496)	(760)
Intercompany interest income/(expense)	9,011	3,269	(12,280)	-
Other income—net	632	63	6,692	7,387
Income/(expense) before income taxes	93,286	105,447	(39,966)	158,767
Income taxes	(22,805)	(25,497)	11,457	(36,845)
Net income/(loss)	$ 70,481	$ 79,950	$ (28,509)	$ 121,922

(a) The following amounts are included in net income (in thousands):

Pretax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Direct costs related to COVID-19	$ (12,836)	$ (1,136)	$ (38)	$ (14,010)
Stock option expense	-	-	(12,345)	(12,345)
Amortization of reacquired franchise agreements	-	(4,704)	-	(4,704)
Long-term incentive compensation	-	-	(3,566)	(3,566)
Facility relocation costs	(1,855)	-	-	(1,855)
Litigation settlement	-	98	-	98
Total	$ (14,691)	$ (5,742)	$ (15,949)	$ (36,382)

After-tax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Direct costs related to COVID-19	$ (9,576)	$ (835)	$ (30)	$ (10,441)
Stock option expense	-	-	(10,232)	(10,232)
Amortization of reacquired franchise agreements	-	(3,457)	-	(3,457)
Long-term incentive compensation	-	-	(3,212)	(3,212)
Facility relocation costs	(1,384)	-	-	(1,384)
Litigation settlement	-	72	-	72
Excess tax benefits on stock compensation	-	-	4,106	4,106
Total	$ (10,960)	$ (4,220)	$ (9,368)	$ (24,548)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(in thousands)(unaudited)

2020 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 665,380	$ 352,617	$ -	$ 1,017,997
Cost of services provided and goods sold	526,244	177,664	-	703,908
Selling, general and administrative expenses	43,341	90,513	21,242	155,096
Depreciation	11,030	11,947	70	23,047
Amortization	36	4,929	-	4,965
Other operating expenses	(40,712)	(430)	-	(41,142)
Total costs and expenses	539,939	284,623	21,312	845,874
Income/(loss) from operations	125,441	67,994	(21,312)	172,123
Interest expense	(90)	(192)	(1,344)	(1,626)
Intercompany interest income/(expense)	9,125	2,771	(11,896)	-
Other income—net	169	30	(2,151)	(1,952)
Income/(expense) before income taxes	134,645	70,603	(36,703)	168,545
Income taxes	(33,121)	(16,813)	19,381	(30,553)
Net income/(loss)	$ 101,524	$ 53,790	$ (17,322)	$ 137,992

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
CARES Act grant	$ 40,989	$ -	$ -	$ 40,989
Direct costs related to COVID-19	(25,238)	(1,978)	-	(27,216)
Stock option expense	-	-	(10,114)	(10,114)
Amortization of reacquired franchise agreements	-	(4,704)	-	(4,704)
Long-term incentive compensation	-	-	(3,749)	(3,749)
COVID-19 Medicare cap	(2,250)	-	-	(2,250)
Medicare cap sequestration adjustment	(1,472)	-	-	(1,472)
Total	$ 12,029	$ (6,682)	$ (13,863)	$ (8,516)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
CARES Act grant	$ 30,537	$ -	$ -	$ 30,537
Direct costs related to COVID-19	(18,828)	(1,455)	-	(20,283)
Stock option expense	-	-	(8,399)	(8,399)
Amortization of reacquired franchise agreements	-	(3,457)	-	(3,457)
Long-term incentive compensation	-	-	(3,324)	(3,324)
COVID-19 Medicare cap	(1,679)	-	-	(1,679)
Medicare cap sequestration adjustment	(1,097)	-	-	(1,097)
Excess tax benefits on stock compensation	-	-	12,756	12,756
	$ 8,933	$ (4,912)	$ 1,033	$ 5,054

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies

(in thousands)

For the three months ended June 30, 2021	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	**$ 29,712**	**$ 42,773**	**$ (15,963)**	**$ 56,522**
Add/(deduct):				
Interest expense	**43**	**89**	**247**	**379**
Income taxes	**9,385**	**13,633**	**(4,435)**	**18,583**
Depreciation	**7,125**	**6,468**	**19**	**13,612**
Amortization	**18**	**2,492**	**-**	**2,510**
EBITDA	**46,283**	**65,455**	**(20,132)**	**91,606**
Add/(deduct):				
Intercompany interest expense/(income)	**(4,486)**	**(1,649)**	**6,135**	**-**
Interest income	**(106)**	**(32)**	**-**	**(138)**
Direct costs related to COVID-19	**11,084**	**582**	**-**	**11,666**
Stock option expense	**-**	**-**	**6,239**	**6,239**
Long-term incentive compensation	**-**	**-**	**1,673**	**1,673**
Litigation settlement	**-**	**(98)**	**-**	**(98)**
Adjusted EBITDA	**$ 52,775**	**$ 64,258**	**$ (6,085)**	**$ 110,948**

For the three months ended June 30, 2020	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 60,245	$ 29,468	$ (7,612)	$ 82,101
Add/(deduct):				
Interest expense	45	90	516	651
Income taxes	19,383	9,028	(10,889)	17,522
Depreciation	5,556	6,069	34	11,659
Amortization	18	2,470	-	2,488
EBITDA	85,247	47,125	(17,951)	114,421
Add/(deduct):				
Intercompany interest expense/(income)	(4,739)	(1,422)	6,161	-
Interest (income)/expense	(113)	10	(13)	(116)
CARES Act grant	(40,989)	-	-	(40,989)
Direct costs related to COVID-19	24,265	1,117	-	25,382
Stock option expense	-	-	5,068	5,068
COVID-19 related Medicare cap	2,250	-	-	2,250
Long-term incentive compensation	-	-	1,929	1,929
Medicare cap sequestration adjustment	796	-	-	796
Adjusted EBITDA	$ 66,717	$ 46,830	$ (4,806)	$ 108,741

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies

(in thousands)

For the six months ended June 30, 2021	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	**$ 70,481**	**$ 79,950**	**$ (28,509)**	**$ 121,922**
Add/(deduct):				
Interest expense	**85**	**179**	**496**	**760**
Income taxes	**22,805**	**25,497**	**(11,457)**	**36,845**
Depreciation	**12,462**	**12,821**	**44**	**25,327**
Amortization	**36**	**4,984**	**-**	**5,020**
EBITDA	**105,869**	**123,431**	**(39,426)**	**189,874**
Add/(deduct):				
Intercompany interest expense/(income)	**(9,011)**	**(3,269)**	**12,280**	**-**
Interest income	**(167)**	**(63)**	**-**	**(230)**
Direct costs related to COVID-19	**12,836**	**1,136**	**38**	**14,010**
Stock option expense	**-**	**-**	**12,345**	**12,345**
Long-term incentive compensation	**-**	**-**	**3,566**	**3,566**
Litigation settlement	**-**	**(98)**	**-**	**(98)**
Adjusted EBITDA	**$ 109,527**	**$ 121,137**	**$ (11,197)**	**$ 219,467**

For the six months ended June 30, 2020	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 101,524	$ 53,790	$ (17,322)	$ 137,992
Add/(deduct):				
Interest expense	90	192	1,344	1,626
Income taxes	33,121	16,813	(19,381)	30,553
Depreciation	11,030	11,947	70	23,047
Amortization	36	4,929	-	4,965
EBITDA	145,801	87,671	(35,289)	198,183
Add/(deduct):				
Intercompany interest expense/(income)	(9,125)	(2,771)	11,896	-
Interest income	(181)	(31)	(13)	(225)
CARES Act grant	(40,989)	-	-	(40,989)
Direct costs related to COVID-19	25,238	1,978	-	27,216
Stock option expense	-	-	10,114	10,114
Long-term incentive compensation	-	-	3,749	3,749
COVID-19 related Medicare cap	2,250	-	-	2,250
Medicare cap sequestration adjustment	1,472	-	-	1,472
Adjusted EBITDA	$ 124,466	$ 86,847	$ (9,543)	$ 201,770

RECONCILIATION OF ADJUSTED NET INCOME
(in thousands, except per share data)(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
Net income as reported	**$ 56,522**	$ 82,101	**$ 121,922**	$ 137,992
Add/(deduct) pre-tax cost of:				
Direct costs related to COVID-19	**11,666**	25,382	**14,010**	27,216
Stock option expense	**6,239**	5,068	**12,345**	10,114
Amortization of reacquired franchise agreements	**2,352**	2,352	**4,704**	4,704
Long-term incentive compensation	**1,673**	1,929	**3,566**	3,749
Facility relocation costs	**1,855**	-	**1,855**	-
Litigation settlements	**(98)**	-	**(98)**	-
COVID-19 related Medicare cap	-	2,250	-	2,250
CARES Act grant	-	(40,989)	-	(40,989)
Medicare cap sequestration adjustment	-	796	-	1,472
Add/(deduct) tax impacts:				
Tax impact of the above pre-tax adjustments (1)	**(5,241)**	1,537	**(7,728)**	(814)
Excess tax benefits on stock compensation	**(868)**	(8,203)	**(4,106)**	(12,756)
Adjusted net income	**$ 74,100**	$ 72,223	**$ 146,470**	$ 132,938
Diluted Earnings Per Share As Reported				
Net income	**$ 3.51**	$ 5.01	**$ 7.52**	$ 8.39
Average number of shares outstanding	**16,101**	16,373	**16,205**	16,445
Adjusted Diluted Earnings Per Share				
Adjusted net income	**$ 4.60**	$ 4.41	**$ 9.04**	$ 8.08
Adjusted average number of shares outstanding	**16,101**	16,373	**16,205**	16,445

(1) The tax impact of pre-tax adjustments was calculated using the effective tax rate of the operating unit for which each adjustment is associated.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
OPERATING STATISTICS FOR VITAS SEGMENT
(unaudited)

OPERATING STATISTICS	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net revenue ($000)				
Homecare	**$ 264,926**	$ 276,345	**$ 528,680**	$ 548,098
Inpatient	**27,371**	25,868	**56,527**	58,350
Continuous care	**24,282**	34,582	**51,631**	75,137
Other	**3,078**	2,109	**6,016**	5,265
Subtotal	**$ 319,657**	$ 338,904	**$ 642,854**	$ 686,850
Room and board, net	**(2,657)**	(2,647)	**(5,322)**	(6,028)
Contractual allowances	**(3,065)**	(3,042)	**(6,309)**	(7,192)
Medicare cap allowance	**(2,000)**	(5,750)	**(3,500)**	(8,250)
Total	**$ 311,935**	$ 327,465	**$ 627,723**	$ 665,380
Net revenue as a percent of total before Medicare cap allowances				
Homecare	**82.9%**	81.5%	**82.2%**	79.8%
Inpatient	**8.6**	7.6	**8.8**	8.5
Continuous care	**7.6**	10.2	**8.0**	10.9
Other	**0.9**	0.7	**1.0**	0.8
Subtotal	**100.0**	100.0	**100.0**	100.0
Room and board, net	**(0.8)**	(0.8)	**(0.8)**	(0.9)
Contractual allowances	**(1.0)**	(0.9)	**(1.0)**	(1.0)
Medicare cap allowance	**(0.6)**	(1.7)	**(0.6)**	(1.2)
Total	**97.6%**	96.6%	**97.6%**	96.9%
Days of care				
Homecare	**1,335,482**	1,401,744	**2,665,374**	2,766,490
Nursing home	**244,423**	279,462	**477,206**	582,836
Respite	**5,338**	4,158	**10,178**	10,850
Subtotal routine homecare and respite	**1,585,243**	1,685,364	**3,152,758**	3,360,176
Inpatient	**26,493**	25,542	**54,167**	57,890
Continuous care	**25,786**	35,814	**55,086**	77,187
Total	**1,637,522**	1,746,720	**3,262,011**	3,495,253
Number of days in relevant time period	**91**	91	**181**	182
Average daily census (days)				
Homecare	**14,676**	15,404	**14,726**	15,201
Nursing home	**2,686**	3,071	**2,636**	3,202
Respite	**59**	45	**57**	60
Subtotal routine homecare and respite	**17,421**	18,520	**17,419**	18,463
Inpatient	**291**	281	**299**	318
Continuous care	**283**	394	**304**	424
Total	**17,995**	19,195	**18,022**	19,205
Total Admissions	**16,840**	16,822	**34,975**	35,425
Total Discharges	**16,525**	17,000	**35,054**	35,208
Average length of stay (days)	**94.5**	90.9	**94.4**	90.8
Median length of stay (days)	**14.0**	14.0	**13.0**	14.0
ADC by major diagnosis				
Cerebro	**36.8%**	35.2%	**36.5%**	35.7%
Neurological	**22.4**	21.7	**22.3**	21.6
Cancer	**12.1**	12.8	**12.2**	12.7
Cardio	**15.6**	16.1	**15.6**	15.9
Respiratory	**7.3**	8.2	**7.5**	8.3
Other	**5.8**	6.0	**5.9**	5.8
Total	**100.0%**	100.0%	**100.0%**	100.0%
Admissions by major diagnosis				
Cerebro	**21.4**	20.9%	**21.5%**	21.0%
Neurological	**12.3**	13.4	**12.3**	12.9
Cancer	**28.9**	27.6	**26.9**	28.0
Cardio	**14.8**	14.6	**14.5**	14.9
Respiratory	**10.5**	9.8	**10.7**	10.9
Other	**12.1**	13.7	**14.1**	12.3
Total	**100.0%**	100.0%	**100.0%**	100.0%
Estimated uncollectible accounts as a percent of revenues	**1.0%**	0.9%	**1.0%**	1.1%
Accounts receivable --				
Days of revenue outstanding- excluding unapplied Medicare payments	**36.3**	31.9	**n.a.**	n.a.
Days of revenue outstanding- including unapplied Medicare payments	**21.0**	26.7	**n.a.**	n.a.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 Regarding Forward-Looking Information

Certain statements contained in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe", "expect", "hope", "anticipate", "plan" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. These forward-looking statements are based on current expectations and assumptions and involve various known and unknown risks, uncertainties, contingencies and other factors, which could cause Chemed's actual results to differ from those expressed in such forward-looking statements. Variances in any or all of the risks, uncertainties, contingencies, and other factors from our assumptions could cause actual results to differ materially from these forward-looking statements and trends. In addition, our ability to deal with the unknown outcomes of these events, many of which are beyond our control, may affect the reliability of projections and other financial matters. Investors are cautioned that such forward-looking statements are subject to inherent risk and there are no assurances that the matters contained in such statements will be achieved. Chemed does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of a new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's primary market risk exposure relates to interest rate risk exposure through its variable interest line of credit. At June 30, 2021, the Company had no variable rate debt outstanding. For each $10 million borrowed under the credit facility, an increase or decrease of 100 basis points (1%), increases or decreases the Company's annual interest expense by $100,000.

The Company continually evaluates this interest rate exposure and periodically weighs the cost versus the benefit of fixing the variable interest rates through a variety of hedging techniques.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision of our President and Chief Executive Officer and with the participation of the Executive Vice President and Chief Financial Officer and the Vice President and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President and Controller have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. There has been no change in our internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding the Company's legal proceedings, see Note 10, Legal and Regulatory Matters, under Part I, Item I of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no other material changes from the risk factors previously disclosed in the Company's most recent Annual Report on Form 10-K.

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

Item 2(c). Purchases of Equity Securities by Issuer and Affiliated Purchasers

The following table shows the activity related to our share repurchase program for the first six months of 2021:

	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share	Cumulative Shares Repurchased Under the Program	Dollar Amount Remaining Under The Program
February 2011 Program				
January 1 through January 31, 2021	-	$ -	9,030,125	$ 178,424,171
February 1 through February 28, 2021	20,000	446.44	9,050,125	169,495,380
March 1 through March 31, 2021	80,000	447.98	9,130,125	$ 133,656,728
First Quarter Total	100,000	$ 447.67		
April 1 through April 30, 2021	14,685	$ 478.70	9,144,810	$ 126,627,084
May 1 through May 31, 2021	200,315	486.65	9,345,125	329,142,814
June 1 through June 30, 2021	35,000	496.21	9,380,125	$ 311,775,318
Second Quarter Total	250,000	$ 487.52		

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.2	Certification by David P. Williams pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.3	Certification by Michael D. Witzeman pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
32.1	Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by David P. Williams pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification by Michael D. Witzeman pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Chemed Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) The Condensed Consolidated Balance Sheet, (ii) The Condensed Consolidated Statement of Income, (iii) The Condensed Consolidated Statement of Cash Flows, (iv) The Condensed Statement of Equity, and (v) Notes to the Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in iXBRL and contained in Exhibit 101.

SIGNATURES

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

			Chemed Corporation (Registrant)
Dated:	July 30, 2021	By:	*/s/ Kevin J. McNamara* Kevin J. McNamara (President and Chief Executive Officer)
Dated:	July 30, 2021	By:	*/s/ David P. Williams* David P. Williams (Executive Vice President and Chief Financial Officer)
Dated:	July 30, 2021	By:	*/s/ Michael D. Witzeman* Michael D. Witzeman (Vice President and Controller)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Kevin J. McNamara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation (“registrant”);

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 officers 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 Rule 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 officers 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 function:

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: July 30, 2021

/s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, David P. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");

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 officers 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 Rule 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 officers 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 function:

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: July 30, 2021

/s/ David P. Williams
David P. Williams
(Executive Vice President and Chief Financial Officer)

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Michael D. Witzeman., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation (“registrant”);

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 officers 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 Rule 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 officers 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 function:

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: July 30, 2021

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President and Controller)

EXHIBIT 32.1

CERTIFICATION BY KEVIN J. MCNAMARA
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as President and Chief Executive Officer of Chemed Corporation ("Company"), does hereby certify that:

1) the Company's Quarterly Report on Form 10-Q for the quarter ending June 30, 2021 ("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: July 30, 2021

/s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

CERTIFICATION BY DAVID P. WILLIAMS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Executive Vice President and Chief Financial Officer of Chemed Corporation ("Company"), does hereby certify that:

1) the Company's Quarterly Report on Form 10-Q for the quarter ending June 30, 2021 ("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: July 30, 2021

/s/ David P. Williams
David P. Williams
(Executive Vice President and Chief Financial Officer)

CERTIFICATION BY MICHAEL D. WITZEMAN
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Vice President and Controller of Chemed Corporation (“Company”), does hereby certify that:

1) the Company’s Quarterly Report on Form 10-Q for the quarter ending June 30, 2021 (“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: July 30, 2021

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President and Controller)