



formerly known as **HEALTHSOUTH**®

Encompass Health Rehabilitation Hospital of Southern Maryland

May 2018

AGENDA

I. Introduce Encompass Health (formerly known as HealthSouth Corporation)

II. Introduce Inpatient Rehabilitation Hospital Project for Consideration

III. Encompass Health Overview

- ❖ Depth and breadth of company
- ❖ Types of patients we treat
- ❖ Difference between inpatient rehabilitation hospital and skilled nursing facility
- ❖ How Encompass Health is different from similar providers

IV. Detailed Project Information

- ❖ Proposed location
- ❖ Hospitals we will serve
- ❖ Investment in the County
- ❖ Rehabilitation hospital summary of operations and jobs
- ❖ Benefits of proposed inpatient rehabilitation hospital

Company Overview

- Effective January 1, 2018, HealthSouth Corporation changed its name to Encompass Health Corporation, with a corresponding ticker symbol change from “HLS” to “EHC.”
- Both business segments — inpatient rehabilitation and home health and hospice — will fully transition to the Encompass Health branding by the end of the first quarter of 2019.



Encompass Health is a leading provider of inpatient rehabilitation and home-based care committed to delivering high-quality, cost-effective, integrated care across the post-acute continuum.

Our Purpose & Core Values

At Encompass Health, we are committed to delivering connected care and superior outcomes. We believe integrated care delivery across the healthcare continuum is critical to achieving the best outcomes for patients. We exist to provide a better way to care that elevates expectations and outcomes.

THE ENCOMPASS HEALTH WAY



Set the standard

We are committed to going above and beyond, never settling for anything less than excellence. We pride ourselves on being industry leaders and challenge ourselves to continuously improve.



Lead with empathy

We start with empathy, taking the time to understand the physical, mental and emotional needs of each other and those we support. We listen, make deep connections and engage on a personal level to better serve others.



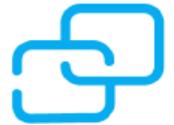
Do what's right

We do the right thing the right way, no matter how difficult, even when no one is looking. We're not afraid to have hard conversations. If we make a mistake, we acknowledge it, proactively find a resolution and make it right going forward.



Focus on the positive

We have a positive spirit and find the light even in the most difficult situations. We bring our whole self to work. We celebrate successes and inspire others to create meaningful impact.



Stronger together

We believe our individual strengths make us stronger together. We take accountability for our actions, connect across all teams and lean in to get it done - at all levels of the company.

Diversity and Inclusion at Encompass Health

Encompass Health has been committed to diversity and inclusion since the inception of our company's Diversity Commitment in 2008. It is at the core of who we are and whom we serve. We seek to employ talented individuals across diverse backgrounds to ensure we realize our overall mission to continue our success to be the healthcare provider of choice for our patients and employees.

Our Diversity Council

- ✓ The governing body.
- ✓ Comprised of executive leaders and members from cross-functional segments of corporate and hospital leadership, management and administration.
- ✓ Reflect a broad range professional expertise.
- ✓ Serve as advocates for promoting diversity and inclusion at Encompass Health.
- ✓ Ensures diversity is part of the company's business strategy by identifying specific ways diversity can impact our business success and to further develop and enhance specific diversity initiatives throughout the organization.



Our Strategic Focus

Workforce: Attract, develop and retain a uniquely talented workforce which fosters an open and inclusive work environment and is knowledgeable and responsive to the diverse communities of patients we serve.

Patient Experience: Foster an inclusive health care environment conducive to exceptional patient care where all patients feel welcome and have equal access to high quality, culturally and linguistically relevant care, thus improving patient satisfaction and clinical outcomes.

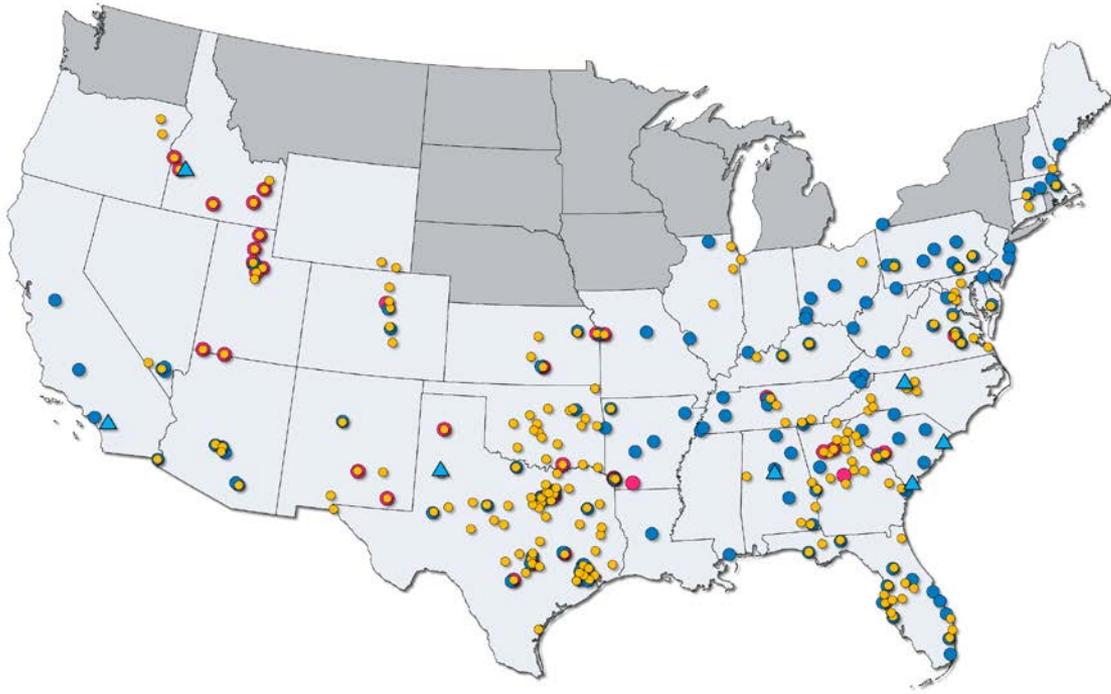
Community Partnership: Cultivate relationships with community organizations that can assist in improving the workforce and population health needs of the diverse communities that we serve. Promote our organization as one that values diversity and inclusion through leveraging all internal and external communication mediums.

Supplier Diversity: Maintain a supplier base program that is reflective of the diverse communities we serve offering contracting opportunities with manufacturers, distributors and service providers that are certified as minority-owned, women-owned, veteran-owned and small disadvantaged-owned businesses.

Project Summary

- Encompass Health has filed a Certificate of Need (CON) to build a 60 bed freestanding inpatient rehabilitation hospital in Prince George's County. It is anticipated it could take up to one year for approval of the project.
- Community support is critical and we are here today to ask for a letter of support.
- As will be explained in more detail in this presentation, Encompass Health believes there is a need for this service in this community for the following reasons:
 - Currently, the **only** inpatient rehabilitation program in the entire Southern Maryland Health Planning Region is located at Laurel Regional Medical Center, which is being re-purposed
 - Patients have to travel outside of their community (largely to DC) to receive a higher level of inpatient rehabilitative care
 - The patients of Prince George's County deserve to have services closer to home so that family members and physicians can be involved in their loved one's recovery
 - The University of Maryland Capital Region Health needs this service as do other acute care hospital providers in the Southern Maryland Health Planning Region to assist with the continuum of care for appropriate patients
 - There is **great economic benefit to the County** by the addition of a \$33,700,000 investment in the community, high-paying jobs and tax revenue

Encompass Health - A Leading Provider of Post-Acute Care



Market Overlap
 ~60% of EHC's Inpatient Rehabilitation Hospitals have an EHC home health location within a 30-mile radius.*

- Inpatient Rehabilitation Hospitals
- Adult Home Health Locations
- Hospice Locations
- ▲ Future Inpatient Rehabilitation Hospitals
7 under development**

Inpatient Rehabilitation - 12/31/17
127 Inpatient Rehabilitation Hospitals (42 are Joint Ventures)
31 States and Puerto Rico
~29,400 Employees
22% of Licensed Beds [†]
29% of Medicare Patients Served [†]
Key Statistics - Full-Year 2017
171,922 Inpatient Discharges
~\$3.2 Billion in Revenue

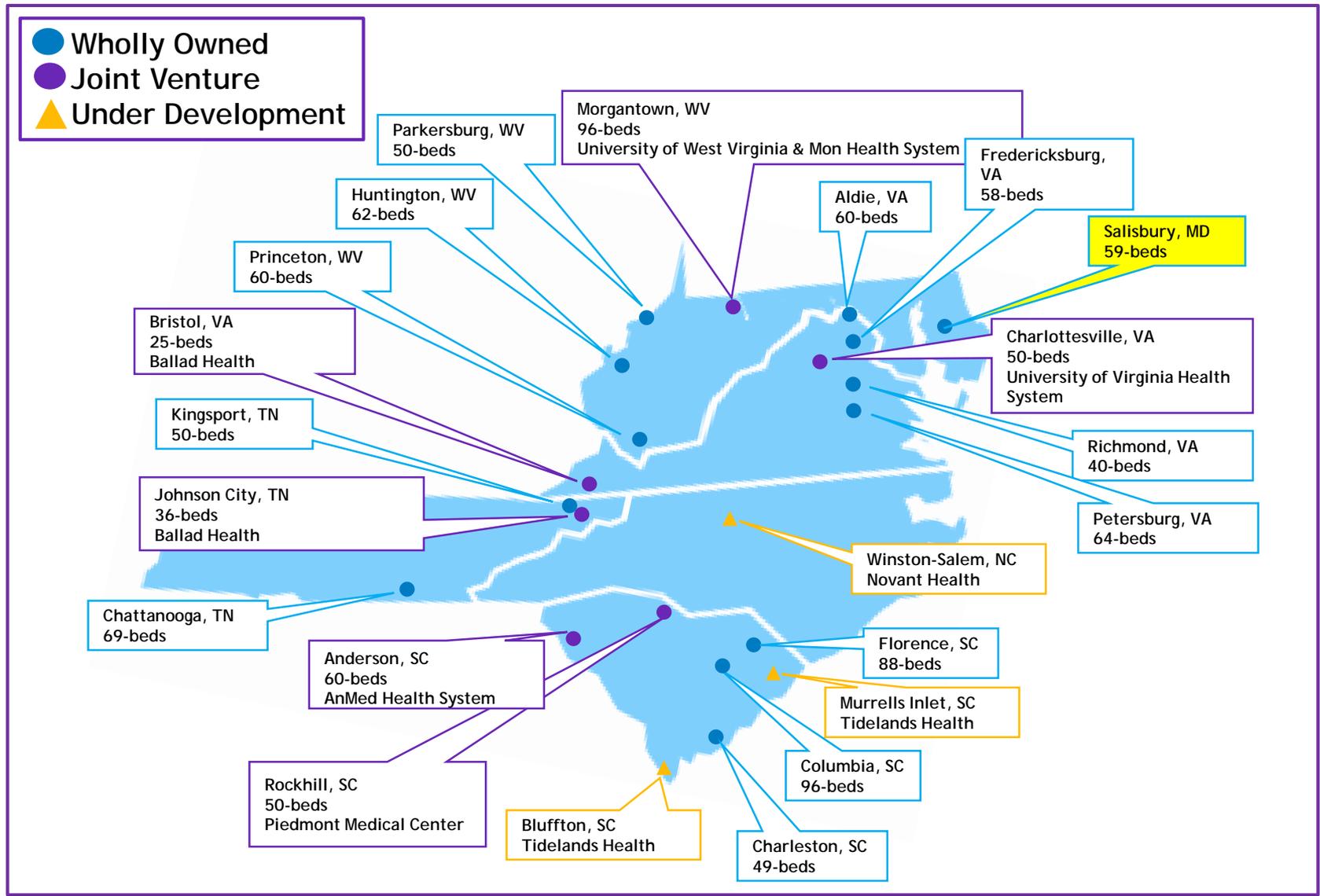
Largest Owner and Operator of Inpatient Rehabilitation Hospitals

4th Largest Provider of Medicare-Certified Skilled Home Health Services

Home Health and Hospice - 12/31/17
200 Home Health Locations
37 Hospice Locations
28 States
~8,500 Employees
Key Statistics - Full-Year 2017
124,870 Home Health Admissions
4,870 Hospice Admissions
~\$783 Million in Revenue

* Excluding markets that have home health licensure barriers ** Previously announced under development † Based on 2016 data
 Note: One of the 127 Inpatient Rehabilitation Hospital and two of the 200 home health locations are nonconsolidated. These locations are accounted for using the equity method of accounting.

Encompass Health Hospitals in it's Mid-Atlantic Region



Types of Patients Treated at Encompass Health Inpatient Rehabilitation Hospitals

Our Referral Sources

Acute Care Hospitals - 92%
 Physician Offices / Community - 7%
 Skilled Nursing Facilities - 1%

Physicians and acute care hospital case managers are key decision makers in referrals.

Average Age of Our Patients

- All Patients = 71 Yrs.
- Medicare FFS = 76 Yrs.

<u>Rehabilitation Impairment Category*</u>		<u>2017</u>	<u>2016</u>
RIC 01	Stroke	18.0%	17.6%
RIC 02/03	Brain dysfunction	10.1%	9.4%
RIC 04/05	Spinal cord dysfunction	4.0%	3.9%
RIC 06	Neurological conditions	21.6%	20.4%
RIC 07	Fracture of lower extremity	7.9%	8.1%
RIC 08	Replacement of lower extremity joint	4.1%	5.1%
RIC 09	Other orthopedic	9.3%	9.9%
RIC 10/11	Amputation	2.6%	2.6%
RIC 14	Cardiac	4.3%	4.7%
RIC 17/18	Major multiple trauma	5.3%	5.2%
RIC 20	Other disabling impairments	10.0%	10.0%
—	All other RICs	2.8%	3.1%

Admission to an Inpatient Rehabilitation Hospital

- Physicians and acute care hospital case managers are key decision makers.
- All patients must meet reasonable and necessary criteria and must be admitted by a physician.
- All patients must be medically stable and have potential to tolerate three hours of therapy per day (minimum).
- Inpatient Rehabilitation Hospital patients receive 24-hour, 7 days a week nursing care.
- Average length of stay = 12.7 days

60% of our patients must have one of these conditions

- Stroke
- Brain injury
- Amputation
- Spinal cord
- Fracture of the femur
- Neurological disorder
- Multiple trauma
- Congenital deformity
- Burns
- Osteoarthritis (after less intensive)
- Rheumatoid arthritis (after less intensive setting)
- Joint replacement (must be bi-lateral, age 85 or older or BMI > 50)
- Systemic vasculidities (after less-intensive setting)

Different Levels of Services

Inpatient Rehabilitation Hospital	Nursing Home
Average length of stay = 12.7 days	Average length of stay = 38.5 days
Discharge to community = 76.0%	Discharge to community = 38.8%
Requirements:	Requirements:
IRFs must also satisfy <u>regulatory/policy requirements for hospitals</u> , including Medicare hospital conditions of participation.	<u>No similar requirement</u> ; Nursing homes are regulated as nursing homes only
<u>All patients</u> must be admitted by a rehab physician.	<u>No similar requirement</u>
Rehab physicians must re-confirm each admission w/n 24 hours.	<u>No similar requirement</u>
<u>All patients</u> , regardless of diagnoses/condition, must demonstrate need and receive at least three hours of daily intensive therapy.	<u>No similar requirement</u>
All patients must see a rehabilitation physician “in person” <u>at least three times weekly</u> .	<u>No similar requirement</u> ; some SNF patients may go a week or longer without seeing a physician, and often a non-rehabilitation physician.
IRFs are required to provide <u>24 hour, 7 days per week</u> nursing care; many nurses are RNs and rehab nurses.	<u>No similar requirement</u>
IRFs are required to use a <u>coordinated interdisciplinary team</u> approach led by a rehab physician; includes a rehab nurse, a case manager, and a licensed therapist from each therapy discipline who must meet weekly to evaluate/discuss each patient’s case.	<u>No similar requirement</u> ; Nursing homes are not required to provide care on a interdisciplinary basis and are not required to hold regular meetings for each patient.
IRFs are required to follow <u>stringent admission/coverage policies</u> and must carefully document justification for each admission; further restricted in number/type of patients (60% Rule).	Nursing homes have comparatively few policies governing the number or types of patients they treat.

Independent Research Concludes IRFs are a Better Rehabilitation Option for Stroke Patients than SNFs

AHA/ASA Guideline

Guidelines for Adult Stroke Rehabilitation and Recovery A Guideline for Healthcare Professionals From the American Heart Association/American Stroke Association

Endorsed by the American Academy of Physical Medicine and Rehabilitation and the American Society of Neurorehabilitation

The American Academy of Neurology affirms the value of this guideline as an educational tool for neurologists and the American Congress of Rehabilitation Medicine also affirms the educational value of these guidelines for its members

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Richard D. Zorowitz, MD; on behalf of the American Heart Association Stroke Council, Council on Cardiovascular and Stroke Nursing, Council on Clinical Cardiology, and Council on Quality of Care and Outcomes Research

Purpose—The aim of this guideline is to provide a synopsis of best clinical practices in the rehabilitative care of adults recovering from stroke.

Methods—Writing group members were nominated by the committee chair on the basis of their previous work in relevant topic areas and were approved by the American Heart Association (AHA) Stroke Council's Scientific Statement Oversight Committee and the AHA's Manuscript Oversight Committee. The panel reviewed relevant articles on adults using computerized searches of the medical literature through 2014. The evidence is organized within the context of the AHA framework and is classified according to the joint AHA/American College of Cardiology and supplementary AHA methods of classifying the level of certainty and the class and level of evidence. The document underwent extensive AHA internal and external peer review, Stroke Council Leadership review, and Scientific Statements Oversight Committee review before consideration and approval by the AHA Science Advisory and Coordinating Committee.

Results—Stroke rehabilitation requires a sustained and coordinated effort from a large team, including the patient and his or her goals, family and friends, other caregivers (eg, personal care attendants), physicians, nurses, physical and occupational therapists, speech-language pathologists, recreation therapists, psychologists, nutritionists, social workers, and others. Communication and coordination among these team members are paramount in maximizing the effectiveness and efficiency of rehabilitation and underlie this entire guideline. Without communication and coordination, isolated efforts to rehabilitate the stroke survivor are unlikely to achieve their full potential.

The American Heart Association makes every effort to avoid any actual or potential conflicts of interest that may arise as a result of an outside relationship or a personal, professional, or business interest of a member of the writing panel. Specifically, all members of the writing group are required to complete and submit a Disclosure Questionnaire showing all such relationships that might be perceived as real or potential conflicts of interest.

This guideline was approved by the American Heart Association Science Advisory and Coordinating Committee on January 4, 2016, and the American Heart Association Executive Committee on February 23, 2016. A copy of the document is available at <http://professional.heart.org/statements> by using either "Search for Guidelines & Statements" or the "Browse by Topic" area. To purchase additional reprints, call 843-216-2533 or e-mail kelle.taniguchi@wolterskluwer.com.

The American Heart Association requests that this document be cited as follows: Winstein CJ, Stein J, Arena R, Bates B, Chermey LR, Cramer SC, Deruyter F, Eng JJ, Fisher B, Harvey RL, Lang CE, MacKay-Lyons M, Ottenbacher KJ, Pugh S, Reeves MJ, Richards LG, Stiers W, Zorowitz RD, on behalf of the American Heart Association Stroke Council, Council on Cardiovascular and Stroke Nursing, Council on Clinical Cardiology, and Council on Quality of Care and Outcomes Research. Guidelines for adult stroke rehabilitation and recovery: a guideline for healthcare professionals from the American Heart Association/American Stroke Association. *Stroke*. 2016;47:e169–e169. DOI: 10.1161/STR.0000000000000098.

Winstein et al Guidelines for Adult Stroke Rehabilitation and Recovery

Conclusions—As systems of care evolve in response to healthcare reform efforts, postacute care and rehabilitation are often considered a costly area of care to be trimmed but without reducing the risk of downstream medical costs.

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rehabilitation ■ stroke

and science of medicine in the aggregate may not be individual, and careful of care.

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“Whenever possible, the American Stroke Association strongly recommends that stroke patients be treated at an inpatient rehabilitation facility rather than a skilled nursing facility. While in

an inpatient rehabilitation facility, a patient participates in at least three hours of rehabilitation a day from physical therapists, occupational therapists, and speech therapists. Nurses are continuously available and doctors typically visit daily.”*

“If the hospital suggests sending your loved one to a skilled nursing facility after a stroke, advocate for the patient to go to an inpatient rehabilitation facility instead . . .”*

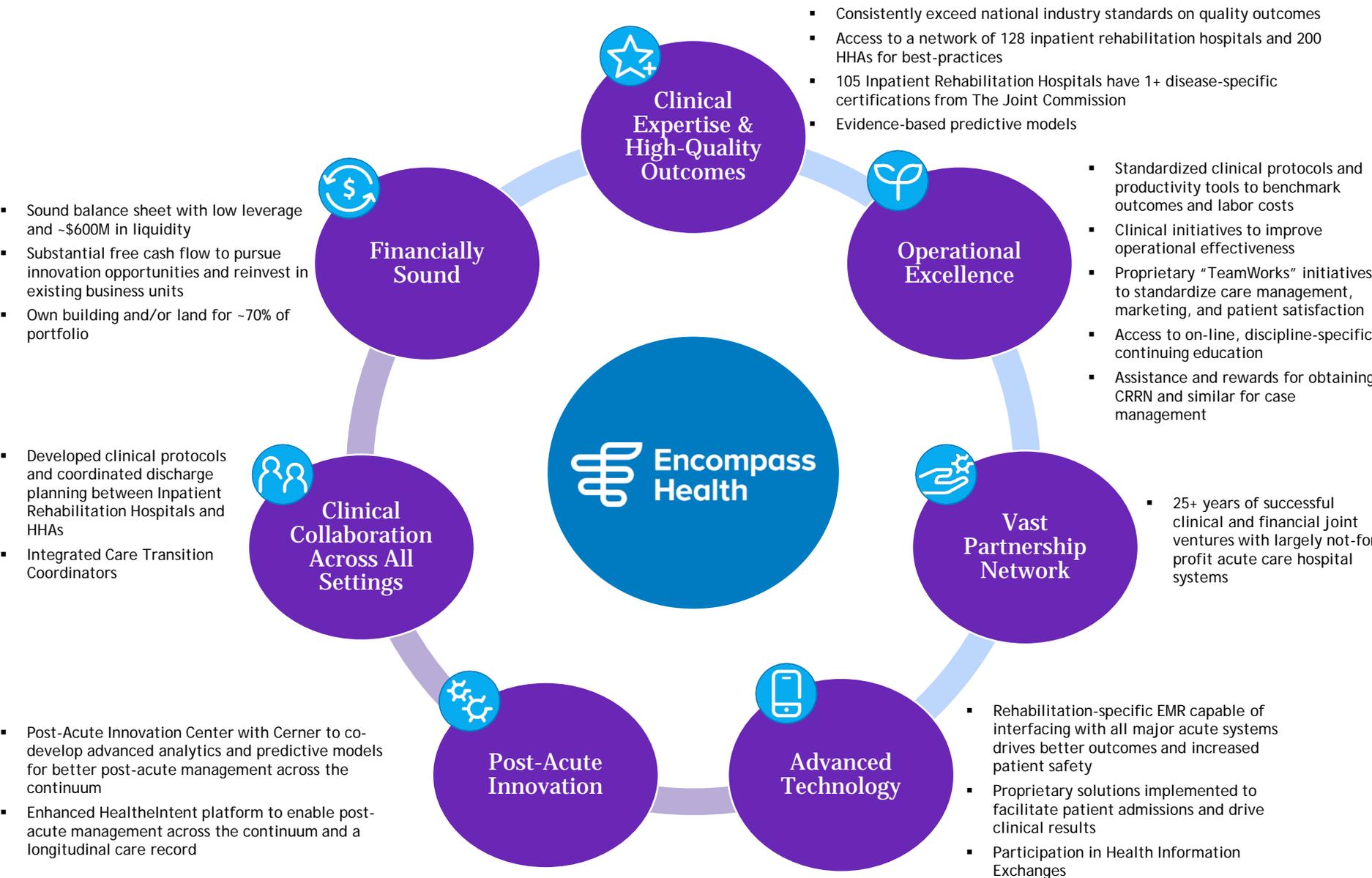
“The studies that have compared outcomes in hospitalized stroke patients first discharged to an IRF, a SNF, or a nursing home have generally shown that IRF patients have higher rates of return to community living and greater functional recovery, whereas patients discharged to a SNF or a nursing home have higher rehospitalization rates and substantially poorer survival.”**

103 of the Company's IRFs hold The Joint Commission's Disease-Specific Care Certification in Stroke Rehabilitation.

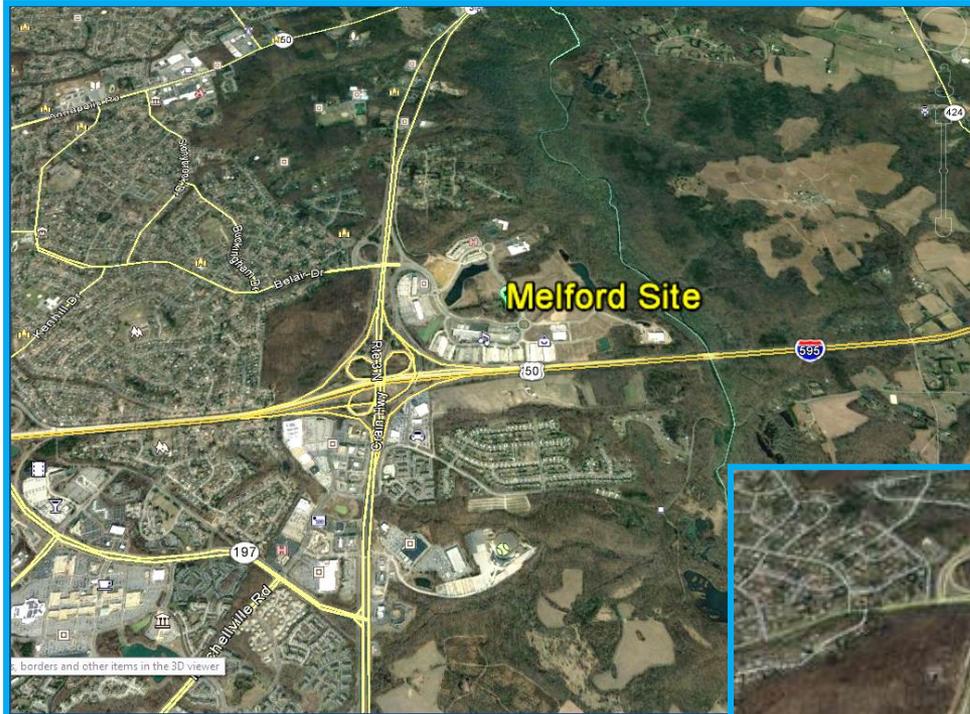
* AHA/ASA press release, “Inpatient rehab recommended over nursing homes for stroke rehab,” issued May 4, 2016 (newsroom.heart.org)

** “Guidelines for Adult Stroke Rehabilitation and Recovery,” issued May 2016 (stroke.ahajournals.org)

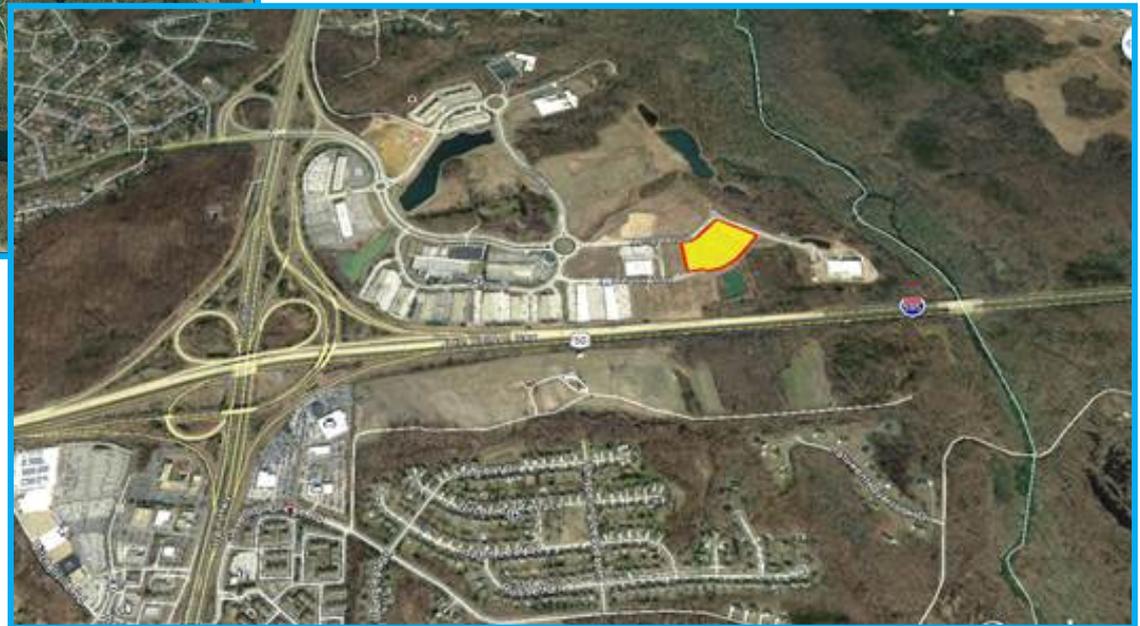
The Encompass Health Difference



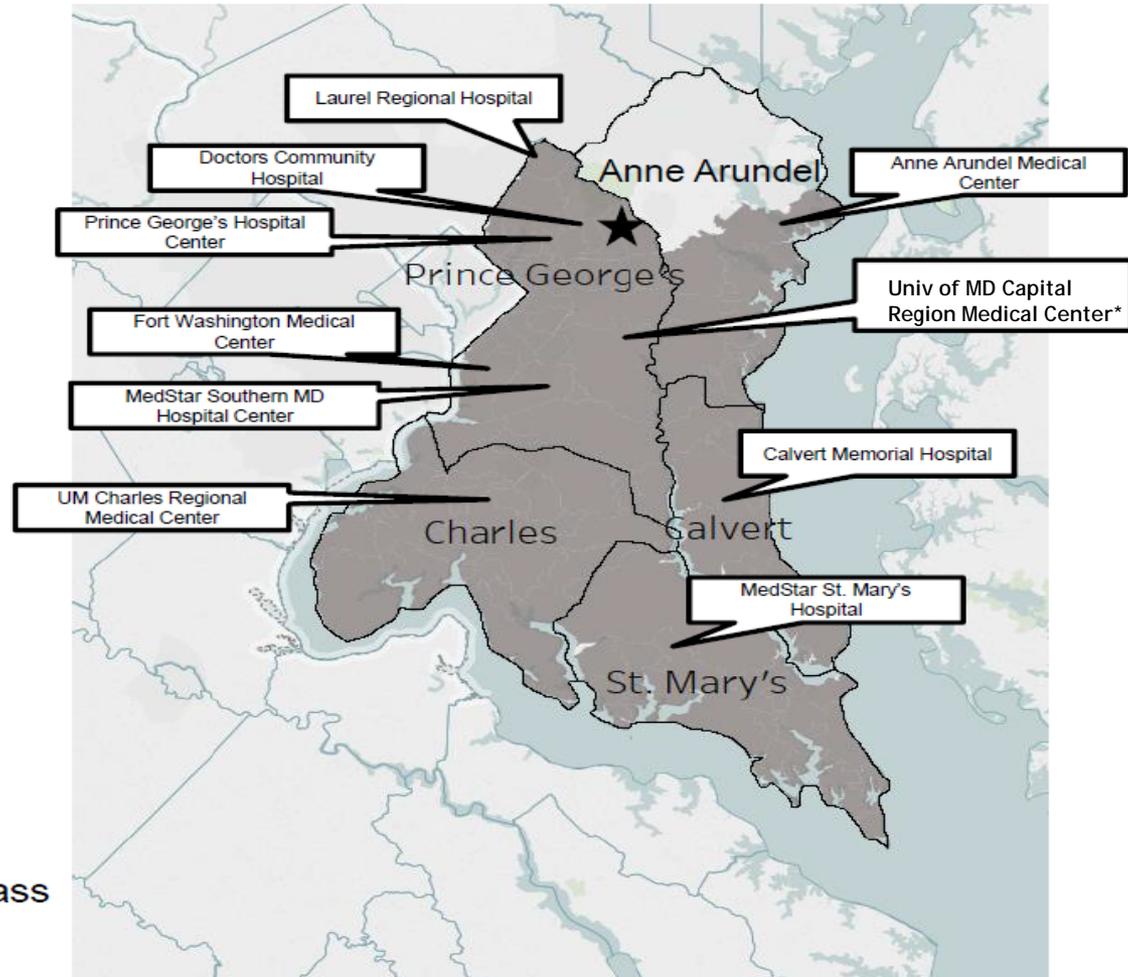
Proposed Location in Prince George's County



Location
Southeast corner of Melford Boulevard and
Marconi Drive in Bowie, MD 20715



Encompass Health Southern Maryland Service Area for Acute Inpatient Rehabilitation

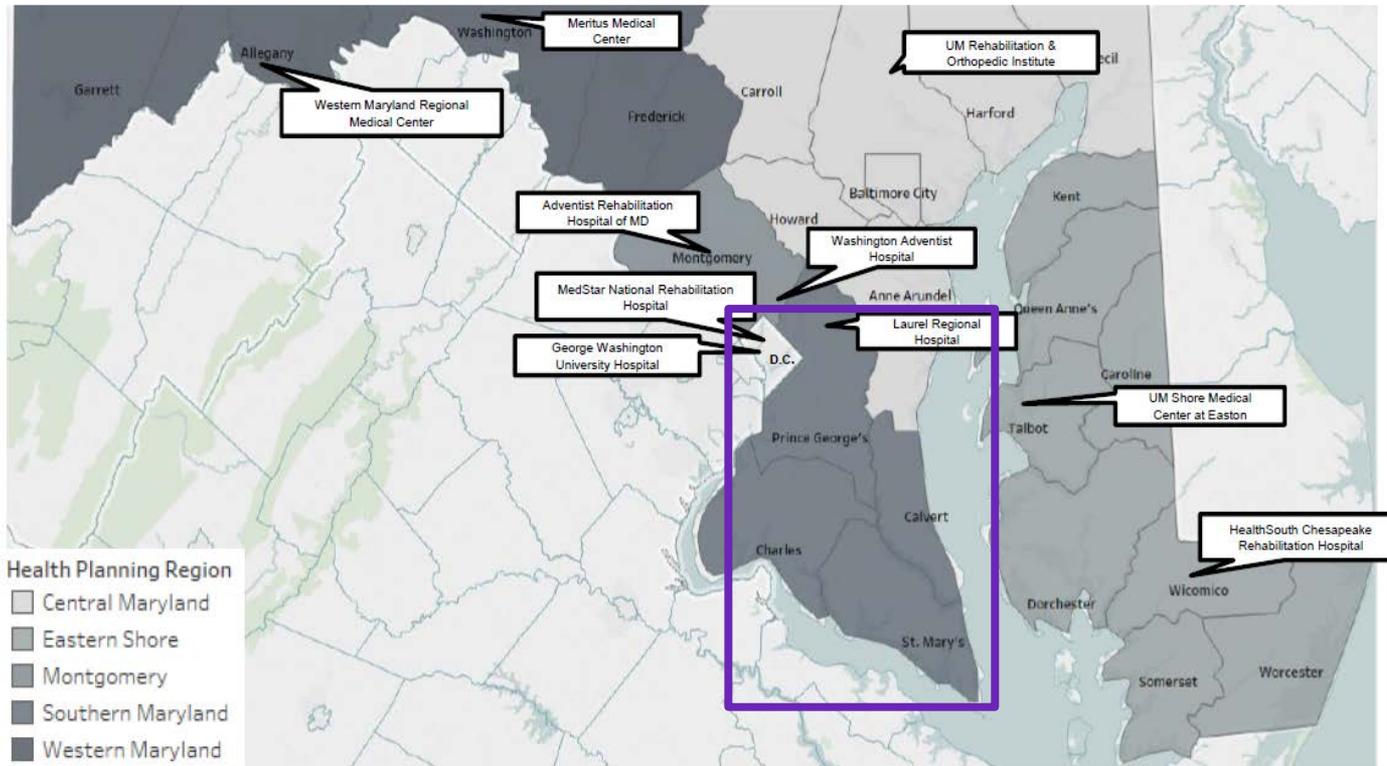


★ New proposed location of Encompass Health

* New Hospital Under Construction

Inpatient Rehabilitation Programs Outside of Baltimore City

Maryland & Washington D.C.
By Health Planning Region



Depicts lack of Inpatient Rehabilitation Services in the Southern Maryland Health Planning Region

Investment in the County



Hospital Size

61,810 sf

60 Beds
(all private rooms)

Estimated
Ground
Breaking
(pending CON
approval)

Q1 2020

Estimated
Grand
Opening
(pending CON
approval)

Q3 2021



Development Cost

Approximate costs

Land	\$6,300,000
Construction	\$23,300,000
Equipment / Other Capital	<u>\$4,100,000</u>
	<u>\$33,700,000</u>

Inpatient Rehabilitation Hospital Summary of Operations

GENERAL DESCRIPTION

Hospital Name	Encompass Health Rehabilitation Hospital of Southern Maryland
Owned & Operated	Encompass Health Corporation
Purpose	Provide specialized inpatient healthcare dedicated to improving, maintaining or restoring physical strength, cognition and mobility; typically to patients after illness, injury or surgery.

Operating Statistics

Estimated Revenues

Net of contractual allowance

60 Licensed Beds

Year 1	\$16.6 M
Year 5	\$30.7 M

Staffing

Approx. 70% clinical staff

Year 1	121 FTE
Year 5	169 FTE



Activity

Hours

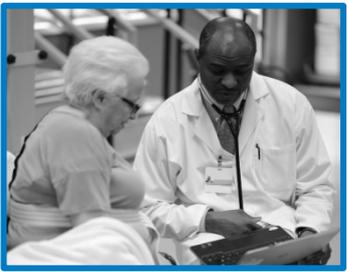
- Operating hours: 24/7
- Therapy: 3 hours minimum
- Nursing shifts: 12 hours
- Visiting hours: 9am to 8pm

Patient Activity

- Arrival: Private transport
- Therapy: 3 hours minimum
- Dining: Cafeteria or in-room
- Social: Day rooms
- Discharge: Private vehicle
- Typical Stay: 12 - 14 days

Addition of High-Paying Jobs

<u>Estimates</u>	<u>Year 1</u>		<u>Year 5</u>
Total Full Time Equivalents (FTEs)*	121	to	169
Average Salary for Clinical and Non-Clinical Employees <i>Not including benefits</i>	\$77,000	to	\$83,000
Total Annual Payroll <i>Including Benefits</i>	\$11,600,000	to	\$17,900,000



JOB DESCRIPTIONS

- Physicians
- Nurses
- Physical therapists
- Occupational therapists
- Speech-language therapists
- General clinical personnel
- Admission liaisons & case managers
- Dietitian & dietary staff
- Pharmacist
- Administrative & Managerial Personnel
- Plant Operations Personnel
- Housekeeping Services Personnel

*Excluding the Medical Director, which will be a contractor.

Benefits of Proposed Inpatient Rehabilitation Hospital

Benefits to Prince George's County

- ~\$33,700,000 - Estimated investment for land, building, and equipment
- ~\$342,000 - Estimated annual property tax revenue to the County
- ~\$152,000 - Estimated annual property tax revenue to the City
- ~121 FTE's to start, growing to ~169 over a 5 year period; Average salary of \$77,000 + benefits
- ~100+ Estimated construction jobs

Benefits to Patients

- Currently Laurel Regional has the only inpatient rehab program in the Southern Maryland Planning Region of 1.5 million people
- More than 80% of appropriate patients travel outside of Prince George's County for care due to higher clinical outcomes received in a rehab hospital setting; These patients would benefit from a rehab hospital closer to home allowing for more family involvement and less drive time
- Encompass is working closely with the University of Maryland Capital Region Health System who supports this project to improve and coordinate post-acute care
- The new hospital will offer all private rooms with the latest equipment and proprietary technology to drive superior outcomes
- Encompass Health has industry-leading quality outcomes and is able to share best practices among its 128 rehab hospitals

Benefits to Local Hospitals

- Better outcomes for appropriate patients and better continuity of care
- Assist with throughput - ability to get patients out of the hospital more quickly because Encompass Health can accept more medically complex patients, usually helping to reduce acute care length of stay
- Assists local Maryland hospitals achieve goals of increased care coordination and lower costs under the Maryland waiver
- Assist with getting appropriate patients to the right post-acute setting, helping to reduce re-admissions and overall cost of care

Benefits to Employees

- Increased access to training, education, certifications and career mobility with specialty focus
- Clinical career ladders and educational assistance programs
- Opportunity to network and share best practices on a state, regional and national level
- Supported by regional and national clinical resources specializing in rehab
- All employees (physicians, nurses, therapists, case managers, administrative staff) will benefit from educational opportunities in the areas of quality, compliance, regulatory requirements, and documentation improvement

Sample Pictures of Encompass Health Inpatient Rehabilitation Hospitals

Sample Rendering -Jackson, TN



Sample Lobby and Patient Room



Sample Activities of Daily Living (ADL) Suite



Sample Therapy Gym



Sample Dining Room



Sample Outside Grounds





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