CHEMED CORP
Form 10-Q
July 31, 2015

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, 2015

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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

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.

Class	Amount	Date
Capital Stock $1 Par Value	16,919,487 Shares	June 30, 2015

CHEMED CORPORATION AND
SUBSIDIARY COMPANIES

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

	June 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$32,705	$14,132
Accounts receivable less allowances of $17,156 (2014 - $14,728)	119,116	124,607
Inventories	6,250	6,168
Current deferred income taxes	16,432	15,414
Prepaid income taxes	3,474	2,787
Prepaid expenses	12,069	11,456
Total current assets	190,046	174,564
Investments of deferred compensation plans	51,940	49,147
Properties and equipment, at cost, less accumulated depreciation of $190,227 (2014 - $185,735)	107,556	105,336
Identifiable intangible assets less accumulated amortization of $33,031 (2014 - $32,772)	55,979	56,027
Goodwill	472,546	466,722
Other assets	7,216	8,136
Total Assets	$885,283	$859,932
LIABILITIES		
Current liabilities		
Accounts payable	$39,327	$46,849
Current portion of long-term debt	7,500	6,250
Income taxes	20	5,818
Accrued insurance	42,589	40,814
Accrued compensation	48,909	50,718
Accrued legal	1,815	753
Other current liabilities	21,752	24,352
Total current liabilities	161,912	175,554
Deferred income taxes	28,280	29,945
Long-term debt	152,500	141,250
Deferred compensation liabilities	52,051	48,684
Other liabilities	12,742	13,143
Total Liabilities	407,485	408,576
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Capital stock - authorized 80,000,000 shares $1 par; issued 33,619,982 shares (2014 - 33,337,297 shares)	33,620	33,337
Paid-in capital	562,654	538,845

Retained earnings	815,229	771,176
Treasury stock - 16,800,313 shares (2014 - 16,446,572)	(936,056)	(894,285)
Deferred compensation payable in Company stock	2,351	2,283
Total Stockholders' Equity	477,798	451,356
Total Liabilities and Stockholders' Equity	$885,283	$859,932

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Service revenues and sales	$381,921	$360,182	$758,573	$718,482
Cost of services provided and goods sold (excluding depreciation)	270,663	257,007	539,548	514,826
Selling, general and administrative expenses	57,994	53,649	116,582	109,320
Depreciation	8,082	7,272	16,114	14,421
Amortization	582	735	1,158	1,744
Total costs and expenses	337,321	318,663	673,402	640,311
Income from operations	44,600	41,519	85,171	78,171
Interest expense	(969)	(2,429)	(1,938)	(6,244)
Other income - net	536	756	1,099	1,572
Income before income taxes	44,167	39,846	84,332	73,499
Income taxes	(17,192)	(15,483)	(32,820)	(28,562)
Net income	$26,975	$24,363	$51,512	$44,937
Earnings Per Share				
Net income	$1.60	$1.41	$3.05	$2.59
Average number of shares outstanding	16,880	17,236	16,872	17,374
Diluted Earnings Per Share				
Net income	$1.55	$1.36	$2.96	$2.48
Average number of shares outstanding	17,419	17,880	17,419	18,097
Cash Dividends Per Share	$0.22	$0.20	$0.44	$0.40

See accompanying notes to unaudited consolidated financial statements.

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

	Six Months Ended June 30,	
	2015	2014
Cash Flows from Operating Activities		
Net income	$51,512	$44,937
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,272	16,165
Deferred income taxes	(2,783)	6,180
Provision for uncollectible accounts receivable	7,734	6,449
Amortization of discount on convertible notes	-	3,392
Stock option expense	2,787	2,453
Amortization of debt issuance costs	262	564
Noncash long-term incentive compensation	2,391	986
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:		
Increase in accounts receivable	(2,182)	(6,782)
Increase in inventories	(78)	(153)
Increase in prepaid expenses	(507)	(3,301)
Decrease in accounts payable and other current liabilities	(1,314)	(33,584)
Increase/(decrease) in income taxes	(2,384)	7,224
Increase in other assets	(2,229)	(2,748)
Increase in other liabilities	2,966	4,644
Excess tax benefit on share-based compensation	(3,998)	(1,866)
Other sources	189	553
Net cash provided by operating activities	69,638	45,113
Cash Flows from Investing Activities		
Capital expenditures	(18,846)	(19,454)
Business combinations, net of cash acquired	(6,614)	(250)
Other sources	395	192
Net cash used by investing activities	(25,065)	(19,512)
Cash Flows from Financing Activities		
Proceeds from revolving line of credit	103,200	245,500
Payments on revolving line of credit	(88,200)	(185,500)
Payments on other long-term debt	(2,500)	(186,956)
Proceeds from other long-term debt	-	100,000
Purchases of treasury stock	(29,762)	(58,493)
Proceeds from exercise of stock options	8,044	16,092
Dividends paid	(7,459)	(6,757)
Capital stock surrendered to pay taxes on stock-based compensation	(5,876)	(3,543)
Retirement of warrants	-	(2,645)
Excess tax benefit on share-based compensation	3,998	1,866
Debt issuance costs	-	(939)
Decrease in cash overdrafts payable	(6,791)	(479)

Other uses	(654)	(252)
Net cash used by financing activities	(26,000)	(82,106)
Increase/(Decrease) in Cash and Cash Equivalents	18,573	(56,505)
Cash and cash equivalents at beginning of year	14,132	84,418
Cash and cash equivalents at end of period	$32,705	$27,913

See accompanying notes to unaudited consolidated financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
Notes to Unaudited Consolidated Financial 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, 2014 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. 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, 2014.

2. Revenue Recognition

Both the VITAS segment and the Roto-Rooter segment recognize service revenues and sales when the earnings process has been completed. Generally, this occurs when services are provided or products are delivered. VITAS recognizes revenue at the estimated realizable amount due from third-party payers. Medicare payments are subject to certain limitations, as described below.

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 they are likely to exceed the annual per-beneficiary Medicare cap (“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 action to influence the patient mix or to increase patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare cap, we estimate the amount of revenue recognized during the period that will require repayment to the Federal government under the Medicare cap and record the amount as a reduction to patient revenue.

During the second quarter of 2015, no Medicare cap was recorded.

During the first six months ended June 30, 2015, we recorded a $165,000 Medicare cap reversal of amounts recorded in the fourth quarter of 2014 for one program’s projected 2015 measurement period liability. The fourth quarter of 2014 was part of the 2015 Medicare cap year.

Shown below is the Medicare cap liability activity for the fiscal periods ended (in thousands):

	June 30,	
	2015	2014
Beginning balance January 1,	$ 6,112	$ 8,260
2015 measurement period	(165)	-
2014 measurement period	-	(704)
Payments	(4,782)	(3,439)
Ending balance June 30,	$ 1,165	$ 4,117

Vitas provides charity care, in certain circumstances, to patients without charge when management of the hospice program determines, at the time services are performed, that the patient does not have the financial wherewithal to make payment. There is no revenue or associated accounts receivable in the accompanying consolidated financial statements related to charity care. The cost of charity care is calculated by taking the ratio of charity care days to total days of care and multiplying by total cost of care. The cost of charity care is as follows (in thousands):

Three months ended June 30,		Six months ended June 30,	
2015	2014	2015	2014
$ 1,885	$ 1,931	$ 3,859	$ 3,630

3. Segments

Service revenues and sales and after-tax earnings by business segment are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Service Revenues and Sales				
VITAS	$276,460	$264,026	$546,073	$524,438
Roto-Rooter	105,461	96,156	212,500	194,044
Total	$381,921	$360,182	$758,573	$718,482
After-tax Earnings				
VITAS	$21,800	$20,892	$41,116	$39,051
Roto-Rooter	12,153	10,719	24,161	20,751
Total	33,953	31,611	65,277	59,802
Corporate	(6,978)	(7,248)	(13,765)	(14,865)
Net income	$26,975	$24,363	$51,512	$44,937

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
2015			
Earnings	$ 26,975	16,880	$ 1.60
Dilutive stock options	-	390	
Nonvested stock awards	-	149	
Diluted earnings	$ 26,975	17,419	$ 1.55
2014			
Earnings	$ 24,363	17,236	$ 1.41
Dilutive stock options	-	376	
Nonvested stock awards	-	147	
Conversion of notes	-	121	
Diluted earnings	$ 24,363	17,880	$ 1.36

For the Six Months Ended June 30,	Income	Net Income Shares	Earnings per Share
2015			
Earnings	$ 51,512	16,872	$ 3.05
Dilutive stock options	-	395	
Nonvested stock awards	-	152	
Diluted earnings	$ 51,512	17,419	$ 2.96
2014			
Earnings	$ 44,937	17,374	$ 2.59
Dilutive stock options	-	374	
Nonvested stock awards	-	147	
Conversion of Notes	-	202	
Diluted earnings	$ 44,937	18,097	$ 2.48

For the three and six-month period ended June 30, 2015, 411,000 stock options were excluded from the computation of diluted earnings per share because they would have been anti-dilutive. For the three and six-month period ended June 30, 2014 no stock options were so excluded.

For the three and six-months of 2014 diluted earnings per share was impacted by the issuance of 249,000 shares of capital stock under the conversion feature of our 1.875% Senior Convertible Notes (the "Notes") on the May 15, 2014 maturity date. Assuming these shares were issued April 1, 2014 increases average diluted shares outstanding for the second quarter of 2014 by 121,000 shares. Similarly, the dilutive impact of this conversion feature for the first six months of 2014 was 202,000.

5. Long-Term Debt

On June 30, 2014, we replaced our existing credit agreement with the Third Amended and Restated Credit Agreement ("2014 Credit Agreement"). Terms of the 2014 Credit Agreement consist of a five-year, $350 million revolving credit facility and a $100 million term loan. The 2014 Credit Agreement has a floating interest rate that is currently LIBOR plus 113 basis points.

The debt outstanding as of June 30, 2015 consists of the following:

Revolver	$	65,000
Term loan		95,000
Total		160,000
Current portion of term and revolving loan		(7,500)
Long-term debt	$	152,500

Scheduled principal payments of the term loan are as follows:

2015	$	3,750
2016		7,500
2017		8,750

2018		10,000
2019		65,000
	$	95,000

The 2014 Credit Agreement contains the following quarterly financial covenants:

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
Annual Operating Lease Commitment	< $50.0 million

We are in compliance with all debt covenants as of June 30, 2015. We have issued $36.6 million in standby letters of credit as of June 30, 2015 for insurance purposes. Issued letters of credit reduce our available credit under the 2014 Credit Agreement. As of June 30, 2015, we have approximately $248.4 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility.

6. Other Income – Net

Other income -- net comprises the following (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Market value gains on assets held in deferred compensation trust	$ 498	$ 650	$ 1,448	$ 1,812
Loss on disposal of property and equipment	(63)	(48)	(15)	(326)
Interest income - net	86	58	130	8
Other - net	15	96	(464)	78
Total other income - net	$ 536	$ 756	$ 1,099	$ 1,572

7. Stock-Based Compensation Plans

On May 18, 2015, the Compensation/Incentive Committee of the Board of Directors (“CIC”) approved a grant of 32,550 shares of restricted stock to certain key employees. The restricted shares vest ratably over three years from the date of issuance. The cumulative compensation expense related to the restricted stock award is $4.0 million and will be recognized over the three-year vesting period. We assumed no forfeitures in determining the cumulative compensation expense of the grant.

On February 20, 2015, the (“CIC”) granted 10,761 Performance Stock Units (“PSUs”) contingent upon the achievement of certain total shareholders return (“TSR”) targets as compared to the TSR of a group of peer companies for the three-year period ending December 31, 2017, 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 $1.5 million.

On February 20, 2015, the CIC also granted 10,761 PSUs contingent upon the achievement of certain earnings per share (“EPS”) targets for the three-year period ending December 31, 2017. At the end of each reporting period, the Company estimates the number of shares that it believes will ultimately be earned and records that 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 $1.6 million.

8. Independent Contractor Operations

The Roto-Rooter segment sublicenses with 69 independent contractors to operate certain plumbing repair and drain cleaning businesses in lesser-populated areas of the United States and Canada. We had notes receivable from our independent contractors as of June 30, 2015 totaling $1.6 million (December 31, 2014 - $1.6 million). In most cases these loans are fully or partially secured by equipment owned by the contractor. The interest rates on the loans range from 0% to 7% per annum and the remaining terms of the loans range from 2 months to 5 years at June 30, 2015. We recorded the following from our independent contractors (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenues	$ 9,527	$ 9,190	$ 18,991	$ 18,213
Pretax profits	5,661	5,235	11,218	10,395

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. Expenses for the Company's pension 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,	
2015	2014	2015	2014
$ 2,991	$ 3,324	$ 7,178	$ 7,222

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, 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. 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 estimable.

Regulatory Matters and Litigation

In June 2011, the U.S. Attorney provided the Company with a partially unsealed qui tam complaint filed under seal in the U.S. District Court for the Western District of Texas, United States, et al. ex rel. Urick v. VITAS HME Solutions, Inc. et al., 5:08-cv-0663 ("Urick"). The U.S. Attorney filed a notice in May 2012 stating that it had decided not to intervene in the case at that time but indicating that it continues to investigate the allegations. In June 2012, the complaint was unsealed. The complaint asserts violations of the federal False Claims Act and the Texas Medicaid Fraud Prevention Act based on allegations of a conspiracy to submit to Medicare and Medicaid false claims involving hospice services for ineligible patients, unnecessary medical supplies, failing to satisfy certain prerequisites for payment, and altering patient records, including backdating patient revocations. The suit was brought by Barbara Urick, a then registered nurse in VITAS's San Antonio program, against VITAS, certain of its affiliates, and several former VITAS employees, including physicians Justo Cisneros and Antonio Cavasos and nurses Sally Schwenk, Diane Anest, and Edith Reed. In September 2012 and July 2013, the plaintiff dismissed all claims against the individual defendants. The complaint was served on the VITAS entities on April 12, 2013.

Also in June 2011, the U.S. Attorney provided the Company with a partially unsealed qui tam complaint filed under seal in the U.S. District Court for the Northern District of Illinois, United States, et al. ex rel. Spottiswood v. Chemed Corp., 1:07-cv-4566 ("Spottiswood"). In April 2012, the complaint was unsealed. The U.S. Attorney and Attorney General for the State of Illinois filed notices in April and May 2012, respectively, stating that they had decided not to intervene in the case at that time but indicating that they continue to investigate the allegations. Plaintiff filed an amended complaint in November 2012. The complaint asserts violations of the federal False Claims Act and the Illinois Whistleblower Reward and Protection Act based on allegations that VITAS fraudulently billed Medicare and Medicaid for providing unwarranted continuous care services. The suit was brought by Laura Spottiswood, a former part-time pool registered nurse at VITAS, against Chemed, VITAS, and a VITAS affiliate. The complaint was served on the defendants on April 12, 2013. On May 29 and June 4, 2013, respectively, the Court granted the government's motion to partially intervene in Spottiswood and in Urick on the allegations that VITAS submitted or caused to be submitted false or fraudulent claims for continuous care and routine home care on behalf of certain ineligible Medicare beneficiaries. The Court also transferred them to the U.S. District Court for the Western District of Missouri under docket Nos. 4:13-cv-505 and 4:13-cv-563, respectively.

On May 2, 2013, the government filed a False Claims Act complaint against the Company and certain of its hospice-related subsidiaries in the U.S. District Court for the Western District of Missouri, United States v. VITAS Hospice Services, LLC, et al., No. 4:13-cv-00449-BCW (the "2013 Action"). Prior to that date, the Company received various subpoenas from the U.S. Department of Justice and OIG that have been previously disclosed. The 2013 Action alleges that, since at least 2002, VITAS, and since 2004, the Company, submitted or caused the submission of false claims to the Medicare program by (a) billing Medicare for continuous home care services when the patients were not eligible, the services were not provided, or the medical care was inappropriate, and (b) billing Medicare for patients who were not eligible for the Medicare hospice benefit because they did not have a life expectancy of six months or less if their illnesses ran their normal course. This complaint seeks treble damages, statutory penalties, and the costs of the action, plus interest. On August 1, 2013, the government filed its First Amended Complaint in the 2013 Action. The First Amended Complaint changed and supplemented some of the allegations, but did not otherwise expand the causes of action or the nature of the relief sought against VITAS. The defendants filed a motion to dismiss on September 24, 2013. The Court denied the motion, except to the extent that claims were filed before July 24, 2002, on September 30, 2014.

On May 6, 2013, the U.S. District Court for the Western District of Missouri, at the request of the government, unsealed a qui tam complaint against VITAS and VITAS Healthcare Corporation of California, United States ex rel. Charles Gonzales v. VITAS Healthcare Corporation, et al., CV 12-0761-R ("Gonzales"). The case was transferred from the Central District of California to the Western District of Missouri under docket No. 4:13-cv-344. The government partially intervened in Gonzales. The Gonzales complaint alleges that VITAS' Los Angeles program falsely certified and recertified patients as eligible for the Medicare Hospice Benefit. It alleges violations of the False Claims Act and seeks treble damages, civil penalties, recovery of costs, attorneys' fees and expenses, and pre- and post-judgment interest.

On September 25, 2013, the Court granted a joint motion by the government, the relators, and VITAS to consolidate the Spottiswood, Urick, and Gonzales complaints with the 2013 Action. As a result, the First Amended Complaint will govern the consolidated federal claims brought by the United States and the relators for all purposes. The relators and VITAS have stipulated that certain non-intervened claims will not be pursued by the relators. The Spottiswood relator filed an action under the Illinois False Claims Act, The State of Illinois ex rel. Laura Spottiswood v. Chemed Corporation, et al., No. 14 L 2786 in the Circuit Court of Cook County, Illinois on March 6, 2014. The Court granted the parties' joint motion to place this case on its stay calendar, pending resolution of the 2013 Action.

VITAS has also received document subpoenas in related state matters. In February 2010, VITAS received a civil investigative demand ("CID") from the Texas Attorney General seeking documents from January 1, 2002 through the date of the CID, and interrogatory responses in connection with an investigation of possible fraudulent submission of Medicaid claims for non-qualifying patients and fraudulent shifting of costs from VITAS to the State of Texas and the United States. The CID requested similar information sought by prior Department of Justice subpoenas, including policy and procedure manuals and information concerning Medicare and Medicaid billing, patient statistics and sales and marketing practices, together with information concerning record-keeping and retention practices, and medical records concerning 117 patients. In September 2010, VITAS received a third CID from the Texas Attorney General seeking additional documents concerning business plans and results, revocation forms for certain patients, and electronic documents of 10 current and former employees. In July 2012, VITAS received an investigative subpoena from the Florida Attorney General seeking documents previously produced in the course of prior government investigations as well as, for the period January 1, 2007 through the date of production, billing records and procedures; information concerning business results, plans, and strategies; documents concerning patient eligibility for hospice care; and certain information concerning employees and their compensation.

The costs incurred related to U.S. v. Vitas and related regulatory matters were $1.4 million and $410,000 for the quarters ended June 30, 2015 and 2014, respectively. For the six months ended June 30, 2015 and 2014, the net costs were $2.7 million and $1.2 million respectively.

In November 2013, two shareholder derivative lawsuits were filed against the Company's current and former directors, as well as certain of its officers, both of which are covered by the Company's commercial insurance. On November 6, 2013, KBC Asset Management NV filed suit in the United States District Court for the District of Delaware, KBC Asset Management NV, derivatively on behalf of Chemed Corp. v. McNamara, et al., No. 13 Civ. 1854 (LPS) (D. Del.). It sued Kevin McNamara, Joel Gemunder, Patrick Grace, Thomas Hutton, Walter Krebs, Andrea Lindell, Thomas Rice, Donald Saunders, Arthur Tucker, Jr., George Walsh III, Frank Wood, Timothy O'Toole, David Williams and Ernest Mrozek, together with the Company as nominal defendant. Plaintiff alleges that since at least 2004, Chemed, through VITAS, has submitted or caused the submission of false claims to Medicare. The suit alleges a claim for breach of fiduciary duty against the individual defendants, and seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees.

On November 14, 2013, Mildred A. North filed suit in the United States District Court for the Southern District of Ohio, North, derivatively on behalf of Chemed Corp. v. Kevin McNamara, el al., No. 13 Civ. 833 (MDB) (S.D. Ohio). She sued Kevin McNamara, David Williams, Timothy O'Toole, Joel Gemunder, Patrick Grace, Walter Krebs, Andrea Lindell, Thomas Rice, Donald Saunders, George Walsh III, Frank Wood and Thomas Hutton, together with the Company as nominal defendant. Plaintiff alleges that, between February 2010 and the present, the individual defendants breached their fiduciary duties as officers and directors of Chemed by, among other things, (a) allegedly causing VITAS to submit improper and ineligible claims to Medicare and Medicaid; and (b) allegedly misrepresenting the state of Chemed's internal controls. The suit alleges claims for breach of fiduciary duty, abuse of control and gross mismanagement against the individual defendants. The complaint also alleges unjust enrichment and insider trading against Messrs. McNamara, Williams and O'Toole. Plaintiff seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees.

On January 29, 2014 defendants in North filed a motion to transfer that case to Delaware under 28 U.S.C § 1404(a). On February 12, 2014, defendants in KBC filed a motion to dismiss that case pursuant to Federal Rules of Civil Procedure 23.1 and 12(b)(6). On September 19, 2014, the Ohio court granted defendants' motion to transfer North to Delaware. Following that decision and in light of that transfer, on September 29, 2014, the Delaware court denied without prejudice defendants' motion to dismiss KBC, and referred both cases to Magistrate Judge Burke.

On October 15, 2014, Plaintiff KBC filed a motion to consolidate KBC with North. On February 2, 2015 the court granted the motion for consolidation in full, appointing Plaintiff KBC the sole lead plaintiff and its counsel, the sole lead and liaison counsel. The court ordered that both cases will proceed under the caption In re Chemed Corp. Shareholder and Derivative Litigation, No. 13 Civ. 1854 (LPS) (CJB) (D. Del.). Plaintiff KBC has designated its pending complaint as the operative complaint in the consolidated proceedings. Defendants have renewed their motion to dismiss the claims and allegations.

The Company intends to defend vigorously against the allegations in each of the above lawsuits. Regardless of the outcome of any of the preceding matters, responding to the subpoenas and dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, 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

VITAS has pharmacy services agreements ("Agreements") with Omnicare, Inc. and its subsidiaries ("OCR") whereby OCR provides specified pharmacy services for VITAS and its hospice patients in geographical areas served by both VITAS and OCR. The Agreements renew automatically for three-year terms. Either party may cancel the Agreements at the end of any term by giving 30 days prior written notice. VITAS made purchases from OCR of $9.5 million and $8.8 million for the three months ended June 30, 2015 and 2014, respectively. VITAS made purchases from OCR of $18.7 million and $17.7 million for the six months ended June 30, 2015 and 2014, respectively. For the three and six month periods ending June 30, 2015 and 2014, respectively, purchases from this vendor exceed 90% of all pharmacy services used by VITAS.

12. Cash Overdrafts and Cash Equivalents

Included in accounts payable at June 30, 2015 is cash overdrafts payable of $3.7 million (December 31, 2014 - $10.5 million).

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. We had $66,000 in cash equivalents as of June 30, 2015. There was $80,000 in cash equivalents as of December 31, 2014. The weighted average rate of return for our cash equivalents was 0.08% at June 30, 2015 and 0.06% at December 31, 2014.

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, 2015 (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	$ 51,940	$ 51,940	$ -	$ -
Long-term debt	160,000	-	160,000	-

For the mutual fund investments carrying value is fair value. All outstanding long-term debt is at a floating interest rate tied to LIBOR. Therefore, the carrying amount is a reasonable estimation of fair value.

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2014 (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	$ 49,147	$ 49,147	$ -	$ -
Long-term debt	147,500	-	147,500	-

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.

14. Capital Stock Repurchase Plan Transactions

We repurchased the following capital stock for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Shares repurchased	250,000	300,000	250,000	682,934
Weighted average price per share	$ 119.05	$ 85.04	$ 119.05	$ 85.65

In March 2015, the Board of Directors authorized an additional $100 million for stock repurchase under Chemed's existing share repurchase program. We currently have $82.0 million of authorization remaining under this share repurchase plan.

15. Recent Accounting Statements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update "ASU No. 2014-09 – Revenue from Contracts with Customers" which provides additional guidance to clarify the principles for recognizing revenue. The standard will also be used to develop a common revenue standard for removing inconsistencies and weaknesses, improve comparability, provide more useful information to users through improved disclosure requirements, and simplify the preparation of financial statements. The guidance is effective for fiscal years beginning after December 15, 2017. We are currently evaluating the impact of this ASU on our existing revenue recognition policies and disclosures.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, "ASU No. 2014-15 - Presentation of Financial Statements-Going Concern". ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This guidance is effective for us for the annual period ending December 31, 2016 and interim periods thereafter. We do not expect the adoption of this standard to have a material impact on our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, "ASU No. 2015-03 – Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". ASU 2015-03 is intended to simplify the presentation of debt issuance costs. Under the new guidance, debt issuance costs will be presented as a direct deduction from the carrying value of the associated debt, consistent with the existing presentation of a debt discount. This guidance is effective for us for the annual period beginning after December 15, 2015. We do not expect the adoption of this standard to have a material impact on our consolidated financial position, results of operations or cash flows.

16. Business Combinations

In the first six months of 2015, we completed two business combinations within our Roto-Rooter segment for $6.6 million in cash to increase our market penetration in Omaha, Nebraska and Scranton, Pennsylvania. A substantial portion of this aggregate purchase price was allocated to goodwill. The operating results of these business combinations have been included in our results of operations since the acquisition date and are not material for the three and six-month periods ended June 30, 2015 nor for the comparable prior year periods.

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 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, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Service revenues and sales	$ 381,921	$ 360,182	$ 758,573	$ 718,482
Net income	$ 26,975	$ 24,363	$ 51,512	$ 44,937
Diluted EPS	$ 1.55	$ 1.36	$ 2.96	$ 2.48
Adjusted net income	$ 29,716	$ 26,580	$ 56,547	$ 50,293
Adjusted diluted EPS	$ 1.71	$ 1.50	$ 3.25	$ 2.81
Adjusted EBITDA	$ 57,689	$ 52,213	$ 110,538	$ 99,885
Adjusted EBITDA as a % of revenue	15.1 %	14.5 %	14.6 %	13.9 %

Adjusted net income, adjusted diluted EPS, earnings before interest, taxes and depreciation and amortization ("EBITDA") and Adjusted EBITDA are not measures derived in accordance with GAAP. We provide non-GAAP measures to help readers evaluate our operating results, compare our operating performance with that of similar companies that have different capital structures and help evaluate our ability to meet future debt service, capital expenditure and working capital requirements. 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 are presented on pages 28-30.

For the three months ended June 30, 2015, the increase in consolidated service revenues and sales was driven by a 9.7% increase at Roto-Rooter and a 4.7% increase at VITAS. The increase in service revenues at Roto-Rooter was driven primarily by an increase in the water restoration business line as well as an increase in plumbing revenue. Water restoration is the remediation or removal of water and humidity after a flood. The increase in service revenues at VITAS was a result of Medicare reimbursement rates increasing 1.4%, a 5.1% increase in days of care, offset by geographical and level of care mix shift. Consolidated net income increased 10.7% due to higher revenues at both VITAS and Roto-Rooter combined with leveraging our current infrastructure resulting in operating costs growing at a slower rate than revenue. Diluted EPS increased 14.0% as a result of the increase in net income as well as a lower number of shares outstanding. Adjusted EBITDA as a percent of revenue increased 0.6%. See page 31 for additional VITAS operating metrics.

For the six months ended June 30, 2015, the increase in consolidated service revenues and sales was driven by a 9.5% increase at Roto-Rooter and a 4.1% increase at VITAS. The increase in service revenues at Roto-Rooter was driven primarily by an increase in the water restoration business line as well as an increase in plumbing revenue. The increase in service revenues at VITAS was a result of Medicare reimbursement rates increasing 1.4%, a 4.3% increase in days of care offset by level of care and geographical mix shift. Consolidated net income increased 14.6% due to higher revenues at both VITAS and Roto-Rooter combined with leveraging our current infrastructure resulting in operating costs growing at a slower rate than revenue. Diluted EPS increased 19.4% as a result of the increase in net income as well as a lower number of shares outstanding. Adjusted EBITDA as a percent of revenue increased

0.7%. See page 31 for additional VITAS operating metrics.

VITAS expects its full-year 2015 revenue growth, prior to Medicare cap, to be in the range of 4.0% to 5.0%. Admissions in 2015 are estimated to increase 4.0% to 5.0%. Adjusted EBITDA margin, prior to Medicare cap, is estimated to be 14.0% to 15.0%. Medicare cap billing limitations are estimated to be $2.8 million in 2015. Roto-Rooter expects full-year 2015 revenue growth of 5.0% to 6.0%. The revenue estimate is a result of continued expansion in water restoration services and increased job pricing of approximately 1.0%. Adjusted EBITDA margin for 2015 is estimated in the range of 19.5% to 20.0%. 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, 2014 to June 30, 2015 include the following:

- An $18.6 million increase in cash due to cash generated by operations and an increase in borrowings on our revolving line of credit partially offset by treasury stock purchases, capital expenditures and cash dividends.
- A $5.5 million decrease in accounts in accounts receivable. See additional discussion below.
- A $5.8 million increase in goodwill due to two acquisitions at Roto-Rooter.
- A $7.5 million decrease in accounts payable due to timing of payments.
- A $5.8 million decrease in income taxes due to timing of payments.

Net cash provided by operating activities increased $24.5 million primarily as a result of higher net income, payment of litigation settlements in 2014 that did not recur in 2015 and the timing of other disbursements. 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.

We have issued $36.6 million in standby letters of credit as of June 30, 2015, for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of June 30, 2015, we have approximately $248.4 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.

Significant changes in our accounts receivable balances are driven mainly by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $35.0 million from the Federal government from hospice services every other Friday. The timing of 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.

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, 2015 and anticipate remaining in compliance throughout 2015.

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, 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. 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 estimable.

In June 2011, the U.S. Attorney provided the Company with a partially unsealed qui tam complaint filed under seal in the U.S. District Court for the Western District of Texas, United States, et al. ex rel. Urick v. VITAS HME Solutions, Inc. et al., 5:08-cv-0663 ("Urick"). The U.S. Attorney filed a notice in May 2012 stating that it had decided not to intervene in the case at that time but indicating that it continues to investigate the allegations. In June 2012, the complaint was unsealed. The complaint asserts violations of the federal False Claims Act and the Texas Medicaid Fraud Prevention Act based on allegations of a conspiracy to submit to Medicare and Medicaid false claims involving hospice services for ineligible patients, unnecessary medical supplies, failing to satisfy certain prerequisites for payment, and altering patient records, including backdating patient revocations. The suit was brought by Barbara Urick, a then registered nurse in VITAS's San Antonio program, against VITAS, certain of its affiliates, and several former VITAS employees, including physicians Justo Cisneros and Antonio Cavasos and nurses Sally Schwenk, Diane Anest, and Edith Reed. In September 2012 and July 2013, the plaintiff dismissed all claims against the individual defendants. The complaint was served on the VITAS entities on April 12, 2013.

Also in June 2011, the U.S. Attorney provided the Company with a partially unsealed qui tam complaint filed under seal in the U.S. District Court for the Northern District of Illinois, United States, et al. ex rel. Spottiswood v. Chemed Corp., 1:07-cv-4566 (“Spottiswood”). In April 2012, the complaint was unsealed. The U.S. Attorney and Attorney General for the State of Illinois filed notices in April and May 2012, respectively, stating that they had decided not to intervene in the case at that time but indicating that they continue to investigate the allegations. Plaintiff filed an amended complaint in November 2012. The complaint asserts violations of the federal False Claims Act and the Illinois Whistleblower Reward and Protection Act based on allegations that VITAS fraudulently billed Medicare and Medicaid for providing unwarranted continuous care services. The suit was brought by Laura Spottiswood, a former part-time pool registered nurse at VITAS, against Chemed, VITAS, and a VITAS affiliate. The complaint was served on the defendants on April 12, 2013. On May 29 and June 4, 2013, respectively, the Court granted the government’s motion to partially intervene in Spottiswood and in Urick on the allegations that VITAS submitted or caused to be submitted false or fraudulent claims for continuous care and routine home care on behalf of certain ineligible Medicare beneficiaries. The Court also transferred them to the U.S. District Court for the Western District of Missouri under docket Nos. 4:13-cv-505 and 4:13-cv-563, respectively.

On May 2, 2013, the government filed a False Claims Act complaint against the Company and certain of its hospice-related subsidiaries in the U.S. District Court for the Western District of Missouri, United States v. VITAS Hospice Services, LLC, et al., No. 4:13-cv-00449-BCW (the “2013 Action”). Prior to that date, the Company received various subpoenas from the U.S. Department of Justice and OIG that have been previously disclosed. The 2013 Action alleges that, since at least 2002, VITAS, and since 2004, the Company, submitted or caused the submission of false claims to the Medicare program by (a) billing Medicare for continuous home care services when the patients were not eligible, the services were not provided, or the medical care was inappropriate, and (b) billing Medicare for patients who were not eligible for the Medicare hospice benefit because they did not have a life expectancy of six months or less if their illnesses ran their normal course. This complaint seeks treble damages, statutory penalties, and the costs of the action, plus interest. On August 1, 2013, the government filed its First Amended Complaint in the 2013 Action. The First Amended Complaint changed and supplemented some of the allegations, but did not otherwise expand the causes of action or the nature of the relief sought against VITAS. The defendants filed a motion to dismiss on September 24, 2013. The Court denied the motion, except to the extent that claims were filed before July 24, 2002, on September 30, 2014.

On May 6, 2013, the U.S. District Court for the Western District of Missouri, at the request of the government, unsealed a qui tam complaint against VITAS and VITAS Healthcare Corporation of California, United States ex rel. Charles Gonzales v. VITAS Healthcare Corporation, et al., CV 12-0761-R (“Gonzales”). The case was transferred from the Central District of California to the Western District of Missouri under docket No. 4:13-cv-344. The government partially intervened in Gonzales. The Gonzales complaint alleges that VITAS’ Los Angeles program falsely certified and recertified patients as eligible for the Medicare Hospice Benefit. It alleges violations of the False Claims Act and seeks treble damages, civil penalties, recovery of costs, attorneys’ fees and expenses, and pre- and post-judgment interest.

On September 25, 2013, the Court granted a joint motion by the government, the relators, and VITAS to consolidate the Spottiswood, Urick, and Gonzales complaints with the 2013 Action. As a result, the First Amended Complaint will govern the consolidated federal claims brought by the United States and the relators for all purposes. The relators and VITAS have stipulated that certain non-intervened claims will not be pursued by the relators. The Spottiswood relator filed an action under the Illinois False Claims Act, The State of Illinois ex rel. Laura Spottiswood v. Chemed Corporation, et al., No. 14 L 2786 in the Circuit Court of Cook County, Illinois on March 6, 2014. The Court granted the parties’ joint motion to place this case on its stay calendar, pending resolution of the 2013 Action.

VITAS has also received document subpoenas in related state matters. In February 2010, VITAS received a civil investigative demand (“CID”) from the Texas Attorney General seeking documents from January 1, 2002 through the date of the CID, and interrogatory responses in connection with an investigation of possible fraudulent submission of Medicaid claims for non-qualifying patients and fraudulent shifting of costs from VITAS to the State of Texas and the United States. The CID requested similar information sought by prior Department of Justice subpoenas, including policy and procedure manuals and information concerning Medicare and Medicaid billing, patient statistics and sales and marketing practices, together with information concerning record-keeping and retention practices, and medical records concerning 117 patients. In September 2010, VITAS received a third CID from the Texas Attorney General seeking additional documents concerning business plans and results, revocation forms for certain patients, and electronic documents of 10 current and former employees. In July 2012, VITAS received an investigative subpoena from the Florida Attorney General seeking documents previously produced in the course of prior government investigations as well as, for the period January 1, 2007 through the date of production, billing records and procedures; information concerning business results, plans, and strategies; documents concerning patient eligibility for hospice care; and certain information concerning employees and their compensation.

The costs incurred related to U.S. v. Vitas and related regulatory matters were $1.4 million and $410,000 for the quarters ended June 30, 2015 and 2014, respectively. For the six months ended June 30, 2015 and 2014, the net costs were $2.7 million and $1.2 million, respectively.

In November 2013, two shareholder derivative lawsuits were filed against the Company's current and former directors, as well as certain of its officers, both of which are covered by the Company's commercial insurance. On November 6, 2013, KBC Asset Management NV filed suit in the United States District Court for the District of Delaware, KBC Asset Management NV, derivatively on behalf of Chemed Corp. v. McNamara, et al., No. 13 Civ. 1854 (LPS) (D. Del.). It sued Kevin McNamara, Joel Gemunder, Patrick Grace, Thomas Hutton, Walter Krebs, Andrea Lindell, Thomas Rice, Donald Saunders, Arthur Tucker, Jr., George Walsh III, Frank Wood, Timothy O'Toole, David Williams and Ernest Mrozek, together with the Company as nominal defendant. Plaintiff alleges that since at least 2004, Chemed, through VITAS, has submitted or caused the submission of false claims to Medicare. The suit alleges a claim for breach of fiduciary duty against the individual defendants, and seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees.

On November 14, 2013, Mildred A. North filed suit in the United States District Court for the Southern District of Ohio, North, derivatively on behalf of Chemed Corp. v. Kevin McNamara, el al., No. 13 Civ. 833 (MDB) (S.D. Ohio). She sued Kevin McNamara, David Williams, Timothy O'Toole, Joel Gemunder, Patrick Grace, Walter Krebs, Andrea Lindell, Thomas Rice, Donald Saunders, George Walsh III, Frank Wood and Thomas Hutton, together with the Company as nominal defendant. Plaintiff alleges that, between February 2010 and the present, the individual defendants breached their fiduciary duties as officers and directors of Chemed by, among other things, (a) allegedly causing VITAS to submit improper and ineligible claims to Medicare and Medicaid; and (b) allegedly misrepresenting the state of Chemed's internal controls. The suit alleges claims for breach of fiduciary duty, abuse of control and gross mismanagement against the individual defendants. The complaint also alleges unjust enrichment and insider trading against Messrs. McNamara, Williams and O'Toole. Plaintiff seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees.

On January 29, 2014 defendants in North filed a motion to transfer that case to Delaware under 28 U.S.C § 1404(a). On February 12, 2014, defendants in KBC filed a motion to dismiss that case pursuant to Federal Rules of Civil Procedure 23.1 and 12(b)(6). On September 19, 2014, the Ohio court granted defendants' motion to transfer North to Delaware. Following that decision and in light of that transfer, on September 29, 2014, the Delaware court denied without prejudice defendants' motion to dismiss KBC, and referred both cases to Magistrate Judge Burke.

On October 15, 2014, Plaintiff KBC filed a motion to consolidate KBC with North. On February 2, 2015 the court granted the motion for consolidation in full, appointing Plaintiff KBC the sole lead plaintiff and its counsel, the sole lead and liaison counsel. The court ordered that both cases will proceed under the caption In re Chemed Corp. Shareholder and Derivative Litigation, No. 13 Civ. 1854 (LPS) (CJB) (D. Del.). Plaintiff KBC has designated its pending complaint as the operative complaint in the consolidated proceedings. Defendants have renewed their motion to dismiss the claims and allegations.

The Company intends to defend vigorously against the allegations in each of the above lawsuits. Regardless of the outcome of any of the preceding matters, responding to the subpoenas and dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, 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.

Results of Operations

Three months ended June 30, 2015 versus 2014 - Consolidated Results

Our service revenues and sales for the second quarter of 2015 increased 6.0% versus services and sales revenues for the second quarter of 2014. Of this increase, $12.4 million was attributable to VITAS and a $9.3 million increase was attributable to Roto-Rooter. The following chart shows the components of those changes (in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS		
Routine homecare	$ 12,956	6.5
Continuous care	(131)	(0.3)
General inpatient	(534)	(2.1)
Medicare cap	143	100.0
Roto-Rooter		
Plumbing	3,531	8.2

Drain cleaning		(295)	(0.8)
Water restoration		5,756	169.3
Contractor operations		337	3.7
Other		(24)	(0.5)
Total	$	21,739	6.0

The increase in VITAS' revenues for the second quarter of 2015 versus the second quarter of 2014 was a combination of Medicare reimbursement rates increasing approximately 1.4% and a 5.1% increase in days of care offset by level of care and geographical mix shift.

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

	Days of Care		
	2015	2014	Percent
Routine homecare	1,300,479	1,231,741	5.6
Continuous care	51,250	51,647	(0.8)
General inpatient	39,006	39,430	(1.1)
Total days of care	1,390,735	1,322,818	5.1

Over 90% of VITAS' service revenues for the period were from Medicare and Medicaid.

The increase in plumbing revenues for the second quarter of 2015 versus 2014 is attributable to a 5.1% increase in job count and a 3.1% increase in a combination of price and service mix shift. Drain cleaning revenues for the second quarter of 2015 versus 2014 reflect a 4.4% decrease in the number of jobs performed, offset by a 3.6% increase in a combination of price and service mix shift. Water restoration increased 169.3% as a result of continued expansion into other Roto-Rooter locations. Contractor operations increased 3.7% and Other Roto-Rooter revenue decreased 0.5%.

The consolidated gross margin was 29.1% in the second quarter of 2015 as compared with 28.6% in the second quarter of 2014. On a segment basis, VITAS' gross margin was 21.9% in the second quarter of 2015, essentially flat when compared to the second quarter of 2014. The Roto-Rooter segment's gross margin was 48.0% for the second quarter of 2015 as compared with 46.8% for the second quarter of 2014. The gross margin increase was mainly the result of favorable health insurance experience during the second quarter of 2015.

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

	Three months ended June 30,	
	2015	2014
SG&A expenses before the impact of market gains of deferred compensation plans, long-term incentive compensation, and OIG investigation expenses	$ 54,627	$ 51,976
Long-term incentive compensation	1,457	613
Expenses related to OIG investigation	1,412	410
Market value gains related to assets held in deferred compensation trusts	498	650
Total SG&A expenses	$ 57,994	$ 53,649

SG&A expenses before long-term incentive compensation, expenses related to OIG investigation and the impact of market gains of deferred compensation plans for the second quarter of 2015 were up 5.1% when compared to the second quarter of 2014. The increase was mainly a result of the increase in variable expenses caused by increased revenue as well as normal salary increases and higher bad debt expense in 2015.

Other income - net comprise (in thousands):

	Three months ended June 30,	
	2015	2014
Market value gains on assets held in deferred compensation trusts	$498	$650
Loss on disposal of property and equipment	(63)	(48)
Interest income - net	86	58
Other	15	96
Total other income - net	$536	$756

Our effective income tax rate was 38.9% in the second quarter of 2015 essentially equal to the second quarter of 2014.

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,	
	2015	2014
VITAS		
Expenses related to OIG investigation	$ (868)	$ (254)
Roto-Rooter		
Acquisition expenses	(80)	-
Expenses related to litigation settlements	-	(20)
Corporate		
Stock option expense	(849)	(722)
Noncash impact of change in accounting for convertible debt	-	(714)
Long-term incentive compensation	(921)	(388)
Expenses related to securities litigation	(23)	(119)
Total	$ (2,741)	$ (2,217)

Three months ended June 30, 2015 versus 2014 - Segment Results

The change in after-tax earnings for the second quarter of 2015 versus the second quarter of 2014 is due to (in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS	$ 908	4.3
Roto-Rooter	1,434	13.4
Corporate	270	3.7
	$ 2,612	10.7

VITAS' after-tax earnings were positively impacted in 2015 compared to 2014 by a $12.4 million increase in revenue. After-tax earnings as a percent of revenue in 2015 were 7.9%, essentially equal to the second quarter of 2014.

Roto-Rooter's after-tax earnings were positively impacted in 2015 compared to 2014 primarily by a $5.8 million revenue increase in Roto-Rooter's water restoration line of business and a $3.5 million increase in plumbing revenue. After-tax earnings as a percent of revenue at Roto-Rooter in 2015 were 11.5% as compared to 11.1% in 2014. This increase is largely the result of higher sales and gross profit in 2015, partially offset by higher SG&A expenses. Favorable health insurance experience during the second quarter of 2015 contributed to the higher gross profit.

Results of Operations

Six months ended June 30, 2015 versus 2014 - Consolidated Results

Our service revenues and sales for the first six months of 2015 increased 5.6% versus services and sales revenues for the first six months of 2014. Of this increase, $21.6 million was attributable to VITAS and an $18.5 million increase was attributable to Roto-Rooter. The following chart shows the components of those changes (in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS		
Routine homecare	$ 22,100	5.6
Continuous care	(115)	(0.2)
General inpatient	189	0.4
Medicare cap	(539)	(76.6)
Roto-Rooter		
Plumbing	4,525	5.1
Drain cleaning	(1,304)	(1.8)
Water restoration	14,695	298.6
Contractor operations	778	4.3
Other	(238)	(2.3)
Total	$ 40,091	5.6

The increase in VITAS' revenues for the first six months of 2015 versus the first six months of 2014 was a combination of Medicare reimbursement rates increasing approximately 1.4% and a 4.3% increase in days of care offset by level of care and geographical mix shift. In the first six months of 2015, VITAS recorded a positive revenue adjustment of $165,000 related to one program's Medicare cap liability recorded in the fourth quarter of 2014. This compares to a positive revenue adjustment of $704,000 recorded in the first six months of 2014.

Days of care for the six months ended June 30 were as follows:

	Days of Care		
	2015	2014	Percent
Routine homecare	2,542,212	2,429,079	4.7
Continuous care	104,090	103,477	0.6
General inpatient	78,579	78,758	(0.2)
Total days of care	2,724,881	2,611,314	4.3

Over 90% of VITAS' service revenues for the period were from Medicare and Medicaid.

The increase in plumbing revenues for the first six months of 2015 versus 2014 is attributable to a 1.5% decrease in job count, offset by a 6.6% increase in a combination of price and service mix shift. Drain cleaning revenues for the first six months of 2015 versus 2014 reflect a 5.3% decrease in the number of jobs performed, offset by a 3.5% increase in a combination of price and service mix shift. Water restoration increased 298.6% as a result of continued expansion into other Roto-Rooter locations. Water restoration is the remediation or removal of water and humidity after a flood. Contractor operations increased 4.3% and Other Roto-Rooter revenue decreased 2.3%.

The consolidated gross margin was 28.9% in the first six months of 2015 as compared with 28.3% in the first six months of 2014. On a segment basis, VITAS' gross margin was 21.6% in the first six months of 2015 essentially equal to the first six months of 2014. The Roto-Rooter segment's gross margin was 47.6% for the first six months of 2015 as compared with 46.6% for the first six months of 2014. The gross margin increase was mainly the result of favorable health and casualty insurance experience during the first six months of 2015.

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

	Six months ended June 30, 2015	Six months ended June 30, 2014
SG&A expenses before the impact of market gains of deferred compensation plans, long-term incentive compensation, and OIG investigation expenses	$ 110,057	$ 105,364
Long-term incentive compensation	2,391	986
Expenses related to OIG investigation	2,686	1,158
Market value gains related to assets held in deferred compensation trusts	1,448	1,812
Total SG&A expenses	$ 116,582	$ 109,320

SG&A expenses before long-term incentive compensation, expenses related to OIG investigation and the impact of market gains of deferred compensation plans for the first six months of 2015 were up 4.5% when compared to the first six months of 2014. The increase was mainly a result of the increase in variable expenses caused by increased revenue as well as normal salary increases and higher bad debt expenses in 2015.

Other income - net comprise (in thousands)

	Six months ended June 30, 2015	Six months ended June 30, 2014
Market value gains on assets held in deferred compensation trusts	$1,448	$1,812
Loss on disposal of property and equipment	(15)	(326)
Interest income - net	130	8
Other	(464)	78
Total other income - net	$1,099	$1,572

Our effective income tax rate was 38.9% in the first six months of 2015, essentially equal to the first six months of 2014.

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

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
VITAS		
Legal expenses of OIG investigation	$(1,658)	$(718)
Expenses related to litigation settlements	-	(70)
Acquisition expenses	-	(1)
Roto-Rooter		
Expenses related to litigation settlements	(3)	(137)
Acquisition expenses	(80)	-
Corporate		
Stock option expense	(1,759)	(1,544)
Noncash impact of change in accounting for convertible debt	-	(2,143)
Long-term incentive compensation	(1,512)	(624)
Expenses of securities litigation	(23)	(119)
Total	$(5,035)	$(5,356)

Six months ended June 30, 2015 versus 2014 - Segment Results

The change in after-tax earnings for the first six months of 2015 versus the first six months of 2014 is due to (in thousands):

	Increase/(Decrease)		
		Amount	Percent
VITAS	$	2,065	5.3
Roto-Rooter		3,410	16.4
Corporate		1,100	7.4
	$	6,575	14.6

VITAS' after-tax earnings were positively impacted in 2015 compared to 2014 by a $21.6 million increase in revenue. After-tax earnings as a percent of revenue in 2015 were 7.5% as compared to 7.4% in 2014.

Roto-Rooter's after-tax earnings were positively impacted in 2015 compared to 2014 primarily by a $14.7 million revenue increase in Roto-Rooter's water restoration line of business and a $4.5 million increase in plumbing revenue. After-tax earnings as a percent of revenue at Roto-Rooter in 2015 were 11.4% as compared to 10.7% in 2014. This increase is largely the result of higher sales and gross profit in 2015, partially offset by higher SG&A expenses. Favorable casualty and health insurance experience during 2015 contributed to the higher gross profit.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2015
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2015 (a)				
Service revenues and sales	$ 276,460	$ 105,461	$ -	$ 381,921
Cost of services provided and goods sold	215,778	54,885	-	270,663
Selling, general and administrative expenses	22,237	28,241	7,516	57,994
Depreciation	4,724	3,205	153	8,082
Amortization	171	128	283	582
Total costs and expenses	242,910	86,459	7,952	337,321
Income/(loss) from operations	33,550	19,002	(7,952)	44,600
Interest expense	(53)	(98)	(818)	(969)
Intercompany interest income/(expense)	1,755	805	(2,560)	-
Other income/(expense)—net	49	(12)	499	536
Income/(expense) before income taxes	35,301	19,697	(10,831)	44,167
Income taxes	(13,501)	(7,544)	3,853	(17,192)
Net income/(loss)	$ 21,800	$ 12,153	$ (6,978)	$ 26,975

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (1,343)	$ (1,343)
Long-term incentive compensation	-	-	(1,457)	(1,457)
Expenses related to securities litigation	-	-	(37)	(37)
Acquisition expenses	-	(131)	-	(131)
Expenses related to OIG investigation	(1,412)	-	-	(1,412)
Total	$ (1,412)	$ (131)	$ (2,837)	$ (4,380)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (849)	$ (849)

Long-term incentive compensation	-	-	(921)	(921)
Expenses related to securities litigation	-	-	(23)	(23)
Acquisition expenses	-	(80)	-	(80)
Expenses related to OIG investigation	(868)	-	-	(868)
Total	$ (868)	$ (80)	$ (1,793)	$ (2,741)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2014
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2014 (a)				
Service revenues and sales	$264,026	$96,156	$-	$360,182
Cost of services provided and goods sold	205,818	51,189	-	257,007
Selling, general and administrative expenses	21,002	25,705	6,942	53,649
Depreciation	4,564	2,561	147	7,272
Amortization	205	137	393	735
Total costs and expenses	231,589	79,592	7,482	318,663
Income/(loss) from operations	32,437	16,564	(7,482)	41,519
Interest expense	(57)	(111)	(2,261)	(2,429)
Intercompany interest income/(expense)	1,517	680	(2,197)	-
Other income/(expense)—net	(95)	198	653	756
Income/(expense) before income taxes	33,802	17,331	(11,287)	39,846
Income taxes	(12,910)	(6,612)	4,039	(15,483)
Net income/(loss)	$20,892	$10,719	$(7,248)	$24,363

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$-	$-	$(1,144)	$(1,144)
Noncash impact of accounting for convertible debt	-	-	(1,130)	(1,130)
Long-term incentive compensation	-	-	(613)	(613)
Expenses related to litigation settlements	-	(32)	-	(32)
Expenses related to securities litigation	-	-	(189)	(189)
Expenses related to OIG investigation	(410)	-	-	(410)
Total	$(410)	$(32)	$(3,076)	$(3,518)

	VITAS	Roto-Rooter	Corporate	Consolidated
After-tax benefit/(cost):				
Stock option expense	$-	$-	$(722)	$(722)
Noncash impact of accounting for convertible debt	-	-	(714)	(714)
Long-term incentive compensation	-	-	(388)	(388)
Expenses related to litigation settlements	-	(20)	-	(20)
Expenses related to securities litigation	-	-	(119)	(119)
Expenses related to OIG investigation	(254)	-	-	(254)
Total	$(254)	$(20)	$(1,943)	$(2,217)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2015
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2015 (a)				
Service revenues and sales	$ 546,073	$ 212,500	$ -	$ 758,573
Cost of services provided and goods sold	428,274	111,274	-	539,548
Selling, general and administrative expenses	44,207	57,002	15,373	116,582
Depreciation	9,509	6,299	306	16,114
Amortization	338	236	584	1,158
Total costs and expenses	482,328	174,811	16,263	673,402
Income/(loss) from operations	63,745	37,689	(16,263)	85,171
Interest expense	(110)	(194)	(1,634)	(1,938)
Intercompany interest income/(expense)	3,482	1,642	(5,124)	-
Other income/(expense)—net	(384)	35	1,448	1,099
Income/(expense) before income taxes	66,733	39,172	(21,573)	84,332
Income taxes	(25,617)	(15,011)	7,808	(32,820)
Net income/(loss)	$ 41,116	$ 24,161	$ (13,765)	$ 51,512

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (2,787)	$ (2,787)
Long-term incentive compensation	-	-	(2,391)	(2,391)
Expenses related to litigation settlements	-	(5)	-	(5)
Expenses related to securities litigation	-	-	(37)	(37)
Acquisition expenses	-	(131)	-	(131)
Expenses related to OIG investigation	(2,686)	-	-	(2,686)
Total	$ (2,686)	$ (136)	$ (5,215)	$ (8,037)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated

After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (1,759)	$ (1,759)
Long-term incentive compensation	-	-	(1,512)	(1,512)
Expenses related to litigation settlements	-	(3)	-	(3)
Expenses related to securities litigation	-	-	(23)	(23)
Acquisition expenses	-	(80)	-	(80)
Expenses related to OIG investigation	(1,658)	-	-	(1,658)
Total	$ (1,658)	$ (83)	$ (3,294)	$ (5,035)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2014
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2014 (a)				
Service revenues and sales	$ 524,438	$ 194,044	$ -	$ 718,482
Cost of services provided and goods sold	411,210	103,616	-	514,826
Selling, general and administrative expenses	42,716	52,887	13,717	109,320
Depreciation	9,178	4,961	282	14,421
Amortization	624	282	838	1,744
Total costs and expenses	463,728	161,746	14,837	640,311
Income/(loss) from operations	60,710	32,298	(14,837)	78,171
Interest expense	(112)	(208)	(5,924)	(6,244)
Intercompany interest income/(expense)	2,860	1,330	(4,190)	-
Other income/(expense)—net	(388)	139	1,821	1,572
Income/(expense) before income taxes	63,070	33,559	(23,130)	73,499
Income taxes	(24,019)	(12,808)	8,265	(28,562)
Net income/(loss)	$ 39,051	$ 20,751	$ (14,865)	$ 44,937

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (2,453)	$ (2,453)
Noncash impact of accounting for convertible debt	-	-	(3,389)	(3,389)
Long-term incentive compensation	-	-	(986)	(986)
Expenses related to litigation settlements	(113)	(225)	-	(338)
Expenses related to securities litigation	-	-	(189)	(189)
Acquisition expenses	(1)	-	-	(1)
Expenses related to OIG investigation	(1,158)	-	-	(1,158)
Total	$ (1,272)	$ (225)	$ (7,017)	$ (8,514)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (1,544)	$ (1,544)
Noncash impact of accounting for convertible debt	-	-	(2,143)	(2,143)

Long-term incentive compensation	-	-	(624)	(624)
Expenses related to litigation settlements	(70)	(137)	-	(207)
Expenses related to securities litigation	-	-	(119)	(119)
Acquisition expenses	(1)	-	-	(1)
Expenses related to OIG investigation	(718)	-	-	(718)
Total	$ (789)	$ (137)	$ (4,430)	$ (5,356)

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies (in thousands) For the three months ended June 30, 2015	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$21,800	$12,153	$(6,978)	$26,975
Add/(deduct):				
Interest expense	53	98	818	969
Income taxes	13,501	7,544	(3,853)	17,192
Depreciation	4,724	3,205	153	8,082
Amortization	171	128	283	582
EBITDA	40,249	23,128	(9,577)	53,800
Add/(deduct):				
Intercompany interest expense/(income)	(1,755)	(805)	2,560	-
Interest income	(78)	(9)	1	(86)
Expenses related to OIG investigation	1,412	-	-	1,412
Acquisition expenses	-	131	-	131
Expenses related to securities litigation	-	-	37	37
Advertising cost adjustment	-	(405)	-	(405)
Stock option expense	-	-	1,343	1,343
Long-term incentive compensation	-	-	1,457	1,457
Adjusted EBITDA	$39,828	$22,040	$(4,179)	$57,689

For the three months ended June 30, 2014	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$20,892	$10,719	$(7,248)	$24,363
Add/(deduct):				
Interest expense	57	111	2,261	2,429
Income taxes	12,910	6,612	(4,039)	15,483
Depreciation	4,564	2,561	147	7,272
Amortization	205	137	393	735
EBITDA	38,628	20,140	(8,486)	50,282
Add/(deduct):				
Intercompany interest expense/(income)	(1,517)	(680)	2,197	-
Interest income	(43)	(12)	(3)	(58)
Expenses related to OIG investigation	410	-	-	410
Advertising cost adjustment	-	(399)	-	(399)
Expenses related to litigation settlements	-	32	-	32
Long-term incentive compensation	-	-	613	613
Stock option expense	-	-	1,144	1,144
Expenses related to securities litigation	-	-	189	189
Adjusted EBITDA	$37,478	$19,081	$(4,346)	$52,213

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies
(in thousands)

For the six months ended June 30, 2015	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$41,116	$24,161	$(13,765)	$51,512
Add/(deduct):				
Interest expense	110	194	1,634	1,938
Income taxes	25,617	15,011	(7,808)	32,820
Depreciation	9,509	6,299	306	16,114
Amortization	338	236	584	1,158
EBITDA	76,690	45,901	(19,049)	103,542
Add/(deduct):				
Intercompany interest expense/(income)	(3,482)	(1,642)	5,124	-
Interest income	(110)	(20)	-	(130)
Expenses related to OIG investigation	2,686	-	-	2,686
Acquisition expenses	-	131	-	131
Expenses related to litigation settlements	-	5	-	5
Advertising cost adjustment	-	(911)	-	(911)
Stock option expense	-	-	2,787	2,787
Long-term incentive compensation	-	-	2,391	2,391
Expenses related to securities litigation	-	-	37	37
Adjusted EBITDA	$75,784	$43,464	$(8,710)	$110,538

For the six months ended June 30, 2014	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$39,051	$20,751	$(14,865)	$44,937
Add/(deduct):				
Interest expense	112	208	5,924	6,244
Income taxes	24,019	12,808	(8,265)	28,562
Depreciation	9,178	4,961	282	14,421
Amortization	624	282	838	1,744
EBITDA	72,984	39,010	(16,086)	95,908
Add/(deduct):				
Intercompany interest expense/(income)	(2,860)	(1,330)	4,190	-
Interest income	20	(19)	(9)	(8)
Expenses related to OIG investigation	1,158	-	-	1,158
Acquisition expenses	1	-	-	1
Advertising cost adjustment	-	(1,140)	-	(1,140)
Expenses related to litigation settlements	113	225	-	338
Long-term incentive compensation	-	-	986	986
Stock option expense	-	-	2,453	2,453
Expenses related to securities litigation	-	-	189	189
Adjusted EBITDA	$71,416	$36,746	$(8,277)	$99,885

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
RECONCILIATION OF ADJUSTED NET INCOME
(in thousands, except per share data)(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income as reported	$26,975	$24,363	$51,512	$44,937
Add/(deduct) after-tax cost of:				
Stock option expense	849	722	1,759	1,544
Expenses of OIG investigation	868	254	1,658	718
Long-term incentive compensation	921	388	1,512	624
Expenses related to litigation settlements	-	20	3	207
Expenses related to securities settlements	23	119	23	119
Additional interest expense resulting from the change in accounting for the conversion feature of the convertible notes	-	714	-	2,143
Acquisition expenses	80	-	80	1
Adjusted net income	$29,716	$26,580	$56,547	$50,293
Diluted Earnings Per Share As Reported				
Net income	$1.55	$1.36	$2.96	$2.48
Average number of shares outstanding	17,419	17,880	17,419	18,097
Adjusted Diluted Earnings Per Share				
Adjusted net income	$1.71	$1.50	$3.25	$2.81
Adjusted average number of shares outstanding*	17,419	17,759	17,419	17,895

* Adjusted diluted average shares outstanding excludes the estimated dilutive impact of the Convertible Notes prior to conversion of these Notes on May 15, 2014 (121,000 shares for the three months ended June 30, 2014 and 202,000 shares for the six months ended June 30, 2014) as this impact was entirely offset upon the exercise of the note hedges on May 15, 2014.

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

OPERATING STATISTICS	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net revenue ($000)				
Homecare	$ 213,374	$ 200,418	$ 417,915	$ 395,815
Inpatient	25,498	26,032	52,214	52,025
Continuous care	37,588	37,719	75,779	75,894
Total before Medicare cap allowance	$ 276,460	$ 264,169	$ 545,908	$ 523,734
Medicare cap allowance	-	(143)	165	704
Total	$ 276,460	$ 264,026	$ 546,073	$ 524,438
Net revenue as a percent of total before Medicare cap allowances				
Homecare	77.2 %	75.9 %	76.5 %	75.6 %
Inpatient	9.2	9.8	9.6	9.9
Continuous care	13.6	14.3	13.9	14.5
Total before Medicare cap allowance	100.0	100.0	100.0	100.0
Medicare cap allowance	-	(0.1)	-	0.1
Total	100.0 %	99.9 %	100.0 %	100.1 %
Average daily census (days)				
Homecare	11,285	10,546	11,082	10,511
Nursing home	3,006	2,989	2,964	2,909
Routine homecare	14,291	13,535	14,046	13,420
Inpatient	429	433	434	435
Continuous care	563	568	575	572
Total	15,283	14,536	15,055	14,427
Total Admissions	16,683	15,771	33,951	32,124
Total Discharges	15,912	15,673	33,019	31,678
Average length of stay (days)	78.5	82.4	79.1	81.7
Median length of stay (days)	15.0	16.0	14.0	15.0
ADC by major diagnosis				
Cerebro	28.6 %	6.3 %	28.4 %	6.4 %
Neurological	23.0	41.2	23.4	40.9
Cancer	16.8	17.3	16.9	17.4
Cardio	17.4	15.7	17.5	15.4
Respiratory	8.0	7.7	7.9	7.8
Other	6.2	11.8	5.9	12.1
Total	100.0 %	100.0 %	100.0 %	100.0 %
Admissions by major diagnosis				
Cerebro	18.9	7.7 %	18.8 %	7.3 %
Neurological	11.7	21.6	12.3	22.0
Cancer	32.5	33.4	31.5	33.1
Cardio	15.6	15.3	15.7	14.6
Respiratory	10.0	9.6	10.4	9.8
Other	11.3	12.4	11.3	13.2

Total	100.0 %	100.0 %	100.0 %	100.0 %
Direct patient care margins				
Routine homecare	52.4 %	53.4 %	52.6 %	53.2 %
Inpatient	6.0	6.9	7.2	5.6
Continuous care	16.7	17.5	16.3	17.0
Homecare margin drivers (dollars per patient day)				
Labor costs	$ 56.38	$ 53.89	$ 56.79	$ 54.65
Drug costs	6.94	7.26	6.73	7.25
Home medical equipment	6.57	6.76	5.90	6.69
Medical supplies	3.06	3.17	2.99	3.20
Inpatient margin drivers (dollars per patient day)				
Labor costs	$ 348.40	$ 337.30	$ 343.85	$ 343.50
Continuous care margin drivers (dollars per patient day)				
Labor costs	$ 589.84	$ 581.00	$ 588.72	$ 587.40
Bad debt expense as a percent of revenues	1.0 %	1.0 %	1.0 %	1.0 %
Accounts receivable -- Days of revenue outstanding- excluding unapplied				
Medicare payments	40.8	36.6	n.a	n.a
Accounts receivable -- Days of revenue outstanding- including unapplied				
Medicare payments	31.0	24.4	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, 2015, the Company had $160.0 million of variable rate debt outstanding. For each $10 million dollars borrowed under the credit facility, an increase or decrease of 100 basis points (1% point), 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 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 2015:

	Total Number of Shares Repurchased	Weighted Price Paid Per Share	Cumulative Shares Repurchased Under the Program	Dollar Amount Remaining Under The Program
February 2011 Program				
January 1 through January 31, 2015	-	$-	6,074,819	$11,808,785
February 1 through February 28, 2015	-	-	6,074,819	11,808,785
March 1 through March 31, 2015	-	-	6,074,819	$111,808,785
First Quarter Total	-	$-		
April 1 through April 30, 2015	31,239	$116.66	6,106,058	$108,163,534
May 31 through May 31, 2015	218,761	119.38	6,324,819	82,047,193
June 1 through June 30, 2015	-	-	6,324,819	$82,047,193
Second Quarter Total	250,000	$119.05		

On March 13, 2015 our Board of Directors authorized an additional $100 million under the February 2011 Repurchase Program.

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 Arthur V. Tucker, Jr. 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 Arthur V. Tucker, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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 31, 2015 By: /s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

Dated:	July 31, 2015	By:	/s/ David P. Williams David P. Williams (Executive Vice President and Chief Financial Officer)
Dated:	July 31, 2015	By:	/s/ Arthur V. Tucker, Jr. Arthur V. Tucker, Jr. (Vice President and Controller)