

CHEMED CORP  
Form 10-Q  
November 02, 2012

---

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

(Mark One)

Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended September 30, 2012

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  
(State or other jurisdiction of incorporation or organization)

31-0791746  
(IRS Employer Identification No.)

255 E. Fifth Street, Suite 2600, Cincinnati, Ohio  
(Address of principal executive offices)

45202  
(Zip code)

(513) 762-6500  
(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  No

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  No

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  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Edgar Filing: CHEMED CORP - Form 10-Q

Yes                      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	19,288,868 Shares	September 30, 2012

---

---

CHEMED CORPORATION AND  
SUBSIDIARY COMPANIES

Index

	Page No.
<u>PART I. FINANCIAL INFORMATION:</u>	
<u>Item 1. Financial Statements</u>	
<u>Unaudited Consolidated Balance Sheet - September 30, 2012 and December 31, 2011</u>	3
<u>Unaudited Consolidated Statement of Income - Three and nine months ended September 30, 2012 and 2011</u>	4
<u>Unaudited Consolidated Statement of Cash Flows - Nine months ended September 30, 2012 and 2011</u>	5
<u>Notes to Unaudited Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operatios</u>	18
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	33
<u>Item 4. Controls and Procedures</u>	33
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	33
<u>Item 1A. Risk Factors</u>	33
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	34
<u>Item 3. Defaults Upon Senior Securities</u>	34
<u>Item 4. Mine Safety Disclosures</u>	34
<u>Item 5. Other Information</u>	34
<u>Item 6. Exhibits</u>	35
EX – 31.1	
EX – 31.2	
EX – 31.3	
EX – 32.1	
EX – 32.2	
EX – 32.3	

EX - 101.INS  
EX - 101.SCH  
EX - 101.CAL  
EX - 101.DEF  
EX - 101.LAB  
EX - 101.PRE

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)

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$69,296	\$38,081
Accounts receivable less allowances of \$11,782 (2011 - \$11,524)	101,152	77,924
Inventories - net	7,639	8,668
Current deferred income taxes	14,118	12,540
Prepaid income taxes	3,044	2,131
Prepaid expenses	9,855	11,409
Total current assets	205,104	150,753
Investments of deferred compensation plans	35,053	31,629
Properties and equipment, at cost, less accumulated depreciation of \$159,407 (2011 - \$146,709)	90,135	82,951
Identifiable intangible assets less accumulated amortization of \$30,035 (2011 - \$28,904)	57,507	58,262
Goodwill	465,861	460,633
Other assets	11,127	11,677
Total Assets	\$864,787	\$795,905
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$44,056	\$48,225
Income taxes	1,496	90
Accrued insurance	39,518	37,147
Accrued compensation	44,117	41,087
Other current liabilities	18,494	18,851
Total current liabilities	147,681	145,400
Deferred income taxes	24,264	29,463
Long-term debt	172,812	166,784
Deferred compensation liabilities	34,626	30,693
Other liabilities	10,779	9,881
Total Liabilities	390,162	382,221
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock - authorized 80,000,000 shares \$1 par; issued 31,450,817 shares (2011 - 30,936,925 shares)	31,451	30,937
Paid-in capital	428,232	398,094
Retained earnings	599,680	546,757
Treasury stock - 12,257,661 shares (2011 - 11,880,051)	(586,744	) (564,091
Deferred compensation payable in Company stock	2,006	1,987
Total Stockholders' Equity	474,625	413,684

Total Liabilities and Stockholders' Equity	\$864,787	\$795,905
--	-----------	-----------

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 September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Service revenues and sales	\$354,353	\$341,439	\$1,061,466	\$1,005,717
Cost of services provided and goods sold (excluding depreciation)	256,610	245,063	771,423	722,118
Selling, general and administrative expenses	52,955	47,618	155,892	153,696
Depreciation	6,557	6,313	19,178	18,959
Amortization	1,135	1,134	3,375	3,243
Other operating expenses	1,126	-	1,126	-
Total costs and expenses	318,383	300,128	950,994	898,016
Income from operations	35,970	41,311	110,472	107,701
Interest expense	(3,743)	(3,555)	(11,032)	(10,260)
Other income/(expense) - net	1,840	(1,935)	2,965	881
Income before income taxes	34,067	35,821	102,405	98,322
Income taxes	(13,222)	(13,934)	(39,841)	(38,048)
Net income	\$20,845	\$21,887	\$62,564	\$60,274
Earnings Per Share				
Net income	\$1.10	\$1.06	\$3.30	\$2.88
Average number of shares outstanding	18,960	20,674	18,977	20,934
Diluted Earnings Per Share				
Net income	\$1.07	\$1.04	\$3.23	\$2.82
Average number of shares outstanding	19,404	21,055	19,382	21,400
Cash Dividends Per Share	\$0.18	\$0.16	\$0.50	\$0.44

See accompanying notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities		
Net income	\$62,564	\$60,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,553	22,202
Deferred income taxes	(6,808)	(1,608)
Provision for uncollectible accounts receivable	7,303	6,640
Amortization of discount on convertible notes	6,028	5,633
Stock option expense	6,709	6,903
Noncash long-term incentive compensation	-	2,595
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:		
Increase in accounts receivable	(30,409)	(5,991)
Decrease/(increase) in inventories	1,029	(1,160)
Decrease in prepaid expenses	1,554	254
Increase in accounts payable and other current liabilities	4,454	2,654
Increase in income taxes	1,292	12,253
Increase in other assets	(3,944)	(3,811)
Increase in other liabilities	6,648	3,567
Excess tax benefit on share-based compensation	(2,714)	(3,368)
Other sources	1,078	899
Net cash provided by operating activities	77,337	107,936
Cash Flows from Investing Activities		
Capital expenditures	(26,489)	(23,459)
Business combinations, net of cash acquired	(5,900)	(3,689)
Other sources/(uses)	528	(829)
Net cash used by investing activities	(31,861)	(27,977)
Cash Flows from Financing Activities		
Dividends paid	(9,641)	(9,393)
Purchases of treasury stock	(15,047)	(110,288)
Proceeds from issuance of capital stock	10,483	7,979
Excess tax benefit on share-based compensation	2,714	3,368
Increase/(decrease) in cash overdrafts payable	(3,299)	2,297
Debt issuance costs	-	(2,723)
Other sources	529	226
Net cash used by financing activities	(14,261)	(108,534)
Increase/(Decrease) in Cash and Cash Equivalents	31,215	(28,575)
Cash and cash equivalents at beginning of year	38,081	49,917
Cash and cash equivalents at end of period	\$69,296	\$21,342

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, 2011 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 present 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 Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2011.

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.

As of September 30, 2012, VITAS has approximately \$798,000 in unbilled revenue included in accounts receivable (December 31, 2011 - \$720,000). The unbilled revenue at VITAS relates to hospice programs currently undergoing focused medical reviews ("FMR"). During FMR, surveyors working on behalf of the U.S. Federal government review certain patient files for compliance with Medicare regulations. During the time the patient file is under review, we are unable to bill for care provided to those patients. We make appropriate provisions to reduce our revenue and accounts receivable balance for potential denials of patient service revenue due to FMR activity.

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. The Medicare cap measurement period is from September 29 through September 28 of the following year for admissions and from November 1 through October 31 of the following year for revenue.

During the three-month period ended September 30, 2012, we did not record any Medicare cap liability. During the nine-month period ended September 30, 2012, we reversed Medicare cap liability for amounts recorded in the fourth quarter of 2011 for three programs' projected 2012 measurement period liability. We reversed these amounts as improving admissions trends in these programs indicate that the liability had been eliminated.

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

	September 30,	
	2012	2011

Edgar Filing: CHEMED CORP - Form 10-Q

Beginning balance January 1,	\$2,965	\$1,371	
Reversal - 2012 measurement period	(2,577	) -	
Reversal - 2011 measurement period	-	(829	)
Other	-	(198	)
Ending balance September 30,	\$388	\$344	

-6-

---

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 September 30,		Nine months ended September 30,	
2012	2011	2012	2011
\$ 1,983	\$ 1,775	\$ 6,021	\$ 5,298

### 3. Segments

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
<b>Service Revenues and Sales</b>				
VITAS	\$267,990	\$252,944	\$794,050	\$731,712
Roto-Rooter	86,363	88,495	267,416	274,005
Total	\$354,353	\$341,439	\$1,061,466	\$1,005,717
<b>After-tax Earnings</b>				
VITAS	\$21,940	\$20,970	\$61,999	\$57,684
Roto-Rooter	6,145	8,016	21,715	25,618
Total	28,085	28,986	83,714	83,302
Corporate	(7,240)	(7,099)	(21,150)	(23,028)
Net income	\$20,845	\$21,887	\$62,564	\$60,274

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):

For the Three Months Ended September 30,	Net Income		Earnings per Share
	Income	Shares	
2012			
Earnings	\$20,845	18,960	\$1.10
Dilutive stock options	-	341	
Nonvested stock awards	-	103	
Diluted earnings	\$20,845	19,404	\$1.07
2011			
Earnings	\$21,887	20,674	\$1.06
Dilutive stock options	-	293	

Edgar Filing: CHEMED CORP - Form 10-Q

Nonvested stock awards	-	88	
Diluted earnings	\$21,887	21,055	\$1.04

-7-

---

Edgar Filing: CHEMED CORP - Form 10-Q

For the Nine Months Ended September 30,	Net Income		Earnings per Share
	Income	Shares	
2012			
Earnings	\$62,564	18,977	\$3.30
Dilutive stock options	-	313	
Nonvested stock awards	-	92	
Diluted earnings	\$62,564	19,382	\$3.23
2011			
Earnings	\$60,274	20,934	\$2.88
Dilutive stock options	-	379	
Nonvested stock awards	-	87	
Diluted earnings	\$60,274	21,400	\$2.82

For the three and nine-month periods ended September 30, 2012, 1.4 million stock options were excluded from the computation of diluted earnings per share as their exercise prices were greater than the average market price for most of the period. For the three and nine-month period ended September 30, 2011, 1.5 million and 980,000, respectively, stock options were excluded from the computation of diluted earnings per share.

Diluted earnings per share may be impacted in the future as the result of the issuance of our 1.875% Senior Convertible Notes (the "Notes") and related purchased call options and sold warrants. Per FASB's authoritative guidance on the effect of contingently convertible instruments on diluted earnings per share and convertible bonds with an issuer option to settle for cash upon conversion, we will not include any shares related to the Notes in our calculation of diluted earnings per share until our average stock price for a quarter exceeds the current conversion price. We would then include in our diluted earnings per share calculation those shares issuable using the treasury stock method. The amount of shares issuable is based upon the amount by which the average stock price for the quarter exceeds the conversion price. The purchased call option does not impact the calculation of diluted earnings per share as it is always anti-dilutive. The sold warrants become dilutive when our average stock price for a quarter exceeds the strike price of the warrant.

The following table provides examples of how changes in our stock price impact the number of shares that would be included in our diluted earnings per share calculation at September 30, 2012. It also shows the impact on the number of shares issuable upon conversion of the Notes and settlement of the purchased call options and sold warrants:

Share Price	Shares Underlying 1.875%		Total Treasury Method	Shares Due to the Company	Incremental Shares Issued/ Received by the Company upon Conversion (b)
	Convertible Notes	Warrant Shares	Incremental Shares (a)	under Notes Hedges	
\$ 80.73	44,670	-	44,670	(47,786 )	(3,116 )
\$ 90.73	299,912	-	299,912	(320,837 )	(20,925 )
\$ 100.73	504,477	-	504,477	(539,674 )	(35,197 )
\$ 110.73	672,093	120,638	792,731	(718,985 )	73,746
\$ 120.73	811,941	319,805	1,131,746	(868,591 )	263,155
\$ 130.73	930,395	488,502	1,418,897	(995,309 )	423,588

a) Represents the number of incremental shares that must be included in the calculation of fully diluted shares under U.S. GAAP.

b) Represents the number of incremental shares to be issued by the Company upon conversion of the 1.875% Convertible Notes, assuming concurrent settlement of the note hedges and warrants.

-8-

---

## 5. Long-Term Debt

On March 1, 2011, we replaced our existing credit agreement with our Revolving Credit Facility (“2011 Credit Agreement”). Terms of the 2011 Credit Agreement consist of a five-year, \$350 million revolving credit facility. This 2011 Credit Agreement has a floating interest rate that is currently LIBOR plus 175 basis points. The 2011 Credit Agreement also includes a \$150 million expansion feature. The 2011 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	< \$30.0 million

We are in compliance with all debt covenants as of September 30, 2012. We have issued \$29.2 million in standby letters of credit as of September 30, 2012 for insurance purposes. Issued letters of credit reduce our available credit under the 2011 Credit Agreement. As of September 30, 2012, we have approximately \$320.8 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility, excluding the \$150 million expansion feature.

The following amounts are included in our consolidated balance sheet related to the Notes:

	September 30, 2012		December 31, 2011	
Principal amount of convertible debentures	\$	186,956	\$	186,956
Unamortized debt discount		(14,144)		(20,172)
Carrying amount of convertible debentures	\$	172,812	\$	166,784
Additional paid in capital (net of tax)	\$	31,310	\$	31,310

The following amounts comprise interest expense included in our consolidated income statement (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Cash interest expense	\$ 1,381	\$ 1,345	\$ 4,064	\$ 3,786
Non-cash amortization of debt discount	2,043	1,910	6,028	5,633
Amortization of debt costs	319	300	940	841
Total interest expense	\$ 3,743	\$ 3,555	\$ 11,032	\$ 10,260

The unamortized debt discount is being amortized using the effective interest method over the remaining life of the Notes. The effective rate on the Notes is approximately 6.875% as of September 30, 2012.



## 6. Other Income/(Expense) -- Net

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Market value gains/(losses) on assets held in deferred compensation trust	\$ 1,576	\$ (2,011 )	\$ 2,761	\$ 796
Loss on disposal of property and equipment	(80 )	(79 )	(228 )	(68 )
Interest income	291	74	401	197
Other - net	53	81	31	(44 )
Other income/(expense) - net	\$ 1,840	\$ (1,935 )	\$ 2,965	\$ 881

## 7. Stock-Based Compensation Plans

On February 17, 2012, the Compensation/Incentive Committee of the Board of Directors ("CIC") approved a grant of 35,969 shares of restricted stock to certain key employees. The restricted shares cliff vest four years from the date of issuance. The cumulative compensation expense related to the restricted stock award is \$2.3 million and will be recognized ratably over the 4 year vesting period. We assumed no forfeitures in determining the cumulative compensation expense of the grant.

On February 17, 2012, the CIC approved a grant of 442,350 stock options to certain employees. The stock options vest ratably over three years from the date of issuance. The cumulative compensation expense related to the stock option grant is \$7.1 million and will be recognized over the 3 year vesting period. We used the Black-Scholes option valuation method to determine the cumulative compensation expense of the grant.

## 8. Independent Contractor Operations

The Roto-Rooter segment sublicenses with 66 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 September 30, 2012 totaling \$1.2 million (December 31, 2011 - \$1.1 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 8% per annum and the remaining terms of the loans range from 2 months to 5 years at September 30, 2012. We recorded the following from our independent contractors (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenues	\$ 6,942	\$ 6,575	\$ 20,434	\$ 19,614
Pretax profits	3,611	3,236	10,424	9,625

## 9. Pension and 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 September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
\$	2,646	\$ 105	\$ 8,501	\$ 7,058



#### 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 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.

##### Litigation

On March 1, 2010 Anthony Morangelli and Frank Ercole filed a class action lawsuit in federal district court for the Eastern District of New York, Morangelli et al. v. Chemed Corporation, et al., 1-10-cv-00876-BMC, seeking unpaid minimum wages and overtime service technician compensation from Roto-Rooter and Chemed. They also seek payment of penalties, interest and plaintiffs' attorney fees. We contest these allegations. In September 2010, the Court conditionally certified a nationwide class of service technicians, excluding those who signed dispute resolution agreements in which they agreed to arbitrate claims arising out of their employment.

VITAS is party to a class action lawsuit filed in the Superior Court of California, Los Angeles County in September 2006 by Bernadette Santos, Keith Knoche and Joyce White, Bernadette Santos, et al. v. Vitas Healthcare Corporation of California, BC359356. This case alleges failure to pay overtime and failure to provide meal and rest periods to a purported class of California admissions nurses, chaplains and sales representatives. The case seeks payment of penalties, interest and Plaintiffs' attorney fees. We contest these allegations. In December 2009, the trial court denied Plaintiffs' motion for class certification. In July 2011, the Court of Appeals affirmed denial of class certification on the travel time, meal and rest period claims, and reversed the trial court's denial on the off-the-clock and sales representation exemption claims. Plaintiffs filed an appeal of this decision. In September 2012, in response to an order of reconsideration, the Court of Appeals reiterated its previous rulings.

On January 12, 2012, the Greater Pennsylvania Carpenters Pension Fund filed a putative class action lawsuit in the U.S. District Court for the Southern District of Ohio against the Company, Kevin McNamara, David Williams, and Timothy O'Toole. On April 9, 2012, the Court issued orders (a) renaming the suit as In re Chemed Corp. Securities Litigation, Civil Action No. 1:12-cv-28 (S.D. Ohio); (b) appointing the Greater Pennsylvania Carpenters Pension Fund and the Electrical Workers Pension Fund, Local 103, I.B.E.W. as Lead Plaintiffs; and (c) approving Lead Plaintiffs' selection of Labaton Sucharow LLP and Robbins Geller Rudman & Dowd LLP as Co-Lead Counsel. On June 18, 2012, Lead Plaintiffs filed an amended complaint alleging violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 against all Defendants, and violation of Section 20(a) of the Securities Exchange Act of 1934 against Messrs. McNamara, Williams, and O'Toole. The suit's allegations concern the VITAS hospice segment of the Company's business. Lead Plaintiffs seek, on behalf of a putative class of purchasers of Chemed Capital Stock between February 15, 2010 and November 16, 2011, compensatory damages in an unspecified amount and attorneys' fees and expenses, arising from Defendants' failure to disclose an alleged fraudulent scheme to enroll ineligible hospice patients and to fraudulently obtain payments from the federal government. Defendants filed motions to dismiss the amended complaint on August 17, 2012, which are continuing to be briefed. Defendants believe the claims are without merit, and intend to defend vigorously against them.

Regardless of the outcome of any of the preceding matters, litigation adversely affects us through defense costs, diversion of management time, and related publicity.

##### Regulatory Matters

In April 2005, VITAS received a subpoena from the Office of the Inspector General ("OIG") of the U.S. Department of Health and Human Services requesting that VITAS produce various categories of documents from 1998 through the date of the subpoena in connection with an investigation into an alleged failure to appropriately bill Medicare and Medicaid for hospice services. The requested categories of documents included patient medical and billing records

for 320 past and then current patients from VITAS's three largest programs; policy and procedure manuals; information concerning patient admissions, certifications, discharges, and lengths of stay; and census information. In the third quarter of 2005, the OIG requested additional information from us. In May 2006, VITAS received another subpoena from OIG seeking certain information concerning employees and their compensation from 1999 through 2004. In 2004, two former VITAS employees filed a related qui tam suit in U.S. District Court for the Southern District of Florida, United States, et al. ex rel. Barys v. Vitas Healthcare Corp., 1:04-cv-21431. The complaint asserted violations of the federal False Claims Act against VITAS and certain of its affiliates, based on the alleged fraudulent admissions and recertification of ineligible patients. In July 2007, the district court dismissed the suit with prejudice. The U.S. Court of Appeals for the Eleventh Circuit affirmed the dismissal in November 2008. In March 2009, VITAS received a letter from the Department of Justice indicating that its investigation of VITAS's Florida programs is ongoing.

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. We are conferring with the Attorney General regarding those document requests.

In May 2009, VITAS received an administrative subpoena from the U.S. Department of Justice requesting that VITAS deliver to OIG various categories of documents for its headquarters and Texas programs from January 1, 2003 through the date of the subpoena. The requested categories included policy and procedure manuals and information concerning Medicare and Medicaid billing and the provision of hospice services; patient medical records; information concerning business plans, strategies, and results and VITAS's affiliated entities and referral sources; and certain information concerning employees and their compensation. In August 2009, the OIG selected medical records for 59 past and current patients from a Texas program for review. In September 2010, VITAS received a second administrative subpoena from the Department of Justice seeking electronic documents of 10 current and former employees. In April 2011, the U.S. Attorney provided the Company with a copy of a qui tam complaint filed under seal in the U.S. District Court for the Northern District of Texas, United States, et al. ex rel. Rehfeldt v. Vitas Healthcare Corp., 3:09-cv-0203. In November 2011, the complaint was unsealed. The U.S. Attorney and the Attorney General for the State of Texas filed notices in November 2011 stating that they had decided not to intervene in the case at that time but indicating that they continue to investigate the allegations. The complaint asserts violations of the federal False Claims Act and the Texas Medicaid Fraud Prevention Act based on the alleged admission and re-certification of ineligible patients, conspiracy to admit ineligible patients, and backdating patient revocations. The suit was brought by Michael Rehfeldt, a former general manager of VITAS's San Antonio program, against VITAS, the San Antonio program's former Regional Vice-President, Keith Becker, and former Medical Director, Justo Cisneros, and their respective then-current employers: Wellmed Medical Management, Care Level Management, LLC, Inspiris Hospice, LLC, and Inspiris, Inc. The plaintiff dismissed all claims against their then-current employers in March and April of 2012. The complaint has yet to be served on any of the VITAS entities.

In February 2010, VITAS received a companion 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 a related 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 the Department of Justice's May 2009 administrative subpoena, together with information concerning record-keeping and retention practices, and medical records concerning 117 patients. In September 2010, VITAS received a second 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 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. 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 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 Cavazos and nurses Sally Schwenk, Diane Anest, and Edith Reed. In September 2012, the plaintiff dismissed all claims against the individual defendants. The complaint has yet to be served on any of the VITAS entities.

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. 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. 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 has yet to be served.

In June 2012, VITAS received an administrative subpoena from OIG in connection with an investigation of possible improper claims submitted to the Medicare and Medicaid programs. It seeks production of various categories of documents concerning the provision of hospice services, for headquarters and its Southern California programs, for the period January 1, 2007 through the date of the subpoena. The categories of documents include policy, procedure and training manuals; documents concerning patient eligibility for hospice care, including referrals, admissions, certifications, revocations and census information; documents concerning claims submitted to government programs; certain information concerning employees and their compensation; and documents concerning VITAS's financial performance. In August 2012, the OIG also subpoenaed medical records for 268 patients from three Southern California programs. We are conferring with the U.S. Attorney's Office for the Central District of California regarding those document requests.

In September 2012, VITAS received an administrative subpoena from OIG seeking production of medical records for 102 patients in 10 states who received continuous care between 2004 and 2009. We are conferring with OIG regarding those requests.

The costs to comply with these investigations were not material for any period presented. Regardless of the outcome of any of the preceding matters, responding to the subpoenas and dealing with the various regulatory agencies can adversely affect us through defense costs, diversion of management time, and related publicity.

#### 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 one-year terms. Either party may cancel the Agreements at the end of any term by giving 90 days prior written notice. VITAS made purchases from OCR of \$10.6 million and \$10.0 million for the three months ended September 30, 2012 and 2011, respectively. VITAS made purchases from OCR of \$30.9 million and \$29.2 million for the nine months ended September 30, 2012 and 2011, respectively. For the three and nine month periods ending September 30, 2012 and 2011, respectively, purchases from this vendor represent over 90% of all pharmacy services used by VITAS.

#### 12. Cash Overdrafts and Cash Equivalents

Included in accounts payable at September 30, 2012 is cash overdrafts payable of \$7.0 million (December 31, 2011 - \$10.3 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 \$57.2 million in cash equivalents as of September 30, 2012. There was \$32.5 million in cash equivalents as of December 31, 2011. The weighted average rate of return for our cash equivalents was 0.2% for September 30, 2012 and 0.1% for December 31, 2011.

#### 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 September 30, 2012 (in thousands):

	C a r r y i n g Value	Fair Value Measure		
		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	\$35,053	\$35,053	\$-	\$-
Long-term debt	172,812	197,126	-	-



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 Transactions

We repurchased the following capital stock for the three and nine-months ended September 30, 2012 and 2011:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Shares repurchased	9,334	1,530,030	209,234	1,871,543
Weighted average price per share	\$62.75	\$55.39	\$56.03	\$60.30

#### 15. Business Combinations

In the first nine months of 2012, we completed four business combinations within our Roto-Rooter segment for \$5.9 million in cash to increase our market penetration in Ft. Lauderdale, Florida: Bend, Oregon; Shreveport, Louisiana; and Boise, Idaho. 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 nine-month periods ended September 30, 2012 nor for the comparable prior year periods.

#### 16. Recent Accounting Statements

In July 2012, the FASB issued Accounting Standards Update "ASU" No. 2012-02 – Intangibles Goodwill and Other which provides additional guidance related to the impairment testing of indefinite-lived intangible assets. ASU No. 2012-02 allows an entity to first assess qualitative factors to determine whether it is necessary to perform further impairment testing. The revised guidance is effective for fiscal years beginning after September 15, 2012 but early adoption is permitted. Our impairment testing date is October 1 of each year and we adopted the new guidelines in the third quarter of 2012. There was no impact as a result of the adoption.

#### 17. HVAC Exit Activities

In August 2012, Roto-Rooter management made the decision to shut-down its one remaining heating, ventilation and air conditioning (HVAC) business located in Baltimore, Maryland. The HVAC business was a portion of a larger business which included plumbing operations. The plumbing and HVAC businesses shared facilities and administrative functions. The costs or related cash flows of these shared facilities and administrative functions were not separately tracked or allocated for the HVAC operation. As a result, the HVAC business does not qualify for discontinued operation treatment under US GAAP. The operating results of the HVAC operation are reported in continuing operations in the consolidated financial statements for all periods presented. The pretax costs incurred in conjunction with the shut-down were \$1.1 million and are recorded in other operating expenses. The costs are comprised mainly of severance and lease termination costs.

Edgar Filing: CHEMED CORP - Form 10-Q

18. Guarantor Subsidiaries

Our 1.875% Notes are fully and unconditionally guaranteed on an unsecured, jointly, and severally liable basis by certain of our 100% owned subsidiaries. The following unaudited, condensed, consolidating financial data presents the composition of the parent company (Chemed), the guarantor subsidiaries and the non-guarantor subsidiaries as of September 30, 2012 and December 31, 2011 for the balance sheet, the three and nine months ended September 30, 2012 and September 30, 2011 for the income statement and the nine months ended September 30, 2012 and September 30, 2011 for the statement of cash flows (dollars in thousands):

September 30, 2012	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>ASSETS</b>					
Cash and cash equivalents	\$58,449	\$3,010	\$ 7,837	\$-	\$69,296
Accounts receivable, less allowances	955	99,639	558	-	101,152
Intercompany receivables	-	298,490	-	(298,490 )	-
Inventories - net	-	6,946	693	-	7,639
Current deferred income taxes	(1,628 )	15,512	234	-	14,118
Prepaid income taxes	5,251	(1,799 )	(408 )	-	3,044
Prepaid expenses	730	8,935	190	-	9,855
Total current assets	63,757	430,733	9,104	(298,490 )	205,104
Investments of deferred compensation plans	-	-	35,053	-	35,053
Properties and equipment, at cost, less accumulated depreciation	11,132	76,273	2,730	-	90,135
Identifiable intangible assets less accumulated amortization	-	57,507	-	-	57,507
Goodwill	-	461,277	4,584	-	465,861
Other assets	6,396	1,765	2,966	-	11,127
Investments in subsidiaries	852,204	24,205	-	(876,409 )	-
Total assets	\$933,489	\$1,051,760	\$ 54,437	\$(1,174,899 )	\$864,787
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Accounts payable	\$(5,239 )	\$48,934	\$ 361	\$-	\$44,056
Intercompany payables	294,307	-	4,183	(298,490 )	-
Income taxes	(818 )	601	1,713	-	1,496
Accrued insurance	1,288	38,230	-	-	39,518
Accrued compensation	3,075	40,595	447	-	44,117
Other current liabilities	3,124	15,017	353	-	18,494
Total current liabilities	295,737	143,377	7,057	(298,490 )	147,681
Deferred income taxes	(12,830 )	47,968	(10,874 )	-	24,264
Long-term debt	172,812	-	-	-	172,812
Deferred compensation liabilities	-	33	34,593	-	34,626
Other liabilities	3,145	6,875	759	-	10,779
Stockholders' equity	474,625	853,507	22,902	(876,409 )	474,625
Total liabilities and stockholders' equity	\$933,489	\$1,051,760	\$ 54,437	\$(1,174,899 )	\$864,787
December 31, 2011	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated

## Edgar Filing: CHEMED CORP - Form 10-Q

## ASSETS

Cash and cash equivalents	\$32,470	\$(1,422	) \$ 7,033	\$-	\$38,081
Accounts receivable, less allowances	606	76,816	502	-	77,924
Intercompany receivables	-	273,413	-	(273,413	) -
Inventories - net	-	8,032	636	-	8,668
Current deferred income taxes	(650	) 13,059	131	-	12,540
Prepaid income taxes	(114	) 1,689	556	-	2,131
Prepaid expenses	503	10,757	149	-	11,409
Total current assets	32,815	382,344	9,007	(273,413	) 150,753
Investments of deferred compensation plans	-	-	31,629	-	31,629
Properties and equipment, at cost, less accumulated depreciation	11,641	68,755	2,555	-	82,951
Identifiable intangible assets less accumulated amortization	-	58,262	-	-	58,262
Goodwill	-	456,183	4,450	-	460,633
Other assets	7,616	1,552	2,509	-	11,677
Investments in subsidiaries	793,277	21,148	-	(814,425	) -
Total assets	\$845,349	\$988,244	\$ 50,150	\$(1,087,838	) \$795,905

## LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable	\$(683	) \$48,490	\$ 418	\$-	\$48,225
Intercompany payables	269,042	-	4,371	(273,413	) -
Income taxes	-	-	90	-	90
Accrued insurance	489	36,658	-	-	37,147
Accrued compensation	3,828	36,655	604	-	41,087
Other current liabilities	1,719	15,728	1,404	-	18,851
Total current liabilities	274,395	137,531	6,887	(273,413	) 145,400
Deferred income taxes	(12,330	) 51,601	(9,808	) -	29,463
Long-term debt	166,784	-	-	-	166,784
Deferred compensation liabilities	-	-	30,693	-	30,693
Other liabilities	2,816	4,630	2,435	-	9,881
Stockholders' equity	413,684	794,482	19,943	(814,425	) 413,684
Total liabilities and stockholders' equity	\$845,349	\$988,244	\$ 50,150	\$(1,087,838	) \$795,905

Edgar Filing: CHEMED CORP - Form 10-Q

For the three months ended September 30, 2012

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Continuing Operations					
Service revenues and sales	\$ -	\$ 347,384	\$ 6,969	\$ -	\$ 354,353
Cost of services provided and goods sold	-	252,688	3,922	-	256,610
Selling, general and administrative expenses	5,991	43,992	2,972	-	52,955
Depreciation	237	6,099	221	-	6,557
Amortization	486	649	-	-	1,135
Other operating expenses	-	1,126	-	-	1,126
Total costs and expenses	6,714	304,554	7,115	-	318,383
Income/ (loss) from operations	(6,714)	42,830	(146)	-	35,970
Interest expense	(3,517)	(211)	(15)	-	(3,743)
Other (expense)/income - net	4,450	(4,184)	1,574	-	1,836
Income/ (loss) before income taxes	(5,781)	38,435	1,413	-	34,067
Income tax (provision)/ benefit	1,877	(14,560)	(539)	-	(13,222)
Equity in net income of subsidiaries	24,749	885	-	(25,634)	0
Net income	\$ 20,845	\$ 24,760	\$ 874	\$ (25,634)	\$ 20,845

For the three months ended September 30, 2011

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Continuing Operations					
Service revenues and sales	\$ -	\$ 334,937	\$ 6,502	\$ -	\$ 341,439
	-	241,604	3,459	-	245,063

Edgar Filing: CHEMED CORP - Form 10-Q

Cost of services provided and goods sold					
Selling, general and administrative expenses	5,678	42,595	(655)	-	4
Depreciation	235	5,870	208	-	
Amortization	467	667	-	-	
Total costs and expenses	6,380	290,736	3,012	-	30
Income/ (loss) from operations	(6,380)	44,201	3,490	-	4
Interest expense	(3,361)	(194)	-	-	(
Other (expense)/income - net	4,379	(4,301)	(2,013)	-	(
Income/ (loss) before income taxes	(5,362)	39,706	1,477	-	3
Income tax (provision)/ benefit	1,677	(15,029)	(582)	-	(1
Equity in net income of subsidiaries	25,572	953	-	(26,525)	
Net income	\$ 21,887	\$ 25,630	\$ 895	\$ (26,525)	2

For the nine months ended September 30, 2012

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidat
Continuing Operations					
Service revenues and sales	\$ -	\$ 1,040,015	\$ 21,451	\$ -	1,06
Cost of services provided and goods sold	-	759,549	11,874	-	77
Selling, general and administrative expenses	17,124	131,695	7,073	-	15
Depreciation	704	17,816	658	-	1
Amortization	1,437	1,938	-	-	
Other operating expenses	-	1,126	-	-	
Total costs and expenses	19,265	912,124	19,605	-	95
Income/ (loss) from operations	(19,265)	127,891	1,846	-	11
Interest expense	(10,437)	(551)	(44)	-	(1

Edgar Filing: CHEMED CORP - Form 10-Q

Other (expense)/income - net	13,196	(12,982)	2,751	-	
Income/ (loss) before income taxes	(16,506)	114,358	4,553	-	10
Income tax (provision)/ benefit	5,376	(43,442)	(1,775)	-	(3)
Equity in net income of subsidiaries	73,694	2,857	-	(76,551)	
Net income	\$ 62,564	\$ 73,773	\$ 2,778	\$ (76,551)	6

For the nine  
months ended  
September 30,  
2011

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidat
Continuing Operations					
Service revenues and sales	\$ -	\$ 985,500	\$ 20,217	\$ -	1,00
Cost of services provided and goods sold	-	711,335	10,783	-	72
Selling, general and administrative expenses	17,936	130,617	5,143	-	15
Depreciation	711	17,651	597	-	1
Amortization	1,287	1,956	-	-	
Total costs and expenses	19,934	861,559	16,523	-	89
Income/ (loss) from operations	(19,934)	123,941	3,694	-	10
Interest expense	(9,814)	(446)	-	-	(1
Other (expense)/income - net	12,011	(11,918)	788	-	
Income/ (loss) before income taxes	(17,737)	111,577	4,482	-	9
Income tax (provision)/ benefit	5,863	(42,164)	(1,747)	-	(3
Equity in net income of subsidiaries	72,148	2,861	-	(75,009)	
Net income	\$ 60,274	\$ 72,274	\$ 2,735	\$ (75,009)	6



Edgar Filing: CHEMED CORP - Form 10-Q

For the nine months ended September 30, 2012

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
<b>Cash Flow from Operating Activities:</b>				
Net cash provided by operating activities	\$1,486	\$74,206	\$ 1,645	\$77,337
<b>Cash Flow from Investing Activities:</b>				
Capital expenditures	(196 )	(25,491 )	(802 )	(26,489 )
Business combinations, net of cash acquired	-	(5,900 )	-	(5,900 )
Other sources/(uses) - net	201	359	(32 )	528
Net cash used by investing activities	5	(31,032 )	(834 )	(31,861 )
<b>Cash Flow from Financing Activities:</b>				
Change in cash overdrafts payable	(4,580 )	1,281	-	(3,299 )
Change in intercompany accounts	40,489	(40,022 )	(467 )	-
Dividends paid to shareholders	(9,641 )	-	-	(9,641 )
Purchases of treasury stock	(14,960 )	-	(87 )	(15,047 )
Proceeds from exercise of stock options	10,483	-	-	10,483
Realized excess tax benefit on share based compensation	2,714	-	-	2,714
Other sources/(uses) - net	(17 )	(1 )	547	529
Net cash provided/(used) by financing activities	24,488	(38,742 )	(7 )	(14,261 )
Net increase in cash and cash equivalents	25,979	4,432	804	31,215
Cash and cash equivalents at beginning of year	32,470	(1,422 )	7,033	38,081
Cash and cash equivalents at end of period	\$58,449	\$3,010	\$ 7,837	\$69,296

For the nine months ended September 30, 2011

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
<b>Cash Flow from Operating Activities:</b>				
Net cash provided by operating activities	\$21,558	\$83,903	\$ 2,475	\$107,936
<b>Cash Flow from Investing Activities:</b>				
Capital expenditures	(23 )	(22,378 )	(1,058 )	(23,459 )
Business combinations, net of cash acquired	-	(3,689 )	-	(3,689 )
Other sources/(uses) - net	(150 )	(713 )	34	(829 )
Net cash used by investing activities	(173 )	(26,780 )	(1,024 )	(27,977 )
<b>Cash Flow from Financing Activities:</b>				
Purchases of treasury stock	(110,221 )	-	(67 )	(110,288 )
Change in cash overdrafts payable	208	2,089	-	2,297
Change in intercompany accounts	60,028	(59,090 )	(938 )	-
Proceeds from exercise of stock options	7,979	-	-	7,979
Dividends paid to shareholders	(9,393 )	-	-	(9,393 )
Debt issuance costs	(2,723 )	-	-	(2,723 )
Realized excess tax benefit on share based compensation	3,368	-	-	3,368
Other sources/(uses) - net	(5 )	-	231	226
Net cash used by financing activities	(50,759 )	(57,001 )	(774 )	(108,534 )
Net increase/(decrease) in cash and cash equivalents	(29,374 )	122	677	(28,575 )
Cash and cash equivalents at beginning of year	45,324	(1,571 )	6,164	49,917
Cash and cash equivalents at end of period	\$15,950	\$(1,449 )	\$ 6,841	\$21,342





## 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 and drain cleaning 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 September 30,		Nine months ended September 30,		
	2012	2011	2012	2011	
Service revenues and sales	\$354,353	\$341,439	\$1,061,466	\$1,005,717	
Net income	\$20,845	\$21,887	\$62,564	\$60,274	
Diluted EPS	\$1.07	\$1.04	\$3.23	\$2.82	
Adjusted EBITDA	\$49,020	\$49,556	\$143,533	\$141,831	
Adjusted EBITDA as a % of revenue	13.8	% 14.5	% 13.5	% 14.1	%

Earnings before interest, taxes and depreciation and amortization ("EBITDA") and Adjusted EBITDA are not measures derived in accordance with GAAP. We use Adjusted EBITDA as a measure of earnings for our long-term incentive plan awards. We provide EBITDA and Adjusted EBITDA 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 EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for comparable measures presented in accordance with GAAP. A reconciliation of our net income to our EBITDA and Adjusted EBITDA is presented on pages 30 and 31.

For the three months ended September 30, 2012, the increase in consolidated service revenues and sales was driven by a 5.9% increase at VITAS partially offset by a 2.4% decrease at Roto-Rooter. The increase in service revenues at VITAS was a result of increased average daily census ("ADC") of 4.5%, driven by an increase in admissions of 4.4%, increased discharges of 4.5% and Medicare price increases of approximately 2.5%. The decrease in service revenues at Roto-Rooter was driven by a 3.0% decrease in job count offset by an increase in price and mix shift. Consolidated net income decreased 4.8%. Diluted EPS increased 2.9% as a result of a lower number of shares outstanding. Adjusted EBITDA as a percent of revenue decreased 70 basis points as a result of the decrease in service revenues at Roto-Rooter. See page 32 for additional VITAS operating metrics.

For the nine months ended September 30, 2012, the increase in consolidated service revenues and sales was driven by a 8.5% increase at VITAS partially offset by a 2.4% decrease at Roto-Rooter. The increase in service revenues at VITAS was a result of increased average daily census ("ADC") of 5.5%, driven by an increase in admissions of 3.9%, increased discharges of 4.3% and Medicare price increases of approximately 2.5%. The decrease in service revenues at Roto-Rooter was driven by a 3.4% decrease in job count partially offset by a 2.0% price and mix shift increase. Consolidated net income increased 3.8%. Diluted EPS increased 14.5% as a result of the increase in net income and a lower number of shares outstanding. Adjusted EBITDA as a percent of revenue decreased 60 basis points as a result of the decrease in service revenues at Roto-Rooter. See page 32 for additional VITAS operating metrics.

VITAS expects to achieve full-year 2012 revenue growth, prior to Medicare cap, of 7.5% to 8.0%. Admissions are estimated to increase approximately 4.0% to 4.5%. Adjusted EBITDA margin, prior to Medicare cap, is estimated to be 14.5% to 15.0%. Roto-Rooter expects full-year 2012 revenue 2.0% below the prior year. The revenue estimate is a result of increased pricing of approximately 1.5%, a favorable mix shift to higher revenue jobs, with job count estimated to decrease 3.0% to 4.0%. Adjusted EBITDA margin for 2012 is estimated to be in the range of 15.8% to 16.3%. 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, 2011 to September 30, 2012 include the following:

- A \$23.2 million increase in accounts receivable related to the timing of receipts.
- A \$7.2 million increase in properties and equipment due to the opening of the Florida home medical equipment location, a data center relocation and the opening of in-patient units.
  - A \$5.2 million increase in goodwill due to Roto-Rooter acquisitions.
  - A \$4.2 million decrease in accounts payable related to timing of payments.
- A \$3.0 million decrease in accrued compensation related to the timing of payments of incentive compensation.

Net cash provided by operating activities decreased by \$30.6 million due primarily to the increase in accounts receivable and the decrease in accounts payable. 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 \$29.2 million in standby letters of credit as of September 30, 2012, for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of September 30, 2012, we have approximately \$320.8 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility, excluding the \$150 million expansion feature. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

### Commitments and Contingencies

Collectively, the terms of our credit agreements require us to meet various financial covenants, to be tested quarterly. We are in compliance with all financial and other debt covenants as of September 30, 2012 and anticipate remaining in compliance throughout 2012.

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 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.

On March 1, 2010 Anthony Morangelli and Frank Ercole filed a class action lawsuit in federal district court for the Eastern District of New York, Morangelli et al. v. Chemed Corporation, et al., 1-10-cv-00876-BMC, seeking unpaid minimum wages and overtime service technician compensation from Roto-Rooter and Chemed. They also seek payment of penalties, interest and plaintiffs' attorney fees. We contest these allegations. In September 2010, the Court conditionally certified a nationwide class of service technicians, excluding those who signed dispute resolution agreements in which they agreed to arbitrate claims arising out of their employment.

VITAS is party to a class action lawsuit filed in the Superior Court of California, Los Angeles County in September 2006 by Bernadette Santos, Keith Knoche and Joyce White, Bernadette Santos, et al. v. Vitas Healthcare Corporation of California, BC359356. This case alleges failure to pay overtime and failure to provide meal and rest periods to a purported class of California admissions nurses, chaplains and sales representatives. The case seeks payment of penalties, interest and Plaintiffs' attorney fees. We contest these allegations. In December 2009, the trial court denied Plaintiffs' motion for class certification. In July 2011, the Court of Appeals affirmed denial of class certification on the travel time, meal and rest period claims, and reversed the trial court's denial on the off-the-clock and sales representation exemption claims. Plaintiffs filed an appeal of this decision. In September 2012, in response to an order of reconsideration, the Court of Appeals reiterated its previous rulings.

On January 12, 2012, the Greater Pennsylvania Carpenters Pension Fund filed a putative class action lawsuit in the U.S. District Court for the Southern District of Ohio against the Company, Kevin McNamara, David Williams, and Timothy O'Toole. On April 9, 2012, the Court issued orders (a) renaming the suit as In re Chemed Corp. Securities Litigation, Civil Action No. 1:12-cv-28 (S.D. Ohio); (b) appointing the Greater Pennsylvania Carpenters Pension Fund and the Electrical Workers Pension Fund, Local 103, I.B.E.W. as Lead Plaintiffs; and (c) approving Lead Plaintiffs' selection of Labaton Sucharow LLP and Robbins Geller Rudman & Dowd LLP as Co-Lead Counsel. On June 18, 2012, Lead Plaintiffs filed an amended complaint alleging violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 against all Defendants, and violation of Section 20(a) of the Securities Exchange Act of 1934 against Messrs. McNamara, Williams, and O'Toole. The suit's allegations concern the VITAS hospice segment of the Company's business. Lead Plaintiffs seek, on behalf of a putative class of purchasers of Chemed Capital Stock between February 15, 2010 and November 16, 2011, compensatory damages in an unspecified amount and attorneys' fees and expenses, arising from Defendants' failure to disclose an alleged fraudulent scheme to enroll ineligible hospice patients and to fraudulently obtain payments from the federal government. Defendants filed motions to dismiss the amended complaint on August 17, 2012, which are continuing to be briefed. Defendants believe the claims are without merit, and intend to defend vigorously against them.

Regardless of the outcome of any of the preceding matters, litigation adversely affects us through defense costs, diversion of management time, and related publicity.

In April 2005, VITAS received a subpoena from the Office of the Inspector General (“OIG”) of the U.S. Department of Health and Human Services requesting that VITAS produce various categories of documents from 1998 through the date of the subpoena in connection with an investigation into an alleged failure to appropriately bill Medicare and Medicaid for hospice services. The requested categories of documents included patient medical and billing records for 320 past and then current patients from VITAS’s three largest programs; policy and procedure manuals; information concerning patient admissions, certifications, discharges, and lengths of stay; and census information. In the third quarter of 2005, the OIG requested additional information from us. In May 2006, VITAS received another subpoena from OIG seeking certain information concerning employees and their compensation from 1999 through 2004. In 2004, two former VITAS employees filed a related qui tam suit in U.S. District Court for the Southern District of Florida, United States, et al. ex rel. Barys v. Vitas Healthcare Corp., 1:04-cv-21431. The complaint asserted violations of the federal False Claims Act against VITAS and certain of its affiliates, based on the alleged fraudulent admissions and recertification of ineligible patients. In July 2007, the district court dismissed the suit with prejudice. The U.S. Court of Appeals for the Eleventh Circuit affirmed the dismissal in November 2008. In March 2009, VITAS received a letter from the Department of Justice indicating that its investigation of VITAS’s Florida programs is ongoing.

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. We are conferring with the Attorney General regarding those document requests.

In May 2009, VITAS received an administrative subpoena from the U.S. Department of Justice requesting that VITAS deliver to OIG various categories of documents for its headquarters and Texas programs from January 1, 2003 through the date of the subpoena. The requested categories included policy and procedure manuals and information concerning Medicare and Medicaid billing and the provision of hospice services; patient medical records; information concerning business plans, strategies, and results and VITAS’s affiliated entities and referral sources; and certain information concerning employees and their compensation. In August 2009, the OIG selected medical records for 59 past and current patients from a Texas program for review. In September 2010, VITAS received a second administrative subpoena from the Department of Justice seeking electronic documents of 10 current and former employees. In April 2011, the U.S. Attorney provided the Company with a copy of a qui tam complaint filed under seal in the U.S. District Court for the Northern District of Texas, United States, et al. ex rel. Rehfeldt v. Vitas Healthcare Corp., 3:09-cv-0203. In November 2011, the complaint was unsealed. The U.S. Attorney and the Attorney General for the State of Texas filed notices in November 2011 stating that they had decided not to intervene in the case at that time but indicating that they continue to investigate the allegations. The complaint asserts violations of the federal False Claims Act and the Texas Medicaid Fraud Prevention Act based on the alleged admission and re-certification of ineligible patients, conspiracy to admit ineligible patients, and backdating patient revocations. The suit was brought by Michael Rehfeldt, a former general manager of VITAS’s San Antonio program, against VITAS, the San Antonio program’s former Regional Vice-President, Keith Becker, and former Medical Director, Justo Cisneros, and their respective then-current employers: Wellmed Medical Management, Care Level Management, LLC, Inspiris Hospice, LLC, and Inspiris, Inc. The plaintiff dismissed all claims against their then-current employers in March and April of 2012. The complaint has yet to be served on any of the VITAS entities.

In February 2010, VITAS received a companion 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 a related 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 the Department of Justice's May 2009 administrative subpoena, together with information concerning record-keeping and retention practices, and medical records concerning 117 patients. In September 2010, VITAS received a second 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.

-20-

---

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. 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 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 Cavazos and nurses Sally Schwenk, Diane Anest, and Edith Reed. In September 2012, the plaintiff dismissed all claims against the individual defendants. The complaint has yet to be served on any of the VITAS entities.

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. 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. 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 has yet to be served.

In June 2012, VITAS received an administrative subpoena from OIG in connection with an investigation of possible improper claims submitted to the Medicare and Medicaid programs. It seeks production of various categories of documents concerning the provision of hospice services, for headquarters and its Southern California programs, for the period January 1, 2007 through the date of the subpoena. The categories of documents include policy, procedure and training manuals; documents concerning patient eligibility for hospice care, including referrals, admissions, certifications, revocations and census information; documents concerning claims submitted to government programs; certain information concerning employees and their compensation; and documents concerning VITAS's financial performance. In August 2012, the OIG also subpoenaed medical records for 268 patients from three Southern California programs. We are conferring with the U.S. Attorney's Office for the Central District of California regarding those document requests.

In September 2012, VITAS received an administrative subpoena from OIG seeking production of medical records for 102 patients in 10 states who received continuous care between 2004 and 2009. We are conferring with OIG regarding those requests.

The costs to comply with these investigations were not material for any period presented. Regardless of the outcome of any of the preceding matters, responding to the subpoenas and dealing with the various regulatory agencies can adversely affect us through defense costs, diversion of management time, and related publicity.

#### Results of Operations

Three months ended September 30, 2012 versus 2011 - Consolidated Results

Our service revenues and sales for the third quarter of 2012 increased 3.8% versus services and sales revenues for the third quarter of 2011. Of this increase, \$15.0 million was attributable to VITAS partially offset by a \$2.1 million decrease at Roto-Rooter. The following chart shows the components of those changes (in thousands):

Increase/(Decrease)



Edgar Filing: CHEMED CORP - Form 10-Q

	Amount	Percent
VITAS		
Routine homecare	\$ 13,609	7.4
Continuous care	2,031	5.1
General inpatient	(210)	(0.7)
Medicare cap	(384)	(100.0)
Roto-Rooter		
Plumbing	(1,119)	(2.6)
Drain cleaning	(133)	(0.4)
Contractor Operations	368	5.6
Other	(1,248)	(19.0)
Total	\$ 12,914	3.8

-21-

---

The increase in VITAS' revenues for the third quarter of 2012 versus the third quarter of 2011 was a result of increased ADC of 4.5% driven by an increase in admissions of 4.4%, increased discharges of 4.5% and Medicare reimbursement rate increases of approximately 2.5%. The ADC increase was driven by a 4.7% increase in routine homecare, an increase of 0.9% in general inpatient and an increase of a 3.7% in continuous care. In excess of 90% of VITAS' service revenues for the period were from Medicare and Medicaid.

The decrease in plumbing revenues for the third quarter of 2012 versus 2011 is attributable to a 1.8% decrease in job count and a 0.4% decrease in the average price per job. Our excavation job count was essentially flat when compared to 2011. Drain cleaning revenues for the third quarter of 2012 versus 2011 reflect a 3.5% decrease in the number of jobs performed partially offset by a 3.4% increase in the price per job. The decrease in the Other category relates mainly to the shut-down of Roto-Rooter's one remaining HVAC operation, as discussed in Footnote 17 to the unaudited consolidated financial statements. Contractor operations revenue increased 5.6% for the third quarter of 2012.

The consolidated gross margin was 27.6% in the third quarter of 2012 as compared with 28.2% in the third quarter of 2011. On a segment basis, VITAS' gross margin was 22.2% in the third quarter of 2012 and 22.4% in the third quarter of 2011. The Roto-Rooter segment's gross margin was 44.3% for the third quarter of 2012 as compared with 45.0% for the third quarter of 2011. The decrease in Roto-Rooter's gross margin is primarily the result of increased medical costs combined with lower revenue.

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

	Three months ended September 30,	
	2012	2011
SG&A expenses before the impact of market gains of deferred compensation plans	\$51,379	\$49,629
Impact of market value gains/(losses) on liabilities held in deferred compensation trusts	1,576	(2,011 )
Total SG&A expenses	\$52,955	\$47,618

Normal salary increases and revenue related expense increases between periods account for the 3.5% increase in SG&A expenses before long-term incentive compensation and the impact of market gains of deferred compensation plans.

Interest expense increased 5.3% between periods primarily as a result of the increase in amortization of bond discount expense.

Other income/(expense) - net comprise (in thousands):

	Three months ended September 30,	
	2012	2011
Market value gains/(losses) on assets held in deferred compensation trusts	\$1,576	\$(2,011 )
Loss on disposal of property and equipment	(80 )	(79 )
Interest income	291	74
Other	53	81
Total other income/(expense) - net	\$1,840	\$(1,935 )

Our effective income tax rate decreased to 38.8% in the third quarter of 2012 from 38.9% when compared with the third quarter of 2011.

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

	Three Months Ended September 30,	
	2012	2011
VITAS		
Legal expenses of OIG investigation	\$ (300 )	\$ (131 )
Acquisition expenses	(1 )	(2 )
Roto-Rooter		
HVAC shut-down costs	(649 )	-
Expenses of class action litigation	(70 )	(467 )
Acquisition expenses	(52 )	-
Corporate		
Stock option expense	(1,516 )	(1,523 )
Noncash impact of change in accounting for convertible debt	(1,272 )	(1,177 )
Expenses of class action litigation	(44 )	-
Total	\$ (3,904 )	\$ (3,300 )

#### Three months ended September 30, 2012 versus 2011 - Segment Results

The change in after-tax earnings for the third quarter of 2012 versus the third quarter of 2011 is due to (in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS	\$970	4.6
Roto-Rooter	(1,871 )	(23.3 )
Corporate	(141 )	(2.0 )
	\$ (1,042 )	(4.8 )

#### Results of Operations

##### Nine months ended September 30, 2012 versus 2011 - Consolidated Results

Our service revenues and sales for the first nine months of 2012 increased 5.5% versus services and sales revenues for the first nine months of 2011. Of this increase, \$62.3 million was attributable to VITAS partially offset by a \$6.6 million decrease at Roto-Rooter. The following chart shows the components of those changes (in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS		
Routine homecare	\$ 47,637	9.0
Continuous care	9,531	8.1
General inpatient	3,620	4.4
Medicare cap	1,550	150.9
Roto-Rooter		
Plumbing	(3,058)	(2.3)
Drain cleaning	(2,275)	(2.2)
Contractor Operations	820	4.2
Other	(2,076)	(10.3)
Total	\$ 55,749	5.5

The increase in VITAS' revenues for the first nine months of 2012 versus the first nine months of 2011 was a result of increased ADC of 5.5% driven by an increase in admissions of 3.9%, increased discharges of 4.3% and Medicare reimbursement rate increases of approximately 2.5%. The ADC increase was driven by a 5.6% increase in routine homecare, an increase of 3.3% in general inpatient and an increase of a 4.8% in continuous care. The reversal of previously recorded Medicare cap reserves increased 150.9% as a result of improving admissions trends. In excess of 90% of VITAS' service revenues for the period were from Medicare and Medicaid.

The decrease in plumbing revenues for the first nine months of 2012 versus 2011 is attributable to a 0.2% decrease in the number of jobs performed as well as a 1.2% decrease in the average price per job. Our excavation job count increased by 5.6% compared to 2011. Drain cleaning revenues for the first nine months of 2012 versus 2011 reflect a 5.0% decrease in the number of jobs performed partially offset by a 3.7% increase in the price per job. The decrease in the Other category relates mainly of the shut-down of Roto-Rooter's one remaining HVAC operation, as discussed in Footnote 17 to the unaudited consolidated financial statements. Contractor operations revenue increased 4.2% for the first nine months of 2012.

The consolidated gross margin was 27.3% for the first nine months of 2012 as compared with 28.2% for the first nine months of 2011. On a segment basis, VITAS' gross margin was 21.7% for the first nine months of 2012 and 22.0% for the first nine months of 2011. The Roto-Rooter segment's gross margin was 44.1% for the first nine months of 2012 as compared with 44.7% for the first nine months of 2011. The decrease in Roto-Rooter's gross margin is primarily the result of increased medical costs combined with lower revenue.

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

	Nine months ended September 30,	
	2012	2011
SG&A expenses before long-term incentive compensation and the impact of market gains and losses of deferred compensation plans	\$153,131	\$149,888
Long-term incentive compensation	-	3,012
Impact of market value gains on liabilities held in deferred compensation trusts	2,761	796
Total SG&A expenses	\$155,892	\$153,696

Normal salary increases and revenue related expense increases between periods account for the 2.2% increase in SG&A expenses before long-term incentive compensation and the impact of market gains of deferred compensation plans.

Interest expense increased 7.5% between periods as a result of the debt refinancing that took place in the first quarter of 2011 and to the increase in amortization of bond discount expense.

Other income/(expense) - net comprise (in thousands):

	Nine months ended September 30,	
	2012	2011
Market value gains on assets held in deferred compensation trusts	\$2,761	\$796
Loss on disposal of property and equipment	(228)	(68)
Interest income	401	197
Other	31	(44)
Total other income/(expense) - net	\$2,965	\$881

Our effective income tax rate increased to 38.9% for the first nine months of 2012 from 38.7% when compared with the first nine months of 2011.



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

	Nine Months Ended September 30,	
	2012	2011
VITAS		
Legal expenses of OIG investigation	\$ (465 )	\$ (749 )
Acquisition expenses	(1 )	(73 )
Roto-Rooter		
HVAC shut-down costs	(649 )	-
Expenses of class action litigation	(512 )	(881 )
Acquisition expenses	(73 )	4
Corporate		
Stock option expense	(4,243 )	(4,366 )
Noncash impact of change in accounting for convertible debt	(3,744 )	(3,464 )
Expenses of securities litigation	(168 )	-
Long-term incentive compensation	-	(1,880 )
Total	\$ (9,855 )	\$ (11,409 )

Nine months ended September 30, 2012 versus 2011 - Segment Results

The change in after-tax earnings for the first nine months of 2012 versus the first nine months of 2011 is due to (in thousands)

	Increase/(Decrease)	
	Amount	Percent
VITAS	\$4,315	7.5
Roto-Rooter	(3,903 )	(15.2 )
Corporate	1,878	8.2
	\$2,290	3.8



CHEMED CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATING STATEMENT OF INCOME  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012  
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2012 (a)				
Service revenues and sales	\$267,990	\$86,363	\$-	\$354,353
Cost of services provided and goods sold	208,473	48,137	-	256,610
Selling, general and administrative expenses	20,148	25,350	7,457	52,955
Depreciation	4,333	2,093	131	6,557
Amortization	489	160	486	1,135
Other operating expenses	-	1,126	-	1,126
Total costs and expenses	233,443	76,866	8,074	318,383
Income/(loss) from operations	34,547	9,497	(8,074)	35,970
Interest expense	(62)	(150)	(3,531)	(3,743)
Intercompany interest income/(expense)	795	396	(1,191)	-
Other income/(expense)—net	176	63	1,601	1,840
Income/(expense) before income taxes	35,456	9,806	(11,195)	34,067
Income taxes	(13,516)	(3,661)	3,955	(13,222)
Net income/(loss)	\$21,940	\$6,145	\$(7,240)	\$20,845

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	\$-	\$-	\$(2,397)	\$(2,397)
Noncash impact of accounting for convertible debt	-	-	(2,011)	(2,011)
Expenses of class action litigation	-	(116)	-	(116)
Expenses of securities litigation	-	-	(68)	(68)
Acquisition expenses	(2)	(85)	-	(87)
Legal expenses of OIG investigation	(483)	-	-	(483)
HVAC shut down costs	-	(1,126)	-	(1,126)
Total	\$(485)	\$(1,327)	\$(4,476)	\$(6,288)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	\$-	\$-	\$(1,516)	\$(1,516)
Noncash impact of accounting for convertible debt	-	-	(1,272)	(1,272)
Expenses of class action litigation	-	(70)	-	(70)
Expenses of securities litigation	-	-	(44)	(44)
Acquisition expenses	(1)	(52)	-	(53)
Legal expenses of OIG investigation	(300)	-	-	(300)
HVAC shut down costs	-	(649)	-	(649)
Total	\$(301)	\$(771)	\$(2,832)	\$(3,904)



CHEMED CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATING STATEMENT OF INCOME  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011  
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2011 (a)				
Service revenues and sales	\$ 252,944	\$ 88,495	\$ -	\$ 341,439
Cost of services provided and goods sold	196,407	48,656	-	245,063
Selling, general and administrative expenses	18,945	25,057	3,616	47,618
Depreciation	4,123	2,058	132	6,313
Amortization	510	156	468	1,134
Total costs and expenses	219,985	75,927	4,216	300,128
Income/(loss) from operations	32,959	12,568	(4,216 )	41,311
Interest expense	(62 )	(132 )	(3,361 )	(3,555 )
Intercompany interest income/(expense)	834	451	(1,285 )	-
Other income/(expense)—net	62	(7 )	(1,990 )	(1,935 )
Income/(expense) before income taxes	33,793	12,880	(10,852 )	35,821
Income taxes	(12,823 )	(4,864 )	3,753	(13,934 )
Net income/(loss)	\$ 20,970	\$ 8,016	\$ (7,099 )	\$ 21,887

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	\$ -	\$ -	\$ (2,408 )	\$ (2,408 )
Noncash impact of accounting for convertible debt	-	-	(1,861 )	(1,861 )
Expenses of class action litigation	-	(770 )	-	(770 )
Acquisition expenses	(2 )	-	-	(2 )
Legal expenses of OIG investigation	(212 )	-	-	(212 )
Total	\$ (214 )	\$ (770 )	\$ (4,269 )	\$ (5,253 )

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	\$ -	\$ -	\$ (1,523 )	\$ (1,523 )
Noncash impact of accounting for convertible debt	-	-	(1,177 )	(1,177 )
Expenses of class action litigation	-	(467 )	-	(467 )

Edgar Filing: CHEMED CORP - Form 10-Q

Acquisition expenses	(2 )	-	-	(2 )
Legal expenses of OIG investigation	(131 )	-	-	(131 )
Total	\$ (133 )	\$ (467 )	\$ (2,700 )	\$ (3,300 )

-27-

---

CHEMED CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATING STATEMENT OF INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012  
(in thousands)(unaudited)

	VITAS	Roto-Router	Corporate	Chemed Consolidated
2012 (a)				
Service revenues and sales	\$794,050	\$267,416	\$-	\$1,061,466
Cost of services provided and goods sold	621,933	149,490	-	771,423
Selling, general and administrative expenses	60,367	75,875	19,650	155,892
Depreciation	12,521	6,264	393	19,178
Amortization	1,467	471	1,437	3,375
Other operating expenses	-	1,126	-	1,126
Total costs and expenses	696,288	233,226	21,480	950,994
Income/(loss) from operations	97,762	34,190	(21,480)	110,472
Interest expense	(188)	(364)	(10,480)	(11,032)
Intercompany interest income/(expense)	2,361	1,221	(3,582)	-
Other income/(expense)—net	144	9	2,812	2,965
Income/(expense) before income taxes	100,079	35,056	(32,730)	102,405
Income taxes	(38,080)	(13,341)	11,580	(39,841)
Net income/(loss)	\$61,999	\$21,715	\$(21,150)	\$62,564

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

	VITAS	Roto-Router	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	\$-	\$-	\$(6,709)	\$(6,709)
Noncash impact of accounting for convertible debt	-	-	(5,919)	(5,919)
Expenses of class action litigation	-	(843)	-	(843)
Expenses of securities litigation	-	-	(265)	(265)
Acquisition expenses	(2)	(120)	-	(122)
Legal expenses of OIG investigation	(749)	-	-	(749)
HVAC shut-down costs	-	(1,126)	-	(1,126)
Total	\$(751)	\$(2,089)	\$(12,893)	\$(15,733)

	VITAS	Roto-Router	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	\$-	\$-	\$(4,243)	\$(4,243)
Noncash impact of accounting for convertible debt	-	-	(3,744)	(3,744)
Expenses of class action litigation	-	(512)	-	(512)
Expenses of securities litigation	-	-	(168)	(168)
Acquisition expenses	(1)	(73)	-	(74)
Legal expenses of OIG investigation	(465)	-	-	(465)
HVAC shut-down costs	-	(649)	-	(649)

Edgar Filing: CHEMED CORP - Form 10-Q

Total                                \$(466                ) \$(1,234                ) \$(8,155                ) \$(9,855                )

CHEMED CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATING STATEMENT OF INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011  
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2011 (a)				
Service revenues and sales	\$ 731,712	\$ 274,005	\$ -	\$ 1,005,717
Cost of services provided and goods sold	570,648	151,470	-	722,118
Selling, general and administrative expenses	57,392	76,181	20,123	153,696
Depreciation	12,489	6,067	403	18,959
Amortization	1,513	443	1,287	3,243
Total costs and expenses	642,042	234,161	21,813	898,016
Income/(loss) from operations	89,670	39,844	(21,813 )	107,701
Interest expense	(172 )	(274 )	(9,814 )	(10,260 )
Intercompany interest income/(expense)	3,263	1,742	(5,005 )	-
Other income/(expense)—net	3	(2 )	880	881
Income/(expense) before income taxes	92,764	41,310	(35,752 )	98,322
Income taxes	(35,080 )	(15,692 )	12,724	(38,048 )
Net income/(loss)	\$ 57,684	\$ 25,618	\$ (23,028 )	\$ 60,274

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Long-term incentive compensation	\$ -	\$ -	\$ (6,903 )	\$ (6,903 )
Stock option expense	-	-	(3,012 )	(3,012 )
Noncash impact of accounting for convertible debt	-	-	(5,476 )	(5,476 )
Expenses of class action litigation	-	(1,451 )	-	(1,451 )
Acquisition expenses	(117 )	6	-	(111 )
Legal expenses of OIG investigation	(1,209 )	-	-	(1,209 )
Total	\$ (1,326 )	\$ (1,445 )	\$ (15,391 )	\$ (18,162 )
After-tax benefit/(cost):				Chemed Consolidated \$
Long-term incentive compensation	-	-	(4,366 )	(4,366 )
Stock option expense	-	-	(1,880 )	(1,880 )

Edgar Filing: CHEMED CORP - Form 10-Q

Noncash impact of accounting for convertible debt	-	-	(3,464 )	(3,464 )
Expenses of class action litigation	-	(881 )	-	(881 )
Acquisition expenses	(73 )	4	-	(69 )
Legal expenses of OIG investigation	(749 )	-	-	(749 )
Total	\$ (822 )	\$ (877 )	\$ (9,710 )	\$ (11,409 )

-29-

---



## Consolidating Summary and Reconciliation of Adjusted EBITDA

## Chemed Corporation and Subsidiary Companies

(in thousands)

For the three months ended September 30, 2012

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	\$21,940	\$6,145	\$(7,240)	) \$20,845
Add/(deduct):				
Interest expense	62	150	3,531	3,743
Income taxes	13,516	3,661	(3,955)	) 13,222
Depreciation	4,333	2,093	131	6,557
Amortization	489	160	486	1,135
EBITDA	40,340	12,209	(7,047)	) 45,502
Add/(deduct):				
Intercompany interest expense/(income)	(795)	) (396)	) 1,191	-
Interest income	(256)	) (12)	) (23)	) (291)
Legal expenses of OIG investigation	483	-	-	483
Acquisition expenses	2	85	-	87
HVAC shut-down costs	-	1,126	-	1,126
Advertising cost adjustment	-	(468)	) -	(468)
Expenses of class action litigation	-	116	-	116
Stock option expense	-	-	2,397	2,397
Expenses of securities litigation	-	-	68	68
Adjusted EBITDA	\$39,774	\$12,660	\$(3,414)	) \$49,020

For the three months ended September 30, 2011

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	\$20,970	\$8,016	\$(7,099)	) \$21,887
Add/(deduct):				
Interest expense	62	132	3,361	3,555
Income taxes	12,823	4,864	(3,753)	) 13,934
Depreciation	4,123	2,058	132	6,313
Amortization	510	156	468	1,134
EBITDA	38,488	15,226	(6,891)	) 46,823
Add/(deduct):				
Intercompany interest expense/(income)	(834)	) (451)	) 1,285	-
Interest income	(43)	) (12)	) (19)	) (74)
Legal expenses of OIG investigation	212	-	-	212
Acquisition expenses	2	-	-	2
Advertising cost adjustment	-	(585)	) -	(585)
Expenses of class action litigation	-	770	-	770
Stock option expense	-	-	2,408	2,408
Adjusted EBITDA	\$37,825	\$14,948	\$(3,217)	) \$49,556

## Consolidating Summary and Reconciliation of Adjusted EBITDA

## Chemed Corporation and Subsidiary Companies

(in thousands)

For the nine months ended

September 30, 2012

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	\$ 61,999	\$ 21,715	\$ (21,150 )	\$ 62,564
Add/(deduct):				
Interest expense	188	364	10,480	11,032
Income taxes	38,080	13,341	(11,580 )	39,841
Depreciation	12,521	6,264	393	19,178
Amortization	1,467	471	1,437	3,375
EBITDA	114,255	42,155	(20,420 )	135,990
Add/(deduct):				
Intercompany interest expense/(income)	(2,361 )	(1,221 )	3,582	-
Interest income	(328 )	(22 )	(51 )	(401 )
Legal expenses of OIG investigation	749	-	-	749
Acquisition expenses	2	120	-	122
HVAC shut-down costs	-	1,126	-	1,126
Advertising cost adjustment	-	(1,870 )	-	(1,870 )
Expenses of class action litigation	-	843	-	843
Stock option expense	-	-	6,709	6,709
Expenses of securities litigation	-	-	265	265
Adjusted EBITDA	\$ 112,317	\$ 41,131	\$ (9,915 )	\$ 143,533

For the nine months ended

September 30, 2011

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	\$ 57,684	\$ 25,618	\$ (23,028 )	\$ 60,274
Add/(deduct):				
Interest expense	172	274	9,814	10,260
Income taxes	35,080	15,692	(12,724 )	38,048
Depreciation	12,489	6,067	403	18,959
Amortization	1,513	443	1,287	3,243
EBITDA	106,938	48,094	(24,248 )	130,784
Add/(deduct):				
Intercompany interest expense/(income)	(3,263 )	(1,742 )	5,005	-
Interest income	(86 )	(28 )	(83 )	(197 )
Legal expenses of OIG investigation	1,209	-	-	1,209
Acquisition expenses	117	(6 )	-	111
Advertising cost adjustment	-	(1,442 )	-	(1,442 )
	-	1,451	-	1,451

Edgar Filing: CHEMED CORP - Form 10-Q

Expenses of class action litigation				
Stock option expense	-	-	6,903	6,903
Long-term incentive compensation	-	-	3,012	3,012
Adjusted EBITDA	\$ 104,915	\$ 46,327	\$ (9,411 )	\$ 141,831

-31-

---

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

OPERATING STATISTICS	Three Months Ended September 30,		Nine Months Ended September 30,			
	2012	2011	2012	2011		
Net revenue (\$000)						
Homecare	\$197,764	\$184,155	\$577,511	\$529,874		
Inpatient	28,082	28,292	86,481	82,861		
Continuous care	42,144	40,113	127,481	117,950		
Total before Medicare cap allowance	\$267,990	\$252,560	\$791,473	\$730,685		
Medicare cap allowance	-	384	2,577	1,027		
Total	\$267,990	\$252,944	\$794,050	\$731,712		
Net revenue as a percent of total before Medicare cap allowance						
Homecare	73.8	% 72.9	% 73.0	% 72.5	% 72.5	
Inpatient	10.5	11.2	10.9	11.3		
Continuous care	15.7	15.9	16.1	16.2		
Total before Medicare cap allowance	100.0	100.0	100.0	100.0		
Medicare cap allowance	-	0.2	0.3	0.1		
Total	100.0	% 100.2	% 100.3	% 100.1	% 100.1	
Average daily census (days)						
Homecare	10,123	9,485	9,904	9,185		
Nursing home	3,073	3,118	3,031	3,062		
Routine homecare	13,196	12,603	12,935	12,247		
Inpatient	460	456	466	451		
Continuous care	621	599	630	601		
Total	14,277	13,658	14,031	13,299		
Total Admissions	15,539	14,879	47,773	45,971		
Total Discharges	15,340	14,682	47,064	45,104		
Average length of stay (days)	78.5	80.1	78.3	78.7		
Median length of stay (days)	15.0	15.0	15.0	14.0		
ADC by major diagnosis						
Neurological	33.9	% 34.3	% 34.1	% 34.4	% 34.4	
Cancer	17.3	17.5	17.6	17.7		
Cardio	11.2	11.3	11.4	11.6		
Respiratory	6.7	6.6	6.7	6.8		
Other	30.9	30.3	30.2	29.5		
Total	100.0	% 100.0	% 100.0	% 100.0	% 100.0	
Admissions by major diagnosis						
Neurological	19.3	% 19.0	% 19.3	% 19.3	% 19.3	
Cancer	34.0	34.7	33.3	33.1		
Cardio	10.5	10.4	11.1	10.9		
Respiratory	7.4	7.8	8.1	8.5		
Other	28.8	28.1	28.2	28.2		
Total	100.0	% 100.0	% 100.0	% 100.0	% 100.0	
Direct patient care margins						

Edgar Filing: CHEMED CORP - Form 10-Q

Routine homecare	52.5	%	52.4	%	51.8	%	52.0	%
Inpatient	9.2		12.4		12.0		12.9	
Continuous care	19.0		20.7		19.6		20.5	
Homecare margin drivers (dollars per patient day)								
Labor costs	\$54.69		\$53.13		\$55.64		\$53.88	
Drug costs	8.11		8.26		8.25		8.14	
Home medical equipment	7.03		6.64		6.88		6.65	
Medical supplies	2.77		2.81		2.77		2.80	
Inpatient margin drivers (dollars per patient day)								
Labor costs	\$326.95		\$312.72		\$320.79		\$310.25	
Continuous care margin drivers (dollars per patient day)								
Labor costs	\$575.21		\$555.63		\$571.56		\$550.09	
Bad debt expense as a percent of revenues	0.8	%	0.8	%	0.8	%	0.7	%
Accounts receivable --								
Days of revenue outstanding- excluding unapplied Medicare payments	35.4		38.9			n.a		n.a
Days of revenue outstanding- including unapplied Medicare payments	27.9		34.6			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

Our primary market risk exposure relates to interest rate risk exposure through variable interest rate borrowings. At September 30, 2012, we had no variable rate debt outstanding. At September 30, 2012, the fair value of the Notes approximates \$197.1 million which have a face value of \$187.0 million.

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 nine months of 2012:

	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share	Cumulative Shares Repurchased Under the Program	Dollar Amount Remaining Under The Program
February 2011 Program				
January 1 through January 31, 2012	-	\$ -	2,602,513	\$ 75,268,254
February 1 through February 29, 2012	-	-	2,602,513	75,268,254
March 1 through March 31, 2012	-	-	2,602,513	\$ 75,268,254
First Quarter Total	-	\$ -		
April 1 through April 30, 2012	-	\$ -	2,602,513	\$ 75,268,254
May 31 through May 31, 2012	168,812	55.77	2,771,325	65,853,060
June 1 through June 30, 2012	31,088	55.42	2,802,413	\$ 64,130,136
Second Quarter Total	199,900	\$ 55.72		
July 1 through July 31, 2012	-	\$ -	-	\$ 64,130,136
August 1 through August 31, 2012	9,334	62.75	2,811,747	63,544,438
September 1 through September 30, 2012	-	-	-	\$ 63,544,438
Third Quarter Total	9,334	\$ 62.75		

## 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: November 2, 2012 By: /s/ Kevin J. McNamara  
Kevin J. McNamara  
(President and Chief Executive Officer)

Dated: November 2, 2012 By: /s/ David P. Williams  
David P. Williams



(Executive Vice President and Chief  
Financial Officer)

Dated:

November 2, 2012

By:

/s/ Arthur V. Tucker, Jr.  
Arthur V. Tucker, Jr.  
(Vice President and Controller)

-35-