CHEMED CORP
Form 10-Q
October 30, 2015

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

(Mark One)

x	Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended September 30, 2015
o	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-8351

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

Delaware (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) 762-6690
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

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

Large accelerated filer	x	Accelerated filer	o	Non-accelerated filer	o	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

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

Class	Amount	Date
Capital Stock $1 Par Value	16,879,147 Shares	September 30, 2015

CHEMED CORPORATION AND
SUBSIDIARY COMPANIES

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

	September 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 38,450	$ 14,132
Accounts receivable less allowances of $16,548 (2014 - $14,728)	123,665	124,607
Inventories	6,545	6,168
Current deferred income taxes	17,323	15,414
Prepaid income taxes	3,299	2,787
Prepaid expenses	11,493	11,456
Total current assets	200,775	174,564
Investments of deferred compensation plans	49,951	49,147
Properties and equipment, at cost, less accumulated depreciation of $195,446 (2014 - $185,735)	111,221	105,336
Identifiable intangible assets less accumulated amortization of $33,174 (2014 - $32,772)	55,834	56,027
Goodwill	472,407	466,722
Other assets	7,450	8,136
Total Assets	$ 897,638	$ 859,932
LIABILITIES		
Current liabilities		
Accounts payable	$ 52,468	$ 46,849
Current portion of long-term debt	7,500	6,250
Income taxes	736	5,818
Accrued insurance	42,356	40,814
Accrued compensation	59,533	50,718
Accrued legal	1,698	753
Other current liabilities	22,472	24,352
Total current liabilities	186,763	175,554
Deferred income taxes	29,370	29,945
Long-term debt	130,625	141,250
Deferred compensation liabilities	49,282	48,684
Other liabilities	13,022	13,143
Total Liabilities	409,062	408,576
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Capital stock - authorized 80,000,000 shares $1 par; issued 33,816,088 shares (2014 - 33,337,297 shares)	33,816	33,337
Paid-in capital	581,342	538,845
Retained earnings	839,979	771,176
	(968,946)	(894,285)

Treasury stock - 17,037,021 shares (2014 - 16,446,572)				
Deferred compensation payable in Company stock		2,385		2,283
Total Stockholders' Equity		488,576		451,356
Total Liabilities and Stockholders' Equity	$	897,638	$	859,932

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Service revenues and sales	$386,226	$358,389	$1,144,799	$1,076,871
Cost of services provided and goods sold (excluding depreciation)	272,089	256,445	811,637	771,271
Selling, general and administrative expenses	55,197	53,566	171,779	162,886
Depreciation	8,075	7,450	24,189	21,871
Amortization	737	717	1,895	2,461
Total costs and expenses	336,098	318,178	1,009,500	958,489
Income from operations	50,128	40,211	135,299	118,382
Interest expense	(908)	(980)	(2,846)	(7,224)
Other income/(expense) - net	(2,355)	705	(1,256)	2,277
Income before income taxes	46,865	39,936	131,197	113,435
Income taxes	(18,032)	(15,351)	(50,852)	(43,913)
Net income	$28,833	$24,585	$80,345	$69,522
Earnings Per Share				
Net income	$1.71	$1.44	$4.76	$4.03
Average number of shares outstanding	16,865	17,039	16,887	17,263
Diluted Earnings Per Share				
Net income	$1.65	$1.39	$4.61	$3.87
Average number of shares outstanding	17,422	17,627	17,430	17,968
Cash Dividends Per Share	$0.24	$0.22	$0.68	$0.62

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, 2015	2014
Cash Flows from Operating Activities		
Net income	$80,345	$69,522
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,084	24,332
Deferred income taxes	(2,694)	5,630
Provision for uncollectible accounts receivable	11,100	9,573
Amortization of discount on convertible notes	-	3,392
Stock option expense	3,600	3,430
Amortization of debt issuance costs	392	697
Noncash long-term incentive compensation	3,755	1,988
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:		
Increase in accounts receivable	(10,110)	(50,027)
Decrease/(increase) in inventories	(373)	318
Decrease in prepaid expenses	68	4,398
Increase/(decrease) in accounts payable and other current liabilities	5,956	(29,680)
Increase in income taxes	3,049	8,186
Increase in other assets	(605)	(3,138)
Increase in other liabilities	524	5,370
Excess tax benefit on share-based compensation	(8,474)	(3,737)
Other sources	467	755
Net cash provided by operating activities	113,084	51,009
Cash Flows from Investing Activities		
Capital expenditures	(30,194)	(31,745)
Business combinations, net of cash acquired	(6,614)	(250)
Other sources	396	189
Net cash used by investing activities	(36,412)	(31,806)
Cash Flows from Financing Activities		
Proceeds from revolving line of credit	103,200	308,600
Payments on revolving line of credit	(108,200)	(233,800)
Payments on other long-term debt	(4,375)	(188,206)
Proceeds from other long-term debt	-	100,000
Purchases of treasury stock	(36,682)	(99,103)
Proceeds from exercise of stock options	11,193	22,123
Dividends paid	(11,542)	(10,558)
Capital stock surrendered to pay taxes on stock-based compensation	(11,226)	(6,121)
Retirement of warrants	-	(2,645)
Excess tax benefit on share-based compensation	8,474	3,737
Debt issuance costs	-	(939)
Increase/(decrease) in cash overdrafts payable	(1,745)	22,233
Other uses	(1,451)	(380)

Net cash used by financing activities	(52,354)	(85,059)
Increase/(Decrease) in Cash and Cash Equivalents	24,318	(65,856)
Cash and cash equivalents at beginning of year	14,132	84,418
Cash and cash equivalents at end of period	$38,450	$18,562

See accompanying notes to unaudited consolidated financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
Notes to Unaudited Consolidated Financial Statements

1. Basis of Presentation

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

We have prepared the accompanying unaudited consolidated financial statements of Chemed in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, we have omitted certain disclosures required under generally accepted accounting principles in the United States (“GAAP”) for complete financial statements. The December 31, 2014 balance sheet data were derived from audited financial statements but do not include all disclosures required by GAAP. However, in our opinion, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to state fairly our financial position, results of operations and cash flows. These financial statements are prepared on the same basis as and should be read in conjunction with the audited Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2014.

2. Revenue Recognition

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

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether they are likely to exceed the annual per-beneficiary Medicare cap (“Medicare cap”). Should we determine that revenues for a program are likely to exceed the Medicare cap based on projected trends, we attempt to institute corrective action to influence the patient mix or to increase patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare cap, we estimate the amount of revenue recognized during the period that will require repayment to the Federal government under the Medicare cap and record the amount as a reduction to patient revenue.

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

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

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

	September 30, 2015	September 30, 2014
Beginning balance January 1,	$6,112	$8,260
2015 measurement period	(165)	-
2014 measurement period	-	1,796
Payments	(4,782)	(3,439)
Ending balance September 30,	$1,165	$6,617

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,	
2015	2014	2015	2014
$ 1,929	$ 1,827	$ 5,788	$ 5,518

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,	
	2015	2014	2015	2014
Service Revenues and Sales				
VITAS	$285,008	$265,384	$831,081	$789,822
Roto-Rooter	101,218	93,005	313,718	287,049
Total	$386,226	$358,389	$1,144,799	$1,076,871
After-tax Earnings				
VITAS	$25,723	$21,593	$66,839	$60,645
Roto-Rooter	10,961	9,848	35,122	30,599
Total	36,684	31,441	101,961	91,244
Corporate	(7,851)	(6,856)	(21,616)	(21,722)
Net income	$28,833	$24,585	$80,345	$69,522

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

4. Earnings per Share

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

	Net Income		
For the Three Months Ended September 30,	Income	Shares	Earnings per Share
2015			
Earnings	$ 28,833	16,865	$ 1.71
Dilutive stock options	-	399	
Nonvested stock awards	-	158	
Diluted earnings	$ 28,833	17,422	$ 1.65
2014			
Earnings	$ 24,585	17,039	$ 1.44
Dilutive stock options	-	416	
Nonvested stock awards	-	151	
Conversion of notes	-	21	
Diluted earnings	$ 24,585	17,627	$ 1.39

For the Nine Months Ended September 30,	Net Income Income	Shares	Earnings per Share
2015			
Earnings	$ 80,345	16,887	$ 4.76
Dilutive stock options	-	391	
Nonvested stock awards	-	152	
Diluted earnings	$ 80,345	17,430	$ 4.61
2014			
Earnings	$ 69,522	17,263	$ 4.03
Dilutive stock options	-	402	
Nonvested stock awards	-	147	
Conversion of Notes	-	156	
Diluted earnings	$ 69,522	17,968	$ 3.87

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

For the three and nine-months ended September 30, 2014 diluted earnings per share was impacted by the issuance of 249,000 shares of capital stock under the conversion feature of our 1.875% Senior Convertible Notes (the "Notes") on the May 15, 2014 maturity date. Assuming these shares were issued April 1, 2014 increases average diluted shares outstanding for the first nine months of 2014 by 135,000 shares.

5. Long-Term Debt

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

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

Revolver	$45,000
Term loan	93,125
Total	138,125
Current portion of term loan	(7,500)
Long-term debt	$130,625

Scheduled principal payments of the term loan are as follows:

2015	$1,875
2016	7,500
2017	8,750
2018	10,000
2019	65,000
	$93,125

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The 2014 Credit Agreement contains the following quarterly financial covenants:

Description	Requirement
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00
Fixed Charge Coverage Ratio (Consolidated Free Cash Flow/Consolidated Fixed Charges)	> 1.50 to 1.00
Annual Operating Lease Commitment	< $50.0 million

We are in compliance with all debt covenants as of September 30, 2015. We have issued $36.6 million in standby letters of credit as of September 30, 2015 for insurance purposes. Issued letters of credit reduce our available credit under the 2014 Credit Agreement. As of September 30, 2015, we have approximately $268.4 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility.

6. Other Income/(Expense) – Net

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Market value gains/(losses) on assets held in deferred compensation trust	$(2,328)	$896	$(880)	$2,708
Loss on disposal of property and equipment	(116)	(167)	(131)	(493)
Interest income - net	77	(13)	207	(5)
Other - net	12	(11)	(452)	67
Total other income/(expense) - net	$(2,355)	$705	$(1,256)	$2,277

7. Stock-Based Compensation Plans

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

On February 20, 2015, the ("CIC") granted 10,761 Performance Stock Units ("PSUs") contingent upon the achievement of certain total shareholders return ("TSR") targets as compared to the TSR of a group of peer companies for the three-year period ending December 31, 2017, the date at which such awards vest. The cumulative compensation cost of the TSR-based PSU award to be recorded over the three year service period is $1.5 million.

On February 20, 2015, the CIC also granted 10,761 PSUs contingent upon the achievement of certain earnings per share ("EPS") targets for the three-year period ending December 31, 2017. At the end of each reporting period, the Company estimates the number of shares that it believes will ultimately be earned and records that expense over the service period of the award. We currently estimate the cumulative compensation cost of the EPS-based PSUs to be recorded over the three year service period is $1.9 million.

8. Independent Contractor Operations

The Roto-Rooter segment sublicenses with 69 independent contractors to operate certain plumbing repair and drain cleaning businesses in lesser-populated areas of the United States and Canada. We had notes receivable from our independent contractors as of September 30, 2015 totaling $1.9 million (December 31, 2014 - $1.6 million). In most cases these loans are fully or partially secured by equipment owned by the contractor. The interest rates on the loans range from 0% to 7% per annum and the remaining terms of the loans range from 2 months to 5 years at September 30, 2015. We recorded the following from our independent contractors (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues	$9,119	$8,751	$28,110	$26,964
Pretax profits	5,435	4,946	16,653	15,341

9. Retirement Plans

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

Three months ended September 30,		Nine months ended September 30,	
2015	2014	2015	2014
$ 458	$ 3,635	$ 7,636	$ 10,856

10. Legal and Regulatory Matters

The VITAS segment of the Company's business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, as well as to lawsuits, including qui tam actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. It is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or estimable.

Regulatory Matters and Litigation

On May 2, 2013, the government filed a False Claims Act complaint against the Company and certain of its hospice-related subsidiaries in the U.S. District Court for the Western District of Missouri, United States v. VITAS Hospice Services, LLC, et al., No. 4:13-cv-00449-BCW (the "2013 Action"). Prior to that date, the Company received various qui tam lawsuits and subpoenas from the U.S. Department of Justice and OIG that have been previously disclosed. The 2013 Action alleges that, since at least 2002, VITAS, and since 2004, the Company, submitted or caused the submission of false claims to the Medicare program by (a) billing Medicare for continuous home care services when the patients were not eligible, the services were not provided, or the medical care was inappropriate, and (b) billing Medicare for patients who were not eligible for the Medicare hospice benefit because they did not have a life expectancy of six months or less if their illnesses ran their normal course. This complaint seeks treble damages, statutory penalties, and the costs of the action, plus interest. The defendants filed a motion to dismiss on September 24, 2013. On September 30, 2014, the Court denied the motion, except to the extent that claims were filed before July 24, 2002. On November 13, 2014, the government filed a Second Amended Complaint. The Second Amended Complaint changed and supplemented some of the allegations, but did not otherwise expand the causes of action or the nature of the relief sought against VITAS. VITAS filed its Answer to the Second Amended Complaint on August 11, 2015. The Company is not able to reasonably estimate the probability of loss or range of loss at this time.

For additional procedural history of this litigation, please refer to our prior quarterly and annual filings. The costs incurred related to U.S. v. Vitas and related regulatory matters were $1.2 million and $450,000 for the quarters ended September 30, 2015 and 2014, respectively. For the nine months ended September 30, 2015 and 2014, the net costs were $3.8 million and $1.6 million respectively.

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

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

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

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

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

11. Concentration of Risk

VITAS has pharmacy services agreements ("Agreements") with Enclara Pharmacia (previously Hospice Pharmacia) and its subsidiaries whereby Enclara provides specified pharmacy services for VITAS and its hospice patients in geographical areas served by both VITAS and Enclara. VITAS made purchases from Enclara of $9.5 million and $8.8 million for the three months ended September 30, 2015 and 2014, respectively. VITAS made purchases from Enclara of $28.3 million and $26.5 million for the nine months ended September 30, 2015 and 2014, respectively. For the three and nine month periods ending September 30, 2015 and 2014, respectively, purchases from this vendor exceed 90% of all pharmacy services used by VITAS.

12. Cash Overdrafts and Cash Equivalents

Included in accounts payable at September 30, 2015 is cash overdrafts payable of $8.8 million (December 31, 2014 - $10.5 million).

From time to time throughout the year, we invest excess cash in money market funds with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. We had $52,000 in cash equivalents as of September 30, 2015. There was $80,000 in cash equivalents as of December 31, 2014. The weighted average rate of return for our cash equivalents was 0.10% at September 30, 2015 and 0.06% at December 31, 2014.

13. Financial Instruments

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

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of September 30, 2015 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual fund investments of deferred compensation plans held in trust	$ 49,951	$ 49,951	$ -	$ -
Long-term debt	138,125	-	138,125	-

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

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2014 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual fund investments of deferred compensation plans held in trust	$ 49,147	$ 49,147	$ -	$ -
Long-term debt	147,500	-	147,500	-

14. Capital Stock Repurchase Plan Transactions

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

	Three months ended September 30,	Nine months ended September 30,

	2015	2014	2015	2014
Total cost of repurchased shares	$18,230	$40,610	$47,992	$99,103
Shares repurchased	135,765	400,000	385,765	1,082,934
Weighted average price per share	$134.28	$101.53	$124.41	$91.51

In March 2015, the Board of Directors authorized an additional $100 million for stock repurchase under Chemed's existing share repurchase program. We currently have $63.8 million of authorization remaining under this share repurchase plan.

Of the $18.2 million and $48.0 million in repurchases made during the three and nine months ended September 30, 2015 respectively, $11.3 million was paid for in October 2015. Amounts repurchased but settled subsequent to the end of the periods are considered non-cash financing activities and excluded from the Consolidated Statement of Cash Flows.

15. Recent Accounting Statements

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

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

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

In August 2015, the FASB issued Accounting Standards Update No. 2015-15, "ASU No. 2015-15- Interest – Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line of Credit Arrangements". This Accounting Standards Update adds SEC paragraphs pursuant to the SEC Staff Accouncement at the June 18, 2015 Emerging Issues Task Force (EITF) meeting. Given the absence of authoritative guidance within Update 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. We do not expect this interpretation to have a material impact on our consolidated financial position, results of operations or cash flows.

16. Business Combinations

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

Shown below is movement in Goodwill (in thousands):

	Vitas	Roto-Rooter	Total
Balance at January 1, 2014	$328,450	$ 138,421	$466,871
Business combinations	-	198	198
Foreign currency adjustments	-	(198)	(198)

Program closing	(149)	-	(149)
Balance at December 31, 2014	$328,301	$138,421	$466,722
Business combinations	-	5,944	5,944
Foreign currency adjustments	-	(259)	(259)
Balance at September 30, 2015	$328,301	$144,106	$472,407

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Service revenues and sales	$386,226	$358,389	$1,144,799	$1,076,871
Net income	$28,833	$24,585	$80,345	$69,522
Diluted EPS	$1.65	$1.39	$4.61	$3.87
Adjusted net income	$30,934	$26,058	$87,481	$76,351
Adjusted diluted EPS	$1.78	$1.48	$5.02	$4.28
Adjusted EBITDA	$59,410	$50,946	$169,948	$150,831
Adjusted EBITDA as a % of revenue	15.4 %	14.2 %	14.8 %	14.0 %

Adjusted net income, adjusted diluted EPS, earnings before interest, taxes and depreciation and amortization ("EBITDA") and Adjusted EBITDA are not measures derived in accordance with GAAP. We provide non-GAAP measures to help readers evaluate our operating results, compare our operating performance with that of similar companies that have different capital structures and help evaluate our ability to meet future debt service, capital expenditure and working capital requirements. Our non-GAAP measures should not be considered in isolation or as a substitute for comparable measures presented in accordance with GAAP. A reconciliation of our non-GAAP measures are presented on pages 26-28.

For the three months ended September 30, 2015, the increase in consolidated service revenues and sales was driven by an 8.8% increase at Roto-Rooter and a 7.4% increase at VITAS. The increase in service revenues at Roto-Rooter was driven by an increase in all major service lines. The increase in service revenues at VITAS was a result of Medicare reimbursement rates increasing 1.4%, a 7.4% increase in days of care, offset by geographical and level of care mix shift. Consolidated net income increased 17.3% due to higher revenues at both VITAS and Roto-Rooter combined with leveraging our current infrastructure resulting in operating costs growing at a slower rate than revenue. Diluted EPS increased 18.7% as a result of the increase in net income as well as a lower number of shares outstanding. Adjusted EBITDA as a percent of revenue increased 1.2%. See page 29 for additional VITAS operating metrics.

For the nine months ended September 30, 2015, the increase in consolidated service revenues and sales was driven by a 9.3% increase at Roto-Rooter and a 5.2% increase at VITAS. The increase in service revenues at Roto-Rooter was driven primarily by an increase in the water restoration business line as well as an increase in plumbing revenue. The increase in service revenues at VITAS was a result of Medicare reimbursement rates increasing 1.4%, a 5.4% increase in days of care offset by level of care and geographical mix shift. Consolidated net income increased 15.6% due to higher revenues at both VITAS and Roto-Rooter combined with leveraging our current infrastructure resulting in operating costs growing at a slower rate than revenue. Diluted EPS increased 19.1% as a result of the increase in net income as well as a lower number of shares outstanding. Adjusted EBITDA as a percent of revenue increased 0.8%. See page 29 for additional VITAS operating metrics.

VITAS expects its full-year 2015 revenue growth, prior to Medicare cap, to be in the range of 4.0% to 5.0%. Admissions in 2015 are estimated to increase 4.0% to 5.0%. Adjusted EBITDA margin, prior to Medicare cap, is estimated to be 14.0% to 15.0%. Medicare cap billing limitations are estimated to be $1.0 million in 2015. Roto-Rooter expects full-year 2015 revenue growth of 6.0% to 7.0%. The revenue estimate is a result of continued expansion in water restoration services and increased job pricing of approximately 1.0%. Adjusted EBITDA margin for 2015 is estimated in the range of 19.5% to 20.0%. We anticipate that our operating income and cash flows will be sufficient to operate our businesses and meet any commitments for the foreseeable future.

Financial Condition

Liquidity and Capital Resources

Material changes in the balance sheet accounts from December 31, 2014 to September 30, 2015 include the following:

- A $24.3 million increase in cash due to cash generated by operations and an increase in borrowings on our revolving line of credit partially offset by treasury stock purchases, capital expenditures and cash dividends.
- A $5.9 million increase in properties and equipment due mainly to expenditures related to the water restoration business line at Roto-Rooter.
- A $5.7 million increase in goodwill due to two acquisitions at Roto-Rooter.
- A $5.6 million increase in accounts payable due to timing of payments.
- A $5.1 million decrease in income taxes due to timing of payments.
- An $8.8 million increase in accrued compensation due primarily to timing of payroll payments.
- A $10.6 million decrease in long-term debt due primarily to payments made.

Net cash provided by operating activities increased $62.1 million primarily as a result of higher net income, payment of litigation settlements in 2014 that did not recur in 2015 and the timing of other disbursements. Management continually evaluates cash utilization alternatives, including share repurchase, debt repurchase, acquisitions and increased dividends to determine the most beneficial use of available capital resources.

We have issued $36.6 million in standby letters of credit as of September 30, 2015, for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of September 30, 2015, we have approximately $268.4 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

Significant changes in our accounts receivable balances are driven mainly by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $35.0 million from the Federal government from hospice services every other Friday. The timing of period end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two year period, as cash flow variations in one year are offset in the following year.

Commitments and Contingencies

Collectively, the terms of our credit agreements require us to meet various financial covenants, to be tested quarterly. We are in compliance with all financial and other debt covenants as of September 30, 2015 and anticipate remaining in compliance throughout the foreseeable future.

The VITAS segment of the Company's business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, as well as to lawsuits, including qui tam actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. It is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or estimable.

On May 2, 2013, the government filed a False Claims Act complaint against the Company and certain of its hospice-related subsidiaries in the U.S. District Court for the Western District of Missouri, United States v. VITAS Hospice Services, LLC, et al., No. 4:13-cv-00449-BCW (the "2013 Action"). Prior to that date, the Company received various subpoenas from the U.S. Department of Justice and OIG that have been previously disclosed. The 2013 Action alleges that, since at least 2002, VITAS, and since 2004, the Company, submitted or caused the submission of false claims to the Medicare program by (a) billing Medicare for continuous home care services when the patients were not eligible, the services were not provided, or the medical care was inappropriate, and (b) billing Medicare for patients who were not eligible for the Medicare hospice benefit because they did not have a life expectancy of six months or less if their illnesses ran their normal course. This complaint seeks treble damages, statutory penalties, and the costs of the action, plus interest. The defendants filed a motion to dismiss on September 24, 2013. On September 30, 2014, the Court denied the motion, except to the extent that claims were filed before July 24, 2002. On November 13, 2014, the government filed a Second Amended Complaint. The Second Amended Complaint changed and supplemented some of the allegations, but did not otherwise expand the causes of action or the nature of the relief sought against VITAS. The Court granted the motion to file the Second Amended Complaint on July 24, 2015. VITAS filed its Answer to the Second Amended Complaint on August 11, 2015. The Company is not able to reasonably estimate the probability of loss or range of loss at this time.

For additional procedural history of this litigation, please refer to our prior quarterly and annual filings. The costs incurred related to U.S. v. Vitas and related regulatory matters were $1.2 million and $450,000 for the quarters ended September 30, 2015 and 2014, respectively. For the nine months ended September 30, 2015 and 2014, the net costs were $3.8 million and $1.6 million, respectively.

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

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

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

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

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

Results of Operations

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

Our service revenues and sales for the third quarter of 2015 increased 7.8% versus services and sales revenues for the third quarter of 2014. Of this increase, $19.6 million was attributable to VITAS and $8.2 million was attributable to Roto-Rooter. The following chart shows the components of those changes (in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS		
Routine homecare	$17,987	8.8
Continuous care	(122)	(0.3)
General inpatient	(741)	(3.0)
Medicare cap	2,500	100.0
Roto-Rooter		
Plumbing	3,869	9.4
Drain cleaning	1,167	3.6
Water restoration	2,843	53.5
Contractor operations	368	4.2
Other	(34)	(0.7)
Total	$27,837	7.8

The increase in VITAS' revenues for the third quarter of 2015 versus the third quarter of 2014 was a combination of Medicare reimbursement rates increasing approximately 1.4% and a 7.4% increase in days of care offset by level of care and geographical mix shift.

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

	Days of Care		Increase/(Decrease)
	2015	2014	Percent
Routine homecare	1,357,688	1,256,844	8.0
Continuous care	51,652	51,642	-
General inpatient	37,121	38,347	(3.2)
Total days of care	1,446,461	1,346,833	7.4

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

The increase in plumbing revenues for the third quarter of 2015 versus 2014 is attributable to a 7.3% increase in job count and a 2.1% increase in a combination of price and service mix shift. Drain cleaning revenues for the third quarter of 2015 versus 2014 reflect a 1.3% increase in the number of jobs performed combined with a price and service mix shift of 2.3%. Water restoration increased 53.5% as a result of continued expansion of this service offering into other Roto-Rooter locations. Water restoration is the remediation or removal of water and humidity after a flood. Contractor operations increased 4.2% and Other Roto-Rooter revenue decreased 0.7%.

The consolidated gross margin was 29.6% in the third quarter of 2015 as compared with 28.4% in the third quarter of 2014. On a segment basis, VITAS' gross margin was 23.3% in the third quarter of 2015 as compared with 22.0%, in the third quarter of 2014. This increase was the mainly the result of a $2.5 million charge in Medicare cap in 2014 versus none in 2015 and favorable health insurance claims experience. The Roto-Rooter segment's gross margin was 47.1% for the third quarter of 2015, essentially flat when compared to the third quarter of 2014.

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

	Three months ended September 30, 2015	2014
SG&A expenses before the impact of market gains/(losses) of deferred compensation plans, long-term incentive compensation, and OIG investigation expenses	$55,010	$51,218
Long-term incentive compensation	1,364	1,002
Expenses related to OIG investigation	1,151	450
Impact of market value gains/(losses) related to assets held in deferred compensation trusts	(2,328)	896
Total SG&A expenses	$55,197	$53,566

SG&A expenses before long-term incentive compensation, expenses related to OIG investigation and the impact of market gains/(losses) of deferred compensation plans for the third quarter of 2015 were up 7.4% when compared to the third quarter of 2014. The increase was mainly a result of the increase in variable expenses caused by increased revenue as well as normal salary increases, higher incentive compensation costs and higher bad debt expense in 2015.

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

	Three months ended September 30, 2015	2014
Market value gains/(losses) on assets held in deferred compensation trusts	$(2,328)	$896
Loss on disposal of property and equipment	(116)	(167)
Interest income - net	77	(13)
Other	12	(11)
Total other income/(expense) - net	$(2,355)	$705

Our effective income tax rate was 38.5% in the third quarter of 2015 essentially equal to the third quarter of 2014.

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

	Three months ended September 30, 2015	2014
VITAS		
Expenses related to OIG investigation	$(711)	$(279)
Roto-Rooter		
Acquisition expenses	(18)	-
Recoveries related to litigation settlements	-	143
Corporate		
Stock option expense	(509)	(615)
Long-term incentive compensation	(863)	(634)
Expenses related to securities litigation	-	(88)
Total	$(2,101)	$(1,473)

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

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

	Increase/(Decrease)	
	Amount	Percent
VITAS	$4,130	19.1
Roto-Rooter	1,113	11.3
Corporate	(995)	(14.5)
	$4,248	17.3

VITAS' after-tax earnings were positively impacted in 2015 compared to 2014 by a $19.6 million increase in revenue. After-tax earnings as a percent of revenue in the third quarter of 2015 were 9.0%, an increase of 0.9% over the third quarter of 2014.

Roto-Rooter's after-tax earnings were positively impacted in 2015 compared to 2014 primarily by a $2.8 million revenue increase in Roto-Rooter's water restoration line of business, a $3.9 million increase in plumbing revenue and a $1.2 million increase in sewer and drain cleaning revenue. After-tax earnings as a percent of revenue at Roto-Rooter in 2015 were 10.8% as compared to 10.6% in 2014.

Results of Operations

Nine months ended September 30, 2015 versus 2014 - Consolidated Results

Our service revenues and sales for the first nine months of 2015 increased 6.3% versus services and sales revenues for the first nine months of 2014. Of this increase, $41.3 million was attributable to VITAS and $26.7 million was attributable to Roto-Rooter. The following chart shows the components of those changes (in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS		
Routine homecare	$40,087	6.7
Continuous care	(237)	(0.2)
General inpatient	(552)	(0.7)
Medicare cap	1,961	109.2
Roto-Rooter		
Plumbing	8,395	6.5
Drain cleaning	(137)	(0.1)
Water restoration	17,539	171.4
Contractor operations	1,146	4.3
Other	(274)	(1.7)
Total	$67,928	6.3

The increase in VITAS' revenues for the first nine months of 2015 versus the first nine months of 2014 was a combination of Medicare reimbursement rates increasing approximately 1.4% and a 5.4% increase in days of care offset by level of care and geographical mix shift. In the first nine months of 2015, VITAS recorded a positive revenue adjustment of $165,000 related to one program's Medicare cap liability recorded in the fourth quarter of 2014. This compares to a negative revenue adjustment of $1.8 million recorded in the first nine months of 2014.

Days of care for the nine months ended September 30 were as follows:

	Days of Care		Increase/(Decrease)
	2015	2014	Percent
Routine homecare	3,899,900	3,685,923	5.8
Continuous care	155,742	155,119	0.4
General inpatient	115,700	117,105	(1.2)
Total days of care	4,171,342	3,958,147	5.4

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

The increase in plumbing revenues for the first nine months of 2015 versus 2014 is attributable to a combination of a 1.3% increase in job count, and a 5.2% increase in price and service mix shift. Drain cleaning revenues for the first nine months of 2015 versus 2014 reflect a 3.3% decrease in the number of jobs performed, offset by a 3.2% increase in a combination of price and service mix shift. Water restoration increased 171.4% as a result of continued expansion of this service offering into other Roto-Rooter locations. Water restoration is the remediation or removal of water and humidity after a flood. Contractor operations increased 4.3% and Other Roto-Rooter revenue decreased 1.7%.

The consolidated gross margin was 29.1% in the first nine months of 2015 as compared with 28.3% in the first nine months of 2014. On a segment basis, VITAS' gross margin was 22.2% in the first nine months of 2015 as compared with 21.7% in the first nine months of 2014. This increase is mainly the result of favorable health insurance claims experience. The Roto-Rooter segment's gross margin was 47.5% for the first nine months of 2015 as compared with 46.7% for the first nine months of 2014. The gross margin increase was mainly the result of favorable health and casualty insurance experience during the first nine months of 2015.

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

	Nine months ended September 30,	
	2015	2014
SG&A expenses before the impact of market gains/(losses) of deferred compensation plans, long-term incentive compensation, and OIG investigation expenses	$165,067	$156,582
Long-term incentive compensation	3,755	1,988
Expenses related to OIG investigation	3,837	1,608
Impact of market value gains/(losses) related to assets held in deferred compensation trusts	(880)	2,708
Total SG&A expenses	$171,779	$162,886

SG&A expenses before long-term incentive compensation, expenses related to OIG investigation and the impact of market gains/(losses) of deferred compensation plans for the first nine months of 2015 were up 5.4% when compared to the first nine months of 2014. The increase was mainly a result of the increase in variable expenses caused by increased revenue as well as normal salary increases and higher bad debt expenses in 2015.

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

Nine months ended
September 30,

	2015	2014
Market value gains/(losses) on assets held in deferred compensation trusts	$(880)	$2,708
Loss on disposal of property and equipment	(131)	(493)
Interest income - net	207	(5)
Other	(452)	67
Total other income/(expense) - net	$(1,256)	$2,277

Our effective income tax rate was 38.8% in the first nine months of 2015, essentially equal to the first nine months of 2014.

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

	Nine Months Ended September 30,	
	2015	2014
VITAS		
Legal expenses of OIG investigation	$(2,369)	$(997)
Expenses related to litigation settlements	-	(70)
Acquisition expenses	-	(1)
Roto-Rooter		
Net expenses/(recoveries) related to litigation settlements	(3)	6
Acquisition expenses	(98)	-
Corporate		
Stock option expense	(2,268)	(2,159)
Noncash impact of change in accounting for convertible debt	-	(2,143)
Long-term incentive compensation	(2,375)	(1,258)
Expenses of securities litigation	(23)	(207)
Total	$(7,136)	$(6,829)

Nine months ended September 30, 2015 versus 2014 - Segment Results

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

	Increase/(Decrease)	
	Amount	Percent
VITAS	$6,194	10.2
Roto-Rooter	4,523	14.8
Corporate	106	0.5
	$10,823	15.6

VITAS' after-tax earnings were positively impacted in 2015 compared to 2014 by a $41.3 million increase in revenue. After-tax earnings as a percent of revenue in 2015 were 8.0% as compared to 7.7% in 2014.

Roto-Rooter's after-tax earnings were positively impacted in 2015 compared to 2014 primarily by a $17.5 million revenue increase in Roto-Rooter's water restoration line of business and an $8.4 million increase in plumbing revenue. After-tax earnings as a percent of revenue at Roto-Rooter in 2015 were 11.2% as compared to 10.7% in 2014. This increase is largely the result of higher sales and gross profit in 2015, partially offset by higher SG&A expenses. Favorable casualty and health insurance experience during 2015 contributed to the higher gross profit.

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2015 (a)				
Service revenues and sales	$ 285,008	$ 101,218	$ -	$ 386,226
Cost of services provided and goods sold	218,528	53,561	-	272,089
Selling, general and administrative expenses	22,241	27,437	5,519	55,197
Depreciation	4,631	3,300	144	8,075
Amortization	186	172	379	737
Total costs and expenses	245,586	84,470	6,042	336,098
Income/(loss) from operations	39,422	16,748	(6,042)	50,128
Interest expense	(54)	(80)	(774)	(908)
Intercompany interest income/(expense)	1,979	858	(2,837)	-
Other income/(expense)—net	(11)	(15)	(2,329)	(2,355)
Income/(expense) before income taxes	41,336	17,511	(11,982)	46,865
Income taxes	(15,613)	(6,550)	4,131	(18,032)
Net income/(loss)	$ 25,723	$ 10,961	$ (7,851)	$ 28,833

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (813)	$ (813)
Long-term incentive compensation	-	-	(1,364)	(1,364)
Acquisition expenses	-	(30)	-	(30)
Expenses related to OIG investigation	(1,151)	-	-	(1,151)
Total	$ (1,151)	$ (30)	$ (2,177)	$ (3,358)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (509)	$ (509)
Long-term incentive compensation	-	-	(863)	(863)
Acquisition expenses	-	(18)	-	(18)
Expenses related to OIG investigation	(711)	-	-	(711)
Total	$ (711)	$ (18)	$ (1,372)	$ (2,101)

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2014 (a)				
Service revenues and sales	$265,384	$93,005	$-	$358,389
Cost of services provided and goods sold	207,105	49,340	-	256,445
Selling, general and administrative expenses	20,224	25,682	7,660	53,566
Depreciation	4,530	2,772	148	7,450
Amortization	205	114	398	717
Total costs and expenses	232,064	77,908	8,206	318,178
Income/(loss) from operations	33,320	15,097	(8,206)	40,211
Interest expense	(55)	(87)	(838)	(980)
Intercompany interest income/(expense)	1,660	760	(2,420)	-
Other income/(expense)—net	(189)	(2)	896	705
Income/(expense) before income taxes	34,736	15,768	(10,568)	39,936
Income taxes	(13,143)	(5,920)	3,712	(15,351)
Net income/(loss)	$21,593	$9,848	$(6,856)	$24,585

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$-	$-	$(977)	$(977)
Long-term incentive compensation	-	-	(1,002)	(1,002)
Net recoveries related to litigation settlements	-	234	-	234
Expenses related to securities litigation	-	-	(138)	(138)
Expenses related to OIG investigation	(450)	-	-	(450)
Total	$(450)	$234	$(2,117)	$(2,333)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$-	$-	$(615)	$(615)
Long-term incentive compensation	-	-	(634)	(634)
Net recoveries related to litigation settlements	-	143	-	143
Expenses related to securities litigation	-	-	(88)	(88)
Expenses related to OIG investigation	(279)	-	-	(279)
Total	$(279)	$143	$(1,337)	$(1,473)

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2015 (a)				
Service revenues and sales	$831,081	$313,718	$-	$1,144,799
Cost of services provided and goods sold	646,801	164,836	-	811,637
Selling, general and administrative expenses	66,449	84,439	20,891	171,779
Depreciation	14,141	9,598	450	24,189
Amortization	523	408	964	1,895
Total costs and expenses	727,914	259,281	22,305	1,009,500
Income/(loss) from operations	103,167	54,437	(22,305)	135,299
Interest expense	(164)	(274)	(2,408)	(2,846)
Intercompany interest income/(expense)	5,461	2,501	(7,962)	-
Other income/(expense)—net	(395)	19	(880)	(1,256)
Income/(expense) before income taxes	108,069	56,683	(33,555)	131,197
Income taxes	(41,230)	(21,561)	11,939	(50,852)
Net income/(loss)	$66,839	$35,122	$(21,616)	$80,345

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$-	$-	$(3,600)	$(3,600)
Long-term incentive compensation	-	-	(3,755)	(3,755)
Expenses related to litigation settlements	-	(5)	-	(5)
Expenses related to securities litigation	-	-	(37)	(37)
Acquisition expenses	-	(161)	-	(161)
Expenses related to OIG investigation	(3,837)	-	-	(3,837)
Total	$(3,837)	$(166)	$(7,392)	$(11,395)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$-	$-	$(2,268)	$(2,268)
Long-term incentive compensation	-	-	(2,375)	(2,375)
Expenses related to litigation settlements	-	(3)	-	(3)
Expenses related to securities litigation	-	-	(23)	(23)
Acquisition expenses	-	(98)	-	(98)
Expenses related to OIG investigation	(2,369)	-	-	(2,369)
Total	$(2,369)	$(101)	$(4,666)	$(7,136)

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2014 (a)				
Service revenues and sales	$789,822	$287,049	$-	$1,076,871
Cost of services provided and goods sold	618,315	152,956	-	771,271
Selling, general and administrative expenses	62,939	78,569	21,378	162,886
Depreciation	13,709	7,732	430	21,871
Amortization	829	397	1,235	2,461
Total costs and expenses	695,792	239,654	23,043	958,489
Income/(loss) from operations	94,030	47,395	(23,043)	118,382
Interest expense	(167)	(295)	(6,762)	(7,224)
Intercompany interest income/(expense)	4,520	2,090	(6,610)	-
Other income/(expense)—net	(577)	137	2,717	2,277
Income/(expense) before income taxes	97,806	49,327	(33,698)	113,435
Income taxes	(37,161)	(18,728)	11,976	(43,913)
Net income/(loss)	$60,645	$30,599	$(21,722)	$69,522

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$-	$-	$(3,430)	$(3,430)
Noncash impact of accounting for convertible debt	-	-	(3,389)	(3,389)
Long-term incentive compensation	-	-	(1,988)	(1,988)
Net recoveries/(expenses) related to litigation settlements	(113)	9	-	(104)
Expenses related to securities litigation	-	-	(327)	(327)
Acquisition expenses	(1)	-	-	(1)
Expenses related to OIG investigation	(1,608)	-	-	(1,608)
Total	$(1,722)	$9	$(9,134)	$(10,847)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$-	$-	$(2,159)	$(2,159)
Noncash impact of accounting for convertible debt	-	-	(2,143)	(2,143)
Long-term incentive compensation	-	-	(1,258)	(1,258)
Net recoveries/(expenses) related to litigation settlements	(70)	6	-	(64)
Expenses related to securities litigation	-	-	(207)	(207)
Acquisition expenses	(1)	-	-	(1)
Expenses related to OIG investigation	(997)	-	-	(997)

Total	$(1,068)	$6	$(5,767)	$(6,829)

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies (in thousands) For the three months ended September 30, 2015	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$25,723	$10,961	$(7,851)	$28,833
Add/(deduct):				
Interest expense	54	80	774	908
Income taxes	15,613	6,550	(4,131)	18,032
Depreciation	4,631	3,300	144	8,075
Amortization	186	172	379	737
EBITDA	46,207	21,063	(10,685)	56,585
Add/(deduct):				
Intercompany interest expense/(income)	(1,979)	(858)	2,837	-
Interest income	(68)	(9)	-	(77)
Expenses related to OIG investigation	1,151	-	-	1,151
Acquisition expenses	-	30	-	30
Advertising cost adjustment	-	(456)	-	(456)
Stock option expense	-	-	813	813
Long-term incentive compensation	-	-	1,364	1,364
Adjusted EBITDA	$45,311	$19,770	$(5,671)	$59,410

For the three months ended September 30, 2014	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$21,593	$9,848	$(6,856)	$24,585
Add/(deduct):				
Interest expense	55	87	838	980
Income taxes	13,143	5,920	(3,712)	15,351
Depreciation	4,530	2,772	148	7,450
Amortization	205	114	398	717
EBITDA	39,526	18,741	(9,184)	49,083
Add/(deduct):				
Intercompany interest expense/(income)	(1,660)	(760)	2,420	-
Interest income	23	(9)	(1)	13
Expenses related to OIG investigation	450	-	-	450
Advertising cost adjustment	-	(483)	-	(483)
Expenses related to litigation settlements	-	(234)	-	(234)
Long-term incentive compensation	-	-	1,002	1,002
Stock option expense	-	-	977	977
Expenses related to securities litigation	-	-	138	138
Adjusted EBITDA	$38,339	$17,255	$(4,648)	$50,946

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies
(in thousands)

For the nine months ended September 30, 2015	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$66,839	$35,122	$(21,616)	$80,345
Add/(deduct):				
Interest expense	164	274	2,408	2,846
Income taxes	41,230	21,561	(11,939)	50,852
Depreciation	14,141	9,598	450	24,189
Amortization	523	408	964	1,895
EBITDA	122,897	66,963	(29,733)	160,127
Add/(deduct):				
Intercompany interest expense/(income)	(5,461)	(2,501)	7,962	-
Interest income	(179)	(27)	(1)	(207)
Expenses related to OIG investigation	3,837	-	-	3,837
Acquisition expenses	-	161	-	161
Expenses related to litigation settlements	-	5	-	5
Advertising cost adjustment	-	(1,367)	-	(1,367)
Stock option expense	-	-	3,600	3,600
Long-term incentive compensation	-	-	3,755	3,755
Expenses related to securities litigation	-	-	37	37
Adjusted EBITDA	$121,094	$63,234	$(14,380)	$169,948

For the nine months ended September 30, 2014	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$60,645	$30,599	$(21,722)	$69,522
Add/(deduct):				
Interest expense	167	295	6,762	7,224
Income taxes	37,161	18,728	(11,976)	43,913
Depreciation	13,709	7,732	430	21,871
Amortization	829	397	1,235	2,461
EBITDA	112,511	57,751	(25,271)	144,991
Add/(deduct):				
Intercompany interest expense/(income)	(4,520)	(2,090)	6,610	-
Interest income	43	(28)	(10)	5
Expenses related to OIG investigation	1,608	-	-	1,608
Acquisition expenses	1	-	-	1
Advertising cost adjustment	-	(1,623)	-	(1,623)
Expenses related to litigation settlements	113	(9)	-	104
Long-term incentive compensation	-	-	1,988	1,988
Stock option expense	-	-	3,430	3,430
Expenses related to securities litigation	-	-	327	327
Adjusted EBITDA	$109,756	$54,001	$(12,926)	$150,831

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income as reported	$28,833	$24,585	$80,345	$69,522
Add/(deduct) after-tax cost of:				
Stock option expense	509	615	2,268	2,159
Expenses of OIG investigation	711	279	2,369	997
Long-term incentive compensation	863	634	2,375	1,258
Litigation settlements	-	-	23	-
Net expense/(recoveries) related to litigation settlements	-	(143)	3	64
Expenses related to securities settlements	-	88	-	207
Additional interest expense resulting from the change in accounting for the conversion feature of the convertible notes	-	-	-	2,143
Acquisition expenses	18	-	98	1
Adjusted net income	$30,934	$26,058	$87,481	$76,351
Diluted Earnings Per Share As Reported				
Net income	$1.65	$1.39	$4.61	$3.87
Average number of shares outstanding	17,422	17,627	17,430	17,968
Adjusted Diluted Earnings Per Share				
Adjusted net income	$1.78	$1.48	$5.02	$4.28
Adjusted average number of shares outstanding*	17,422	17,627	17,430	17,833

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
OPERATING STATISTICS	2015	2014	2015	2014
Net revenue ($000)				
Homecare	$222,952	$204,965	$640,867	$600,780
Inpatient	24,271	25,012	76,485	77,037
Continuous care	37,785	37,907	113,564	113,801
Total before Medicare cap allowance	$285,008	$267,884	$830,916	$791,618
Medicare cap allowance	-	(2,500)	165	(1,796)
Total	$285,008	$265,384	$831,081	$789,822
Net revenue as a percent of total before Medicare cap allowances				
Homecare	78.2 %	76.5 %	77.1 %	75.9 %
Inpatient	8.5	9.3	9.2	9.7
Continuous care	13.3	14.2	13.7	14.4
Total before Medicare cap allowance	100.0	100.0	100.0	100.0
Medicare cap allowance	-	(0.9)	-	(0.2)
Total	100.0 %	99.1 %	100.0 %	99.8 %
Average daily census (days)				
Homecare	11,607	10,662	11,259	10,562
Nursing home	3,150	2,999	3,026	2,940
Routine homecare	14,757	13,661	14,285	13,502
Inpatient	404	417	424	429
Continuous care	561	561	571	568
Total	15,722	14,639	15,280	14,499
Total Admissions	16,131	15,653	50,082	47,777
Total Discharges	15,949	15,460	48,979	47,139
Average length of stay (days)	78.6	83.7	78.9	82.4
Median length of stay (days)	16.0	15.0	15.0	15.0
ADC by major diagnosis				
Cerebro	28.8 %	18.5 %	28.6 %	15.1 %
Neurological	22.9	32.7	23.3	35.0
Cancer	16.6	17.3	16.7	17.4
Cardio	17.4	17.6	17.5	16.6
Respiratory	7.9	8.0	7.9	7.9
Other	6.4	5.9	6.0	8.0
Total	100.0 %	100.0 %	100.0 %	100.0 %
Admissions by major diagnosis				
Cerebro	18.7	13.5 %	18.8 %	9.3 %
Neurological	12.5	18.2	12.3	20.6
Cancer	33.3	34.0	32.1	33.3
Cardio	14.5	15.2	15.3	14.8
Respiratory	9.2	9.1	10.0	9.5
Other	11.8	10.0	11.5	12.5
Total	100.0 %	100.0 %	100.0 %	100.0 %

Direct patient care margins				
Routine homecare	53.7 %	53.8 %	52.9 %	53.4 %
Inpatient	3.8	4.9	6.1	5.4
Continuous care	15.7	17.4	16.1	17.2
Homecare margin drivers (dollars per patient day)				
Labor costs	$54.92	$53.65	$56.14	$54.31
Drug costs	6.64	6.64	6.70	7.04
Home medical equipment	6.66	6.68	6.55	6.69
Medical supplies	2.81	3.22	2.93	3.20
Inpatient margin drivers (dollars per patient day)				
Labor costs	$355.30	$345.18	$347.52	$344.05
Continuous care margin drivers (dollars per patient day)				
Labor costs	$596.39	$584.99	$591.26	$586.60
Bad debt expense as a percent of revenues	1.0 %	1.0 %	2.0 %	1.0 %
Accounts receivable -- Days of revenue outstanding- excluding unapplied Medicare payments	38.1	38.1	n.a	n.a
Accounts receivable -- Days of revenue outstanding- including unapplied Medicare payments	32.3	36.3	n.a	n.a

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's primary market risk exposure relates to interest rate risk exposure through its variable interest line of credit. At September 30, 2015, the Company had $138.1 million of variable rate debt outstanding. For each $10 million dollars borrowed under the credit facility, an increase or decrease of 100 basis points (1% point), increases or decreases the Company's annual interest expense by $100,000.

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

Item 4. Controls and Procedures

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

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

The following table shows the activity related to our share repurchase program for the first nine months of 2015:

	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, 2015	-	$ -	6,074,819	$ 11,808,785
February 1 through February 28, 2015	-	-	6,074,819	11,808,785
March 1 through March 31, 2015	-	-	6,074,819	$ 111,808,785
First Quarter Total	-	$ -		
April 1 through April 30, 2015	31,239	$ 116.66	6,106,058	$ 108,163,534
May 31 through May 31, 2015	218,761	119.38	6,324,819	82,047,193
June 1 through June 30, 2015	-	-	6,324,819	$ 82,047,193
Second Quarter Total	250,000	$ 119.05		
July 1 through July 31, 2015	-	$ -	6,324,819	$ 82,047,193
August 1 through August 31, 2015	50,000	138.40	6,374,819	75,127,293
September 1 through September 30, 2015	85,765	131.87	6,460,584	$ 63,817,207
Third Quarter Total	135,765	$ 134.28		

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

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.2	Certification by David P. Williams pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.3	Certification by Arthur V. Tucker, Jr. pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
32.1	Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by David P. Williams pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification by Arthur V. Tucker, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

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

Chemed Corporation
(Registrant)

Dated:	October 30, 2015	By:	/s/ Kevin J. McNamara Kevin J. McNamara (President and Chief Executive Officer)
Dated:	October 30, 2015	By:	/s/ David P. Williams David P. Williams

(Executive Vice President and Chief Financial Officer)

Dated:	October 30, 2015	By:	/s/ Arthur V. Tucker, Jr.
			Arthur V. Tucker, Jr.
			(Vice President and Controller)