**Risk Factors Comparison 2024-02-28 to 2023-02-27 Form: 10-K**

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Related to the Spin Off of Our Home Health and Hospice Business, Enhabit, Inc. • To preserve the tax- free treatment of the Spin Off, we may be limited, for a period of time, in our ability to pursue certain equity issuances, strategic transactions, repurchases, or other transactions (including the certain dispositions of assets) that we may otherwise believe to be in the best interests of our stockholders or that might increase the value of our business. • If the Spin Off were to fail to qualify as tax- free, including as a result of subsequent acquisitions of our stock or the stock of Enhabit, Inc., we could be subject to significant tax liabilities. Reimbursement Risks • Reductions or delays in, or suspension of, reimbursement for our services by governmental or private payors, including our inability to obtain and retain favorable arrangements with third- party payors, could decrease our revenues and adversely affect other operating results. • Restrictive interpretations of the regulations governing the claims that are reimbursable by Medicare could decrease our revenues and adversely affect other operating results. • ~~New or changing Medicare quality reporting requirements could adversely affect our operating costs or Medicare reimbursement. •~~ Reimbursement claims are subject to various audits ~~from time to time~~ and such audits may lead to assertions that we have been overpaid or have submitted improper claims, and ~~such~~ **these** assertions may require us to incur additional costs to respond to requests for records and defend the validity of payments and ~~claims and~~ may ultimately require us to refund any amounts determined to have been overpaid. • ~~Delays and other substantive~~ **Substantive** and procedural deficiencies in the administrative appeals process associated with denied Medicare reimbursement claims, including from various Medicare audit programs, could delay or reduce our reimbursement for services previously provided, including through recoupment from other claims due to us from Medicare. • Efforts to reduce payments to healthcare providers undertaken by third- party payors ~~,~~ **and** conveners ~~, and referral sources~~ could adversely affect our revenues or profitability **. • Medicare quality reporting requirements could adversely affect our operating costs or Medicare reimbursement** . • Changes in our payor mix or the acuity of our patients could reduce our revenues or profitability. Other Regulatory Risks • Changes in the rules and regulations of the healthcare industry at ~~either or both of~~ the federal ~~and~~ **,** state **or local** levels, including those contemplated now and in the future as part of national healthcare reform and deficit reduction (such as the re- basing of payment systems, the introduction of site neutral payments or case- mix weightings across post- acute settings, and other payment system reforms) could decrease revenues and increase the costs of complying with the rules and regulations. ii • ~~The ongoing evolution of the healthcare delivery system, including alternative payment models and value- based purchasing initiatives, could decrease our reimbursement rate or increase costs associated with our operations. •~~ Compliance with the extensive and frequently changing laws and regulations applicable to healthcare providers, including those related to **patient care, coding and billing,** data privacy and security **, consumer protection** , anti- trust, and employment practices, requires substantial time, effort and expense, and if we fail to comply, we could incur penalties and significant costs of investigating and defending asserted claims, whether meritorious or not, or be required to make significant changes to our operations. • Our inability to maintain proper local, state and federal licensing, including compliance with the Medicare conditions of participation and provider enrollment requirements, such as the CMS vaccine mandate, could decrease our revenues. Other Operational Risks • Incidents affecting the proper operation, availability, or security of our or our vendors' or partners' information systems, including the patient information stored there, or business continuity could cause substantial losses and adversely affect our operations, and governmental mandates to increase use of electronic records and interoperability exacerbate that risk. • Any adverse outcome of various lawsuits, claims, and legal or regulatory proceedings, including disclosed and undisclosed qui tam suits **,** could be difficult to predict and could adversely affect our financial results or condition or our operations, and we could experience increased costs of defending and insuring against alleged professional liability and other claims. • Our inability to successfully complete and integrate de novo developments, acquisitions, investments, and joint ventures consistent with our growth strategy, including realization of anticipated revenues, cost savings, productivity improvements arising from the related operations and avoidance of unanticipated difficulties, costs or liabilities that could arise from acquisitions or integrations could adversely affect our financial results or condition. • Our inability to attract and retain nurses, therapists, and other healthcare professionals in a highly competitive environment with often severe staffing shortages and potential union activity could increase staffing costs and adversely affect other financial and operating results. • Competitive pressures in the healthcare industry, including from ~~other providers~~ **large acute- care hospitals** that **would typically serve as a referral source for us** ~~may be participating in integrated delivery payment arrangements in which we do not participate~~ , and our response to those pressures could adversely affect our revenues or other financial results. • Our inability to provide a consistently high quality of care, including as represented in metrics published by Medicare, could decrease our revenues. • Our inability to maintain or develop relationships with patient referral sources **, including our joint venture hospitals** could decrease our revenues **. • Acute- care hospitals that participate in joint ventures with us may experience, and in the past some have experienced, operational or financial challenges that, in turn, affect our joint venture inpatient rehabilitation hospitals** . • A pandemic, epidemic, or other widespread outbreak of an infectious disease or other public health crisis **, and governmental responses to those events,** could decrease our patient volumes, pricing, and revenues, lead to staffing and supply shortages and associated cost increases, otherwise interrupt operations, or lead to increased litigation risk and, in the case of the COVID- 19 pandemic, has already done so in many instances. • **A regional or global socio- political** ~~Governmental actions in response to infectious disease outbreaks~~ , **weather, or other catastrophic event could severely disrupt our business, particularly in areas** such as **Texas** ~~limitations on elective procedures, vaccine mandates, shelter- in- place orders, new workplace regulations, facility closures and quarantines~~

~~experienced during the COVID- 19 pandemic, could reduce volumes, lead to staffing shortages, increase staffing costs, and otherwise impair our~~ **or Florida where we** ~~ability to operate and provide care and in many instances already~~ have ~~done so~~ **a concentration of hospitals. • Regulatory and other efforts to promote a transition to a lower- carbon economy may result in significant operational and financial challenges for us** . Financial Risks • General conditions in the economy and capital markets, including any disruption, instability, or uncertainty related to armed conflict or an act of terrorism, a governmental impasse over approval of the United States federal budget or an increase to the debt ceiling, rising interest rates, an international trade war, or a sovereign debt crisis could adversely affect our financial results or condition, including access to the capital markets and interest expense on new or existing debt. • Our debt and the associated restrictive covenants could have negative consequences for our business and limit our ability to execute aspects of our business plan successfully. • The price of our common stock could adversely affect our willingness and ability to repurchase shares. • We may be unable or unwilling to continue to declare and pay dividends on our common stock. iii The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward- looking statements that may be issued by us or persons acting on our behalf. We undertake no duty to update these forward- looking statements, even though our situation may change in the future. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements. PART I Item 1. Business Overview of the Company We are a national leader in post- acute healthcare services and the nation' s largest owner and operator of inpatient rehabilitation hospitals in terms of patients treated, revenues, and number of hospitals. We provide specialized rehabilitative treatment on an inpatient basis. We operate hospitals in ~~36~~ **37** states and Puerto Rico, with concentrations in **Florida** ~~the eastern half of the United States~~ and Texas. As of December 31, ~~2022~~ **2023** , we operate ~~153~~ **161** inpatient rehabilitation hospitals. We are committed to delivering high- quality, cost- effective ~~, integrated~~ patient care **. For 2024, we were again named to Fortune' s list of the World' s Most Admired Companies** . Effective January 1, 2018, we changed our corporate name from HealthSouth Corporation to Encompass Health Corporation and the NYSE ticker symbol for our common stock from " HLS " to " EHC. " Our principal executive offices are located at 9001 Liberty Parkway, Birmingham, Alabama 35242, and the telephone number of the principal executive offices is (205) 967- 7116. Our website address is www. encompasshealth. com. On July 1, 2022, we completed the previously announced separation of our home health and hospice business through the distribution (the " Spin Off ") of all of the outstanding shares of common stock, par value $ 0. 01 per share, of Enhabit, Inc. (" Enhabit ") to the stockholders of record of Encompass Health as of the close of business on June 24, 2022 (the " Record Date "). The Spin Off was effective at 12: 01 a. m., Eastern Time, on July 1, 2022. The Spin Off was structured as a pro rata distribution of one share of Enhabit common stock for every two shares of Encompass Health common stock held of record as of the Record Date. No fractional shares were distributed. A cash payment was made in lieu of any fractional shares. As a result of the Spin Off, Enhabit is now an independent public company and its common stock is listed under the symbol " EHAB " on the New York Stock Exchange. In addition to the discussion here, we encourage the reader to review Item 1A, Risk Factors, Item 2, Properties, and Item 7, Management' s Discussion and Analysis of Financial Condition and Results of Operations, which highlight additional considerations about our ~~company~~ **Company** .