CHEMED CORP
Form 10-Q
April 26, 2013

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 March 31, 2013

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-8351

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

Delaware (State or other jurisdiction of incorporation or organization)	31-0791746 (IRS Employer Identification No.)
255 E. Fifth Street, Suite 2600, Cincinnati, Ohio (Address of principal executive offices)	45202 (Zip code)

(513) 762-6500
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	X	Accelerated filer	Non-accelerated filer	Smaller reporting company

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

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

Class	Amount	Date
Capital Stock $1 Par Value	18,868,108 Shares	March 31, 2013

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)

	March 31, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	$72,956	$69,531
Accounts receivable less allowances of $11,933 (2012 - $10,892)	127,220	93,333
Inventories	6,559	7,058
Current deferred income taxes	14,816	13,659
Prepaid income taxes	2,159	2,643
Prepaid expenses	12,539	11,447
Total current assets	236,249	197,671
Investments of deferred compensation plans	39,144	36,089
Properties and equipment, at cost, less accumulated depreciation of $169,719 (2012 - $164,607)	90,374	91,934
Identifiable intangible assets less accumulated amortization of $30,791 (2012 - $30,414)	56,798	57,177
Goodwill	465,734	465,832
Other assets	11,110	10,923
Total Assets	$899,409	$859,626
LIABILITIES		
Current liabilities		
Accounts payable	$48,496	$48,472
Income taxes	12,912	4,938
Accrued insurance	43,041	40,654
Accrued compensation	38,552	45,457
Other current liabilities	17,917	17,301
Total current liabilities	160,918	156,822
Deferred income taxes	28,155	27,662
Long-term debt	177,004	174,890
Deferred compensation liabilities	38,481	35,599
Other liabilities	11,762	11,362
Total Liabilities	416,320	406,335
STOCKHOLDERS' EQUITY		
Capital stock - authorized 80,000,000 shares $1 par; issued 31,956,848 shares (2012 - 31,589,366 shares)	31,957	31,589
Paid-in capital	457,790	437,364
Retained earnings	641,946	623,035
Treasury stock - 13,185,316 shares (2012 - 13,057,270)	(650,668)	(640,732)
Deferred compensation payable in Company stock	2,064	2,035
Total Stockholders' Equity	483,089	453,291

Total Liabilities and Stockholders' Equity	$899,409	$859,626

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 March 31,	
	2013	2012
Service revenues and sales	$366,641	$352,943
Cost of services provided and goods sold (excluding depreciation)	264,307	257,445
Selling, general and administrative expenses	55,560	53,167
Depreciation	6,795	6,241
Amortization	1,127	1,113
Total costs and expenses	327,789	317,966
Income from operations	38,852	34,977
Interest expense	(4,094)	(3,617)
Other income - net	1,706	2,095
Income before income taxes	36,464	33,455
Income taxes	(14,186)	(13,010)
Net income	$22,278	$20,445
Earnings Per Share		
Net income	$1.20	$1.08
Average number of shares outstanding	18,522	18,958
Diluted Earnings Per Share		
Net income	$1.17	$1.06
Average number of shares outstanding	19,000	19,353
Cash Dividends Per Share	$0.18	$0.16

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Cash Flows from Operating Activities		
Net income	$22,278	$20,445
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,922	7,354
Deferred income taxes	(681)	(3,397)
Provision for uncollectible accounts receivable	2,967	2,245
Amortization of discount on convertible notes	2,114	1,975
Stock option expense	1,491	1,938
Noncash long-term incentive compensation	612	-
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:		
Increase in accounts receivable	(36,706)	(34,949)
Decrease in inventories	499	200
Decrease/(increase) in prepaid expenses	(1,092)	1,833
Decrease in accounts payable and other current liabilities	(698)	(3,894)
Increase in income taxes	10,139	15,532
Increase in other assets	(3,071)	(3,654)
Increase in other liabilities	3,282	5,241
Excess tax benefit on share-based compensation	(1,891)	(797)
Other sources	976	309
Net cash provided by operating activities	8,141	10,381
Cash Flows from Investing Activities		
Capital expenditures	(5,406)	(12,018)
Business combinations, net of cash acquired	-	(415)
Other sources	78	311
Net cash used by investing activities	(5,328)	(12,122)
Cash Flows from Financing Activities		
Dividends paid	(3,367)	(3,072)
Capital stock surrendered to pay taxes on stock-based compensation	(3,389)	(1,431)
Proceeds from exercise of stock options	10,168	1,042
Excess tax benefit on share-based compensation	1,891	797
Increase/(decrease) in cash overdrafts payable	(3,165)	226
Debt issuance costs	(1,107)	-
Other sources/(uses)	(419)	312
Net cash provided/(used) by financing activities	612	(2,126)
Increase/(Decrease) in Cash and Cash Equivalents	3,425	(3,867)
Cash and cash equivalents at beginning of year	69,531	38,081
Cash and cash equivalents at end of period	$72,956	$34,214

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, 2012 balance sheet data were derived from audited financial statements but do not include all disclosures required by GAAP. However, in our opinion, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position, results of operations and cash flows. These financial statements are prepared on the same basis as and should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2012.

2. Revenue Recognition

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

As of March 31, 2013, VITAS has approximately $1.1 million in unbilled revenue included in accounts receivable (December 31, 2012 - $457,000). The unbilled revenue at VITAS relates to hospice programs currently undergoing various patient file reviews. Surveyors working on behalf of the U.S. Federal government review certain patient files for compliance with Medicare regulations. During the time the patient file is under review, we are unable to bill for care provided to those patients. We make appropriate provisions to reduce our accounts receivable balance for any governmental or other payer reviews resulting in denials of patient service revenue. We believe our hospice programs comply with all payer requirements at the time of billing. However, we cannot predict whether future billing reviews or similar audits by payers will result in material denials or reductions in revenue.

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 three-month period ended March 31, 2013, we reversed Medicare cap liability for amounts recorded in the fourth quarter of 2012 for three programs' projected 2013 measurement period liability. We reversed these amounts as improving admissions trends in these programs indicate that the liability had been eliminated.

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

	March 31,	
	2013	2012
Beginning balance January 1,	$1,261	$2,965

2013 measurement period	(873)	-
2012 measurement period	-	(2,577)
Ending balance March 31,	$388	$388

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 March 31,			
2013		2012	
$	1,929	$	2,250

3. Segments

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

	Three months ended March 31,			
	2013		2012	
Service Revenues and Sales				
VITAS	$	271,326	$	260,847
Roto-Rooter		95,315		92,096
Total	$	366,641	$	352,943
After-tax Earnings				
VITAS	$	20,142	$	19,627
Roto-Rooter		9,624		7,496
Total		29,766		27,123
Corporate		(7,488)		(6,678)
Net income	$	22,278	$	20,445

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 March 31,		Income	Shares		Earnings per Share
2013					
Earnings	$	22,278	18,522	$	1.20
Dilutive stock options		-	371		
Nonvested stock awards		-	107		
Diluted earnings	$	22,278	19,000	$	1.17
2012					
Earnings	$	20,445	18,958	$	1.08
Dilutive stock options		-	304		
Nonvested stock awards		-	91		

Diluted earnings	$	20,445	19,353	$	1.06

For the three-month period ended March 31, 2013, 11,000 stock options were excluded from the computation of diluted earnings per share because they would have been anti-dilutive. For the three-month period ended March 31, 2012, 1.4 million stock options were excluded from the computation of diluted earnings per share.

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

The following table provides examples of how changes in our stock price impact the number of shares that would be included in our diluted earnings per share calculation at March 31, 2013. It also shows the impact on the number of shares issuable upon conversion of the Notes and settlement of the purchased call options and sold warrants:

Share Price	Shares Underlying 1.875% Convertible Notes	Warrant Shares	Total Treasury Method Incremental Shares (a)	Shares Due to the Company under Notes Hedges	Incremental Shares Issued/ (Received) by the Company upon Conversion (b)
$ 80.73	52,828	-	52,828	(56,514)	(3,686)
$ 90.73	308,071	-	308,071	(329,565)	(21,494)
$ 100.73	512,635	-	512,635	(548,402)	(35,767)
$ 110.73	680,251	121,055	801,306	(727,713)	73,593
$ 120.73	820,100	320,910	1,141,010	(877,319)	263,691
$ 130.73	938,554	490,190	1,428,744	(1,004,037)	424,707

a) Represents the number of incremental shares that must be included in the calculation of fully diluted shares under U.S. GAAP.
b) Represents the number of incremental shares to be issued by the Company upon conversion of the 1.875% Convertible Notes, assuming concurrent settlement of the note hedges and warrants.

5. Long-Term Debt

On January 18, 2013, we replaced our existing credit agreement with our Revolving Credit Facility ("2013 Credit Agreement"). Terms of the 2013 Credit Agreement consist of a five-year, $350 million revolving credit facility. This 2013 Credit Agreement has a floating interest rate that is currently LIBOR plus 125 basis points. The 2013 Credit Agreement also includes a $150 million expansion feature. Debt issuance costs associated with the existing credit agreement were not material. With respect to the 2013 Credit Agreement, deferred financing costs are immaterial. The 2013 Credit Agreement contains the following quarterly financial covenants:

Description	Requirement
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00

Fixed Charge Coverage Ratio (Consolidated Free Cash Flow/Consolidated Fixed Charges)	> 1.50 to 1.00
Annual Operating Lease Commitment	< $30.0 million

We are in compliance with all debt covenants as of March 31, 2013. We have issued $29.2 million in standby letters of credit as of March 31, 2013 for insurance purposes. Issued letters of credit reduce our available credit under the 2013 Credit Agreement. As of March 31, 2013, we have approximately $320.8 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility, excluding the $150 million expansion feature.

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

	March 31, 2013	December 31, 2012
Principal amount of convertible debentures	$ 186,956	$ 186,956
Unamortized debt discount	(9,952)	(12,066)
Carrying amount of convertible debentures	$ 177,004	$ 174,890
Additional paid in capital (net of tax)	$ 31,310	$ 31,310

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

	Three months ended March 31, 2013	2012
Cash interest expense	$ 1,200	$ 1,334
Non-cash amortization of debt discount	2,114	1,975
Amortization and write-off of debt costs	780	308
Total interest expense	$ 4,094	$ 3,617

The unamortized debt discount is being amortized using the effective interest method over the remaining life of the Notes. The effective rate on the Notes is approximately 6.875% as of March 31, 2013.

6. Other Income -- Net

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

	Three months ended March 31, 2013	2012
Market value gains on assets held in deferred compensation trust	$ 1,472	$ 2,133
Loss on disposal of property and equipment	(78)	(81)
Interest income	303	51
Other - net	9	(8)
Total other income - net	$ 1,706	$ 2,095

7. Stock-Based Compensation Plans

On February 20, 2013, the Compensation/Incentive Committee of the Board of Directors ("CIC") approved a grant of 28,992 shares of restricted stock to certain key employees. The restricted shares cliff vest four years from the date of issuance. The cumulative compensation expense related to the restricted stock award is $2.3 million and will be recognized ratably over the 4 year vesting period. We assumed no forfeitures in determining the cumulative compensation expense of the grant.

8. Independent Contractor Operations

The Roto-Rooter segment sublicenses with 66 independent contractors to operate certain plumbing repair and drain cleaning businesses in lesser-populated areas of the United States and Canada. We had notes receivable from our independent contractors as of March 31, 2013 totaling $1.3 million (December 31, 2012 - $1.3 million). In most cases these loans are fully or partially secured by equipment owned by the contractor. The interest rates on the loans range from 0% to 8% per annum and the remaining terms of the loans range from 2 months to 5 years at March 31, 2013. We recorded the following from our independent contractors (in thousands):

	Three months ended March 31,	
	2013	2012
Revenues	$ 8,210	$ 6,682
Pretax profits	4,258	3,082

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 March 31,	
2013	2012
$ 4,296	$ 4,695

10. Legal and Regulatory Matters

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

Litigation

In February 2010, Chemed and Roto-Rooter were named as defendants in a lawsuit filed in the United States District Court for the Eastern District of New York, entitled Anthony Morangelli, et al., v. Chemed Corp. and Roto-Rooter Services Co., No. 10 CV-00876 (BMC). The named plaintiffs in this lawsuit, who are current and former technicians employed by Roto-Rooter who were paid on a commission basis, asserted against Chemed and Roto-Rooter claims for violation of the Fair Labor Standards Act ("FLSA") and claims for violations of the labor laws of multiple states. Plaintiffs alleged that Chemed and Roto-Rooter failed to reimburse them for all business expenses incurred in connection with their employment, failed to compensate for all hours worked and made illegal deductions from pay. Plaintiffs seek an unspecified amount of compensatory damages, liquidated damages, other penalties, fees and costs.

In June 2010, the Court conditionally certified a collective action under the FLSA and, in June 2011, it certified fourteen separate state law class actions. On February 4, 2013, the Court dismissed all claims asserted against Chemed, dismissed plaintiffs' illegal deduction claims and decertified from the class and collective actions significant portions plaintiffs' business expense and uncompensated hours claims. Roto-Rooter continues to contest Plaintiffs' claims.

VITAS is party to a class action lawsuit filed in the Superior Court of California, Los Angeles County in September 2006 by Bernadette Santos, Keith Knoche and Joyce White, Bernadette Santos, et al. v. Vitas Healthcare Corporation of California, BC359356. This case alleges failure to pay overtime and failure to provide meal and rest periods to a purported class of California admissions nurses, chaplains and sales representatives. The case seeks payment of penalties, interest and Plaintiffs' attorney fees. We contest these allegations. In December 2009, the trial court denied Plaintiffs' motion for class certification. In July 2011, the Court of Appeals affirmed denial of class certification on the travel time, meal and rest period claims, and reversed the trial court's denial on the off-the-clock and sales representation exemption claims. Plaintiffs filed an appeal of this decision. In September 2012, in response to an order of reconsideration, the Court of Appeals reiterated its previous rulings. In March 2013, the Court granted summary judgment dismissing the sales representatives' claims as they are exempt employees.

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

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

Regulatory Matters

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

In July 2012, VITAS received an investigative subpoena from the Florida Attorney General seeking documents previously produced in the course of prior government investigations as well as, for the period January 1, 2007 through the date of production, billing records and procedures; information concerning business results, plans, and strategies; documents concerning patient eligibility for hospice care; and certain information concerning employees and their compensation. We are conferring with the Attorney General regarding those document requests.

In May 2009, VITAS received an administrative subpoena from the U.S. Department of Justice requesting that VITAS deliver to the OIG various categories of documents for its headquarters and Texas programs from January 1, 2003 through the date of the subpoena. The requested categories included policy and procedure manuals and information concerning Medicare and Medicaid billing and the provision of hospice services; patient medical records; information concerning business plans, strategies, and results and VITAS's affiliated entities and referral sources; and certain information concerning employees and their compensation. In August 2009, the OIG selected medical records for 59 past and current patients from a Texas program for review. In September 2010, VITAS received a second administrative subpoena from the Department of Justice seeking electronic documents of 10 current and former employees. In April 2011, the U.S. Attorney provided the Company with a copy of a qui tam complaint filed under seal in the U.S. District Court for the Northern District of Texas, United States, et al. ex rel. Rehfeldt v. Vitas Healthcare Corp., 3:09-cv-0203. In November 2011, the complaint was unsealed. The U.S. Attorney and the Attorney General for the State of Texas filed notices in November 2011 stating that they had decided not to intervene in the case at that time but indicating that they continue to investigate the allegations. The complaint asserts violations of the federal False Claims Act and the Texas Medicaid Fraud Prevention Act based on the alleged admission and re-certification of ineligible patients, conspiracy to admit ineligible patients, and backdating patient revocations. The suit was brought by Michael Rehfeldt, a former general manager of VITAS's San Antonio program, against VITAS, the San Antonio program's former Regional Vice-President, Keith Becker, and former Medical Director, Justo Cisneros, and their respective then-current employers: Wellmed Medical Management, Care Level Management, LLC, Inspiris Hospice, LLC, and Inspiris, Inc. The plaintiff dismissed all claims against their then-current employers in March and April of 2012. In April 2013, the plaintiff voluntarily dismissed the complaint without prejudice.

In February 2010, VITAS received a companion civil investigative demand ("CID") from the Texas Attorney General seeking documents from January 1, 2002 through the date of the CID, and interrogatory responses in connection with a related investigation of possible fraudulent submission of Medicaid claims for non-qualifying patients and fraudulent shifting of costs from VITAS to the State of Texas and the United States. The CID requested similar information sought by the Department of Justice's May 2009 administrative subpoena, together with information concerning record-keeping and retention practices, and medical records concerning 117 patients. In September 2010, VITAS received a second CID from the Texas Attorney General seeking additional documents concerning business plans and results, revocation forms for certain patients, and electronic documents of 10 current and former employees.

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

Also in June 2011, the U.S. Attorney provided the Company with a partially unsealed qui tam complaint filed under seal in the U.S. District Court for the Northern District of Illinois, United States, et al. ex rel. Spottiswood v. Chemed Corp., 1:07-cv-4566. In April 2012, the complaint was unsealed. The U.S. Attorney and Attorney General for the State of Illinois filed notices in April and May 2012, respectively, stating that they had decided not to intervene in the case at that time but indicating that they continue to investigate the allegations. Plaintiff filed an amended complaint in November 2012. The complaint asserts violations of the federal False Claims Act and the Illinois Whistleblower Reward and Protection Act based on allegations that VITAS fraudulently billed Medicare and Medicaid for providing unwarranted continuous care services. The suit was brought by Laura Spottiswood, a former part-time pool registered nurse at VITAS, against Chemed, VITAS, and a VITAS affiliate. The complaint was served on the defendants on April 12, 2013.

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

In September 2012, VITAS received an administrative subpoena from OIG seeking production of medical records for 102 patients in 10 states who received continuous care between 2004 and 2009. In December 2012, it received a second such administrative subpoena from the OIG seeking medical records for 103 patients who received continuous care between 2009 and 2012. We are conferring with the OIG regarding those requests.

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

11. Concentration of Risk

VITAS has pharmacy services agreements ("Agreements") with Omnicare, Inc. and its subsidiaries ("OCR") whereby OCR provides specified pharmacy services for VITAS and its hospice patients in geographical areas served by both VITAS and OCR. The Agreements renew automatically for one-year terms. Either party may cancel the Agreements at the end of any term by giving 90 days prior written notice. VITAS made purchases from OCR of $9.6 million and

$10.0 million for the three months ended March 31, 2013 and 2012, respectively. For the three month periods ending March 31, 2013 and 2012, respectively, purchases from this vendor represent over 90% of all pharmacy services used by VITAS.

12. Cash Overdrafts and Cash Equivalents

Included in accounts payable at March 31, 2013 is cash overdrafts payable of $9.1 million (December 31, 2012 - $12.2 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 $52.8 million in cash equivalents as of March 31, 2013. There was $56.6 million in cash equivalents as of December 31, 2012. The weighted average rate of return for our cash equivalents was 0.1% for March 31, 2013 and 0.2% for December 31, 2012.

13. Financial Instruments

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

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of March 31, 2013 (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	$ 39,144	$ 39,144	$ -	$ -
Long-term debt	177,004	205,545	-	-

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2012 (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	$ 36,089	$ 36,089	$ -	$ -
Long-term debt	174,890	197,874	-	-

For cash and cash equivalents, accounts receivable and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments.

14. Capital Stock Repurchase Plan Transactions

We did not repurchase any capital stock for the three-months ended March 31, 2013 and 2012. In February 2013, the Board of Directors authorized an additional $100 million for stock repurchase under Chemed's existing share repurchase program. We currently have $114.7 million of authorization remaining under this share repurchase plan.

15. Subsequent Events

Effective April 1, 2013 Medicare reduced hospice reimbursement rates for Medicare beneficiaries 2.0%. This reduction impacts approximately 91.2% of VITAS' revenue base.

16. Guarantor Subsidiaries

Our 1.875% Notes are fully and unconditionally guaranteed on an unsecured, jointly, and severally liable basis by certain of our 100% owned subsidiaries. The following unaudited, condensed, consolidating financial data presents the composition of the parent company (Chemed), the guarantor subsidiaries and the non-guarantor subsidiaries as of March 31, 2013 and December 31, 2012 for the balance sheet, the three months ended March 31, 2013 and March 31, 2012 for the income statement and the three months ended March 31, 2013 and March 31, 2012 for the statement of cash flows (dollars in thousands):

March 31, 2013	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	$62,174	$2,588	$ 8,194	$ -	$ 72,956
Accounts receivable, including intercompany	1,373	462,614	904	(337,671)	127,220
Inventories	-	5,929	630	-	6,559
Current deferred income taxes	-	15,943	281	(1,408)	14,816
Prepaid income taxes	9,402	-	-	(7,243)	2,159
Prepaid expenses	459	11,908	172	-	12,539
Total current assets	73,408	498,982	10,181	(346,322)	236,249
Investments of deferred compensation plans	-	-	39,144	-	39,144
Properties and equipment, at cost, less accumulated depreciation	10,755	77,039	2,580	-	90,374
Identifiable intangible assets less accumulated amortization	-	56,798	-	-	56,798
Goodwill	-	461,277	4,457	-	465,734
Other assets	17,827	1,869	14,768	(23,354)	11,110
Investments in subsidiaries	895,885	24,721	-	(920,606)	-
Total assets	$997,875	$1,120,686	$ 71,130	$ (1,290,282)	$ 899,409
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable, including intercompany	$327,166	$54,770	$ 4,231	$ (337,671)	$ 48,496
Income taxes	-	16,662	3,493	(7,243)	12,912
Accrued insurance	1,808	41,233	-	-	43,041
Accrued compensation	1,035	37,102	415	-	38,552
Other current liabilities	4,613	14,366	346	(1,408)	17,917
Total current liabilities	334,622	164,133	8,485	(346,322)	160,918
Deferred income taxes	-	51,509	-	(23,354)	28,155
Long-term debt	177,004	-	-	-	177,004
Deferred compensation liabilities	-	-	38,481	-	38,481
Other liabilities	3,160	7,748	854	-	11,762
Stockholders' equity	483,089	897,296	23,310	(920,606)	483,089
Total liabilities and stockholders' equity	$997,875	$1,120,686	$ 71,130	$ (1,290,282)	$ 899,409

December 31, 2012	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated

ASSETS					
Cash and cash equivalents	$56,342	$4,674	$ 8,515	$ -	$ 69,531
Accounts receivable, including intercompany	925	427,341	889	(335,822)	93,333
Inventories	-	6,505	553	-	7,058
Current deferred income taxes	-	14,633	173	(1,147)	13,659
Prepaid income taxes	4,043	-	-	(1,400)	2,643
Prepaid expenses	564	10,656	227	-	11,447
Total current assets	61,874	463,809	10,357	(338,369)	197,671
Investments of deferred compensation plans	-	-	36,089	-	36,089
Properties and equipment, at cost, less accumulated depreciation	10,984	78,236	2,714	-	91,934
Identifiable intangible assets less accumulated amortization	-	57,177	-	-	57,177
Goodwill	-	461,277	4,555	-	465,832
Other assets	19,025	2,005	13,797	(23,904)	10,923
Investments in subsidiaries	874,692	24,298	-	(898,990)	-
Total assets	$966,575	$1,086,802	$ 67,512	$ (1,261,263)	$ 859,626
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable, including intercompany	$325,916	$53,934	$ 4,444	$ (335,822)	$ 48,472
Income taxes	1,019	3,816	1,503	(1,400)	4,938
Accrued insurance	1,339	39,315	-	-	40,654
Accrued compensation	4,119	40,891	447	-	45,457
Other current liabilities	2,786	13,903	1,759	(1,147)	17,301
Total current liabilities	335,179	151,859	8,153	(338,369)	156,822
Deferred income taxes	-	51,566	-	(23,904)	27,662
Long-term debt	174,890	-	-	-	174,890
Deferred compensation liabilities	-	-	35,599	-	35,599
Other liabilities	3,215	7,352	795	-	11,362
Stockholders' equity	453,291	876,025	22,965	(898,990)	453,291
Total liabilities and stockholders' equity	$966,575	$1,086,802	$ 67,512	$ (1,261,263)	$ 859,626

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For the three months ended March 31, 2013	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Continuing Operations					
Service revenues and sales	$ -	$ 359,056	$ 7,585	$ -	$ 366,641
Cost of services provided and goods sold	-	259,977	4,330	-	264,307
Selling, general and administrative expenses	5,872	46,572	3,116	-	55,560
Depreciation	240	6,325	230	-	6,795
Amortization	482	645	-	-	1,127
Other operating expenses	-	-	-	-	-
Total costs and expenses	6,594	313,519	7,676	-	327,789
Income/ (loss) from operations	(6,594)	45,537	(91)	-	38,852
Interest expense	(3,975)	(105)	(14)	-	(4,094)
Other (expense)/income - net	4,273	(4,035)	1,468	-	1,706
Income/ (loss) before income taxes	(6,296)	41,397	1,363	-	36,464
Income tax (provision)/ benefit	2,133	(15,817)	(502)	-	(14,186)
Equity in net income of subsidiaries	26,441	910	-	(27,351)	-
Net income	$ 22,278	$ 26,490	$ 861	$ (27,351)	$ 22,278

For the three months ended March 31, 2012	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Continuing Operations					
Service revenues and sales	$ -	$ 345,614	$ 7,329	$ -	$ 352,943
Cost of services provided and goods sold	-	253,427	4,018	-	257,445
Selling, general and administrative expenses	5,196	44,347	3,624	-	53,167
Depreciation	234	5,790	217	-	6,241
Amortization	469	644	-	-	1,113
Total costs and expenses	5,899	304,208	7,859	-	317,966
Income/ (loss) from operations	(5,899)	41,406	(530)	-	34,977
Interest expense	(3,433)	(169)	(15)	-	(3,617)
Other (expense)/income - net	4,406	(4,441)	2,130	-	2,095
Income/ (loss) before income taxes	(4,926)	36,796	1,585	-	33,455
Income tax (provision)/ benefit	1,581	(13,964)	(627)	-	(13,010)
Equity in net income of subsidiaries	23,790	982	-	(24,772)	-
Net income	$ 20,445	$ 23,814	$ 958	$ (24,772)	$ 20,445

For the three months ended March 31, 2013	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	$(4,511)	$12,302	$ 350	$ 8,141
Cash Flow from Investing Activities:				
Capital expenditures	(10)	(5,278)	(118)	(5,406)
Business combinations, net of cash acquired	-	-	-	-
Other sources/(uses) - net	(16)	71	23	78
Net cash used by investing activities	(26)	(5,207)	(95)	(5,328)
Cash Flow from Financing Activities:				
Change in cash overdrafts payable	(554)	(2,611)	-	(3,165)
Change in intercompany accounts	6,731	(6,570)	(161)	-
Dividends paid to shareholders	(3,367)	-	-	(3,367)
Debt issuance costs	(1,107)	-	-	(1,107)
Capital stock surrendered to pay taxes on stock-based compensation	(3,389)	-	-	(3,389)
Proceeds from exercise of stock options	10,168	-	-	10,168
Realized excess tax benefit on share based compensation	1,891	-	-	1,891
Other sources/(uses) - net	(4)	-	(415)	(419)
Net cash provided/(used) by financing activities	10,369	(9,181)	(576)	612
Net increase in cash and cash equivalents	5,832	(2,086)	(321)	3,425
Cash and cash equivalents at beginning of year	56,342	4,674	8,515	69,531
Cash and cash equivalents at end of period	$62,174	$2,588	$ 8,194	$ 72,956

For the three months ended March 31, 2012	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	$(5,365)	$14,625	$ 1,121	$ 10,381
Cash Flow from Investing Activities:				
Capital expenditures	(14)	(11,664)	(340)	(12,018)
Business combinations, net of cash acquired	-	(415)	-	(415)
Other sources/(uses) - net	220	113	(22)	311
Net cash used by investing activities	206	(11,966)	(362)	(12,122)
Cash Flow from Financing Activities:				
Capital stock surrendered to pay taxes on stock-based compensation	(1,431)	-	-	(1,431)
Change in cash overdrafts payable	(46)	272	-	226
Change in intercompany accounts	1,607	(841)	(766)	-
Proceeds from exercise of stock options	1,042	-	-	1,042
Dividends paid to shareholders	(3,072)	-	-	(3,072)
Debt issuance costs	-	-	-	-
Realized excess tax benefit on share based compensation	797	-	-	797
Other sources/(uses) - net	(4)	-	316	312
Net cash used by financing activities	(1,107)	(569)	(450)	(2,126)
Net increase/(decrease) in cash and cash equivalents	(6,266)	2,090	309	(3,867)
Cash and cash equivalents at beginning of year	32,470	(1,422)	7,033	38,081
Cash and cash equivalents at end of period	$26,204	$668	$ 7,342	$ 34,214

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

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

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

	Three months ended March 31,					
		2013			2012	
Service revenues and sales	$	366,641		$	352,943	
Net income	$	22,278		$	20,445	
Diluted EPS	$	1.17		$	1.06	
Adjusted EBITDA	$	51,296		$	46,340	
Adjusted EBITDA as a % of revenue		14.0	%		13.1	%

Earnings before interest, taxes and depreciation and amortization ("EBITDA") and Adjusted EBITDA are not measures derived in accordance with GAAP. We use Adjusted EBITDA as a measure of earnings for our long-term incentive plan awards. We provide EBITDA and Adjusted EBITDA to help readers evaluate our operating results, compare our operating performance with that of similar companies that have different capital structures and help evaluate our ability to meet future debt service, capital expenditure and working capital requirements. Our EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for comparable measures presented in accordance with GAAP. A reconciliation of our net income to our EBITDA and Adjusted EBITDA is presented on page 25.

For the three months ended March 31, 2013, the increase in consolidated service revenues and sales was driven by a 4.0% increase at VITAS and a 3.5% increase at Roto-Rooter. The increase in service revenues at VITAS was a result of increased average daily census ("ADC") of 5.3%, driven by an increase in admissions of 5.0%, increased discharges of 4.0% and Medicare price increases of approximately 0.9%. The increase in service revenues at Roto-Rooter was driven by a 0.1% increase in job count as well as a 2.2% increase in price and mix shift. Consolidated net income increased 9.0%. Diluted EPS increased 10.4% as a result of the increase in net income and a lower number of shares outstanding. Adjusted EBITDA as a percent of revenue increased 86 basis points mainly as a result of improved margins at Roto-Rooter. See page 26 for additional VITAS operating metrics.

Effective April 1, 2013 Medicare reduced hospice reimbursement rates for Medicare beneficiaries 2.0%. This reduction impacts approximately 91.2% of VITAS' revenue base. VITAS expects to achieve full-year 2013 revenue growth, prior to Medicare cap, of 4.5% to 5.5%. Admissions are estimated to increase approximately 5.0% to 6.0%. Adjusted EBITDA margin, prior to Medicare cap, is estimated to be 13.8% to 14.2%. Roto-Rooter expects full-year 2013 revenue of 2.5% to 4.0%. The revenue estimate is a result of increased pricing of approximately 1.5%, a favorable mix shift to higher revenue jobs, with job count estimated to increase 0.1% to 0.5%. Adjusted EBITDA margin for 2013 is estimated to be in the range of 18.0% to 19.5%. 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, 2012 to March 31, 2013 include the following:

- A $33.9 million increase in accounts receivable related to the timing of receipts.
- A $8.0 million increase in income taxes due to timing of payments.
- A $6.9 million decrease in accrued compensation related to the timing of payments of incentive compensation.

Net cash provided by operating activities decreased by $2.2 million. Management continually evaluates cash utilization alternatives, including share repurchase, debt repurchase, acquisitions and increased dividends to determine the most beneficial use of available capital resources.

We have issued $29.2 million in standby letters of credit as of March 31, 2013, for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of March 31, 2013, we have approximately $320.8 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility, excluding the $150 million expansion feature. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

Commitments and Contingencies
Collectively, the terms of our credit agreements require us to meet various financial covenants, to be tested quarterly. We are in compliance with all financial and other debt covenants as of March 31, 2013 and anticipate remaining in compliance throughout 2013.

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

In February 2010, Chemed and Roto-Rooter were named as defendants in a lawsuit filed in the United States District Court for the Eastern District of New York, entitled Anthony Morangelli, et al., v. Chemed Corp. and Roto-Rooter Services Co., No. 10 CV-00876 (BMC). The named plaintiffs in this lawsuit, who are current and former technicians employed by Roto-Rooter who were paid on a commission basis, asserted against Chemed and Roto-Rooter claims for violation of the Fair Labor Standards Act ("FLSA") and claims for violations of the labor laws of multiple states. Plaintiffs alleged that Chemed and Roto-Rooter failed to reimburse them for all business expenses incurred in connection with their employment, failed to compensate for all hours worked and made illegal deductions from pay. Plaintiffs seek an unspecified amount of compensatory damages, liquidated damages, other penalties, fees and costs.

In June 2010, the Court conditionally certified a collective action under the FLSA and, in June 2011, it certified fourteen separate state law class actions. On February 4, 2013, the Court dismissed all claims asserted against Chemed, dismissed plaintiffs' illegal deduction claims and decertified from the class and collective actions significant portions plaintiffs' business expense and uncompensated hours claims. Roto-Rooter continues to contest Plaintiffs' claims.

VITAS is party to a class action lawsuit filed in the Superior Court of California, Los Angeles County in September 2006 by Bernadette Santos, Keith Knoche and Joyce White, Bernadette Santos, et al. v. Vitas Healthcare Corporation of California, BC359356. This case alleges failure to pay overtime and failure to provide meal and rest periods to a purported class of California admissions nurses, chaplains and sales representatives. The case seeks payment of penalties, interest and Plaintiffs' attorney fees. We contest these allegations. In December 2009, the trial court denied Plaintiffs' motion for class certification. In July 2011, the Court of Appeals affirmed denial of class certification on the travel time, meal and rest period claims, and reversed the trial court's denial on the off-the-clock and sales representation exemption claims. Plaintiffs filed an appeal of this decision. In September 2012, in response to an order of reconsideration, the Court of Appeals reiterated its previous rulings. In March 2013, the court granted summary judgment dismissing the sales representatives claims as they are exempt employees.

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

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

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

In July 2012, VITAS received an investigative subpoena from the Florida Attorney General seeking documents previously produced in the course of prior government investigations as well as, for the period January 1, 2007 through the date of production, billing records and procedures; information concerning business results, plans, and strategies; documents concerning patient eligibility for hospice care; and certain information concerning employees and their compensation. We are conferring with the Attorney General regarding those document requests.

In May 2009, VITAS received an administrative subpoena from the U.S. Department of Justice requesting that VITAS deliver to the OIG various categories of documents for its headquarters and Texas programs from January 1, 2003 through the date of the subpoena. The requested categories included policy and procedure manuals and information concerning Medicare and Medicaid billing and the provision of hospice services; patient medical records; information concerning business plans, strategies, and results and VITAS's affiliated entities and referral sources; and certain information concerning employees and their compensation. In August 2009, the OIG selected medical records for 59 past and current patients from a Texas program for review. In September 2010, VITAS received a second administrative subpoena from the Department of Justice seeking electronic documents of 10 current and former employees. In April 2011, the U.S. Attorney provided the Company with a copy of a qui tam complaint filed under seal in the U.S. District Court for the Northern District of Texas, United States, et al. ex rel. Rehfeldt v. Vitas Healthcare Corp., 3:09-cv-0203. In November 2011, the complaint was unsealed. The U.S. Attorney and the Attorney General for the State of Texas filed notices in November 2011 stating that they had decided not to intervene in the case at that time but indicating that they continue to investigate the allegations. The complaint asserts violations of the federal False Claims Act and the Texas Medicaid Fraud Prevention Act based on the alleged admission and re-certification of ineligible patients, conspiracy to admit ineligible patients, and backdating patient revocations. The suit was brought by Michael Rehfeldt, a former general manager of VITAS's San Antonio program, against VITAS, the San Antonio program's former Regional Vice-President, Keith Becker, and former Medical Director, Justo Cisneros, and their respective then-current employers: Wellmed Medical Management, Care Level Management, LLC, Inspiris Hospice, LLC, and Inspiris, Inc. The plaintiff dismissed all claims against their then-current employers in March and April of 2012. In April 2013, the plaintiff voluntarily dismissed the complaint without prejudice.

In February 2010, VITAS received a companion civil investigative demand ("CID") from the Texas Attorney General seeking documents from January 1, 2002 through the date of the CID, and interrogatory responses in connection with a related investigation of possible fraudulent submission of Medicaid claims for non-qualifying patients and fraudulent shifting of costs from VITAS to the State of Texas and the United States. The CID requested similar information sought by the Department of Justice's May 2009 administrative subpoena, together with information concerning record-keeping and retention practices, and medical records concerning 117 patients. In September 2010, VITAS received a second CID from the Texas Attorney General seeking additional documents concerning business plans and results, revocation forms for certain patients, and electronic documents of 10 current and former employees.

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

Also in June 2011, the U.S. Attorney provided the Company with a partially unsealed qui tam complaint filed under seal in the U.S. District Court for the Northern District of Illinois, United States, et al. ex rel. Spottiswood v. Chemed Corp., 1:07-cv-4566. In April 2012, the complaint was unsealed. The U.S. Attorney and Attorney General for the State of Illinois filed notices in April and May 2012, respectively, stating that they had decided not to intervene in the case at that time but indicating that they continue to investigate the allegations. Plaintiff filed an amended complaint in November 2012. The complaint asserts violations of the federal False Claims Act and the Illinois Whistleblower Reward and Protection Act based on allegations that VITAS fraudulently billed Medicare and Medicaid for providing unwarranted continuous care services. The suit was brought by Laura Spottiswood, a former part-time pool registered nurse at VITAS, against Chemed, VITAS, and a VITAS affiliate. The complaint was served on the defendants on April 12, 2013.

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

In September 2012, VITAS received an administrative subpoena from OIG seeking production of medical records for 102 patients in 10 states who received continuous care between 2004 and 2009. In December 2012, it received a second such administrative subpoena from the OIG seeking medical records for 103 patients who received continuous care between 2009 and 2012. We are conferring with the OIG regarding those requests.

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

Results of Operations

Three months ended March 31, 2013 versus 2012 - Consolidated Results

Our service revenues and sales for the first quarter of 2013 increased 3.9% versus services and sales revenues for the first quarter of 2012. Of this increase, $10.5 million was attributable to VITAS as well as a $3.2 million increase at Roto-Rooter. The following chart shows the components of those changes (in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS		
Routine homecare	$ 10,063	5.4
Continuous care	2,804	6.6
General inpatient	(684)	(2.3)
Medicare cap	(1,704)	(66.1)
Roto-Rooter		
Plumbing	(390)	(0.9)
Drain cleaning	2,606	7.4
Contractor operations	1,528	22.9
HVAC operations	(544)	(100.0)

Other		19	0.3
Total	$	13,698	3.9

The increase in VITAS' revenues for the first quarter of 2013 versus the first quarter of 2012 was a result of increased ADC of 5.3% driven by an increase in admissions of 5.0%, increased discharges of 4.0% and Medicare reimbursement rate increases of approximately 0.9%. In the first quarter of 2013, VITAS recorded a positive revenue adjustment of $0.9 million related to eliminating the Medicare Cap billing limitation recorded in the fourth quarter of 2012. This compares with $2.6 million of additional revenue recorded in the first quarter of 2012. The ADC increase was driven by a 5.4% increase in routine homecare, an increase of 7.8% in continuous care and a decrease of 0.8% in general inpatient. In excess of 90% of VITAS' service revenues for the period were from Medicare and Medicaid.

The decrease in plumbing revenues for the first quarter of 2013 versus 2012 is attributable to a 4.2% decrease in job count offset by a 2.1% increase in the average price per job. Drain cleaning revenues for the first quarter of 2013 versus 2012 reflect a 3.0% increase in the number of jobs perfomed as well as a 4.3% increase in the price per job. Contractor operations revenue increased 22.9% for the first quarter of 2013 due to four acquisitions that were completed in 2012 as well as improved operating conditions. HVAC operations decreased as a result of the shut-down of Roto-Rooter's one remaining HVAC operation during the third quarter of 2012. The Other category was essentially flat when compared to the first quarter of 2012.

The consolidated gross margin was 27.9% in the first quarter of 2013 as compared with 27.1% in the first quarter of 2012. On a segment basis, VITAS' gross margin was 21.4% in the first quarter of 2013 and 21.2% in the first quarter of 2012. The Roto-Rooter segment's gross margin was 46.3% for the first quarter of 2013 as compared with 43.7% for the first quarter of 2012. The increase in Roto-Rooter's gross margin is the result of higher revenue, lower health care and casualty insurance costs and reduced field operating expenses.

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

	Three months ended March 31,	
	2013	2012
SG&A expenses before the impact of market gains of deferred compensation plans, long-term incentive compensation, and OIG investigation expenses	$52,437	$50,963
Long-term incentive compensation	612	-
Expenses related to OIG investigation	1,039	71
Impact of market value gains on liabilities held in deferred compensation trusts	1,472	2,133
Total SG&A expenses	$55,560	$53,167

Normal salary increases and revenue related expense increases between periods account for the 2.9% increase in SG&A expenses before long-term incentive compensation, expenses related to OIG investigation and the impact of market gains of deferred compensation plans.

Interest expense increased 13.2% between periods primarily as a result of the increase in amortization of bond discount expense and the increase in deferred debt issuance costs resulting from the 2013 Credit Agreement.

Other income - net comprise (in thousands):

	Three months ended March 31,	
	2013	2012
Market value gains on assets held in deferred compensation trusts	$1,472	$2,133

Loss on disposal of property and equipment	(78)	(81)
Interest income	303	51
Other	9	(8)
Total other income - net	$1,706	$2,095

Our effective income tax rate was 38.9% in the first quarter of 2013 and in the first quarter of 2012.

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
VITAS		
Legal expenses of OIG investigation	$(644)	$(44)
Roto-Rooter		
Expenses of severance arrangements	(184)	-
Expenses of class action litigation	(86)	(393)
Acquisition expenses	-	(9)
Corporate		
Stock option expense	(943)	(1,225)
Noncash impact of change in accounting for convertible debt	(1,323)	(1,224)
Long-term incentive compensation	(387)	-
Loss on extinguishment of debt	(294)	-
Expenses of securities litigation	(1)	-
Total	$(3,862)	$(2,895)

Three months ended March 31, 2013 versus 2012 - Segment Results

The change in after-tax earnings for the first quarter of 2013 versus the first quarter of 2012 is due to (in thousands):

	Increase/(Decrease) Amount	Increase/(Decrease) Percent
VITAS	$ 515	2.6
Roto-Rooter	2,128	28.4
Corporate	(810)	(12.1)
	$ 1,833	9.0

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2013
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2013 (a)				
Service revenues and sales	$ 271,326	$ 95,315	$ -	$ 366,641
Cost of services provided and goods sold	213,160	51,147	-	264,307
Selling, general and administrative expenses	21,604	26,662	7,294	55,560
Depreciation	4,514	2,147	134	6,795
Amortization	491	154	482	1,127
Total costs and expenses	239,769	80,110	7,910	327,789
Income/(loss) from operations	31,557	15,205	(7,910)	38,852
Interest expense	(46)	(59)	(3,989)	(4,094)
Intercompany interest income/(expense)	843	428	(1,271)	-
Other income/(expense)—net	221	(1)	1,486	1,706
Income/(expense) before income taxes	32,575	15,573	(11,684)	36,464
Income taxes	(12,433)	(5,949)	4,196	(14,186)
Net income/(loss)	$ 20,142	$ 9,624	$ (7,488)	$ 22,278

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (1,491)	$ (1,491)
Noncash impact of accounting for convertible debt	-	-	(2,091)	(2,091)
Long-term incentive compensation	-	-	(612)	(612)
Expenses of severance arrangements	-	(302)	-	(302)
Loss on extinguishment of debt	-	-	(465)	(465)
Expenses related to litigation settlements	-	(141)	-	(141)
Expenses related to securities litigation	-	-	(2)	(2)
Acquisition expenses	(1)	-	-	(1)
Expenses related to OIG investigation	(1,039)	-	-	(1,039)
Total	$ (1,040)	$ (443)	$ (4,661)	$ (6,144)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (943)	$ (943)
Noncash impact of accounting for convertible debt	-	-	(1,323)	(1,323)

Long-term incentive compensation	-	-	(387)	(387)
Expenses of severance arrangements	-	(184)	-	(184)
Loss on extinguishment of debt	-	-	(294)	(294)
Expenses related to litigation settlements	-	(86)	-	(86)
Expenses related to securities litigation	-	-	(1)	(1)
Expenses related to OIG investigation	(644)	-	-	(644)
Total	$ (644)	$ (270)	$ (2,948)	$ (3,862)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2012
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2012 (a)				
Service revenues and sales	$ 260,847	$ 92,096	$ -	$ 352,943
Cost of services provided and goods sold	205,620	51,825	-	257,445
Selling, general and administrative expenses	19,748	26,153	7,266	53,167
Depreciation	4,025	2,085	131	6,241
Amortization	490	154	469	1,113
Total costs and expenses	229,883	80,217	7,866	317,966
Income/(loss) from operations	30,964	11,879	(7,866)	34,977
Interest expense	(62)	(108)	(3,447)	(3,617)
Intercompany interest income/(expense)	755	395	(1,150)	-
Other income/(expense)—net	(31)	(20)	2,146	2,095
Income/(expense) before income taxes	31,626	12,146	(10,317)	33,455
Income taxes	(11,999)	(4,650)	3,639	(13,010)
Net income/(loss)	$ 19,627	$ 7,496	$ (6,678)	$ 20,445

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (1,938)	$ (1,938)
Noncash impact of accounting for convertible debt	-	-	(1,935)	(1,935)
Expenses of class action litigation	-	(647)	-	(647)
Acquisition expenses	-	(15)	-	(15)
Legal expenses of OIG investigation	(71)	-	-	(71)
Total	$ (71)	$ (662)	$ (3,873)	$ (4,606)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (1,225)	$ (1,225)
Noncash impact of accounting for convertible debt	-	-	(1,224)	(1,224)
Expenses of class action litigation	-	(393)	-	(393)

Acquisition expenses	-	(9)	-	(9)
Legal expenses of OIG investigation	(44)	-	-	(44)
Total	$ (44)	$ (402)	$ (2,449)	$ (2,895)

Consolidating Summary and Reconciliation of
Adjusted EBITDA

Chemed Corporation and Subsidiary Companies
(in thousands)

For the three months ended March 31, 2013	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$20,142	$9,624	$(7,488)	$22,278
Add/(deduct):				
Interest expense	46	59	3,989	4,094
Income taxes	12,433	5,949	(4,196)	14,186
Depreciation	4,514	2,147	134	6,795
Amortization	491	154	482	1,127
EBITDA	37,626	17,933	(7,079)	48,480
Add/(deduct):				
Intercompany interest expense/(income)	(843)	(428)	1,271	-
Interest income	(246)	(42)	(15)	(303)
Legal expenses of OIG investigation	1,039	-	-	1,039
Acquisition expenses	1	-	-	1
Expenses of severance arrangments	-	302	-	302
Advertising cost adjustment	-	(469)	-	(469)
Expenses related to litigation settlements	-	141	-	141
Long-term incentive compensatin	-	-	612	612
Stock option expense	-	-	1,491	1,491
Expenses of securities litigation	-	-	2	2
Adjusted EBITDA	$37,577	$17,437	$(3,718)	$51,296

For the three months ended March 31, 2012	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$19,627	$7,496	$(6,678)	$20,445
Add/(deduct):				
Interest expense	62	108	3,447	3,617
Income taxes	11,999	4,650	(3,639)	13,010
Depreciation	4,025	2,085	131	6,241
Amortization	490	154	469	1,113
EBITDA	36,203	14,493	(6,270)	44,426
Add/(deduct):				
Intercompany interest expense/(income)	(755)	(395)	1,150	-
Interest income	(30)	(8)	(13)	(51)
Legal expenses of OIG investigation	71	-	-	71
Acquisition expenses	-	15	-	15
Advertising cost adjustment	-	(706)	-	(706)
Expenses related to litigation settlements	-	647	-	647
Stock option expense	-	-	1,938	1,938
Adjusted EBITDA	$35,489	$14,046	$(3,195)	$46,340

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

	Three Months Ended March 31,		
OPERATING STATISTICS	2013		2012
Net revenue ($000)			
Homecare	$196,660		$186,597
Inpatient	28,468		29,152
Continuous care	45,325		42,521
Total before Medicare cap allowance	$270,453		$258,270
Medicare cap allowance	873		2,577
Total	$271,326		$260,847
Net revenue as a percent of total before Medicare cap allowance			
Homecare	72.7	%	72.2
Inpatient	10.5		11.3
Continuous care	16.8		16.5
Total before Medicare cap allowance	100.0		100.0
Medicare cap allowance	0.3		1.0
Total	100.3	%	101.0
Average daily census (days)			
Homecare	10,354		9,613
Nursing home	2,929		2,986
Routine homecare	13,283		12,599
Inpatient	468		472
Continuous care	681		632
Total	14,432		13,703
Total Admissions	17,137		16,322
Total Discharges	16,843		16,196
Average length of stay (days)	77.4		82.4
Median length of stay (days)	13.0		14.0
ADC by major diagnosis			
Neurological	33.2	%	34.2
Cancer	16.9		17.9
Cardio	11.2		11.6
Respiratory	6.9		6.6
Other	31.8		29.7
Total	100.0	%	100.0
Admissions by major diagnosis			
Neurological	19.2	%	19.6
Cancer	30.8		32.1
Cardio	11.6		11.8
Respiratory	9.6		8.7
Other	28.8		27.8
Total	100.0	%	100.0
Direct patient care margins			

Routine homecare	51.9	%	50.4	
Inpatient	10.9		14.1	
Continuous care	17.7		19.9	
Homecare margin drivers (dollars per patient day)				
Labor costs	$57.18		$57.76	
Drug costs	7.57		8.33	
Home medical equipment	6.85		6.82	
Medical supplies	2.92		2.75	
Inpatient margin drivers (dollars per patient day)				
Labor costs	$320.67		$314.34	
Continuous care margin drivers (dollars per patient day)				
Labor costs	$587.73		$569.54	
Bad debt expense as a percent of revenues	0.8	%	0.8	%
Accounts receivable --				
Days of revenue outstanding- excluding unapplied Medicare payments	39.0		36.6	
Days of revenue outstanding- including unapplied Medicare payments	29.6		30.8	

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

Our primary market risk exposure relates to interest rate risk exposure through variable interest rate borrowings. At March 31, 2013, we had no variable rate debt outstanding. At March 31, 2013, the fair value of the Notes approximates $205.5 million which have a face value of $187.0 million.

Item 4. Controls and Procedures

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

PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

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

None

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

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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:	April 26, 2013	By:	/s/ Kevin J. McNamara Kevin J. McNamara (President and Chief Executive Officer)
Dated:	April 26, 2013	By:	/s/ David P. Williams David P. Williams (Executive Vice President and Chief Financial Officer)
Dated:	April 26, 2013	By:	/s/ Arthur V. Tucker, Jr. Arthur V. Tucker, Jr. (Vice President and Controller)