October 31, 2007

LHC Group Announces Third Quarter and Nine Months 2007 Results

Company to Host Investor Day in New York City on November 20, 2007

LAFAYETTE, La.--(BUSINESS WIRE)--

LHC Group, Inc. (NASDAQ: LHCG):

Highlights:

- -- Net service revenue increased 32.2% to $77.5 million for the third quarter and 39.4% to $216.8 million for the nine months;
- -- Net income increased 14.3% to $6.0 million for the third quarter and 23.3% to $16.8 million for the nine months; and
- -- Earnings per share increased 13.3% to $0.34 for the third quarter and 16.0% to $0.94 for the nine month period, including a one-time charge in both periods of $0.03 per diluted share related to the previously announced consulting agreement with the Company's former CFO.
- -- Days sales outstanding decreased to 69 days (64 days adjusted) in the third quarter of 2007 compared with 75 days (70 days adjusted) in the second quarter of 2007.

LHC Group, Inc. (NASDAQ: LHCG), a leading provider of post-acute healthcare services primarily in non-urban markets in the United States, announced today its financial results for the third quarter and nine months ended September 30, 2007.

The Company also announced that it would be hosting an Investor Day at the NASDAQ MarketSite in New York City on Tuesday, November 20, 2007, from 12:00 noon Eastern time until 4:00 p.m. For more details or to sign-up to attend, please e-mail Eric Elliott at eric.elliott@lhcgroup.com.

Financial Results for the Third Quarter

Net service revenue for the third quarter ended September 30, 2007, increased 32.2% to $77.5 million compared with $58.6 million in 2006. For the three months ended September 30, 2007 and 2006, 82.0% and 81.3%, respectively, of net service revenue was derived from Medicare. For the third quarter, home-based services accounted for 81.6% of revenue and facility-based services was 18.4% of revenue compared with 76.0% and 24.0%, respectively, for the comparable prior year quarter.

Income from continuing operations for the third quarter of 2007 totaled $6.2 million, or $0.35 per diluted share, compared with income from continuing operations of $5.4 million, or $0.31 per diluted share, for the third quarter of 2006. Income from continuing operations for the third quarter of 2007 includes the effect of the consulting agreement with our former CFO of $560,264 net of tax, or $0.03 per diluted share.

Net income for the third quarter of 2007 totaled $6.0 million, or $0.34 per diluted share, compared with net income of $5.3 million, or $0.30 per diluted share, for the third quarter of 2006.

Home-Based Services

Net service revenue for home-based services for the three months ended September 30, 2007, increased 41.9% to $63.2 million compared with $44.5 million for the three months ended September 30, 2006. Total admissions increased 52.0% to 11,216 during the period, versus 7,377 for the same period in 2006. Average home-based patient census for the three months ended September 30, 2007, increased 29.4% to 16,862 patients as compared with 13,029 patients for the three months ended September 30, 2006.

Facility-Based Services

Net service revenue for facility-based services for the three months ended September 30, 2007, increased 1.3% to $14.3 million compared with $14.1 million for the three months ended September 30, 2006. The increase in facility-based net service revenue is due primarily to the change in the acuity of the patients. Patient days decreased 4.0% to 11,202 in the three months ended September 30, 2007, from 11,674 in the three months ended September 30, 2006.

DSO

Days sales outstanding, or DSO, for the three months ended September 30, 2007, was 69 days as compared with 69 days for the same three-month period in 2006. DSO, when adjusted for acquisitions and unbilled accounts receivables, was 64 days. The adjustment takes into account $4.1 million of unbilled receivables that the Company is delayed in billing due to the lag time in receiving the change of ownership after acquiring companies. For the comparable period in 2006, adjusted DSO was 63 days, taking into account $4.4 million in unbilled accounts receivable.

Financial Results for the Nine Months

Net service revenue for the nine months ended September 30, 2007, increased 39.4% to $216.8 million compared with $155.5 million in 2006. For the nine months ended September 30, 2007 and 2006, 82.0% and 84.5%, respectively, of net service revenue was derived from Medicare. For the nine months ended September 30, 2007, home-based services accounted for 81.3% of revenue and facility-based services was 18.7% of revenue compared with 73.5% and 26.5%, respectively, for the comparable prior year period.

Income from continuing operations for the nine months ended September 30, 2007 totaled $17.7 million, or $0.99 per diluted share, compared with income from continuing operations of $13.7 million, or $0.81 per diluted share, for the nine months ended September 30, 2006.

Net income for the nine months ended September 30, 2007 totaled $16.8 million, or $0.94 per diluted share, compared with net income of $13.7 million, or $0.81 per diluted share, for the nine months ended September 30, 2006.

Home-Based Services

Net service revenue for home-based services for the nine months ended September 30, 2007, increased 55.9% to $176.3 million compared with $113.1 million for the nine months ended September 30, 2006. Total admissions increased 73.7% to 32,656 during the period, versus 18,799 for the same period in 2006. Average home-based patient census for the nine months ended September 30, 2007, increased 28.9% to 16,208 patients as compared with 12,573 patients for the nine months ended September 30, 2006.

Facility-Based Services

Net service revenue for facility-based services for the nine months ended September 30, 2007, decreased 4.4% to $40.5 million compared with $42.4 million for the nine months ended September 30, 2006. The decrease in net service revenue is due to the adjustment in the first half of 2007 relating to revenue and bad debt with respect to commercial patients in the LTACH setting. Patient days increased 1.5% to 34,329 in the nine months ended September 30, 2007, from 33,814 in the nine months ended September 30, 2006.

In commenting on the results, Keith G. Myers, chief executive officer of LHC Group, said, "We are very pleased with our financial performance during the past quarter and with our continued ability to execute our long-term growth strategy, which is focused on building shareholder value by continuing to deliver an impressive return on equity. To date this year, we have acquired 19 locations and opened 20 de novos, putting us well ahead of schedule for 2007. We are also scheduled to open 30 new de novo locations during 2008. Our continued ability to deliver a strong return on equity was recently recognized when we were named #7 on Forbes list of "America's 200 Best Small Companies." Although we are proud of this recognition from Forbes, and with our recent inclusion in the S&P 600, we are most proud of the quality of care being delivered to our patients by our dedicated caregivers each and every day."

In closing, Mr. Myers added, "We have received many questions regarding the impact of the final CMS rule that was published this past August. Since the proposed rule was published last spring, we have been working diligently from both a financial and operational perspective to prepare for the implementation of the final rule in January 2008. Based on these efforts, we have a strong understanding of the financial impact of the final rule on our projected performance during 2008. Further, our operations team stands ready to adjust to the new rule much like we did during the transition from cost-based reimbursement to the prospective payment system. Although we have prepared for the transition and have completed our budget process, based on implementation of the final rule as is, there are many ongoing initiatives in Washington, D.C. that could modify its effects. For example, there is current legislation to extend the 5% rural add on and there is also legislation in both the House of Representatives and the Senate aimed at delaying the implementation of the case mix adjustment rate cut. Because we want our stockholders to have an understanding of the financial impact of both the final rule and any further reimbursement changes that result from the ongoing legislative initiatives in Washington, D.C., our management team has elected to provide formal annual guidance for 2008. We intend to provide this formal guidance following the resolution of the home health reimbursement issues currently being addressed by Congress, which we expect to be resolved during the fourth quarter of 2007."

The live broadcast of LHC Group's conference call will begin at 10:00 a.m. Eastern time on Thursday, November 1, 2007. Speakers on the call will include Keith Myers, chief executive officer; John Indest, president and chief operating officer and Pete Roman, senior vice president and chief financial officer. A link to the webcast can be found under the investor relations section of the Company's website, www.lhcgroup.com, or at www.earnings.com. A replay of the webcast will also be archived on LHC Group's website. A telephone replay will be available for one week by dialing (888) 286-8010 (US) or (617) 801-6888 (international) and entering the pass code 64691959.

About LHC Group, Inc.

LHC Group is a leading provider of post-acute healthcare services primarily in non-urban markets in the United States. LHC Group provides home-based services through its home nursing agencies and hospices and facility-based services through its long-term acute care hospitals and rehabilitation facilities.

Certain matters discussed in this press release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by words such as "believe," "expect," "anticipate," "intend," "estimate" or similar expressions. Forward-looking statements involve a number of risks and uncertainties and there can be no assurance that any forward-looking statements will prove to be accurate. Important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include: changes in reimbursement, changes in government regulations, changes in our relationships with referral sources, increased competition for our services, increased competition for joint venture and acquisition candidates and changes in the interpretation of government regulations. LHC Group undertakes no obligation to update or revise any forward-looking statements. Further information regarding risks, uncertainties and other factors that could adversely affect LHC Group or cause actual results to differ materially from those anticipated in forward-looking statements are included in LHC Group's Form 10K for the year ended December 31, 2006, filed with the Securities and Exchange Commission.

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	Sept. 30, 2007 (unaudited)	Dec. 31, 2006
Cash	$ 12,859	$ 26,877
Total assets	177,680	152,694
Total debt	3,503	3,837
Total stockholders' equity	140,101	121,889

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share data)

	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 30, 2006	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 30, 2006
	(unaudited)		(unaudited)	
Net service revenue	$ 77,495	$ 58,626	$ 216,786	$ 155,462
Cost of service revenue	39,979	30,168	110,676	80,870
Gross margin	37,516	28,458	106,110	74,592
General and administrative expenses	26,748	18,885	74,558	50,427
Operating income	10,768	9,573	31,552	24,165
Interest expense	96	83	273	229
Non-operating income, including gain on sales of assets	(358)	(363)	(955)	(644)
Income from continuing operations before income taxes and minority interest and cooperative endeavor allocations	11,030	9,853	32,234	24,580
Income tax expense	3,377	3,094	10,246	7,409
Minority interest and cooperative endeavor allocations	1,413	1,325	4,327	3,448
Income from continuing operations	6,240	5,434	17,661	13,723
Loss from discontinued operations (net of income tax benefit of $157 and $92 in the three months ended September 30, 2007 and 2006, respectively, and $539 and $393 in the nine months ended September 30, 2007 and 2006, respectively)	246	163	843	728
Gain on sale of discontinued operations (net of income taxes of $20 in the three months ended September 30, 2007, and $20 and $336 in the nine months ended September 30, 2007 and 2006, respectively)	31	-	31	667
Net income	6,025	5,271	16,849	13,662

Gain (loss) on redeemable minority interests	57	(72)	213	942
Net income available to common stockholders	$ 6,082	$ 5,199	$ 17,062	$ 14,604
Basic and diluted earnings per share:				
Income from continuing operations	$ 0.35	$ 0.31	$ 0.99	$ 0.81
Loss from discontinued operations, net	0.01	0.01	0.05	0.04
Gain on sale of discontinued operations, net	-	-	-	0.04
Net income	0.34	0.30	0.94	0.81
Gain on redeemable minority interests	-	-	0.01	0.05
Net income available to common shareholders	$ 0.34	$ 0.30	$ 0.95	$ 0.86
Weighted average shares outstanding:				
Basic	17,766,612	17,557,576	17,756,537	16,895,929
Diluted	17,794,072	17,574,541	17,823,237	16,907,787

LHC GROUP, INC. AND SUBSIDIARIES
SEGMENT INFORMATION
(in thousands)

	Three Months Ended September 30, 2007 (unaudited)			Nine Months Ended September 30, 2007 (unaudited)		
	Home-Based Services	Facility-Based Services	Total	Home-Based Services	Facility-Based Services	Total
Net service revenue	$ 63,217	$ 14,278	$77,495	$176,275	$ 40,511	$216,786
Cost of service revenue	31,135	8,844	39,979	84,874	25,802	110,676
General and administrative expenses	22,107	4,641	26,748	60,739	13,819	74,558
Operating income	9,975	793	10,768	30,662	890	31,552

Three Months Ended September 30, 2006 (unaudited)	Nine Months Ended September 30, 2006 (unauidted)

	Home-Based Services	Facility-Based Services	Total	Home-Based Services	Facility-Based Services	Total
Net service revenue	$ 44,536	$ 14,090	$58,626	$113,105	$ 42,357	$155,462
Cost of service revenue	21,292	8,876	30,168	54,389	26,481	80,870
General and administrative expenses	14,966	3,919	18,885	38,954	11,473	50,427
Operating income	8,278	1,295	9,573	19,762	4,403	24,165

Source: LHC Group, Inc.