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CORPORATE PARTICIPANTS

Dale Gerard Mackel *LHC Group, Inc. - Executive VP, CFO & Treasurer*

Eric C. Elliott *LHC Group, Inc. - SVP of Finance*

Joshua L. Proffitt *LHC Group, Inc. - President*

Keith G. Myers *LHC Group, Inc. - Co-Founder, CEO & Chairman*

CONFERENCE CALL PARTICIPANTS

Albert J. William Rice *Crédit Suisse AG, Research Division - Research Analyst*

Brian Gil Tanquilut *Jefferies LLC, Research Division - Senior Equity/Stock Analyst*

Frank George Morgan *RBC Capital Markets, Research Division - MD of Healthcare Services Equity Research & Analyst*

Joanna Sylvia Gajuk *BofA Securities, Research Division - VP*

Justin D. Bowers *Deutsche Bank AG, Research Division - Research Associate*

Matthew Richard Larew *William Blair & Company L.L.C., Research Division - Analyst*

Scott J. Fidel *Stephens Inc., Research Division - MD & Analyst*

PRESENTATION

Operator

Good morning, and welcome to the LHC Group Second Quarter 2021 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Eric Elliott, Senior Vice President of Finance. Please go ahead.

Eric C. Elliott - *LHC Group, Inc. - SVP of Finance*

Thank you, Danielle, and good morning, everyone. I'd like to welcome you to LHC Group's earnings conference call for the second quarter ended June 30, 2021. We issued our earnings release last night, and I would like -- I would also like to highlight that we have posted some supplemental information on the quarter on the Quarterly Results section of our Investor Relations page.

The supplemental deck as well as a copy of the earnings release, the 10-Q and, ultimately, a transcript of this call, when available, can be found on this page. Our supplemental deck includes our full year 2021 guidance assumptions, the impact of COVID-19 and detail on the breakdown among sector performance. All of our non-GAAP reconciliations and breakdown of adjustments are included as well. We will reference this information in our remarks today.

We expect today's prepared comments from Keith Myers, Chairman and Chief Executive Officer; Josh Proffitt, President; and Dale Mackel, Chief Financial Officer, to run for approximately 20 minutes to allow time for Q&A.

Before we start, I would like to point everyone to our forward-looking statements on Page 2 of our supplemental presentation and encourage you to read them carefully. They apply to statements made in this call, in our press release and in our supplemental financial information.

Now I'll turn the call over to Keith.

Keith G. Myers - LHC Group, Inc. - Co-Founder, CEO & Chairman

Thank you, Eric, and good morning, everyone. I'd like to begin, as customary, by voicing my deep appreciation and respect of our growing LHC Group family of nurses, physician extenders, allied health professionals and administrative support staff for their unwavering commitment to excellence in providing quality care and customer service to the growing number of patients, families and communities we are privileged to serve.

LHC Group continues to be an industry leader in quality and patient satisfaction. Data published in June of 2021 by Strategic Health Programs, or SHP, shows our overall home health quality star rating improved to 4.39 from 4.23 in October of 2020. This is possible only because of this unwavering commitment of the many boots on the ground frontline caregivers that treat our patients every day. Thank you again.

Now turning to policy and legislative tailwinds. With last week's introduction of the Choose Home Act of 2021 in the Senate, we have bipartisan legislation that, for the first time, would provide clinically appropriate Medicare beneficiaries the option to safely recover in the privacy of their own home following an acute inpatient stay as an alternative to more costly and restrictive inpatient post-acute care settings such as SNF. In addition to 4 senators from each party co-sponsoring the Choose Home Bill, we have lead sponsors from both the Senate Finance Committee and the Senate Aging Committee, including the Chair of the Senate Finance Health Subcommittee and the Chair of the Senate Aging Committee.

In the near term, we expect Choose Home to be filed in the House with strong bipartisan support, including lead sponsors from committees of jurisdiction responsible for legislating health care policy. This common-sense legislation will allow qualifying seniors the choice of receiving SNF-level care in the comfort of their own homes at a guaranteed Medicare savings of at least 20% of the cost of an inpatient SNF episode of care.

The introduction of Choose Home was aided by strong endorsements from key organizations such as AARP, the National Council for Medicare and Medicaid Reform, Allies for Independence, LeadingAge and other organizations representing veterans and those with disabilities. These endorsements and strong congressional support positions Choose Home for consideration in the budget reconciliation process or other year-end legislative packages.

I'd like to mention that Choose Home conceptually is not new. Various states have already demonstrated cost savings and better outcomes by combining skilled and personal care services such as the Ohio PASSPORT program, which has been in place since the early '90s and has consistently demonstrated both cost savings and better patient outcomes.

Similarly, since 2019, CMS has provided Medicare Advantage plans the option to include non-skilled home care services, transportation, home modification and assistance with activities of daily living as part of their plans. Choose Home combines these services with the traditional Medicare home health benefit and, for the first time, provides traditional Medicare beneficiary the option to recover safely in their own homes as an alternative to more costly and restrictive inpatient post-acute stay settings. Cost savings are hardwired because Choose Home limits payment to not exceed 80% of the monthly cost of a stay in a skilled nursing facility and limits the benefit to 30-day episodes of care.

Medicare savings on the Choose Home are projected by the health care economics firm of Dobson DaVanzo to be in the range of \$1.6 billion to \$2.8 billion over 10 years. A copy of the Dobson DaVanzo Choose Home saving analysis is included in our supplemental deck.

Last month, LHC Group commissioned a national survey led by Dr. Frederick Barber of The Decision Co. in Nashville. The finding was that Americans overwhelmingly prefer in-home care following a serious illness or hospitalization as opposed to inpatient post-acute settings. Notably, survey respondents strongly supported Medicare coverage for the various services provided under Choose Home, such as transportation, medical supplies and in-home modifications. A copy of the survey results fielded by The Decision Co. is included in our supplemental deck. We expect these survey findings favoring more in-home care to resonate in Congress and aid our advocacy for Choose Home.

Now turning to regulatory updates. CMS has published favorable final rules for fiscal 2022 related to both hospice and LTACHs. We also saw a favorable proposed rule for home health that projects no cuts for 2022 and an aggregate increase in payment rates of 1.7%. The rule also included a proposal to expand nationally the Home Health Value Based Payment demonstration from 9 states to all 50 states beginning January 1, 2022.

The national expansion of HHVBP is supportive of our recently announced Advanced Care@Home service line expansion, which further leverages our existing post-acute capabilities to provide an efficient, low-overhead alternative to more restrictive and costly inpatient care settings. The

opportunity we have to bring our Advanced Care@Home model to scale is substantial as we have significant direct experience in this area from the proven and highly successful SNF diversion programs we have developed in partnership with a number of hospitals throughout the country, beginning with Ochsner Health in 2014.

And now last but certainly not least, I'll close my prepared remarks with an overview of M&A. Excluding only 2018 when we announced our merger with Almost Family, 2021 to date has been our best year in terms of acquired revenue in the 27-year history of LHC Group. Based on our success thus far, our strong M&A pipeline and the exclusive nature of the majority of opportunities in our current pipeline, we have more than doubled our previous acquired revenue target for 2021 to a range of \$350 million to \$500 million in acquired revenue. The incremental adjusted EBITDA contributions from these acquisitions alone would add a 12% to 17% increase in 2022 compared to our 2021 range for adjusted EBITDA.

And now I'll turn it over to Josh to provide more color on our growth and operations, then Dale will provide more detail on our financial results and guidance prior to Q&A. Josh?

Joshua L. Proffitt - LHC Group, Inc. - President

Thank you, Keith, and good morning, everyone. Thank you for your time this morning. I also want to take just a moment to thank all of our colleagues on the frontline as we continue to provide much-needed, high-quality services to our patients during the public health emergency as well as all of our quality, operations and growth leaders and support team members across the country for all of their many contributions to our success. I'm truly inspired by the amazing work you are all doing.

I'm very excited to provide more details on our current operational growth trajectories and explain the confidence that underlies the positive outlook Keith just described and implied in the more than doubling of our acquired annual revenue expectations for 2021. In addition to our usual commentary, you will note that we have provided updates in our supplemental deck on our earnings building blocks, our sequential operating trends, the partnership with SCP Health, our pipeline activity and our debt and liquidity metrics.

The overarching messages I want to leave you with before we begin is: one, that overall, Q2 is in line with what we anticipated with continued strong growth in home health admissions and EBITDA as well as organic admissions growth and census growth in our hospice segment with improvements in length of stay and admit-to-discharge ratios; two, our M&A activity is at an all-time high, which will lead to further accelerated growth momentum heading into 2022; and three, our value proposition for our partners has never been more compelling.

Let's now turn to our key metrics. We are delivering strong year-over-year growth in organic admissions and census across the board as well as positive sequential momentum in our key performance indicators. Slides 17 and 18 of our deck show the progression over the last 5 quarters. You will note that same-store home health organic admissions are up 16.4% in Q2 over Q2 last year and are up 7.3% year-to-date. When you peel back the details on the strong organic growth performance in the quarter for home health, I would note that Medicare same-store organic growth was 8.8% in Q2, and non-Medicare episodic admits grew organically by 37%.

I also want to highlight that total same-store admissions for home health are sequentially up 1% from Q1, which gives us above 109,000 total home health admits and to a level ahead of our all-time high which we achieved in the first quarter of last year, just north of 108,000. Sequentially, Medicare same-store admits were up 1.2%. Non-Medicare episodic same-store admits were up sequentially 4%, with home health census up 1.9% and home health new physician referrals up 0.7%.

In hospice, organic growth in admissions was up 1.1% for the quarter and 4.7% year-to-date with average daily census also up from Q1 by 1% and 3.1% since Q4. A few additional positive indicators for the continued improvement in our hospice segment performance are that our admit-to-discharge ratio was positive for the first time since the onset of the pandemic, and our average discharge length of stay has stabilized for 2 consecutive quarters at just shy of 80 days in Q1 and Q2, while June, July and early into August, it has been running back north of 80 days, which is now back to pre-pandemic levels.

We are also working hard to support this growth with our hiring and recruiting efforts, as demonstrated on Slide 16. For the third consecutive quarter, we have hired a record number of frontline employees, while our turnover continues to be well below industry averages. These headcount

statistics have a direct correlation and validation with our differentiated culture, our continued census growth and our unwavering focus on patient satisfaction and quality outcomes. In order to keep my prepared comments short, during Q&A, I will be more than happy to get into some of the strategies and tactics we have deployed last year and in the first half of this year that are yielding these positive results in a pressured labor market.

Before I get into organic growth, I want to briefly discuss our recently announced strategic partnership with SCP Health to jointly develop and deliver an expanded service offering of advanced clinical care services in the home. This innovative, clinician-led, proprietary model will elevate in-home care and deliver higher acuity care in the home by harnessing the combined talent and experience of partner physicians with our nurses, therapists and physician extenders as well as our industry-leading in-home patient care, proprietary data analytics capabilities, clinical modeling and technologies. As we roll out this expanded service offering later this year, we have the near-term opportunity to capture share where we overlap in 70 hospitals where we have joint ventures and in 100 non-hospitals where we already have a home health presence.

I would also stress that this is not an exclusive arrangement. While we have a lot of runway ahead of us with this partnership, we can just as easily work with other ED and hospitalists that operate in hospitals outside of SCP's footprint. It is safe to assume that in addition to the number of inbound calls we've received from existing and potential hospital partners since the announcement that we will be doing the same for other providers across the country that operate within our other 365 joint venture hospitals.

Now turning to inorganic growth drivers. At the time of our last call, we have completed or announced a total of \$18.1 million in acquired annual revenue for 2021. Since that time, we're now up to \$161.7 million in acquired annual revenue announced or completed. Based on the pace of transactions to date and the size of our pipeline, which continues to remain mostly exclusive, we have more than doubled our full year target for the year-end, which will have a benefit to 2021, but the biggest impact will be in 2022 with the incremental EBITDA contribution in the range of \$35 million to \$50 million that Keith highlighted earlier.

These 2021 acquisitions provide a further layer of growth given that we have a track record of significantly increasing the contribution from acquired revenue over the 12 to 18 months following acquisition. While 2021 is shaping up to be a record M&A year for us, we also remain confident in having another strong M&A year in 2022 with an expectation for more JVs and further home health consolidation.

Our outlook is as bright as ever with our sequential trends heading in the right direction, our growth levers propelling us forward with organic and inorganic growth and policy and regulatory tailwinds that are prioritizing in home care. We have a big second half ahead of us, and we are well positioned to deliver on those opportunities.

Dale, I'll turn it over to you to add additional color on our results and on our guidance.

Dale Gerard Mackel - LHC Group, Inc. - Executive VP, CFO & Treasurer

Thank you, Josh, and good morning, everyone. I am pleased to report our second quarter results were in line with our expectations and consistent with the bridge we originally provided on the Q4 call, demonstrating how the first half of the year would play out compared with the second half of the year in terms of our full year guidance.

For the second quarter, net service revenue was up 12% year-over-year and 4% sequentially. Adjusted EBITDA increased 27.5% year-over-year and 19.6% sequentially. Adjusted net income increased 32% year-over-year and 16.6% sequentially to \$1.62 per diluted share.

While revenue was a little lighter than what we had projected, it was spread nominally throughout all our service lines, and therefore, we are keeping our 2021 revenue guidance range intact. The earnings and adjusted EBITDA results were on track as well. So sitting here at the halfway point, we are right where we need to be for 2021.

Consistent with past practice, I will refer -- I want to refer you to our earnings release and supplemental deck for the detailed commentary on our results. I want to spend my time this morning on the key metrics and trends supporting our underlying strong performance and growth initiatives, the factors behind our 2021 full year guidance and then close with our recent announcement on a new expanded credit facility and what that means for our growth trajectory.

I would first call your attention to Page 17 in the supplemental deck where we've broken out the key revenue factors for our home health, hospice and home and community-based service segments. Our home health segment delivered strong results with revenue up 16.7% year-over-year and up 6.1% sequentially with an EBITDA margin of 15.2%, up 220 basis points on both a year-over-year and sequential basis. This impressive performance was driven by double-digit admission and census growth along with a year-over-year increase in revenue per Medicare episode of 4.6% and a sequential revenue for Medicare -- revenue per Medicare episode increase of 1.3%.

The revenue rate increases were driven by institutional admits up on elective procedure recovery, our LUPA percentage on PDGM episodes declining and our case mix improving. The industry-wide hospice challenges are well documented, but we are encouraged by how well our hospice business stood up in the second quarter as our exposure to senior living centers is modest with only 8% to 9% of referrals coming from this channel.

Hospice segment revenues increased 1.7% sequentially, while our EBITDA margin of 11.1% was up 60 basis points versus the prior quarter and in line with our guide heading into the quarter. With the improvements in operational drivers discussed by Josh, we remain confident that our hospice segment can achieve sustained EBITDA margins of 13% to 15% by the fourth quarter of this year.

The personal care business continues to face headwinds around the well-documented staffing challenges present during the public health emergency. Our billable hours were down 2.3% versus Q2 of 2020 and were down 1.2% sequentially from last quarter. Demand remains very robust, and personal care is an important component of the care we deliver. We are working several initiatives to increase labor supply and capture unmet demand, and the Biden administration and Congress are actively supporting this valued service. But the cumulative effect of stimulus checks and unemployment assistance is a tough headwind right now.

I would be remiss if I did not point out how well our service lines are managing the labor and cost pressures that are prevalent across the health care sector. On a sequential basis, all service lines demonstrated strong cost control management, keeping cost per day, cost per visit and cost per billable hour trends either flat or in line with annualized pre-COVID merit like increases.

As mentioned by Josh, the company has invested intently on increasing and innovating around our recruiting efforts, which has resulted in record numbers of new hires, meaningful net employee growth and stabilizing costs. We will remain extremely focused and committed to this initiative to ensure our growth prospects are supported by the best talent in the industry.

While COVID-19 prevalence lessened in the second quarter, we are constantly reminded that the presence and impact of this virus has certainly not gone away. COVID-related spend in the second quarter decreased to \$10.8 million compared with \$12 million in the first quarter. We noted last quarter, we would revisit our COVID spend based on what we saw in the second quarter, which, coupled with early indications of a possible COVID resurgence driven by the delta variant, we are now expecting we will incur \$30 million to \$35 million in COVID-related expenditures in 2021.

Turning to the full year guidance outlined in our earnings release, the only adjustment we've made is to our range of adjusted earnings. We have raised our adjusted EPS range to \$6.30 to \$6.50 per share, up from \$6.20 to \$6.40, due to better visibility into our effective tax rate and depreciation. At the midpoint, these ranges reflect 8.6% revenue growth, 27.7% adjusted EPS growth and 23.6% adjusted EBITDA growth, less noncontrolling interest.

Our core assumptions remain largely consistent with our previous 2021 guidance assumptions, with the only exception being that we are adjusting our near-term hospice organic growth rate, down to the 4% to 6% range versus 8% to 10% previously, which is being fully offset by the inclusion in our guidance of 2 hospice acquisitions that closed on July 1, Casa de la Luz and Heart 'n Home. We are keeping a close eye on the recent COVID surge driven by the delta variant, but be assured we are amply experienced and fully prepared to deal with this virus should it end up being a sustained resurgence.

Lastly, we are very proud of our balance sheet. We've worked hard to keep our leverage low and our powder dry for the accelerated inorganic growth we've been projecting. With that growth now upon us, I would refer you to our 8-K filed earlier this week on an expanded credit facility that increased our revolver from \$500 million to \$800 million with a 25 basis point improvement in borrowing costs and an accordion feature that increases our borrowing capacity to \$1.3 billion, nearly double our current borrowing capacity of \$700 million.

On Page 38 of the supplemental, you will see that we have total liquidity of \$1.1 billion, and that's after paying back all \$93.3 million of the Provider Relief Funds and CMS recouping approximately \$88 million of Medicare advanced payments through July 31.

Our days sales outstanding decreased to 55 days in Q1, down from 57 days sequentially and down from 61 days in the second quarter of 2020, driven by strong cash collections in the quarter. Adjusted free cash flow year-to-date June is \$63.8 million, up \$44 million versus last year's comparable year-to-date adjusted free cash flow. The free cash flow improvement is driven by growth in our core service lines, strong underlying business fundamentals and lower capital spending.

As we look ahead to the balance of the year, we're in a great place with our balance sheet to support the many organic and inorganic growth opportunities we are pursuing. We can't look past the strength as a true competitive advantage and how it frees us up to execute on an historic level of M&A activity and to take advantage of the tremendous tailwinds behind us on the business, legislative and regulatory fronts.

That concludes our prepared remarks. Operator, we are ready to open the floor for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from Justin Bowers of Deutsche Bank.

Justin D. Bowers - Deutsche Bank AG, Research Division - Research Associate

First, I really appreciate the continuously increasing disclosures and transparency. You give us a lot to work with. But one -- just one kind of a strategy/DC question for Keith and Josh. In terms of the SCP partnership, can you give us a sense of kind of what the receptivity has been from some of your partners? And then longer term, where do you think this business can go? And kind of how are you thinking about market sizing, just acknowledging that it's still early days?

And then secondarily, kind of with the Choose Home legislation, how does that kind of impact your thinking on the size of the addressable market for kind of the SCP partnership?

Keith G. Myers - LHC Group, Inc. - Co-Founder, CEO & Chairman

Yes, I'll go first. Thanks, Justin. So with regard to the SCP, let's start there, just 1 minute on that. I don't think we've -- I had the chance to say this, but after Kip Schumacher, the S in SCP stands for Schumacher, the company was originally Schumacher Group, and he was an emergency room physician and ran the emergency room at the hospital. That was LAC's first joint venture hospital in 1998. In fact, at one point, Dr. Schumacher was going to be an original investor with my wife, Ginger, in what became LHC Group. We saw -- just all I can say, our history with them goes way back. And Kip Schumacher was a medical director for LAC for quite some time.

So with that, we understand that we need strong physician support to take higher acuity patients into the home. And Schumacher now has developed quite a robust telemedicine program with on-demand physicians that can support our nurses 24/7. So that's a key component.

The receptivity has so far from our hospital partners, I could say, has been overwhelming, but it was -- I really expected it to be overwhelmingly positive because we were doing so much in diversion work. This was just really dialing up from -- acuity from the work we're already doing. So we've presented to 4 of our major partners so far, and 4 for 4 want to move forward with the program.

So we're going to develop the first rounds of these advance programs and those 4 strong partnership hospitals, and then we'll learn from that and begin to roll the program out further after that. I think Choose Home connects to that in a very natural way. And these are things that we're going

to have to do in home health coming in [the start] under Choose Home anyway. Just the advanced care model will allow us to take even higher acuity patients than Choose Home. It's probably the best way to say it.

What was the other part of the question? Josh, do you want to take it?

Joshua L. Proffitt - LHC Group, Inc. - President

Yes, SCP and Choose Home. Keith -- or Justin, maybe the one thing I would -- a couple of things to add on the advanced clinical care services model. I know Keith mentioned how we've been doing this for a number of years. So this isn't new, but this continued progression and momentum into this higher acuity in the home service model is picking up so much momentum.

But the one thing that has proven for years for us, and I would think, Keith, even in these 4 conversations we're having with our JV partners, is it's not a cookie-cutter model. It's not -- you can't create an approach and then go deploy it all over everywhere. You've got to work very closely with the clinical departments and the CMO, the CNOs of those health systems and make a customized program that meets their needs because when you've seen one, you've seen one, and you really have to work individually with them. So we put together a team led by our CMO and a lot of members on our clinical team that are working with these hospital partners, but it's not going to be a one-size-fits-all program.

Keith G. Myers - LHC Group, Inc. - Co-Founder, CEO & Chairman

All health cares are local. I think that's like -- some things never change.

Justin D. Bowers - Deutsche Bank AG, Research Division - Research Associate

Got it. And then just a quick follow-up. Can you just help us understand kind of the cadence through the rest of the year, the bridge from first half to second half? Like what are the moving parts? And anything to call out maybe quarter-to-quarter?

Dale Gerard Mackel - LHC Group, Inc. - Executive VP, CFO & Treasurer

Yes, Justin, this is Dale. Thanks. Here's how I would guide you here as we look at really -- as mentioned in the prepared remarks, really, the one highlight is around our hospice business where we've adjusted our organic growth rate, but we're completely offsetting that with our new acquisitions, Casa de la Luz and Heart 'n Home, that closed on 7/1.

So the way I would look at -- the way we see the second half of the year playing out from a Q3 perspective, we see a revenue range in the \$580 million to \$590 million range and EBITDA in the \$80 million to \$85 million range. And as a reminder, in 3Q, we have our estimated MSSP payment of about \$10 million in that guide. And then in Q4, I would look at a revenue range of \$575 million to \$585 million and then EBITDA range of \$75 million to \$80 million. That gets you right to the -- back to the midpoint of our full year guide given the first half results.

Justin D. Bowers - Deutsche Bank AG, Research Division - Research Associate

Got it. So it looks like home health, another kind of sequential step-up or similar magnitude that we saw in -- from 1Q to 2Q. Okay. I'll hop back in queue.

Operator

The next question comes from Brian Tanquilut of Jefferies.

Brian Gil Tanquilut - *Jefferies LLC, Research Division - Senior Equity/Stock Analyst*

Josh, you mentioned on -- in your prepared remarks something about addressing questions on labor. So maybe let's hit that topic first. What do you see in the labor market? And we obviously track what the hospitals and the staffers are saying. So just curious what you're seeing and how you're addressing that issue.

Joshua L. Proffitt - *LHC Group, Inc. - President*

Yes, Brian, as is getting so much attention and conversation throughout this whole earnings season and really for the past few quarters, the pressured labor market is real. And across the country, different markets are feeling more pressures than others. But as Keith said earlier and as we often say, health care is local and so are kind of the pressures in the labor market.

I want to start by just kind of focusing first on the retention side, and then I'll pivot to the recruiting side. From a retention standpoint, which is really our [MIS] recruiting strategy, right, Brian, is retaining our dedicated and highly qualified staff to begin with, we -- I've talked directly to a lot of our recruiters and asked them why do people choose to either join or stay at LHC Group. And directly from them, it's a small-company feel with big-company resources. We're a family, a comprehensive benefits and competitive pay package, flexible variable scheduling, flexible pay structure, what we've invested in education, in tuition reimbursement, our online continuing education program.

So from the bottom up, the feedback we receive, all the way through all of our talent acquisition, is that we are doing so many things that differentiate us to retain our staff. I'll give you some specificity, Brian, on benefits. So I mean, first and foremost, you got to be competitive in your pay, right? But from a benefits perspective, we do market studies every year to ensure that we're not only offering a comprehensive package, but that we are very competitive and leading our peer group in our offerings.

Under our PPO plan and when you really break it down into the 2 categories that include more than 60% of our workforce, we are at 30% below our peer group in the premiums that are having to be covered by the employee. So for an employee only, that's about \$2,000; and for employee children, that's about \$4,000 a year. So we've really invested a lot in them from that standpoint. We've also rolled out some formal education reimbursement programs, education discounts. You know about our program with University of Louisiana that we've talked about. And over the past year, we've really enhanced our employee assistance program due to all the stress and the additional support needs throughout COVID.

So I would first start with just retention. That has yielded, continuing to have low vacancy rates for us in the kind of turnover area. And then when you think about hiring, I said in my prepared remarks, we've had 3 consecutive strong quarters there. But we've invested in that, too, over the last year. Our headcount for our recruiters has gone from 33 Q2 of last year up to 53 as of today. So we've had a 61% increase in the headcount that we've dedicated to talent acquisition.

And then some of the specific programs that we've rolled out last year when we saw this pressure mounting have really bore some fruit, Brian. I mean we put out a new employee referral program first quarter of this year, and we've already hired over 630 employees year-to-date with another 450 in queue through that program. We've enhanced our LHC alumni kind of, I'll call it, the alumni return-to-home program to get former LHC family members to come back. And last month alone, we hired 75 of those, which was more than a 60% increase in that strategy.

And I could go on with some other pieces, but definitely want to leave more time for other topics. But I do think, Brian, to put a fine point on it, we have invested in our people for over 20 years, and that has been the bedrock of who we've been. But it's not just lip service. We do it through benefits, we do it through programs and we put a lot of effort in this area and really proud of the team. I guess I would end with that. Extremely proud of from our Chief Administrative Officer, all of our home office support team members and our division presidents and all of our leaders throughout the field. Recruiting and retention is on everybody, and they're doing a great job.

Brian Gil Tanquilut - *Jefferies LLC, Research Division - Senior Equity/Stock Analyst*

No, I appreciate that color, Josh. I guess my second question, as I think about guidance, right, I mean you're maintaining guidance here. And I was looking back to the original assumptions in the guide on ADC, and obviously, you guys fell a little bit below that. So is it right to think that acquisitions are coming in above original plan, and that's what's plugging the hole there? And as I think about your guidance for the year, I think you talked about \$35 million to \$50 million of EBITDA in 2022 contribution from the target, \$300 million to \$500 million this year. So what is assumed in terms of unannounced acquisitions to get to the guidance number? Just any color on that on how we're plugging some of the holes on organic and getting to the guidance range.

Joshua L. Proffitt - *LHC Group, Inc. - President*

Yes, Brian, this is Josh. I'll start, and then I'll hand it over to Dale to kind of walk through the impact on guidance. So I mean I think you hit the nail on my head. From the hospice standpoint, the real puts and takes there are we've got the Casa de la Luz and the Heart 'n Home that Dale mentioned. But I wouldn't say that they're performing at a different level than expected.

But when you take the revenue that they're going to bring in from their point of closing throughout the rest of the year, we have included those in the guide because, as you know, our practice is to include once we've closed, not once we've announced. So Heart of Hospice, for example, is on the board as an announced deal, but it's not included. So that would be more upside for the back half of the year once that closes. So you do have some revenue positive offset from the acquisitions that's helping some of that census that you mentioned as well as in hospice.

I'd like to mention the census piece on home health as well. When we spoke back in -- at the beginning of May, we were really feeling good about where the census levels were at that time, and we hadn't started to see the seasonality occur yet. But I'll tell you, back half of May or the second half of May, we saw kind of the typical, I would say, home health seasonality. And then June was down like it has been in, I'll say, 2018 and 2019. We'll ignore 2020 because that's a weird comp for these metrics. But seasonality kind of happens in the back of May and June, which brought the home health census down. But I'm pleased that July is a little bit better than those 2 previous seasonal norms of '18 and '19, and we're back north of 86,000 as of yesterday in home health census.

Dale?

Dale Gerard Mackel - *LHC Group, Inc. - Executive VP, CFO & Treasurer*

Yes. I mean I think, Brian, I think Josh kind of hit the highlights there. But really, I think what our focus is on is really the main change in guidance that's offset each other is really around that hospice space where year-to-date, first half of the year, organic growth is at about 4.4%. And so that's where we right now feel adjusting our organic growth rate back to the 4.6% range on that, but being fully made up with the 2 closed deals that have come in. So that's really where we're at. And again, we feel very good. And obviously, our guide will change as we move forward and close deals.

Operator

The next question comes from Matt Larew of William Blair.

Matthew Richard Larew - *William Blair & Company L.L.C., Research Division - Analyst*

I just wanted to ask, you mentioned that sort of revenue being across the board a little light sort of in each category. Just curious on home health and hospice, what you think the key drivers were there? Josh, you just mentioned some seasonality. It seems -- generally speaking, it seemed like Q2 was a pretty good operating environment. Others have highlighted things like turnover and staffing. It sounds like that wasn't the case for you, but maybe there's anything you could point us to help us out there.

Joshua L. Proffitt - LHC Group, Inc. - President

Sure. Thanks, Matt. And offline, I'll say more to you about this. But hopefully, everything is going good with that new baby girl of yours. I think she's probably about 6 months old now.

Matthew Richard Larew - William Blair & Company L.L.C., Research Division - Analyst

You're spot on.

Joshua L. Proffitt - LHC Group, Inc. - President

Okay. I thought that was about right. So for home health, it really is seasonality. So I won't restate any of that. On the hospice side, and you see where we pulled down kind of the annual expectation there as well, it's not as much around the staffing and the recruiting issues there as it is just some of the industry-specific headwinds on SNFs, IRFs, ALFs. I think Dale mentioned earlier kind of the percentage of our admissions there.

But I want to hit maybe some of the positives for hospice because I think our team has done a great job of really setting itself apart and differentiating us in hospice performance. We're not quite where we thought we were going to be, but we're still in a very strong position as we head into the back half, as evidenced by those length-of-stay numbers I gave you. Part of where the miss is for the past few months was that length of stay was still a little bit sub-80. Now that, that has normalized, and that's really attributable to getting more community referrals. As the SNFs and ALs have not rebounded yet in their capacity and occupancy levels, historically, that would be around 11%, 12% of our hospice referral volume, and it's now running between 7.5% and 8% for us.

Fortunately, that's not a big portion of our volume. We have a very different hospice strategy than maybe some others, and we don't have as much risk there. But our teams have done a great job of offsetting that and going out into the community, which is helping to bolster some of those length-of-stay numbers. And then, Matt, I also highlighted in my prepared remarks, that admit-to-discharge ratio, that's a big deal. So as your length of stay is already improving, if your admit-to-discharge ratio is now back to positive, we should start seeing census grow at a better clip. I'm incredibly pleased that it's growing, and we continue to see hospice census growth even with all those dynamics. But I think we could start seeing it grow even better.

Matthew Richard Larew - William Blair & Company L.L.C., Research Division - Analyst

Okay. And then maybe for Keith or even Bruce, I think we've heard somewhat mixed opinions about the likelihood of passage for Choose Home. And it sounds like you're a bit more positive on that happening. So maybe just give us a sense for how you're kind of handicapping that, maybe what most likely the vehicle would be. And then if it is passed, how quickly could it become meaningful for LHC? Obviously, you've begun to put sort of the clinical capabilities in place, both internally and with SCP. But just maybe a little more color on how you see that playing out would be great.

Keith G. Myers - LHC Group, Inc. - Co-Founder, CEO & Chairman

Yes. Yes, sure. So I'll just -- the reason that we're so bullish on it on the probability of this becoming law is let's start with the sponsors in the Senate. So we have 5 of the 8 sponsors are on the Senate Finance Committee, and Debbie Stabenow and Todd Young being the 2 leads. That, combined with consumer preference, especially post the COVID experience, pandemic, I think we couldn't be better positioned for inclusion either in reconciliation or in a year-end package.

I was -- I've spent quite a bit of time in Washington over the last month. And so what I'm saying to you is not hearsay. It's from my personal visits with key members in both the House and the Senate. And I've got somewhat of a feel for this. I've been doing this work on the Hill for nearly 30 years. So I know when they're being polite to you and -- but really mean no when you really have something that they believe in.

So I do think it's highly likely. I mean there are no guarantees. Anything can happen. But let's -- so let's assume that it does happen, how fast could it become meaningful? I think it could become meaningful very fast because there are a lot of home health providers across the country that are capable of providing that SNF-level care. When you -- when we're dialing up now to a higher acuity level, it's hospital-at-home. We don't like to use that term because it implies that we can do things that hospitals can do. But on the lower 20% to 30% acuity of hospital patients, that's where we're focusing at with Advanced Care@Home. But SNF-at-home, a lot of home health providers are doing that already, especially when you're talking about the lowest 20% to 30% on acuity scale of SNF patients.

Operator

The next question comes from Joanna Gajuk of Bank of America.

Joanna Sylvia Gajuk - *BofA Securities, Research Division - VP*

So I guess on the M&A target, clearly, you've seen a lot of deals coming your way, and it seems like very confident in being able to close those. So can you talk about any, I guess, competition you're seeing any pressure on multiples and how we should think about that part of the equation here?

Keith G. Myers - *LHC Group, Inc. - Co-Founder, CEO & Chairman*

Let me start with that. Thanks for the question, Joanna. So I think maybe, Josh, I'll throw this to you in a minute. But I think it's important to understand that we only move forward to the next level with probably maybe 1/3 or less...

Joshua L. Proffitt - *LHC Group, Inc. - President*

Less, yes.

Keith G. Myers - *LHC Group, Inc. - Co-Founder, CEO & Chairman*

Less, the opportunities that come into our pipeline. For a long time, since before LHC was public, one of our first Board members was a private equity investor. And we've built a model of efficiently reviewing opportunities and then culling them, for a lack of a better term. So that department exists in LHC, and we sift through a lot of opportunities that we don't ever go to the next level with. But then when we do, Josh, maybe you can speak to the rigor and analysis there?

Joshua L. Proffitt - *LHC Group, Inc. - President*

Yes, no, thanks, Keith. Joanna, first, to Keith's point to color in some of the details around that, year-to-date already in 2021, we've passed on 43 deals, and we've got 9 that we've closed on. So that's roughly maybe 1/4 or so. Since 2018, we've reviewed at various different stages of being either in a process or looking at a transaction even through diligence, and we passed on 361 deals. So our M&A department, which across the board has been trained with the kind of the foundation that Keith just described on how to look at deals, we've got a process where we look at a lot so that the ones we do meet our standards.

And we've talked before, those standards, Joanna, about we're not going to just go out and buy earnings or EPS. We're going to have a transaction that has that growth trajectory and that growth platform for hospice. We're going to ensure that it has a very diversified portfolio of referral sources so -- that it's not all tied up into one system or tied up into all SNFs or what have you.

So even some of the larger- and medium-sized deals that have closed, we've looked at a lot of them, but are very disciplined in the ones that we do and are excited not only about the ones that we've announced, but some of these that are in exclusive discussions are definitely going to meet that profile. And if you go back to even our IR deck that's out there or I think it was Q4 of last year when we first put the slide out that showed the incremental growth on acquired revenue from 17 to 19 deals, that's why we are so excited about this acceleration because the deals we do, we know they're not just going to contribute like we're saying for next year, but there's going to be even more growth potential and contribution out of those 2023 and forward. So really pleased with our M&A strategy and how we're executing it.

Joanna Sylvia Gajuk - *BofA Securities, Research Division - VP*

Right, it makes sense. And I guess on the, related somehow, but on the partnership with SCP, are there any investments or any kind of cost outlays associated with, I guess, launching these programs actually? So can you kind of frame anything around that partnership, whether there's any drag, I guess, initially? And when do you actually expect to see these programs materializing and kind of contributing to revenues? And also [lucky] on that piece. I know, obviously, this is very early in the process, but just kind of big-picture, long-term kind of question in terms of target margin on something like that. If you stand up these programs, should we think about this kind of home health style? Or is it a different kind of profile for something like that, like this kind of program?

Keith G. Myers - *LHC Group, Inc. - Co-Founder, CEO & Chairman*

So I'll take the first part of that, at least. With regard to the -- to how quickly we can go to market with these, I think we'll have our first 2 stood up and operating by the end of 2021. I think there will be development. They won't be optimized, but we're actively and we're in the planning process with those 2 now. So what was the...

Joshua L. Proffitt - *LHC Group, Inc. - President*

How much investment.

Keith G. Myers - *LHC Group, Inc. - Co-Founder, CEO & Chairman*

Oh, how much investment, yes...

Joanna Sylvia Gajuk - *BofA Securities, Research Division - VP*

Yes, any investments or any cost -- incremental costs that you expect. And I guess if you do them, are those also included in the guidance?

Keith G. Myers - *LHC Group, Inc. - Co-Founder, CEO & Chairman*

Yes. So that's a really great question. One of the benefits of this model is that we approach it with a low overhead model, like very low overhead model because between SCP and LHC, we have all of the components necessary to stand up and operate without having to hire a separate staff. We have the boots on the ground. So what we have to do is coordinate the things we don't have, the meals, the DME. The telemonitoring, we already have. We already do that in those markets.

So we're able to go to hospital partners with no management fee model. And so we -- because we don't have overhead to cover. So we create a partnership and we just -- we share in the game that we create. So the investment is 0. So what we did from -- with SCP, we agreed to capitalize with \$4 million just to put some capital in, but we really aren't drawing on that at all. I'm sure we will. And what we'll use that for is we'll have to hire some people in local markets, and there are consulting fees that we will use for different consultants that will advise us on different aspects of the model. But there is no other investment.

Dale Gerard Mackel - LHC Group, Inc. - Executive VP, CFO & Treasurer

And I would just add, Joanna, this is Dale, that the investment will scale with the programs, right? That's the variability that they'll scale as the programs go.

Joanna Sylvia Gajuk - BofA Securities, Research Division - VP

Right. But in terms of sizing it, kind of when you look out, obviously, this year, it sounds like it's going to be de minimis given in terms of the size. But what's your kind of target in terms of how much incremental, I guess, revenue? Or are you going to view it as kind of just kind of your normal growth in your business and then in terms of margin -- targeted margin?

Keith G. Myers - LHC Group, Inc. - Co-Founder, CEO & Chairman

I think we'll have more color on that by next quarter. We can certainly calculate revenue and what we think margin will be per patient. But we don't -- what we don't know is how many patients the individual hospitals are going to want to put in the program. And being a little more specific, I mean some hospitals want to focus on the lower 10% acuity patients in their hospitals. And those are -- there's less opportunity for cost savings there. So those will be lower return.

But then others, and Ochsner, again, is a good example, so their interest is in moving the lowest 30% acuity patients to the home. So there, you have higher acuity patients and a greater opportunity to generate savings. And we don't know yet how much volume and what those patients will look like until we analyze all that data, and we're in the process of doing that. Now step 1 in standing up a program is to collect data and then hear from the partner of what they want and then to score that out, and that's what we're doing now.

Joanna Sylvia Gajuk - BofA Securities, Research Division - VP

Yes, that's really great color. I appreciate that it's early, but I figured. And then just -- I'd just asked whether there's anything you can talk about now, but I appreciate the color. And if I may just squeeze the very last one. In terms of home health margins, like you mentioned, very strong in this quarter. So I guess there's a question of how sustainable, when we think about next year, are those margins. Obviously, the sequestration cut coming back and whatnot, but can you frame for us how we should think about this in out-years?

Dale Gerard Mackel - LHC Group, Inc. - Executive VP, CFO & Treasurer

Yes, Joanna, this is Dale. I mean I think we've been very consistent in our messaging there that we've stood behind our home health business as being a 15% EBITDA margin business. We continue to state that's the appropriate EBITDA margin. And as you look forward with the sequestration, we believe our organic growth as well as inorganic growth opportunities will allow us to replace not just the revenue, but also continue to improve on the margins as we scale the business bigger. So we feel very comfortable with that 15% EBITDA level.

Joshua L. Proffitt - LHC Group, Inc. - President

Yes, absolutely, Dale. And Joanna, this is Josh. I mean, as you know, the home health rule that came out, we've got a bump in reimbursement. That will also help -- I think it's like 1.6%, 1.7%, that will help offset the sequestration going away. So when you combine reimbursement lift, some of the things that Dale and the team are leading on everything we talk about with more non-Medicare episodic and just rate improvements there, plus growth, I couldn't agree more, Dale, very confident in the sustainability.

Operator

The next question comes from A.J. Rice of Credit Suisse.

Albert J. William Rice - *Crédit Suisse AG, Research Division - Research Analyst*

Maybe first, you guys have now had several -- since the back half of last year, very good growth in your new physician referral sources. I wonder, is there some way to now have perspective on that pace of growth? I think it's 33% year-to-year in the -- or 26%, rather, year-to-year in the current quarter. Is that -- how does that mature over time? Do you see the benefit of that new referral source right away? Does the amount of referrals you're getting from those sources improve over some period of time? Or do they tend to be sticky and stay with you once they are a new referral source?

Joshua L. Proffitt - *LHC Group, Inc. - President*

Yes, A.J., this is Josh. I would say it does take some time. So the first thing is getting that initial kind of referral relationship. And that's what's got our growth team and our growth leader so excited is you've got this much broader group of physicians that are now referring into home health. And what we've seen over the course of the pandemic is you've got some that are now referring into the home that may have been referring somewhere else previously. And then you've got other instances where it may be a new referral source to us but they've been a good supporter of home health already, and we're just taking market share.

So you got both of those dynamics in play. And under either scenario, it may be the first one takes a little bit longer for that referral source to have more volume. And the second one, it may take a little bit longer to get stickier, to use your phrase. But I think our team is doing a really good job of relationship building and, frankly, continuing to improve our quality scores like what Keith mentioned in his prepared remarks. At the end of the day, that's going to be the differentiator in making those referral partners sticky.

As far as the sustainability of 30%, it's too early to call on how long that trend would last and how much of that is impacted by the pandemic. And with this latest surge, when is the public health emergency over and what does that normalize down to? But our chore is to make sure that we continue to deliver high-quality services and support to those physicians and gain more of their trust and business.

Albert J. William Rice - *Crédit Suisse AG, Research Division - Research Analyst*

Yes, no, I was assuming that 30% growth wasn't something you continue to see quarter in, quarter out. But I was more concerned, do you think these are temporary where they may revert to other [overall patients]? It sounds like you don't think that's the case.

Joshua L. Proffitt - *LHC Group, Inc. - President*

We don't at all. We get real good feedback, to the contrary there.

Albert J. William Rice - *Crédit Suisse AG, Research Division - Research Analyst*

Right. The other thing I get asked quite a bit about is your visits per episode in home health are probably industry-leading when you think about it from the perspective of positive impact on your margin. You've been in sort of that 12.6%, 12.7% range for 2 quarters now. Do you think that's a sustainable level? Is there something about the current environment that makes that lower than you think it will ultimately settle out? But what's your latest perspective on that?

Joshua L. Proffitt - LHC Group, Inc. - President

Yes. So we -- based on the patients that we have today, we most definitely think it's a sustainable level. And not to rehash all of the work that our clinical leadership team put in to rolling out PDGM, but we have great confidence in what those VPE would look like based on the primary, secondary diagnosis and all the comorbidities and whatnot. I would always want to highlight this, A.J., and extremely proud of our continued improvement in our quality. When you see that we've gone from 4.23 stars to 4.39 stars...

(technical difficulty)

Folks have been able to dial back in. A.J., are you there? And I was going to finish up the answer to your question on VPE if you're back on.

(technical difficulty)

Operator

Hello, I've reconnected the speaker line.

Joshua L. Proffitt - LHC Group, Inc. - President

Great. Thank you, operator. And for all that are still hanging in there with us or those that will be reading the transcript later, sincere apologies for the technical mishap that just occurred on the operator side of things. But we are going to try and jump back in and resume. I know, Frank, you are in queue for the next question. Before we go to your question, I just wanted to wrap up quickly now on A.J.'s question.

So I think I was in the middle of describing kind of how proud we are and pleased with the continued improvement in our quality scores, going from the 4.23 to the 4.39, the most recent SHP data, which gives even more kind of confidence in the execution of our clinical care pathways and modeling under PDGM. As we've continued to see improvement in the AFAM agencies, that has continued to help lift our combined company.

The last thing I'll say about, from a sustainability of VPE, we started to see a little bit of uptick back in some ortho referrals, whether that's from elective procedures or otherwise. And as you see more ortho, you may have a little bit more visits per episode, but that would come with corresponding increase in case mix as well.

So operator, I'll hand it back over for Frank.

Operator

The next question comes from Frank Morgan of RBC Capital Markets.

Frank George Morgan - RBC Capital Markets, Research Division - MD of Healthcare Services Equity Research & Analyst

I guess I wanted to go back to the acquired revenue assumptions. Those are dramatically increasing. Can you characterize the type of revenue you're acquiring? I mean is it hospice? Is it home health care? Is it a mix? Any color around the characteristics of where this -- which side of the business this will come from?

Joshua L. Proffitt - LHC Group, Inc. - President

Yes, Frank, this is Josh. So we said we had a pipeline a little over \$400 million; and in exclusivity, a little over \$300 million or so in our current pipeline. Of that exclusive bucket, it's about \$180 million, \$190 million of hospice and about \$120 million or so of home health. So that kind of gives you

how those split out. And then of the nonexclusive deals, that's another \$100 million or so. It's right down 50-50 between home health and hospice. So we've seen a big ramp this year in our hospice activity, but we're now starting to see the pipeline rebalance a little bit with more home health coming through.

Frank George Morgan - RBC Capital Markets, Research Division - MD of Healthcare Services Equity Research & Analyst

And this is -- we're talking about the acquired revenue that you expect to add now under these new assumptions, that's the mix for that?

Joshua L. Proffitt - LHC Group, Inc. - President

Correct. Correct.

Frank George Morgan - RBC Capital Markets, Research Division - MD of Healthcare Services Equity Research & Analyst

Okay. I guess I also wanted to ask about, any kind of disruptions you may have seen? Your neighbor has talked about business development staffing issues. Did you experience any of those kind of difficulties, either loss of staff or changes in staffing levels related to business development? Was that of any way attributed -- been a reason for the softness? Or do you attribute it more purely to just these shifting in referral patterns?

Joshua L. Proffitt - LHC Group, Inc. - President

Yes, definitely more of the latter, Frank. We've not experienced the turnover issues and the account executive BD role, especially where they may be leaving us for whatever reason. We've had turnover in some of those seats, but I would say it's been healthy turnover just from lack of production and folks that are no longer with us for those reasons. But when I step back and meet with our growth leadership team and look, the production per account executive is at an all-time high for us. So we've had some healthy turnover, but it has not in any way affected our numbers. And now we're netting positive on AE additions throughout last quarter and even early signs this quarter. So real good -- feel good about feet on the street.

Keith G. Myers - LHC Group, Inc. - Co-Founder, CEO & Chairman

Yes. Let me just chime on that, Josh. So I agree with -- Josh just hit the nail on the head. Frank, I think this is where culture pays off. The bar and trucker's term, culture eats strategy for breakfast. I mean we've been investing in culture for about 3 decades. And what we hear from our people is that, that now matters more than ever. And it's paying benefits and all of those things, but it's also operating an organization that's flat enough where everybody feels like they have a seat at the table and they're heard. That's very important to this generation of workers that are on the front lines of health care now. So I appreciate the question. I think, Josh, you just hit it on the head.

Frank George Morgan - RBC Capital Markets, Research Division - MD of Healthcare Services Equity Research & Analyst

And maybe just one last one. Obviously, the call out for COVID-related expenses bumping that number up some more, do you have a sense that maybe this is just going to be a recurring part of business at some point? And would you care to give a stab at -- if you agree with that, what do you say -- what would you think would be sort of the recurring level of COVID-related expenses? I mean I know some of this is PPE, testing and whatnot, but do you think COVID might become recurring? And if so, would you peg a number out of what that expense might be?

Dale Gerard Mackel - LHC Group, Inc. - Executive VP, CFO & Treasurer

Yes, Frank, this is Dale. Here's how I think we view it is, first of all, just go back to our stats, clearly, we had \$12 million of COVID-related spend in Q1, \$10.8 million in Q2. So we are coming down. If you look at our guide for the balance of the year of \$30 million to \$35 million total year, that would assume that we're somewhere in the neighborhood of \$7 million to \$12 million for the balance of the year. So we clearly see it coming down.

It's really a hard thing to predict because right now, when you look at the resurgence, is it sustained or not sustained? But we believe that this will continue on a downward trajectory and get towards a nominal number in the future. And so that's our perspective on right now. It's a very hard thing to predict because it's hard to understand what this virus is going to do. But we continue to expect it to come down. And right now our, really, our COVID spend, as you look kind of go-forward, is really limited toward hazard pay on our clinicians that are taking care of COVID-positive or suspected patients.

Operator

The next question comes from Raj Kumar of Stephens.

Scott J. Fidel - *Stephens Inc., Research Division - MD & Analyst*

Actually, it's Scott Fidel just here on Raj's line, had some technical difficulties. First question, just interested just in terms of looking at the annualized revenue target that you provided. Any sense -- would there be a corresponding range of the level of capital that you're budgeting, expecting to deploy around that targeted acquired revenue?

Dale Gerard Mackel - *LHC Group, Inc. - Executive VP, CFO & Treasurer*

So yes. So Scott, you're referring to our \$350 million to \$500 million acquired revenue, correct?

Scott J. Fidel - *Stephens Inc., Research Division - MD & Analyst*

That's right, Dale.

Dale Gerard Mackel - *LHC Group, Inc. - Executive VP, CFO & Treasurer*

Thanks. Yes, so I mean the way we've modeled this out is, and as we mentioned in the opening comments, we have closed on an extended credit facility, which gives us borrowing capacity up to \$1.3 billion as we want plenty of dry powder available, not just for this year, but into the future. Our modeling right now, as we look at if we complete all of these deals, continues to show a balanced deployment of debt and equity, if you will. So our model shows about \$650 million of debt that we would have deployed this year in support of the \$350 million to \$500 million with the balance of that, plus or minus, right, the balance of that depending on -- we have an equity shelf registration out there as well. So our goal is to continue to keep our net leverage ratio in the 2%, 2.5% range. So that's how we've modeled it.

Scott J. Fidel - *Stephens Inc., Research Division - MD & Analyst*

Okay. That's helpful. And then just as my follow-up question, I know it's early here for giving us pro forma guidance on 2022. But just interested in how we should think about that acquired contribution because it is pretty significant in terms of both the revenue and the EBITDA that you've cataloged in the release today. I know you've talked about aspiring to sort of a mid-teens type of adjusted EBITDA growth rate.

Should we think about those acquisitions as being sort of the key contributor towards that or additive to that? I mean, clearly, there are some headwinds in the business, particularly hospice, for example, that the industry is absorbing this year. So just interested, maybe if you could try to just parse out sort of that organic and inorganic dynamic relative to that longer-term growth target that you've talked about aspiring to. And that's it for me.

Joshua L. Proffitt - LHC Group, Inc. - President

Yes, Scott, this is Josh. I'll start. It's definitely additive. So if you think about where our guide range is on revenue right now and you throw an incremental \$350 million to \$500 million on top of that, plus organic growth under the different service lines that we expect each year, even with sequestration puts and takes and all that, I mean it is definitely additive and puts us in a position that would have us far exceeding what we would have previously expected for 2022.

And then from an EBITDA margin contribution standpoint, if we are even between the low and the high end of that \$35 million to \$50 million range, that is accelerated and additive to next year's expectations already. And then that's year 1 of these acquisitions for the most part because you can tell we're going to be closing them in the very late part of this year. So that's kind of the level that we expect them to contribute next year in their first year of performance.

Where it really starts to ramp up is when those assets also start to grow and the contribution margins improve. If you're seeing a \$35 million to \$50 million off the \$350 million to \$500 million, obviously, that's signaling 10%, we would expect it to accrete and have better margins in 2023 and so forth. So glad you asked the question, one of the main reasons we're so bullish about the outlook and next year really kind of taken off for us.

Operator

This concludes the question-and-answer session. I would like to turn the conference back over to Keith Myers for closing remarks.

Keith G. Myers - LHC Group, Inc. - Co-Founder, CEO & Chairman

Okay. Well, thank you, everyone. And again, our apologies for the technical difficulties. Thank you for dialing in and especially those who returned. So I look forward to talking to you next quarter. Thanks for dialing in.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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