

REFINITIV

## DELTA REPORT

### 10-Q

SEM - SELECT MEDICAL HOLDINGS C

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 602

█ CHANGES 332

█ DELETIONS 92

█ ADDITIONS 178

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended **March 31, 2024** **June 30, 2024**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file numbers: 001-34465

**SELECT MEDICAL HOLDINGS CORPORATION**

(Exact name of Registrant as specified in its Charter)

Delaware

20-1764048

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

4714 Gettysburg Road, P.O. Box 2034  
Mechanicsburg, PA 17055

(Address of Principal Executive Offices and Zip code)

(717) 972-1100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	SEM	New York Stock Exchange (NYSE)

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 as such Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of **April 30, 2024** **July 31, 2024**, Select Medical Holdings Corporation had outstanding **130,031,562** **130,020,968** shares of common stock.

Unless the context indicates otherwise, any reference in this report to "Holdings" refers to Select Medical Holdings Corporation and any reference to "Select" refers to Select Medical Corporation, the wholly owned operating subsidiary of Holdings, and any of Select's subsidiaries. Any reference to "Concentra" refers to Concentra Group Holdings Parent, LLC ("Concentra Group Holdings Parent") and its subsidiaries, including Concentra Inc. References to the "Company," "we," "us," and "our" refer collectively to Holdings, Select, and Concentra.

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**PART I: FINANCIAL INFORMATION**

**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Select Medical Holdings Corporation**  
**Condensed Consolidated Balance Sheets**  
**(unaudited)**  
(in thousands, except share and per share amounts)

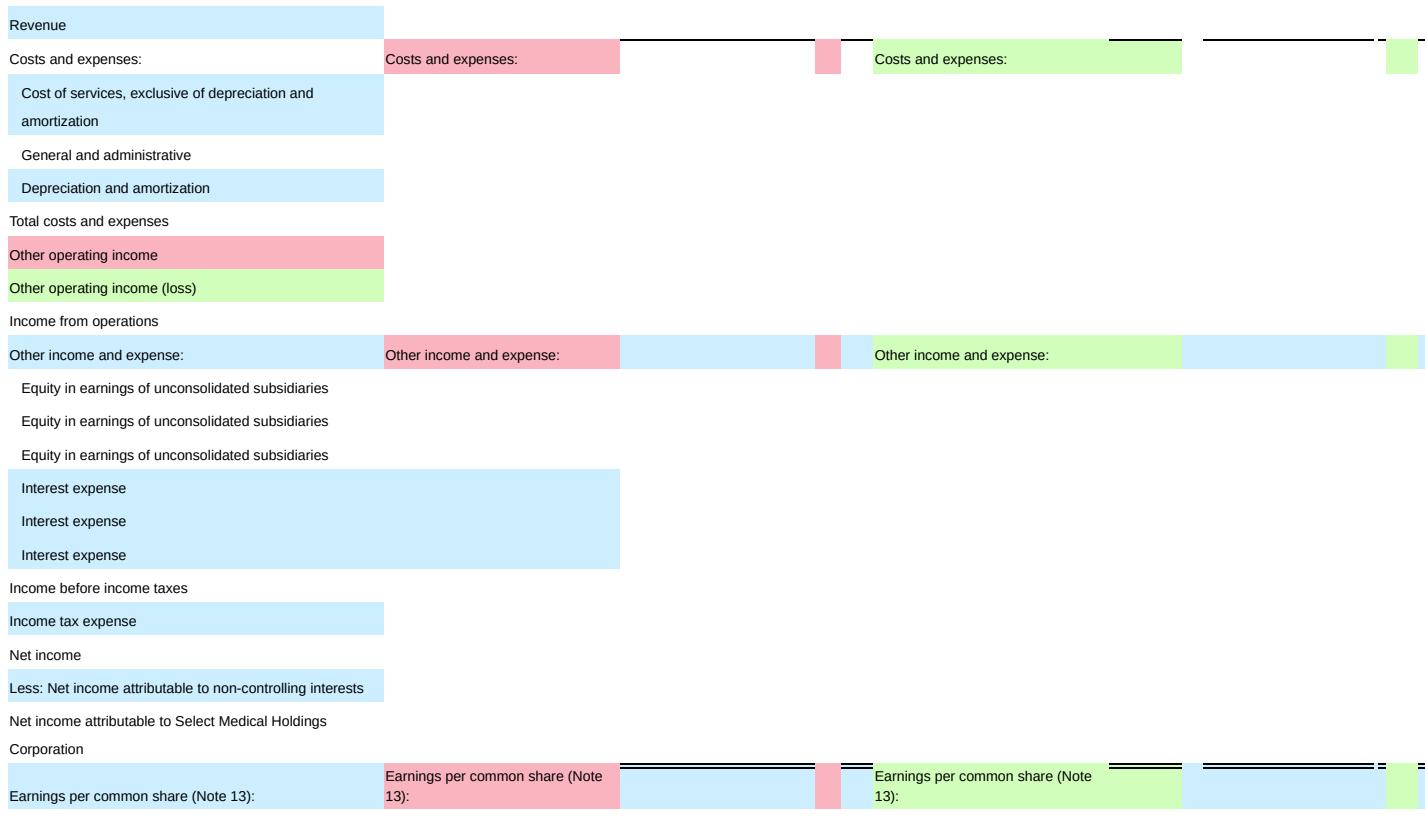
	ASSETS	ASSETS	ASSETS	ASSETS
December 31, 2023				
Current Assets:		Current Assets:		Current Assets:

Cash and cash equivalents	
Accounts receivable	
Prepaid income taxes	
Current portion of interest rate cap contract	
Other current assets	
Total Current Assets	
Operating lease right-of-use assets	
Property and equipment, net	
Goodwill	
Identifiable intangible assets, net	
Other assets	
<b>Total Assets</b>	
	<b>LIABILITIES AND EQUITY</b>
Current Liabilities:	
Overdrafts	
Current operating lease liabilities	
Current portion of long-term debt and notes payable	
Accounts payable	
Accrued and other liabilities	
Total Current Liabilities	
Total Current Liabilities	
Total Current Liabilities	
Non-current operating lease liabilities	
Long-term debt, net of current portion	
Non-current deferred tax liability	
Other non-current liabilities	
Total Liabilities	
Commitments and contingencies (Note 14)	
Redeemable non-controlling interests	
Stockholders' Equity:	
Common stock, \$0.001 par value, 700,000,000 shares authorized, 128,369,492 and 128,357,832 shares issued and outstanding at 2023 and 2024, respectively	
Common stock, \$0.001 par value, 700,000,000 shares authorized, 128,369,492 and 130,025,562 shares issued and outstanding at 2023 and 2024, respectively	
Capital in excess of par	
Retained earnings	
Accumulated other comprehensive income	
Total Stockholders' Equity	
Non-controlling interests	
Total Equity	
<b>Total Liabilities and Equity</b>	

The accompanying notes are an integral part of these condensed consolidated financial statements.

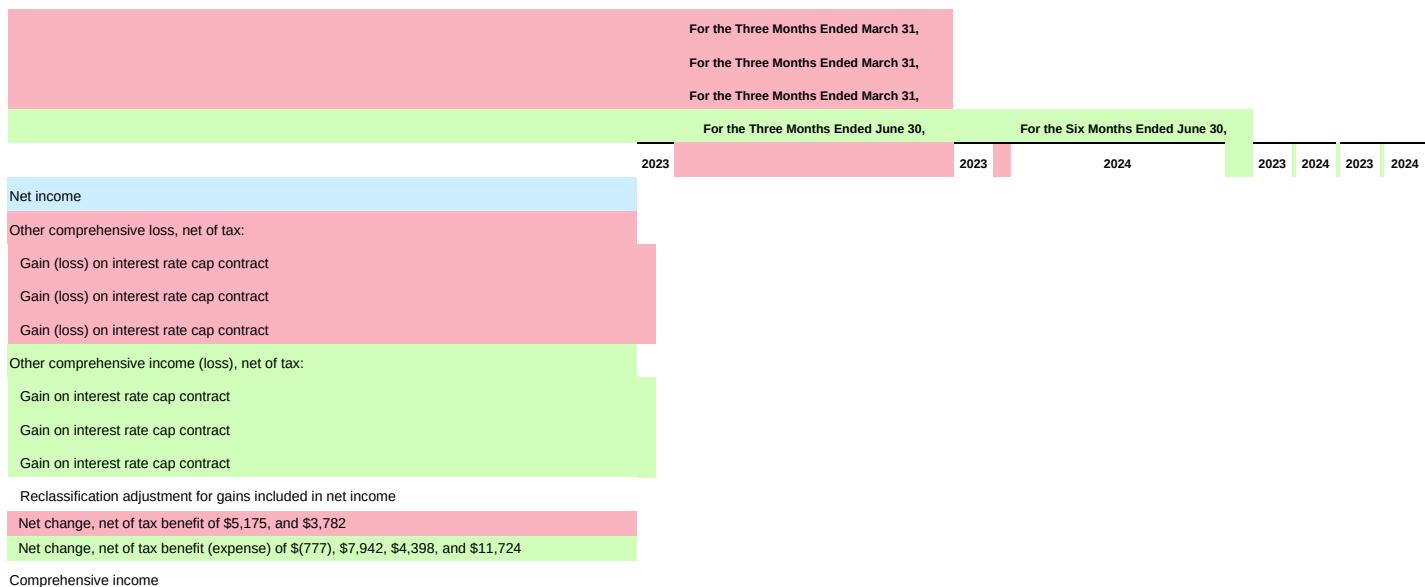
**Select Medical Holdings Corporation**  
**Condensed Consolidated Statements of Operations**  
**(unaudited)**  
**(in thousands, except per share amounts)**

	For the Three Months Ended March		For the Six Months Ended June	
	31,		30,	
	2023	2024	2023	2024



The accompanying notes are an integral part of these condensed consolidated financial statements.

**Select Medical Holdings Corporation**  
**Condensed Consolidated Statements of Comprehensive Income**  
 (unaudited)  
 (in thousands)



Less: Comprehensive income attributable to non-controlling interests

Comprehensive income attributable to Select Medical Holdings Corporation

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Select Medical Holdings Corporation**  
**Condensed Consolidated Statements of Changes in Equity and Income**  
(unaudited)  
(in thousands)

	For the Three Months Ended March 31, 2024					For the Six Months Ended June 30, 2024									
	Common Stock Issued	Common Stock Par Value	Capital in Excess of Par	Retained Earnings	Total Stockholders' Equity	Non-controlling Interests	Total Stockholders' Equity	Common Stock Issued	Common Stock Par Value	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2023															
Net income attributable to Select Medical Holdings Corporation															
Net income attributable to non-controlling interests															
Cash dividends declared for common stockholders (\$0.125 per share)															
Issuance of restricted stock															
Forfeitures of unvested restricted stock															
Vesting of restricted stock															
Issuance of non-controlling interests															
Issuance of non-controlling interests															
Distributions to and purchases of non-controlling interests															
Distributions to and purchases of non-controlling interests															
Distributions to and purchases of non-controlling interests															
Redemption value adjustment on non-controlling interests															
Other comprehensive loss															
Balance at March 31, 2024															
Balance at March 31, 2024															
Balance at March 31, 2024															
Net income attributable to Select Medical Holdings Corporation															
Net income attributable to non-controlling interests															
Cash dividends declared for common stockholders (\$0.125 per share)															
Issuance of restricted stock															
Forfeitures of unvested restricted stock															
Vesting of restricted stock															
Repurchase of common shares															
Issuance of non-controlling interests															
Distributions to and purchases of non-controlling interests															

Redemption value adjustment on non-controlling interests
Other comprehensive loss
Balance at March 31, 2024
Balance at June 30, 2024
Balance at June 30, 2024
Balance at March 31, 2024
Balance at March 31, 2024
Balance at June 30, 2024

For the Three Months Ended March 31, 2023								
	Total Stockholders' Equity							
	Common Stock	Common Stock	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Issued	Par Value	of Par					
Balance at December 31, 2022	127,173	\$ 127	\$ 452,183	\$ 581,010	\$ 88,602	\$ 1,121,922	\$ 234,642	\$ 1,356,564
Net income attributable to Select Medical Holdings Corporation				70,805		70,805		70,805
Net income attributable to non-controlling interests						—	12,811	12,811
Cash dividends declared for common stockholders (\$0.125 per share)				(15,897)		(15,897)		(15,897)
Issuance of restricted stock	3	0	0			—		—
Vesting of restricted stock			10,003			10,003		10,003
Issuance of non-controlling interests						—	2,731	2,731
Non-controlling interests acquired in business combination						—	3,877	3,877
Distributions to and purchases of non-controlling interests						—	(6,069)	(6,069)
Redemption value adjustment on non-controlling interests				(436)		(436)		(436)
Other comprehensive loss					(15,948)	(15,948)		(15,948)
Other				(1)	1	—	—	—
Balance at March 31, 2023	127,176	\$ 127	\$ 462,185	\$ 635,483	\$ 72,654	\$ 1,170,449	\$ 247,992	\$ 1,418,441

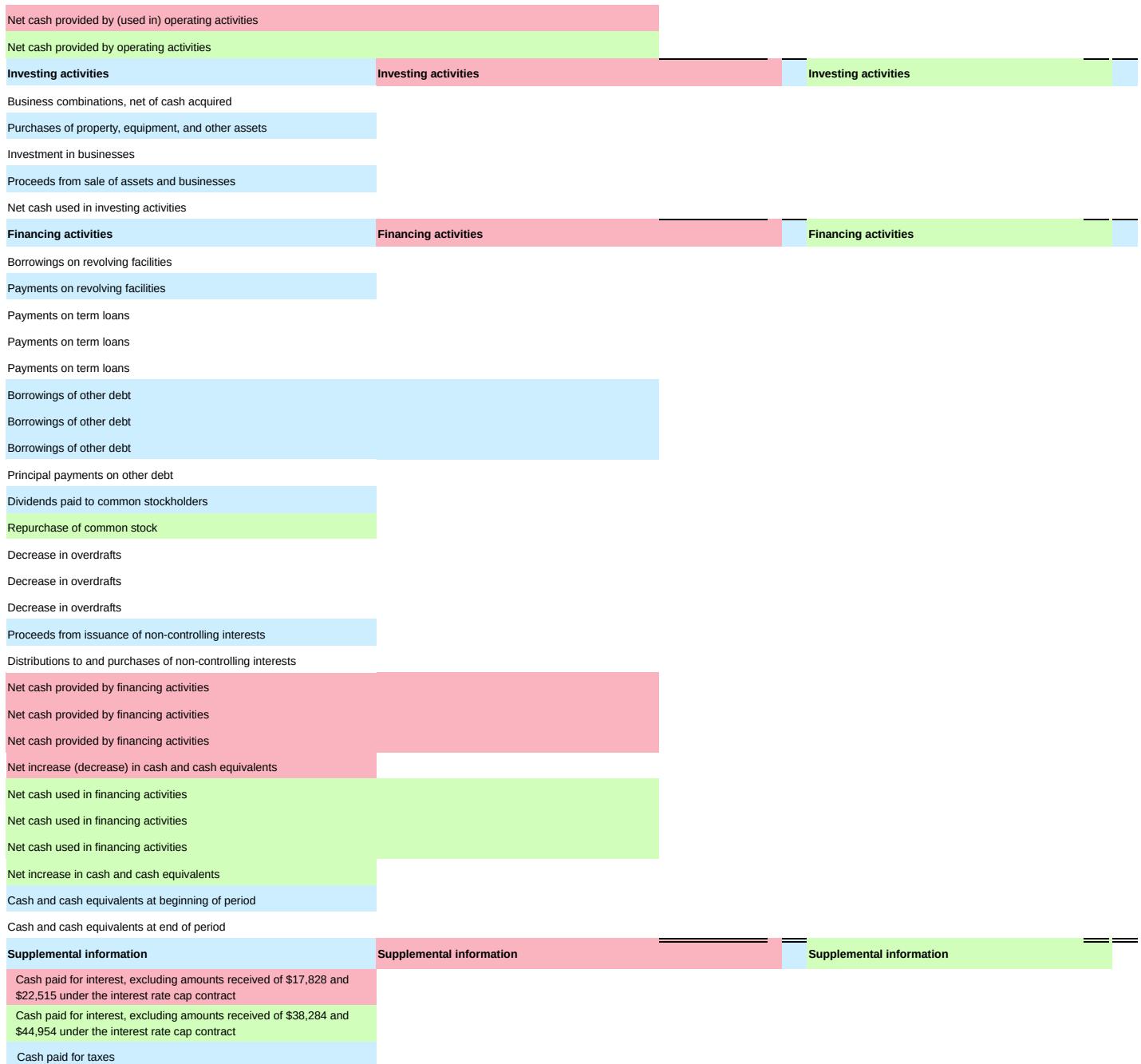
For the Six Months Ended June 30, 2023								
	Total Stockholders' Equity							
	Common Stock	Common Stock	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Issued	Par Value	of Par					
Balance at December 31, 2022	127,173	\$ 127	\$ 452,183	\$ 581,010	\$ 88,602	\$ 1,121,922	\$ 234,642	\$ 1,356,564
Net income attributable to Select Medical Holdings Corporation				70,805		70,805		70,805
Net income attributable to non-controlling interests						—	12,811	12,811
Cash dividends declared for common stockholders (\$0.125 per share)				(15,897)		(15,897)		(15,897)
Issuance of restricted stock	3	0	0			—		—
Vesting of restricted stock			10,003			10,003		10,003
Issuance of non-controlling interests						—	2,731	2,731
Non-controlling interests acquired in business combination						—	3,877	3,877
Distributions to and purchases of non-controlling interests						—	(6,069)	(6,069)
Redemption value adjustment on non-controlling interests				(436)		(436)		(436)
Other comprehensive loss					(15,948)	(15,948)		(15,948)
Other				(1)	1	—	—	—
Balance at June 30, 2023	127,176	\$ 127	\$ 462,185	\$ 635,483	\$ 72,654	\$ 1,170,449	\$ 247,992	\$ 1,418,441

Balance at March 31, 2023	127,176	\$	127	\$	462,185	\$	635,483	\$	72,654	\$	1,170,449	\$	247,992	\$	1,418,441	
Net income attributable to Select Medical Holdings																
Corporation																78,237
Net income attributable to non-controlling interests																—
Cash dividends declared for common stockholders (\$0.125 per share)																(15,924)
Issuance of restricted stock	261		0		0		0		0		0		0		0	—
Vesting of restricted stock																10,326
Repurchase of common shares	(49)															(634)
Issuance of non-controlling interests																1,870
Distributions to and purchases of non-controlling interests																195
Redemption value adjustment on non-controlling interests																(2)
Other comprehensive income																2,393
Balance at June 30, 2023	127,388	\$	127	\$	473,942	\$	696,922	\$	75,047	\$	1,246,038	\$	255,541	\$	1,501,579	

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Select Medical Holdings Corporation**  
**Condensed Consolidated Statements of Cash Flows**  
 (unaudited)  
 (in thousands)

Operating activities	Operating activities	For the Three Months Ended March 31,		For the Six Months Ended June 30,	
		2023	2024	2023	2024
Net income					
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Adjustments to reconcile net income to net cash provided by operating activities:					
Distributions from unconsolidated subsidiaries					
Depreciation and amortization					
Provision for expected credit losses					
Equity in earnings of unconsolidated subsidiaries					
(Gain) loss on sale or disposal of assets					
(Gain) loss on sale or disposal of assets					
(Gain) loss on sale or disposal of assets					
Gain on sale or disposal of assets					
Gain on sale or disposal of assets					
Gain on sale or disposal of assets					
Stock compensation expense					
Amortization of debt discount, premium, and issuance costs					
Deferred income taxes					
Changes in operating assets and liabilities, net of effects of business combinations:		Changes in operating assets and liabilities, net of effects of business combinations:		Changes in operating assets and liabilities, net of effects of business combinations:	
Accounts receivable					
Other current assets					
Other assets					
Accounts payable					
Accrued expenses					
Net cash provided by (used in) operating activities					
Net cash provided by operating activities					
Net cash provided by (used in) operating activities					
Net cash provided by operating activities					



The accompanying notes are an integral part of these condensed consolidated financial statements.

**SELECT MEDICAL HOLDINGS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation**

The unaudited condensed consolidated financial statements of Select Medical Holdings Corporation ("Holdings") include the accounts of its wholly owned subsidiary, Select Medical Corporation ("Select"). Holdings conducts substantially all of its business through Select and its subsidiaries. Holdings, Select, and Select's subsidiaries are collectively referred to as the "Company." The unaudited condensed consolidated financial statements of the Company as of **March 31, 2024** **June 30, 2024**, and for the three and six month periods ended **March 31, 2023** **June 30, 2023** and 2024, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for

interim reporting and the accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, certain information and disclosures required by GAAP, which are normally included in the notes to the consolidated financial statements, have been condensed or omitted pursuant to those rules and regulations, although the Company believes the disclosure is adequate to make the information presented not misleading. In the opinion of management, such information contains all adjustments, which are normal and recurring in nature, necessary for a fair statement of the financial position, results of operations and cash flow for such periods. All significant intercompany transactions and balances have been eliminated.

The results of operations for the three and six months ended **March 31, 2024** **June 30, 2024**, are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2024. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2023, contained in the Company's Annual Report on Form 10-K filed with the SEC on February 22, 2024.

## **2. Accounting Policies**

### **Recent Accounting Guidance Not Yet Adopted**

#### *Segment Reporting*

In November 2023, FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which is intended to improve disclosure of segment information so that investors can better understand an entity's overall performance. The ASU requires entities to quantitatively disclose significant segment expenses that are regularly provided to the chief operating decision maker for each reportable segment, as well as the amount of other segment items for each reportable segment and a description of what the other segment items are comprised. Disclosure of multiple measures of profit or loss will be permitted by the ASU.

The ASU is effective for annual reporting periods beginning on or after December 15, 2023, and interim periods with fiscal years beginning after December 15, 2024; however, early adoption is permitted. The ASU is required to be applied retrospectively to all periods presented in the financial statements. The Company is currently reviewing **the impact that ASU 2023-07, will but does not expect it to have a significant impact** on the disclosures in our consolidated financial statements.

#### *Income Taxes*

In December 2023, FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to improve the transparency and decision usefulness of income tax disclosures. The ASU includes enhanced requirements on the rate reconciliation, including specific categories that must be disclosed, and provides a threshold over which reconciling items must be disclosed. The amendments in the update also require annual disclosure of income taxes paid, disaggregated by federal, state, and foreign taxes, as well as any individual jurisdictions in which income taxes paid is greater than 5% of total income taxes paid.

The ASU is effective for annual periods beginning after December 15, 2024; however early adoption is permitted. The ASU can be applied either prospectively or retrospectively. The Company is currently reviewing the impact that ASU 2023-09 will have to the disclosures in our consolidated financial statements.

### **Recently Adopted Accounting Guidance**

#### *Leases*

In March 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-01, *Leases (Topic 842): Common Control Arrangements*, which requires companies to amortize leasehold improvements associated with related party leases under common control over the useful life of the leasehold improvement to the common control group. The ASU is effective for annual reporting periods beginning on or after December 15, 2023; however, early adoption is permitted. The ASU can either be applied prospectively or retrospectively.

The Company adopted this ASU using the prospective method of transition on January 1, 2024. There was not a material impact on the Company's consolidated financial statements upon adoption.

#### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

## **3. Credit Risk Concentrations**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash balances and accounts receivable. The Company's excess cash is held with large financial institutions. The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's facilities and are insured under third-party payor agreements.

Because of the diversity in the Company's non-governmental third-party payor base, as well as their geographic dispersion, accounts receivable due from the Medicare program represent the Company's only significant concentration of credit risk. Approximately 17% **and 20%** of the Company's accounts receivable is due from Medicare at both December 31, 2023, and **March 31, 2024**, respectively. **June 30, 2024**.

## **4. Redeemable Non-Controlling Interests**

The ownership interests held by outside parties in subsidiaries, which include limited liability companies and limited partnerships, controlled by the Company are classified as non-controlling interests. Some of the Company's non-controlling ownership interests consist of outside parties that have certain redemption rights that, if exercised, require the Company to purchase the parties' ownership interests. These interests are classified and reported as redeemable non-controlling interests and have been adjusted to their redemption values, after the attribution of net income or loss.

The changes in redeemable non-controlling interests are as follows:

	Three Months Ended March 31,		Six Months Ended June 30,	
	2023	2024	2023	2024
(in thousands)				
Balance as of January 1				
Net income attributable to redeemable non-controlling interests				
Distributions to redeemable non-controlling interests				
Distributions to redeemable non-controlling interests				
Distributions to redeemable non-controlling interests				
Redemption value adjustment on redeemable non-controlling interests				
Redemption value adjustment on redeemable non-controlling interests				
Redemption value adjustment on redeemable non-controlling interests				
Other				
Balance as of March 31				
Net income attributable to redeemable non-controlling interests				
Distributions to and purchases of redeemable non-controlling interests				
Distributions to and purchases of redeemable non-controlling interests				
Distributions to and purchases of redeemable non-controlling interests				
Redemption value adjustment on redeemable non-controlling interests				
Balance as of June 30				
Balance as of June 30				
Balance as of June 30				

## 5. Variable Interest Entities

Certain states prohibit the “corporate practice of medicine,” which restricts the Company from owning medical practices which directly employ physicians or therapists and from exercising control over medical decisions by physicians and therapists. In these states, the Company enters into long-term management agreements with medical practices that are owned by licensed physicians or therapists, which, in turn, employ or contract with physicians or therapists who provide professional medical services. The management agreements provide for the Company to direct the transfer of ownership of the medical practices. Based on the provisions of the management agreements, the medical practices are variable interest entities for which the Company is the primary beneficiary.

As of December 31, 2023, and **March 31, 2024** **June 30, 2024**, the total assets of the Company’s variable interest entities were \$246.4 million and **\$263.7 million** **\$264.5 million**, respectively, and are principally comprised of accounts receivable. As of December 31, 2023, and **March 31, 2024** **June 30, 2024**, the total liabilities of the Company’s variable interest entities were \$84.3 million and **\$85.4 million** **\$84.4 million**, respectively, and are principally comprised of accounts payable and accrued expenses. These variable interest entities have obligations payable for services received under their management agreements with the Company of \$161.8 million and **\$179.5 million** **\$183.3 million** as of December 31, 2023, and **March 31, 2024** **June 30, 2024**, respectively. These intercompany balances are eliminated in consolidation.

## 6. Leases

The Company’s total lease cost is as follows:

Three Months Ended March 31,			Three Months Ended March 31,		Three Months Ended June 30,			Three Months Ended June 30,	
2023			2024		2023			2024	
Unrelated Parties	Unrelated Parties	Related Parties	Total	Unrelated Parties	Related Parties	Total	Unrelated Parties	Related Parties	Total
(in thousands)									
Operating lease cost									
Finance lease cost:									
Amortization of right-of-use assets									
Amortization of right-of-use assets									
Amortization of right-of-use assets									

Interest on lease liabilities
Variable lease cost
Variable lease cost
Variable lease cost
Sublease income
Total lease cost

	Six Months Ended June 30, 2023			Six Months Ended June 30, 2024		
	Unrelated Parties	Related Parties	Total	Unrelated Parties	Related Parties	Total
	(in thousands)					
Operating lease cost	\$ 153,524	\$ 3,667	\$ 157,191	\$ 160,287	\$ 3,667	\$ 163,954
Finance lease cost:						
Amortization of right-of-use assets	798	—	798	606	—	606
Interest on lease liabilities	707	—	707	625	—	625
Variable lease cost	32,293	84	32,377	34,251	16	34,267
Sublease income	(3,394)	—	(3,394)	(3,441)	—	(3,441)
Total lease cost	\$ 183,928	\$ 3,751	\$ 187,679	\$ 192,328	\$ 3,683	\$ 196,011

## 7. Long-Term Debt and Notes Payable

As of **March 31, 2024** June 30, 2024, the Company's long-term debt and notes payable are as follows:

	Principal Outstanding	Unamortized Premium (Discount)	Unamortized Issuance Costs	Carrying Value	Fair Value	Principal Outstanding	Unamortized Premium (Discount)	Unamortized Issuance Costs	Carrying Value	Fair Value
(in thousands)										
6.250% senior notes										
Credit facilities:	Credit facilities:			Credit facilities:						
Revolving facility										
Term loan										
Other debt, including finance leases										
Total debt										

Principal maturities of the Company's long-term debt and notes payable are approximately as follows:

	2024	2025	2026	2027	2028	Thereafter	Total	2024	2025	2026	2027	2028	Thereafter	Total
(in thousands)														
6.250% senior notes														
Credit facilities:	Credit facilities:					Credit facilities:								
Revolving facility														
Term loan														
Other debt, including finance leases														
Total debt														

As of December 31, 2023, the Company's long-term debt and notes payable are as follows:

	Principal Outstanding	Unamortized Premium (Discount)	Unamortized Issuance Costs	Carrying Value	Fair Value
(in thousands)					
6.250% senior notes	\$ 1,225,000	\$ 15,533	\$ (7,937)	\$ 1,232,596	\$ 1,228,063
Credit facilities:					

Revolving facility	280,000	—	—	280,000	278,600
Term loan	2,092,485	(12,040)	(3,229)	2,077,216	2,092,485
Other debt, including finance leases	68,255	—	(63)	68,192	68,192
Total debt	\$ 3,665,740	\$ 3,493	\$ (11,229)	\$ 3,658,004	\$ 3,667,340

## 8. Accrued and other liabilities

The following table sets forth the components of accrued and other liabilities on the Condensed Consolidated Balance Sheets:

	December 31, 2023	March 31, 2024	December 31, 2023	June 30, 2024
Accrued payroll				
Accrued vacation				
Accrued interest				
Accrued other				
Income taxes payable				
Accrued and other liabilities				

## 9. Interest Rate Cap

The Company is subject to market risk exposure arising from changes in interest rates on its term loan, which bears interest at a rate which is indexed to one-month Term SOFR. The Company's objective in using an interest rate derivative is to mitigate its exposure to increases in interest rates. The interest rate cap limits the Company's exposure to increases in the variable rate index to 1.0% on \$2.0 billion of principal outstanding under the term loan, as the interest rate cap provides for payments from the counterparty when interest rates rise above 1.0%. The interest rate cap has a \$2.0 billion notional amount and is effective through expires on September 30, 2024. The Company will pay a monthly premium for the interest rate cap over the term of the agreement. The annual premium is equal to 0.0916% of the notional amount, or approximately \$1.8 million.

The interest rate cap has been designated as a cash flow hedge and is highly effective at offsetting the changes in cash outflows when the variable rate index exceeds 1.0%. Changes in the fair value of the interest rate cap, net of tax, are recognized in other comprehensive income and are reclassified out of accumulated other comprehensive income and into interest expense when the hedged interest obligations affect earnings. At June 30, 2024, we determined that a portion of the underlying cash flows related to our hedging relationship are probable not to occur due to the term loan prepayment as described in Note 15, *Subsequent Events*. Accordingly, we reclassified changes in the fair value of the interest rate cap, net of tax, related to these cash flows out of accumulated other comprehensive income and into interest expense during the quarter ended June 30, 2024.

The following table outlines the changes in accumulated other comprehensive income (loss), net of tax, during the periods presented:

	Three Months Ended March 31,		Six Months Ended June 30,	
	2023	2023	2024	2023
(in thousands)				
Balance as of January 1				
Gain (loss) on interest rate cap cash flow hedge				
Amounts reclassified from accumulated other comprehensive income				
Balance as of March 31				
Gain on interest rate cap cash flow hedge				
Amounts reclassified from accumulated other comprehensive income				
Amounts reclassified from accumulated other comprehensive income - forecasted transactions probable not to occur				
Balance as of June 30				

The effects on net income of amounts reclassified from accumulated other comprehensive income are as follows:

Three Months Ended March 31,  
Three Months Ended March 31,  
Three Months Ended March 31,

Statement of Operations	Statement of Operations	Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2024	2023	2024
		(in thousands)		(in thousands)	

Gains included in interest expense

Income tax expense

Amounts reclassified from accumulated other comprehensive income

The Company expects that approximately \$40.7 \$7.6 million of estimated pre-tax gains will be reclassified from accumulated other comprehensive income into interest expense through during the expiration of the interest rate cap on three months ended September 30, 2024.

Refer to Note 10 – Fair Value of Financial Instruments for information on the fair value of the Company's interest rate cap contract and its balance sheet classification.

## 10. Fair Value of Financial Instruments

Financial instruments which are measured at fair value, or for which a fair value is disclosed, are classified in the fair value hierarchy, as outlined below, on the basis of the observability of the inputs used in the fair value measurement:

- Level 1 – inputs are based upon quoted prices for identical instruments in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market or can be corroborated by observable market data.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the instrument.

The Company's interest rate cap contract is recorded at its fair value in the condensed consolidated balance sheets on a recurring basis. The fair value of the interest rate cap contract is based upon a model-derived valuation using observable market inputs, such as interest rates and interest rate volatility, and the strike price.

Financial Instrument	Financial Instrument	Balance Sheet Classification	Level	December 31, 2023	March 31, 2024	Financial Instrument	Balance Sheet Classification	Level	December 31, 2023	June 30, 2024
Asset:	Asset:					Asset:				
										(in thousands)

Interest rate cap contract, current portion

The Company does not measure its indebtedness at fair value in its condensed consolidated balance sheets. The fair value of the credit facilities is based on quoted market prices for this debt in the syndicated loan market. The fair value of the senior notes is based on quoted market prices. The carrying value of the Company's other debt, as disclosed in Note 7 – Long-Term Debt and Notes Payable, approximates fair value.

Financial Instrument	Financial Instrument	Level	December 31, 2023	December 31, 2023	Financial Instrument	March 31, 2024	December 31, 2023	June 30, 2024
			Carrying Value	Fair Value		Carrying Value	Fair Value	Carrying Value
(in thousands)								

6.250% senior notes

Credit facilities:

Revolving facility

Revolving facility

Revolving facility

Term loan

The Company's other financial instruments, which primarily consist of cash and cash equivalents, accounts receivable, and accounts payable, approximate fair value because of the short-term maturities of these instruments.

## 11. Segment Information

The Company's reportable segments consist of the critical illness recovery hospital segment, rehabilitation hospital segment, outpatient rehabilitation segment, and Concentra segment. Other activities include the Company's corporate shared services, certain investments, and employee leasing services with non-consolidating subsidiaries.

The Company evaluates the performance of its segments based on Adjusted EBITDA. Adjusted EBITDA is defined as earnings excluding interest, income taxes, depreciation and amortization, gain (loss) on early retirement of debt, stock compensation expense, transaction costs associated with the Concentra separation, gain (loss) on sale of businesses, and equity in earnings (losses) of unconsolidated subsidiaries. The Company has provided additional information regarding its reportable segments, such as total assets, which contributes to the understanding of the Company and provides useful information to the users of the consolidated financial statements.

The following tables summarize selected financial data for the Company's reportable segments.



A reconciliation of Adjusted EBITDA to income before income taxes is as follows:

	Three Months Ended March 31, 2023					
	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total
						(in thousands)
Adjusted EBITDA	\$ 76,773	\$ 47,216	\$ 30,199	\$ 93,748	\$ (33,873)	
Depreciation and amortization	(16,637)	(6,888)	(8,457)	(18,310)	(2,133)	
Stock compensation expense	—	—	—	(178)	(10,003)	
Income (loss) from operations	\$ 60,136	\$ 40,328	\$ 21,742	\$ 75,260	\$ (46,009)	\$ 151,457
Equity in earnings of unconsolidated subsidiaries						8,556

Interest expense							(48,571)
Income before income taxes							\$ 111,442

	Three Months Ended March 31, 2024						Three Months Ended June 30, 2023	
	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total	Critical Illness Recovery Hospital	Rehabilitation Hospital
	(in thousands)						(in thousands)	
Adjusted EBITDA	Adjusted EBITDA	\$ 115,940	\$ 61,400	\$ 24,928	\$ 96,142	\$ (36,493)	Adjusted EBITDA \$ 65,496	\$ 54
Depreciation and amortization	Depreciation and amortization	(17,157)	(7,135)	(9,181)	(9,181)	(18,485)	Depreciation and amortization (13,886)	(6,887)
Stock compensation expense	Stock compensation expense	—	—	—	(166)	(166) (11,444) (11,444)	Stock compensation expense —	—
Concentra separation transaction costs <sup>(1)</sup>								
Income (loss) from operations								
Income (loss) from operations								
Income (loss) from operations								
Equity in earnings of unconsolidated subsidiaries								
Equity in earnings of unconsolidated subsidiaries								
Equity in earnings of unconsolidated subsidiaries								
Interest expense								
Interest expense								
Interest expense								
Income before income taxes								

	Three Months Ended June 30, 2024						
	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total	
	(in thousands)						
Adjusted EBITDA	\$ 71,833	\$ 61,954	\$ 28,769	\$ 101,600	\$ (37,827)		
Depreciation and amortization	(17,590)	(7,221)	(9,139)	(17,870)	(2,119)		
Stock compensation expense	—	—	—	(166)	(14,247)		
Concentra separation transaction costs <sup>(1)</sup>	—	—	—	380	(557)		
Income (loss) from operations	\$ 54,243	\$ 54,733	\$ 19,630	\$ 83,944	\$ (54,750)	\$ 157,800	
Equity in earnings of unconsolidated subsidiaries							6,315
Interest expense							(37,107)
Income before income taxes							\$ 127,008

(1) Concentra separation transaction costs represent incremental consulting, legal, and audit-related fees incurred in connection with the Company's planned separation of the Concentra segment into a new, publicly traded company and are included within general and administrative expenses on the Condensed Consolidated Statements of

Operations. During the three months ended June 30, 2024, an adjustment was made to capitalize Concentra separation transaction costs recognized during the first quarter of 2024.

	Six Months Ended June 30, 2023					
	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total
	(in thousands)					
Adjusted EBITDA	\$ 142,269	\$ 101,905	\$ 63,049	\$ 194,139	\$ (67,830)	
Depreciation and amortization	(30,523)	(13,775)	(17,236)	(36,593)	(4,237)	
Stock compensation expense	—	—	—	(178)	(20,329)	
Income (loss) from operations	\$ 111,746	\$ 88,130	\$ 45,813	\$ 157,368	\$ (92,396)	\$ 310,661
Equity in earnings of unconsolidated subsidiaries						19,057
Interest expense						(97,568)
Income before income taxes						\$ 232,150

	Six Months Ended June 30, 2024					
	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total
	(in thousands)					
Adjusted EBITDA	\$ 187,773	\$ 123,354	\$ 53,697	\$ 197,742	\$ (74,320)	
Depreciation and amortization	(34,747)	(14,356)	(18,320)	(36,355)	(4,230)	
Stock compensation expense	—	—	—	(332)	(25,691)	
Concentra separation transaction costs <sup>(1)</sup>	—	—	—	(1,613)	(835)	
Income (loss) from operations	\$ 153,026	\$ 108,998	\$ 35,377	\$ 159,442	\$ (105,076)	\$ 351,767
Equity in earnings of unconsolidated subsidiaries						16,736
Interest expense						(87,870)
Income before income taxes						\$ 280,633

(1) Concentra separation transaction costs represent incremental consulting, legal, and audit-related fees incurred in connection with the Company's planned separation of the Concentra segment into a new, publicly traded company and are included within general and administrative expenses on the Condensed Consolidated Statements of Operations. During the three months ended June 30, 2024, an adjustment was made to capitalize Concentra separation transaction costs recognized during the first quarter of 2024.

## 12. Revenue from Contracts with Customers

The following tables disaggregate the Company's revenue for the three and six months ended March 31, 2023 June 30, 2023 and 2024:

	Three Months Ended March 31, 2023						Three Months Ended June 30, 2023					
	Critical Illness Recovery Hospital	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Total	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total
	(in thousands)											

### Patient service revenue:

Medicare
Medicare
Medicare
Non-Medicare
Total patient services revenues
Other revenue
Total revenue

	Three Months Ended June 30, 2024					
	Critical Illness Recovery Hospital		Outpatient Rehabilitation		Concentra	
	Hospital	Rehabilitation Hospital	Rehabilitation	Concentra	Other	Total

(in thousands)									
Patient service revenue:									
Medicare	\$ 194,768	\$ 119,444	\$ 48,013	\$ 270	\$ —	\$ 362,495			
Non-Medicare	409,266	135,911	248,218	475,783	—	—	1,269,178		
Total patient services revenues	604,034	255,355	296,231	476,053	—	—	1,631,673		
Other revenue	887	12,476	19,265	1,862	93,500	93,500	127,990		
Total revenue	\$ 604,921	\$ 267,831	\$ 315,496	\$ 477,915	\$ 93,500	\$ 93,500	\$ 1,759,663		

Three Months Ended March 31, 2024 Six Months Ended June 30, 2023

Critical Illness Recovery Hospital	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total
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(in thousands)

Patient service revenue:

Medicare

Medicare

Medicare

Non-Medicare

Total patient services

revenues

Other revenue

Total revenue

Six Months Ended June 30, 2024

Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient			Other	Total
		Rehabilitation	Concentra	Other		

(in thousands)

Patient service revenue:

Medicare	\$ 421,029	\$ 245,830	\$ 93,854	\$ 536	\$ —	\$ 761,249
Non-Medicare	837,932	262,488	487,831	941,384	—	2,529,635
Total patient services revenues	1,258,961	508,318	581,685	941,920	—	3,290,884
Other revenue	1,840	25,213	36,969	3,593	189,973	257,588
Total revenue	\$ 1,260,801	\$ 533,531	\$ 618,654	\$ 945,513	\$ 189,973	\$ 3,548,472

### 13. Earnings per Share

The Company's capital structure includes common stock and unvested restricted stock awards. To compute earnings per share ("EPS"), the Company applies the two-class method because the Company's unvested restricted stock awards are participating securities which are entitled to participate equally with the Company's common stock in undistributed earnings. Application of the Company's two-class method is as follows:

- (i) Net income attributable to the Company is reduced by the amount of dividends declared and by the contractual amount of dividends that must be paid for the current period for each class of stock. There were no contractual dividends paid for the three and six months ended **March 31, 2023** **June 30, 2023** and 2024.
- (ii) The remaining undistributed net income of the Company is then equally allocated to its common stock and unvested restricted stock awards, as if all of the earnings for the period had been distributed. The total net income allocated to each security is determined by adding both distributed and undistributed net income for the period.
- (iii) The net income allocated to each security is then divided by the weighted average number of outstanding shares for the period to determine the EPS for each security considered in the two-class method.

The following table sets forth the net income attributable to the Company, its common shares outstanding, and its participating securities outstanding.

Basic and Diluted EPS	Basic and Diluted EPS
Basic and Diluted EPS	Basic and Diluted EPS
Basic and Diluted EPS	Basic and Diluted EPS
Three Months Ended March 31,	
Three Months Ended June 30,	Six Months Ended June 30,

	2023 (in thousands)	2023	2024 (in thousands)	2023 (in thousands)	2024 (in thousands)
Net income					
Less: net income attributable to non-controlling interests					
Net income attributable to the Company					
Less: Distributed and undistributed income attributable to participating securities					
Distributed and undistributed income attributable to common shares					

The following tables set forth the computation of EPS under the two-class method:

	Three Months Ended March 31,				Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2024		2023		2024		2023		2024	
	Net Income Allocation	Net Income Allocation	Shares <sup>(1)</sup>	Basic and Diluted EPS	Net Income Allocation	Shares <sup>(1)</sup>	Basic and Diluted EPS	Net Income Allocation	Shares <sup>(1)</sup>	Basic and Diluted EPS	Net Income Allocation	Shares <sup>(1)</sup>
(in thousands, except for per share amounts)												
Common shares												
Participating securities												
Total Company												
(in thousands, except for per share amounts)												
Common shares	\$ 143,593		122,594	\$ 1.17	\$ 167,659		123,902	\$ 1.35				
Participating securities	5,449		4,652	\$ 1.17	6,801		5,026	\$ 1.35				
Total Company	\$ 149,042				\$ 174,460							

(1) Represents the weighted average share count outstanding during the period.

#### 14. Commitments and Contingencies

##### Litigation

The Company is a party to various legal actions, proceedings, and claims (some of which are not insured), and regulatory and other governmental audits and investigations in the ordinary course of its business. The Company cannot predict the ultimate outcome of pending litigation, proceedings, and regulatory and other governmental audits and investigations. These matters could potentially subject the Company to sanctions, damages, recoupments, fines, and other penalties. The Department of Justice, Centers for Medicare & Medicaid Services ("CMS"), or other federal and state enforcement and regulatory agencies may conduct additional investigations related to the Company's businesses in the future that may, either individually or in the aggregate, have a material adverse effect on the Company's business, financial position, results of operations, and liquidity.

To address claims arising out of the Company's operations, the Company maintains professional malpractice liability insurance and general liability insurance coverages through a number of different programs that are dependent upon such factors as the state where the Company is operating and whether the operations are wholly owned or are operated through a joint venture. For the Company's wholly owned hospital and outpatient clinic operations, the Company currently maintains insurance coverages under a combination of policies with a total annual aggregate limit of up to \$37.0 million for professional malpractice liability insurance and \$40.0 million for general liability insurance. For the Company's Concentra center operations, the Company currently maintains insurance coverages under a combination of policies with a total annual aggregate limit of up to \$29.0 million for professional malpractice liability insurance and \$29.0 million for general liability insurance. The Company's insurance for the professional liability coverage is written on a "claims-made" basis, and its commercial general liability coverage is maintained on an "occurrence" basis. These coverages apply after a self-insured retention limit is exceeded. For the Company's joint venture operations, the Company has designed a separate insurance program that responds to the risks of specific joint ventures. Most of the Company's joint ventures are insured under a master program with an annual aggregate limit of up to \$80.0 million, subject to a sublimit aggregate ranging from \$23.0 million to \$33.0 million. The policies are generally written on a "claims-made" basis. Each of these programs has either a deductible or self-insured retention limit. The Company also maintains additional types of liability insurance covering claims which, due to their nature or amount, are not covered by or not fully covered by the applicable professional malpractice and general liability insurance policies, including workers compensation, property and casualty, directors and officers, cyber liability insurance, and employment practices liability insurance coverages. Our insurance policies generally are silent with respect to punitive damages so coverage is available to the extent insurable under the law of any applicable jurisdiction,

and are subject to various deductibles and policy limits. The Company reviews its insurance program annually and may make adjustments to the amount of insurance coverage and self-insured retentions in future years. Significant legal actions, as well as the cost and possible lack of available insurance, could subject the Company to substantial uninsured liabilities.

Healthcare providers are subject to lawsuits under the qui tam provisions of the federal False Claims Act. Qui tam lawsuits typically remain under seal (hence, usually unknown to the defendant) for some time while the government decides whether or not to intervene on behalf of a private qui tam plaintiff (known as a relator) and take the lead in the litigation. These lawsuits can involve significant monetary damages and penalties and award bounties to private plaintiffs who successfully bring the suits. The Company is and has been a defendant in these cases in the past, and may be named as a defendant in similar cases from time to time in the future.

*Oklahoma City Investigation.* On August 24, 2020, the Company and Select Specialty Hospital – Oklahoma City, Inc. ("SSH–Oklahoma City") received civil investigative demands ("CIDs") from the U.S. Attorney's Office for the Western District of Oklahoma seeking responses to interrogatories and the production of various documents principally relating to the documentation, billing and reviews of medical services furnished to patients at SSH–Oklahoma City. The Company understands that the investigation arose from a qui tam lawsuit alleging billing fraud related to charges for respiratory therapy services at SSH–Oklahoma City and Select Specialty Hospital – Wichita, Inc. The Company has produced documents in response to the CIDs and is fully cooperating with this investigation. At this time, the Company is unable to predict the timing and outcome of this matter.

*Physical Therapy Billing.* On October 7, 2021, the Company received a letter from a Trial Attorney at the U.S. Department of Justice, Civil Division, Commercial Litigation Branch, Fraud Section ("DOJ") stating that the DOJ, in conjunction with the U.S. Department of Health and Human Services ("HHS"), is investigating the Company in connection with potential violations of the False Claims Act, 31 U.S.C. § 3729, *et seq.* The letter specified that the investigation relates to the Company's billing for physical therapy services, and indicated that the DOJ would be requesting certain records from the Company. In October and December 2021, the DOJ requested, and the Company furnished, records relating to six of the Company's outpatient therapy clinics in Florida. In 2022 and 2023, the DOJ requested certain data relating to all of the Company's outpatient therapy clinics nationwide, and sought information about the Company's ability to produce additional data relating to the physical therapy services furnished by the Company's outpatient therapy clinics and Concentra. The Company has produced data and other documents requested by the DOJ and is fully cooperating on this investigation. In May 2024, by order of the U.S. District Court for the Middle District of Florida, a qui tam lawsuit that is related to the DOJ's investigation was unsealed after the U.S. filed a notice declining to intervene in the case, but stating that its investigation is continuing and reserving its right to intervene at a later date. The lawsuit, filed in May 2021 and amended in October 2021 and July 2024, was brought by Kathleen Kane, a physical therapist formerly employed in the Company's outpatient division, against Select Medical Corporation, Select Physical Therapy Holdings, Inc. and Select Employment Services, Inc. The amended complaint alleges that the defendants billed Federally funded health programs for one-on-one therapy services when group therapy was performed or overbilled for one-on-one therapy services, and billed for unreimbursable unskilled physical therapy services. At this time, the Company is unable to predict the timing and outcome of this matter.

*California Department of Insurance Investigation.* On February 5, 2024, Concentra received a subpoena from the California Department of Insurance relating to an investigation under the California Insurance Frauds Prevention Act ("IFPA"), Cal. Ins. Code § 1871.7 *et seq.*, which allows a whistleblower to file a false claims lawsuit based on the submission of false or fraudulent claims to insurance companies. The subpoena seeks documentation relating mainly to Concentra's billing and coding for physical therapy claims submitted to commercial insurers and workers compensation carriers located or doing business in California. The Company has produced data and other documents requested by the California Department of Insurance and is fully cooperating on this investigation. At this time, the Company is unable to predict the timing and outcome of this matter.

*Perry Johnson & Associates, Inc. Data Breach.* On November 10, 2023, Perry Johnson & Associates, Inc., a third-party vendor of health information technology solutions that provides medical transcription services ("PJ&A"), notified Concentra Health Services, Inc. ("Concentra") that certain information related to particular Concentra patients was potentially affected by a cybersecurity event. In February 2024, Concentra sent notices to almost four million patients who may have been impacted by the data breach. During the first quarter of 2024, Concentra became aware of six putative class action lawsuits files against PJ&A and Concentra related to the data breach. The first was filed in the U.S. District Court for the Eastern District of Michigan on February 19, 2024 by Elliot Curry, individually and on behalf of all others similarly situated. Plaintiff alleged, among other things, that he became the victim of identity theft as a result of the PJ&A data breach and that Concentra had lax data security policies. The second was filed in the U.S. District Court for the Eastern District of New York on February 21, 2024 by Tiffany Williams and Jo Joaquim, individually and on behalf of all others similarly situated. Plaintiffs alleged, among other things, that they face an immediate and heightened risk of identity theft as a result of the data breach and that the defendants failed to take measures to properly safeguard their private information. The third was filed in the U.S. District Court for the Eastern District of Missouri on February 26, 2024 by Stephen Tate, a.k.a. Steven Tate, individually and on behalf of all others similarly situated. Plaintiff alleged, among other things, that he faces a heightened and imminent risk of identity theft as a result of the data breach and that the defendants failed to take measures to properly safeguard his private information. The fourth was filed in the U.S. District Court for the Eastern District of Michigan on February 26, 2024 by Eric Franczak, individually and on behalf of all others similarly situated. Plaintiff alleged, among other things, that he faces a substantially increased risk of fraud and identity theft as a result of the data breach and that the defendants failed to take measures to properly safeguard his private information. The fifth was filed in the U.S. District Court for the Eastern District of Michigan on March 6, 2024 by Lazema Johnson, individually and on behalf of all others similarly situated. Plaintiff alleged, among other things, that she faces a substantially increased risk of fraud and identity theft as a result of the data breach and that the defendants failed to take measures to properly safeguard her private information. The sixth was filed in the Superior Court of California, County of Los Angeles, on April 8, 2024 by Robert Valencia, individually and on behalf of all others similarly situated. Plaintiff alleged, among other things, that he faces a substantially increased risk of fraud and identity theft as a result of the data breach and that the defendants failed to take measures to properly safeguard his private information. The Company is working with its cybersecurity risk insurance policy carrier and does not believe that the data breach or the lawsuits will have a material impact on its operations or financial performance. However, at this time, the Company is unable to predict the timing and outcome of these matters.

## 15. Subsequent Events

## Concentra Group Holdings Parent Initial Public Offering and Debt Transaction

On May 1, 2024 July 26, 2024, Concentra Group Holdings Parent ("Concentra"), a wholly-owned subsidiary of Select, completed an initial public offering ("IPO") of 22,500,000 shares of its common stock, par value \$0.01 per share, at an initial public offering price of \$23.50 per share for gross proceeds of \$528.8 million. In addition, Concentra has granted the underwriters a 30-day option to purchase up to an additional 3,375,000 shares of its common stock. Concentra shares began trading on the New York Stock Exchange under the symbol "CON" on July 25, 2024. In connection with the offering, Concentra Health Services, Inc. ("CHSI"), a wholly-owned subsidiary of Concentra, entered into certain financing arrangements which include Credit Facilities and \$650.0 million aggregate principal amount of 6.875% Senior Notes due 2032 (the "Notes"). The Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis by Concentra and certain of its wholly-owned subsidiaries. The Notes bear interest at a rate of 6.875% per annum and mature on July 15, 2032. The Credit Facilities consist of a \$850.0 million Term Loan and a \$400.0 million Revolving Credit Facility. The Term Loan matures on July 26, 2031, and has an interest rate of Term SOFR plus 2.25%, subject to a leverage-based pricing grid. The Revolving Credit Facility matures on July 26, 2029, and has an interest rate of Term SOFR plus 2.50%, subject to a leverage-based pricing grid.

The net proceeds of the IPO and the debt financing transactions, except for \$34.7 million, were used to repay \$1.9 billion of Select's Credit Facilities.

After the closing of the IPO, Select owns 82.23% of the total outstanding shares of Concentra common stock, and continues to consolidate the financial results of Concentra. Select intends to make a distribution, which is intended to be tax-free for U.S. federal income tax purposes, to its stockholders of all of its remaining equity interest in Concentra within twelve months of the IPO.

### Dividend Declaration

On July 31, 2024, the Company's Board of Directors declared a cash dividend of \$0.125 per share. The dividend will be payable on or about May 30, 2024 August 30, 2024, to stockholders of record as of the close of business on May 16, 2024 August 14, 2024.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this discussion together with our unaudited condensed consolidated financial statements and accompanying notes.

### Forward-Looking Statements

This report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "may," "could," "would," "should," "believe," "expect," "anticipate," "plan," "target," "estimate," "project," "intend," and similar expressions. These statements include, among others, statements regarding our expected business outlook, anticipated financial and operating results, including the potential impact of the COVID-19 pandemic on those financial and operating results, our business strategy and means to implement our strategy, our objectives, the amount and timing of capital expenditures, the likelihood of our success in expanding our business, financing plans, budgets, working capital needs, and sources of liquidity.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding our services, the expansion of our services, competitive conditions, and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

- changes in government reimbursement for our services and/or new payment policies may result in a reduction in revenue, an increase in costs, and a reduction in profitability;
- adverse economic conditions including an inflationary environment could cause us to continue to experience increases in the prices of labor and other costs of doing business resulting in a negative impact on our business, operating results, cash flows, and financial condition;
- shortages in qualified nurses, therapists, physicians, or other licensed providers, and/or the inability to attract or retain qualified healthcare professionals could limit our ability to staff our facilities;
- shortages in qualified health professionals could cause us to increase our dependence on contract labor, increase our efforts to recruit and train new employees, and expand upon our initiatives to retain existing staff, which could increase our operating costs significantly;
- public threats such as a global pandemic, or widespread outbreak of an infectious disease, similar to the COVID-19 pandemic, could negatively impact patient volumes and revenues, increase labor and other operating costs, disrupt global financial markets, and/or further legislative and regulatory actions which impact healthcare providers, including actions that may impact the Medicare program;
- the failure of our Medicare-certified long term care hospitals or inpatient rehabilitation facilities to maintain their Medicare certifications may cause our revenue and profitability to decline;
- the failure of our Medicare-certified long term care hospitals and inpatient rehabilitation facilities operated as "hospitals within hospitals" to qualify as hospitals separate from their host hospitals may cause our revenue and profitability to decline;
- a government investigation or assertion that we have violated applicable regulations may result in sanctions or reputational harm and increased costs;
- acquisitions or joint ventures may prove difficult or unsuccessful, use significant resources, or expose us to unforeseen liabilities;
- our plans and expectations related to our acquisitions and our ability to realize anticipated synergies;

- failure to complete or achieve some or all the expected benefits of the potential separation of Concentra;
- private third-party payors for our services may adopt payment policies that could limit our future revenue and profitability;
- the failure to maintain established relationships with the physicians in the areas we serve could reduce our revenue and profitability;
- competition may limit our ability to grow and result in a decrease in our revenue and profitability;
- the loss of key members of our management team could significantly disrupt our operations;
- the effect of claims asserted against us could subject us to substantial uninsured liabilities;
- a security breach of our or our third-party vendors' information technology systems may subject us to potential legal and reputational harm and may result in a violation of the Health Insurance Portability and Accountability Act of 1996 or the Health Information Technology for Economic and Clinical Health Act; and
- other factors discussed from time to time in our filings with the SEC, including factors discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the SEC, we are under no obligation to publicly update or revise any forward-looking statements, whether as a result of any new information, future events, or otherwise. You should not place undue reliance on our forward-looking statements. Although we believe that the expectations reflected in forward-looking statements are reasonable, we cannot guarantee future results or performance.

Investors should also be aware that while we do, from time to time, communicate with securities analysts, it is against our policy to disclose to securities analysts any material non-public information or other confidential commercial information. Accordingly, stockholders should not assume that we agree with any statement or report issued by any securities analyst irrespective of the content of the statement or report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of the Company.

## Overview

We began operations in 1997 and, based on number of facilities, are one of the largest operators of critical illness recovery hospitals, rehabilitation hospitals, outpatient rehabilitation clinics, and occupational health centers in the United States. As of **March 31, 2024** **June 30, 2024**, we had operations in 46 states and the District of Columbia. We operated 107 critical illness recovery hospitals in **28** **29** states, 33 rehabilitation hospitals in 13 states, **1,922** **1,925** outpatient rehabilitation clinics in 39 states and the District of Columbia, 547 occupational health centers in 41 states, and **151** **154** onsite clinics at employer worksites.

Our reportable segments include the critical illness recovery hospital segment, the rehabilitation hospital segment, the outpatient rehabilitation segment, and the Concentra segment. We had revenue of **\$1,788.8 million** **\$3,548.5 million** for the **three** **six** months ended **March 31, 2024** **June 30, 2024**. Of this total, we earned approximately **37%** **36%** of our revenue from our critical illness recovery hospital segment, approximately 15% from our rehabilitation hospital segment, approximately 17% from our outpatient rehabilitation segment, and approximately **26%** **27%** from our Concentra segment. Our critical illness recovery hospital segment consists of hospitals designed to serve the needs of patients recovering from critical illnesses, often with complex medical needs, and our rehabilitation hospital segment consists of hospitals designed to serve patients that require intensive physical rehabilitation care. Patients are typically admitted to our critical illness recovery hospitals and rehabilitation hospitals from general acute care hospitals. Our outpatient rehabilitation segment consists of clinics that provide physical, occupational, and speech rehabilitation services. Our Concentra segment consists of occupational health centers that provide workers' compensation injury care, physical therapy, and consumer health services as well as onsite clinics located at employer worksites that deliver occupational health services.

### Concentra Separation

On **January 3, 2024** **July 26, 2024**, the Company announced Concentra Group Holdings Parent ("Concentra"), a wholly-owned subsidiary of Select, completed an initial public offering ("IPO") of 22,500,000 shares of its intention to separate Concentra, with the intention to create a new, publicly traded company by the end of the fiscal year 2024. On **February 27, 2024**, we received a private letter ruling from the U.S. Internal Revenue Service to the effect that the distribution of Concentra's common stock, to Select and our stockholders will be tax-free for U.S federal income tax purposes. On **March 18, 2024**, Concentra confidentially submitted a draft registration statement on Form S-1 with the SEC relating to the proposed par value \$0.01 per share, at an initial public offering price of \$23.50 per share for gross proceeds of \$528.8 million. In addition, Concentra has granted the underwriters a 30-day option to purchase up to an additional 3,375,000 shares of its common stock. Concentra shares began trading on the New York Stock Exchange under the symbol "CON" on **July 25, 2024**. In connection with the offering, Concentra Health Services, Inc. ("CHSI"), a wholly-owned subsidiary of Concentra, entered into certain financing arrangements which include Credit Facilities and \$650.0 million aggregate principal amount of 6.875% Senior Notes due 2032 (the "Notes"). The **number** Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis by Concentra and certain of its wholly-owned subsidiaries. The Notes bear interest at a rate of 6.875% per annum and mature on **July 15, 2032**. The Credit Facilities consist of a \$850.0 million Term Loan and a \$400.0 million Revolving Credit Facility. The Term Loan matures on **July 26, 2031**, and has an interest rate of **Term SOFR plus 2.25%**, subject to a leverage-based pricing grid. The Revolving Credit Facility matures on **July 26, 2029**, and has an interest rate of **Term SOFR plus 2.50%**, subject to a leverage-based pricing grid.

The net proceeds of the IPO and the debt financing transactions, except for \$34.7 million, were used to repay \$1.9 billion of Select's Credit Facilities.

After the closing of the IPO, Select owns 82.23% of the total outstanding shares of Concentra common stock, and continues to consolidate the financial results of Concentra. Select intends to make a distribution, which is intended to be offered and the price range tax-free for the proposed offering have not yet been determined. The initial public offering is

expected U.S. federal income tax purposes, to occur after the SEC completes its review process, subject to market and other conditions. There can be no assurance regarding the ultimate timing stockholders of all of its remaining equity interest in Concentra within twelve months of the planned separation or that such separation will be completed. IPO.

#### **Impact of the Change Healthcare Cybersecurity Incident**

On February 22, 2024, UnitedHealth Group Incorporated indicated in a Form 8-K filing, that a cyber security threat actor had gained access to some of its Change Healthcare information technology systems. Upon receiving notification of the incident, we severed connectivity with all Change Healthcare-related systems and we are not aware of any impact on our own information technology systems. However, as a result of the incident, certain of our patient billing and collections processes were disrupted and alternative platforms needed to be enabled to resume normal patient billing and collections operations. The Company began to reconnect to certain applications maintained by Change Healthcare during March 2024, and during the three months ended June 30, 2024, there was a significant reduction in late March 2024.

As of March 31, 2024, the impact on the Company was primarily our claims processing backlog, resulting in a decrease in cash flows from operations, as our days sales outstanding. We expect a further described reduction in Liquidity and Capital Resources, driven by an increase in accounts receivable that is expected to return to more normalized levels in our days sales outstanding during the second and third quarters of 2024. Although we utilized borrowing capacity under our revolving facility to fund the temporary shortfall in cash flows from operations, the Company continues to maintain strong liquidity and to date, the Change Healthcare incident has not had a material impact on the Company's results of operations or financial condition.three months ended September 30, 2024.

#### **Non-GAAP Measure**

We believe that the presentation of Adjusted EBITDA, as defined below, is important to investors because Adjusted EBITDA is commonly used as an analytical indicator of performance by investors within the healthcare industry. Adjusted EBITDA is used by management to evaluate financial performance and determine resource allocation for each of our segments. Adjusted EBITDA is not a measure of financial performance under GAAP. Items excluded from Adjusted EBITDA are significant components in understanding and assessing financial performance. Adjusted EBITDA should not be considered in isolation or as an alternative to, or substitute for, net income, income from operations, cash flows generated by operations, investing or financing activities, or other financial statement data presented in the consolidated financial statements as indicators of financial performance or liquidity. Because Adjusted EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying definitions, Adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies.

We define Adjusted EBITDA as earnings excluding interest, income taxes, depreciation and amortization, gain (loss) on early retirement of debt, stock compensation expense, transaction costs associated with the Concentra separation, gain (loss) on sale of businesses, and equity in earnings (losses) of unconsolidated subsidiaries. We will refer to Adjusted EBITDA throughout the remainder of Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following table reconciles net income and income from operations to Adjusted EBITDA and should be referenced when we discuss Adjusted EBITDA:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2024	2023	2024	2023	2024
	(in thousands)					
Net income						
Income tax expense						
Interest expense						
Equity in earnings of unconsolidated subsidiaries						
Equity in earnings of unconsolidated subsidiaries						
Equity in earnings of unconsolidated subsidiaries						
Income from operations						
Income from operations						
Income from operations						
Stock compensation expense:	Stock compensation expense:			Stock compensation expense:		
Included in general and administrative						
Included in cost of services						
Depreciation and amortization						
Concentra separation transaction costs <sup>(1)</sup>						
Adjusted EBITDA						

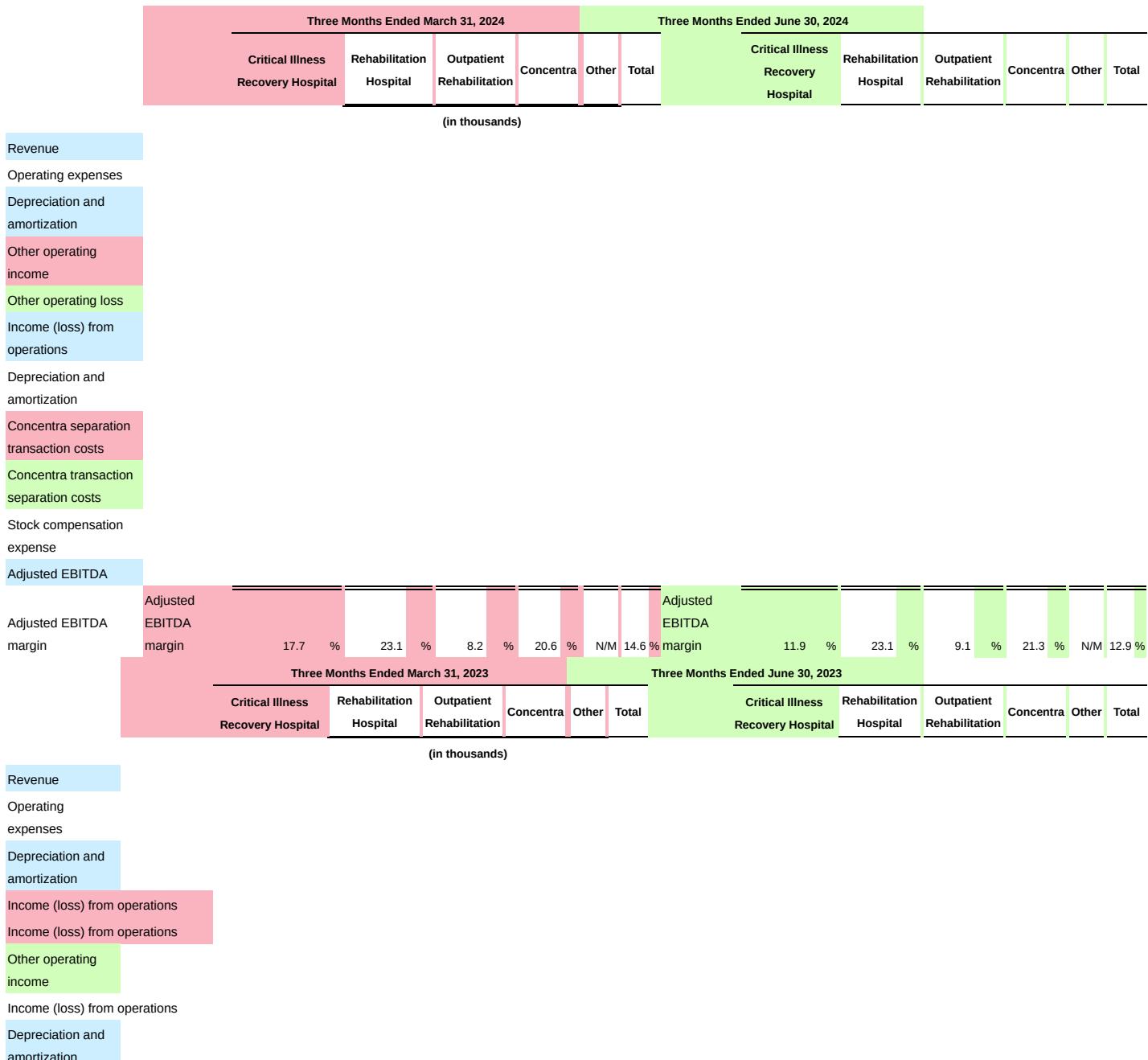
(1) Concentra separation transaction costs represent incremental consulting, legal, and audit-related fees incurred in connection with the Company's planned separation of the Concentra segment into a new, publicly traded company and are included within general and administrative expenses on the Condensed Consolidated Statements of Operations.

During the three months ended June 30, 2024, an adjustment was made to capitalize Concentra separation transaction costs recognized during the first quarter of 2024.

## Summary Financial Results

**Three Months Ended March 31, 2024** **June 30, 2024**

The following tables reconcile our segment performance measures to our consolidated operating results:



Stock  
compensation  
expense

Adjusted EBITDA

Adjusted EBITDA margin	Adjusted EBITDA margin	12.9 %	20.4 %	10.2 %	20.5 %	N/M	12.9 %	Adjusted EBITDA margin	11.4 %	22.7 %	10.8 %	21.5 %	N/M	13.1 %
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Net income was **\$117.2 million** **\$94.8 million** for the three months ended **March 31, 2024** **June 30, 2024**, compared to **\$85.3 million** **\$91.9 million** for the three months ended **March 31, 2023** **June 30, 2023**.

The following table summarizes the changes in our segment performance measures for the three months ended **March 31, 2024** **June 30, 2024**, compared to the three months ended **March 31, 2023** **June 30, 2023**:

		Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total		Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total
Change in revenue	Change in revenue	10.4 %	14.8 %	2.5 %	2.5 %	10.4 %	7.4 %	Change in revenue	5.2 %	11.2 %	4.1 %	2.3 %	5.6 %	5.1 %
Change in income from operations	Change in income from operations	64.3 %	34.6 %	(27.6) %	0.3 %	N/M	28.1 %	Change in income from operations	5.1 %	14.5 %	(18.4) %	2.2 %	N/M	(0.9) %
Change in Adjusted EBITDA	Change in Adjusted EBITDA	51.0 %	30.0 %	(17.5) %	2.6 %	N/M	22.4 %	Change in Adjusted EBITDA	9.7 %	13.3 %	(12.4) %	1.2 %	N/M	3.1 %

N/M — Not meaningful.

#### Six Months Ended June 30, 2024

The following tables reconcile our segment performance measures to our consolidated operating results:

	Six Months Ended June 30, 2024					
	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total
(in thousands)						
Revenue	\$ 1,260,801	\$ 533,531	\$ 618,654	\$ 945,513	\$ 189,973	\$ 3,548,472
Operating expenses	(1,075,028)	(410,177)	(564,955)	(750,000)	(290,819)	(3,090,979)
Depreciation and amortization	(34,747)	(14,356)	(18,320)	(36,355)	(4,230)	(108,008)
Other operating income (loss)	2,000	—	(2)	284	—	2,282
Income (loss) from operations	\$ 153,026	\$ 108,998	\$ 35,377	\$ 159,442	\$ (105,076)	\$ 351,767
Depreciation and amortization	34,747	14,356	18,320	36,355	4,230	108,008
Concentra separation transaction costs	—	—	—	1,613	835	2,448
Stock compensation expense	—	—	—	332	25,691	26,023
Adjusted EBITDA	\$ 187,773	\$ 123,354	\$ 53,697	\$ 197,742	\$ (74,320)	\$ 488,246
Adjusted EBITDA margin	14.9 %	23.1 %	8.7 %	20.9 %	N/M	13.8 %

	Six Months Ended June 30, 2023					
	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total
(in thousands)						
Revenue	\$ 1,169,017	\$ 472,318	\$ 598,875	\$ 923,377	\$ 175,921	\$ 3,339,508
Operating expenses	(1,026,748)	(370,749)	(536,065)	(729,567)	(264,080)	(2,927,209)
Depreciation and amortization	(30,523)	(13,775)	(17,236)	(36,593)	(4,237)	(102,364)
Other operating income	—	336	239	151	—	726

Income (loss) from operations	\$ 111,746	\$ 88,130	\$ 45,813	\$ 157,368	\$ (92,396)	\$ 310,661
Depreciation and amortization	30,523	13,775	17,236	36,593	4,237	102,364
Stock compensation expense	—	—	—	178	20,329	20,507
Adjusted EBITDA	\$ 142,269	\$ 101,905	\$ 63,049	\$ 194,139	\$ (67,830)	\$ 433,532
Adjusted EBITDA margin	12.2 %	21.6 %	10.5 %	21.0 %	N/M	13.0 %

Net income was \$211.9 million for the six months ended June 30, 2024, compared to \$177.1 million for the six months ended June 30, 2023.

The following table summarizes the changes in our segment performance measures for the six months ended June 30, 2024, compared to the six months ended June 30, 2023:

	Critical Illness Recovery Hospital	Rehabilitation Hospital	Outpatient Rehabilitation	Concentra	Other	Total
Change in revenue	7.9 %	13.0 %	3.3 %	2.4 %	8.0 %	6.3 %
Change in income from operations	36.9 %	23.7 %	(22.8)%	1.3 %	N/M	13.2 %
Change in Adjusted EBITDA	32.0 %	21.0 %	(14.8)%	1.9 %	N/M	12.6 %

N/M — Not meaningful.

## Regulatory Changes

Our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 22, 2024, contains a detailed discussion of the regulations that affect our business in Part I — Business — Government Regulations. The following is a discussion of some of the more significant healthcare regulatory changes that have affected our financial performance in the periods covered by this report, or are likely to affect our financial performance and financial condition in the future. The information below should be read in conjunction with the more detailed discussion of regulations contained in our Form 10-K.

### Medicare Reimbursement

The Medicare program reimburses healthcare providers for services furnished to Medicare beneficiaries, which are generally persons age 65 and older, those who are chronically disabled, and those suffering from end stage renal disease. The program is governed by the Social Security Act of 1965 and is administered primarily by the Department of Health and Human Services ("HHS") and CMS. Revenue generated directly from the Medicare program represented approximately 22% 21% and 23% of our revenue for the three six months ended March 31, 2024 June 30, 2024, and for the year ended December 31, 2023, respectively.

### Federal Health Care Program Changes in Response to the COVID-19 Pandemic

On January 31, 2020, HHS declared a public health emergency under section 319 of the Public Health Service Act, 42 U.S.C. § 247d, in response to the COVID-19 outbreak in the United States. The HHS Secretary renewed the public health emergency determination for subsequent 90-day periods through May 11, 2023, the end of the public health emergency. The COVID-19 national emergency that was declared by President Trump on March 13, 2020, which was separate from the public health emergency, ended on April 10, 2023 when H.R.J. Res. 7 was signed into law.

As a result of the COVID-19 national emergency, the HHS Secretary authorized the waiver or modification of certain requirements under Medicare, Medicaid, and the Children's Health Insurance Program ("CHIP") pursuant to section 1135 of the Social Security Act. Under this authority, CMS issued a number of blanket waivers that excused health care providers or suppliers from specific program requirements. Our Annual Report on Form 10-K for the year ended December 31, 2023, contains a detailed discussion of the federal health care program changes made in response to the COVID-19 pandemic, including these COVID-19 waivers, in Part II — Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Changes. Most of these COVID-19 waivers, including the waiver of the IRF 60% Rule and the waiver of Medicare statutory requirements regarding site neutral payments to long-term care hospitals ("LTCHs"), ended for new admissions when the public health emergency expired on May 11, 2023. However, LTCHs are were exempt from the greater-than-25-day average length of stay requirement for all cost reporting periods that include the COVID-19 public health emergency period. As a result, LTCH cost reporting periods that started prior to May 11, 2023, will continue to be were exempt for the remainder of that cost reporting year. However, LTCH cost reporting periods that began on or after May 11, 2023, must comply with the greater-than-25-day average length of stay requirement.

In addition, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and related legislation temporarily suspended the 2% cut to Medicare payments due to sequestration from May 1, 2020, through March 31, 2022, and reduced the sequestration adjustment from 2% to 1% from April 1 through June 30, 2022. The full 2% reduction resumed on July 1, 2022. To pay for this relief, Congress increased the sequestration cut to Medicare payments to 2.25% for the first six months of fiscal year 2030 and to 3% for the final six months of fiscal year 2030. Additionally, an across-the-board 4% payment cut required to take effect in January 2022 due to the American Rescue Plan from the FY 2022 Statutory Pay-As-You-Go ("PAYGO") scorecard was deferred by Congress until 2025.

The CARES Act and related legislation also provided more than \$178 billion in appropriations for the Public Health and Social Services Emergency Fund, also known as the Provider Relief Fund, to be used for preventing, preparing, and responding to COVID-19 and for reimbursing "eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus." HHS began distributing these funds to providers in April 2020. Recipients of payments were required to report data to HHS on the use of the funds via an online portal by specific deadlines established by HHS based on the date of the payment. All recipients of funds are subject to audit by HHS, the HHS OIG, or the Pandemic Response Accountability Committee. Audits may include examination of the accuracy of the data providers submitted to HHS in their applications for payments. Additional distributions are not expected and as a result, the Company does not expect to recognize additional income associated with these funds in the future.

#### **Medicare Reimbursement of LTCH Services**

The following is a summary of significant regulatory changes to the Medicare prospective payment system for our critical illness recovery hospitals, which are certified by Medicare as LTCHs, which have affected our results of operations, as well as the policies and payment rates that may affect our future results of operations. Medicare payments to our critical illness recovery hospitals are made in accordance with the long-term care hospital prospective payment system ("LTCH-PPS").

Fiscal Year 2023. On August 10, 2022, CMS published the final rule updating policies and payment rates for the LTCH-PPS for fiscal year 2023 (affecting discharges and cost reporting periods beginning on or after October 1, 2022, through September 30, 2023). Certain errors in the final rule were corrected in documents published November 4, 2022, and December 13, 2022. The standard federal rate for fiscal year 2023 was set at \$46,433, an increase from the standard federal rate applicable during fiscal year 2022 of \$44,714. The update to the standard federal rate for fiscal year 2023 included a market basket increase of 4.1%, less a productivity adjustment of 0.3%. The standard federal rate also included an area wage budget neutrality factor of 1.0004304. As a result of the CARES Act, all LTCH cases were paid at the standard federal rate during the public health emergency. When the public health emergency ended on May 11, 2023, CMS returned to using the site-neutral payment rate for reimbursement of cases that do not meet the LTCH patient criteria. The fixed-loss amount for high cost outlier cases paid under LTCH-PPS was set at \$38,518, an increase from the fixed-loss amount in the 2022 fiscal year of \$33,015. The fixed-loss amount for high cost outlier cases paid under the site-neutral payment rate was set at \$38,788, an increase from the fixed-loss amount in the 2022 fiscal year of \$30,988.

Fiscal Year 2024. On August 28, 2023, CMS published the final rule updating policies and payment rates for the LTCH-PPS for fiscal year 2024 (affecting discharges and cost reporting periods beginning on or after October 1, 2023, through September 30, 2024). Certain errors in the final rule were corrected in a document published on October 4, 2023. The standard federal rate for fiscal year 2024 is \$48,117, an increase from the standard federal rate applicable during fiscal year 2023 of \$46,433. The update to the standard federal rate for fiscal year 2024 includes a market basket increase of 3.5%, less a productivity adjustment of 0.2%. The standard federal rate also includes an area wage budget neutrality factor of 1.0031599. The fixed-loss amount for high cost outlier cases paid under LTCH-PPS is \$59,873, an increase from the fixed-loss amount in the 2023 fiscal year of \$38,518. The fixed-loss amount for high cost outlier cases paid under the site-neutral payment rate is \$42,750, an increase from the fixed-loss amount in the 2023 fiscal year of \$38,788.

Fiscal Year 2025. On ~~April 10, 2024~~ May 2, 2024, CMS ~~released~~ published a ~~display~~ copy of the proposed rule to update policies and payment rates for the LTCH-PPS for fiscal year 2025 (affecting discharges and cost reporting periods beginning on or after October 1, 2024, through September 30, 2025). CMS is expected to issue the final rule ~~in~~ by August 1 or shortly ~~thereafter~~, ~~thereafter if there is good cause for later publication~~. The proposed standard federal rate for fiscal year 2025 is \$49,263, an increase from the standard federal rate applicable during fiscal year 2024 of \$48,117. The proposed update to the standard federal rate for fiscal year 2025 includes a market basket increase of 3.2%, less a productivity adjustment of 0.4%. The proposed standard federal rate also includes an area wage budget neutrality factor of 0.9959347. The proposed fixed-loss amount for high cost outlier cases paid under LTCH-PPS is \$90,921, an increase from the fixed-loss amount in the 2024 fiscal year of \$59,873. The proposed fixed-loss amount for high cost outlier cases paid under the site-neutral payment rate is \$49,237, an increase from the fixed-loss amount in the 2024 fiscal year of \$42,750.

#### **Medicare Reimbursement of IRF Services**

The following is a summary of significant regulatory changes to the Medicare prospective payment system for our rehabilitation hospitals, which are certified by Medicare as IRFs, which have affected our results of operations, as well as the policies and payment rates that may affect our future results of operations. Medicare payments to our rehabilitation hospitals are made in accordance with the inpatient rehabilitation facility prospective payment system ("IRF-PPS").

Fiscal Year 2023. On August 1, 2022, CMS published the final rule updating policies and payment rates for the IRF-PPS for fiscal year 2023 (affecting discharges and cost reporting periods beginning on or after October 1, 2022, through September 30, 2023). The standard payment conversion factor for discharges for fiscal year 2023 was set at \$17,878, an increase from the standard payment conversion factor applicable during fiscal year 2022 of \$17,240. The update to the standard payment conversion factor for fiscal year 2023 included a market basket increase of 4.2%, less a productivity adjustment of 0.3%. CMS increased the outlier threshold amount for fiscal year 2023 to \$12,526 from \$9,491 established in the final rule for fiscal year 2022.

Fiscal Year 2024. On August 2, 2023, CMS published the final rule to update policies and payment rates for the IRF-PPS for fiscal year 2024 (affecting discharges and cost reporting periods beginning on or after October 1, 2023, through September 30, 2024). Certain errors in the final rule were corrected in a document published on October 4, 2023. The standard payment conversion factor for discharges for fiscal year 2024 was set at \$18,541, an increase from the standard payment conversion factor applicable during fiscal year 2023 of \$17,878. The update to the standard payment conversion factor for fiscal year 2024 included a market basket increase of 3.6%, less a productivity adjustment of 0.2%. CMS decreased the outlier threshold amount for fiscal year 2024 to \$10,423 from \$12,526 established in the final rule for fiscal year 2023.

Fiscal Year 2025. On ~~March 29, 2024~~ July 31, 2024, CMS published a ~~proposed~~ ~~display~~ copy of the ~~final~~ rule to update policies and payment rates for the IRF-PPS for fiscal year 2025 (affecting discharges and cost reporting periods beginning on or after October 1, 2024, through September 30, 2025). The standard payment conversion factor for discharges for fiscal year 2025 ~~would be~~ ~~was~~ set at ~~\$18,872~~, ~~\$18,907~~, an increase from the standard payment conversion factor applicable during fiscal year 2024 of \$18,541. The update to the standard payment conversion factor for fiscal year 2025 ~~if adopted, would include~~ ~~included~~ a market basket increase of ~~3.2%~~ ~~3.5%~~, less a productivity adjustment of ~~0.4%~~ ~~0.5%~~. CMS ~~proposed to increase~~ ~~increased~~ the outlier threshold amount for fiscal year 2025 to ~~\$12,158~~ ~~\$12,043~~ from \$10,423 established in the final rule for fiscal year 2024.

#### **Medicare Reimbursement of Outpatient Rehabilitation Clinic Services**

Our Annual Report on Form 10-K for the year ended December 31, 2023 contains a detailed discussion of Medicare reimbursement that affects our outpatient rehabilitation clinic operations in Part I — Business — Government Regulations and in Part II — Management's Discussion and Analysis of Financial Condition and Results of Operations —

Regulatory Changes. Outpatient rehabilitation providers enroll in Medicare as a rehabilitation agency, a clinic, or a public health agency. The Medicare program reimburses outpatient rehabilitation providers based on the Medicare physician fee schedule.

For calendar years 2021 and 2022, CMS's expected decreases in Medicare reimbursement under the physician fee schedule were mostly offset by one-time increases in payments as a result of other legislation passed by Congress. Similarly, the Consolidated Appropriations Act, 2023, provided some relief from the payment cuts in calendar years 2023 and 2024. Payments under the 2023 MPFS physician fee schedule decreased by 2%, and for calendar year 2024, final CMS policies resulted in an approximate 3% decrease in Medicare payments for the therapy specialty. On March 9, 2024, President Biden signed into law the Consolidated Appropriations Act, 2024, which mitigated Medicare physician payment cuts by 1.68%, resulting in a lower, 1.69% cut to payments. The full 3.37% cut was applied to payments for services provided between January 1, 2024 and the March 9, 2024 effective date. The Consolidated Appropriations Act, 2024 also extends the Medicare physician work geographic index floor through December 31, 2024. The steps Congress has taken to reduce the cuts to Medicare physician payments for the remainder of 2024 are temporary and will not carry over into 2025. In the display copy of the calendar year 2025 physician fee schedule proposed rule, CMS calculated the payment rates without the 1.25% and 2.93% payment increases under the Consolidated Appropriations of 2023 and 2024, respectively. However CMS expects that its proposed policies for 2025 will not result in any increase or decrease in Medicare payments for the therapy specialty.

#### **Modifiers to Identify Services of Physical Therapy Assistants or Occupational Therapy Assistants**

Our Annual Report on Form 10-K for the year ended December 31, 2023, contains a detailed discussion of Medicare regulations concerning services provided by physical therapy assistants and occupational therapy assistants in Part I — Business — Government Regulations and in Part II — Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Changes. There have been no significant updates to these regulations subsequently.

#### **Operating Statistics**

The following table sets forth operating statistics for each of our segments for the periods presented. The operating statistics reflect data for the period of time we managed these operations. Our operating statistics include metrics we believe provide relevant insight about the number of facilities we operate, volume of services we provide to our patients, and average payment rates for services we provide. These metrics are utilized by management to monitor trends and performance in our businesses and therefore may be important to investors because management may assess our performance based in part on such metrics. Other healthcare providers may present similar statistics, and these statistics are susceptible to varying definitions. Our statistics as presented may not be comparable to other similarly titled statistics of other companies.

	Critical illness recovery hospital data:	Three Months Ended		Three Months Ended		Six Months Ended		
		March 31,		June 30,		June 30,		
		2023	2024	2023	2024	2023	2024	
<b>Critical illness recovery hospital data:</b>								
Number of consolidated hospitals—start of period <sup>(1)</sup>								
Number of hospitals acquired								
Number of hospital start-ups								
Number of hospitals closed/sold								
Number of consolidated hospitals—end of period <sup>(1)</sup>								
Available licensed beds <sup>(3)</sup>								
Available licensed beds <sup>(3)</sup>								
Available licensed beds <sup>(3)</sup>								
Admissions <sup>(3)(4)</sup>								
Patient days <sup>(3)(5)</sup>								
Average length of stay (days) <sup>(3)(6)</sup>								
Revenue per patient day <sup>(3)(7)</sup>								
Occupancy rate <sup>(3)(8)</sup>	Occupancy rate <sup>(3)(8)</sup>	72	%	71 %	Occupancy rate <sup>(3)(8)</sup>	68	%	67 %
Percent patient days—Medicare <sup>(3)</sup>	Percent patient days—Medicare <sup>(3)</sup>	39	%	36 % <sup>(9)</sup>	Percent patient days—Medicare <sup>(3)</sup>	37	%	34 %
Percent patient days—Medicare <sup>(3)(9)</sup>	(9)							
<b>Rehabilitation hospital data:</b>								
Number of consolidated hospitals—start of period <sup>(1)</sup>								
Number of consolidated hospitals—start of period <sup>(1)</sup>								
Number of consolidated hospitals—start of period <sup>(1)</sup>								
Number of hospitals acquired								
Number of hospital start-ups								
Number of hospitals closed/sold								
Number of consolidated hospitals—end of period <sup>(1)</sup>								



- (1) Represents the number of hospitals included in our consolidated financial results at the end of each period presented.
- (2) Represents the number of hospitals which are managed by us at the end of each period presented. We have minority ownership interests in these businesses.
- (3) Data excludes locations managed by the Company. For purposes of our Concentra segment, onsite clinics are excluded.
- (4) Represents the number of patients admitted to our hospitals during the periods presented.
- (5) Each patient day represents one patient occupying one bed for one day during the periods presented.
- (6) Represents the average number of days in which patients were admitted to our hospitals. Average length of stay is calculated by dividing the number of patient days, as presented above, by the number of patients discharged from our hospitals during the periods presented.

- (7) Represents the average amount of revenue recognized for each patient day. Revenue per patient day is calculated by dividing patient service revenues, excluding revenues from certain other ancillary and outpatient services provided at our hospitals, by the total number of patient days.
- (8) Represents the portion of our hospitals being utilized for patient care during the periods presented. Occupancy rate is calculated using the number of patient days, as presented above, divided by the total number of bed days available during the period. Bed days available is derived by adding the daily number of available licensed beds for each of the periods presented.
- (9) Represents the portion of our patient days which are paid by Medicare. The Medicare patient day percentage is calculated by dividing the total number of patient days which are paid by Medicare by the total number of patient days, as presented above.
- (10) Represents the number of visits in which patients were treated at our outpatient rehabilitation clinics and Concentra centers during the periods presented.
- (11) Represents the average amount of revenue recognized for each patient visit. Revenue per visit is calculated by dividing patient service revenue, excluding revenues from certain other ancillary services, by the total number of visits.

## Results of Operations

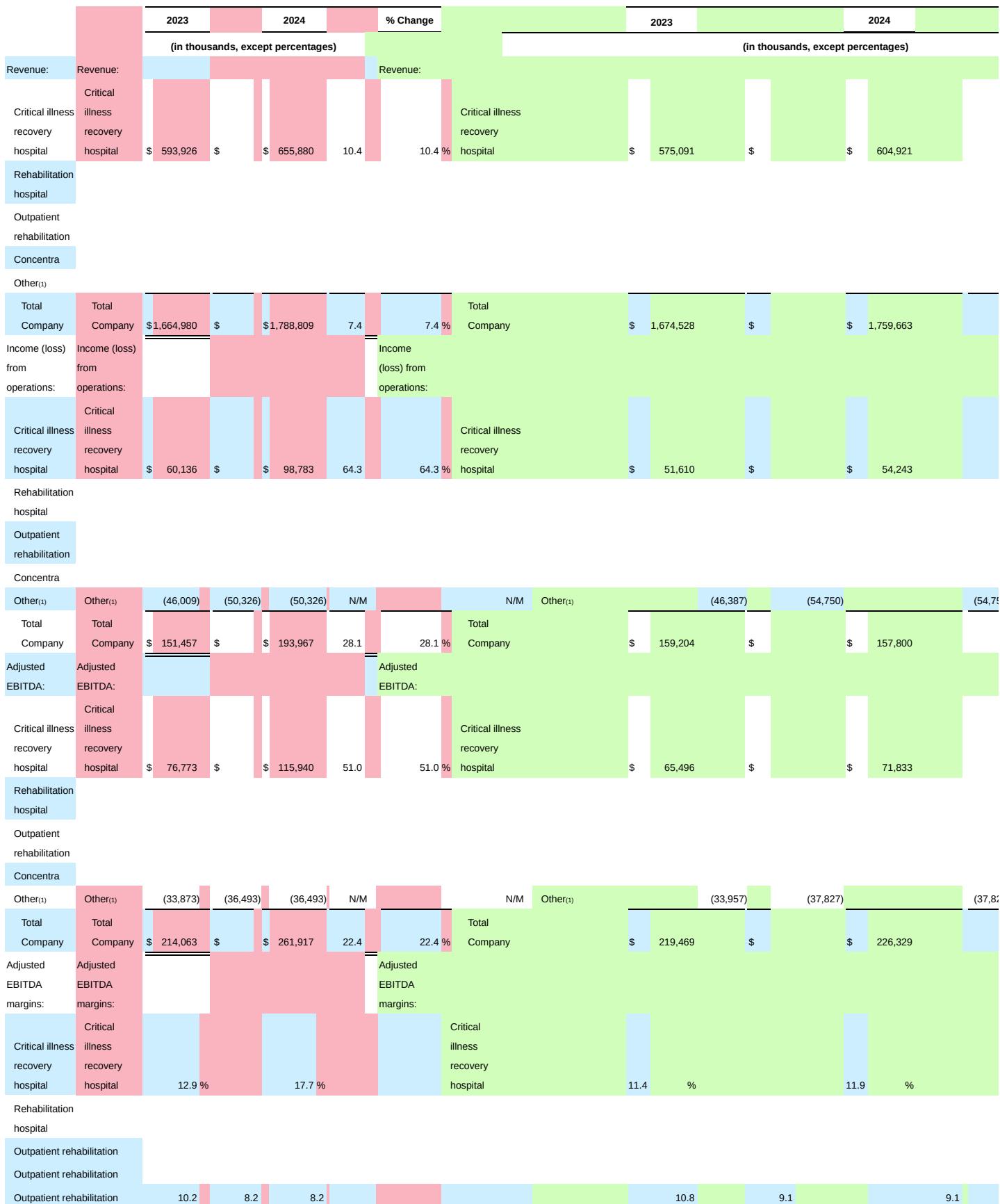
The following table outlines selected operating data as a percentage of revenue for the periods indicated:

	Three Months Ended				Three Months Ended June 30,				Six Months Ended June 30,			
			March 31,				2023				2024	
	Revenue	Revenue	100.0	%	Revenue	100.0	%	Revenue	100.0	%	Revenue	100.0
Costs and expenses:												
Cost of services, exclusive of depreciation and amortization <sup>(1)</sup>												
Cost of services, exclusive of depreciation and amortization <sup>(1)</sup>												
Cost of services, exclusive of depreciation and amortization <sup>(1)</sup>												
General and administrative												
Depreciation and amortization												
Total costs and expenses												
Other operating income												
Other operating income (loss)												
Income from operations												
Equity in earnings of unconsolidated subsidiaries												
Equity in earnings of unconsolidated subsidiaries												
Equity in earnings of unconsolidated subsidiaries												
Interest expense												
Interest expense												
Interest expense												
Income before income taxes												
Income tax expense												
Net income												
Net income attributable to non-controlling interests												
Net income attributable to Select Medical Holdings Corporation	Net income attributable to Select Medical Holdings Corporation	4.3	%	5.4	%	Net income attributable to Select Medical Holdings Corporation	4.7	%	4.4	%	4.5	%

- (1) Cost of services includes salaries, wages and benefits, operating supplies, lease and rent expense, and other operating costs.

The following table summarizes selected financial data by segment for the periods indicated:

	Three Months Ended March 31,		Three Months Ended June 30,	





(1) Other includes our corporate administration and shared services, as well as employee leasing services with our non-consolidating subsidiaries. Total assets include certain non-consolidating joint ventures and minority investments in other healthcare related businesses.

N/M — Not meaningful.

#### Three Months Ended March 31, 2024 June 30, 2024, Compared to Three Months Ended March 31, 2023 June 30, 2023

For the three months ended March 31, 2024 June 30, 2024, we had revenue of \$1,788.8 million \$1,759.7 million and income from operations of \$194.0 million \$157.8 million, respectively, as compared to revenue of \$1,665.0 million \$1,674.5 million and income from operations of \$151.5 million \$159.2 million for the three months ended March 31, 2023 June 30, 2023. For the three months ended March 31, 2024 June 30, 2024, Adjusted EBITDA was \$261.9 million \$226.3 million, with an Adjusted EBITDA margin of 14.6% 12.9%, as compared to Adjusted EBITDA of \$214.1 million \$219.5 million and an Adjusted EBITDA margin of 12.9% 13.1% for the three months ended March 31, 2023, respectively, June 30, 2023.

#### Revenue

A significant contributor Critical Illness Recovery Hospital Segment. Revenue increased 5.2% to the improvement in our financial performance \$604.9 million for the three months ended March 31, 2024 June 30, 2024, compared to \$575.1 million for the three months ended June 30, 2023. Revenue per patient day increased 4.0% to \$2,159 for the three months ended June 30, 2024, compared to \$2,076 for the three months ended June 30, 2023. Our patient days increased 1.0% to 279,241 days for the three months ended June 30, 2024, compared to 276,366 days for the three months ended June 30, 2023. Occupancy in our critical illness recovery hospitals was 67% and 68% for the three months ended June 30, 2024 and 2023, respectively.

**Rehabilitation Hospital Segment.** Revenue increased 11.2% to \$267.8 million for the three months ended June 30, 2024, compared to \$240.9 million for the three months ended June 30, 2023. Our patient days increased 6.7% to 117,045 days for the three months ended June 30, 2024, compared to 109,680 days for the three months ended June 30, 2023. Revenue per patient day increased 5.2% to \$2,113 for the three months ended June 30, 2024, compared to \$2,008 for the three months ended June 30, 2023. Occupancy in our rehabilitation hospitals was 84% for both the three months ended June 30, 2024 and 2023.

**Outpatient Rehabilitation Segment.** Revenue increased 4.1% to \$315.5 million for the three months ended June 30, 2024, compared to \$303.0 million for the three months ended June 30, 2023. The increase in revenue was attributable to patient visits, which increased 3.9% to 2,827,625 visits for the three months ended June 30, 2024, compared to 2,720,490 visits for the three months ended June 30, 2023. Our revenue per visit was \$100 for both the three months ended June 30, 2024 and 2023.

**Concentra Segment.** Revenue increased 2.3% to \$477.9 million for the three months ended June 30, 2024, compared to \$467.1 million for the three months ended June 30, 2023. The increase in revenue was principally due to an increase in revenue per visit, which increased 4.5% to \$140 for the three months ended June 30, 2024, compared to \$134 for the three months ended June 30, 2023. Our patient visits were 3,214,255 visits for the three months ended June 30, 2024, compared to 3,267,894 visits for the three months ended June 30, 2023.

#### **Operating Expenses**

Our operating expenses consist principally of cost of services and general and administrative expenses. Our operating expenses were \$1,547.9 million, or 87.9% of revenue, for the three months ended June 30, 2024, compared to \$1,466.1 million, or 87.5% of revenue, for the three months ended June 30, 2023. Our cost of services, a major component of which is labor expense, was \$1,498.0 million, or 85.1% of revenue, for the three months ended June 30, 2024, compared to \$1,423.6 million, or 85.0% of revenue, for the three months ended June 30, 2023. General and administrative expenses were \$49.9 million, or 2.8% of revenue, for the three months ended June 30, 2024, compared to \$42.5 million, or 2.5% of revenue, for the three months ended June 30, 2023.

#### **Other Operating Income**

For the three months ended June 30, 2023, we had other operating income of \$0.7 million.

#### **Adjusted EBITDA**

**Critical Illness Recovery Hospital Segment.** Adjusted EBITDA increased 9.7% to \$71.8 million for the three months ended June 30, 2024, compared to \$65.5 million for the three months ended June 30, 2023. Our Adjusted EBITDA margin for the critical illness recovery hospital segment was 11.9% for the three months ended June 30, 2024, compared to 11.4% for the three months ended June 30, 2023. The increases in our Adjusted EBITDA and Adjusted EBITDA margin during the three months ended June 30, 2024, as compared to the three months ended **March 31, 2023** June 30, 2023, were principally due to an increase in revenue. Additionally, our total contract labor costs decreased by approximately 15% during the three months ended June 30, 2024, as compared to the three months ended June 30, 2023, which was attributable to an approximate 14% decrease in the utilization of contract registered nurses and an approximate 4% decrease in the rate per hour for contract registered nurses.

**Rehabilitation Hospital Segment.** Adjusted EBITDA increased 13.3% to \$62.0 million for the three months ended June 30, 2024, compared to \$54.7 million for the three months ended June 30, 2023. Our Adjusted EBITDA margin for the rehabilitation hospital segment was 23.1% for the three months ended June 30, 2024, compared to 22.7% for the three months ended June 30, 2023. The increases in Adjusted EBITDA and Adjusted EBITDA margin were principally attributable to an increase in revenue.

**Outpatient Rehabilitation Segment.** Adjusted EBITDA was \$28.8 million for the three months ended June 30, 2024, compared to \$32.9 million for the three months ended June 30, 2023. Our Adjusted EBITDA margin for the outpatient rehabilitation segment was 9.1% for the three months ended June 30, 2024, compared to 10.8% for the three months ended June 30, 2023. The decreases in our Adjusted EBITDA and Adjusted EBITDA margin for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023, were principally due to higher labor costs, partially offset by an increase in revenue.

**Concentra Segment.** Adjusted EBITDA increased 1.2% to \$101.6 million for the three months ended June 30, 2024, compared to \$100.4 million for the three months ended June 30, 2023. Our Adjusted EBITDA margin for the Concentra segment was 21.3% for the three months ended June 30, 2024, compared to 21.5% for the three months ended June 30, 2023.

#### **Depreciation and Amortization**

Depreciation and amortization expense was \$53.9 million for the three months ended June 30, 2024, compared to \$49.9 million for the three months ended June 30, 2023.

#### **Income from Operations**

For the three months ended June 30, 2024, we had income from operations of \$157.8 million, compared to \$159.2 million for the three months ended June 30, 2023.

#### **Equity in Earnings of Unconsolidated Subsidiaries**

For the three months ended June 30, 2024, we had equity in earnings of unconsolidated subsidiaries of \$6.3 million, compared to \$10.5 million for the three months ended June 30, 2023. The decrease in equity in earnings is principally attributable to the write-off of an impaired investment within our Concentra segment.

#### **Interest**

Our term loan is subject to an interest rate cap, which limits the variable interest rate to 1.0% on \$2.0 billion of principal outstanding under the term loan. The Term SOFR rate was 5.34% at June 30, 2024, compared to 5.20% at June 30, 2023. Interest expense was \$37.1 million for the three months ended June 30, 2024, compared to \$49.0 million for the three months ended June 30, 2023. The decrease in interest expense is principally due to the reclassification of a \$13.7 million gain on the interest rate cap cash flow hedge from accumulated other comprehensive income into interest expense for forecasted transactions that are probable not to occur.

#### Income Taxes

We recorded income tax expense of \$32.2 million for the three months ended June 30, 2024, which represented an effective tax rate of 25.4%. We recorded income tax expense of \$28.8 million for the three months ended June 30, 2023, which represented an effective tax rate of 23.9%.

#### Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023

For the six months ended June 30, 2024, we had revenue of \$3,548.5 million and income from operations of \$351.8 million, respectively, as compared to revenue of \$3,339.5 million and income from operations of \$310.7 million for the six months ended June 30, 2023. For the six months ended June 30, 2024, Adjusted EBITDA was \$488.2 million, with an Adjusted EBITDA margin of 13.8%, as compared to Adjusted EBITDA of \$433.5 million and an Adjusted EBITDA margin of 13.0% for the six months ended June 30, 2023, respectively.

The improvement in our financial performance for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023, was principally due to the increase in revenue in our Critical Illness Recovery Hospital and Rehabilitation Hospital segments, as discussed below under "Revenue."

#### Revenue

**Critical Illness Recovery Hospital Segment.** Revenue increased 10.4% 7.9% to \$655.9 million \$1,260.8 million for the three six months ended March 31, 2024 June 30, 2024, compared to \$593.9 million \$1,169.0 million for the three six months ended March 31, 2023 June 30, 2023. Revenue per patient day increased 7.8% 6.0% to \$2,219 \$2,190 for the three six months ended March 31, 2024 June 30, 2024, compared to \$2,058 \$2,067 for the three six months ended March 31, 2023 June 30, 2023. Our patient days increased 2.7% 1.9% to 294,622 573,863 for the three six months ended March 31, 2024 June 30, 2024, compared to 286,746 563,112 days for the three six months ended March 31, 2023 June 30, 2023. **Occupancy** Occupancy in our critical illness recovery hospitals was 71% 69% and 72% 70% for the three six months ended March 31, 2024 June 30, 2024 and 2023, respectively.

**Rehabilitation Hospital Segment.** Revenue increased 14.8% 13.0% to \$265.7 million \$533.5 million for the three six months ended March 31, 2024 June 30, 2024, compared to \$231.5 million \$472.3 million for the three six months ended March 31, 2023 June 30, 2023. Our patient days increased 8.3% 7.3% to 116,844 233,889 days for the three six months ended March 31, 2024 June 30, 2024, compared to 107,910 218,047 days for the three six months ended March 31, 2023 June 30, 2023. Revenue per patient day increased 6.4% 5.8% to \$2,096 \$2,105 for the three six months ended March 31, 2024 June 30, 2024, compared to \$1,969 \$1,989 for the three six months ended March 31, 2023 June 30, 2023. Occupancy in our rehabilitation hospitals was 87% 86% 85% for both the three six months ended March 31, 2024 June 30, 2024 and 2023, respectively.

**Outpatient Rehabilitation Segment.** Revenue increased 2.5% 3.3% to \$303.2 million \$618.7 million for the three six months ended March 31, 2024 June 30, 2024, compared to \$295.9 million \$598.9 million for the three six months ended March 31, 2023 June 30, 2023. The increase in revenue was attributable to patient visits, which increased 3.7% 3.8% to 2,735,126 5,562,751 visits for the three six months ended March 31, 2024 June 30, 2024, compared to 2,636,770 5,357,260 visits for the three six months ended March 31, 2023 June 30, 2023. Our revenue per visit was \$99 \$100 for both the three six months ended March 31, 2024, compared to \$101 for the three months ended March 31, 2023, principally due to a decrease in Medicare reimbursement June 30, 2024 and changes in payor mix.

**Concentra Segment.** Revenue increased 2.5% 2.4% to \$467.6 million \$945.5 million for the three six months ended March 31, 2024 June 30, 2024, compared to \$456.3 million \$923.4 million for the three six months ended March 31, 2023 June 30, 2023. The increase in revenue was attributable to revenue per visit, which increased 4.5% 3.7% to \$139 for the three six months ended March 31, 2024 June 30, 2024, compared to \$133 \$134 for the three six months ended March 31, 2023 June 30, 2023. Our patient visits were 3,155,655 6,369,910 for the three six months ended March 31, 2024 June 30, 2024, compared to 3,217,945 6,485,839 visits for the three six months ended March 31, 2023 June 30, 2023.

#### Operating Expenses

Our operating expenses consist principally of cost of services and general and administrative expenses. Our operating expenses were \$1,543.1 million \$3,091.0 million, or 86.3% 87.1% of revenue, for the three six months ended March 31, 2024 June 30, 2024, compared to \$1,461.1 million \$2,927.2 million, or 87.7% 87.6% of revenue, for the three six months ended March 31, 2023 June 30, 2023. Our cost of services, a major component of which is labor expense, was \$1,494.6 million \$2,992.7 million, or 83.6% 84.3% of revenue, for the three six months ended March 31, 2024 June 30, 2024, compared to \$1,418.8 million \$2,842.4 million, or 85.2% 85.1% of revenue, for the three six months ended March 31, 2023 June 30, 2023. The decrease in our operating expenses relative to our revenue was principally attributable to an increase in revenue in our Critical Illness Recovery Hospital and Rehabilitation Hospital segments. General and administrative expenses were \$48.4 million \$98.3 million, or 2.7% 2.8% of revenue, for the three six months ended March 31, 2024 June 30, 2024, compared to \$42.3 million \$84.8 million, or 2.5% of revenue, for the three six months ended March 31, 2023 June 30, 2023. General and administrative expenses included \$2.3 million \$2.4 million of Concentra separation transaction costs for the three six months ended March 31, 2024 June 30, 2024.

#### Other Operating Income

For the three six months ended March 31, 2024 June 30, 2024, we had other operating income of \$2.3 million. The other operating income, compared to \$0.7 million for the three six months ended March 31, 2024 is principally included within the operating results of our Critical Illness Recovery Hospital segment.

#### Adjusted EBITDA

**Critical Illness Recovery Hospital Segment.** Adjusted EBITDA increased **51.0%** **32.0%** to **\$115.9 million** **\$187.8 million** for the **three six months ended March 31, 2024** **June 30, 2024**, compared to **\$76.8 million** **\$142.3 million** for the **three six months ended March 31, 2023** **June 30, 2023**. Our Adjusted EBITDA margin for the critical illness recovery hospital segment was **17.7%** **14.9%** for the **three six months ended March 31, 2024** **June 30, 2024**, compared to **12.9%** **12.2%** for the **three six months ended March 31, 2023** **June 30, 2023**. The increases in our Adjusted EBITDA and Adjusted EBITDA margin during the **three six months ended March 31, 2024** **June 30, 2024**, as compared to the **three six months ended March 31, 2023** **June 30, 2023**, were principally due to an increase in revenue. Additionally, our total contract labor costs decreased by approximately **20%** **18%** during the year ended **March 31, 2024** **June 30, 2024**, as compared to the year ended **March 31, 2023** **June 30, 2023**, which was driven by an approximate **20%** **17%** decrease in utilization of contract registered nurses and an approximate **7%** **6%** decrease in the rate per hour for contract registered nurses.

**Rehabilitation Hospital Segment.** Adjusted EBITDA increased **30.0%** **21.0%** to **\$61.4 million** **\$123.4 million** for the **three six months ended March 31, 2024** **June 30, 2024**, compared to **\$47.2 million** **\$101.9 million** for the **three six months ended March 31, 2023** **June 30, 2023**. Our Adjusted EBITDA margin for the rehabilitation hospital segment was **23.1%** for the **three six months ended March 31, 2024** **June 30, 2024**, compared to **20.4%** **21.6%** for the **three six months ended March 31, 2023** **June 30, 2023**. The increases in our Adjusted EBITDA and Adjusted EBITDA margin for the **three months ended March 31, 2024**, as compared to the **three months ended March 31, 2023**, were principally attributable to an increase in revenue.

**Outpatient Rehabilitation Segment.** Adjusted EBITDA was **\$24.9 million** **\$53.7 million** for the **three six months ended March 31, 2024** **June 30, 2024**, compared to **\$30.2 million** **\$63.0 million** for the **three six months ended March 31, 2023** **June 30, 2023**. Our Adjusted EBITDA margin for the outpatient rehabilitation segment was **8.2%** **8.7%** for the **three six months ended March 31, 2024** **June 30, 2024**, compared to **10.2%** **10.5%** for the **three six months ended March 31, 2023** **June 30, 2023**. The decreases in our Adjusted EBITDA and Adjusted EBITDA margin for the **three six months ended March 31, 2024** **June 30, 2024**, as compared to the **three six months ended March 31, 2023** **June 30, 2023**, were principally attributable due to higher labor costs, partially offset by an increase in revenue.

**Concentra Segment.** Adjusted EBITDA increased **2.6%** **1.9%** to **\$96.1 million** **\$197.7 million** for the **three six months ended March 31, 2024** **June 30, 2024**, compared to **\$93.7 million** **\$194.1 million** for the **three six months ended March 31, 2023** **June 30, 2023**. Our Adjusted EBITDA margin for the Concentra segment was **20.6%** **20.9%** for the **three six months ended March 31, 2024** **June 30, 2024**, compared to **20.5%** **21.0%** for the **three six months ended March 31, 2023** **June 30, 2023**. The increase in Adjusted EBITDA was principally due to an increase in revenue.

#### **Depreciation and Amortization**

Depreciation and amortization expense was **\$54.1 million** **\$108.0 million** for the **three six months ended March 31, 2024** **June 30, 2024**, compared to **\$52.4 million** **\$102.4 million** for the **three six months ended March 31, 2023** **June 30, 2023**.

#### **Income from Operations**

For the **three six months ended March 31, 2024** **June 30, 2024**, we had income from operations of **\$194.0 million** **\$351.8 million**, compared to **\$151.5 million** **\$310.7 million** for the **three six months ended March 31, 2023** **June 30, 2023**. The increase in income from operations is principally attributable to increases in revenue within our Critical Illness Recovery Hospital and Rehabilitation Hospital segments, as discussed above under "Revenue".

#### **Equity in Earnings of Unconsolidated Subsidiaries**

For the **three six months ended March 31, 2024** **June 30, 2024**, we had equity in earnings of unconsolidated subsidiaries of **\$10.4 million** **\$16.7 million**, compared to **\$8.6 million** **\$19.1 million** for the **three six months ended March 31, 2023** **June 30, 2023**. The **increase** **decrease** in equity in earnings is principally **due** **attributable** to the **improved** **operating performance** **write-off** of an **impaired** **investment** within our **rehabilitation businesses** in which we are a **minority owner**. Concentra segment.

#### **Interest**

Our term loan is subject to an interest rate cap, which limits the variable interest rate to 1.0% on \$2.0 billion of principal outstanding under the term loan. The Term SOFR rate was **5.33%** **5.34%** at **March 31, 2024** **June 30, 2024**, compared to the one-month LIBOR rate of **4.86%** **5.20%** at **March 31, 2023** **June 30, 2023**. Interest expense was **\$50.8 million** **\$87.9 million** for the **three six months ended March 31, 2024** **June 30, 2024**, compared to **\$48.6 million** **\$97.6 million** for the **three six months ended March 31, 2023** **June 30, 2023**. The **increase** **decrease** in interest expense was **is** principally due to the reclassification of a **\$13.7 million** gain on the interest rate cap cash flow hedge from accumulated other comprehensive income into interest expense for forecasted transactions that are **probable** **not** **to** **occur**, partially offset by an increase in the borrowing spread on the term loan resulting from Amendment No. 8 to the senior secured credit agreement.

#### **Income Taxes**

We recorded income tax expense of **\$36.5 million** **\$68.7 million** for the **three six months ended March 31, 2024** **June 30, 2024**, which represented an effective tax rate of **24.5%**. We recorded income tax expense of **\$55.0 million** for the six months ended June 30, 2023, which represented an effective tax rate of **23.7%**. We recorded income tax expense of **\$26.2 million** for the three months ended March 31, 2023, which represented an effective tax rate of **23.5%**.

#### **Liquidity and Capital Resources**

##### **Cash Flows for the Three Six Months Ended March 31, 2024 June 30, 2024 and Three Six Months Ended March 31, 2023 June 30, 2023**

In the following, we discuss cash flows from operating activities, investing activities, and financing activities.

	Three Months Ended March 31,		Six Months Ended June 30,
	2023	2024	2023

	(in thousands)	(in thousands)
Net cash provided by (used in) operating activities		
Net cash provided by operating activities		
Net cash used in investing activities		
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents		
Net cash used in financing activities		
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period		
Cash and cash equivalents at end of period		

Operating activities used \$66.7 million provided \$211.5 million of cash flows for the three six months ended March 31, 2024 June 30, 2024, compared to \$51.4 million \$286.3 million of cash flows provided by operating activities for the three six months ended March 31, 2023 June 30, 2023. The change decline in cash flows provided by operating activities year over year is principally due to an increase in accounts receivable, partially offset which was principally driven by an increase in net income. Our patient billing revenue and collection processes were impacted by the cyber attack on continued impact of the Change Healthcare which was a driver of the increase in our accounts receivable, in addition to the increase in revenue. matter.

Our days sales outstanding was 58.56 days at March 31, 2024 June 30, 2024, compared to 52 days at December 31, 2023. Our days sales outstanding was 54.52 days at March 31, 2023 June 30, 2023, compared to 55 days at December 31, 2022. Our days sales outstanding will fluctuate based upon variability in our collection cycles and patient volumes. The increase in our days sales outstanding at March 31, 2024 was primarily due to volumes and the continued impact of the Change Healthcare cybersecurity incident. matter.

Investing activities used \$57.7 million \$111.7 million of cash flows for the three six months ended March 31, 2024 June 30, 2024. The principal uses of cash were \$52.5 million \$108.1 million for purchases of property, equipment, and other assets, and \$5.4 million \$6.0 million for investments in and acquisitions of businesses. Investing activities used \$69.1 million \$135.9 million of cash flows for the three six months ended March 31, 2023 June 30, 2023. The principal uses of cash were \$58.9 million \$118.4 million for purchases of property, equipment, and other assets, and \$10.2 million \$17.5 million for investments in and acquisitions of businesses.

Financing activities provided \$133.0 million used \$72.6 million of cash flows for the three six months ended March 31, 2024. The principal source of cash was net borrowings under our revolving facility of \$230.0 million June 30, 2024. The principal uses of cash were payments of \$79.1 million on our term loan, \$16.0 million \$32.3 million of dividend payments to common stockholders, and \$12.8 million \$18.4 million for distributions to and purchases of non-controlling interests. Financing activities provided \$3.4 million of cash flows for the three months ended March 31, 2023. The principal source of cash was net borrowings under our revolving facility of \$15.0 million and net borrowings on our other debt \$65.0 million. Financing activities used \$147.1 million of \$10.3 million cash flows for the six months ended June 30, 2023. The principal uses of cash were \$15.9 million net repayments under our revolving facility of \$100.0 million, \$31.8 million of dividend payments to common stockholders, and \$8.0 million \$24.1 million for distributions to and purchases of non-controlling interests.

### Capital Resources

**Working capital.** We had net working capital of \$256.0 million \$108.1 million at March 31, 2024 June 30, 2024, compared to \$9.2 million at December 31, 2023. The increase in net working capital was principally due to an increase in accounts receivable and a decrease in our accrued expenses, receivable.

**Credit facilities.** At March 31, 2024 June 30, 2024, Select had outstanding borrowings under its credit facilities consisting of a \$2,013.4 million term loan (excluding unamortized original issue discounts and debt issuance costs of \$14.1 million \$12.9 million) and borrowings of \$510.0 million \$345.0 million under its revolving facility. At March 31, 2024 June 30, 2024, Select had \$202.4 million \$367.4 million of availability under its revolving facility after giving effect to \$57.6 million of outstanding letters of credit.

**Stock Repurchase Program.** Holdings' Board of Directors has authorized a common stock repurchase program to repurchase up to \$1.0 billion worth of shares of its common stock. The common stock repurchase program will remain in effect until December 31, 2025, unless further extended or earlier terminated by the Board of Directors. Stock repurchases under this program may be made in the open market or through privately negotiated transactions, and at times and in such amounts as Holdings deems appropriate. Holdings funds this program with cash on hand and borrowings under its revolving facility. Holdings did not repurchase shares under the program during the three six months ended March 31, 2024 June 30, 2024. Since the inception of the program through March 31, 2024 June 30, 2024, Holdings has repurchased 48,234,823 shares at a cost of approximately \$600.3 million, or \$12.45 per share, which includes transaction costs. The Inflation Reduction Act of 2022, which enacted a 1% excise tax on stock repurchases that exceed \$1.0 million, became effective January 1, 2023.

**Use of Capital Resources.** We may from time to time pursue opportunities to develop new joint venture relationships with large, regional health systems and other healthcare providers. We also intend to open new outpatient rehabilitation clinics and occupational health centers in local areas that we currently serve where we can benefit from existing referral relationships and brand awareness to produce incremental growth. In addition to our development activities, we may grow through opportunistic acquisitions.

### Liquidity

We believe our internally generated cash flows and borrowing capacity under our revolving facility will allow us to finance our operations in both the short and long term. As of March 31, 2024 June 30, 2024, we had cash and cash equivalents of \$92.6 million \$111.2 million and \$202.4 million \$367.4 million of availability under the revolving facility after giving effect to \$510.0 million \$345.0 million of outstanding borrowings and \$57.6 million of outstanding letters of credit.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions, tender offers or otherwise. Such repurchases or exchanges, if any, may be funded from operating cash flows or other sources and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

#### **Dividend**

On **February 13, 2024** and **May 1, 2024**, our Board of Directors declared a cash dividend of \$0.125 per share. On **March 13, 2024** and **May 30, 2024**, cash dividends totaling **\$16.0 million** and **\$16.3 million** were paid.

On **July 31, 2024**, our Board of Directors declared a cash dividend of \$0.125 per share. The dividend will be payable on or about **May 30, 2024** **August 30, 2024** to stockholders of record as of the close of business on **May 16, 2024** **August 14, 2024**.

There is no assurance that future dividends will be declared. The declaration and payment of dividends in the future are at the discretion of our Board of Directors after taking into account various factors, including, but not limited to, our financial condition, operating results, available cash and current and anticipated cash needs, the terms of our indebtedness, and other factors our Board of Directors may deem to be relevant.

#### **Effects of Inflation**

The healthcare industry is labor intensive and our largest expenses are labor related costs. Wage and other expenses increase during periods of inflation and when labor shortages occur in the marketplace. We have recently experienced higher labor costs related to an inflationary environment and competitive labor market. In addition, suppliers have passed along rising costs to us in the form of higher prices. We cannot predict our ability to pass along cost increases to our customers.

#### **Recent Accounting Pronouncements**

Refer to Note 2 – Accounting Policies of the notes to our condensed consolidated financial statements included herein for information regarding recent accounting pronouncements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are subject to interest rate risk in connection with our variable rate long-term indebtedness. Our principal interest rate exposure relates to the loans outstanding under our credit facilities, which bear interest rates that are indexed against Term SOFR.

At **March 31, 2024** **June 30, 2024**, Select had outstanding borrowings under its credit facilities consisting of a \$2,013.4 million term loan (excluding unamortized original issue discounts and debt issuance costs of **\$14.1 million** **\$12.9 million**) and **\$510.0 million** **\$345.0 million** of borrowings under its revolving facility.

In order to mitigate our exposure to rising interest rates, we have an interest rate cap which limits the Term SOFR rate to 1.0% on \$2.0 billion of principal outstanding under our term loan. The agreement applies to interest payments through September 30, 2024. As of **March 31, 2024** **June 30, 2024**, the Term SOFR rate was **5.33%** **5.34%**. As of **March 31, 2024** **June 30, 2024**, \$13.4 million of our term loan borrowings are subject to variable interest rates. Subsequent to the expiration of our interest rate cap on September 30, 2024, all of our outstanding term loan borrowings will be subject to variable interest rates.

As of **March 31, 2024**, Subsequent to the **July 26, 2024** debt financing transactions discussed in "Note 15. Subsequent Events" above, each 0.25% increase in market interest rates will impact the annual interest expense on our variable rate debt by **\$3.8 million** **\$4.2 million** per year, which includes the impact of the expiration of the interest rate cap on September 30, 2024, year.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered in this report. Based on this evaluation, as of **March 31, 2024** **June 30, 2024**, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures, including the accumulation and communication of disclosure to our principal executive officer and principal financial officer as appropriate to allow timely decisions regarding disclosure, are effective to provide reasonable assurance that material information required to be included in our periodic SEC reports is recorded, processed, summarized, and reported within the time periods specified in the relevant SEC rules and forms.

#### **Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(d) of the Securities Exchange Act of 1934 that occurred during the **first** **second** quarter ended **March 31, 2024** **June 30, 2024**, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Inherent Limitations on Effectiveness of Controls**

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

## PART II: OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Refer to the "Litigation" section contained within Note 14 – Commitments and Contingencies of the notes to our condensed consolidated financial statements included herein.

### ITEM 1A. RISK FACTORS

There have been no material changes from our risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2023.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### *Purchases of Equity Securities by the Issuer*

Holdings' Board of Directors authorized a common stock repurchase program to repurchase up to \$1.0 billion worth of shares of its common stock. The program will remain in effect until December 31, 2025, unless further extended or earlier terminated by the Board of Directors. Stock repurchases under this program may be made in the open market or through privately negotiated transactions, and at times and in such amounts as Holdings deems appropriate.

During the three months ended **March 31, 2024** **June 30, 2024**, Holdings did not repurchase shares under the authorized common stock repurchase program. The common stock repurchase program has an available capacity of \$399.7 million as of **March 31, 2024** **June 30, 2024**.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

#### *Rule 10b5-1 Trading Plans*

During the three months ended **March 31, 2024** **June 30, 2024**, none of our directors or executive officers adopted or terminated any contract, instruction, or written plan for the purchase or sale of our securities to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

### ITEM 6. EXHIBITS

Number	Description
10.1	<a href="#">Purchase Agreement, dated June 26, 2024, by and among Concentra Escrow Issuer Corporation and the initial purchasers named therein (incorporated by reference to Exhibit 1.1 of the Current Report on Form 8-K (file No. 001-34465) filed on June 26, 2024).</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Chief Executive Officer, and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

### SIGNATURES

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

SELECT MEDICAL HOLDINGS CORPORATION

By: /s/ Michael F. Malatesta  
Michael F. Malatesta  
Executive Vice President and Chief Financial Officer  
(Duly Authorized Officer)

By: /s/ Christopher S. Weigl  
Christopher S. Weigl  
Senior Vice President, Controller & Chief Accounting Officer  
(Principal Accounting Officer)

Dated: **May 2, 2024** August 1, 2024

**3645**

**EXHIBIT 31.1**

**SELECT MEDICAL HOLDINGS CORPORATION**  
**CERTIFICATIONS PURSUANT TO SECTION 302 OF**  
**THE SARBANES-OXLEY ACT OF 2002**  
**CERTIFICATION**

I, David S. Chernow, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Select Medical Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**EXHIBIT 31.2**

**SELECT MEDICAL HOLDINGS CORPORATION**  
**CERTIFICATIONS PURSUANT TO SECTION 302 OF**  
**THE SARBANES-OXLEY ACT OF 2002**  
**CERTIFICATION**

I, Michael F. Malatesta, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Select Medical Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Select Medical Holdings Corporation (the "Company") for the period ended **March 31, 2024** **June 30, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, David S. Chernow and Michael F. Malatesta, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

**May 2, August 1, 2024**

*/s/ David S. Chernow*

David S. Chernow

*Chief Executive Officer*

*/s/ Michael F. Malatesta*

Michael F. Malatesta

*Executive Vice President and Chief Financial Officer*

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