S&P Global
Market Intelligence

Enhabit, Inc. NYSE:EHAB

FQ2 2025 Earnings Call Transcripts

Thursday, August 7, 2025 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2025-			-FQ3 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.10	0.13	30.00	0.11	0.45	NA
Revenue (mm)	263.39	266.10	1.03	267.06	1062.68	NA

Currency: USD
Consensus as of Aug-07-2025 2:12 AM GMT

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- EPS NORMALIZED -			
	CONSENSUS	ACTUAL	SURPRISE
FQ3 2024	0.04	0.03	(25.00 %)
FQ4 2024	0.05	0.04	(20.00 %)
FQ1 2025	0.06	0.10	66.67 %
FQ2 2025	0.10	0.13	30.00 %

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Call Participants

EXECUTIVES

Barbara Ann Jacobsmeyer
President, CEO & Director

Bob Okunski

Ryan T. Solomon
Chief Financial Officer

ANALYSTS

Albert J. William Rice
UBS Investment Bank, Research Division

Jamie Aaron Perse
Goldman Sachs Group, Inc., Research Division

Meghan Holtz
Jefferies LLC, Research Division

Ryan M. Langston
TD Cowen, Research Division

Presentation

Operator

Hello. Good morning, everyone, and welcome to Enhabit Home Health & Hospice's Second Quarter 202 Earnings Conference Call. [Operator Instructions] Today's conference call is being recorded. If you have any objections, you may disconnect at this time.

I will now turn the call over to Bob Okunski, Enhabit's Vice President of Investor Relations. Mr. Okunski, please go ahead.

Bob Okunski

Thank you, operator, and good morning, everyone. Thank you for joining our call today. With me on the call this morning is Barb Jacobsmeyer, President and Chief Executive Officer; and Ryan Solomon, Chief Financial Officer.

Before we begin, if you do not already have a copy, our second quarter earnings release, supplemental information and related Form 8-K filed with the SEC are available on our website at investors.ehab.com. On Page 2 of the supplemental information, you will find the safe harbor statements, which are also set forth on the last page of the earnings release.

During the call, we will make forward-looking statements, which are subject to various risks and uncertainties, many of which are beyond our control. Certain risks and uncertainties that could cause actual results to differ materially from our projections, estimates and expectations are discussed in our SEC filings, including our annual report on Form 10-K, which is available on our website. We encourage you to read those documents.

We are also cautioned not to place undue reliance on the estimates, projections, guidance and other forward-looking information presented, which are based on current estimates of future events and speak only as of today. We do not undertake a duty to update these forward-looking statements. Our supplemental information and discussion on this call will include certain non-GAAP financial measures. For such measures, reconciliation to the most directly comparable GAAP measure is available at the end of the supplemental information and in our earnings release.

With that, I'd like to turn the call over to Barb. Barb?

Barbara Ann Jacobsmeyer
President, CEO & Director

Thanks, Bob. Good morning, and thanks for joining us. I'm excited to highlight how our teams continue to execute on 2025 strategies in the second quarter, but I'll start by addressing CMS' final rule for hospice and CMS' incredibly disappointing preliminary home health rule.

The final hospice rule improved the rate adjustment effective October 1, 2025, from the proposed rule of 2.4% to final rule at 2.6%. While we appreciate the slight increase, we continue to be disappointed that the rate update does not accurately reflect the increasing cost of care. This sentiment is intensified as we reflect on the home health proposed rule. At a time when inflation continues to rise and demand for home-based care grows, CMS has ignored data showing how these proposed cuts are destructive of the home health industry, which is the lowest cost care setting and critical to managing overall health care expenditures. The repeated cuts over the past few years have forced the industry to make tough decisions, including closing locations, which reduces patient access to care.

Enhabit has had to make these tough decisions, too, and the 2026 proposed cuts exacerbate the pressure on the industry. It goes without saying if CMS does not change its extreme position, something will have to give. Our size and scale, coupled with our recent investments in technology and operational improvements put us in a position to address the challenges of this moment. While we have used Medalogix to advise a just right care plan, we have allowed individual clinicians to override those recommendations. We will be implementing an advanced process whereby this override will occur only after review and approval by our trained virtual team of clinicians.

Mindful of our obligations to our shareholders, our staff and our patients, we are thoroughly evaluating these and other plausible levers to address the extreme headwind presented by the proposed cuts while striving to maintain access to the high-quality care that we have provided in years past. In addition to the visits per episode focus, more tough decisions could be made. We will continue to evaluate additional closures or consolidations of branches, service areas in each community, potential limitations of our future investments in technologies and our overall G&A expenses. Evaluating these and other potential levers is necessary to ensure we can maintain competitive wage rates to recruit and retain our skilled workforce within a highly competitive labor market. While we work on adapting our business practices in response to the ongoing cuts, we have also been working nonstop alongside with the National

Alliance for Care at Home, the leading home health trade association, to articulate to CMS and members of Congress a holistic argument against deep cuts to our industry, which provides the lowest cost care setting and save the system money by reducing the use of higher cost alternatives.

Although we will continue those efforts and although in recent years, the final rule has been less severe than the proposed rule, there are no guarantees or indications at this time where the final rule will ultimately land. Due to the severity of the proposed cuts, we are unable to just wait and see. The efficiencies that we have as a scaled company will position us better than others as we navigate these challenges.

Now let's move on to our quarter results. Our second quarter home health performance is the result of continued execution on our payer contract initiatives with a focus on a payer balance of admissions and census. Our second quarter admissions were up 1.3% year-over-year. Normalized for the closed branches, this growth is 2%. Fee-for-service Medicare census is stabilizing. With steady progress from our lower entry point to the new year, our census has grown 2.1% sequentially and now up 0.5% year-over-year. Our non-Medicare admissions were up 5.2% year-over-year, mainly within our payer innovation contracts. We had disruption at the end of the second quarter in both admissions and census from the impact of renegotiations with a national payer. However, we were successful in achieving a low double-digit increase in our per visit rate effective August 15, 2025. Our scale drives meaningful access to payer members and that access, coupled with our high-quality outcomes positions us well for continued progress within our payer strategy.

Moving on to our hospice segment. The impact of our investments and our strategies continue to drive outstanding results. We have now experienced 6 straight quarters of sequential census growth. Total admissions grew 8.7% year-over-year with same-store up 5.7%. Normalized for closed branches, admissions were up 10%. Census grew 12.3% with 10.7% same-store growth. The census growth continues to create leverage on the fixed costs we added in 2023, evident in the minimal cost per day increase year-over-year of 1%. To complement our organic growth strategy, our de novo strategy is positively impacting total growth. In quarter 2, we opened 1 home health and 2 hospice locations. Combined with the hospice in quarter 1, we are on track to open 10 locations this year, all in areas we believe have strong growth potential.

Turning now to our cost strategy update. 11 branches were closed or consolidated by the end of quarter 2, 2025. An additional home health and hospice branch will be consolidated by the end of quarter 3 as we continue to evaluate our cost structure. At the start of the call, I mentioned advanced visit per episode management as one of our levers to mitigate the impact of the 2026 proposed rate cut. This advanced visit per episode management will be initiated with a pilot in 11 branches next week, and I look forward to sharing details of the results in future calls as well as additional insight into the other potential levers.

And now I will turn it over to Ryan, who will cover the financial results of quarter 2.

Ryan T. Solomon
Chief Financial Officer

Thank you, Barb. Before recapping our strong performance in Q2, which demonstrates consistent execution on key aspects of our strategy, I wanted to build on Barb's comments on the CMS preliminary home health rule. The CMS proposed 2026 Medicare home health rule, including continued permanent behavioral adjustments as well as a first-time proposed temporary adjustment in 2026 meant to claw back perceived over reimbursement to the industry from prior years presents a clear and intensifying headwind for the entire industry.

The company has significant concerns with the methodology CMS has used to justify behavioral rate adjustments post implementing PDGM, which, in our view, leads to home health rates that are fundamentally inconsistent with the statutory mandate for budget neutrality under the Bipartisan Budget Act of 2018. The cumulative permanent and temporary rate cuts since PDGM implementation now total over 20% with the recent proposed rule, all at a time where cost of care for home health providers has rapidly increased. We believe the consequence of these flawed rate cuts continues to risk compromising access to home health care services for Medicare beneficiaries and pressuring provider sustainability, especially in rural and underserved areas.

While we do not agree with the CMS 2026 proposed rule, we believe Enhabit has the right team and right strategy in place while also being uniquely positioned to outperform many of our subscale competitors in this challenging environment. Our scalable operating model, proprietary clinical pathways, disciplined cost structure and improved leverage give us distinct advantages relative to others in this environment. As Barb touched on previously, we proactively invested in technology that will allow ongoing evaluation of our ability to balance quality while optimizing our visit utilization, staffing models and payer professional mix, all in a clinically appropriate manner that should provide meaningful potential offsets to the 2026 proposed Medicare home health rate cuts.

In addition to the unique scale advantages and balanced approach to optimization that Barb and I have touched on, growth will also continue to be a key lever as well. The combination of our continued outsized hospice growth and a maturing payer innovation strategy that has positioned us as a full-service provider to our referral partners will enable us to continue to stabilize Medicare fee-for-service volumes while also providing us with an increased opportunity to selectively gain share in core and adjacent markets as smaller or less capitalized providers likely struggle under reimbursement constraints. While we continue to explore all options to combat the CMS proposed rate cuts, we remain committed to driving high-quality, cost-effective care while protecting long-term shareholder value.

Now shifting to our strong Q2 2025 financial performance, where consistent execution on our strategy delivered revenue and adjusted EBITDA growth to prior year and sequentially while continuing to delever our balance sheet. Before reviewing consolidated and segment detailed performance, a few Q2 highlights that demonstrate clear execution on our strategy include the following. Consolidated net service revenue in the quarter reflects growth to prior year, marking the first quarter of year-over-year consolidated revenue growth post spin and the third consecutive quarter of sequential growth. Home health momentum delivered the second straight quarter of sequential segment growth in revenue and adjusted EBITDA while continuing to stabilize Medicare ADC.

Hospice momentum continues to be very strong, delivering year-over-year segment adjusted EBITDA growth of 54% on both double-digit volume growth and margin expansion to the prior year. We continue to focus on delevering our balance sheet with the fifth straight quarter of debt prepayments dating back to Q2 2024, totaling $45 million of prepayments through Q2 of 2025. In addition to the prepayments made through Q2, we made an additional $5 million prepayment in late July that increases the total prepayments to $50 million through Q3 of 2025. The combination of these prepayments, standard amortization and improved pricing as we have exited the covenant relief restrictions under our agreement have reduced our cash interest expense by $10 million annually.

Now shifting to Q2 consolidated result details. Consolidated net revenue was $266.1 million, an increase sequentially of $6.2 million or 2.4%, with growth to the prior year of $5.5 million or 2.1%. Consolidated sequential revenue growth was driven by both growth in home health and hospice segments as we were able to grow ADC sequentially in both businesses. Consolidated revenue growth in the quarter translated to improved profitability both to the prior year and sequentially, with consolidated adjusted EBITDA of $26.9 million in the quarter, an increase sequentially of $0.3 million or 0.7%, while growing to the prior year by $1.7 million or 6.7%, with overall adjusted EBITDA margin as a percentage of revenue expanding to 10.1%, an increase of 40 basis points to the prior year.

Now shifting to home health performance. Revenue was $205.9 million, reflecting sequential growth of $5.3 million or 2.6%, while lower than prior year by $4.3 million or 2.0%. Volumes were up both versus prior year and sequentially by 0.5% and 2.1%, respectively. The growth in ADC to prior year allowed us to hold unit costs measured in cost per patient day flat to prior year as we were able to use volume to improve clinical staff productivity, helping to offset cost of merit and inflation. Home health adjusted EBITDA totaled $39.3 million in Q2, reflecting a sequential increase of $1.0 million or 2.6%. The sequential adjusted EBITDA improvement reflects $3.1 million related to volume, offset by $1.5 million in yield and $0.6 million of increased expense in sales and ops back office G&A costs to support growth.

Q2 home health adjusted EBITDA margin as a percent of revenue was 19.1%, flat sequentially and lower 190 basis points to the prior year on lower unit revenues primarily related to continued unfavorable mix shift. Two key items to highlight in home health outside of broader revenue and adjusted EBITDA performance include the following. Our continued success in slowing the rate of decline in our Medicare patient volumes, a key 2025 priority to maintain a healthy payer mix is reflected in our Q2 Medicare ADC being lower by 3.4% in the quarter versus prior year compared to a 14.1% year-over-year decline in the corresponding 2024 period. In regards to continued optimization, in Q2, we saw improvement in visits per episode, both sequentially and versus prior year, coming in at 13.7.

As discussed earlier, we see visits per episode as a key lever to continue to optimize while balancing quality to meaningfully offset rate reimbursement headwinds from CMS 2026 proposed home health rule. Now shifting to our hospice segment performance for Q2. This segment continues to perform at a really high level with revenue totaling $60.2 million, reflecting sequential growth of $0.9 million or 1.5% and strong growth to prior year of $9.8 million or 19.4%. Revenue growth was supported by continued strong momentum on volumes in the quarter with improvements of 3.7% sequentially and 12.3% year-over-year with ADC for the quarter totaling 3,950.

Hospice adjusted EBITDA totaled $14.0 million in Q2, reflecting an increase to the prior year of $4.9 million or 53.8% on a double-digit volume increase, combined with margin expansion as adjusted EBITDA margin as a percent of revenue improved 520 basis points to prior year and totaling 23.3% as our operational leaders continue to create operating leverage on the increased volumes. A few key items to highlight in hospice outside of broader revenue and adjusted EBITDA performance include the following. We saw exceptionally strong performance across all of our operating regions with all hospice regions delivering double-digit year-over-year revenue growth, demonstrating our operating model is fully deployed with strong leaders in place that gives us confidence that our current momentum should be sustainable.

In addition to ADC growth, we were able to lower discharged average length of stay year-over-year, which continues to lower overall cap liability risk. Shifting briefly to our home office, general and administrative expenses, which for the quarter totaled $26.4 million or 9.9% of revenues in Q2 compared to 10.8% in the prior year, delivering an improvement of $1.7 million or 6% year-over-year. This improvement reflects targeted cost savings initiatives, somewhat offset by merit and other inflationary increases year-over-year. Transitioning now to the balance sheet and cash flow. A key strategic priority in 2025 is using free cash flow to continue to deleverage our balance sheet.

Adjusted free cash flow year-to-date totals $27.8 million, a 51.9% free cash flow conversion rate. During the quarter, we reduced overall bank debt by $10.5 million, including amortization and prepayments. We ended the quarter with approximately $37 million in cash and available liquidity improving sequentially to $113.5 million. Improved profitability, coupled with continued balance sheet improvements, results in a net debt to adjusted EBITDA leverage ratio of 4.3x compared to Q2 of the prior year of 5.1x. We remain committed to strengthening our balance sheet and improving profitability.

Let's conclude with briefly discussing updated guidance. Based on our consolidated first half 2025 results and the momentum in the business, we remain confident in our strategy and full year outlook. We have updated our full year guidance as follows. We now expect full year revenue to be in a range of $1.060 billion and $1.073 billion, with full year adjusted EBITDA to be in a range of $104 million to $108 million. We also now expect full year adjusted free cash flow to be in a range of $47 million to $57 million.

Thank you for your time today. I'll hand it back over to Barb for a few closing comments before we open up for questions.

Barbara Ann Jacobsmeyer
President, CEO & Director

Before opening the call for Q&A, let me touch briefly on the news last evening that I intend to step down from my role as President and CEO and as a member of the Board in July 2026 or upon the appointment of a successor. I will be working with the Board on a smooth transition. The timing is optimal for a new CEO. I am proud of the accomplishments achieved over the past 4 years.

Our team has collectively focused on stabilizing the company and creating a stronger foundation for the future. We have reached that point, and now it is the right time for a new leader to elevate Enhabit to the next level. My successor will join Enhabit alongside an experienced Board and a strong leadership team. And I have no doubt that with our sound operational foundation and the trajectory to achieve Enhabit's long-range potential, the future is incredibly bright. I will continue to dedicate my time and energy to support the team through the transition.
Please remember that the purpose of this call is to discuss the operational performance of the quarter. Operator, we can now open the lines for questions.

Question and Answer

Operator

[Operator Instructions]

Your first question comes from the line of Brian Tanquilut with Jefferies.

Meghan Holtz
Jefferies LLC, Research Division

This is Meghan Holtz on for Brian Tanquilut. Congrats on the quarter and Barb, best wishes going forward. It's been great working with you. So we appreciate the commentary on the proposed home nursing rule, but can you guys talk about how you're thinking about mitigating the negative impact of it and whether you believe there are operational levers you can pull on that can fully offset if the negative 6.4% is put into place?

Ryan T. Solomon
Chief Financial Officer

Yes. I appreciate the question. As we touched on, we do see various levers that are in play here. First, as we think about the advanced [BPE] initiative, that's an area that will be a primary lever. We will be piloting several of these concepts in the coming weeks, and we'll need to see our ability to operationalize the value we have estimated without materially impacting quality before we could comment definitively. Assuming we can execute without impacting quality, we believe that the totality of the various levers potentially can meaningfully offset the impact once fully ramped.

Meghan Holtz
Jefferies LLC, Research Division

And then can you guys give us some color on the recent payer disruption that you mentioned in the slide deck and how that new national payer contract coming in might impact volumes and rates going forward?

Barbara Ann Jacobsmeyer
President, CEO & Director

Sure. Well, I guess, the first, this was a renegotiation of a national payer. And so we were successful in getting a low double-digit increase in that per visit rate. That negotiation started several months ago, kind of came to a head in mid-June when the payers sent notices to our patients that we wouldn't be a contracted provider by July 15.

Unfortunately, that does cause disruption. Our census from that payer dropped about 600 or 59% of its quarter 2 peak census between mid-June and mid-July. That payer on average is about a little over 3% of our census. The good news is within 2 weeks of notifying our teams that we reached an agreement, and that happened on July 11, we're now back to 76% of that peak census and admissions are now above our weekly average, about 113% of our weekly average. So we feel confident we're going to not only regain that census, but grow from there, especially now that this is a payer that we will actively go after for referrals.

Operator

Your next question comes from the line of A.J. Rice with UBS.

Albert J. William Rice
UBS Investment Bank, Research Division

Just a clarification to that last question. On the proposed rate update, I think there was some question about the reset. If they take it down to 6.4%, is it just the baseline from there would get the full recoupment? Or would there need to be follow-on cuts in subsequent years to get the full recapture that they're looking for? Have you gotten any clarity on that?

Ryan T. Solomon
Chief Financial Officer

Yes, A.J., it's a good question. I think that the way we're viewing it is that effectively, the proposed rule would be updated each year. But effectively, this would be a bit of a clearing event in the context of we see the in-year impact of the temporary proposed rule

should that go final. And then ultimately, they've outlined some framework as to how they would implement that roughly over a 7-year period. But effectively, it would be that similar impact, assuming that framework were to play forward on a go-forward basis.

So how we're thinking about it is we're focused on mitigating the impact of the proposed rule. And then as you clear that hurdle going forward, it's really a market adjustment going forward on any sort of proposed rule on a prospective basis. I don't know if that answers your question, A.J.

Albert J. William Rice
UBS Investment Bank, Research Division

Yes. No, that's good. That's what I was looking for. On the -- there's a lot of different things going on with the home health metrics. It seems like the fee-for-service business is still under pressure, if I've got that right. And I just wonder, is that are you prioritizing some of these new contracts you're getting? Is it just the underlying volume of cases and were prioritizing and therefore, you don't have as much capacity for that? Or is it market share changes? Or is just the demand down just because there's less people on the fee-for-service side? I'm trying to understand where we're at on that aspect of volumes.

Barbara Ann Jacobsmeyer
President, CEO & Director

Sure. I would say, it's a combination. Certainly, in some of our markets, we have markets that are now over 75% MA penetration. So in some markets, it really is about that addressable fee-for-service market. In other markets, it is about going out and redeveloping those what we call books of business to make sure we're focused on referral sources that do have that blend. It is certainly not about us prioritizing any of the other payers that we have added. Those payers are really for us to be seen as a full service provider so that we can earn that healthy payer mix.

Ryan T. Solomon
Chief Financial Officer

Quick to add on to that. I mean, we are outperforming how we thought about the strategy at the beginning of the year. As we talked about early on was we wanted to cut that rate of decline in half. We've actually, I think, vested that. Now as Barb touched on, it's not any sort of prioritization. I do think that when we think about our premium relative to some of the market, if you look at some of our larger publicly traded peers, we do have a share premium advantage, and that's actually growing if you look at Medicare home health revenues as a percentage of total. So while there is some gravity within the market, we feel like we're executing the strategy and actually a little bit ahead of schedule in the context of how we thought about our performance and decline year-over-year.

Operator

Your next question comes from the line of Ryan Langston with TD Cowen.

Ryan M. Langston
TD Cowen, Research Division

On hospice ADC growth, I think you previously cited monthly progression since January 2024, and now you're citing it sort of on a quarterly basis. Can you tell us if ADC grew sort of each month through the second quarter?

Barbara Ann Jacobsmeyer
President, CEO & Director

So Ryan, great question. Actually, for quarter 2, we did continue to have monthly sequential progress. We just decided that counting months now seemed like a lot. And frankly, the other thing that we didn't want to do is have any sort of positively quarterly progress in the future be missed if, let's say, you went down 1 or 2 ADC in a certain month. But for quarter 2, we did continue to have that monthly sequential progress.

Ryan M. Langston
TD Cowen, Research Division

Great. And then last thing, just good to see the deleveraging inflection on the revenue growth as well. I guess can you remind us what your longer-term targets are and maybe kind of where you need to get to before you could pivot to M&A or making sort of heavier investments on the de novo side?

Ryan T. Solomon
Chief Financial Officer

Yes. So as we think about deleveraging, I think our view is we want to continue to focus on delevering the balance sheet. We haven't given specific leverage targets, but I think how we've consistently performed over the last 5 quarters would be the prospective view. So I think it's safe to assume that we would continue to take that approach going forward. We haven't given a specific leverage target, but we do think that there's -- that's going to remain a priority before we pivot into any sort of M&A or other activity.

Operator

Your next question comes from the line of Jamie Perse with Goldman Sachs.

Jamie Aaron Perse
Goldman Sachs Group, Inc., Research Division

I wanted to start with the payer contract you were able to renegotiate in the quarter. You mentioned that, that rate went up low double-digit percentage beginning August 15. I'm sure you're sensitive to the particulars here, but any color you can give us in terms of how that contract previously compared to your other contracts? Just trying to get a sense of whether there's opportunity with other contracts as they come up for renewal to see similar type of rate increases? And any dates we should have in mind for when some of your larger contracts renew?

Barbara Ann Jacobsmeyer
President, CEO & Director

Sure. Well, what I would say, I guess, gives you a little bit of color is this contract previously was not considered a payer innovation contract. It will now move into that payer innovation contract level. Again, that's why I mentioned that we will actively be pursuing those referrals. And so that was certainly one that we had added before we really started the work around payer innovation. And so a lot of those contracts are 3-year contracts. So when you think of that work starting back in 2023, there'll be more work that will be coming up next year. Now some of that work, we start about a year in advance because it does take a while to get those negotiations across the finish line.

Jamie Aaron Perse
Goldman Sachs Group, Inc., Research Division

Okay. Great. And then just on the fee-for-service Medicare volume pressure, it looks like that has begun to moderate. How much of that is just -- you guys have talked a lot in the past about just getting down to normal mix level between fee-for-service and non-Medicare. How much is that phenomenon impacting it versus initiatives you're deploying internally? And to the extent some of these initiatives prioritization, you've talked about color coding different types of payers, green, yellow, red sort of concept, those initiatives kind of impacting that? And then just how should we think about that progressing in the back half and into next year?

Barbara Ann Jacobsmeyer
President, CEO & Director

Sure. I would say that the conversion rate on those continues to be very strong. It is kind of like I mentioned with A.J., it's a little bit of a mix because obviously, you have some markets that are just way more pressured just because of the MA conversion in those markets. So it's a combination, I would say, of kind of settling into more normal. But also we have some markets that are doing really well in some of the strategies and really developing out those books of business around moving a little bit away from maybe some of the settings that have significant amount of MA to more of the referral sources where we know we can have that balanced blend of payers.

Jamie Aaron Perse
Goldman Sachs Group, Inc., Research Division

Okay. And if I could sneak in one more. Can you just spend another minute on the pilot programs and what you'll be looking for there? You talked about operationalizing that and scaling that. Just a little more color on what you'll be rolling out and again, what you'll be looking for there in terms of gauging success.

Barbara Ann Jacobsmeyer
President, CEO & Director

Sure. Well, we have the resources on the virtual clinicians to initiate the pilot with the 11 branches that we're going to start with. We're certainly going to know more after that pilot if we need to add any future resources, but we believe that cost will be very minimal compared to the potential positive impact. We obviously know that we're still well above our large peers in the visits per episode. As

we've stated before, we're very careful not to impact quality. That being said, to mitigate these kind of severe proposed cuts, we know we have to be more aggressive in the approach. Kind of let Ryan maybe talk on kind of the value of that, if you will.

Ryan T. Solomon
Chief Financial Officer

Yes. And we estimate for every 0.5 VPE reduction, value could be in the approximately $5 million to $8 million with flex in the range mainly due to the percentage of the additional capacity that we can effectively reallocate and the mix of incremental patient load. So where that unit revenue comes in as we carry additional patient load or volume is obviously quite material to that assumption. Obviously, there's -- we're still very early. So we'll provide some early observations from the pilot as we update on future earnings calls. But we do view it as a meaningful lever. It's 2 phased.

First, we need to free up the capacity. And then ultimately, we need to make sure that, that capacity is directed to additional patient or case load on overall volumes. And so that's where we're really focused, as Barb touched on with some of the pilots and fine-tuning the potential value there.

Operator
And ladies and gentlemen, that does conclude our question-and-answer session, and that does conclude today's conference call. Thank you for your participation, and you may now disconnect.