

LHC GROUP, INC.	<i>Related Party Transactions</i>
EFFECTIVE DATE: AUGUST 14, 2014	DIVISION: LHC ADMINISTRATIVE
REVISED DATE: AUGUST 14, 2014	CHAPTER: LEGAL
APPROVED BY: AUDIT COMMITTEE	POLICY NUMBER: 8.1.004
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The Board of Directors (the “Board”) of LHC Group, Inc. (the “Company”) recognizes that certain transactions present a heightened risk of conflicts of interest or the perception thereof. The Board has determined that the Audit Committee of the Board (the “Committee”) is best suited to review and approve all Related Party Transactions (as defined in this policy). Accordingly, the Committee has adopted this policy relating to the approval or ratification of Related Party Transactions.

1. PURPOSE.

This policy is intended to provide guidance and direction with respect to review and approval or ratification of Related Party Transactions. While the Board expects that Related Party Transactions will occur, officers, directors and employees must abide by the applicable provisions of the Company’s Code of Conduct and Ethics, which provides that all directors, officers and employees are expected to regulate their activities so as to avoid conflicts of interest. Related Party Transactions are appropriate only if they are in the best interest of the Company and its stockholders.

Certain Related Party Transactions are required to be disclosed pursuant to Item 404 of Regulation S-K in the Company’s filings with the Securities and Exchange Commission (“SEC”). In addition, the Company may desire to seek approval of the full Board under Section 144 of the Delaware General Corporation Law for certain transactions between the Company and its directors and officers. Finally, the SEC rules and NASDAQ listing rules require the Board to assess whether relationships or transactions exist that may be relevant to the determination of the independence of the Company’s directors.

2. DEFINITIONS.

For purposes of this policy, a “Related Party” is:

1. any person who is, or at any time since the beginning of the Company’s last fiscal year was, a director or “named executive officer”/Section 16 officer of the Company;
2. any person who is known to be the beneficial owner of more than five percent of the Company’s common stock;
3. any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of such person and any person (other than a tenant or employee) sharing the household of such person; and
4. any entity in which any of the foregoing persons is employed, is a partner or principal or in a similar position, or has a substantial ownership interest.

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For purposes of this policy, a “Related Party Transaction” is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company was, is or will be a participant and in which any Related Party had, has or will have a direct or indirect interest (including any transactions that may require disclosure under Item 404 of Regulation S-K), other than:

1. transactions on terms comparable to those provided to all employees generally;
2. transactions involving equal to or less than \$120,000 in any calendar year when aggregated with all similar transactions;
3. employment by the Company of a “named executive officer”/Section 16 officer if:
 - a. the related compensation is required to be reported in the Company’s proxy statement or annual report on Form 10-K pursuant to Item 402 of Regulation S-K (generally applicable to “named executive officers”); or
 - b. (i) the officer is not an immediate family member of another “named executive officer”/Section 16 officer or director of the Company, (ii) the related compensation would have been reported in the Company’s proxy statement or annual report on Form 10-K pursuant to Item 402 of Regulation S-K, and (iii) the Company’s Compensation Committee approved (or recommended that the Board approve) such compensation;
4. compensation paid to a director if the compensation is required to be reported in the Company’s proxy statement or annual report on Form 10-K pursuant to Item 402 of Regulation S-K; or
5. any transaction where the Related Party’s interest arises solely from the ownership of the Company’s common stock and all holders of the Company’s common stock received the same benefit on a pro rata basis (e.g., dividends).

3. REVIEW AND APPROVAL OR RATIFICATION OF RELATED PARTY TRANSACTIONS.

Prior to entering into a transaction with a Related Party, notice must be given to the General Counsel of the Company containing (i) the Related Party’s relationship to the Company and the Related Party’s interest in the transaction (including, if applicable, the Related Party’s position(s) or relationship(s) with, or ownership in, any entity that is party to, or has an interest in, the transaction), (ii) the material facts of the transaction (including the approximate dollar value of the Related Party’s interest in the transaction), (iii) any benefit to the Company from the transaction, (iv) the availability of any other sources of comparable products or services, and (v) an assessment of whether the transaction is on terms comparable to those available to an unrelated third party. If the Company’s General Counsel determines that it is a Related Party Transaction, the proposed transaction must be submitted to the Committee and, if applicable, to the full Board for approval. All Related Party Transactions must be negotiated on behalf of the Company by a disinterested “named executive officer”/Section 16 officer in coordination with either the Company’s General Counsel or outside independent counsel.

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At each of its meetings, the Committee will be provided with the details of each existing or proposed Related Party Transaction that it has not previously approved or disapproved. In determining whether to approve or ratify the Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

1. whether the terms of the Related Party Transaction are fair to the Company and on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party and is in the best interests of the Company and its stockholders;
2. whether there are demonstrable business reasons for the Company to enter into the Related Party Transaction;
3. whether the Related Party Transaction would impair the independence of a director;
and
4. whether the Related Party Transaction would present an improper conflict of interest for any director, officer or employee of the Company.

In the event that the Company becomes aware of a potential Related Party Transaction that was not approved under this policy prior to consummation, such transaction shall be reviewed in accordance with this policy as promptly as reasonably practicable. The Committee shall evaluate all options available to the Company including ratification, amendment or termination of the transaction and take such action as it deems appropriate under the circumstances.

No director shall participate in any discussion or approval of a Related Party Transaction in which he or she is considered a Related Party, except that the director shall provide all material information concerning the Related Party Transaction to the Committee.

If a Related Party Transaction will be ongoing, the Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Party to see that they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.

4. ANNUAL DIRECTOR AND OFFICER QUESTIONNAIRES

Annually, the Company's directors and Section 16 officers shall be required to complete Directors' and Officers' Questionnaires identifying any transactions with the Company in which the officer or director (or any of their immediate family members) may have an interest. Any such transactions shall be reviewed by the Company's General Counsel, in consultation with the Company's Chief Financial Officer, and shall be brought to the attention of the Committee as appropriate.

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5. CORPORATE OPPORTUNITY

The Board recognizes that situations exist where a significant opportunity may be presented to management or a member of the Board that may equally be available to the Company, either directly or via referral. Before such opportunity may be consummated by a Related Party (other than an otherwise unaffiliated 5% stockholder), such opportunity shall be presented to the Board for consideration.

6. DISCLOSURE

All Related Party Transactions that are required to be disclosed in the Company's applicable public filings shall be disclosed in accordance with the applicable SEC and NASDAQ laws, rules and regulations. All such disclosure shall be reviewed with counsel to confirm compliance with the applicable laws, rules and regulations.