

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

FORM 10-Q

XQUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2025

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 number 001-13489



(Exact name of registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

52-2057472
(I.R.S. Employer
Identification No.)

100 E. Vine Street
Murfreesboro, TN
37130

(Address of principal executive offices)
(Zip Code)

(615) 890-2020
Registrant's telephone number, including area code

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

Title of each class	Trading Symbols(s)	Name of each exchange on which registered
Common, \$0.01 par value	NHC	NYSE American

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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such period that the registrant was required to submit such files). Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large Accelerated filer X

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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 is defined in Rule 12b-2 of the Exchange Act). Yes No X

15,500,911 shares of common stock of the registrant were outstanding as of August 4, 2025.

Table of Contents

PART I. FINANCIAL INFORMATION

	<u>Page</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>27</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>38</u>
Item 4. Controls and Procedures	<u>39</u>

PART II. OTHER INFORMATION

Item 1. Legal Proceedings	<u>39</u>
Item 1A Risk Factors	<u>39</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>39</u>
Item 3. Defaults Upon Senior Securities	<u>39</u>
Item 4. Mine Safety Disclosures	<u>39</u>
Item 5. Other Information	<u>39</u>
Item 6. Exhibits	<u>40</u>

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

NATIONAL HEALTHCARE CORPORATION
Interim Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Revenues:				
Net patient revenues	\$ 363,349	\$ 279,918	\$ 724,956	\$ 565,741
Other revenues	11,561	11,295	23,651	22,648
Government stimulus income	-	9,445	-	9,445
Net operating revenues and grant income	<u>374,910</u>	<u>300,658</u>	<u>748,607</u>	<u>597,834</u>
Cost and expenses:				
Salaries, wages, and benefits	226,534	180,076	454,664	363,214
Other operating	91,943	78,154	184,400	155,583
Facility rent	11,328	10,570	22,693	20,918
Depreciation and amortization	11,015	9,338	21,993	19,924
Total costs and expenses	<u>340,820</u>	<u>278,138</u>	<u>683,750</u>	<u>559,639</u>
Income from operations	34,090	22,520	64,857	38,195
Other income (expense):				
Non-operating income	5,132	4,956	9,211	10,641
Interest expense	(1,993)	-	(4,099)	(46)
Unrealized gains/(losses) on marketable equity securities	<u>(5,061)</u>	<u>9,124</u>	<u>5,921</u>	<u>23,523</u>
Income before income taxes	32,168	36,600	75,890	72,313
Income tax provision	(8,055)	(9,494)	(19,487)	(18,956)
Net income	<u>24,113</u>	<u>27,106</u>	<u>56,403</u>	<u>53,357</u>
Net income attributable to noncontrolling interest	<u>(391)</u>	<u>(262)</u>	<u>(476)</u>	<u>(300)</u>
Net income attributable to National HealthCare Corporation	<u>\$ 23,722</u>	<u>\$ 26,844</u>	<u>\$ 55,927</u>	<u>\$ 53,057</u>
Earnings per share attributable to National HealthCare Corporation stockholders:				
Basic	\$ 1.53	\$ 1.74	\$ 3.62	\$ 3.45
Diluted	\$ 1.52	\$ 1.73	\$ 3.59	\$ 3.42
Weighted average common shares outstanding:				
Basic	15,462,135	15,391,535	15,450,286	15,371,150
Diluted	15,599,638	15,555,612	15,587,783	15,530,624
Dividends declared per common share	\$ 0.64	\$ 0.61	\$ 1.25	\$ 1.20

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

NATIONAL HEALTHCARE CORPORATION
Interim Condensed Consolidated Statements of Comprehensive Income
(unaudited – in thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Net income	\$ 24,113	\$ 27,106	\$ 56,403	\$ 53,357
Other comprehensive income:				
Unrealized gains/(losses) on investments in marketable debt securities	1,081	30	2,675	(442)
Reclassification adjustment for realized losses on sales of marketable debt securities	652	1,398	652	1,388
Income tax expense related to items of other comprehensive income	(291)	(296)	(495)	(251)
Other comprehensive income, net of tax	1,442	1,132	2,832	695
Net income attributable to noncontrolling interest	(391)	(262)	(476)	(300)
Comprehensive income attributable to National HealthCare Corporation	<u>\$ 25,164</u>	<u>\$ 27,976</u>	<u>\$ 58,759</u>	<u>\$ 53,752</u>

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

NATIONAL HEALTHCARE CORPORATION
Interim Condensed Consolidated Balance Sheets
(in thousands)

	June 30, 2025	December 31, 2024
	<i>unaudited</i>	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 110,992	\$ 76,121
Restricted cash and cash equivalents, current portion	18,155	19,568
Marketable equity securities	146,636	140,064
Restricted marketable equity securities	16,269	23,190
Restricted marketable debt securities, current portion	13,854	11,529
Accounts receivable	142,061	135,325
Inventories	7,892	9,039
Prepaid expenses and other assets	7,368	9,572
Total current assets	<u>463,227</u>	<u>424,408</u>
Property and Equipment:		
Property and equipment, at cost	1,295,976	1,281,736
Accumulated depreciation and amortization	(619,357)	(597,447)
Net property and equipment	<u>676,619</u>	<u>684,289</u>
Other Assets:		
Restricted cash and cash equivalents, less current portion	1,215	1,233
Restricted marketable debt securities, less current portion	119,847	108,275
Deposits and other assets	10,599	8,837
Operating lease right-of-use assets	63,663	79,167
Goodwill	170,478	170,478
Intangible assets	19,864	19,864
Investments in unconsolidated companies	36,708	27,878
Total other assets	<u>422,374</u>	<u>415,732</u>
Total assets	<u>\$ 1,562,220</u>	<u>\$ 1,524,429</u>

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

NATIONAL HEALTHCARE CORPORATION
Interim Condensed Consolidated Balance Sheets (continued)
(in thousands, except share and per share amounts)

	June 30, 2025	December 31, 2024
	<i>unaudited</i>	
Liabilities and Stockholders' Equity		
Current Liabilities:		
Trade accounts payable	\$ 21,279	\$ 25,493
Operating lease liabilities, current portion	32,729	31,841
Accrued payroll	111,644	92,719
Amounts due to third party payors	15,160	15,351
Accrued risk reserves, current portion	32,008	31,096
Other current liabilities	38,506	21,377
Dividends payable	9,919	9,420
Long-term debt, current portion	7,500	7,500
Total current liabilities	268,745	234,797
Long-term debt	102,500	129,500
Operating lease liabilities, less current portion	29,884	45,925
Accrued risk reserves, less current portion	76,974	72,520
Refundable entrance fees	6,107	6,063
Deferred income taxes	34,639	35,550
Other noncurrent liabilities	17,988	16,911
Total liabilities	536,837	541,266
Equity:		
Common stock, \$.01 par value; 45,000,000 shares authorized; 15,499,173 and 15,450,003 shares, respectively, issued and outstanding	154	154
Capital in excess of par value	234,868	232,530
Retained earnings	788,767	752,193
Accumulated other comprehensive loss	(1,884)	(4,716)
Total National HealthCare Corporation stockholders' equity	1,021,905	980,161
Noncontrolling interest	3,478	3,002
Total equity	1,025,383	983,163
Total liabilities and equity	\$ 1,562,220	\$ 1,524,429

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

NATIONAL HEALTHCARE CORPORATION
Interim Condensed Consolidated Statements of Cash Flows
(unaudited – in thousands)

	Six Months Ended June 30	
	2025	2024
Cash Flows From Operating Activities:		
Net income	\$ 56,403	\$ 53,357
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,993	19,924
Equity in earnings of unconsolidated investments	(616)	(651)
Distributions from unconsolidated investments	616	512
Unrealized gains on marketable equity securities	(5,921)	(23,523)
Realized gains on sale of marketable securities	(480)	(350)
Gain on sale of unconsolidated company	-	(1,024)
Gain on sale of property and equipment	(3,606)	-
Deferred income taxes	(1,406)	6,041
Stock-based compensation	2,260	1,969
Changes in operating assets and liabilities:		
Accounts receivable	(6,736)	(842)
Inventories	1,147	754
Prepaid expenses and other assets	(23)	4,489
Operating lease obligations	351	120
Trade accounts payable	(4,214)	2,588
Accrued payroll	18,925	(1,873)
Amounts due to third party payors	(191)	(151)
Accrued risk reserves	5,366	5,995
Other current liabilities	17,129	1,300
Other noncurrent liabilities	1,077	(8,328)
Net cash provided by operating activities	102,074	60,307
Cash Flows From Investing Activities:		
Purchases of property and equipment	(16,341)	(13,788)
Proceeds from the sale of unconsolidated company	-	2,100
Collections of (investments in) notes receivable	465	(210)
Investments in unconsolidated companies	(3,205)	(4,856)
Purchases of marketable securities	(47,276)	(18,898)
Proceeds from sale of marketable securities	43,455	34,662
Net cash used in investing activities	(22,902)	(990)
Cash Flows From Financing Activities:		
Repayments under credit facility	(27,000)	-
Principal payments under finance lease obligations	-	(860)
Dividends paid to common stockholders	(18,854)	(18,137)
Issuance of common shares	6,462	11,239
Repurchase of common shares	(6,384)	(11,402)
Entrance fee deposits (refunds)	44	(520)
Net cash used in financing activities	(45,732)	(19,680)
Net Increase in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	33,440	39,637
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, Beginning of Period	96,922	125,968
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, End of Period	\$ 130,362	\$ 165,605
Balance Sheet Classifications:		
Cash and cash equivalents	\$ 110,992	\$ 136,214
Restricted cash and cash equivalents	19,370	29,391
Total Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	\$ 130,362	\$ 165,605

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

NATIONAL HEALTHCARE CORPORATION
Interim Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share and per share amounts)
(unaudited)

For the six months ended June 30, 2025:

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at January 1, 2025	15,450,003	\$ 154	\$ 232,530	\$ 752,193	\$ (4,716)	\$ 3,002	\$ 983,163
Net income	–	–	–	32,205	–	85	32,290
Other comprehensive income	–	–	–	–	1,390	–	1,390
Stock-based compensation	–	–	1,027	–	–	–	1,027
Shares sold – options exercised	32,262	–	1,278	–	–	–	1,278
Repurchase of common shares	(17,409)	–	(1,722)	–	–	–	(1,722)
Dividends declared to common stockholders (\$0.61 per share)	–	–	–	(9,444)	–	–	(9,444)
Balance at March 31, 2025	<u>15,464,856</u>	<u>\$ 154</u>	<u>\$ 233,113</u>	<u>\$ 774,954</u>	<u>\$ (3,326)</u>	<u>\$ 3,087</u>	<u>\$ 1,007,982</u>
Net income	–	–	–	23,722	–	391	24,113
Other comprehensive income	–	–	–	–	1,442	–	1,442
Stock-based compensation	–	–	1,233	–	–	–	1,233
Shares sold – options exercised	77,689	–	5,184	–	–	–	5,184
Repurchase of common shares	(43,372)	–	(4,662)	–	–	–	(4,662)
Dividends declared to common stockholders (\$0.64 per share)	–	–	–	(9,909)	–	–	(9,909)
Balance at June 30, 2025	<u>15,499,173</u>	<u>\$ 154</u>	<u>\$ 234,868</u>	<u>\$ 788,767</u>	<u>\$ (1,884)</u>	<u>\$ 3,478</u>	<u>\$ 1,025,383</u>

For the six months ended June 30, 2024:

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Non- controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at January 1, 2024	15,350,661	\$ 153	\$ 227,604	\$ 687,599	\$ (6,604)	\$ 1,728	\$ 910,480
Net income	–	–	–	26,213	–	38	26,251
Other comprehensive loss	–	–	–	–	(437)	–	(437)
Stock-based compensation	–	–	793	–	–	–	793
Shares sold – options exercised	150,194	1	8,412	–	–	–	8,413
Repurchase of common shares	(101,131)	–	(9,900)	–	–	–	(9,900)
Dividends declared to common stockholders (\$0.59 per share)	–	–	–	(9,086)	–	–	(9,086)
Balance at March 31, 2024	<u>15,399,724</u>	<u>\$ 154</u>	<u>\$ 226,909</u>	<u>\$ 704,726</u>	<u>\$ (7,041)</u>	<u>\$ 1,766</u>	<u>\$ 926,514</u>
Net income	–	–	–	26,844	–	262	27,106
Other comprehensive income	–	–	–	–	1,132	–	1,132
Stock-based compensation	–	–	1,176	–	–	–	1,176
Shares sold – options exercised	38,849	–	2,827	–	–	–	2,827
Repurchase of common shares	(15,636)	–	(1,502)	–	–	–	(1,502)
Dividends declared to common stockholders (\$0.61 per share)	–	–	–	(9,408)	–	–	(9,408)
Balance at June 30, 2024	<u>15,422,937</u>	<u>\$ 154</u>	<u>\$ 229,410</u>	<u>\$ 722,162</u>	<u>\$ (5,909)</u>	<u>\$ 2,028</u>	<u>\$ 947,845</u>

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

NATIONAL HEALTHCARE CORPORATION
Notes to Interim Condensed Consolidated Financial Statements
June 30, 2025
(unaudited)

Note 1 – Description of Business

National HealthCare Corporation ("NHC" or the "Company") is a leading provider of senior health care services. As of June 30, 2025, we operate or manage, through certain affiliates, 80 skilled nursing facilities with a total of 10,329 licensed beds, 26 assisted living facilities with 1,413 units, nine independent living facilities, three behavioral health hospitals, 34 homecare agencies, and 33 hospice agencies. We operate specialized care units within certain of our healthcare centers such as Alzheimer's disease care units and sub-acute nursing units. In addition, we provide insurance services, management and accounting services, and we lease properties to operators of skilled nursing and assisted living facilities. We operate in 9 states and are located primarily in the southeastern United States.

Note 2 – Summary of Significant Accounting Policies

The listing below is not intended to be a comprehensive list of all our significant accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. generally accepted accounting principles ("GAAP"), with limited need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. See our audited December 31, 2024 consolidated financial statements and notes thereto which contain accounting policies and other disclosures required by U.S. GAAP. Our audited December 31, 2024 consolidated financial statements are available at our web site: www.nhccare.com

Basis of Presentation

The unaudited interim condensed consolidated financial statements to which these notes are attached include all normal, recurring adjustments which are necessary to fairly present the financial position, results of operations and cash flows of NHC. All significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements include the accounts of all entities controlled by NHC. The Company presents noncontrolling interest within the equity section of its consolidated balance sheets. The Company presents the amount of consolidated net income that is attributable to NHC and the noncontrolling interest in its consolidated statements of operations.

We assume that users of these interim financial statements have read or have access to the audited December 31, 2024 consolidated financial statements and that the adequacy of additional disclosure needed for a fair presentation, except in regard to material contingencies, may be determined in that context. Accordingly, footnotes and other disclosures which would substantially duplicate the disclosure contained in our most recent annual report to stockholders have been omitted. This interim financial information is not necessarily indicative of the results that may be expected for a full year for a variety of reasons.

Estimates and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could cause our reported net income to vary significantly from period to period.

Net Patient Revenues and Accounts Receivable

Net patient revenues are derived from services rendered to patients for skilled and intermediate nursing, rehabilitation therapy, assisted living and independent living, home health care services, hospice services, and behavioral health services. Net patient revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient services. These amounts are due from patients, governmental programs, and other third-party payors, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations.

The Company recognizes revenue as its performance obligations are completed. Routine services are treated as a single performance obligation satisfied over time as services are rendered. These routine services represent a bundle of services that are not capable of being distinct. The performance obligations are satisfied over time as the patient simultaneously receives and consumes the benefits of the healthcare services provided. Additionally, there may be ancillary services which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time when those services are rendered.

The Company determines the transaction price based on established billing rates reduced by explicit price concessions provided to third party payors. Explicit price concessions are based on contractual agreements and historical experience. The Company considers the patient's ability and intent to pay the amount of consideration upon admission. Credit losses are recorded as bad debt expense, which is included as a component of other operating expenses in the interim condensed consolidated statements of operations. Bad debt expense was \$3,377,000 and \$6,038,000 for the three and six months ended June 30, 2025, respectively. For the three and six months ended June 30, 2024, bad debt expense was \$2,053,000 and \$4,524,000, respectively. As of June 30, 2025 and December 31, 2024, the Company has recorded allowance for doubtful accounts of \$12,452,000 and \$9,702,000, respectively, as our best estimate of expected losses inherent in the accounts receivable balance.

Other Revenues

Other revenues include revenues from the provision of insurance services to other healthcare providers, management and accounting services to other healthcare providers, and rental income. Our insurance revenues consist of premiums that are generally paid in advance and then amortized into income over the policy period. We charge for management services based on a percentage of net revenues. We charge for accounting services based on a monthly fee or a fixed fee per bed of the healthcare center under contract. We record other revenues as the performance obligations are satisfied based on the terms of our contractual arrangements.

We recognize rental income based on the terms of our operating leases. Under certain of our leases, we receive variable rent, which is based on the increase in revenues of a lessee over a base year. We recognize variable rent annually or monthly, as applicable, when, based on the actual revenue of the lessee is earned.

Government Grants

We account for government grants in accordance with International Accounting Standards ("IAS") 20, *Accounting for Government Grants and Disclosure of Government Assistance*, and as such, we recognize grant income on a systematic basis in line with the recognition of specific expenses and lost revenues for which the grants are intended to compensate.

For the six months ended June 30, 2024, all conditions related to the Employee Retention Credit ("ERC") were met and the credit was recognized as government stimulus income. The ERC was established by the CARES Act and intended to help businesses retain their workforce and avoid layoffs during the pandemic. The ERC provided a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. The qualified wages and health insurance benefits paid by the Company were related to the second, third and fourth quarters of 2020.

Segment Reporting

In accordance with the provisions of Accounting Standards Codification ("ASC") 280, *Segment Reporting*, the Company is required to report financial and descriptive information about its reportable operating segments. The Company has two reportable operating segments: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals, and (2) homecare and hospice services. The Company also reports an "all other" category that includes revenues from rental income, management and accounting services fees, insurance services, and costs of the corporate office. See Note 6 for further disclosure of the Company's operating segments.

Other Operating Expenses

Other operating expenses include the costs of care and services that we provide to the residents of our facilities and the costs of maintaining our facilities. Our primary patient care costs include drugs, medical supplies, purchased professional services, food, and professional liability insurance and licensing fees. The primary facility costs include utilities and property insurance.

In 2025, we contributed land to a newly-formed limited liability company resulting in an equity interest in the new entity. The fair value of the land contributed to the new entity was \$5,625,000. The related cost basis of the contributed land was \$2,019,000, which resulted in a gain of \$3,606,000. The gain has been included in the interim condensed consolidated statements of operations as "other operating expenses."

General and Administrative Costs

With the Company being a healthcare provider, the majority of our expenses are "cost of revenue" items. Costs that could be classified as "general and administrative" by the Company would include its corporate office costs, excluding stock-based compensation and incentive compensation, which were \$7,027,000 and \$13,659,000 for the three and six months ended June 30, 2025, respectively. General and administrative costs were \$7,226,000 and \$13,390,000 for the three and six months ended June 30, 2024, respectively.

Long-Term Leases

The Company's lease portfolio primarily consists of operating real estate leases for certain skilled nursing facilities, assisted and independent living facilities, homecare and hospice offices, regional offices, and pharmacy warehouses. The original terms of the leases typically range from two to fifteen years. Several of the real estate leases include renewal options which vary in length and may not include specific rent renewal amounts. We determine if an arrangement is a lease at inception of a contract. We determine the lease term by assuming exercise of renewal options that are reasonably certain.

The Company records right-of-use assets and liabilities for non-cancelable real estate operating leases with original or remaining lease terms in excess of one year. Leases with a lease term of 12 months or less at inception are not recorded and are expensed on a straight-line basis over the lease term. We recognize lease components and non-lease components together and not as separate parts of a lease for real estate leases.

Operating lease right-of-use assets and liabilities are recorded at the present value of the lease payments over the lease term. The present value of the lease payments are discounted using the incremental borrowing rate associated with each lease. The variable components of the lease payment that fluctuate with the operations of a health facility are not included in determining the right-of-use assets and lease liabilities. Rather, these variable components are expensed as incurred.

Property and Equipment

Property and equipment are recorded at cost or fair value, if acquired. Depreciation is provided by the straight-line method over the expected useful lives of the assets estimated as follows: buildings and improvements, 20-40 years and equipment and furniture, 3-15 years. Leasehold improvements are amortized over periods that do not exceed the non-cancelable respective lease terms using the straight-line method.

Investments in Unconsolidated Companies

We use the equity method to account for our investments in joint ventures in which we have the ability to exercise significant influence. Original investments in these entities are recorded at cost and subsequently adjusted by our share of equity in income or losses. As of June 30, 2025, the majority of our investments in unconsolidated companies relates to a multi-family development that is under construction in Franklin, Tennessee, in which we own a 55% non-controlling interest.

Business Combinations

We account for transactions that represent business combinations using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Acquisitions are accounted for as purchases and are included in our consolidated financial statements from their respective acquisition dates. Assets acquired and liabilities assumed, if any, are measured at fair value on the acquisition date using the appropriate valuation method. Goodwill generated from acquisitions is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired and liabilities assumed. In determining the fair value of identifiable assets, we use various valuation techniques. These valuation methods require us to make estimates and assumptions surrounding projected revenues and costs, future growth, and discount rates.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is not amortized but is subject to an annual impairment test. We perform our annual goodwill impairment assessment on the first day of the fourth quarter. Tests are performed more frequently if events occur, or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

The Company's indefinite-lived intangible assets consist of trade names and certificates of need and licenses. The Company reviews indefinite-lived intangible assets for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount of the intangible asset is below its carrying amount.

Accrued Risk Reserves

We are self-insured for risks related to workers' compensation and general and professional liability insurance. We have two wholly-owned limited purpose insurance companies that insure these risks. The accrued risk reserves include a liability for reported claims and estimates for incurred but unreported claims. Our policy is to engage an external, independent actuary to assist in estimating our exposure for claims obligations (for both asserted and unasserted claims). We reassess our accrued risk reserves on a quarterly basis.

Professional liability remains an area of particular concern to us. The long-term care industry has seen an increase in personal injury/wrongful death claims based on alleged negligence by skilled nursing facilities and their employees in providing care to residents. The Company has been, and continues to be, subject to claims and legal actions that arise in the ordinary course of business, including potential claims related to patient care and treatment. A significant increase in the number of these claims, or an increase in the amounts due as a result of these claims could have a material adverse effect on our consolidated financial position, results of operations and cash flows. It is also possible that future events could cause us to make significant adjustments or revisions to these reserve estimates and cause our reported net income to vary significantly from period to period.

We are principally self-insured for incidents occurring in all centers owned or leased by us. The coverage includes both primary policies and excess policies. In all years, settlements, if any, in excess of available insurance policy limits and our own reserves would be expensed by us.

Continuing Care Contracts

We have continuing care retirement centers ("CCRC") within our operations. Residents at these retirement centers may enter into continuing care contracts with us.

Non-refundable fees are included as a component of the transaction price and are amortized into revenue over the actuarially determined remaining life of the resident, which is the expected period of occupancy by the resident. We pay the refundable portion of our entry fees to residents when they relocate from our community and the apartment is re-occupied. Refundable entrance fees are not included as part of the transaction price and are classified as noncurrent liabilities in our consolidated balance sheets.

We also annually estimate the present value of the cost of future services and the use of facilities to be provided to the current CCRC residents and compare that amount with the balance of non-refundable deferred revenue from entrance fees received. If the present value of the cost of future services exceeds the related anticipated revenues, a liability is recorded with a corresponding charge to income. As of June 30, 2025 and December 31, 2024, we have recorded a future service obligation liability in the amount of \$1,474,000. This obligation is reflected within other noncurrent liabilities in the interim condensed consolidated balance sheets.

Other Noncurrent Liabilities

Other noncurrent liabilities include reserves primarily related to various uncertain income tax positions, deferred revenue, and obligations to provide future services to our CCRC residents. Deferred revenue includes the deferred gain on the sale of assets to National Health Corporation ("National") and the non-refundable portion of CCRC entrance fees being amortized over the remaining life expectancies of the residents.

Noncontrolling Interest

The noncontrolling interest in a subsidiary is presented within total equity in the Company's interim condensed consolidated balance sheets. The Company presents the noncontrolling interest and the amount of consolidated net income attributable to NHC in its interim condensed consolidated statements of operations. The Company's earnings per share is calculated based on net income attributable to NHC's stockholders. The carrying amount of the noncontrolling interest is adjusted based on an allocation of the subsidiary earnings, contributions, and distributions.

Recently Adopted Accounting Guidance

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which requires companies to disclose disaggregated jurisdictional and categorical information for the tax rate reconciliation, income taxes paid and other income tax related amounts. ASU 2023-09 is effective for annual periods beginning with the Company's fiscal year 2025. The Company has adopted the ASU and will include the required disclosures in our annual report.

Recent Accounting Guidance Not Yet Adopted

In October 2023, the FASB issued ASU 2023-06, "Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative," which amends U.S. GAAP to include certain disclosure requirements that are currently required under SEC Regulation S-X or Regulation S-K. Each amendment will be effective on the date on which the SEC removes the related disclosure requirement from SEC Regulation S-X or Regulation S-K. The adoption is not expected to have a material impact on the Company's financial statements as these requirements were previously incorporated under the SEC Regulations.

In November 2024, the FASB issued ASU 2024-03 "Disaggregation of Income Statement Expenses," which requires the Company to disaggregate key expense categories such as employee compensation and depreciation within its financial statements. ASU 2024-03 is effective for annual periods beginning with the Company's fiscal year 2027, and interim periods with the Company's fiscal year 2028, with early adoption permitted. We are currently evaluating the impact this ASU will have on the company's financial statements and related disclosures.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Note 3 – Net Patient Revenues

The Company disaggregates revenue from contracts with customers by service type and by payor.

Revenue by Service Type

The Company’s net patient services can generally be classified into the following two categories: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals, and (2) homecare and hospice services (*in thousands*).

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Net patient revenues:				
Inpatient services	\$ 325,012	\$ 245,385	\$ 650,490	\$ 497,638
Homecare and hospice	38,337	34,533	74,466	68,103
Total net patient revenues	\$ 363,349	\$ 279,918	\$ 724,956	\$ 565,741

For inpatient and hospice services, revenue is recognized on a daily basis as each day represents a separate contract and performance obligation. For homecare, revenue is recognized when services are provided based on the number of days of service rendered in the period of care or on a per-visit basis. Typically, patients and third-party payors are billed monthly after services are performed or the patient is discharged, and payments are due based on contract terms.

As our performance obligations relate to contracts with a duration of one year or less, the Company is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Company has minimal unsatisfied performance obligations at the end of the reporting period as our patients are typically under no obligation to remain admitted in our facilities or under our care. As the period between the time of service and time of payment is typically one year or less, the Company did not adjust for the effects of a significant financing component.

Revenue by Payor

Certain groups of patients receive funds to pay the cost of their care from a common source. The following table sets forth sources of net patient revenues for the periods indicated:

Source	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Medicare	31%	33%	31%	33%
Managed Care	12%	10%	12%	10%
Medicaid	30%	29%	30%	29%
Private Pay and Other	27%	28%	27%	28%
Total	100%	100%	100%	100%

Medicare covers skilled nursing services for beneficiaries who require nursing care and/or rehabilitation services following a hospitalization of at least three consecutive days. For each eligible day a Medicare beneficiary is in a skilled nursing facility, Medicare pays the facility a daily payment, subject to adjustment for certain factors such as a wage index in the geographic area. The payment covers all services provided by the skilled nursing facility for the beneficiary that day, including room and board, nursing, therapy and drugs, as well as an estimate of capital-related costs to deliver those services.

For homecare services, Medicare pays based on the acuity level of the patient and based on periods of care. A period of care is defined as a length of care up to 30 days with multiple continuous periods allowed. The services covered by the payment include all disciplines of care, in addition to medical supplies, within the scope of the home health benefit.

For hospice services, Medicare pays a daily rate to cover the hospice’s costs for providing services included in the patient care plan. Medicare makes daily payments based on 1 of 4 levels of hospice care. All hospice care and services offered to patients and their families must follow an individualized written plan of care that meets the patient’s needs.

Our hospice service revenue is subject to certain limitations on payments from Medicare. We are subject to an inpatient cap limit and an overall Medicare payment cap for each provider number. We monitor these caps on a provider-by-provider basis and estimate amounts due back to Medicare if we estimate a cap has been exceeded. If applicable, we record these cap adjustments as a reduction to revenue.

Medicaid is operated by individual states with the financial participation of the federal government. The states in which we operate currently use prospective cost-based reimbursement systems. Under cost-based reimbursement systems, the skilled nursing facility is reimbursed for the reasonable direct and indirect allowable costs it incurred in a base year in providing routine resident care services as defined by the program.

Private pay, managed care, and other payment sources include commercial insurance, individual patient funds, managed care plans and the Veterans Administration. Private paying patients, private insurance carriers and the Veterans Administration generally pay based on the healthcare center's charges or specifically negotiated contracts. For private pay patients in skilled nursing, assisted living and independent living facilities, the Company bills for room and board charges, with the remittance being due on receipt of the statement and generally by the 10th day of the month the services are performed.

Certain managed care payors for homecare services pay on a per-visit basis. This revenue is recorded on an accrual basis based upon the date of services at amounts equal to its established or estimated per-visit rates.

State Relief Supplemental Funding

The Company received supplemental Medicaid payments from various states. The funding generally incorporates specific use requirements primarily for direct patient care including labor related expenses or various patient care related expenses. We have recorded \$1,812,000 and \$2,585,000 in net patient revenues for these supplemental Medicaid payments for the three months ended June 30, 2025 and 2024, respectively. We have recorded \$3,684,000 and \$6,047,000 in net patient revenues for these supplemental Medicaid payments for the six months ended June 30, 2025 and 2024, respectively.

Third Party Payors

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. Noncompliance with such laws and regulations can be subject to regulatory actions including fines, penalties, and exclusion from the Medicare and Medicaid programs. We believe that we are following all applicable laws and regulations.

Medicare and Medicaid program revenues, as well as certain Managed Care program revenues, are subject to audit and retroactive adjustment by government representatives or their agents. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews, and investigations. We believe that any differences between the net revenues recorded, and final determination will not materially affect the consolidated financial statements. We have made provisions of approximately \$15,160,000 and \$15,351,000 as of June 30, 2025 and December 31, 2024, respectively, for various Medicare, Medicaid, and Managed Care claims reviews and current and prior year cost reports.

Note 4 – Other Revenues

Other revenues are outlined in the table below. Revenues from rental income include health care real estate properties owned by us and leased to third party operators. Revenues from management and accounting services include fees provided to manage and provide accounting services to other healthcare operators. Revenues from insurance services include premiums for workers' compensation and professional liability insurance policies that our wholly owned insurance subsidiaries have written for certain healthcare operators to which we provide management or accounting services. "Other" revenues include miscellaneous health care related earnings (*in thousands*).

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Rental income	\$ 6,172	\$ 6,028	\$ 12,623	\$ 11,987
Management and accounting services fees	4,085	4,081	8,508	8,518
Insurance services	831	816	1,645	1,688
Other	473	370	875	455
Total other revenues	\$ 11,561	\$ 11,295	\$ 23,651	\$ 22,648

Rental Income

The Company leases real estate assets consisting of skilled nursing facilities and assisted living facilities to third party operators. Additionally, we sublease four Florida skilled nursing facilities included in our lease from National Health Investors ("NHI") as noted in Note 7 – Long Term Leases. NHI is a publicly-traded real estate investment trust. Mr. Robert G. Adams, non-executive Chairman of the NHC Board, also serves on the Board of Directors of NHI.

Management Fees from National Health Corporation

We manage five skilled nursing facilities owned by National Health Corporation ("National"). We recognized management fees and interest on management fees from these facilities of \$1,376,000 and \$1,346,000 for the three months ended June 30, 2025 and 2024, respectively. We recognized management fees and interest on management fees of \$2,784,000 and \$2,666,000 from these facilities for the six months ended June 30, 2025 and 2024, respectively.

Insurance Services

For workers' compensation insurance services, the premium revenues reflected in the interim condensed consolidated statements of operations for the three months ended June 30, 2025 and 2024 were \$541,000 and \$527,000, respectively. The premium revenues reflected in the interim condensed consolidated statements of operations for the six months ended June 30, 2025 and 2024 were \$1,066,000 and \$1,109,000, respectively. Associated losses and expenses including those for self-insurance are included in the interim condensed consolidated statements of operations as "Salaries, wages and benefits."

For professional liability insurance services, the premium revenues reflected in the interim condensed consolidated statements of operations for the three months ended June 30, 2025 and 2024 were \$289,000 and \$289,000, respectively. The premium revenues reflected in the interim condensed consolidated statements of operations for the six months ended June 30, 2025 and 2024 were \$579,000 and \$579,000, respectively. Associated losses and expenses including those for self-insurance are included in the interim condensed consolidated statements of operations as "Other operating costs and expenses".

Note 5 – Non-Operating Income

Non-operating income is comprised of the following (*in thousands*):

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Dividends and net realized gains and losses on sales of securities	\$ 1,928	\$ 1,724	\$ 3,882	\$ 3,780
Interest income	2,588	2,648	4,713	5,186
Equity in earnings of unconsolidated investments	616	584	616	651
Gain on sale of unconsolidated company	-	-	-	1,024
Total non-operating income	\$ 5,132	\$ 4,956	\$ 9,211	\$ 10,641

Gain on sale of unconsolidated company

In January 2024, the Company sold its 50% joint venture ownership interest in a homecare agency located in Nashville, Tennessee. The total consideration paid to the Company was \$2,100,000, which resulted in a gain of \$1,024,000.

Note 6 – Business Segments

The Company has two reportable operating segments: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals; and (2) homecare and hospice services. These reportable operating segments are consistent with information used by the Company's Chief Executive Officer, as chief operating decision maker ("CODM"), to assess performance and allocate resources. The Company also reports an "all other" category that includes revenues from rental income, management and accounting services fees, insurance services, and costs of the corporate office.

[Table of Contents](#)

The Company's CODM evaluates performance including pretax earnings and allocates capital resources to each segment based on an operating model that is designed to improve the quality of patient care and profitability of the Company while enhancing long-term shareholder value. The CODM does not review assets by segment in his resource allocation and therefore, assets by segment are not disclosed below.

The following table sets forth the Company's unaudited interim condensed consolidated statements of operations by business segment (*in thousands*):

	Three Months Ended June 30, 2025			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	\$ 325,012	\$ 38,337	\$ -	\$ 363,349
Other revenues	430	-	11,131	11,561
Net operating revenues	325,442	38,337	11,131	374,910
Costs and expenses:				
Salaries, wages, and benefits	190,641	23,183	12,710	226,534
Other operating	83,450	7,046	1,447	91,943
Rent	8,828	581	1,919	11,328
Depreciation and amortization	10,099	131	785	11,015
Total costs and expenses	293,018	30,941	16,861	340,820
Income/(loss) from operations	32,424	7,396	(5,730)	34,090
Non-operating income	-	-	5,132	5,132
Interest expense	(1,993)	-	-	(1,993)
Unrealized losses on marketable equity securities	-	-	(5,061)	(5,061)
Income/(loss) before income taxes	\$ 30,431	\$ 7,396	\$ (5,659)	\$ 32,168

	Three Months Ended June 30, 2024			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	\$ 245,385	\$ 34,533	\$ -	\$ 279,918
Other revenues	324	-	10,971	11,295
Government stimulus income	-	-	9,445	9,445
Net operating revenues and grant income	245,709	34,533	20,416	300,658
Costs and expenses:				
Salaries, wages, and benefits	148,059	21,296	10,721	180,076
Other operating	66,813	6,394	4,947	78,154
Rent	8,262	567	1,741	10,570
Depreciation and amortization	8,383	186	769	9,338
Total costs and expenses	231,517	28,443	18,178	278,138
Income from operations	14,192	6,090	2,238	22,520
Non-operating income	-	-	4,956	4,956
Interest expense	-	-	-	-
Unrealized gains on marketable equity securities	-	-	9,124	9,124
Income before income taxes	\$ 14,192	\$ 6,090	\$ 16,318	\$ 36,600

	SixMonths Ended June 30, 2025			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	\$ 650,490	\$ 74,466	\$ -	\$ 724,956
Other revenues	803	-	22,848	23,651
Net operating revenues and grant income	651,293	74,466	22,848	748,607
Costs and expenses:				
Salaries, wages, and benefits	383,078	45,587	25,999	454,664
Other operating	165,319	14,304	4,777	184,400
Rent	17,662	1,189	3,842	22,693
Depreciation and amortization	20,161	261	1,571	21,993
Total costs and expenses	586,220	61,341	36,189	683,750
Income/(loss) from operations	65,073	13,125	(13,341)	64,857
Non-operating income	-	-	9,211	9,211
Interest expense	(4,099)	-	-	(4,099)
Unrealized gains on marketable equity securities	-	-	5,921	5,921
Income before income taxes	\$ 60,974	\$ 13,125	\$ 1,791	\$ 75,890

	SixMonths Ended June 30, 2024			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	\$ 497,638	\$ 68,103	\$ -	\$ 565,741
Other revenues	339	-	22,309	22,648
Government stimulus income	-	-	9,445	9,445
Net operating revenues and grant income	497,977	68,103	31,754	597,834
Costs and expenses:				
Salaries, wages, and benefits	298,949	42,305	21,960	363,214
Other operating	135,496	12,367	7,720	155,583
Rent	16,374	1,133	3,411	20,918
Depreciation and amortization	18,013	374	1,537	19,924
Total costs and expenses	468,832	56,179	34,628	559,639
Income/(loss) from operations	29,145	11,924	(2,874)	38,195
Non-operating income	-	-	10,641	10,641
Interest expense	(46)	-	-	(46)
Unrealized gains on marketable equity securities	-	-	23,523	23,523
Income before income taxes	\$ 29,099	\$ 11,924	\$ 31,290	\$ 72,313

Note 7 – Long-Term Leases

Operating Leases

At June 30, 2025, we lease from NHI the real property of 28 skilled nursing facilities, five assisted living centers and three independent living centers under one lease agreement. As part of the lease agreement, we sublease four Florida skilled nursing facilities to a third-party operator. The lease includes base rent plus a percentage rent. The annual base rent is \$32,225,000 in 2025 and \$31,975,000 in 2026 with the lease term expiring in December 2026. The percentage rent is based on a quarterly calculation of revenue increases and is payable on a quarterly basis. Total facility rent expense to NHI was \$9,903,000 and \$9,814,000 for the three months ended June 30, 2025 and 2024, respectively. Total facility rent expense to NHI was \$19,814,000 and \$19,286,000 for the six months ended June 30, 2025 and 2024, respectively.

Minimum Lease Payments

The following table summarizes the maturity of our operating lease liabilities as of June 30, 2025 (*in thousands*):

	Operating Leases
2026	\$ 35,736
2027	19,031
2028	2,155
2029	1,777
2030	1,575
Thereafter	11,061
Total minimum lease payments	71,335
Less: amounts representing interest	(8,722)
Present value of future minimum lease payments	62,613
Less: current portion	(32,729)
Noncurrent lease liabilities	\$ 29,884

Note 8 – Earnings per Share

Basic net income per share is computed based on the weighted average number of common shares outstanding for each period presented. Diluted net income per share reflects the potential dilution that would have occurred if securities to issue common stock were exercised, converted, or resulted in the issuance of common stock that would have then shared in our earnings.

The following table summarizes the earnings and the weighted average number of common shares used in the calculation of basic and diluted earnings per share (in thousands, except for share and per share amounts):

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Basic:				
Weighted average common shares outstanding	15,462,135	15,391,535	15,450,286	15,371,150
Net income attributable to National HealthCare Corporation	\$ 23,722	\$ 26,844	\$ 55,927	\$ 53,057
Earnings per common share, basic	\$ 1.53	\$ 1.74	\$ 3.62	\$ 3.45
Diluted:				
Weighted average common shares outstanding	15,462,135	15,391,535	15,450,286	15,371,150
Effects of dilutive instruments	137,503	164,077	137,497	159,474
Weighted average common shares outstanding	15,599,638	15,555,612	15,587,783	15,530,624
Net income attributable to National HealthCare Corporation	\$ 23,722	\$ 26,844	\$ 55,927	\$ 53,057
Earnings per common share, diluted	\$ 1.52	\$ 1.73	\$ 3.59	\$ 3.42

For the three and six months ended June 30, 2025, 269,351 stock options were excluded from the calculation of diluted weighted average shares of common stock outstanding because the inclusion of these securities would have an anti-dilutive impact. For the three and six months ended June 30, 2024, 233,486 of stock options have been excluded from the calculation of diluted weighted average shares of common stock outstanding because the inclusion of these securities would have an anti-dilutive effect.

Note 9 – Investments in Marketable Securities

Our investments in marketable equity securities are carried at fair value with the changes in unrealized gains and losses recognized in our results of operations at each measurement date. Our investments in marketable debt securities are classified as available for sale securities and carried at fair value with the unrealized gains and losses recognized through accumulated other comprehensive income at each measurement date. Any credit-related decline in fair market values below the amortized cost of our available for sale debt securities are recorded in our results of operations through an allowance for credit losses. Realized gains and losses from securities sales are recognized in results of operations upon disposition of the securities using the specific identification method on a trade date basis. Refer to Note 10 for a description of the Company's methodology for determining the fair value of marketable securities.

Marketable securities consist of the following (*in thousands*):

	June 30, 2025		December 31, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investments available for sale:				
Marketable equity securities	\$ 30,176	\$ 146,636	\$ 30,176	\$ 140,064
Restricted investments available for sale:				
Marketable equity securities	12,263	16,269	18,534	23,190
Corporate debt securities	60,995	60,888	58,927	57,471
Asset-based securities	14,327	13,381	15,593	14,410
U.S. Treasury securities	56,631	55,718	46,811	44,186
State and municipal securities	3,736	3,714	3,787	3,737
	\$ 178,128	\$ 296,606	\$ 173,828	\$ 283,058

Included in the marketable equity securities are the following (*in thousands, except share amounts*):

	June 30, 2025			December 31, 2024		
	Shares	Cost	Fair Value	Shares	Cost	Fair Value
NHI Common Stock	1,630,642	\$ 24,734	\$ 114,341	1,630,642	\$ 24,734	\$ 113,003

The amortized cost and estimated fair value of debt securities classified as available for sale, by contractual maturity, are as follows (*in thousands*):

	June 30, 2025		December 31, 2024	
	Cost	Fair Value	Cost	Fair Value
Maturities:				
Within 1 year	\$ 31,840	\$ 31,665	\$ 25,707	\$ 25,317
1 to 5 years	63,525	62,311	66,117	63,379
6 to 10 years	39,769	39,280	32,648	30,606
Over 10 years	555	445	646	502
	<u>\$ 135,689</u>	<u>\$ 133,701</u>	<u>\$ 125,118</u>	<u>\$ 119,804</u>

Gross unrealized gains related to marketable equity securities are \$120,859,000 and \$115,259,000 as of June 30, 2025 and December 31, 2024, respectively. Gross unrealized losses related to marketable equity securities are \$393,000 and \$715,000 as of June 30, 2025 and December 31, 2024, respectively. For the three months ended June 30, 2025 and 2024, the Company recognized net unrealized losses of \$5,061,000 and net unrealized gains of \$9,124,000, respectively, for the changes in fair market value of the marketable equity securities in the interim condensed consolidated statements of operations. For the six months ended June 30, 2025 and 2024, the Company recognized net unrealized gains of \$5,921,000 and \$23,523,000, respectively, for the changes in fair market value of the marketable equity securities in the interim condensed consolidated statements of operations.

Gross unrealized gains related to available for sale marketable debt securities are \$1,044,000 and \$135,000 as of June 30, 2025 and December 31, 2024, respectively. Gross unrealized losses related to available for sale marketable debt securities are \$3,032,000 and \$5,449,000 as of June 30, 2025 and December 31, 2024, respectively.

The Company's unrealized losses in our available for sale marketable debt securities were determined to be non-credit related. The Company has not recognized any credit related impairments for the six months ended June 30, 2025 and 2024.

For the marketable debt securities in gross unrealized loss positions, (a) it is more likely than not that the Company will not be required to sell the investment securities before recovery of the unrealized losses, and (b) the Company expects that the contractual principal and interest will be received on the investment securities.

Proceeds from the sale of available for sale marketable securities during the six months ended June 30, 2025 and 2024 were \$43,455,000 and \$34,662,000, respectively. Investment gains of \$480,000 and \$350,000 were realized on these sales during the six months ended June 30, 2025 and 2024, respectively.

Note 10 – Fair Value Measurements

The accounting standard for fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. This accounting standard establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs that may be used to measure fair value:

Level 1 – The valuation is based on quoted prices in active markets for identical instruments.

Level 2 – The valuation is based on observable inputs such as 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 assumptions are observable in the market.

Level 3 – The valuation is based on unobservable inputs that are supported by minimal or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar techniques that incorporate management's own estimates of assumptions that market participants would use in pricing the instrument, or valuations that require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table summarizes fair value measurements by level at June 30, 2025 and December 31, 2024 for assets and liabilities measured at fair value on a recurring basis (*in thousands*):

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2025				
Cash and cash equivalents	\$ 110,992	\$ 110,992	\$ –	\$ –
Restricted cash and cash equivalents	19,370	19,370	–	–
Marketable equity securities	162,905	162,905	–	–
Corporate debt securities	60,888	37,152	23,736	–
Asset-backed securities	13,381	–	13,381	–
U.S. Treasury securities	55,718	55,718	–	–
State and municipal securities	3,714	800	2,914	–
Total financial assets	<u>\$ 426,968</u>	<u>\$ 386,937</u>	<u>\$ 40,031</u>	<u>\$ –</u>

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Cash and cash equivalents	\$ 76,121	\$ 76,121	\$ –	\$ –
Restricted cash and cash equivalents	20,801	20,801	–	–
Marketable equity securities	163,254	163,254	–	–
Corporate debt securities	57,471	43,656	13,815	–
Asset-backed securities	14,410	–	14,410	–
U.S. Treasury securities	44,186	44,186	–	–
State and municipal securities	3,737	806	2,931	–
Total financial assets	<u>\$ 379,980</u>	<u>\$ 348,824</u>	<u>\$ 31,156</u>	<u>\$ –</u>

Note 11 – Goodwill and Other Intangible Assets

At June 30, 2025, we evaluated potential triggering events that might be indicators that our goodwill and indefinite lived intangibles were impaired. As a result of the review, there were no impairment indicators regarding the Company's goodwill that required a quantitative test to be performed. However, our accounting estimates could materially change from period to period due to changing market factors. We will continue to monitor future events, changes in circumstances, and the potential impact thereof. If actual results are not consistent with our assumptions and estimates, we may be exposed to future goodwill impairment losses.

At June 30, 2025, the following table represents the activity related to our goodwill by segment (*in thousands*):

	Inpatient Services	Homecare and Hospice	All Other	Total
January 1, 2025	\$ 5,924	\$ 164,554	\$ –	\$ 170,478
Additions	–	–	–	–
June 30, 2025	\$ 5,924	\$ 164,554	\$ –	\$ 170,478

Indefinite-lived intangible assets consist of the following (*in thousands*):

	June 30, 2025	December 31, 2024
Trade names	\$ 15,896	\$ 15,896
Certificates of need	1,756	1,756
Licenses	2,212	2,212
Total	\$ 19,864	\$ 19,864

Note 12 - Stock Repurchase Program

During the six months ended June 30, 2025, the Company repurchased 60,781 shares of its common stock for a total cost of \$6,384,000. During the six months ended June 30, 2024, the Company repurchased 116,767 shares of its common stock for a total cost of \$11,402,000. The shares were funded from cash on hand and were cancelled and returned to the status of authorized but unissued.

Note 13 – Stock-Based Compensation

NHC recognizes stock-based compensation expense for all stock options granted over the requisite service period using the fair value at the date of grant using the Black-Scholes pricing model. Stock-based compensation totaled \$1,233,000 and \$1,175,000 for the three months ended June 30, 2025 and 2024, respectively. Stock-based compensation totaled \$2,260,000 and \$1,969,000 for the six months ended June 30, 2025 and 2024, respectively. Stock-based compensation is included in "Salaries, wages and benefits" in the interim condensed consolidated statements of operations.

At June 30, 2025, the Company had \$8,425,000 of unrecognized compensation cost related to unvested stock-based compensation awards. This unrecognized compensation cost will be amortized over an approximate two-year period.

Stock Options

The following table summarizes the significant assumptions used to value the options granted for the six months ended June 30, 2025 and for the year ended December 31, 2024.

	June 30, 2025	December 31, 2024
Risk-free interest rate	4.13%	4.40%
Expected volatility	27.0%	24.1%
Expected life, in years	2.9	2.9
Expected dividend yield	2.80%	2.63%

The following table summarizes our outstanding stock options for the six months ended June 30, 2025 and for the year ended December 31, 2024.

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at January 1, 2024	588,534	\$ 61.30	\$ –
Options granted	297,783	94.42	–
Options exercised	(219,973)	64.73	–
Options cancelled	(35,102)	79.20	–
Options outstanding at December 31, 2024	631,242	74.73	–
Options granted	306,851	91.45	–
Options exercised	(98,570)	65.47	–
Options cancelled	(6,333)	78.77	–
Options outstanding at June 30, 2025	833,190	\$ 81.96	\$ 20,875,000
Options exercisable at June 30, 2025	309,544	\$ 73.00	\$ 10,528,000

Options Outstanding June 30, 2025	Exercise Prices	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
271,823	\$53.94 - \$71.64	\$ 59.55	2.3
561,367	\$90.62 - \$106.48	92.81	4.3
833,190		\$ 81.96	3.6

Note 14 – Income Taxes

The Company's income tax provision as a percentage of our income before income taxes was 25.0% and 25.9% for the three months ended June 30, 2025 and 2024, respectively.

The Company's income tax provision as a percentage of our income before income taxes was 25.7% and 26.2% for the six months ended June 30, 2025 and 2024, respectively.

Typically, these percentages vary from the U.S. federal statutory income tax rate of 21% primarily due to state income taxes, excess tax benefits from stock-based compensation, benefits resulting from the lapsing of statute of limitations of items in our tax contingency reserve, and non-deductible expenses. For the three months and six months ended June 30, 2025, the accrual of state income tax was the most significant reconciling item. For the three and six months ended June 30, 2024, the accrual of state income tax was the only significant reconciling items.

Our quarterly income tax provision, and our estimate of our annual effective income tax rate, is subject to variation due to several factors, including volatility based on the amount of pre-tax income or loss.

The Company is no longer subject to U.S. federal and state examinations by tax authorities for years before 2021 (with certain state exceptions).

Note 15 – Long-Term Debt

Long-term debt consists of the following (*dollars in thousands*):

	Interest rate at June 30, 2025 (Variable)	Maturity	June 30, 2025	December 31, 2024
Credit facility, interest payable monthly	5.8%	2029	\$ 110,000	\$ 137,000
Less current portion			(7,500)	(7,500)
Total long-term debt			\$ 102,500	\$ 129,500

On August 1, 2024, the Company entered into a \$200,000,000 senior credit facility with a five-year term consisting of a \$150,000,000 term facility and a \$50,000,000 revolving line of credit (the "Credit Facility"). The Credit Facility is for general corporate purposes, including working capital and acquisitions. The loans bear interest at either (i) Term Secured Overnight Financing Rate ("SOFR") for interest periods of one, three or six months, plus the applicable margin or, at NHC's option, (ii) the Base Rate plus the applicable margin. The applicable margin is an interest rate per annum between 1.30% and 1.65% for Term SOFR loans and between .30% and .65% for Base Rate loans, depending upon the Company meeting certain conditions. The revolving line of credit contains a commitment fee equal to 0.25% of the unused borrowing capacity. There are no amounts outstanding on the revolving line of credit at June 30, 2025.

NHC's obligations under the Credit Facility are unsecured. The Credit Facility contains customary representations and warranties, financial covenants, and other customary affirmative and negative covenants. The Credit Facility also contains customary events of default. As of June 30, 2025, the Company is compliant with all financial covenants. Based on level 2 inputs, the carrying value of the Company's long-term debt is considered to approximate the fair value of such debt based upon the interest rates that the Company believes it can currently obtain for similar debt.

The aggregate maturities of long-term debt for the five years subsequent to June 30, 2025 are as follows (*in thousands*):

	Long-Term Debt
2025	\$ 3,750
2026	7,500
2027	7,500
2028	7,500
2029	83,750
Total	\$ 110,000

Note 16 – Contingencies and Commitments

Accrued Risk Reserves

We have wholly-owned limited purpose insurance companies that insure risks related to workers' compensation and general and professional liability insurance claims both for our owned and leased entities and certain of the entities to which we provide management or accounting services. The liability we have recognized for reported claims and estimates for incurred but unreported claims totals \$108,982,000 and \$103,616,000 at June 30, 2025 and December 31, 2024, respectively. The liability is included in accrued risk reserves in the interim condensed consolidated balance sheets and is subject to adjustment for actual claims incurred. It is possible that these claims plus unasserted claims could exceed our insurance coverages and our reserves, which could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

As a result of the terms of our insurance policies and our use of wholly owned limited purpose insurance companies, we have retained significant insurance risk with respect to workers' compensation and general and professional liability. We consider the professional services of independent actuaries to assist us in estimating our exposures for claims obligations (for both asserted and unasserted claims) related to deductibles and exposures in excess of coverage limits, and we maintain reserves for these obligations. Such estimates are based on many variables including historical and statistical information and other factors.

Workers' Compensation

For workers' compensation, we utilize a wholly-owned Tennessee domiciled property/casualty insurance company to write coverage for NHC affiliates and for third-party customers. Policies are written for a duration of twelve months and cover only risks related to workers' compensation losses. All customers are companies which operate in the senior care industry. Business is written on a direct basis.

General and Professional Liability Insurance and Lawsuits

The senior care industry has experienced significant increases in both the number of personal injury/wrongful death claims and in the severity of awards based upon alleged negligence by skilled nursing facilities and their employees in providing care to residents. The Company has been, and continues to be, subject to claims and legal actions that arise in the ordinary course of business, including potential claims related to patient care and treatment. The defense of these lawsuits may result in significant legal costs, regardless of the outcome, and can result in large settlement amounts or damage awards. Additional insurance is purchased through third party providers that serve to supplement the coverage provided through our wholly owned captive insurance company.

There is certain additional litigation incidental to our business, none of which, based upon information available to date, would be material to our financial position, results of operations, or cash flows. In addition, the long-term care industry is continuously subject to scrutiny by governmental regulators, which could result in litigation or claims related to regulatory compliance matters.

Civil Investigative Demand / Qui Tam Complaint

On or about May 21, 2024, Caris Healthcare, L.P. ("Caris") received a Civil Investigative Demand ("CID") from the U.S. Attorney's Office for the Eastern District of Tennessee. The CID requested the production of certain medical records for patients at Caris' Nashville office and other documents related to the billing for hospice services for the period of January 1, 2019, through the date of the CID. The Company cooperated with respect to the requests.

On June 23, 2025, a Notice of Election to Decline Intervention (the "Notice of Declination") was filed by the United States of America, the State of Tennessee, the Commonwealth of Virginia, and the State of Georgia, in a case styled *U.S. ex rel. Marshall v. Caris HealthCare, L.P.*, Case No. 3:23-CV-00330, in the U.S. District Court for the Eastern District of Tennessee (the "Qui Tam Case"). Subsequent to the Notice of Declination filing, an underlying *qui tam* complaint, originally filed on September 12, 2023, was unsealed. Given that the government has declined to intervene in the Qui Tam Case, the relators have 90 days to effectuate service should they choose to proceed. Caris denies all allegations and liability in the Qui Tam Case and intends to vigorously defend the matter.

Governmental Regulations

Laws and regulations governing Medicare, Medicaid and other federal healthcare programs are complex and subject to interpretation. Management believes that it is following all applicable laws and regulations in all material respects. However, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusions from the Medicare, Medicaid and other federal healthcare programs.

Indemnities

From time to time, the Company enters into certain types of contracts that contingently require it to indemnify parties against third-party claims. These contracts primarily include (i) certain real estate leases, under which the Company may be required to indemnify property owners or prior facility operators for post-transfer liabilities and other claims arising from the Company's use of the applicable premises, (ii) operations transfer agreements, in which the Company agrees to indemnify past operators of facilities against certain liabilities arising from the transfer of the operation and/or the operation thereof after the transfer to the Company or its subsidiary, (iii) certain lending agreements, under which the Company may be required to indemnify the lender against various claims and liabilities, (iv) certain agreements by and between the Company and/or its subsidiaries or affiliates, and (v) certain agreements with the Company officers, directors and others, under which the Company may be required to indemnify such persons for liabilities arising out of the nature of their relationship to the Company and/or its subsidiaries and affiliates. The terms of such obligations vary by contract and, in most instances, do not expressly state or include a specific or maximum dollar amount. Generally, amounts under these contracts cannot be reasonably estimated until a specific claim is asserted.

Note 17 – Subsequent Events

On July 4, 2025, President Donald Trump signed into law the One Big Beautiful Bill Act ("OBBBA"). The OBBBA makes permanent key elements of the Tax Cuts and Jobs Act, including 100% bonus depreciation, domestic research cost expensing, and the business interest expense limitation. ASC 740, *Income Taxes*, requires the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation is enacted. Consequently, as of the date of enactment, and during the year ended December 31, 2025, the Company will evaluate all deferred tax balances under the newly enacted tax law and identify any other changes required to its financial statements as a result of the OBBBA. The Company is still evaluating the impact of the OBBBA, and the results of such evaluations will be reflected on the Company's Form 10-K for the year ended December 31, 2025.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

References throughout this document to the Company include National HealthCare Corporation and its wholly owned subsidiaries. In accordance with the Securities and Exchange Commission's "Plain English" guidelines, this Quarterly Report on Form 10-Q has been written in the first person. In this document, the words "we", "our", "ours" and "us" refer only to National HealthCare Corporation and its wholly-owned subsidiaries and not any other person.

This Quarterly Report on Form 10-Q and other information we provide from time to time, contains certain "forward-looking" statements as that term is defined by the Private Securities Litigation Reform Act of 1995. All statements regarding our expected future financial position, results of operations or cash flows, continued performance improvements, ability to service and refinance our debt obligations, ability to finance growth opportunities, ability to control our patient care liability costs, ability to respond to changes in government regulations, ability to execute our three-year strategic plan, and similar statements including, without limitations, those containing words such as "believes", "anticipates", "expects", "intends", "estimates", "plans", and other similar expressions are forward-looking statements.

Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to differ materially from those projected or contemplated in the forward-looking statements as a result of, but not limited to, the following factors:

- national and local economic conditions, including their effect on the availability and cost of labor, utilities and materials;
- the effect of government regulations and changes in regulations governing the healthcare industry, including our compliance with such regulations;
- changes in Medicare and Medicaid payment levels and methodologies and the application of such methodologies by the government and its fiscal intermediaries;
- liabilities and other claims asserted against us, including patient care liabilities, as well as the resolution of current litigation (see Note 16: Contingencies and Commitments);
- the ability to attract and retain qualified personnel;
- the availability and terms of capital to fund acquisitions and capital improvements;

[Table of Contents](#)

- the competitive environment in which we operate;
- our need to make investments continually in our processes and information systems to protect the privacy of patients, partners and other persons and reduce the risk of successful cybersecurity attacks;
- damage to our reputation, regulatory penalties, legal claims and liability under state and federal laws that we could suffer upon any cybersecurity or privacy breaches;
- the ability to maintain and increase census levels; and
- demographic changes.

See the notes to the quarterly financial statements, and "Item 1. Business" in our 2024 Annual Report on Form 10-K for a discussion of various governmental regulations and other operating factors relating to the healthcare industry and the risk factors inherent in them. This may be found on our web site at www.nhccare.com. You should carefully consider these risks before making any investment in the Company. These risks and uncertainties are not the only ones facing us. There may be additional risks that we do not presently know of or that we currently deem immaterial. If any of the risks occur, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our shares of stock could decline, and you may lose all or part of your investment. Given these risks and uncertainties, we can give no assurances that these forward-looking statements will, in fact, transpire and, therefore, caution investors not to place undue reliance on them.

Overview

National HealthCare Corporation ("NHC" or the "Company") is a leading provider of senior health care services. As of June 30, 2025, we operate or manage, through certain affiliates, 80 skilled nursing facilities with a total of 10,329 licensed beds, 26 assisted living facilities with 1,413 units, nine independent living facilities, three behavioral health hospitals, 34 homecare agencies, and 33 hospice agencies. We operate specialized care units within certain of our healthcare centers such as Alzheimer's disease care units and sub-acute nursing units. In addition, we provide insurance services, management and accounting services, and we lease properties to operators of skilled nursing and assisted living facilities. We operate in 9 states and are located primarily in the southeastern United States.

Summary of Goals and Areas of Focus

Occupancy

A primary area of management focus continues to be the rates of occupancy within our skilled nursing facilities. The overall census in owned and leased skilled nursing facilities for the three months ending June 30, 2025 was 89.4% compared to 89.0% for the same period a year ago. For the six months ended June 30, 2025, overall census in our owned and leased skilled nursing facilities was 89.3% compared to 88.7% for the same period a year ago.

[Table of Contents](#)

Due to America's healthcare labor shortage, the challenge of maintaining desirable patient census levels has been amplified. Management has undertaken a number of steps in order to best position our current and future health care facilities. This includes working internally to examine and improve systems to be most responsive to referral sources and payors, as well as find creative initiatives to retain and attract qualified healthcare professionals. Additionally, NHC is in various stages of partnerships with hospital systems, payors, and other post-acute alliances to better position ourselves so we are an active participant in the delivery of post-acute healthcare services.

Quality of Patient Care

CMS introduced the Five-Star Quality Rating System to help consumers, their families and caregivers compare skilled nursing facilities more easily. The Five-Star Quality Rating System gives each skilled nursing operation a rating ranging between one and five stars in various categories (five stars being the best). The Company has always strived for patient-centered care and quality outcomes as precursors to outstanding financial performance.

The tables below summarize NHC's overall performance in these Five-Star ratings versus the skilled nursing industry as of June 30, 2025:

	NHC Ratings	Industry Ratings
Total number of skilled nursing facilities, end of period	80	
Number of 4 and 5-star rated skilled nursing facilities	48	
Percentage of 4 and 5-star rated skilled nursing facilities	60%	35%
Average rating for all skilled nursing facilities, end of period	3.7	2.9

Development and Growth

We are undertaking to expand our senior care operations while protecting our existing operations and markets. The following table lists our recent development activities.

Type of Operation	Description	Size	Location	Placed in Service
Hospice	New Agency	1 agency	Morristown, TN	April 2024
Hospice	New Agency	1 agency	Lawrenceburg, TN	July 2024
Hospice	New Agency	1 agency	Wytheville, VA	August 2024
Hospice	New Agency	1 agency	Clinton, TN	October 2024

On August 1, 2024, the Company purchased White Oak Management, Inc. ("White Oak"). The White Oak portfolio consists of 15 skilled nursing facilities, two assisted living facilities, four independent living facilities, and a long-term care pharmacy. The White Oak operations have 1,928 licensed skilled nursing beds, 48 assisted living units, and 302 independent living units in the states of South Carolina and North Carolina.

Accrued Risk Reserves

Our accrued professional liability and workers' compensation reserves totaled \$108,982,000 at June 30, 2025 and are a primary area of management focus. We have set aside restricted cash and cash equivalents and marketable securities to fund our estimated professional liability and workers' compensation liabilities.

As to exposure for professional liability claims, we have developed performance certification criteria to measure and bring focus to the patient care issues most likely to produce professional liability exposure, including in-house acquired pressure ulcers, significant weight loss and numbers of falls. These programs for certification, which we regularly modify and improve, have produced measurable improvements in reducing these incidents. Our experience is that achieving goals in these patient care areas improves both patient and employee satisfaction.

Government Reimbursement Programs

Medicare – Skilled Nursing Facilities

In July 2024, CMS released its final rule outlining fiscal year 2025 Medicare payment rates and policy changes for skilled nursing facilities, which began on October 1, 2024. The fiscal year 2025 rule equates to a net 4.2% increase in Medicare Part A payments to SNFs in fiscal year 2025 compared to 2024 levels. The rule includes a market basket increase of 3.0%, an increase of 1.7% to the market basket forecast error adjustment, and a negative 0.5% productivity adjustment. This final rule also changes CMS' enforcement policies to impose more equitable and consistent civil monetary penalties ("CMPs") for health and safety violations as part of the agency's ongoing work to increase the safety and care provided in America's nursing homes. CMS revised the regulation to expand the type of CMPs that can be imposed to allow for more per instance and per day CMPs to be imposed, as appropriate. The 2025 final rule also updated the SNF Quality Reporting Program ("QRP") to better account for adverse social conditions that negatively impact individuals' health or healthcare. CMS also finalized its proposal to adopt a data validation process for the SNF QRP beginning the same year.

In July 2025, CMS released its final rule outlining fiscal year 2026 Medicare payment rates and policy changes for skilled nursing facilities, which will begin on October 1, 2025. The fiscal year 2026 rule equates to a net 3.2% increase in Medicare Part A payments to SNFs in fiscal year 2026 compared to 2025 levels. The rule includes a market basket increase of 3.3%, an increase of 0.6% to the market basket forecast error adjustment, and a negative 0.7% productivity adjustment. These figures do not incorporate the SNF Value Based Purchasing ("VBP") reduction for certain SNFs subject to the net reduction in payments under the SNF VBP; those adjustments are estimated to total \$208.4 million in fiscal year 2026.

For the first six months of 2025, our average Medicare per diem rate for skilled nursing facilities increased 5.8% as compared to the same period in 2024.

Medicaid – Skilled Nursing Facilities

Effective July 1, 2025 and for the fiscal year 2026, the state of Tennessee implemented specific individual nursing facility increases. We estimate the resulting increase in revenue for the 2026 fiscal year will be approximately \$3,000,000 annually, or \$750,000 per quarter.

Effective October 1, 2025 and for the fiscal year 2026, the state of South Carolina implemented specific individual nursing facility increases. We estimate the resulting increase in revenue for the 2026 fiscal year will be approximately \$4,200,000 annually, or \$1,050,000 per quarter.

For the first six months of 2025, our average Medicaid per diem increased 7.2% compared to the same period in 2024.

State Medicaid plans subject to budget constraints are of particular concern to us. Changes in federal funding coupled with state budget problems and Medicaid expansion under the Affordable Care Act have produced an uncertain environment. Some states will not keep pace with post-acute healthcare inflation. States are currently under pressure to pursue other alternatives to skilled nursing care such as community and home-based services. Medicaid programs are funded jointly by the federal government and the states and are administered by states under approved plans. Most state Medicaid payments are made under a prospective payment system or under programs which negotiate payment levels with individual providers. Some states use, or have applied to use, waivers granted by CMS to implement expansion, impose different eligibility or enrollment restrictions, or otherwise implement programs that vary from federal standards.

Medicare – Homecare Programs

In November 2024, CMS released its final rule outlining fiscal year 2025 Medicare payment rates. CMS projects payments to home health agencies in fiscal year 2025 will increase by 0.5% or \$85 million, relative to the prior year. This increase reflects a 2.7% home health payment update, reduced by a 1.8% decrease that reflects the permanent behavior adjustment and an estimated 0.4% decrease that reflects the updated fixed-dollar loss ratio for outlier payments. As required by the Bipartisan Budget Act of 2018, this rule proposes a permanent prospective adjustment to the CY2025 home health payment rate to account for the impact of implementing the Patient-Driven Groupings Model ("PDGM"). This adjustment accounts for differences between assumed behavior changes and actual behavior changes on estimated aggregate expenditures due to the CY2020 implementation of PDGM and the change to a 30-day unit of payment.

In June 2025, CMS released its proposed rule outlining fiscal year 2026 Medicare payment rates. CMS projects payments to home health agencies in fiscal year 2026 will decrease by 6.4% or \$1.1 billion, relative to the prior year. This update includes a 3.2% market basket update, reduced by a 0.8 percentage point cut for productivity. The rule also includes several reductions that CMS proposes as necessary to achieve budget neutral implementation of PDGM, including a 4.1% permanent reduction to the standard payment rate to prevent future overpayments, as well as a temporary but indefinite 5.0% reduction to recoup past overpayments. CMS also proposes a 0.5% reduction related to high-cost outlier payments.

Medicare – Hospice

In July 2024, CMS released its final rule outlining fiscal year 2025 Medicare payment rates. CMS issued a rate increase of 2.9%, or \$790 million, effective October 1, 2024. This increase is the result of a 3.4% market basket increase reduced by a 0.5% productivity adjustment. The FY2025 hospice payment update also includes an update to the statutory aggregate cap amount, which limits the overall payments per patient that are made annually. The cap amount for FY2025 is \$34,465.

In April 2025, CMS released its proposed rule outlining fiscal year 2026 Medicare payment rates. CMS issued a rate increase of 2.4%, or \$695 million, effective October 1, 2025. This increase results from the proposed 3.2% inpatient hospital market basket percentage increase reduced by a proposed 0.8% point productivity adjustment, required by law. The FY2026 hospice payment update also includes an update to the statutory aggregate cap amount, which limits the overall payments per patient that are made annually. The proposed hospice cap amount for FY2026 is \$35,293.

Segment Reporting

The Company has two reportable operating segments: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals; and (2) homecare and hospice services. These reportable operating segments are consistent with information used by the Company's Chief Executive Officer, as chief operating decision maker ("CODM"), to assess performance and allocate resources. The Company also reports an "all other" category that includes revenues from rental income, management and accounting services fees, insurance services, and costs of the corporate office.

The Company's CODM evaluates performance including pretax earnings and allocates capital resources to each segment based on an operating model that is designed to improve the quality of patient care and profitability of the Company while enhancing long-term shareholder value. The CODM does not review assets by segment in his resource allocation and therefore, assets by segment are not disclosed below.

The following table sets forth the Company's unaudited interim condensed consolidated statements of operations by business segment (*in thousands*):

	Three Months Ended June 30, 2025			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	\$ 325,012	\$ 38,337	\$ -	\$ 363,349
Other revenues	430	-	11,131	11,561
Net operating revenues	325,442	38,337	11,131	374,910
Costs and expenses:				
Salaries, wages, and benefits	190,641	23,183	12,710	226,534
Other operating	83,450	7,046	1,447	91,943
Rent	8,828	581	1,919	11,328
Depreciation and amortization	10,099	131	785	11,015
Total costs and expenses	293,018	30,941	16,861	340,820
Income/(loss) from operations	32,424	7,396	(5,730)	34,090
Non-operating income	-	-	5,132	5,132
Interest expense	(1,993)	-	-	(1,993)
Unrealized losses on marketable equity securities	-	-	(5,061)	(5,061)
Income/(loss) before income taxes	\$ 30,431	\$ 7,396	\$ (5,659)	\$ 32,168

	Three Months Ended June 30, 2024			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	\$ 245,385	\$ 34,533	\$ -	\$ 279,918
Other revenues	324	-	10,971	11,295
Government stimulus income	-	-	9,445	9,445
Net operating revenues and grant income	245,709	34,533	20,416	300,658
Costs and expenses:				
Salaries, wages, and benefits	148,059	21,296	10,721	180,076
Other operating	66,813	6,394	4,947	78,154
Rent	8,262	567	1,741	10,570
Depreciation and amortization	8,383	186	769	9,338
Total costs and expenses	231,517	28,443	18,178	278,138
Income from operations	14,192	6,090	2,238	22,520
Non-operating income	-	-	4,956	4,956
Interest expense	-	-	-	-
Unrealized gains on marketable equity securities	-	-	9,124	9,124
Income before income taxes	\$ 14,192	\$ 6,090	\$ 16,318	\$ 36,600

	Six Months Ended June 30, 2025			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	\$ 650,490	\$ 74,466	\$ -	\$ 724,956
Other revenues	803	-	22,848	23,651
Net operating revenues and grant income	651,293	74,466	22,848	748,607
Costs and expenses:				
Salaries, wages, and benefits	383,078	45,587	25,999	454,664
Other operating	165,319	14,304	4,777	184,400
Rent	17,662	1,189	3,842	22,693
Depreciation and amortization	20,161	261	1,571	21,993
Total costs and expenses	586,220	61,341	36,189	683,750
Income/(loss) from operations	65,073	13,125	(13,341)	64,857
Non-operating income	-	-	9,211	9,211
Interest expense	(4,099)	-	-	(4,099)
Unrealized gains on marketable equity securities	-	-	5,921	5,921
Income before income taxes	\$ 60,974	\$ 13,125	\$ 1,791	\$ 75,890
Six Months Ended June 30, 2024				
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	\$ 497,638	\$ 68,103	\$ -	\$ 565,741
Other revenues	339	-	22,309	22,648
Government stimulus income	-	-	9,445	9,445
Net operating revenues and grant income	497,977	68,103	31,754	597,834
Costs and expenses:				
Salaries, wages, and benefits	298,949	42,305	21,960	363,214
Other operating	135,496	12,367	7,720	155,583
Rent	16,374	1,133	3,411	20,918
Depreciation and amortization	18,013	374	1,537	19,924
Total costs and expenses	468,832	56,179	34,628	559,639
Income/(loss) from operations	29,145	11,924	(2,874)	38,195
Non-operating income	-	-	10,641	10,641
Interest expense	(46)	-	-	(46)
Unrealized gains on marketable equity securities	-	-	23,523	23,523
Income before income taxes	\$ 29,099	\$ 11,924	\$ 31,290	\$ 72,313

Results of Operations

The following table and discussion set forth items from the interim condensed consolidated statements of operations as a percentage of net operating revenues and grant income for the three and six months ended June 30, 2025 and 2024.

Percentage of Net Operating Revenues

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Net operating revenues and grant income	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Salaries, wages, and benefits	60.4	59.9	60.7	60.8
Other operating	24.5	26.0	24.7	26.0
Facility rent	3.0	3.5	3.0	3.5
Depreciation and amortization	3.0	3.0	2.9	3.2
Total costs and expenses	90.9	92.4	91.3	93.5
Income from operations	9.1	7.6	8.7	6.5
Non-operating income	1.4	1.6	1.2	1.8
Interest expense	(0.5)	(0.1)	(0.6)	(0.1)
Unrealized gains/(losses) on marketable equity securities	(1.4)	3.1	0.8	3.9
Income before income taxes	8.6	12.2	10.1	12.1
Income tax provision	(2.2)	(3.2)	(2.5)	(3.1)
Net income	6.4	9.0	7.6	9.0
Net income attributable to noncontrolling interest	(0.1)	(0.1)	(0.1)	(0.1)
Net income attributable to stockholders of NHC	6.3	8.9	7.5	8.9

Three Months Ended June 30, 2025 Compared to Three Months Ended June 30, 2024

Results for the quarter ended June 30, 2025 compared to the second quarter of 2024 include a 24.7% increase in net operating revenues and grant income. The net operating revenues increase was due to a 9.6% increase in same-facility net operating revenues, as well as the August 1, 2024 acquisition of White Oak.

For the quarter ended June 30, 2025, GAAP net income attributable to NHC was \$23,722,000 compared to net income of \$26,844,000 for the same period in 2024. Excluding the unrealized gains and losses in our marketable equity securities portfolio and other non-GAAP adjustments, adjusted net income for the quarter ended June 30, 2025 was \$25,710,000 compared to \$15,612,000 for the same period in 2024, an increase of 64.7%. The increase in non-GAAP earnings for the three months ended June 30, 2025 compared to the same period in 2024 was primarily due to the continued increase in skilled nursing census, skilled nursing per diem increases from some of our government payors, the continued reduction of agency staffing expense, and the White Oak operations being accretive to earnings.

Net operating revenues and grant income

Net patient revenues increased \$83,431,000, or 29.8%, compared to the same period last year.

The total census at owned and leased skilled nursing facilities for the quarter averaged 89.4%, compared to an average of 89.0% for the same quarter a year ago. Overall, the composite skilled nursing facility per diem increased 6.7% compared to the same quarter a year ago. Our Medicare per diem rates increased 6.4% and managed care per diem rates increased 8.5% compared to the same quarter a year ago. Medicaid and private pay per diem rates increased 8.3% and 9.1%, respectively, compared to the same quarter a year ago. For the three months ended June 30, 2025 and 2024, respectively, \$1,812,000 and \$2,585,000 have been included in our net patient revenues for supplemental Medicaid payments.

The White Oak operations attributed to an increase of \$56,855,000 in net patient revenues for the quarter ended June 30, 2025 compared to the same period in 2024.

Other revenues increased \$266,000, or 2.4%, compared to the same quarter last year, as further detailed in Note 4 to our interim condensed consolidated financial statements.

Total costs and expenses

Total costs and expenses for the three months ended June 30, 2025 compared to the same period of 2024 increased \$62,682,000, or 22.5% to \$340,820,000 from \$278,138,000.

Salaries, wages, and benefits increased \$46,458,000, or 25.8%, to \$226,534,000 from \$180,076,000. Salaries, wages, and benefits as a percentage of net operating revenues was 60.4% compared to 59.9% for the three months ended June 30, 2025 and 2024, respectively. Although we continue to face workforce and labor shortages within all of our operations, we are working diligently to find solutions to reduce and eliminate agency nurse staffing expense within our healthcare operations. For the second quarter of 2025, our agency nurse staffing expense was \$981,000 compared to \$4,098,000 for the second quarter of 2024.

The White Oak operations attributed to an increase of \$37,564,000 in salaries, wages, and benefits for the three months ended June 30, 2025 compared to the same period in the prior year.

Other operating expenses increased \$13,789,000, or 17.6%, to \$91,943,000 for the 2025 period compared to \$78,154,000 for the 2024 period. Other operating expenses as a percentage of net operating revenues was 24.5% and 26.0% for the three months ended June 30, 2025 and 2024, respectively. The White Oak operations attributed to an increase of \$12,815,000 in other operating expenses for the three months ended June 30, 2025 as compared to the same period in the prior year.

During the second quarter of 2025, we contributed land to a newly-formed limited liability company resulting in an equity interest in the new entity. The fair value of the land contributed to the new entity was \$5,625,000. The related cost basis of the contributed land was \$2,019,000, which resulted in a gain of \$3,606,000. This gain was netted with other operating expenses resulting in a decrease of \$3,606,000 in other operating expenses as compared to the same period in the prior year.

Other income

Non-operating income increased by \$176,000 compared to the same period last year, as further detailed in Note 5 to our interim condensed consolidated financial statements.

Income taxes

The income tax provision for the three months ended June 30, 2025 is \$8,055,000 (an effective income tax rate of 25.0%).

Noncontrolling interest

The noncontrolling interest in subsidiaries is presented within total equity of the Company's consolidated balance sheets. The Company presents the noncontrolling interest and the amount of consolidated net income attributable to NHC in its consolidated statements of operations. The Company's earnings per share is calculated based on net income attributable to NHC's stockholders. The carrying amount of the noncontrolling interest is adjusted based on an allocation of subsidiary earnings based on ownership interest.

Six Months Ended June 30, 2025 Compared to Six Months Ended June 30, 2024

Results for the six months ended June 30, 2025 compared to the same period of 2024 include a 25.2% increase in net operating revenues and grant income. The net operating revenues increase was due to a 9.5% increase in same-facility net operating revenues, as well as the August 1, 2024 acquisition of White Oak.

For the six months ended June 30, 2025, GAAP net income attributable to NHC was \$55,927,000 compared to net income of \$53,057,000 for the same period in 2024. Excluding the unrealized gains in our marketable equity securities portfolio and other non-GAAP adjustments, adjusted net income for the six months ended June 30, 2025 was \$50,549,000 compared to \$30,998,000 for the same period in 2024, an increase of 63.1%. The increase in non-GAAP earnings for the six months ended June 30, 2025 compared to the same period in 2024 was primarily due to the continued increase in skilled nursing census, skilled nursing per diem increases from some of our government payors, the continued reduction of agency staffing expense, and the White Oak operations being accretive to earnings.

Net operating revenues and grant income

Net patient revenues increased \$159,215,000, or 28.1%, compared to the same period last year.

The total census at owned and leased skilled nursing facilities for the six months ended June 30, 2025 averaged 89.3%, compared to an average of 88.7% for the same period a year ago. Overall, the composite skilled nursing facility per diem increased 5.7% compared to the same period a year ago. Our Medicare per diem rates increased 5.8% and managed care per diem rates increased 6.5% compared to the same period a year ago. Medicaid and private pay per diem rates increased 7.2% and 9.3%, respectively, compared to the same period a year ago. For the six months ended June 30, 2025 and 2024, respectively, \$3,684,000 and \$6,047,000 have been included in our net patient revenues for supplemental Medicaid payments.

The White Oak operations attributed to an increase of \$113,580,000 in net patient revenues for the six months ended June 30, 2025 compared to the same period in 2024. On March 1, 2024, the Company exited a lease and transferred the operations of two skilled nursing facilities and one memory care facility located in Missouri. The exiting of these operations in 2024 resulted in net patient revenues decreasing \$5,579,000 for the six months ended June 30, 2025 compared to the same period a year ago.

Other revenues increased \$1,003,000, or 4.4%, compared to the same period last year, as further detailed in Note 4 to our interim condensed consolidated financial statements.

Total costs and expenses

Total costs and expenses for the six months ended June 30, 2025 compared to the same period of 2024 increased \$124,111,000, or 22.2% to \$683,750,000 from \$559,639,000.

Salaries, wages, and benefits increased \$91,450,000, or 25.2%, to \$454,664,000 from \$363,214,000. Salaries, wages, and benefits as a percentage of net operating revenues was 60.7% compared to 60.8% for the six months ended June 30, 2025 and 2024, respectively. Although we continue to face workforce and labor shortages within all of our operations, we are working diligently to find solutions to reduce and eliminate agency nurse staffing expense within our healthcare operations. For the six months ended June 30, 2025, our agency nurse staffing expense was \$2,468,000 compared to \$9,384,000 for the same period of 2024.

The White Oak operations attributed to an increase of \$74,583,000 in salaries, wages, and benefits for the six months ended June 30, 2025 compared to the same period in the prior year. On March 1, 2024, the Company exited a lease and transferred the operations of two skilled nursing facilities and one memory care facility located in Missouri. The exiting of these operations in 2024 resulted in salaries, wages and benefits decreasing \$4,009,000 for the six months ended June 30, 2025 compared to the same period of 2024.

Other operating expenses increased \$28,817,000, or 18.5%, to \$184,400,000 for the 2025 period compared to \$155,583,000 for the 2024 period. Other operating expenses as a percentage of net operating revenues was 24.6% and 26.0% for the six months ended June 30, 2025 and 2024, respectively. The White Oak operations attributed to an increase of \$25,584,000 in other operating expenses for the six months ended June 30, 2025 as compared to the same period in the prior year. The three exited Missouri operations during the first quarter of 2024 resulted in other operating expenses decreasing \$2,281,000 for the six months ended June 30, 2025 compared to the same period last year.

During the second quarter of 2025, we contributed land to a newly-formed limited liability company resulting in an equity interest in the new entity. The fair value of the land contributed to the new entity was \$5,625,000. The related cost basis of the contributed land was \$2,019,000, which resulted in a gain of \$3,606,000. This gain was netted with other operating expenses resulting in a decrease of \$3,606,000 in other operating expenses as compared to the same period in the prior year.

Other income

Non-operating income decreased by \$1,430,000 compared to the same period last year, as further detailed in Note 5 to our interim condensed consolidated financial statements. In January 2024, the Company sold its ownership interest in a homecare agency located in Nashville, Tennessee. The total consideration paid to the company was \$2,100,000, which resulted in a gain of \$1,024,000

Income taxes

The income tax provision for the six months ended June 30, 2025 is \$19,487,000 (an effective income tax rate of 25.7%).

Non-GAAP Financial Presentation

The Company is providing certain non-GAAP financial measures as the Company believes that these figures are helpful in allowing investors to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently across periods. Therefore, the Company believes this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Specifically, the Company believes the presentation of non-GAAP financial information that excludes the unrealized gains or losses on our marketable equity securities, gains on sale of unconsolidated companies, gains on sale of property and equipment, and share-based compensation expense is helpful in allowing investors to assess the Company's operations more accurately.

The tables below provide reconciliations of GAAP to non-GAAP items (dollars in thousands, except per share data):

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Net income attributable to National Healthcare Corporation	\$ 23,722	\$ 26,844	\$ 55,927	\$ 53,057
Non-GAAP adjustments:				
Unrealized (gains)/losses on marketable equity securities	5,061	(9,124)	(5,921)	(23,523)
Operating results for newly opened facilities or agencies not at full capacity	-	20	-	20
Share-based compensation expense	1,232	1,176	2,260	1,969
Gain on sale of property and equipment	(3,606)	-	(3,606)	-
Gain on sale of unconsolidated company	-	-	-	(1,024)
Acquisition-related expenses	-	2,194	-	2,194
Employee retention credit	-	(9,445)	-	(9,445)
Income tax expense/(benefit) on non-GAAP adjustments	(699)	3,947	1,889	7,750
Non-GAAP Net income	<u>\$ 25,710</u>	<u>\$ 15,612</u>	<u>\$ 50,549</u>	<u>\$ 30,998</u>
GAAP diluted earnings per share	\$ 1.52	\$ 1.73	\$ 3.59	\$ 3.42
Non-GAAP adjustments:				
Unrealized (gains)/losses on marketable equity securities	0.32	(0.59)	(0.38)	(1.51)
Operating results for newly opened facilities or agencies not at full capacity	-	-	-	-
Share-based compensation expense	0.08	0.08	0.14	0.13
Gain on sale of property and equipment	(0.23)	-	(0.23)	-
Gain on sale of unconsolidated company	-	-	-	(0.07)
Acquisition-related expenses	-	0.14	-	0.14
Employee retention credit	-	(0.61)	-	(0.61)
Income tax expense/(benefit) on non-GAAP adjustments	(0.04)	0.25	0.12	0.50
Non-GAAP diluted earnings per share	<u>\$ 1.65</u>	<u>\$ 1.00</u>	<u>\$ 3.24</u>	<u>\$ 2.00</u>

Liquidity, Capital Resources, and Financial Condition

Our primary sources of cash include revenues from the operations of our healthcare and senior living facilities, management and accounting services, rental income, and investment income. Our primary uses of cash include salaries, wages and other operating costs of our healthcare and senior living facilities, the cost of additions to and acquisitions of real property, facility rent expenses, and dividend distributions. These sources and uses of cash are reflected in our interim condensed consolidated statements of cash flows and are discussed in further detail below.

The following is a summary of our sources and uses of cash flows (*dollars in thousands*):

	Six Months Ended June 30		Six Month Change	
	2025	2024	\$	%
Cash, cash equivalents, restricted cash, and restricted cash equivalents, at beginning of period	\$ 96,922	\$ 125,968	\$ (29,046)	(23.1)%
Cash provided by operating activities	102,074	60,307	41,767	69.3
Cash used in investing activities	(22,902)	(990)	(21,912)	(2,213.3)
Cash used in financing activities	(45,732)	(19,680)	(26,052)	(132.4)
Cash, cash equivalents, restricted cash, and restricted cash equivalents, at end of period	<u>\$ 130,362</u>	<u>\$ 165,605</u>	<u>\$ (35,243)</u>	<u>(21.3)%</u>

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2025 was \$102,074,000 as compared to \$60,307,000 in the same period last year. Cash provided by operating activities consisted of net income of \$56,403,000 and adjustments for non-cash items of \$12,704,000. There was cash provided by working capital in the amount of \$32,831,000 for the six months ended June 30, 2025 compared to \$4,052,000 for the same period a year ago.

Included in the adjustments for non-cash items are depreciation expense, equity in earnings of unconsolidated investments, unrealized gains on our marketable equity securities, gain on sale of an unconsolidated company, gain on sale of property and equipment, deferred taxes, and stock compensation.

Investing Activities

Net cash used in investing activities totaled \$22,902,000 for the six months ended June 30, 2025, compared to \$990,000 for the six months ended June 30, 2024. Cash used for property and equipment additions was \$16,341,000 and \$13,788,000 for the six months ended June 30, 2025, and 2024, respectively. Purchases, net of proceeds from sales, of marketable securities resulted in cash used in investing activities of \$3,821,000 for the six months ended June 30, 2025. Proceeds from the sale of marketable securities, net of purchases, resulted in cash provided by investing activities of \$15,764,000 for the six months ended June 30, 2024.

For the six months ended June 30, 2025, we contributed capital of \$2,419,000 to a joint venture, multi-family development that is under construction in Franklin, Tennessee compared to \$4,856,000 for the same period in the prior year. We also contributed capital of \$786,000 to a joint venture, multi-family development in Hermitage, Tennessee during the second quarter of 2025. In January 2024, the Company sold its ownership interest in a homecare agency resulting in proceeds from the sale of \$2,100,000.

Financing Activities

Net cash used in financing activities totaled \$45,732,000 for the six months ended June 30, 2025 compared to \$19,680,000 for the six months ended June 30, 2024. During the first six months of 2025, cash of \$27,000,000 was used to pay down the outstanding principal balance of the long-term debt. Cash used for dividend payments to common stockholders totaled \$18,854,000 in the current year period compared to \$18,137,000 for the same period a year ago. Proceeds from the issuance of common stock totaled \$6,462,000 and \$11,239,000 for the six months ended June 30, 2025 and 2024, respectively. We repurchased common shares outstanding in the amount of \$6,384,000 and \$11,402,000 for the six months ended June 30, 2025 and 2024, respectively.

Short-term liquidity

We expect to meet our short-term liquidity requirements primarily from our cash flows from operating activities. In addition to cash flows from operations, we have current cash on hand of \$110,992,000 and unrestricted marketable equity securities of \$146,636,000. We also have unencumbered real estate and the borrowing capacity on our \$50 million available line of credit. We believe these various resources are adequate to meet our contractual obligations and growth and development plans in the next twelve months.

Long-term liquidity

We expect to meet our long-term liquidity requirements primarily from our cash flows from operating activities, our current cash on hand of \$110,992,000, our unrestricted marketable equity securities of \$146,636,000, and our borrowing capacity on the \$50 million available line of credit. We also have substantial value in our unencumbered real estate assets, which could potentially be used as collateral in future borrowing opportunities.

Our ability to meet our long-term contractual obligations, and to finance our operating requirements and growth plans will depend upon our future performance. Our future performance will be affected by business, economic, financial and other factors, including potential changes in state and federal government payment rates for healthcare, customer demand, success of our marketing efforts, pressures from competitors, and the state of the economy, including the state of financial and credit markets, as well as many unforeseen factors.

Commitment and Contingencies

Governmental Regulations

Laws and regulations governing Medicare, Medicaid and other federal healthcare programs are complex and subject to interpretation. Management believes that it is following all applicable laws and regulations in all material respects. However, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusions from the Medicare, Medicaid, and other federal healthcare programs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the potential economic loss arising from adverse changes in the fair value of financial instruments. Currently, our exposure to market risk relates primarily to our fixed-income and equity portfolios. These investment portfolios are exposed primarily to, but not limited to, interest rate risk, credit risk, equity price risk, and concentration risk. We also have exposure to market risk that includes our cash and cash equivalents. The Company's senior management has established comprehensive risk management policies and procedures to manage these market risks.

Interest Rate Risk

The fair values of our fixed-income investments fluctuate in response to changes in market interest rates. Increases and decreases in prevailing interest rates generally translate into decreases and increases, respectively, in the fair values of those instruments. Additionally, the fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, the liquidity of the instrument and other general market conditions. At June 30, 2025, we have available for sale marketable debt securities in the amount of \$133,701,000. The fixed maturity portfolio is comprised of investments with primarily short-term and intermediate-term maturities. The fixed maturity portfolio allows our insurance company subsidiaries to achieve an adequate risk-adjusted return while maintaining sufficient liquidity to meet obligations.

Our cash and cash equivalents consist of highly liquid investments with a maturity of less than three months when purchased. As a result of the short-term nature of our cash instruments, a hypothetical 1% change in interest rates would have minimal impact on our future earnings and cash flows related to these instruments.

Our credit facility exposes us to variability in interest payments due to changes in Secured Overnight Financing Rate ("SOFR") interest rates. We manage our exposure to this interest rate risk by monitoring available financing alternatives. Our credit agreement requires principal and interest payments to be paid through maturity, pursuant to the amortization schedule.

We do not currently use any derivative instruments to hedge our interest rate exposure. We have not used derivative instruments for trading purposes and the use of such instruments in the future would be subject to approvals by the Investment Committee of the Board of Directors.

Credit Risk

Credit risk is managed by diversifying the fixed maturity portfolio to avoid concentrations in any single industry group or issuer and by limiting investments in securities with lower credit ratings.

Equity Price and Concentration Risk

Our marketable equity securities are recorded at their fair market value based on quoted market prices. Thus, there is exposure to equity price risk, which is the potential change in fair value due to a change in quoted market prices. At June 30, 2025, the fair value of our marketable equity securities is approximately \$162,905,000. Of the \$162.9 million equity securities portfolio, our investment in NHI comprises approximately \$114.3 million, or 70.2%, of the total fair value. We manage our exposure to NHI by closely monitoring the financial condition, performance, and outlook of the company. Hypothetically, a 10% change in quoted market prices would result in a related increase or decrease in the fair value of our equity investments of approximately \$16.3 million. At June 30, 2025, our equity securities had net unrealized gains of \$120.5 million. Of the \$120.5 million of net unrealized gains, \$89.6 million is related to our investment in NHI.

Item 4. Controls and Procedures.

As of June 30, 2025, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2025.

During the period covered by this report, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

For a discussion of prior, current, and pending litigation of material significance to NHC, please see Note 16 of this Form 10-Q.

Item 1A. Risk Factors.

During the six months ended June 30, 2025, there were no material changes to the risk factors that were disclosed in Item 1A of National HealthCare Corporation's Annual Report on Form 10-K for the year ended December 31, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

- Item 6. Exhibits.**
- (a) List of exhibits

EXHIBIT INDEX

Exhibit No.	Description
3.1.1	Certificate of Incorporation of National HealthCare Corporation (Incorporated by reference to Exhibit 3.1 to the Registrant's registration statement on Form S-4 (File No. 333-37185) dated October 3, 1997.)
3.1.2	Certificate of Amendment to the Certificate of Incorporation of National HealthCare Corporation (Incorporated by reference to Exhibit 3.5 to the quarterly report on Form 10-Q filed on August 3, 2017.)
3.4	Restated Bylaws as amended February 14, 2013 (Incorporated by reference to Exhibit 3.5 to the quarterly report on Form 10-Q filed on May 8, 2013.)
4.1	Form of Common Stock (Incorporated by reference to Exhibit 4.1 to the quarterly report on Form 10-Q filed on August 3, 2017.)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32	Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer and Chief Financial Officer
101.INS	Inline 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 File (embedded within the Inline XBRL document and include in Exhibit 101)

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.

NATIONAL HEALTHCARE CORPORATION
(Registrant)

Date: August 7, 2025

/s/ Stephen F. Flatt

Stephen F. Flatt
Chief Executive Officer

Date: August 7, 2025

/s/ Brian F. Kidd

Brian F. Kidd
Senior Vice President and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Stephen F. Flatt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National HealthCare Corporation;
2. Based on my knowledge, this quarterly 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 quarterly 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 function):
 - 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.

Date: August 7, 2025

/s/ Stephen F. Flatt

Stephen F. Flatt
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Brian F. Kidd, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National HealthCare Corporation;
2. Based on my knowledge, this quarterly 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 quarterly 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 function):
 - 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.

Date: August 7, 2025

/s/ Brian F. Kidd

Brian F. Kidd

Senior Vice President and Chief Financial Officer

Exhibit 32

**Certification of Quarterly Report on Form 10-Q
of National HealthCare Corporation
For the Quarter Ended June 30, 2025**

The undersigned hereby certify, pursuant to 18 U.S.C. Section 906 of the Sarbanes-Oxley Act of 2002, that, to the undersigned's best knowledge and belief, the Quarterly Report on Form 10-Q for National HealthCare Corporation ("Issuer") for the period ending June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

- (a) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

This Certification accompanies the Quarterly Report on Form 10-Q of the Issuer for the quarterly period ended June 30, 2025.

This Certification is executed as of August 7, 2025.

/s/ Stephen F. Flatt
Stephen F. Flatt
Chief Executive Officer

/s/ Brian F. Kidd
Brian F. Kidd
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.