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

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FORM 10-K

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

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 001-09848

ALMOST FAMILY, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**06-1153720**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

9510 Ormsby Station Road, Suite 300, Louisville, Kentucky 40223
(Address of principal executive offices)

(502) 891-1000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act
Title of Each Class
Common Stock, par value $.10 per share, with Preferred Stock Purchase Rights

Name of Each Exchange on Which Registered:
NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [ ] No [X]

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 [ ]

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]

(Do not check if a smaller reporting company)

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

As of June 30, 2008, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $189,198,033 based on the last sale price of a share of the common stock as of June 30, 2008 ($26.60), as reported by the NASDAQ Global Market.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 6, 2009
Common Stock, $.10 par value per share	8,175,473 Shares

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's Annual Meeting of Stockholders is incorporated by reference in Part III to the extent described therein.

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In this report, the terms "Company," "we," "us" or "our" mean Almost Family, Inc. and all subsidiaries included in our consolidated financial statements.

Special Caution Regarding Forward-Looking Statements

Certain statements contained in this annual report on Form 10-K, including, without limitation, statements containing the words "believes," "anticipates," "intends," "expects," "assumes," "trends" and similar expressions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon the Company's current plans, expectations and projections about future events. However, such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others, the following:

- general economic and business conditions;
- demographic changes;
- changes in, or failure to comply with, existing governmental regulations;
- legislative proposals for healthcare reform;
- changes in Medicare and Medicaid reimbursement levels
- effects of competition in the markets in which the Company operates;
- liability and other claims asserted against the Company;
- ability to attract and retain qualified personnel;
- availability and terms of capital;
- loss of significant contracts or reduction in revenues associated with major payer sources;
- ability of customers to pay for services;
- business disruption due to natural disasters or terrorist acts;
- ability to successfully integrate the operations of acquired businesses and achieve expected synergies and operating efficiencies from the acquisition, in each case within expected time-frames or at all;
- significant deterioration in economic conditions and significant market volatility;
- effect on liquidity of the Company's financing arrangements; and,
- changes in estimates and judgments associated with critical accounting policies and estimates.

For a detailed discussion of these and other factors that could cause the Company's actual results to differ materially from the results contemplated by the forward-looking statements, please refer to Item 1A. "Risk Factors" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. Except as required under the federal securities laws and the rules and regulations of the Securities and Exchange Commission ("SEC"), the Company does not intend to publicly release any revisions to forward-looking statements to reflect unforeseen or other events after the date of this report. The Company has provided a detailed discussion of risk factors within this annual report on Form 10-K and various filings with the SEC. The reader is encouraged to review these risk factors and filings.

PART I

ITEM 1. BUSINESS

Introduction

Almost Family, Inc. ™ and subsidiaries (collectively "*Almost Family*") is a leading, regionally focused provider of home health services. We have service locations in Florida, Kentucky, Connecticut, New Jersey, Ohio, Massachusetts, Alabama, Missouri, Illinois, Pennsylvania and Indiana (in order of pro forma revenue significance).

We were incorporated in Delaware in 1985. Through a predecessor merged into the Company in 1991, we have been providing health care services, primarily home health care, since 1976. On January 31, 2000, we changed the Company's name to *Almost Family, Inc.* from Caretenders ® HealthCorp. We reported approximately $213 million of revenues from continuing operations in the year ended December 31, 2008. Unless otherwise indicated, the financial information included in Part I is for continuing operations.

Website Access to Our Reports

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on our website at www.almostfamily.com as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. Also, copies of our annual report will be made available, free of charge, upon written request. Information contained on Almost Family's website is not part of this annual report on Form 10-K and is not incorporated by reference in this document.

How We Are Currently Organized and Operate

The Company has two reportable segments, Visiting Nurse (VN) and Personal Care (PC). Reportable segments have been identified based upon how management has organized the business by services provided to customers and the criteria in Statement of Financial Accounting Standards ("SFAS") No. 131, Disclosures about Segments of an Enterprise and Related Information.

Our VN segment provides a comprehensive range of Medicare-certified home health nursing services to patients in need of recuperative care, typically following a period of hospitalization or care in another type of inpatient facility. Our services are often provided to patients in lieu of additional care in other settings, such as long term acute care hospitals, inpatient rehabilitation hospitals or skilled nursing facilities. Our nurses, therapists, medical social workers and home health aides work closely with patients and their families to design and implement an individualized treatment response to a physician-prescribed plan of care. We also offer specialty programs based on local needs, such as our Cardiocare Program, Frail Elderly Care Management, Orthopedic Program, Urology Program, Optimum Balance Program, and Telehealth Monitoring Program. VN Medicare revenues are generated on a per episode basis rather than a fee per visit or hourly basis. Approximately 91% of the VN segment revenues are generated from the Medicare program while the balance is generated from Medicaid and private insurance programs.

Our PC segment provides services in patients' homes on an as-needed, hourly, or live-in basis. These services include personal care, medication management, meal preparation, caregiver respite and homemaking. Our services are often provided to patients who would otherwise be admitted to skilled nursing facilities for long term custodial care. PC revenues are generated on an hourly basis. Approximately 74% of the PC segment revenues are generated from Medicaid and other government programs while the balance is generated from insurance programs and private pay patients.

Additional financial information about our segments can be found in Note 11 of our consolidated financial statements and related notes included elsewhere in this Form 10-K.

Our View on Reimbursement and Diversification of Risk

Our Company is highly dependent on government reimbursement programs which pay for the majority of the services we provide to our patients. Reimbursement under these programs, primarily Medicare and Medicaid, is subject to frequent changes as policy makers balance constituents' needs for health care services within the constraints of the specific government's fiscal budgets.

We believe that an important key to our historical success and to our future success is our ability to adapt our operations to meet changes in reimbursement as they occur. One important way in which we have achieved this adaptability in the past, and in which we plan to achieve it in the future, is to maintain some level of diversification in our business mix.

The execution of our business plan will place primary emphasis on the development of our Visiting Nurse operations. Our Personal Care operation will help us maintain a level of diversification of reimbursement risk that we believe is appropriate.

Our Business Plan

Our future success depends on our ability to execute our business plan. Over the next three to five years we will try to accomplish the following:

- Generate meaningful same store sales growth through the focused provision of high quality services and attending to the needs of our patients;
- Expand the significance of our Visiting Nurse, Medicare-based, home health services by selectively acquiring other quality providers, and through the startup of new agencies; and
- Expand our capital base through both earnings performance and by seeking additional capital investments in our Company.

Overview of Our Services

Visiting Nurse Services (VN)

Our Visiting Nurse services consist primarily of the provision of skilled in-home medical services to patients in need of short-term recuperative health care. A majority of our patients receive this care immediately following a period of hospitalization or care in another type of in-patient facility. We operate forty-one (41) Medicare-certified home health agencies with a total of seventy-four (74) locations. In the year ended December 31, 2008, approximately 91% of our visiting nurse segment revenues were derived from the Federal Medicare program.

Our Visiting Nurse segment provides a comprehensive range of Medicare-certified home health nursing services. We also receive payment from Medicaid and private insurance companies. Our professional staff includes registered nurses, licensed practical nurses, physical, speech and occupational therapists, and medical social workers. They monitor medical treatment plans prescribed by physicians. Our professional staff is subject to state licensing requirements in the particular states in which they practice. Para-professional staff members (primarily home health aides) also provide care to these patients.

Our Visiting Nurse segment operations located in Florida normally experience higher admissions during the first quarter and lower admissions during the third quarter than in the other quarters due to seasonal population fluctuations.

Personal Care Services (PC)

Our PC segment services are also provided in patients' homes. These services (generally provided by para-professional staff such as home health aides) are generally of a custodial rather than skilled nature. PC revenues are generated on an hourly basis. We currently operate twenty-three (23) personal care locations.

As of December 31, 2008, our operating locations were as follows:

Geographic Clusters	Visiting Nurse Branches	Personal Care Branches
Southeast:		
Florida	37	7
Alabama	2	1
Northeast		
Connecticut	4	6
New Jersey	3	-
Massachusetts	2	1
Pennsylvania	1	-
Midwest		
Kentucky	11	4
Ohio	7	4
Missouri	2	-
Illinois	3	-
Indiana	2	-
Total	74	23

Compensation for Services

We are compensated for our services by (i) Medicare (Visiting Nurse only), (ii) Medicaid (iii) other third party payors (e.g. insurance companies and other sources), and (iv) private pay (paid by personal funds). The rates of reimbursement we receive from Medicare, Medicaid and Other Government programs are generally dictated by those programs. In determining charge rates for goods and services provided to our other customers, we evaluate several factors including cost and market competition. We sometimes negotiate contract rates with third party providers such as insurance companies.

Our reliance on government sponsored reimbursement programs makes us vulnerable to possible legislative and administrative regulations and budget cut-backs that could adversely affect the number of persons eligible for such programs, the amount of allowed reimbursements or other aspects of the program, any of which could materially affect us. In addition, loss of certification or qualification under Medicare or Medicaid programs could materially affect our ability to effectively market our services.

The following table sets forth our revenues from continuing operations derived from each major class of payor during the indicated periods (by percentage of net revenues):

Payor Group	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Medicare	73.8%	67.4%	56.2%
Medicaid and Other Government Programs	18.4%	23.4%	30.8%
Insurance and private pay	7.8%	9.2%	13.0%

Medicare revenues are earned only in our VN segment where they account for 91% of segment revenues. Historical changes in payment sources are primarily a result of changes in the types of customers we attract.

See "Government Regulation" and "Risk Factors." We will monitor the effects of such items and may consider modifications to our expansion and development strategy when and if necessary.

Acquisitions

The Company has completed several acquisitions over the past three fiscal years and will continue to acquire other quality providers of Medicare-certified home health services. We may consider acquisitions of businesses that provide health care services similar to those we currently offer in our Personal Care segment but we expect most of our acquisition activity to be focused on Visiting Nurse operations.

Factors which may affect future acquisition decisions include, but are not limited to, the quality and potential profitability of the business under consideration, and our profitability and ability to finance the transaction.

Acquisitions During 2008

During 2008 the Company acquired 11 visiting nurse branch locations. These operations added to our market presence in Florida, Connecticut and Ohio and gave us market presence in New Jersey and Pennsylvania.

On November 26, 2008, the Company acquired the Kentucky Certificate of Need and home health license of the Medicare-certified health agency formerly operated by Hardin Memorial Hospital.

On November 14, 2008, the Company acquired the assets of the Medicare-certified home health agency owned by Fairfield Medical Center in Ohio. The agency generated approximately $1.2 million of Medicare revenues in 2007.

On August 1, 2008, the Company acquired the stock of Patient Care, Inc. ("Patient Care"). Patient Care and its subsidiaries own and operate eight Medicare-certified home health agency locations in New Jersey, Connecticut, and Pennsylvania. In 2007, Patient Care's annual revenues were approximately $47.8 million. The total purchase price for the stock was $45.2 million in cash, reduced by a working capital adjustment of $4.4 million for a net purchase price of $40.8 million. The Company also provided an insurer of Patient Care a $4.7 million letter of credit as collateral for its large-deductible workers compensation exposure. The cash portion of the transaction paid at closing plus the letter of credit was funded from the Company's existing cash and borrowings available on the Company's senior credit facility with JP Morgan Chase Bank, NA.

On March 26, 2008, the Company acquired the fixed assets of all the home health agencies owned by Apex Home Healthcare Services, LLC ("Apex Home Healthcare"), the assets of the healthcare rehabilitation business owned by Apex Health and Rehab Center LLC, the assets of the healthcare staffing business owned by Apex Healthcare Solutions, LLC and the assets of the home care physician practice owned by Apex House Call Doctors, LLC for a purchase price of $16.1 million, consisting of $12.1 million in cash, two promissory notes totaling $3 million plus $1 million in value of Almost Family common stock (47,619 shares-restricted). The cash portion of the transaction was funded from borrowings available on the Company's senior credit facility with JP Morgan Chase Bank, NA. Apex's annual revenues were approximately $16.2 million in 2007.

Acquisitions During 2007

During 2007 the Company acquired 5 visiting nurse branch locations. These operations added to our market presence in Florida.

On October 26, 2007 the Company acquired the assets of all the Medicare-certified home health agencies owned and operated by Quality of Life Holdings, Inc. (Quality of Life) for an initial purchase price of $10 million, consisting of $8 million cash, and $2 million (or approximately 101,000 shares) of Almost Family common stock (restricted). The purchase price provided for possible additional consideration upon achievement of certain development targets which have not been met. The cash portion of the transaction paid at closing was funded from borrowings available on the Company's senior credit facility. The acquired operations generated net revenues of approximately $8.6 million in the year ended December 31, 2006.

On January 15, 2007, the Company acquired the fixed assets and business operations of a home health agency with one personal care branch and one Medicare-certified branch located in Jacksonville, Florida. The total purchase price of $600,000 was paid in cash. The cash portion of the transaction was funded from borrowings available on the Company's senior credit facility. The acquired operations generated net revenues of approximately $1.3 million in the year ended December 31, 2006.

Competition, Marketing and Customers

The visiting nurse industry is highly competitive and fragmented. Competitors include larger publicly held companies such as Gentiva Health Services, Inc. (NasdaqGS: GTIV), LHC Group, Inc. (NasdaqGS: LHCG) and Amedisys, Inc. (NasdaqGS: AMED), numerous privately held multi-site home care companies, privately held single-site agencies and a significant number of hospital-based agencies. Competition for customers at the local market level is very fragmented and market specific. Generally, each local market has its own competitive profile and no one competitor has significant market share across all our markets. To the best of our knowledge, no individual provider has more than 4% share of the national market.

We believe the primary competitive factors are quality of service and reputation among referral sources. However, competitors are increasingly focusing attention on providing alternative site health care services. We market our services through our site managers and marketing staff. These individuals contact referral sources in their areas to market our services. Major referral sources include: physicians, hospital discharge planners, Offices on Aging, social workers, and group living facilities. We also utilize consumer-direct sales, marketing and advertising programs designed to attract customers.

The personal care industry is likewise highly competitive and fragmented. Competitors include home health providers, senior adult associations, and the private hiring of caregivers. We market our services primarily through our site managers, and we compete by offering a high quality of care and by helping families identify and access solutions for care.

Government Regulation

Overview

The health care industry has experienced, and is expected to continue to experience, extensive and dynamic change. In addition to economic forces and regulatory influences, continuing political debate is subjecting the health care industry to significant reform. Health care reforms have been enacted as discussed elsewhere in this document and proposals for additional changes are continuously formulated by departments of the Federal government, Congress, and state legislatures.

We expect government officials to continue to review and assess alternative health care delivery systems and payment methodologies. Changes in the law or new interpretations of existing laws may have a dramatic effect on the definition of permissible or impermissible activities, the relative cost of doing business, and the methods and amounts of payments for medical care by both governmental and other payors. We expect legislative changes to "balance the budget" and slow the annual rate of growth of Medicare and Medicaid to continue. Such future changes may further impact reimbursement for our services. There can be no assurance that future legislation or regulatory changes will not have a material adverse effect on our operations.

Medicare Rates

On October 1, 2000, Medicare implemented the Prospective Payment System ("PPS") and began paying providers of home health care at fixed, predetermined rates for services and supplies bundled into 60-day episodes of home health care. An episode of home health care spans a 60-day period, starting with the first day a billable visit is furnished to a Medicare beneficiary and ending 60 days later. If a patient is still in treatment on the 60th day a new episode begins on the 61st day regardless of whether a billable visit is rendered on that day and ends 60 days later. The first day of a consecutive episode, therefore, is not necessarily the new episode's first billable visit. A base episode payment is established by the Medicare Program through federal legislation for all episodes of care ended on or after the applicable time periods detailed below:

Period		**Base episode Payment** (1)
January 1, 2005 through December 31, 2006	$	2,264
January 1, 2007 through December 31, 2007	$	2,339
January 1, 2008 through December 31, 2008	$	2,270
January 1, 2009 through December 31, 2009	$	2,272

(1) The actual episode payment rates, as presented in the table vary, depending on the home health resource groups ("HHRGs") to which Medicare patients are assigned and the per episode payment is typically reduced or increased by such factors as the patient's clinical, functional, and services utilization characteristics.

Under PPS for Medicare reimbursement, we record net revenues based on a reimbursement rate that varies based on the severity of the patient's condition, service needs and other related factors. We record net revenues as services are rendered to patients over the 60-day episode period. At the end of each month, a portion of our revenue is estimated for episodes in progress.

Medicare reimbursement, on an episodic basis, is subject to adjustment if there are significant changes in the patient's condition during the treatment period or if the patient is discharged but readmitted to another agency within the same 60-day episodic period. Our revenue recognition under the Medicare reimbursement program is based on certain variables including, but not limited, to: (i) changes in the base episode payments established by the Medicare Program; (ii) adjustments to the base episode payments for partial episodes and for other factors, such as case mix, geographic wages, low utilization and intervening events; and, (iii) recoveries of overpayments. Adjustments to revenue result from differences between estimated and actual reimbursement amounts, an inability to obtain appropriate billing documentation or authorizations acceptable to the payor and other reasons unrelated to credit risk. We recognize Medicare revenue on an episode-by-episode basis during the course of each episode over its expected number of visits.

In October 2008 the Centers for Medicare & Medicaid Services ("CMS") published regulations specifying Medicare home health reimbursement rates for 2009. Medicare rates for 2009 include a "market basket update" rate increase of 2.9% less a 2.75% "case mix creep" adjustment. Accordingly, 2009 Medicare rates are not materially different from 2008.

Refer to the "Risk Factors" below, the "Notes to the Consolidated Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

Medicaid Reimbursement

As shown in "Compensation for Services" above, approximately 18% of our 2008 revenues were derived from state Medicaid and Other Government Programs, many of which periodically face significant budget issues. The financial condition of the Medicaid programs in each of the states in which we operate is cyclical and many may be expected from time to time to take actions or evaluate taking actions to control the rate of growth of Medicaid expenditures. Among these actions are the following:

- Redefining eligibility standards for Medicaid coverage
- Redefining coverage criteria for home and community based care services
- Slowing payments to providers by increasing the minimum time in which payments are made
- Limiting reimbursement rate increases
- Increased utilization of self-directed care alternatives
- Shifting beneficiaries from traditional coverage to Medicaid managed care providers
- Changing regulations under which providers must operate

The actions that might be taken or considered are because the number of Medicaid beneficiaries and their related expenditures are growing at a faster rate than the government's revenue. Medicaid is consuming a greater percentage of the budget. This issue is exacerbated when revenues slow in a slowing economy. We believe that these financial issues are cyclical in nature rather than indicative of the long-term prospect for Medicaid funding of health care services. Additionally, we believe our services offer the lowest cost alternative to institutional care and are a part of the solution to the states' Medicaid financing problems. It is possible, however, that the actions taken by the state Medicaid programs in the future could have a significant unfavorable impact on our results of operations, financial condition and liquidity.

Permits and Licensure

Many states require companies providing certain health care services to be licensed as home health agencies. In addition, certain health care practitioners employed by us require state licensure and/or registration and must comply with laws and regulations governing standards of practice. The failure to obtain, renew or maintain any of the required regulatory approvals or licenses could adversely affect our business. We believe we are currently licensed appropriately where required by the laws of the states in which we operate. There can be no assurance that either the states or the Federal government will not impose additional regulations upon our activities which might adversely affect our results of operations, financial condition, or liquidity.

Certificates of Need

Certain states require companies providing health care services to obtain a certificate of need issued by a state health-planning agency. Where required by law, we have obtained certificates of need from those states. There can be no assurance that we will be able to obtain any certificates of need which may be required in the future if we expand the scope of our services or if state laws change to impose additional certificate of need requirements, and any attempt to obtain additional certificates of need will cause us to incur certain expenses.

Other Regulations

A series of laws and regulations dating back to the Omnibus Budget Reconciliation Act of 1987 ("OBRA 1987") and through the Medicare Prescription Drug Bill of 2003 have been enacted and apply to us. Changes in applicable laws and regulations have occurred from time to time since OBRA 1987 including reimbursement reductions and changes to payment rules. Changes are also expected to occur continuously for the foreseeable future.

As a provider of services under Medicare and Medicaid programs, we are subject to the Medicare and Medicaid anti-kickback statute, also known as the "fraud and abuse law." This law prohibits any bribe, kickback, rebate or remuneration of any kind in return for, or as an inducement for, the referral of Medicare or Medicaid patients. We may also be affected by the Federal physician self-referral prohibition, known as the "Stark" law, which, with certain exceptions, prohibits physicians from referring patients to entities in which they have a financial interest or from which they receive financial benefit. Many states in which we operate have adopted similar self-referral laws, as well as laws that prohibit certain direct or indirect payments or fee-splitting arrangements between health care providers, if such arrangements are designed to induce or to encourage the referral of patients to a particular provider.

Health care is an area of extensive and dynamic regulatory change. Changes in laws or regulations or new interpretations of existing laws or regulations can have a dramatic effect on our permissible activities, the relative costs associated with our doing business, and the amount and availability of reimbursement we receive from government and third-party payors. Furthermore, we will be required to comply with applicable regulations in each new state in which we desire to provide services.

As a result of the Health Insurance Portability and Accountability Act of 1996 and other legislative and administrative initiatives, Federal and state enforcement efforts against the health care industry have increased dramatically, subjecting all health care providers to increased risk of scrutiny and increased compliance costs.

We are subject to routine and periodic surveys and audits by various governmental agencies. We believe that we are in material compliance with applicable laws. However, we are unable to predict what additional government regulations, if any, affecting our business may be enacted in the future, how existing or future laws and regulations might be interpreted or whether we will be able to comply with such laws and regulations either in the markets in which we presently conduct, or wish to commence, business.

Insurance Programs and Costs

We bear significant insurance risk under our large-deductible workers' compensation insurance program and our self-insured employee health program. Under the workers' compensation insurance program, we bear risk up to $400,000 per incident. We purchase stop-loss insurance for the employee health plan that places a specific limit, generally $100,000, on our exposure for any individual covered life.

Malpractice and general patient liability claims for incidents which may give rise to litigation have been asserted against us by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. We are aware of incidents that have occurred through December 31, 2008 that may result in the assertion of additional claims. We currently carry professional and general liability insurance coverage for this exposure with no deductible.

Total premiums, excluding our exposure to claims and deductibles, for all our non-health insurance programs were approximately $1.1 million for the contract year ending March 31, 2008. On April 1, 2008, we completed our renewal for the contract year ending March 31, 2009 with total estimated premiums of $961,000.

We record estimated liabilities for our insurance programs based on information provided by the third-party plan administrators, historical claims experience, the life cycle of claims, expected costs of claims incurred but not paid, and expected costs to settle unpaid claims. We monitor our estimated insurance-related liabilities on a monthly basis. As facts change, it may become necessary to make adjustments that could be material to our results of operations and financial condition.

We believe that our present insurance coverage is adequate. As part of our on-going risk management and cost control efforts, we continually seek alternatives that might provide a different balance of cost and risk, including potentially accepting additional self-insurance risk in lieu of higher premium costs.

Executive Officers

See Part III, Item 10 of this Form 10-K for information about the company's executive officers.

Employees and Labor Relations

As of December 31, 2008 we had approximately 5,700 employees. None of our employees are represented by a labor organization. We believe our relationship with our employees is satisfactory.

ITEM 1A. RISK FACTORS

Described below and elsewhere in this report are risks, uncertainties and other factors that can adversely affect our business, results of operations, cash flow, liquidity or financial condition. Investing in our common stock involves a degree of risk. You should consider carefully the following risks, as well as other information in this filing and the incorporated documents before investing in our common stock.

Risks Related to Our Industry

President's proposed budget for Federal Fiscal Year 2010 may impair our earnings, cash flow and financial condition

On Thursday February 26, 2009 President Obama released his proposed budget outline for the Federal 2010 fiscal year. Although details have not yet been released, the proposed budget appears to call for a 2.75% reduction in reimbursement rates for Medicare home health services beginning January 1, 2010. Additionally, although it is less clear, the proposed budget may also be calling for an additional 10% reduction in reimbursement rates for Medicare home health services beginning January 1, 2011. The budget is currently in proposed form and Congress has yet to take any action on the proposal. There can be no assurance that the budget will or will not be passed into law. Accordingly, the Company is unable to predict what impact the ultimate Federal budget and resulting Medicare and Medicaid reimbursement might have on our financial condition, our results of operations or the realizability of the carrying amount of our assets, in particular intangible assets including goodwill. We may be unable to take actions to mitigate any of whatever negative reimbursement changes might ultimately be enacted. The reimbursement change ultimately enacted could have a material and adverse effect on our liquidity, results of operations and financial position.

The current crisis in global credit and financial markets may adversely affect our future results of operations and financial condition, as well as our ability to access credit and capital.

As widely reported, global capital and credit markets have been experiencing extreme disruptions and turmoil in recent months, including the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States federal government. This has resulted in severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. There can be no assurance that there will not be further deterioration in credit and financial markets and confidence in economic conditions. While the ultimate outcome of these events cannot be predicted, it may have a material adverse affect on the Company. The current crisis may cause budget deficits or other reductions in reimbursement by Medicare, Medicaid and other third-party payors which may result in decreased revenue growth and a decrease in our profitability. Our contractors and suppliers may also be negatively impacted by these conditions and our ability to provide patient care at a lower cost may diminish and reduce our profitability. The continuing disruption in the credit and capital markets may restrict our access to capital. As a result, our ability to incur additional indebtedness to fund operations and acquisitions may be constrained. If the economic conditions continue to deteriorate or do not improve, our results of operations or financial condition could be materially and adversely affected.

Our profitability depends principally on the level of government-mandated payment rates. Reductions in rates, or rate increases that do not cover cost increases, may adversely affect our business.

We generally receive fixed payments from Medicare for our services based on the level of care that we provide patients. Consequently, our profitability largely depends upon our ability to manage the cost of providing services. Although current Medicare legislation provides for an annual adjustment of the various payment rates based on the increase or decrease of the medical care expenditure category of the Consumer Price Index, these Medicare payment rate increases may be less than actual inflation or could be eliminated or reduced in any given year. Consequently, if our cost of providing services, which consists primarily of labor costs, is greater than the current Medicare payment rate, our profitability would be negatively impacted.

If any of our agencies fail to comply with the conditions of participation in the Medicare program, that agency could be terminated from the Medicare program, which would adversely affect our net patient service revenue and profitability.

Each of our home care agencies must comply with the extensive conditions of participation in the Medicare program. If any of our agencies fail to meet any of the Medicare conditions of participation, that agency may receive a notice of deficiency from the applicable state surveyor. If that agency then fails to institute a plan of correction to correct the deficiency within the correction period provided by the state surveyor, that agency could be terminated from the Medicare program. Any termination of one or more of our home care agencies from the Medicare program for failure to satisfy the program's conditions of participation could adversely affect our net service revenue and profitability.

We are subject to extensive government regulation. Any changes to the laws and regulations governing our business, or the interpretation and enforcement of those laws or regulations, could cause us to modify our operations and could negatively impact our operating results.

The federal government and the states in which we operate regulate our industry extensively. The laws and regulations governing our operations, along with the terms of participation in various government programs, regulate how we do business, the services we offer, and our interactions with patients and the public. These laws and regulations, and their interpretations, are subject to frequent change. Changes in existing laws and regulations, or their interpretations, or the enactment of new laws or regulations could reduce our profitability by:

- increasing our liability;
- increasing our administrative and other costs;
- increasing or decreasing mandated services;
- forcing us to restructure our relationships with referral sources and providers; or
- requiring us to implement additional or different programs and systems.

In addition, we are subject to various routine and non-routine governmental reviews, audits, and investigations. Violation of the laws governing our operations, or changes in interpretations of those laws, could result in the imposition of fines, civil or criminal penalties, the termination of our rights to participate in federal and state-sponsored programs, and the suspension or revocation of our licenses. If we become subject to material fines or if other sanctions or other corrective actions are imposed on us, we might suffer a substantial reduction in profitability.

If we are unable to maintain relationships with existing patient referral sources or to establish new referral sources, our growth and profitability could be adversely affected.

Our success depends significantly on referrals from physicians, hospitals and other patient referral sources in the communities that our home care agencies serve, as well as on our ability to maintain good relationships with these referral sources. Our referral sources are not contractually obligated to refer home care patients to us and may refer their patients to other providers. Our growth and profitability depend on our ability to establish and maintain close working relationships with these patient referral sources and to increase awareness and acceptance of the benefits of home care by our referral sources and their patients. We cannot assure you that we will be able to maintain our existing referral source relationships or that we will be able to develop and maintain new relationships in existing or new markets. Our loss of, or failure to maintain, existing relationships or our failure to develop new relationships could adversely affect our ability to expand our operations and operate profitably.

We are subject to federal and state laws that govern our financial relationships with physicians and other healthcare providers, including potential or current referral sources.

We are required to comply with federal and state laws, generally referred to as "anti-kickback laws," that prohibit certain direct and indirect payments or fee-splitting arrangements between healthcare providers that are designed to encourage the referral of patients to a particular provider for medical services. In addition to enacting anti-kickback laws, some of the states in which we operate have enacted laws prohibiting certain business relationships between physicians and other providers of healthcare services. We currently have contractual relationships with certain physicians who provide consulting services to our company. Many of these physicians are current or potential referral sources. Although we believe our physician consultant arrangements currently comply with state and federal anti-kickback laws and state laws regulating relationships between healthcare providers, we cannot assure you that courts or regulatory agencies will not interpret these laws in ways that will implicate our physician consultant arrangements. Violations of anti-kickback and similar laws could lead to fines or sanctions that may have a material adverse effect on our operations.

We may be subject to substantial malpractice or other similar claims.

The services we offer involve an inherent risk of professional liability and related substantial damage awards. On any given day, we have several hundred nurses and other direct care personnel driving to and from patients' homes where they deliver medical and other care. Due to the nature of our business, we and the caregivers who provide services on our behalf may be the subject of medical malpractice claims. These caregivers could be considered our agents, and, as a result, we could be held liable for their medical negligence. We cannot predict the effect that any claims of this nature, regardless of their ultimate outcome, could have on our business or reputation or on our ability to attract and retain patients and employees. We maintain malpractice liability insurance and are responsible for amounts in excess of the limits of our coverage.

Delays in reimbursement may cause liquidity problems.

Our business is characterized by delays in reimbursement from the time we provide services to the time we receive reimbursement or payment for these services. If we have information system problems or issues that arise with Medicare, we may encounter delays in our payment cycle. Such a timing delay may cause working capital shortages. Working capital management, including prompt and diligent billing and collection, is an important factor in our results of operations and liquidity. We cannot assure you that system problems, Medicare issues or industry trends will not extend our collection period, adversely impact our working capital, or that our working capital management procedures will successfully negate this risk. There are often timing delays when attempting to collect funds from Medicaid programs. We cannot assure you that delays in receiving reimbursement or payments from these programs will not adversely impact our working capital.

Our industry is highly competitive.

Our home health care agencies compete with local and regional home health care companies, hospitals, nursing homes, and other businesses that provide home nursing services, some of which are large established companies that have significantly greater resources than we do. Our primary competition comes from local companies in each of our markets, and these privately-owned or hospital-owned health care providers vary by region and market. We compete based on the availability of personnel; the quality, expertise, and value of our services; and in select instances, on the price of our services. Increased competition in the future from existing competitors or new entrants may limit our ability to maintain or increase our market share. We cannot assure you that we will be able to compete successfully against current or future competitors or that competitive pressures will not have a material adverse impact on our business, financial condition, or results of operations.

Some of our existing and potential new competitors may enjoy greater name recognition and greater financial, technical, and marketing resources than we do. This may permit our competitors to devote greater resources than we can to the development and promotion of services. These competitors may undertake more far-reaching and effective marketing campaigns and may offer more attractive opportunities to existing and potential employees and services to referral sources.

We expect our competitors to develop new strategic relationships with providers, referral sources, and payors, which could result in increased competition. The introduction of new and enhanced service offerings, in combination with industry consolidation and the development of strategic relationships by our competitors, could cause a decline in revenue or loss of market acceptance of our services or make our services less attractive.

Additionally, we compete with a number of non-profit organizations that can finance acquisitions and capital expenditures on a tax-exempt basis or receive charitable contributions that are unavailable to us.

We expect that industry forces will continue to have an impact on our business and that of our competitors. In recent years, the health care industry has undergone significant changes driven by efforts to reduce costs, and we expect these cost containment measures to continue in the future. Frequent regulatory changes in our industry, including reductions in reimbursement rates and changes in services covered, have increased competition among home health care providers. If we are unable to react competitively to new developments, our operating results may suffer.

A shortage of qualified registered nursing staff, physical therapists, occupational therapists and other caregivers could adversely affect our ability to attract, train and retain qualified personnel and could increase operating costs.

We rely significantly on our ability to attract and retain caregivers who possess the skills, experience, and licenses necessary to meet the requirements of our patients. We compete for personnel with other providers of home nursing services. Our ability to attract and retain caregivers depends on several factors, including our ability to provide these caregivers with attractive assignments and competitive benefits and salaries. We cannot assure you that we will succeed in any of these areas. In addition, there are occasional shortages of qualified healthcare personnel in some of the markets in which we operate. As a result, we may face higher costs of attracting caregivers and providing them with attractive benefit packages than we originally anticipated, and, if that occurs, our profitability could decline. Finally, although this is currently not a significant factor in our existing markets, if we expand our operations into geographic areas where healthcare providers have historically unionized, we cannot assure you that the negotiation of collective bargaining agreements will not have a negative effect on our ability to timely and successfully recruit qualified personnel. Generally, if we are unable to attract and retain caregivers, the quality of our services may decline, and we could lose patients and referral sources.

Risks Related to Our Business

We depend on Medicare for the largest portion of our revenues.

For the years ended December 31, 2008, 2007 and 2006, we received 74%, 68% and 56%, respectively, of our revenue from Medicare. Further, the acquisitions completed by us in 2008, 2007 and 2006 substantially increase our dependence on Medicare reimbursement. Reductions in Medicare reimbursement could have an adverse impact on our profitability. Such reductions in payments to us could be caused by:

- administrative or legislative changes to the base episode rate;
- the elimination or reduction of annual rate increases based on medical inflation;
- the imposition by Medicare of co-payments or other mechanisms shifting responsibility for a portion of payment to beneficiaries;
- adjustments to the relative components of the wage index;
- changes to our case mix or therapy thresholds; or
- other adverse changes to the way we are paid for delivering our services.

Our non-Medicare revenues and profitability also are affected by the continuing efforts of third-party payors to contain or reduce the costs of health care by lowering reimbursement rates, narrowing the scope of covered services, increasing case management review of services, and negotiating reduced contract pricing. Any changes in reimbursement levels from these third-party payor sources and any changes in applicable government regulations could have a material adverse effect on our revenues and profitability. We can provide no assurance that we will continue to maintain the current payor or revenue mix.

Our reliance on government sponsored reimbursement programs such as Medicare and Medicaid makes us vulnerable to possible legislative and administrative regulations and budget cut-backs that could adversely affect the number of persons eligible for such programs, the amount of allowed reimbursements or other aspects of the programs, any of which could materially affect us. In addition, loss of certification or qualification under Medicare or Medicaid programs could materially affect our ability to effectively market our services.

We have a significant dependence on state Medicaid reimbursement programs.

For the year ended December 31, 2008, approximately 6.4%, 5.1% and 4.4% of our revenues were generated from Medicaid reimbursement programs in the states of Connecticut, Ohio and Kentucky, respectively.

Approximately 18% of our 2008 revenues were derived from state Medicaid and other government programs, many of which periodically face significant budget issues. The financial condition of the Medicaid programs in each of the states in which we operate is cyclical and many may be expected from time to time to take actions or evaluate taking actions to control the rate of growth of Medicaid expenditures. Among these actions are the following:

- Redefining eligibility standards for Medicaid coverage
- Redefining coverage criteria for home and community based care services
- Slowing payments to providers by increasing the minimum time in which payments are made
- Limiting reimbursement rate increases
- Increased utilization of self-directed care alternatives
- Shifting beneficiaries from traditional coverage to Medicaid managed care providers
- Changing regulations under which providers must operate

States may be expected to address these issues because the number of Medicaid beneficiaries and their related expenditures are growing at a faster rate than the government's revenue. Medicaid is consuming a greater percentage of the budget. This issue is exacerbated when revenues slow in a slowing economy. We believe that these financial issues are cyclical in nature rather than indicative of the long-term prospect for Medicaid funding of health care services. Additionally, we believe our services offer the lowest cost alternative to institutional care and are a part of the solution to the states' Medicaid financing problems. It is possible, however, that the actions taken by the state Medicaid programs in the future could have a significant unfavorable impact on our results of operations, financial condition and liquidity.

Migration of our Medicare beneficiary patients to Medicare managed care providers could negatively impact our operating results.

Historically, we have generated a substantial portion of our revenue from the Medicare fee-for-service market. Under the Medicare Prescription Drug Improvement and Modernization Act of December 2003 ("MMA"), however, the United States Congress allocated significant additional funds and other incentives to Medicare managed care providers in order to promote greater participation in those plans by Medicare beneficiaries. If these increased funding levels have the intended result, the size of the potential Medicare fee-for-service market could decline, thereby reducing the size of our potential patient population, which could cause our operating results to suffer.

Our growth strategy depends on our ability to manage growing and changing operations.

Our business plan calls for significant growth in our business over the next several years. This growth will place significant demands on our management systems, internal controls, and financial and professional resources. In addition, we will need to further develop our financial controls and reporting systems to accommodate future growth. This could require us to incur expenses for hiring additional qualified personnel, retaining professionals to assist in developing the appropriate control systems, and expanding our information technology infrastructure. Our inability to manage growth effectively could have a material adverse effect on our financial results.

Our growth strategy depends on our ability to develop and to acquire additional agencies on favorable terms and to integrate and operate these agencies effectively. If we are unable to do so, our future growth and operating results could be negatively impacted.

Development. We expect to continue to open agencies in our existing and new markets. Our new agency growth, however, will depend on several factors, including our ability to:

- obtain locations for agencies in markets where need exists;
- identify and hire a sufficient number of sales personnel and appropriately trained home care and other health care professionals;
- obtain adequate financing to fund growth; and
- operate successfully under applicable government regulations.

Acquisitions. We are focusing significant time and resources on the acquisition of home healthcare providers, or of certain of their assets, in targeted markets. We may be unable to identify, negotiate, and complete suitable acquisition opportunities on reasonable terms. We may incur future liabilities related to acquisitions. Should any of the following problems, or others, occur as a result of our acquisition strategy, the impact could be material:

- difficulties integrating personnel from acquired entities and other corporate cultures into our business;
- difficulties integrating information systems;
- the potential loss of key employees or referral sources of acquired companies or a reduction in patient referrals by hospitals from which we have acquired home health care agencies;
- the assumption of liabilities and exposure to undisclosed liabilities of acquired companies;
- the acquisition of an agency with undisclosed compliance problems;
- the diversion of management attention from existing operations;
- difficulties in recouping partial episode payments and other types of misdirected payments for services from the previous owners; or
- an unsuccessful claim for indemnification rights from previous owners for acts or omissions arising prior to the date of acquisition.

We may require additional capital to pursue our acquisition strategy.

At December 31, 2008, we had cash and cash equivalents of approximately $1.3 million and additional borrowing capacity of approximately $44.3 million. Based on our current plan of operations, including acquisitions, we cannot assure you that this amount will be sufficient to support our current growth strategies. We cannot readily predict the timing, size, and success of our acquisition efforts and the associated capital commitments. If we do not have sufficient cash resources, our growth could be limited unless we obtain additional equity or debt financing. In December 2008, we filed a $120.0 million shelf registration statement with the availability for the issuance of any combination of common stock, preferred stock, warrants and debt securities. The registration statement became effective December 12, 2008, and we have not yet issued any securities using the registration statement. At some future point we may elect to issue additional equity securities in conjunction with raising capital or completing an acquisition. We cannot assure you that such issuances will not be dilutive to existing shareholders.

Our business depends on our information systems. Our inability to effectively integrate, manage, and keep secure our information systems could disrupt our operations.

Our business depends on effective and secure information systems that assist us in, among other things, monitoring utilization and other cost factors, processing claims, reporting financial results, measuring outcomes and quality of care, managing regulatory compliance controls, and maintaining operational efficiencies. These systems include software developed in-house and systems provided by external contractors and other service providers. To the extent that these external contractors or other service providers become insolvent or fail to support the software or systems, our operations could be negatively affected. Our agencies also depend upon our information systems for accounting, billing, collections, risk management, quality assurance, payroll, and other information. If we experience a reduction in the performance, reliability, or availability of our information systems, our operations and ability to produce timely and accurate reports could be adversely affected.

Our information systems and applications require continual maintenance, upgrading, and enhancement to meet our operational needs. Our acquisition activity requires transitions and integration of various information systems. We regularly upgrade and expand our information systems' capabilities. If we experience difficulties with the transition and integration of information systems or are unable to implement, maintain, or expand our systems properly, we could suffer from, among other things, operational disruptions, regulatory problems, and increases in administrative expenses.

Our business requires the secure transmission of confidential information over public networks. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments could result in compromises or breaches of our security systems and patient data stored in our information systems. Anyone who circumvents our security measures could misappropriate our confidential information or cause interruptions in our services or operations. The Internet is a public network, and data is sent over this network from many sources. In the past, computer viruses or software programs that disable or impair computers have been distributed and have rapidly spread over the Internet. Computer viruses could be introduced into our systems, or those of our providers or regulators, which could disrupt our operations or make our systems inaccessible to our providers or regulators. We may be required to expend significant capital and other resources to protect against the threat of security breaches or to alleviate problems caused by breaches. Our security measures may be inadequate to prevent security breaches, and our business operations would be negatively impacted by cancellation of contracts and loss of patients if security breaches are not prevented.

Further, our information systems are vulnerable to damage or interruption from fire, flood, natural disaster, power loss, telecommunications failure, break-ins and similar events. A failure to restore our information systems after the occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations. Because of the confidential health information we store and transmit, loss of electronically-stored information for any reason could expose us to a risk of regulatory action, litigation, possible liability and loss.

Our clinical software system has been developed in-house. Failure of, or problems with, our system could harm our business and operating results.

We have developed and utilize a proprietary clinical software system to collect assessment data, log patient visits, generate medical orders, and monitor treatments and outcomes in accordance with established medical standards. The system integrates billing and collections functionality as well as accounting, human resource, payroll, and employee benefits programs provided by third parties. Problems with, or the failure of, our technology and systems could negatively impact data capture, billing, collections, and management and reporting capabilities. Any such problems or failures could adversely affect our operations and reputation, result in significant costs to us, and impair our ability to provide our services in the future. The costs incurred in correcting any errors or problems may be substantial and could adversely affect our profitability.

We depend on outside software providers.

We depend on the proper functioning and availability of our information systems in operating our business, some of which are provided by outside software providers. These information systems and applications require continual maintenance, upgrading, and enhancement to meet our operational needs. If our providers are unable to maintain or expand our information systems properly, we could suffer from operational disruptions and an increase in administrative expenses, among other things.

Our insurance liability coverage may not be sufficient for our business needs.

We bear significant insurance risk under our large-deductible workers' compensation insurance program and our self-insured employee health program. Under our workers' compensation insurance program, we bear risk up to $400,000 per incident. We purchase stop-loss insurance for our employee health plan that places a specific limit, generally $100,000, on our exposure for any individual covered life. However, we cannot assure you that claims will not be made in the future in excess of the limits of such insurance, if any, nor can we assure you that any such claims, if successful and in excess of such limits, will not have a material adverse effect on our ability to conduct business or on our assets. Our insurance coverage also includes fire, property damage, and general liability with varying limits. Although we maintain insurance consistent with industry practice, we cannot assure you that the insurance we maintain will satisfy claims made against us. In addition, as a result of operating in the home healthcare industry, our business entails an inherent risk of claims, losses and potential lawsuits alleging employee accidents that are likely to occur in a patient's home. Finally, we cannot assure you that insurance coverage will continue to be available to us at commercially reasonable rates, in adequate amounts or on satisfactory terms. Any claims made against us, regardless of their merit or eventual outcome, could damage our reputation and business.

We have established reserves for Medicare and Medicaid liabilities that may be payable by us in the future. These liabilities may be subject to audit or further review, and we may owe additional amounts beyond what we expect and have reserved for.

The Company is paid for its services primarily by Federal and state third-party reimbursement programs, commercial insurance companies, and patients. Revenues are recorded at established rates in the period during which the services are rendered. Appropriate allowances to give recognition to third party payment arrangements are recorded when the services are rendered.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. It is common for issues to arise related to: 1) medical coding, particularly with respect to Medicare, 2) patient eligibility, particularly related to Medicaid; and 3) other reasons unrelated to credit risk, all of which may result in adjustments to recorded revenue amounts. Management continuously evaluates the potential for revenue adjustments and when appropriate provides allowances for losses based upon the best available information. There is at least a reasonable possibility that recorded estimates could change by material amounts in the near term.

We depend on the services of our executive officers and other key employees.

Our success depends upon the continued employment of certain members of our senior management team, including our Chairman and Chief Executive Officer, William B. Yarmuth, and our other named executive officers. We also depend upon the continued employment of the individuals that manage several of our key functional areas, including operations, business development, accounting, finance, human resources, marketing, information systems, contracting and compliance. The departure of any member of our senior management team may materially adversely affect our operations.

Our operations could be affected by natural disasters.

A substantial number of our agencies are located in Florida, increasing our exposure to hurricanes and other natural disasters. The occurrence of natural disasters in the markets in which we operate could not only affect the day-to-day operations of our agencies, but also could disrupt our relationships with patients, employees and referral sources located in the affected areas. In addition, any episode of care that is not completed due to the impact of a natural disaster will generally result in lower revenue for the episode. We cannot assure you that hurricanes or other natural disasters will not have a material adverse impact on our business, financial condition or results of operations in the future.

Risks Related to Ownership of Our Common Stock

The price of our common stock may be volatile and this may adversely affect our stockholders.

The price at which our common stock trades may be volatile. The stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices of securities, particularly securities of health care companies. The market price of our common stock may be influenced by many factors, including:

- our operating and financial performance;
- variances in our quarterly financial results compared to expectations;
- the depth and liquidity of the market for our common stock;
- future sales of common stock or the perception that sales could occur;
- investor perception of our business and our prospects;
- developments relating to litigation or governmental investigations;

- changes or proposed changes in health care laws or regulations or enforcement of these laws and regulations, or announcements relating to these matters; or
- general economic and stock market conditions

In addition, the stock market in general has experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of health care provider companies. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In the past, securities class-action litigation has often been brought against companies following periods of volatility in the market price of their respective securities. We may become involved in this type of litigation in the future. Litigation of this type is often expensive to defend and may divert our management team's attention as well as resources from the operation of our business.

Sales of substantial amounts of our common stock, or the availability of those shares for future sale, could adversely affect our stock price and limit our ability to raise capital.

At December 31, 2008, 8,136,723 shares of our common stock were outstanding. In 2007, we established the 2007 Stock and Incentive Compensation Plan for the benefit of employees and directors providing for the issuance of up to 500,000 shares of common stock. In December 2008, we filed a $120.0 million shelf registration statement with the availability for the issuance of any combination of common stock, preferred stock, warrants and debt securities. Moreover, as of December 31, 2008, 748,389 shares of our common stock remained reserved for issuance pursuant to our incentive compensation plans. The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public or the perception that substantial sales could occur. These sales also may make it more difficult for us to sell common stock in the future to raise capital.

We do not anticipate paying dividends on our common stock in the foreseeable future, and you should not expect to receive dividends on shares of our common stock.

We do not pay dividends and intend to retain all future earnings to finance the continued growth and development of our business. In addition, we do not anticipate paying cash dividends on our common stock in the foreseeable future. Any future payment of cash dividends will depend upon our financial condition, capital requirements, earnings, and other factors deemed relevant by our board of directors.

Our Board of Directors may use anti-takeover provisions or issue stock to discourage control contests.

We have implemented anti-takeover provisions or provisions that could have an anti-takeover effect, including advance notice requirements for director nominations and stockholder proposals. These provisions, and others that the Board of Directors may adopt hereafter, may discourage offers to acquire us and may permit our Board of Directors to choose not to entertain offers to purchase us, even if such offers include a substantial premium to the market price of our stock. Therefore, our stockholders may be deprived of opportunities to profit from a sale of control.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices are located in Louisville, Kentucky in approximately 25,000 square feet of space leased from an unaffiliated party.

We have 144 real estate leases ranging from approximately 100 to 25,000 square feet of space in their respective locations. See "Item 1. Business – Operating Segments" and Note 9 to our audited consolidated financial statements. We believe that our facilities are adequate to meet our current needs, and that additional or substitute facilities will be available if needed.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are subject to claims and suits arising in the ordinary course of our business, including claims for damages for personal injuries. In our opinion the ultimate resolution of any of these pending claims and legal proceedings will not have a material effect on our financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Matters submitted to the shareholders at the annual meeting held on October 13, 2008, have been previously reported at Item 4 in the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2008.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NASDAQ Global stock market under the symbol "AFAM" Set forth below are the high and low sale prices for the common stock for the periods indicated as reported by NASDAQ:

Closing Common Stock Prices

Quarter Ended:	High	Low
March 31, 2007	$ 26.17	$ 18.03
June 30, 2007	$ 24.94	$ 17.29
September 30, 2007	$ 19.53	$ 14.22
December 31, 2007	$ 22.21	$ 17.32
March 31, 2008	$ 22.48	$ 18.67
June 30, 2008	$ 27.07	$ 17.00
September 30, 2008	$ 45.87	$ 25.77
December 31, 2008	$ 51.47	$ 33.11

On March 3, 2009, the last reported sale price for the common stock reported by NASDAQ was $16.49 and there were approximately 375 holders of record of our common stock. No cash dividends have been paid by us during the periods indicated above. We do not presently intend to pay dividends on our common stock and will retain our earnings for future operations and the growth of our business.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial information derived from the consolidated financial statements of the Company for the periods and at the dates indicated. The information is qualified in its entirety by and should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this and prior year Form 10-Ks.

(Dollar amounts in 000's except per share data)	Year Ended December 31, 2008	2007	2006	2005	2004
Results of operations data:					
Net revenues	$ 212,600	$ 132,130	$ 90,190	$ 73,567	$ 63,940
Income (loss) from:					
Continuing operations	$ 16,404	$ 7,820	$ 4,466	$ 3,049	$ 1,813
Discontinued operations	(111)	(217)	(227)	4,819	(557)
Net income	$ 16,293	$ 7,603	$ 4,239	$ 7,868	$ 1,256
Per share: (1)					
Basic:					
Number of shares (in 000's)	7,369	5,436	4,854	4,675	4,606
Income (loss) from:					
Continuing operations	$ 2.23	$ 1.44	$ 0.92	$ 0.65	$ 0.39
Discontinued operations	(0.02)	(0.04)	(0.05)	1.03	(0.12)
Net income	$ 2.21	$ 1.40	$ 0.87	$ 1.68	$ 0.27
Diluted:					
Number of shares (in 000's)	7,572	5,599	5,327	5,219	5,134
Income (loss) from:					
Continuing operations	$ 2.17	$ 1.40	$ 0.84	$ 0.58	$ 0.35
Discontinued operations	(0.01)	(0.04)	(0.04)	0.93	(0.11)
Net income	$ 2.16	$ 1.36	$ 0.80	$ 1.51	$ 0.24

(1) All share and per share information has been adjusted to reflect a 2-for-1 common stock split completed in January 2007.

Balance sheet data as of:	December 31, 2008	2007	2006	2005	2004
Working capital	$ 6,289	$ 5,505	$ 7,163	$ 10,553	$ 8,752
Total assets	160,792	67,360	53,395	30,543	25,578
Long-term liabilities	28,686	17,552	13,520	1,568	5,552
Total liabilities	66,009	32,518	25,656	10,408	13,431
Stockholders' equity	94,782	34,842	27,740	20,135	12,147

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company has two reportable segments, Visiting Nurse (VN) and Personal Care (PC). Reportable segments have been identified based upon how management has organized the business by services provided to customers and the criteria in SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information.

Our VN segment provides skilled medical services in patients' homes largely to enable recipients to reduce or avoid periods of hospitalization and/or nursing home care. VN Medicare revenues are generated on a per episode basis rather than a fee per visit or an hourly basis. 91% of the VN segment revenues are generated from the Medicare program while the balance is generated from Medicaid and private insurance programs.

Our PC segment services are also provided in patients' homes. These services (generally provided by paraprofessional staff such as home health aides) are generally of a custodial rather than skilled nature. PC revenues are typically generated on an hourly basis. 74% of the PC segment revenues are generated from Medicaid and other government programs while the balance is generated from insurance programs and private pay patients.

Our View on Reimbursement and Diversification of Risk

Our Company is highly dependent on government reimbursement programs which pay for the majority of the services we provide to our patients. Reimbursement under these programs, primarily Medicare and Medicaid, is subject to frequent changes as policy makers balance their own needs to meet the health care needs of constituents while also meeting their fiscal objectives.

We believe that an important key to our historical success and to our future success is our ability to adapt our operations to meet changes in reimbursement as they occur. One important way in which we have achieved this adaptability in the past, and in which we plan to achieve it in the future, is to maintain some level of diversification in our business mix.

The execution of our business plan emphasizes our VN operations. Our PC operations will help us maintain a level of diversification of reimbursement risk that we believe is appropriate.

Our Business Plan

Our future success depends on our ability to execute our business plan. Over the next three to five years we will try to accomplish the following:

- Generate meaningful same store sales growth through the focused provision of high quality services and attending to the needs of our patients;
- Expand the significance of our Visiting Nurse, Medicare-based, home health services by selectively acquiring other quality providers and through the startup of new agencies; and
- Expand our capital base through both earnings performance and by seeking additional capital investments in our Company.

President's Proposed Budget for Federal Fiscal Year 2010

On Thursday February 26, 2009 President Obama released his proposed budget outline for the Federal 2010 fiscal year. Although details have not yet been released, the proposed budget appears to call for a 2.75% reduction in reimbursement rates for Medicare home health services beginning January 1, 2010. Additionally, although it is less clear, the proposed budget may also be calling for an additional 10% reduction in reimbursement rates for Medicare home health services beginning January 1, 2011. The budget is currently in proposed form and Congress has yet to take any action on the proposal. There can be no assurance that the budget will or will not be passed into law. Accordingly, the Company is unable to predict what impact the ultimate Federal budget might have on our financial condition, our results of operations or the realizability of the carrying amount of our assets, in particular intangible assets including goodwill. We may be unable to take actions to mitigate any of whatever negative reimbursement changes might ultimately be enacted. The reimbursement change ultimately enacted could have a material and adverse effect on our liquidity, results of operations and financial position.

It is reasonable to expect that the proposed budget changes, if enacted, might have a more immediate and negative impact on those providers generating lower margins than us, with more leverage relative to earnings than us, with less capital resources than us, or with less ability to adapt their operations. The President's proposed budget for 2011 appears to align with the 2009 report of the Medicare Payment Advisory Commission (MedPac). MedPac suggests, in connection with its recommendation for a rebasing or recalculation of home health reimbursement rates for 2011 that such change would likely result in some agencies exiting Medicare. Based on this and our own interpretation of the potential implications of the President's proposed budget we believe that the proposal, if enacted, would likely result in a significant contraction of the number of home health providers. In the event of such a contraction in the number of providers, we believe the surviving providers would likely benefit from a higher rate of admissions growth than would have otherwise occurred. Those providers who wind up serving the dislocated patients previously served by the exiting providers could reasonably expect to earn incremental margins on those patients that may serve to offset a portion of the rate reduction from the Medicare program. However, there can be no assurance that we will be successful in attracting such dislocated patients.

At this point, we are unable to predict what actions Congress may take in passing the budget for 2010. The potential budget for 2011, which would actually be passed some time during 2010 is even less predictable.

We can provide you with no assurance that the ultimate budget and resulting Medicare reimbursement rates will not have a material adverse effect on our liquidity, our results of operation, the realizability of the carrying amounts of our intangible assets including goodwill or our financial condition.

We are currently formulating actions intended to mitigate or otherwise offset some of the negative effects of the proposed reimbursement changes. These actions may include any or all of the following:

- Increasing our revenues by: investing more resources in sales and marketing activities to drive admission growth, establishing startup branch operations to expand our service territories, and acquisitions of underperforming providers with strong referral relationships,
- Reducing our costs by: developing a more efficient delivery model, increasing the productivity standards for our staff, limiting or eliminating the growth in wage rates, limiting or reducing the size of our work force, closing unprofitable branch operations and accelerating our efforts to evaluate the use of technology,
- Potentially other actions we deem appropriate.

Although we will attempt to mitigate or otherwise offset the negative effect of reimbursement changes there can be no assurance that our actions will ultimately prove successful.

Critical Accounting Policies

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. When more than one accounting principle, or the method of its application, is generally accepted, we select the principle or method that is appropriate in the specific circumstances. Application of these accounting principles requires us to make estimates about the future resolution of existing uncertainties; as a result, actual results could differ from these estimates. We evaluate our estimates, including those related to revenue recognition, collectibility of accounts receivable, insurance reserves, litigation, goodwill, intangibles and contingencies on an on-going basis. We base these estimates on our historical experience and other assumptions that we believe are appropriate under the circumstances. In preparing these financial statements, we have made our best estimates and judgments of the amounts and disclosures included in the financial statements.

Receivables and Revenue Recognition

We recognize revenues when patient services are provided. Our receivables and revenues are stated at amounts estimated by us to be their net realizable values. The Company is paid for its services primarily by Federal and state third-party reimbursement programs, commercial insurance companies, and patients. Revenues are recorded at established rates in the period during which the services are rendered. Appropriate allowances to give recognition to third party payment arrangements are recorded when the services are rendered.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. It is common for issues to arise related to: 1) medical coding, particularly with respect to Medicare, 2) patient eligibility, particularly related to Medicaid, and 3) other reasons unrelated to credit risk, all of which may result in adjustments to recorded revenue amounts. Management continuously evaluates the potential for revenue adjustments and when appropriate provides allowances for losses based upon the best available information. There is at least a reasonable possibility that recorded estimates could change by material amounts in the near term.

We report accounts receivable net of estimated allowances for doubtful accounts and adjustments. Accounts receivable consist primarily of amounts due from third-party payors and patients. We evaluate the collectibility of our accounts receivable based on certain factors, such as payor types, historical collection trends and aging categories. We calculate our reserve for bad debts based on the length of time that the receivables are past due. The percentage applied to the receivable balances in the various aging categories is based on historical collection experience, business and economic conditions and reimbursement trends.

Medicare reimbursement, on an episodic basis, is subject to adjustment if there are significant changes in the patient's condition during the treatment period or if the patient is discharged but readmitted to another agency within the same 60-day episodic period. Our revenue recognition under the Medicare reimbursement program is based on certain variables including, but not limited, to: (i) changes in the base episode payments established by the Medicare Program; (ii) adjustments to the base episode payments for partial episodes and for other factors, such as case mix, geographic wages, low utilization and intervening events; and, (iii) recoveries of overpayments. Adjustments to revenue result from differences between estimated and actual reimbursement amounts, an inability to obtain appropriate billing documentation or authorizations acceptable to the payor and other reasons unrelated to credit risk. We recognize Medicare revenue on an episode-by-episode basis during the course of each episode over its expected number of visits.

Insurance Programs

We bear significant insurance risk under our large-deductible workers' compensation insurance program and our self-insured employee health program. Under the workers' compensation insurance program, we bear risk up to $400,000 per incident. We purchase stop-loss insurance for the employee health plan that places a specific limit, generally $100,000, on our exposure for any individual covered life.

Malpractice and general patient liability claims for incidents which may give rise to litigation have been asserted against us by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. We are aware of incidents that have occurred through December 31, 2008 that may result in the assertion of additional claims. We currently carry professional and general liability insurance coverage for this exposure with no deductible.

We record estimated liabilities for our insurance programs based on information provided by the third-party plan administrators, historical claims experience, the life cycle of claims, expected costs of claims incurred but not paid, and expected costs to settle unpaid claims. We monitor our estimated insurance-related liabilities on a monthly basis. As facts change, it may become necessary to make adjustments that could be material to our results of operations and financial condition.

Goodwill and Other Intangible Assets

Intangible assets are stated at fair value at time of acquisition and goodwill represents the excess cost over the fair value of net assets acquired and liabilities assumed. Definite lived intangible assets are amortized on a straight-line basis over the estimated useful life of the asset. Goodwill and indefinite-lived assets are not amortized. We perform impairment tests of goodwill and indefinite lived assets as required by SFAS No. 142, Goodwill and Other Intangible Assets. The impairment analysis requires numerous subjective assumptions and estimates to determine fair value of the respective reporting units as required by SFAS No. 142. We estimate the fair value of the related reporting units using both a discounted cash flow model and a comparison to other publicly traded companies in the home healthcare industry. These models are based on our projections of future revenues and operating costs and are reconciled to our consolidated market capitalization. The cash flow forecasts are adjusted by an appropriate discount rate based on our weighted average cost of capital as well as the weighted average cost of capital of other market participants. As of December 31, 2008, we completed our impairment review and determined that no impairment charge was required. Future Medicare and Medicaid reimbursement rates, admissions, volumes, our liquidity and other factors may have a significant impact on our business and required the recognition of impairment charges in the future.

Accounting for Income Taxes

As of December 31, 2008, we have net deferred tax assets of approximately $3,222,000. The net deferred tax asset is composed of approximately $4,438,000 of current deferred tax assets, approximately $3,576,000 of non-current tax assets and approximately $4,792,000 of long-term deferred tax liabilities. We have provided a valuation allowance against certain deferred tax assets based upon our estimation of realizability of those assets through future taxable income. This valuation allowance was based in large part on our history of generating operating income or losses in individual tax locales and expectations for the future. Our ability to generate the expected amounts of taxable income from future operations is dependent upon general economic conditions, competitive pressures on revenues and margins and legislation and regulation at all levels of government. We have considered the above factors in reaching our conclusion that it is more likely than not that future taxable income will be sufficient to fully utilize the net deferred tax assets (net of the valuation allowance) as of December 31, 2008. However, there can be no assurances that we will meet our expectations of future taxable income.

Seasonality

Our Visiting Nurse segment operations located in Florida normally experience higher admissions during the first quarter and lower admissions during the third quarter than in the other quarters due to seasonal population fluctuations.

RESULTS OF OPERATIONS

Continuing Operations
Year Ended December 31, 2008 Compared with Year Ended December 31, 2007

Consolidated	2008		2007		Change	
	Amount	% Rev	Amount	% Rev	Amount	%
Net service revenues						
Visiting nurses	$ 172,977,478	81.4%	$ 96,187,044	72.8%	$ 76,790,434	79.8%
Personal care	39,622,793	18.6%	35,943,012	27.2%	3,679,781	10.2%
	$ 212,600,271	100.0%	$ 132,130,056	100.0%	$ 80,470,215	60.9%
Operating income:						
Visiting nurses	$ 36,644,987	21.2%	$ 18,382,333	19.1%	$ 18,262,654	99.3%
Personal care	3,849,180	9.7%	3,444,913	9.6%	404,267	11.7%
	40,494,167	19.0%	21,827,246	16.5%	18,666,921	85.5%
Corporate expense	12,288,183	5.8%	7,897,646	6.0%	4,390,537	55.6%
Operating income	28,205,984	13.3%	13,929,600	10.5%	14,276,384	102.5%
Interest expense	1,147,417	0.5%	836,911	0.6%	310,506	37.1%
Income taxes	10,654,393	5.0%	5,272,149	4.0%	5,382,244	102.1%
Income from continuing operations	$ 16,404,174	7.7%	$ 7,820,540	5.9%	$ 8,583,634	109.8%
EBITDA (1)	$ 30,223,712		$ 15,134,311		$ 15,089,401	

Our net revenues increased approximately $80.5 million or 60.9% with 79.8% growth in VN and 10.2% growth in PC. VN revenue growth was driven by acquisitions, admissions growth, and start-up operations. Acquired VN operations contributed approximately $47.4 million of revenue in 2008. Our organic Medicare revenue growth rate in 2008 was 36% compared to 27% in 2007.

Operating income for 2008 increased to 13.3% of revenue versus 10.5% in 2007 based on our ability to leverage our existing infrastructure over a larger revenue base. Income from continuing operations for 2008 was approximately $16.4 million or $2.17 per diluted share compared to approximately $7.8 million or $1.40 per diluted share in 2007 on 35% more shares outstanding.

Interest expense is higher due to increased usage of the revolving line of credit for acquisitions in 2008. The increase was partially offset by lower interest rates. Our effective interest rate on our bank credit facility was 4.9% in 2008 and 7.5% in 2007.

The effective tax rate was approximately 39.4% for the year ended December 31, 2008 and 40.3% in 2007.

(1) See page 38 for discussion of EBITDA.

Visiting Nurse Segment-Year Ended December 31, 2008 and 2007

Approximately 91% of the VN segment revenues were generated from the Medicare program while the balance is generated from Medicaid and private insurance programs. In addition to our focus on operating income from the Visiting Nurse segment, we also measure this segment's performance in terms of admissions, patient months of care, revenue per patient month and cost of services per patient month.

	2008		2007		Change	
	Amount	% Rev	Amount	% Rev	Amount	%
Net service revenues	$ 172,977,477	100.0%	$ 96,187,044	100.0%	$ 76,790,433	79.8%
Cost of service revenues	71,899,900	41.6%	39,126,396	40.7%	32,773,504	83.8%
Gross margin	101,077,577	58.4%	57,060,648	59.3%	44,016,929	77.1%
General and administrative expenses:						
Salaries and benefits	45,583,516	26.4%	26,795,577	27.9%	18,787,939	70.1%
Other	18,849,074	10.9%	11,882,738	12.4%	6,966,336	58.6%
Total general and administrative expenses	64,432,590	37.2%	38,678,315	40.2%	25,754,275	66.6%
Operating income	$ 36,644,987	21.2%	$ 18,382,333	19.1%	$ 18,262,654	99.3%
Average number of locations	61.8		47.2		14.6	30.9%
All Payors:						
Patient Months	130,257		76,678		53,579	69.9%
Admissions	39,666		29,338		10,328	35.2%
Billable Visits	1,077,477		600,913		476,564	79.3%
Medicare Statistics:						
Revenue	$156,892,495	90.7%	$ 89,142,173	92.7%	$ 67,750,322	76.0%
Billable Visits	952,188		545,732		406,456	74.5%
Admissions	36,195		26,199		9,996	38.2%
Episodes started	53,687		33,169		20,518	61.9%
Revenue per episode completed	$ 3,171		$ 2,911		260	8.9%
Visits per episode	17.3		16.0		1.3	8.1%

Net revenues in the visiting nurse segment for 2008 rose 79.8% to $173.0 million. The $76.8 million increase came from a combination of organic growth of $32.7 million and acquired operations of $44.1 million. VN organic revenue growth rate was 36.0% for 2008. The Patient Care acquisition, completed August 1, 2008, contributed $19.6 million in revenue for the year. Revenue per completed episode increased about 9% over 2007 due to an increase in the acuity level and changes in the geographic mix of the patients we served. The increase in the acuity level of patients served is also reflected in the increase in the average number of visits per episode.

Gross margin decreased from 59.3% in 2007 to 58.4% in 2008 due to the effect of flat Medicare reimbursement rates and continuing increases in direct care wages and mileage reimbursement. Our general and administrative salaries and benefits increased predominantly as a result of the increase in the average number of locations in operation between periods (both de novo and acquisition), increases in wage rates and the addition of segment management staff driven by our focus on the execution of our strategic plan to develop the visiting nurse segment. However, total general and administrative expenses as a percent of revenue declined from 40.2% to approximately 37.2% as additional volumes and branches spread general and administrative expenses over a larger revenue base.

Personal Care (PC) Segment-Year Ended December 31, 2008 and 2007

Approximately 74% of the PC segment revenues were generated from Medicaid and other government programs while the balance is generated from insurance programs and private pay patients.

	2008		2007		Change	
	Amount	% Rev	Amount	% Rev	Amount	%
Net service revenues	$ 39,622,793	100.0%	$ 35,943,012	100.0%	$ 3,679,781	10.2%
Cost of service revenues	27,059,456	68.3%	24,769,129	68.9%	2,290,327	9.2%
Gross margin	12,563,337	31.7%	11,173,883	31.1%	1,389,454	12.4%
General and administrative expenses:						
Salaries and benefits	5,416,030	13.7%	5,013,598	13.9%	402,432	8.0%
Other	3,298,127	8.3%	2,715,372	7.6%	582,755	21.5%
Total general and administrative expenses	8,714,157	22.0%	7,728,970	21.5%	985,187	12.7%
Operating income	$ 3,849,180	9.7%	$ 3,444,913	9.6%	$ 404,267	11.7%
Admissions	3,671		3,544		127	3.6%
Patient months of care	44,743		41,916		2,827	6.7%
Patient days of care	558,681		526,540		32,141	6.1%
Billable hours	2,225,213		2,042,226		182,987	9.0%
Revenue per billable hour	$ 17.81		$ 17.60		$ 0.21	1.2%

Net revenues in the personal care segment for 2008 increased just over 10% to $39.6 million from $35.9 million in the same period of last year primarily on increased volume. Volumes increased on 4% admission growth combined with increased utilization of services per patient and a small price increase. A small price increase resulting from changes in the mix of business as well as rate increases from certain state Medicaid programs is also reflected in the 0.6% increase in gross margin percent. General and administrative salaries and benefits as a percent of revenue decreased due to the increase in volumes partially offset by increased workers compensation expenses. Other general and administrative expenses increased primarily due to an increase in bad debt expense. The PC operating income grew 12% for 2008 grew to $3.8 million from $3.4 million in 2007.

Continuing Operations
Year Ended December 31, 2007 Compared with Year Ended December 31, 2006

Consolidated	**2007**		**2006**		**Change**	
	Amount	**% Rev**	**Amount**	**% Rev**	**Amount**	**%**
Net service revenues:						
Visiting nurses	$ 96,187,044	72.8%	$ 55,159,295	61.2%	$ 41,027,749	74.4%
Personal care	35,943,012	27.2%	35,030,596	38.8%	912,416	2.6%
	$ 132,130,056	100.0%	$ 90,189,891	100.0%	$ 41,940,165	46.5%
Operating income:						
Visiting nurses	$ 18,382,333	19.1%	$ 8,845,710	16.0%	$ 9,536,623	107.8%
Personal care	3,444,913	9.6%	4,110,056	11.7%	(665,143)	-16.2%
	21,827,246	16.5%	12,955,766	14.4%	8,871,480	68.5%
Corporate expense	7,897,646	6.0%	5,697,911	6.3%	2,199,735	38.6%
	13,929,600	10.5%	7,257,855	8.0%	6,671,745	91.9%
Interest expense (income)	836,911	0.6%	(54,440)	-0.1%	891,351	NM
Income taxes	5,272,149	4.0%	2,845,758	3.2%	2,426,391	85.3%
Income from continuing operations	$ 7,820,540	5.9%	$ 4,466,537	5.0%	$ 3,354,003	75.1%
EBITDA	$ 15,134,311		$ 8,270,581		$ 6,863,730	83.0%

NM – Not meaningful

Our net revenues increased approximately $41.9 million or 46.5% with 74.4% growth in VN and 2.6% growth in PC. VN revenue growth was driven by acquisitions, admissions growth, and start-up operations. Acquired VN operations contributed approximately $24.9 million of revenue in 2007. The remaining revenue growth came from locations in operation in both periods which in the aggregate grew approximately 26.6% over revenue generated in 2006. PC operating income decreased due to lower gross margins.

Interest expense is significantly higher due to increased usage of the revolving line of credit for acquisitions in 2008.

Corporate expenses increased due to increased incentive provisions, executive compensation, and increased recruiting efforts. In the year ended December 31, 2007 the Company incurred approximately $650,000 of incremental corporate expense to comply with internal control reporting requirements of the Sarbanes Oxley Act.

The effective tax rate for continuing operations is approximately 40.3% for the year ended December 31, 2007 and 38.9% in 2006.

Visiting Nurse Segment-Year Ended December 31, 2007 and 2006

	2007		2006		Change	
	Amount	% Rev	Amount	% Rev	Amount	%
Net service revenues	$ 96,187,044	100.0%	$ 55,159,295	100.0%	$ 41,027,749	74.4%
Cost of service revenues	39,126,396	40.7%	22,214,672	40.3%	16,911,724	76.1%
Gross margin	57,060,648	59.3%	32,944,623	59.7%	24,116,025	73.3%
General and administrative expenses:						
Salaries and benefits	24,000,481	25.0%	16,468,407	29.9%	7,532,074	45.7%
Other	14,677,834	15.3%	7,630,506	13.8%	7,047,328	92.4%
Total general and administrative expenses	38,678,315	40.2%	24,098,913	43.7%	14,579,402	60.5%
Operating income	$ 18,382,333	19.1%	$ 8,845,710	16.0%	$ 9,536,623	107.8%
Average number of locations	47.2		32.7		14.5	44.3%
All Payors:						
Patient months	76,678		46,266		30,412	65.7%
Admissions	29,338		18,921		10,417	55.1%
Billable Visits	600,913		359,273		241,640	67.3%
Medicare Statistics:						
Revenue	$ 89,120,290		$ 50,654,052		$ 38,466,238	75.9%
Billable Visits	545,732		323,471		222,261	68.7%
Admissions	26,199		16,906		9,293	55.0%
Episodes started	33,169		20,226		12,943	64.0%
Revenue per episode completed	$ 2,911		$ 2,633		$ 278	10.6%
Visits per episode	16.0		15.6		0.4	2.6%

VN revenues grew approximately $41.0 million between years of which 57.8% came from new acquired markets, 14.9% came in markets with in-market acquisitions and 27.3% came from markets with no acquisition impact. This demonstrates both growth through acquisition and improvement of existing markets.

Quality of Life generated $2.3 million of revenue in 2007 in 4 newly acquired markets.

Gross margin remained constant between periods.

Our general and administrative salaries and benefits increased predominantly as a result of the increase in the average number of locations in operation between periods (substantially all of which were acquired), increases in wage rates and the addition of segment management staff driven by our focus on the execution of our strategic plan to develop the visiting nurse segment. As a percent of revenue, these costs declined to 40.2% from 43.7% primarily due to increased volumes (admissions), particularly in markets with no acquisition impact.

Personal Care Segment-Year Ended December 31, 2007 and 2006

	2007		2006		Change	
	Amount	% Rev	Amount	% Rev	Amount	%
Net service revenues	$ 35,943,012	100.0%	$ 35,030,596	100.0%	$ 912,416	2.6%
Cost of service revenues	24,769,129	68.9%	23,558,522	67.3%	1,210,607	5.1%
Gross margin	11,173,883	31.1%	11,472,074	32.7%	(298,191)	-2.6%
General and administrative expenses:						
Salaries and benefits	5,013,598	13.9%	4,842,413	13.8%	171,185	3.5%
Other	2,715,372	7.6%	2,519,605	7.2%	195,768	7.8%
Total general and administrative expenses	7,728,970	21.5%	7,362,018	21.0%	366,953	5.0%
Operating income	$ 3,444,913	9.6%	$ 4,110,056	11.7%	$ (665,144)	-16.2%
Admissions	3,544		3,241		303	9.3%
Patient months of care	41,916		41,477		439	1.1%
Patient days of care	526,540		511,317		15,223	3.0%
Billable hours	2,042,226		2,041,658		568	IM
Revenue per billable hour	$ 17.60		$ 17.16		$ 0.44	2.6%

PC operating income was $3.4 million for the twelve months ended December 2007 compared to $4.1 million for the same period of 2006. Gross margin decreased 1.6% from 32.7% of revenue in 2006 to 31.1% of revenue in 2007 due to increased employee benefit costs, pay rates growing slightly faster than revenue rates and changes in the mix of business toward lower margin markets and disciplines of care. Our volume of business and our business mix was unfavorably impacted by changes in Medicaid programs, particularly in Ohio, which caused a shift of patients away from traditional programs and toward managed care programs which typically pay lower rates and more stringently limit utilization of services per patient.

General and administrative expenses were relatively unchanged between years.

Liquidity and Capital Resources

We believe that a certain amount of debt has an appropriate place in our overall capital structure and it is not our strategy to eliminate all debt financing. We believe that our cash flow from operations and borrowing capacity on our bank credit facility, described below, will be sufficient to cover operating needs, future capital expenditure requirements and scheduled debt payments of miscellaneous small borrowing arrangements and capitalized leases. In addition, it is likely that we will pursue growth from acquisitions, partnerships and other ventures that would be funded from excess cash from operations, credit available under the bank credit agreement and other financing arrangements that are normally available in the marketplace.

Revolving Credit Facility

At December 31, 2008 the Company had a $75 million three year senior secured revolving credit facility with JP Morgan Chase Bank, NA, as Administrative Agent, Fifth Third Bank, as Syndication Agent and certain other lenders. The facility consists of a $75 million credit line with a maturity date of July 15, 2011 and an "accordion" feature providing for potential future expansion of the facility to $100 million. This credit facility replaced the Company's previous $40 million credit facility with JP Morgan Chase Bank, NA. Borrowings (other than letters of credit) under the credit facility generally bear interest at a rate varying from LIBOR plus 1.6% to LIBOR plus 2.60%, depending on leverage. Borrowings under the Agreement are secured by a first priority perfected security interest in all tangible and intangible assets of the Company, and all existing and future direct and indirect subsidiaries of the Company as guarantors. At December 31, 2008, the Company's borrowings were currently prime rate based. The weighted average interest rates were 4.86% and 7.31% for the years ended December 31, 2008 and 2007, respectively. The Company pays a commitment fee of 0.35% per annum on the unused facility balance. Borrowings are available equal to a multiple of 3.0 times earnings before interest, taxes, depreciation and amortization ("EBITDA"). "EBITDA" may include "Acquired EBITDA" from proforma acquisitions pursuant to a calculation rider, up to 50% of "Adjusted EBITDA", as defined. Borrowings under the facility may be used for general corporate purposes, including acquisitions. As of December 31, 2008, the formula permitted all $75 million to be used, of which $24.0 million was outstanding. The Company has irrevocable letters of credit, totaling $6.7 million outstanding in connection with its self-insurance programs. Thus, a total of $44.3 million was available for use at December 31, 2008. The Company's revolving credit facility is subject to various financial covenants. As of December 31, 2008, the Company was in compliance with the covenants. Under the most restrictive of its covenants, the Company is required to maintain minimum net worth of at least $91.4 million.

The Company believes that this facility will be sufficient to fund its operating needs for at least the next year. The Company will continue to evaluate additional capital, including possible debt and equity investments in the Company, to support a more rapid development of the business than would be possible with internal funds.

Cash Flows

Key elements to the Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006 were as follows:

Net Change in Cash and Cash Equivalents	**2008**	**2007**	**2006**
Provided by (used in):			
Operating activities	$ 9,585,746	$ 7,364,086	$ 5,556,213
Investing activities	(61,273,293)	(9,665,893)	(16,379,690)
Financing activities	52,626,794	(1,264,788)	8,757,071
Discontinued operations activities	(111,291)	(85,775)	3,677
Net increase / (decrease) in cash and cash equivalents	$ 827,956	$ (3,652,370)	$ (2,062,729)

2008 Compared to 2007

Net cash provided by operating activities resulted principally from current period income of $16.3 million, net of changes in accounts receivable, accounts payable and accrued expenses. Accounts receivable days revenues outstanding were 48 at December 31, 2008 and 44 at December 31, 2007 primarily due to a longer average length of stay in the VN segment as a result of higher acuity patients that we serve. Cash flows from operating activities were reduced by a $14.3 million increase in accounts receivable. The four day increase in days revenue outstanding accounted for approximately $3 million while the balance of $11 million resulted from organic revenue growth. The increase in accounts payable and prepaid expenses and other current assets was primarily due to our increased volume of business.

The cash used in investing activities is primarily due to the Apex Home Healthcare acquisition ($12.1 million) completed in March 2008 and the Patient Care acquisition ($40.8 million) in August 2008.

Net cash provided by financing activities resulted primarily from the $41.8 million stock offering in April 2008 and $11.6 million of additional borrowings on our credit facility.

2007 Compared to 2006

Net cash provided by operating activities resulted principally from current period income, net of changes in accounts receivable, accounts payable and accrued expenses. Accounts receivable days revenue outstanding were 44 at December 31, 2007 and 50 at December 31, 2006.

The cash used in investing activities is primarily due to acquisitions completed in 2007 and capital expenditures.

Net cash used in financing activities resulted primarily from stock option exercises, net repayments of the revolving credit facility and the payment of notes payable from acquisitions in 2005 and 2006. The Company's stock option plans permit optionees to have option shares withheld on exercises in lieu of taxes which is shown in the cash flow statement as a repurchase of shares in the amount of $3.8 million. The Company receives a current tax deduction for compensation expense subject to IRS limits. Such deductions related to stock option exercises in the March 2007 quarter, are shown in the cash flow statement as a cash inflow of approximately $704,000.

Stock Offering

On April 11, 2008, the Company filed a Prospectus Supplement whereby 2,250,000 shares of common stock were offered for sale at a price of $17.75 per share. In the second quarter 2008, the Company sold 2,512,500 shares in a public offering for net proceeds of $41.8 million after deducting the underwriting discounts and offering expenses. In conjunction with the stock offering, the Company retired all of its outstanding Treasury Stock.

In December 2008, the Company filed a $120.0 million shelf registration statement with the availability for the issuance of any combination of common stock, preferred stock, warrants and debt securities. The registration statement became effective December 12, 2008, and the Company has not yet issued any securities using the registration statement

Medicare Reimbursement

In October 2008 the Centers for Medicare & Medicaid Services ("CMS") published regulations specifying Medicare home health reimbursement rates for 2009. Medicare rates for 2009 include a "market basket" rate increase update of 2.9% less a 2.75% "case mix creep" adjustment. Accordingly, 2009 Medicare rates are not materially different from 2008 rates.

Medicaid Reimbursement

We have a significant dependence on state Medicaid reimbursement programs. For the year ended December 31, 2008, approximately 6.4%, 5.1%, 4.4%, 1.2%, 0.8%, 0.2%, 0.2% and 0.1% of our revenues were generated from Medicaid reimbursement programs in the states of Connecticut, Ohio, Kentucky, Massachusetts, Florida, Indiana, New Jersey and Alabama, respectively.

Acquisitions

The Company has completed several acquisitions over the past three fiscal years and will continue to actively seek to acquire other quality providers of Medicare-certified home health services like our current Visiting Nurse segment operations. We may consider acquisitions of businesses that provide health care services similar to those we currently offer in our Personal Care segment but we expect most of our acquisition activity to be focused on Visiting Nurse operations.

Factors which may affect future acquisition decisions include, but are not limited to, the quality and potential profitability of the business under consideration, and our profitability and ability to finance the transaction.

Acquisitions During 2008

During 2008 we acquired 11 visiting nurse branch locations. These operations added to our market presence in Florida, Connecticut, Ohio and Kentucky and gave us market presence in New Jersey and Pennsylvania.

We funded these acquisitions by issuing $1.0 million in Almost Family restricted stock, issuing $3.1 million in promissory notes at 6% interest, and using existing cash and our senior credit facility with JP Morgan Chase Bank, NA to make cash payments of $54.3 million and provide a $4.7 million letter of credit as collateral for Patient Care, Inc.'s large-deductible workers compensation exposure.

Acquisitions During 2007

During 2007 the Company acquired 5 visiting nurse branch locations. These operations added to our market presence in Florida.

We funded these acquisitions by issuing $2.0 million in Almost Family restricted stock and using existing cash and our senior credit facility with JP Morgan Chase Bank, NA to make cash payments of $8.6 million.

Contractual Obligations.

The following table provides information about the payment dates of our contractual obligations at December 31, 2008, excluding current liabilities except for the current portion of long-term debt and additional consideration on Mederi acquisition (amounts in thousands):

	2009	2010	2011	2012	2013	Total
Revolving credit facility	$ -	$ -	$ 23,998	$ -	$ -	$23,998
Capital lease obligations	602	330	56	-	-	988
Additional consideration on acquisitions	2,825	-	-	-	-	2,825
Notes payable	4,000	3,000	100	-	-	7,100
Operating leases	4,079	3,045	1,759	1,065	601	10,549
Total	$ 11,506	$ 6,375	$ 25,913	$ 1,065	$ 601	$45,460

Commitments and Contingencies

Letters of Credit. We have outstanding letters of credit totaling $6.7 million at December 31, 2008, which benefit our third-party insurer/administrators for our self-insurance programs. The amount of such insurance program letters of credit is subject to negotiation annually upon renewal and may vary in the future based upon such negotiation, our historical claims experience and expected future claims. It is reasonable to expect that the amount of the letter of credit will increase in the future, however, we are unable to predict to what degree.

We currently have no obligations related to acquisition agreements. However, we periodically seek acquisition candidates and may reasonably be expected to enter into acquisitions in the future.

General and Professional Liability. Malpractice and general patient liability claims for incidents which may give rise to litigation have been asserted against us by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. We also know of incidents that have occurred through December 31, 2008 that may result in the assertion of additional claims. We carry insurance coverage for this exposure with no deductible.

We record estimated liabilities for our insurance programs based on information provided by the third-party plan administrators, historical claims experience, the life cycle of claims, expected costs of claims incurred but not paid, and expected costs to settle unpaid claims. We monitor our estimated insurance-related liabilities on a monthly basis. As facts change, it may become necessary to make adjustments that could be material to our results of operations and financial condition.

Health Care Reform

The health care industry has experienced, and is expected to continue to experience, extensive and dynamic change. In addition to economic forces and regulatory influences, continuing political debate is subjecting the health care industry to significant reform. Health care reforms have been enacted as discussed elsewhere in this document. Proposals for additional changes are continuously formulated by departments of the Federal government, Congress, and state legislatures.

Government officials can be expected to continue to review and assess alternative health care delivery systems and payment methodologies. Changes in the law or new interpretations of existing laws may have a dramatic effect on the definition of permissible or impermissible activities, the relative cost of doing business, and the methods and amounts of payments for medical care by both governmental and other payors. Legislative changes to "balance the budget" and slow the annual rate of growth of expenditures are expected to continue. Such future changes may further impact our reimbursement. There can be no assurance that future legislation or regulatory changes will not have a material adverse effect on our operations.

Federal and State legislative proposals continue to be introduced that would impose more limitations on payments to providers of health care services such as us. Many states have enacted, or are considering enacting, measures that are designed to reduce their Medicaid expenditures.

We cannot predict what additional government regulations may be enacted in the future affecting our business or how existing or future laws and regulations might be interpreted, or whether we will be able to comply with such laws and regulations in our existing or future markets.

Discontinued Operations

We follow the guidance in SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets and, when appropriate, reclassify operating units closed, sold, or held for sale out of continuing operations and into discontinued operations for all periods presented. During 2008, we had no facilities that met the criteria to be reclassified as discontinued operations and during 2007, the PC segment had three facilities and the VN segment had one facility that met the criteria to be reclassified as discontinued operations. For all the years presented in this report, these facilities have been reclassified. Net losses from the discontinued operations were approximately ($111,000), ($217,000) and ($227,000) in the years ended December 31, 2008, 2007 and 2006 respectively, and such amounts are included in net loss from discontinued operations in the accompanying financial statements.

Impact of Inflation

We do not believe that inflation has had a material effect on income during the past several years.

Non-GAAP Financial Measure

The information provided in the some of the tables use certain non-GAAP financial measures as defined under Securities and Exchange Commission (SEC) rules. In accordance with SEC rules, the Company has provided, in the supplemental information and the footnotes to the tables, a reconciliation of those measures to the most directly comparable GAAP measures.

EBITDA:

EBITDA is defined as income before depreciation and amortization, net interest expense and income taxes. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States of America. It should not be considered in isolation or as a substitute for net income, operating income, cash flows from operating, investing or financing activities, or any other measure calculated in accordance with generally accepted accounting principles. The items excluded from EBITDA are significant components in understanding and evaluating financial performance and liquidity. Management routinely calculates and communicates EBITDA and believes that it is useful to investors because it is commonly used as an analytical indicator within our industry to evaluate performance, measure leverage capacity and debt service ability, and to estimate current or prospective enterprise value. EBITDA is also used in certain covenants contained in our credit agreement.

The following table sets forth a reconciliation of Continuing Operations Net Income - to EBITDA:

	Year Ended December 31,		
	2008	2007	2006
Net income from continuing operations	$ 16,404,174	$ 7,820,540	$ 4,466,537
Add back:			
Interest (income) expense	1,147,417	836,911	(54,440)
Income taxes	10,654,393	5,272,149	2,845,758
Depreciation and amortization	1,330,185	842,201	998,594
Amortization of stock based compensation	687,543	362,510	14,132
Earnings before interest, income taxes, depreciation and amortization (EBITDA) from continuing operations	$ 30,223,712	$ 15,134,311	$ 8,270,581

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Derivative Instruments

We do not use derivative instruments.

Market Risk of Financial Instruments

Our primary market risk exposure with regard to financial instruments is to changes in interest rates.

At December 31, 2008, a hypothetical 100 basis point increase in short-term interest rates would result in a reduction of approximately $240,000 in annual pre-tax earnings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ALMOST FAMILY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2008	**2007**	**2006**
Net service revenues	$ 212,600,271	$ 132,130,056	$ 90,189,891
Cost of service revenues	98,959,401	63,874,381	45,788,254
Gross margin	113,640,870	68,255,675	44,401,637
General and administrative expenses:			
Salaries and benefits	58,182,889	35,945,657	24,349,496
Other	27,251,997	18,380,418	12,794,286
Total general and administrative expense	85,434,886	54,326,075	37,143,782
Operating income	28,205,984	13,929,600	7,257,855
Interest (income) expense	1,147,417	836,911	(54,440)
Income from continuing operations before income taxes	27,058,567	13,092,689	7,312,295
Income tax expense	(10,654,393)	(5,272,149)	(2,845,758)
Net income from continuing operations	16,404,174	7,820,540	4,466,537
Discontinued operations :			
Loss from operations, net of tax benefit of $69,577, $138,148 and $35,906	(111,291)	(216,981)	(227,094)
Net income	$ 16,292,883	$ 7,603,559	$ 4,239,443
Per share amounts-basic: (1)			
Average shares outstanding	7,368,968	5,435,615	4,853,535
Income from continuing operations	2.23	1.44	$ 0.92
Loss from discontinued operations	(0.02)	(0.04)	(0.05)
Net income	$ 2.21	$ 1.40	$ 0.87
Per share amounts-diluted: (1)			
Average shares outstanding	7,572,333	5,599,476	5,326,997
Income from continuing operations	$ 2.17	$ 1.40	$ 0.84
Loss from discontinued operations	(0.01)	(0.04)	(0.04)
Net income	$ 2.16	$ 1.36	$ 0.80

(1) All share and per share information has been adjusted to reflect a 2-for-1 common stock split completed in January 2007.

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

ALMOST FAMILY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	As of December 31, 2008	2007
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,301,178	$ 473,222
Accounts receivable – net	34,760,021	16,965,316
Prepaid expenses and other current assets	3,113,737	1,203,454
Deferred tax assets	4,437,979	1,829,895
TOTAL CURRENT ASSETS	43,612,915	20,471,887
PROPERTY AND EQUIPMENT – NET	4,199,067	1,458,844
GOODWILL	92,170,091	42,667,244
OTHER INTANGIBLE ASSETS	16,715,369	2,488,056
DEFERRED TAX ASSETS	3,576,275	-
OTHER ASSETS	518,317	274,359
	$ 160,792,034	$ 67,360,390

LIABILITIES AND STOCKHOLDERS' EQUITY	2008	2007
CURRENT LIABILITIES:		
Accounts payable	$ 5,320,763	$ 3,943,555
Accrued liabilities	22,436,430	10,369,346
Current portion - capital leases and notes payable	4,774,249	653,891
Current deferred tax liabilities	4,792,091	-
	37,323,533	14,966,792
LONG-TERM LIABILITIES:		
Revolving credit facility	23,998,428	12,386,783
Capital leases	111,002	-
Notes payable	3,100,000	4,000,000
Deferred tax liabilities	-	776,672
Other liabilities	1,476,843	388,230
TOTAL LONG-TERM LIABILITIES	28,686,273	17,551,685
TOTAL LIABILITIES	66,009,806	32,518,477
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $0.05; authorized 2,000,000 shares; none issued or outstanding	-	-
Common stock, par value $0.10; authorized 25,000,000 and 10,000,000 shares; 8,136,723 and 7,808,819 issued, respectively	813,672	780,882
Treasury stock, at cost, 0 and 2,276,898 shares	-	(8,877,641)
Additional paid-in capital	64,935,673	30,198,671
Retained Earnings	29,032,883	12,740,001
TOTAL STOCKHOLDERS' EQUITY	94,782,228	34,841,913
	$ 160,792,034	$ 67,360,390

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

ALMOST FAMILY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY [1]

	Common Stock		Treasury Stock		Additional Paid-in	Retained Earnings	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	(Deficit)	Equity
Balance, December 31, 2005	7,039,362	$ 703,936	(2,241,022)	$ (8,141,438)	$ 26,675,880	$ 896,998	$ 20,135,376
Options exercised, net of shares surrendered or withheld	118,258	11,826	(4,952)	(58,657)	(542,934)	-	(589,765)
Stock-based compensation	-	-	-	-	14,132	-	14,132
Stock provided in acquisitions	200,000	20,000	-	-	2,962,000	-	2,982,000
Tax benefit from exercise of non-qualified stock options	-	-	-	-	958,618	-	958,618
Net Income	-	-	-	-	-	4,239,443	4,239,443
Balance, December 31, 2006	7,357,620	$ 735,762	(2,245,974)	$ (8,200,095)	$ 30,067,696	$ 5,136,441	$ 27,739,804
Options exercised, net of shares surrendered or withheld	350,232	35,023	(30,924)	(677,546)	(2,925,733)	-	(3,568,256)
Stock-based compensation	-	-	-	-	362,510	-	362,510
Stock provided in acquisitions	100,967	10,097	-	-	1,989,903	-	2,000,000
Tax benefit from exercise of non-qualified stock options	-	-	-	-	704,294	-	704,294
Net Income	-	-	-	-	-	7,603,559	7,603,559
Balance, December 31, 2007	7,808,819	$ 780,882	(2,276,898)	$ (8,877,641)	$ 30,198,671	$ 12,740,001	$ 34,841,911
Options exercised, net of shares surrendered or withheld	10,712	1,071	-	-	51,726	-	52,797
Stock-based compensation	33,971	3,397	-	-	684,146	-	687,543
Stock provided in acquisitions	47,619	4,762	-	-	995,238	-	1,000,000
Stock offering	2,512,500	251,250	-	-	41,569,250	-	41,820,500
Retirement of Treasury Stock	(2,276,898)	(227,690)	2,276,898	8,877,641	(8,649,951)	-	-
Tax benefit from exercise of non-qualified stock options	-	-	-	-	86,594	-	86,594
Net Income	-	-	-	-	-	16,292,883	16,292,883
Balance, December 31, 2008	8,136,723	$ 813,672	-	$ -	$ 64,935,673	$ 29,032,883	$ 94,782,228

[1] All share and related information has been adjusted to reflect a 2-for-1 common stock split completed in January 2007.

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

ALMOST FAMILY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2008	2007	2006
Cash flows from operating activities:			
Net income	$ 16,292,883	$ 7,603,559	$ 4,239,443
Loss on discontinued operations, net of tax	(111,291)	(216,981)	(227,094)
Income from continuing operations	16,404,174	7,820,540	4,466,537
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	1,330,185	842,201	998,594
Interest earned on escrow funds	-	-	6,696
Stock-based compensation	687,543	362,510	14,132
Provision for uncollectible accounts	2,964,561	1,546,284	665,972
Deferred income taxes	1,364,259	911,211	276,242
	22,750,722	11,482,746	6,428,173
Change in certain net assets and liabilities, net of the effects of acquisitions:			
(Increase) decrease in:			
Accounts receivable	(14,283,621)	(4,785,292)	(1,831,405)
Prepaid expenses and other current assets	(992,557)	(302,908)	117,554
Other assets	(34,369)	(78,804)	(68,706)
Increase (decrease) in:			
Accounts payable and accrued expenses	2,145,571	1,048,344	910,597
Net cash provided by operating activities	9,585,746	7,364,086	5,556,213
Cash flows from investing activities:			
Capital expenditures	(1,475,905)	(590,839)	(853,118)
Acquisitions, net of cash acquired	(59,797,388)	(9,075,054)	(15,526,572)
Net cash used in investing activities	(61,273,293)	(9,665,893)	(16,379,690)
Cash flows from financing activities:			
Net revolving credit facility borrowings (repayments)	11,610,708	3,921,785	8,465,935
Proceeds from stock option exercises	52,797	77,521	154,647
Purchase of common stock in connection with stock options	-	(3,645,776)	-
Tax effect of non-qualified stock option exercises	86,594	704,294	214,207
Stock offering	41,820,500	-	-
Principal payments on capital leases and notes payable	(943,805)	(2,322,612)	(77,718)
Net cash provided by (used in) financing activities	52,626,794	(1,264,788)	8,757,071
Cash flows from discontinued operations:			
Operating activities	(111,291)	(351,658)	(997,105)
Investing activities	-	265,883	1,000,782
Financing activities	-	-	-
Net cash used in discontinued operations	(111,291)	(85,775)	3,677
Net increase (decrease) in cash and cash equivalents	827,956	(3,652,370)	(2,062,729)
Cash and cash equivalents at beginning of period	473,222	4,125,592	6,188,321
Cash and cash equivalents at end of period	$ 1,301,178	$ 473,222	$ 4,125,592
Supplemental disclosures of cash flow information:			
Cash payment of interest, net of amounts capitalized	$ 871,000	$ 915,000	$ 61,000
Cash payment of taxes	$ 9,308,088	$ 3,176,000	$ 2,872,000
Summary of non-cash investing and financing activities:			
Capital expenditures financed under capital leases	$ 967,023	$ -	$ -
Acquisitions funded by notes payable	$ 3,100,000	$ -	$ 5,854,666
Acquisitions funded by stock	$ 1,000,000	$ 2,000,000	$ 2,982,000
Value of stock option shares withheld in lieu of payroll taxes	$ 6,979	$ 3,725,533	$ 744,412

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION AND DESCRIPTION OF BUSINESS

The consolidated financial statements include the accounts of *Almost Family, Inc.* (a Delaware corporation) and its wholly-owned subsidiaries (collectively "*Almost Family*" or the "Company"). The Company is a leading, regionally focused provider of home health services and has service locations in Florida, Kentucky, Connecticut, New Jersey, Ohio, Massachusetts, Alabama, Missouri, Illinois, Pennsylvania and Indiana (in order of revenue significance).

The Company was incorporated in Delaware in 1985. Through a predecessor that merged into the Company in 1991, we have been providing health care services, primarily home health care, since 1976. On January 31, 2000, we changed the Company's name to *Almost Family, Inc.* from Caretenders HealthCorp. All material intercompany transactions and accounts have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Uninsured deposits at December 31, 2008, and 2007 were approximately $271,000 and $360,000, respectively. These amounts have been deposited with national financial institutions.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives. The estimated useful lives of depreciable assets are as follows:

	Estimated Useful Life In Years
Leasehold improvements	3-10
Medical equipment	2-10
Office and other equipment	3-10
Transportation equipment	3-5
Internally generated software	3

GOODWILL AND OTHER INTANGIBLE ASSETS

The goodwill and indefinite lived intangible assets acquired are stated at cost. Subsequent to its acquisitions, the Company conducts annual reviews for impairment, or more frequently if circumstances indicate impairment may have occurred, under Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. The Company has completed its most recent annual impairment test required by SFAS No. 142 as of December 31, 2008 and has determined that no impairment exists.

Other intangible assets consist of licenses, provider numbers, non-compete agreements, and trade name. Intangible assets are amortized on a straight-line basis over their estimated useful lives. For entities acquired in 2008, it was decided that licenses, provider numbers, certificates of need and trade names have indefinite lives and are not amortized. The cost of non-compete agreements are amortized over the life of the agreement, usually 3 years, beginning after earn out period. The Company reviews intangible assets for possible impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable.

The following table summarizes the activity related to our goodwill and other intangible assets, net for 2008 and 2007:

	Goodwill	Other Intangible Assets, Net: Certificates of Need and Licenses	Acquired Name of Business	Non-compete Agreements	Total
Balance at 12-31-06	$ 30,981,928	$ -	$ -	$ -	$ -
Additions	11,942,909	2,215,000	210,000	162,000	2,587,000
Disposals	(257,593)	-	-	-	-
Amortization	-	(55,611)	(43,333)	-	(98,944)
Balance at 12-31-07	42,667,244	2,159,389	166,667	162,000	2,488,056
Additions	49,502,847	5,242,000	8,505,000	669,836	14,416,836
Amortization	-	(11,133)	(21,000)	(157,390)	(189,523)
Balance at 12-31-08	$ 92,170,091	$ 7,390,256	$ 8,650,667	$ 674,446	$ 16,715,369

Of total goodwill, $88,343,229 relates the Visiting Nurse segment and $3,826,862 relates to the Personal Care segment. All additions and disposals in 2008 and 2007 pertain to the Visiting Nurse segment.

Amortization expense recognized on intangible assets was $189,523 in 2008, $91,333 in 2007 and $7,611 in 2006.

LONG-LIVED ASSETS

SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, specifies circumstances in which certain long-lived assets must be reviewed for impairment. Application of this standard for 2008, 2007, and 2006, has resulted in no impairment.

CAPITALIZATION POLICIES

Maintenance, repairs and minor replacements are charged to expense as incurred. Major renovations and replacements are capitalized to appropriate property and equipment accounts. Upon sale or retirement of property, the cost and related accumulated depreciation are eliminated from the accounts and the related gain or loss is recognized in income.

Consistent with AICPA Statement of Position 98-1, the Company capitalizes the cost of internally developed computer software for the Company's own use. Software development costs of approximately $30,000, $101,000 and $220,000 were capitalized in the years ended December 31, 2008 and 2007 and 2006, respectively.

INSURANCE PROGRAMS

The Company bears significant insurance risk under its large-deductible workers' compensation insurance program and its self-insured employee health program. Under the workers' compensation insurance program, the Company bears risk up to $400,000 per incident. The Company purchases stop-loss insurance for the employee health plan that places a specific limit, generally $100,000, on its exposure for any individual covered life.

Malpractice and general patient liability claims for incidents which may give rise to litigation have been asserted against the Company by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The Company is aware of incidents that have occurred through December 31, 2008 that may result in the assertion of additional claims. The Company currently carries professional and general liability insurance coverage for this exposure with no deductible. Prior to April 1, 2007 the Company carried coverage with a deductible per claim of $500,000.

The Company records estimated liabilities for its insurance programs based on information provided by the third-party plan administrators, historical claims experience, the life cycle of claims, expected costs of claims incurred but not paid, and expected costs to settle unpaid claims. The Company monitors its estimated insurance-related liabilities on a monthly basis. As facts change, it may become necessary to make adjustments that could be material to the Company's results of operations and financial condition.

ACCOUNTING FOR INCOME TAXES

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the Company's book and tax bases of assets and liabilities and tax carry-forwards using enacted tax rates in effect for the year in which the differences are expected to reverse.

SEASONALITY

Our Visiting Nurse segment operations located in Florida normally experience higher admissions during the first quarter and lower admissions during the third quarter than in the other quarters due to seasonal population fluctuations.

NET REVENUES

The Company is paid for its services primarily by Federal and state third-party reimbursement programs, commercial insurance companies, and patients. Revenues are recorded at established rates in the period during which the services are rendered. Appropriate allowances to give recognition to third party payment arrangements are recorded when the services are rendered.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. It is common for issues to arise related to: 1) the determination of cost-reimbursed revenues, 2) medical coding, particularly with respect to Medicare, 3) patient eligibility, particularly related to Medicaid, and 4) other reasons unrelated to credit risk, all of which may result in adjustments to recorded revenue amounts. Management continuously evaluates the potential for revenue adjustments and when appropriate provides allowances for losses based upon the best available information. There is at least a reasonable possibility that recorded estimates could change by material amounts in the near term.

Changes in Contractual Allowance Estimates Pertaining to Prior Periods

Approximately 26% of the Company's revenues are earned on a "fee for service" basis. For all services provided, the Company uses either payor-specific or patient-specific fee schedules for the recording of revenues at the amounts actually expected to be received. Changes in estimates related to prior period contractual allowances decreased revenues by $265,000, $127,000, and $63,000 in the years ended December 31, 2008, 2007 and 2006, respectively.

Approximately 18% of the Company's 2008 revenues were derived from state Medicaid and other government programs, some of which are currently facing significant budget issues. It is possible that the actions taken by the state Medicaid programs in the future could have a significant unfavorable impact on the Company's results of operations, financial condition and liquidity.

Revenue and Receivable Concentrations

The following table sets forth the percent of the Company's revenues generated from Medicare, state Medicaid programs and other payors:

	Year Ended December 31,		
	2008	**2007**	**2006**
Medicare	73.8%	67.4%	56.2%
Medicaid & other government programs:			
Connecticut	6.4%	4.9%	6.2%
Ohio	5.1%	8.3%	11.6%
Kentucky	4.4%	6.6%	8.7%
Massachusetts	1.2%	1.6%	2.3%
Florida	0.8%	1.2%	1.6%
Others	0.5%	0.8%	0.4%
Subtotal	18.4%	23.4%	30.8%
All other payors	7.8%	9.2%	13.0%
Total	100.0%	100.0%	100.0%

Concentrations in the Company's accounts receivable were as follows:

	As of December 31, 2008		As of December 31, 2007	
	Amount	**Percent**	**Amount**	**Percent**
Medicare	$ 24,393,143	62.7%	$ 9,883,497	49.5%
Medicaid & other government programs:				
Connecticut	4,139,891	10.6%	1,426,868	7.1%
Kentucky	1,757,392	4.5%	1,207,882	6.0%
Ohio	1,410,437	3.6%	1,535,701	7.7%
Florida	1,158,503	3.0%	261,067	1.3%
Massachusetts	612,408	1.6%	329,186	1.6%
Others	88,507	0.3%	95,544	0.5%
Subtotal	9,167,138	23.6%	4,856,248	24.3%
All other payors	5,350,082	13.7%	5,231,737	26.2%
Subtotal	38,910,363	100.0%	19,971,482	100.0%
Allowance for uncollectible accounts	(4,150,342)		(3,006,166)	
	$ 34,760,021		$ 16,965,316	

At December 31, 2008 and 2007, the Company had approximately ($841,000) and ($1,330,000) of net payables outstanding specifically related to filed or estimated cost reports. Of these amounts, approximately ($841,000) and ($1,108,000), respectively, were due to the Kentucky Medicaid program.

The ability of payors to meet their obligations depends upon their financial stability, future legislation and regulatory actions. The Company does not believe there are any significant credit risks associated with receivables from Federal and state third-party reimbursement programs. The allowance for doubtful accounts principally consists of management's estimate of amounts that may prove uncollectible for coverage, eligibility and technical reasons.

Payor Mix Concentrations and Related Aging of Accounts Receivable
The approximate breakdown of accounts receivable by payor classification as of December 31, 2008 and 2007 is set forth in the following tables:

As of December 31, 2008: **Percent of Accounts Receivable**

Payor	0-90	91-181	181-365	>1 yr	Total
Medicare	46%	10%	7%	-%	63%
Medicaid & Government	18%	4%	2%	-%	24%
Self Pay	2%	-%	1%	-%	3%
Insurance	4%	2%	2%	2%	10%
Total	70%	16%	12%	2%	100%

As of December 31, 2007: **Percent of Accounts Receivable**

Payor	0-90	91-181	181-365	>1 yr	Total
Medicare	44%	6%	1%	-1%	50%
Medicaid & Government	20%	4%	4%	-4%	24%
Self Pay	10%	-%	1%	-%	11%
Insurance	6%	3%	4%	2%	15%
Total	80%	13%	10%	-3%	100%

The balance sheet as of December 31, 2008 reflects a 105% increase in net accounts receivable from December 31, 2007 of which 4% of the increase was due to the acquired accounts receivable purchased during the year. The balance sheet as of December 31, 2007 reflects a 33% increase from December 31, 2006 due to acquired accounts receivable purchase over that time frame. Days sales outstanding increased to 48 days at December 31, 2008 from 44 days at December 31, 2007 and 50 days at December 31, 2006.

Allowance for Uncollectible Accounts by Payor Mix and Related Aging
The Company records an estimated allowance for uncollectible accounts by applying estimated bad debt percentages to its accounts receivable aging. The percentages to be applied by payor type are based on the Company's historical collection and loss experience. The Company's effective allowances for bad debt were as follows:

As of December 31, 2008: **Percent of Accounts Receivable**

Payor	0-90	91-181	181-365	>1 yr	>2 yrs
Medicare	3%	10%	20%	28%	100%
Medicaid & Government	2%	6%	12%	80%	100%
Self Pay	1%	6%	5%	79%	100%
Insurance	2%	9%	32%	99%	100%
Total	2%	9%	20%	96%	100%

As of December 31, 2007: **Percent of Accounts Receivable**

Payor	0-90	91-181	181-365	>1 yr	>2 yrs
Medicare	3%	9%	33%	38%	100%
Medicaid & Government	1%	6%	17%	84%	100%
Self Pay	-%	6%	15%	81%	100%
Insurance	3%	12%	30%	99%	100%
Total	2%	8%	24%	90%	100%

The Company's provision for uncollectible accounts for the years ended December 31, 2008, 2007 and 2006 was approximately $2,965,000, $1,546,000 and $666,000, respectively.

STOCK SPLIT

All share and per share information in the accompanying financial statements and the notes thereto have been adjusted to give effect to the 2-for-1 split in the form of a dividend completed in January 2007.

NET INCOME PER SHARE

Net income per share is presented as a unit of basic shares outstanding and diluted shares outstanding. Diluted shares outstanding is computed based on the weighted average number of common shares and common equivalent shares outstanding. Common equivalent shares result from dilutive stock options. The following table is a reconciliation of basic to diluted shares used in the earnings per share calculation:

	Year Ended December 31,		
	2008	2007	2006
Basic weighted average outstanding shares	7,368,968	5,435,615	4,853,535
Add-common equivalent shares representing shares issuable upon exercise of dilutive options	203,365	163,861	473,462
Diluted weighted average number of shares at year end	7,572,333	5,599,476	5,326,997

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Refer also to "NET REVENUES" above

FINANCIAL STATEMENT RECLASSIFICATIONS

Certain prior period amounts and data have been reclassified in the financial statements and related notes in order to conform to the 2008 presentation. Such reclassifications had no effect on previously reported net income.

STOCK-BASED COMPENSATION

Stock options are granted under various stock compensation programs to employees and independent directors. The Company accounts for stock option grants in accordance with SFAS No. 123R, Share-Based Payment, adopted effective January 1, 2006, using the modified prospective method of application, the adoption of which had no significant effect on income from operations, income before taxes, net income, cash flow from operations, cash flow from financing activities and basic and diluted earnings per share.

Under the modified prospective approach, SFAS No. 123R applies to new stock options granted on or after January 1, 2006 as well as grants that were outstanding as of December 31, 2005 including those that are subsequently modified, repurchased or cancelled. Under the modified prospective method, compensation cost recognized in the year ended December 31, 2006 includes compensation cost for all stock options granted prior to, but not yet vested as of December 31, 2006 in accordance with the provisions of SFAS No. 123R. Prior periods were not restated to reflect the impact of adopting the new standard.

NEW ACCOUNTING PRONOUNCEMENTS

In February 2007 the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of SFAS No. 115. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 or our first quarter of fiscal 2008. This statement provides companies with the option to measure, at specified election dates, many financial instruments and certain other items at fair value that are not currently measured at fair value. Companies electing to adopt SFAS No. 159 will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The Company has not elected the fair value measurement for any existing financial instruments.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations. SFAS No. 141R provides guidance to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about its business combinations and its effects. SFAS No. 141R establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, the goodwill acquired and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for acquisitions beginning in our fiscal year beginning January 1, 2009 and earlier application is prohibited. The adoption of this statement is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51. SFAS No. 160 requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements, but separate from the equity of the parent company. The statement further requires that consolidated net income be reported at amounts attributable to the parent and the noncontrolling interest, rather than expensing the income attributable to the minority interest holder. This statement also requires that companies provide sufficient disclosures to clearly identify and distinguish between the interests of the parent company and the interests of the noncontrolling owners, including a disclosure on the face of the consolidated statements for income attributable to the noncontrolling interest holder. This statement is effective for the fiscal years beginning on or after December 15, 2008 or our first quarter of 2009. Early adoption is prohibited. The adoption of this statement is not expected to have a significant impact on the Company's consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 became effective in November 2008. The adoption of SFAS No. 162 was not material to the Company's consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position ("FSP") No. 142-3, Determination of the Useful Life of Intangible Assets. This FSP amends the factors that should be considered in developing renewal or extension assumption used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. This FSP is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of FSP No. 142-3 on its financial statements.

ADVERTISING COSTS

The Company expenses the costs of advertising as incurred. Advertising expense was $258,565, $219,244 and $179,575 for the years ended December 31, 2008, 2007, and 2006, respectively.

DISCONTINUED OPERATIONS

The Company follows the guidance in SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets and, when appropriate, reclassifies operating units closed, sold, or held for sale out of continuing operations and into discontinued operations for all periods presented.

NOTE 2 - ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	As of December 31, 2008	As of December 31, 2007
Wages and employee benefits	$ 9,067,251	$ 4,720,470
Insurance accruals	5,480,704	1,876,207
Accrued taxes	335,880	749,246
Accrued professional fees and other	4,672,732	220,744
Liabilities assumed in QOL acquisition	54,863	1,097,054
Acquisition contingent considerations	2,825,000	1,705,625
	$ 22,436,430	$ 10,369,346

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, including equipment under capital leases, consist of the following:

	As of December 31, 2008	As of December 31, 2007
Leasehold improvements	$ 1,613,170	$ 1,326,440
Medical equipment	514,087	409,743
Computer equipment and software	12,803,406	10,000,152
Office and other equipment	2,474,836	1,792,137
	17,405,499	13,528,472
Less accumulated depreciation	(13,206,432)	(12,069,628)
	$ 4,199,067	$ 1,458,844

Depreciation and amortization expense (including amortization of assets held under capital leases) is recorded in General & Administrative - Other and was $1,330,185, $842,201 and $998,594 for the years ended December 31, 2008, 2007 and 2006, respectively.

NOTE 4 - REVOLVING CREDIT FACILITY

At December 31, 2008 the Company had a $75 million three year senior secured revolving credit facility with JP Morgan Chase Bank, NA, as Administrative Agent, Fifth Third Bank, as Syndication Agent and certain other lenders. The facility consists of a $75 million credit line with a maturity date of July 15, 2011 and an "accordion" feature providing for potential future expansion of the facility to $100 million. This credit facility replaced the Company's previous $40 million credit facility with JP Morgan Chase Bank, NA. Borrowings (other than letters of credit) under the credit facility generally bear interest at a rate varying from LIBOR plus 1.6% to LIBOR plus 2.60%, depending on leverage. Borrowings under the Agreement are secured by a first priority perfected security interest in all tangible and intangible assets of the Company, and all existing and future direct and indirect subsidiaries of the Company as guarantors. The Company's borrowings are currently prime rate based. The weighted average interest rates were 4.86% and 7.31% for the years ended December 31, 2008 and 2007, respectively. The Company paid a commitment fee of 0.35% per annum on the unused facility balance. Borrowings are available equal to a multiple of 3.0 times earnings before interest, taxes, depreciation and amortization ("EBITDA"). "EBITDA" may include "Acquired EBITDA" from proforma acquisitions pursuant to a calculation rider, up to 50% of "Adjusted EBITDA", as defined. Borrowings under the facility may be used for general corporate purposes, including acquisitions. As of December 31, 2008, the formula permitted all $75 million to be used, of which $24.0 million was outstanding. The Company has irrevocable letters of credit, totaling $6.7 million outstanding in connection with its self-insurance programs. Thus, a total of $44.3 million was available for use at December 31, 2008. The Company's revolving credit facility is subject to various financial covenants. As of December 31, 2008, the Company was in compliance with the covenants. Under the most restrictive of its covenants, the

Company is required to maintain minimum net worth of at least $91.4 million.

NOTE 5 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash, accounts receivable, payables and debt instruments. The book values of cash, accounts receivable and payables are considered representative of their respective fair values. The fair value of the Company's debt instruments approximates their carrying values as substantially all of such debt instruments have rates which fluctuate with changes in market rates.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 requires companies to determine fair value based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. The provisions of SFAS No. 157 were effective as of January 1, 2008; however, FSP No. 157-2 defers the effective date for all non-financial assets and liabilities not re-measured at fair value on a recurring basis to fiscal years beginning after November 15, 2008 or the first quarter of fiscal 2009. The Company is in the process of assessing the impact of adoption of this statement.

SFAS No. 157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

As of December 31, 2008, the Company does not have any assets or liabilities carried at fair value that are measured on a recurring basis.

NOTE 6 - INCOME TAXES

The principal tax carry-forwards and temporary differences were as follows:

	As of December 31,	
	2008	2007
Deferred tax assets		
Nondeductible reserves and allowances	$ 3,686,586	$ 1,242,528
Insurance accruals	1,902,135	587,266
Net operating loss carry-forwards	5,147,316	743,059
	10,736,037	2,572,853
Valuation allowance	(2,721,783)	(541,609)
	8,014,254	2,031,244
Deferred tax liabilities		
Intangibles	(4,487,925)	(726,863)
Accelerated depreciation	(304,166)	(251,156)
Deferred tax liabilities	(4,792,091)	(978,019)
Net deferred tax assets	$ 3,222,163	$ 1,053,305
Deferred tax assets (liabilities) are reflected in the accompanying balance sheets as:		
Current assets	$ 4,437,979	$ 1,829,895
Long-term assets	3,576,275	-

Long-term liabilities	(4,792,091)	(776,672)
Net deferred tax assets	$ 3,222,163	$ 1,053,223

The Company has state and local net operating loss carry-forwards of approximately $52.1 million which expire on various dates through 2028.

Provision (benefit) recorded for income taxes consists of the following:

	Year Ended December 31,		
	2008	2007	2006
Federal – current	$ 7,374,563	$ 3,852,295	$ 2,447,461
State and local - current	1,315,916	854,200	491,674
Deferred	1,963,914	565,654	(123,377)
	$ 10,654,393	$ 5,272,149	$ 2,845,758
Shown in the accompanying statements of income as:			
Continuing operations	$ 10,654,393	$ 5,272,149	$ 2,845,758
Discontinued operations	(69,577)	(138,148)	(35,906)
	$ 10,584,816	$ 5,134,001	$ 2,809,852

A reconciliation of the statutory to the effective rate of the Company is as follows:

	Year Ended December 31,		
	2008	2007	2006
Tax provision using statutory rate	35.0%	34.0%	34.0%
State and local taxes, net of Federal benefit	4.0%	4.9%	5.5%
Valuation allowance	0.0%	1.4%	0.0%
Other, net	0.4%	0.0%	0.2%
Tax provision for continuing operations	39.4%	40.3%	39.7%

The Company has provided a valuation allowance against certain net deferred tax assets based upon management's estimation of realizability of those assets through future taxable income. This valuation allowance was based in large part on the Company's history of generating operating income or losses in individual tax locales and expectations for the future. The Company's ability to generate the expected amounts of taxable income from future operations to realize its recorded net deferred tax assets is dependent upon general economic conditions, competitive pressures on revenues and margins and legislation and regulation at all levels of government. There can be no assurances that the Company will meet its expectations of future taxable income. However, management has considered the above factors in reaching its conclusion that it is more likely than not that future taxable income will be sufficient to realize the net deferred tax assets (net of valuation allowance) as of December 31, 2008.

The Company adopted the provisions of FASB interpretation No. 48, Accounting for Uncertainty in Income Taxes- an interpretation of FASB Statement No. 109 (FIN 48), on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement 109, "Accounting for Income Taxes", and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on the Company's evaluation, it has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The evaluation was performed for the tax years ended December 31, 2004, through 2008. For federal tax purposes, the Company is currently subject to examinations for tax years 2005 and 2007 while for state purposes, tax years 2003 and forward are subject to examination, depending on the specific state rules and regulations. The Internal Revenue Service has completed its examination of the tax year ending

December 31, 2006. The tax impact of the 2006 audit assessment including interest was immaterial to the financial statements.

The Company may from time to time be assessed interest and penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. Assessments for interest and/or penalties are classified in the financial statements as general and administrative expenses other.

NOTE 7 – STOCKHOLDERS' EQUITY

Employee Stock Option Plans

The Company has the following stock option plans:

1. The Company has a 1993 Stock Option Plan for Non-employee Directors which provided for the granting of options to purchase up to 240,000 shares of the Company's common stock to directors who are not employees. Each newly elected director or any director who did not possess options to purchase 20,000 shares of the Company's common stock was automatically granted options to purchase 20,000 shares of common stock under this plan at an exercise price based on the market price as of the date of grant. As of December 31, 2008, all option shares available under this plan have been granted and options for 60,000 shares were outstanding under this plan.

2. The Company has a 2000 Employee Stock Option Plan which initially provided for options to purchase up to 1,000,000 shares of the Company's common stock to key employees, officers and directors. The Board of Directors determines the amount and terms of the options, which cannot exceed ten years. As of December 31, 2008, options for 232,139 shares had been granted and were outstanding under this plan. There are no shares available for future grant.

3. The Company has a 2007 Stock and Incentive Compensation Plan which provides for stock awards up to 500,000 shares of the Company's common stock to employees, non-employee directors or independent contractors, with a maximum number of full value restricted share awards up to 200,000. The Board of Directors determines the amount and terms of the options, which cannot exceed ten years. As of December 31, 2008, options for 79,000 shares had been granted and were outstanding under this plan. In addition, 36,250 restricted shares were awarded. Shares available for future grant amounted to 377,250 shares at December 31, 2008.

Changes in option shares outstanding are summarized as follows:

	Shares	Wtd. Avg Ex. Price
December 31, 2005	776,000	$ 1.60
Granted	-	-
Exercised	(123,160)	1.34
Forfeited	(38,780)	1.26
December 31, 2006	614,060	1.83
Granted	187,000	19.50
Exercised	(471,046)	6.31
Forfeited	(13,000)	19.40
December 31, 2007	317,014	$ 11.87
Granted	86,500	23.43
Exercised	(10,875)	5.50
Forfeited	(21,500)	20.82
December 31, 2008	371,139	$ 14.24

The following table details exercisable options and related information:

	Year Ended December 31,		
	2008	2007	2006
Exercisable at end of year	172,795	186,514	609,060
Weighted average exercise price	$ 6.39	$ 6.54	$ 1.81
Weighted average fair value of options granted during the year	$ 9.68	$ 8.54	$ -

Beginning in 2007, the fair value of each option award is estimated on the date of grant using the Monte Carlo option valuation model with suboptimal exercise behavior. Prior to 2007, the fair value of each option award was estimated on the date of grant using the Black-Scholes option pricing model. The Monte Carlo model places greater emphasis on market evidence and predicts more realistic results because it considers open form information including volatility, employee exercise behaviors and turnover. The following assumptions were used in determining the fair value of option awards:

Grant date	Equivalent interest rate	Equivalent volatility	Implied expected lives	Expected lives
February, 2007	4.80%	44.79%	3.5 years	7.4 years
March, 2008	3.14%	45.08%	3.3 years	5.9 years
June, 2008	3.87%	45.08%	3.3 years	5.9 years
August, 2008	3.62%	45.10%	3.5 years	5.9 years

The following table summarizes information about stock options outstanding at December 31, 2008:

	Options Outstanding			Options Exercisable	
Range of Ex. Price	Outstanding As of December 31, 2008	Wtd. Avg. Remaining Contractual Life	Wt. Avg. Ex. Price	Exercisable As of December 31, 2008	Wt. Avg. Ex. Price
$1.31-2.50	113,014	1.98	$ 2.06	113,014	$ 2.06
$2.51 - 3.00	-	0.00	$ 0.00	-	$ 0.00
Over $3.00	258,125	6.99	$ 19.57	59,781	$ 14.57
$1.31 – $44.00	371,139	3.72	$ 14.24	172,795	$ 6.39

Directors Deferred Compensation Plan

The Company has a Non-Employee Directors Deferred Compensation Plan which allows Directors to elect to receive fees for Board services in the form of shares of the Company's common stock. The Plan authorized 200,000 shares for such use. As of December 31, 2008, 92,131 shares have been allocated in deferred accounts, 35,262 have been issued to previous Directors and 72,607 remain available for future allocation. Allocated shares are to be issued to Directors when they cease to be Directors or upon a change in control. Directors' fees are expensed as incurred whether paid in cash or deferred into the Plan.

NOTE 8 – RETIREMENT PLAN

The Company administers a 401(k) defined contribution retirement plan for the benefit of the majority of its employees, who have completed 90 days of service and been credited with 1,000 hours of service as defined by the plan agreement. The Company matches contributions in an amount equal to one-quarter of the first 5% of each participant's contribution to the plan. 401(k) assets are held by an independent trustee, are not assets of the Company, and accordingly are not reflected in the Company's balance sheets.

The Company's retirement plan expense was approximately $162,000, $193,000 and $109,000 for the years ended December 31, 2008, 2007, and 2006, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases certain real estate, office space, and equipment under non-cancelable operating leases expiring at various dates through 2012 and which contain various renewal and escalation clauses. Rent expense amounted to $5,054,028, $3,221,208 and $2,374,379 for years ended December 31, 2008, 2007 and 2006, respectively. At December 31, 2008 the minimum rental payments under these leases were as follows:

2009	$	4,079,161
2010		3,044,672
2011		1,758,566
2012		1,065,456
2013		600,623
Total	$	10,548,478

Capital Leases and Term Debt

The Company has certain assets, primarily computer equipment, under capital leases. The leases include interest of approximately 10.4% per annum. Capital leases have a term life of three (3) years. Assets held under capital lease are carried at cost of approximately $967,000 with accumulated depreciation of approximately $156,000 as of December 31, 2008.

The Company has five unsecured notes payable totaling $7.1 million to sellers bearing interest at 6% per annum at May 2009, March 2010 and November 2011.

Future minimum lease payments and principal and interest payments on the term debt are as follows:

Year Ending December 31,		Capital Leases		Acquisition Notes Payable		Total
2009	$	601,541	$	4,000,000	$	4,601,541
2010		330,646		3,000,000		3,330,646
2011		55,917		100,000		155,917
2012		-		-		-
2013		-		-		-
		988,104		7,100,000		8,088,104
Less: amount representing Interest		(102,852)		-		(102,852)
Present value of minimum lease/principal payments		885,252		7,100,000		7,985,252
Less: current portion		774,250		4,000,000		4,774,250
	$	111,002	$	3,100,000	$	3,211,002

Legal Proceedings

The Company is currently, and from time to time, subject to claims and suits arising in the ordinary course of its business, including claims for damages for personal injuries. In the opinion of management, the ultimate resolution of any of these pending claims and legal proceedings will not have a material effect on the Company's financial position or results of operations.

NOTE 10 – STOCK TRANSACTIONS

During the year ended December 31, 2007, the Company redeemed 30,924 shares of its common stock in conjunction with the exercise of employee stock options and issuance of related stock. These were shares previously outstanding and owned by option holders submitted by them in lieu of the cash exercise price (an aggregate of $(677,545) that would have otherwise been due on option exercise).

The Company did not redeem any shares in 2008.

On April 11, 2008, the Company filed a Prospectus Supplement whereby 2,250,000 shares of common stock were offered for sale at a price of $17.75 per share. In the second quarter, the Company sold 2,512,500 shares in the offering for net proceeds of $41.8 million after deducting the underwriting discounts and offering expenses.

In conjunction with the stock offering, the Company retired all of its outstanding Treasury Stock.

In December 2008, the Company filed a $120.0 million shelf registration statement with the availability for the issuance of any combination of common stock, preferred stock, warrants and debt securities. The registration statement became effective December 12, 2008. To date, no new securities have been issued using the registration statement.

NOTE 11 – SEGMENT DATA

The Company has two reportable segments, Visiting Nurse (VN) and Personal Care (PC). Reportable segments have been identified based upon how management has organized the business by services provided to customers and the criteria in SFAS 131, Disclosures about Segments of an Enterprise and Related Information. The Company does not allocate certain corporate expenses to the reportable segments. These expenses are included in Corporate below. The Company evaluates the performance of its business segments based upon operating income from continuing operations. Intercompany transactions between segments are eliminated.

The Company's VN segment provides skilled medical services in patients' homes largely to enable recipients to reduce or avoid periods of hospitalization and/or nursing home care. VN Medicare revenues are generated on a per episode basis rather than a fee per visit or day of care. Approximately 91% of the VN segment revenues are generated from the Medicare program while the balance is generated from Medicaid and private insurance programs.

The Company's PC segment services are also provided in patients' homes. These services (generally provided by paraprofessional staff such as home health aides) are generally of a custodial rather than skilled nature. PC revenues are generated on an hourly basis. Approximately 74% of the PC segment revenues are generated from Medicaid and other government programs while the balance is generated from insurance programs and private pay patients.

	Year Ended December 31,		
	2008	2007	2006
Net revenues			
Visiting nurses	$ 172,977,478	$ 96,187,044	$ 55,159,295
Personal care	39,622,793	35,943,012	35,030,596
	$ 212,600,271	$ 132,130,056	$ 90,189,891
Operating income (loss)			
Visiting nurses	36,644,987	$ 18,382,333	$ 8,845,710
Personal care	3,849,180	3,444,913	4,110,056
Corporate	(12,288,183)	(7,897,646)	(5,697,910)
	$ 28,205,984	$ 13,929,600	$ 7,257,856
Identifiable assets			
Visiting nurses	$ 134,876,705	$ 53,600,409	$ 36,741,798
Personal care	15,562,711	9,656,465	9,140,323
Corporate	10,352,618	4,103,516	7,513,372
	$ 160,792,034	$ 67,360,390	$ 53,395,493
Identifiable liabilities			
Visiting nurses	$ 15,237,204	$ 14,011,123	$ 17,035,181
Personal care	2,106,146	1,845,604	1,382,060
Corporate	48,666,456	16,661,751	7,238,448
	$ 66,009,806	$ 32,518,477	$ 25,655,689
Capital expenditures			
Visiting nurses	$ 597,568	$ 199,663	$ 190,275
Personal care	51,809	32,562	27,605
Corporate	826,528	358,614	635,238
	$ 1,475,905	$ 590,839	$ 853,118
Depreciation and amortization			
Visiting nurses	$ 670,670	$ 222,347	$ 173,288
Personal care	21,899	12,987	20,314
Corporate	637,616	606,867	804,992
	$ 1,330,185	$ 842,201	$ 998,594

NOTE 12 - DISCONTINUED OPERATIONS

During 2007, the VN segment had one facility and the PC segment had three facilities that met the criteria to be reclassified as discontinued operations. For all the years presented in this report, these facilities have been reclassified. Net losses from the discontinued operations were approximately $(111,000), ($217,000) and ($227,000) in the years ended December 31, 2008, 2007 and 2006 respectively, and such amounts are included in net loss from discontinued operations in the accompanying financial statements.

NOTE 13 -- ACQUISITIONS

Each of the following acquisitions were completed in order to pursue the Company's strategy of expanding its visiting nurse operations in the eastern United States by expanding its service base and enhancing its position in certain geographic areas as a leading provider of home health services. The purchase price of each acquisition was determined based on the Company's analysis of comparable acquisitions and expected cash flows. Goodwill generated from the acquisitions was recognized given the expected contributions of each acquisition to the overall corporate strategy. Each of the acquisitions completed was accounted for as a purchase and are included in the Company's financial statements from the respective acquisition date. All goodwill generated in the transactions below is expected to be deductible for tax purposes.

Acquisitions During 2008

During 2008 the Company acquired 11 visiting nurse branch locations. These operations added to our market presence in Florida, Connecticut and Ohio and gave us market presence in New Jersey and Pennsylvania.

On November 26, 2008, the Company acquired the Kentucky Certificate of Need and home health license of the Medicare-certified health agency formerly operated by Hardin Memorial Hospital.

On November 14, 2008, the Company acquired the assets of the Medicare-certified home health agency owned by Fairfield Medical Center in Ohio.

On August 1, 2008, the Company acquired the stock of Patient Care, Inc. ("Patient Care"). Patient Care and its subsidiaries own and operate eight Medicare-certified home health agency locations in New Jersey, Connecticut, and Pennsylvania.

The total Patient Care purchase price for the stock was $45.2 million in cash, reduced by a working capital adjustment of $4.5 million for a net purchase price of $40.8 million. The Company also provided an insurer of Patient Care a $4.7 million letter of credit as collateral for its large-deductible workers compensation exposure. The cash portion of the transaction paid at closing plus the letter of credit was funded from the Company's existing cash and borrowings available on the Company's senior credit facility with JP Morgan Chase Bank, NA.

The following table summarizes the approximate estimated fair values of the assets acquired and liabilities assumed of the Patient Care acquisition.

Accounts receivable - net	$	3,803,000
Property, plant & equipment		1,820,000
Other assets		1,454,000
Goodwill		37,416,000
Other intangibles		8,539,000
Assets acquired		53,032,000
Liabilities assumed		(12,229,000)
Net assets acquired	$	40,803,000

On March 26, 2008, the Company acquired the fixed assets of all the home health agencies owned by Apex Home Healthcare Services, LLC ("Apex Home Healthcare"), the assets of the healthcare rehabilitation business owned by Apex Health and Rehab Center LLC, the assets of the healthcare staffing business owned by Apex Healthcare Solutions, LLC and the assets of the home care physician practice owned by Apex House Call Doctors, LLC for a purchase price of $16.1 million, consisting of $12.1 million in cash, two promissory notes totaling $3 million plus $1 million in value of Almost Family, Inc. common stock (47,619 shares-restricted). The cash portion of the transaction was funded from borrowings available on the Company's senior credit facility with JP Morgan Chase Bank, NA.

The following table summarizes the approximate estimated fair values of the assets acquired and liabilities assumed of the Apex Home Healthcare acquisition.

Accounts receivable - net	$	2,481,000
Property, plant & equipment		516,000
Other assets		50,000
Goodwill		10,242,000
Other intangibles		3,535,000
Assets acquired		16,824,000
Liabilities assumed		(729,000)
Net assets acquired	$	16,095,000

The Company is currently in the process of valuing the assets acquired and liabilities assumed for the Apex Home Healthcare and Patient Care acquisitions, to allocate the purchase price to the individual assets acquired and liabilities assumed. The preliminary allocation of purchase price included in the current period balance sheet is based on the Company's current best estimate and is subject to revision based on final determination of fair value.

The unaudited pro forma results of operations of the Company as if the Apex Home Healthcare and Patient Care acquisitions had been made at the beginning of 2007 are as follows:

	Twelve months ended December 31,			
		2008		2007
Revenues	$	245,783,893	$	194,569,805
Net Income from continuing operations	$	16,505,173	$	4,593,429
Net Income	$	16,393,882	$	4,376,448
Earnings per share from continuing operations				
Basic	$	2.24	$	0.84
Diluted	$	2.22	$	0.80
Earnings per share				
Basic	$	2.18	$	0.81
Diluted	$	2.16	$	0.77

The pro forma information presented above is presented for illustrative purposes only and may not be indicative of the results of operations that would have actually occurred if the transaction described had been completed as of the beginning of 2007. In addition, future results may vary significantly from the results reflected in such information.

Acquisitions During 2007

During 2007 the Company acquired 5 visiting nurse branch locations. These operations added to our market presence in Florida.

On October 26, 2007 the Company acquired the assets of all the Medicare-certified home health agencies owned and operated by Quality of Life Holdings, Inc. (Quality of Life) for an initial purchase price of $10 million, consisting of $8 million cash, and $2 million (or approximately 101,000 shares) of Almost Family common stock (restricted). The purchase price provided for additional consideration upon achievement of certain development targets which have not been met. The cash portion of the transaction paid at closing was funded from borrowings available on the Company's senior credit facility.

During 2008 the Company finalized its valuation of the assets acquired and liabilities assumed resulting in no significant changes from the original purchase price allocation. The following table summarizes the approximate estimated fair values of the assets acquired and liabilities assumed of the Quality of Life acquisition on October 26, 2007.

Accounts receivable - net	$ 944,000
Property, plant & equipment	67,000
Other Assets	57,000
Goodwill	9,618,000
Other intangibles	1,193,000
Assets acquired	11,879,000
Liabilities assumed	(1,702,000)
Net assets acquired	$10,177,000

The unaudited proforma results of operations of the Company as if the Quality of Life, acquisition had been made at the beginning of 2006 are as follows:

	Twelve Months ended December 31	
	2007	2006
Revenues	$ 139,375,839	$ 99,291,013
Net Income from continuing operations	$ 7,076,837	$ 3,971,421
Net Income	$ 7,159,695	$ 4,032,219
Earnings per share from continuing operations		
Basic	$ 1.28	$ 0.80
Diluted	$ 1.24	$ 0.73
Earnings per share		
Basic	$ 1.30	$ 0.81
Diluted	$ 1.26	$ 0.74

The pro forma information presented above is presented for illustrative purposes only and may not be indicative of the results of operations that would have actually occurred if the transaction described had been completed as of the beginning of 2006. In addition, future results may vary significantly from the results reflected in such information.

On January 15, 2007, the Company acquired the fixed assets and business operations of a home health agency with one personal care and one Medicare-certified branch located in Jacksonville, Florida. The total purchase price of $600,000 was paid in cash. The cash portion of the transaction was funded from borrowings available on the Company's senior credit facility.

NOTE 14 - QUARTERLY FINANCIAL DATA— (UNAUDITED)

Summarized quarterly financial data for the years ended December 31, 2008 and 2007 are as follows (in thousands except per share data):

	Year Ended December 31, 2008				Year Ended December 31, 2007			
	Dec. 31, 2008	**Sept. 30, 2008**	**June 30, 2008**	**March 31, 2008**	**Dec. 31, 2007**	**Sept. 30, 2007**	**June 30, 2007**	**March 31, 2007**
Net service revenues	$ 66,167	$ 58,706	$ 48,700	$ 39,027	$ 35,876	$ 31,971	$ 32,510	$ 31,773
Gross margin	35,740	31,576	25,920	20,405	18,637	16,315	16,968	16,336
Income from continuing operations	5,206	4,724	3,899	2,575	2,077	1,956	1,963	1,825
Income (loss) from discontinued operations	(9)	(19)	(39)	(44)	(6)	(70)	17	(159)
Net income	5,197	4,705	3,860	2,531	2,071	1,886	1,981	1,666
Income from continuing operations								
Basic	$ 0.64	$ 0.58	$ 0.51	$ 0.46	$ 0.38	$ 0.36	$ 0.36	$ 0.34
Diluted	$ 0.62	$ 0.57	$ 0.50	$ 0.45	$ 0.37	$ 0.35	$ 0.35	$ 0.33
Income (loss) from discontinued operations								
Basic	$ 0.00	$ 0.00	$ 0.00	$ (0.01)	$ 0.00	$ (0.01)	$ 0.00	$ (0.03)
Diluted	$ 0.00	$ (0.01)	$ 0.00	$ (0.01)	$ 0.00	$ (0.01)	$ 0.00	$ (0.03)
Net income per share								
Basic	$ 0.64	$ 0.58	$ 0.51	$ 0.45	$ 0.38	$ 0.35	$ 0.36	$ 0.31
Diluted	$ 0.62	$ 0.56	$ 0.50	$ 0.44	$ 0.37	$ 0.34	$ 0.35	$ 0.30

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Almost Family, Inc.

We have audited the accompanying consolidated balance sheets of Almost Family, Inc. and subsidiaries as of 31 December 2008 and 2007, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended 31 December 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Almost Family, Inc. and subsidiaries at 31 December 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended 31 December 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Almost Family, Inc. and subsidiaries' internal control over financial reporting as of 31 December 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 6 March 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young, LLP

Louisville, Kentucky
6 March 2009

Management's Report on Internal Control over Financial Reporting

The consolidated financial statements appearing in this Annual Report have been prepared by management that is responsible for their preparation, integrity and fair presentation. The statements have been prepared in accordance with accounting principles generally accepted in the United States, which requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended). Our internal control system was designed 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.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

Under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2008 based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), with the exception of the operations of Patient Care acquired in August, 2008, as disclosed in Note 13, which altogether constituted approximately 9% and 3% of total and net assets, respectively, as of December 31, 2008 and 9% and 16% of revenues and net income, respectively, for the year then ended. Based on that evaluation, our management concluded our internal control over financial reporting was effective 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 as of December 31, 2008.

Ernst & Young LLP, an independent registered public accounting firm, has audited and reported on the consolidated financial statements of Almost Family, Inc. and on the effectiveness of our internal control over financial reporting. The reports of Ernst & Young LLP are contained in this Annual Report.

/s/ William B. Yarmuth
William B. Yarmuth
President and Chief Executive Officer

Date: March 6, 2009

/s/ C. Steven Guenthner
C. Steven Guenthner
Chief Financial Officer

March 6, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Almost Family, Inc.

We have audited Almost Family, Inc. and subsidiaries' internal control of financial reporting as of 31 December 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Almost Family, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Patient Care, Inc. which is included in the 2008 consolidated financial statements of Almost Family, Inc. and subsidiaries and constituted 9% and 3% of total and net assets, respectively, as of 31 December 2008 and 9% and 16% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Almost Family, Inc. also did not include an evaluation of the internal control over financial reporting of Patient Care, Inc.

In our opinion, Almost Family, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of 31 December 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Almost Family, Inc. and subsidiaries as of 31 December 2008 and 2007, and the related consolidated statements of income, stockholder's equity, and cash flows for each of the three years in the period ended 31 December 2008 of Almost Family, Inc. and subsidiaries and our report dated 6 March 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young, LLP

Louisville, Kentucky
6 March 2009

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures – As of December 31, 2008, the Company's management, with participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2008.

Internal Control – Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we have included a report that provides management's assessment of our internal control over financial reporting as part of this Annual Report on Form 10-K for the year ended December 31, 2008. Management's report is included in Item 8 of this report under the caption entitled "Management's Report on Internal Control Over Financial Reporting," and is incorporated herein by reference. Our independent registered public accounting firm has issued an attestation report on the effectiveness of our internal control over financial reporting. This attestation report is included in item 8 of this report under the caption entitled "Report of Independent Registered Public Accounting Firm" and is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting - There were no changes in the Company's internal control over financial reporting during the fourth quarter of 2008, that have materially affected, or are reasonably likely to materially affect, Almost Family, Inc.'s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On March 3, 2009, the Compensation Committee of the Board of Directors approved discretionary cash bonuses for 2008 performance to be paid by March 15, 2009, to the executive officers listed below, in the amounts listed beside their names. These discretionary cash bonuses are in addition to those payable to the executive officers pursuant to the Company's annual cash incentive plan under which the Committee establishes annual financial operating goals for the Company's key employees, including the following executive officers: William B. Yarmuth - $102,000; C. Steven Guenthner - $68,000; P. Todd Lyles - $43,000; & Anne T. Liechty - $37,000.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is set forth in the Registrant's definitive proxy statement to be filed with the Commission no later than 120 days after December 31, 2008, except for the information regarding executive officers of the Company. The information required by this Item contained in such definitive proxy statement is incorporated herein by reference.

The following table sets forth certain information with respect to the Company's executive officers.

Name	Age	Position with the Company
William B. Yarmuth (1)	56	Chairman of the Board President and Chief Executive Officer
C. Steven Guenthner (2)	48	Senior Vice President and Chief Financial Officer
P. Todd Lyles (3)	47	Senior Vice President – Administration
Anne T. Liechty (4)	56	Senior Vice President - Operations
Phyllis Montville (5)	60	Senior Vice President – Operations
Cathy Newhouse (6)	47	Senior Vice President – Sales and Clinical Programs
John B. Walker (7)	50	Vice President - Chief Accounting Officer

Executive officers of the Company are elected by the Board of Directors for one year and serve at the pleasure of the Board of Directors with the exception of William B. Yarmuth who has an employment agreement with the Company. There are no family relationships between any director or executive officer.

(1) William B. Yarmuth has been a director of the Company since 1991, when the Company acquired National Health Industries ("National"), where Mr. Yarmuth was Chairman, President and Chief Executive Officer. After the acquisition, Mr. Yarmuth became the President and Chief Operating Officer of the Company. Mr. Yarmuth became Chairman and CEO in 1992. He was Chairman of the Board, President and Chief Executive Officer of National from 1981 to 1991.

(2) C. Steven Guenthner has been Senior Vice President and Chief Financial Officer of the Company since 1992. From 1983 through 1992 Mr. Guenthner was employed as a C.P.A. with Arthur Andersen LLP. Prior to joining the Company he served as a Senior Manager in the firm's Accounting and Audit division specializing in mergers and acquisitions, public companies and the healthcare industry.

(3) P. Todd Lyles joined the Company as Senior Vice President Planning and Development in October 1997 and now serves as Senior Vice President – Administration. Prior to joining the Company Mr. Lyles was Vice President Development for the Kentucky Division of Columbia/HCA, a position he had held since 1993. Mr. Lyles experience also includes 8 years with Humana Inc. in various financial and hospital management positions.

(4) Anne T. Liechty became Senior Vice President – VN Operations in 2001. Ms. Liechty has been employed by the Company since 1986 in various capacities including Vice President of Operations for the Company's VN segment and its Product segment.

(5) Phyllis Montville became Senior Vice President – Operations in 2007. Ms. Montville came to the company in 2006 as Vice President of VN Operations in Florida. She has 23 years experience in

home care management, most of which is in the Florida market. Ms. Montville owned and operated her own franchise for 10 years. She started in the home care field as a branch manager and home care nurse.

(6) Cathy Newhouse became Senior Vice President – Sales and Clinical Programs in 2008 after joining the Company in 2007 as Vice President of Clinical Programs. She has over 25 years experience in home care management focused on business development. Prior experience includes more than 20 years in progressive leadership roles at Gentiva. Her last position there was Vice President of Specialty Programs.

(7) John B. Walker became Chief Accounting Officer of the Company in May 2007. He is a certified public accountant with 28 years of financial management experience. In 2003, he founded American Pipe Lining – MidAmerica, Inc. and served as its president until the company's sale in 2007. Prior to that, he held various senior financial management positions with high-growth companies in health insurance, home health and energy industries.

Code of Ethics and Business Conduct

The Company has adopted a Code of Ethics and Business Conduct that applies to all its directors, officers (including its chief executive officer, chief financial officer, chief accounting officer and any person performing similar functions) and employees. The Company has made the Code of Ethics and Business Conduct available on its website at www.almostfamily.com.

ITEMS 11, 12, 13 and 14. EXECUTIVE COMPENSATION; SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS; CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE; AND PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Registrant intends to file a definitive proxy statement with the Commission pursuant to Regulation 14A (17 CFR 240.14a) not later than 120 days after the close of the fiscal year covered by this report. In accordance with General Instruction G(3) to Form 10-K, the information called for by Items 11, 12, 13 and 14 is incorporated herein by reference to the definitive proxy statement. Neither the report on Executive Compensation nor the performance graph included in the Company's proxy statement shall be deemed incorporated herein by reference.

Equity Compensation Plans

As of December 31, 2008, shares of common stock authorized for issuance under our equity compensation plans are summarized in the following table. See note 7 to the consolidated financial statements for a description of the plans. The table below is furnished pursuant to item 12.

Plan Category	Shares to Be Issued Upon Exercise	Weighted-Average Option Exercise Price	Shares Available for Future Grants
Plans approved by shareholders	371,139	$ 14.24	377,250
Plans not approved by shareholders	-	-	-
Total	371,139	$ 14.24	377,250

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following items are filed as part of this report:

1. Index to Consolidated Financial Statements

2. Index to Financial Statement Schedule

All other Schedules have been omitted because they are either not required, not applicable or, the information has otherwise been supplied in the financial statements or notes thereto.

(b) Exhibits required to be filed by Item 601 of Regulation S-K are set forth below:

Number	Description of Exhibit
3.1	Certificate of Incorporation, as amended, of the Registrant (incorporated by reference to Exhibit No. 3.1 of the Registrant's Annual Report on Form 10-K for the year ended March 31, 1997 and Exhibit 3.1 of the Registrant's Quarterly Report Form 10-Q for the quarter ended September 30, 2008)
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3 of the Registrant's Current Report on Form 8-K dated November 12, 2007)
4.1	Stockholder Protection Rights Agreement dated February 1, 1999, between the Registrant and Reliance Trust Company (incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K dated February 1, 1999)
4.2	Other Debt Instruments – copies of other debt instruments for which the total debt is less than 10% of assets will be furnished to the Commission upon request.
10.1+	Nonqualified Stock Option Plan, as amended (incorporated by reference to the Registrant's Registration Statement on Form S-8 Reg. No. 33-20815).
10.2+	Supplemental Nonqualified Stock Option Plan (incorporated by reference to Exhibit 19.4 to the Registrant's Report on Form 10-Q for the Quarter Ended November 30, 1987 Commission File No. 15342).
10.3+	Incentive Stock Option Plan, as amended (incorporated by reference to the Registrant's Registration Statement on Form S-8 Reg. No. 33-20815).
10.4+	Amendment to the Senior Service Corporation 1987 Nonqualified Stock Option Plan (incorporated by reference to Exhibit 19.3 to the Registrant's Report on Form 10-Q for the quarter ended November 30, 1989).
10.5+	1991 Long-Term Incentive Plan (incorporated by references to the Registrant's Registration Statement on Form S-8 Reg. No. 33-81124).
10.6+	Employment Agreement, dated January 1, 1996, between the Company and William B. Yarmuth (incorporated by reference to the Registrant's report on Form 10K for the year ended March 31, 1996).
10.7	Loan Agreement between the Company and Bank One, KY (incorporated by reference to the Registrant's report on Form 10K for the year ended March 31, 2001).
10.8	Third Amendment to Loan Agreement between the Company and Bank One, NA, dated March 23, 2004 (incorporated by reference to the Registrant's report on Form 10-K for the year ended December 31, 2003)
10.9	Fourth Amendment to Loan Documents dated as of August 11, 2005, by and between (i) Almost Family, Inc., (ii) each of the subsidiaries of AFI that is party to the Agreement, and (iii) JP Morgan Chase Bank, N.A. (successor by merger to Bank One N.A.). (incorporated by reference to the Registrant's report on Form 10-Q for the quarter ended June 30, 2005).

10.10 Fifth Amendment to Loan Documents dated as of December 4, 2007, by and between (i) Almost Family, Inc., (ii) each of the subsidiaries of Almost Family, Inc. that is party to the Amendment, and (iii) JP Morgan Chase Bank, N.A. (successor by merger to Bank One N.A.

10.11+ 2007 Stock and Incentive Compensation Plan (incorporated by reference to Appendix A of the Definitive Proxy Statement on Schedule 14A as filed on June 25, 2007).

10.12+ 2000 Stock Option Plan (incorporated by reference to the Registrant's Registration Statement on Form S-8 Reg. No. 333-88744)

10.13+ Non-Employee Director Deferred Compensation Plan.

10.14+ 1993 Non-Employee Directors Stock Option Plan (incorporated by reference to the Registrant's Registration Statement on Form S-8 Reg. No. 333-881100).

10.15+* Forms of Stock Option Agreements and Restricted Stock Award Agreement pursuant to 2007 Stock and Incentive Plan.

10.16 Stock Purchase Agreement dated as of June 18, 2008 among (i) the Registrant, (ii) PCI Holding Corp. and (iii) National Home Care, Inc. (solely in its capacity as the Seller Representative), including executed copies of the following exhibits: (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on form 10-Q for the quarter ended June 30, 2008) (listed omitted attachments and schedules will be furnished supplementally to the SEC upon request):

(A) Assumption and Indemnification Agreement dated as of June 18, 2008, by and among (i) PCI Holding Corp., (ii) Patient Care, Inc., (iii) National Home Care, Inc., (iv) Patient Care, Inc. – Illinois, (v) Patient Care Medical Services, Inc. – Ohio, (vi) Georgia Nursing Services, Inc., (vii) Patient Care Massachusetts, Inc., (viii) E.C. Solutions, Inc., (ix) Patient Care Florida, Inc., (x) Patient Care Medical Services, Inc., (xi) Priority Care, Inc., (xii) Patient Care Pennsylvania, Inc., (xiii) Patient Care New Jersey, Inc., and (xiv) the Registrant;

(B-1) Consulting Agreement dated as of June 18, 2008 among (i) the Registrant, (ii) Robert Nixon, and (iii) Nixco, LLC (omitted);

(B-2) Nonsolicitation and Noncompetition Agreement dated June 18, 2008 among (i) the Registrant and Patient Care and (ii) Robert Nixon and Nixco LLC (omitted),

(C) Release Agreements dated as of June 18, 2008 by and between (i) Robert Nixon, Elias Nemnom, and Raymond Rasa, respectively, and (ii) Patient Care, Patient Care Medical Services, Inc., Priority Care, Inc., Patient Care Pennsylvania, Inc., Patient Care New Jersey, Inc.;

(D) Escrow Agreement dated June 18, 2008 among the Registrant, PCI Holding Corp., National Home Care, Inc., and JPMorgan Chase Bank, National Association;

(E) Form of Seller Counsel Opinion Letter; and

(F) Form of Buyer Counsel Opinion Letter.

10.17 Credit Agreement, dated as of July 15, 2008 among Almost Family, Inc., the lenders party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent and Fifth Third Bank as Syndication Agent. (Except for Schedule 5.09, schedules have been omitted. Almost Family undertakes to furnish supplemental copies of any of the omitted schedules upon request by the Securities and Exchange Commission.) (Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K dated July 15, 2008.)

10.18 Asset Purchase Agreement dated as of March 24, 2008 among (i) Caretenders of Jacksonville, LLC, (ii) Almost Family Inc., (iii) Apex Home Healthcare Services, L.L.C., and Apex Health and Rehab Center L.L.C., and (iv) Nancy Ralston, James Spriggs, III, Robert G. Young, Lorrie Snyder, Joann Sorensen and James Spriggs, Jr., including executed copies of the following documents and exhibits (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008) (listed omitted schedules will be furnished supplementally to the SEC upon request):

(A) Confidentiality, Nonsolicitation and Noncompetition Agreement dated as of March 26, 2008, among (i) Almost Family, Inc., Caretenders of Jacksonville, LLC, and Caretenders Visiting Services of St. Augustine, LLC, and (ii) Apex Home Healthcare Services, L.L.C., Apex Health and Rehab Center, L.L.C., Apex Healthcare Solutions, L.L.C., Nancy Ralston, James Spriggs, III, Robert G. Young, Lorrie Snyder, James Spriggs, Jr., Joann Sorensen and David Bathalter;

(B) Registration Rights Agreement dated as of March 26, 2008 by and among Almost Family, Inc., and Apex Home Healthcare Services, L.L.C.;

(C) Stock Pledge Agreement dated as of March 26, 2008 between (i) Almost Family, Inc.; and (ii) Apex Home Healthcare Services, L.L.C.;

(D) Promissory Note dated as of March 26, 2008, issued by Almost Family, Inc. to Apex Home Healthcare Services, L.L.C. in the principal amount of $2,750,000,

(E) Assignment and Assumption Agreement dated as of March 26, 2008, by and between (i) Apex Home Healthcare Services, L.L.C., and Apex Health and Rehab Center, L.L.C., and (ii) Caretenders of Jacksonville, LLC.

10.19 Asset Purchase Agreement dated as of March 24, 2008 among (i) Caretenders Visiting Services of St. Augustine, LLC, (ii) Almost Family, Inc., (iii) Apex Healthcare Solutions, L.L.C., and (iv) Nancy Ralston, James Spriggs, III, Lorrie Snyder and David Bathalter, including executed copies of the following documents and exhibits (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008) (listed omitted schedules will be furnished supplementally to the SEC upon request):

(A) Confidentiality, Nonsolicitation and Noncompetition Agreement dated as of March 26, 2008, among (i) Almost Family, Inc., Caretenders of Jacksonville, LLC, and Caretenders Visiting Services of St. Augustine, LLC, and (ii) Apex Home Healthcare Services, L.L.C., Apex Health and Rehab Center, L.L.C., Apex Healthcare Solutions, L.L.C., Nancy Ralston, James Spriggs, III, Robert G. Young, Lorrie Snyder, James Spriggs, Jr., Joann Sorensen and David Bathalter (each a "Restricted Party" and collectively, "Restricted Parties").

(B)	Assignment and Assumption Agreement dated as of March 26, 2008, by and between (i) Apex Healthcare Solutions, L.L.C., and (ii) Caretenders Visiting Services of St. Augustine, LLC.
10.20+*	Amendment dated January 1, 2009 to Employment Agreement effective January 1, 1996, between the Registrant and William B. Yarmuth.
10.21+*	Amendment to the Registrant's Non-Employee Directors Deferred Compensation Plan dated January 1, 2009.
10.22+*	Amendment to Amended and Restated 2000 Stock Option Plan dated January 1, 2009.
21*	List of Subsidiaries of Almost Family, Inc.
23.1*	Consent of Ernst & Young LLP
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C 1350, as adopted pursuant to section 906 of the Sarbanes Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C 1350, as adopted pursuant to section 906 of the Sarbanes Oxley Act of 2002.

*Denotes filed herein.
+Denotes compensatory plan or management contract.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ALMOST FAMILY, INC.
March 6, 2009

/S/ William B. Yarmuth March 6, 2009
William B. Yarmuth
Chairman, Chief Executive Officer and President

/S/ C. Steven Guenthner March 6, 2009
C. Steven Guenthner
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
By: /s/ William B. Yarmuth William B. Yarmuth	Director, Chief Executive Officer and President (principal executive officer)	March 6, 2009
By: /s/ C. Steven Guenthner C. Steven Guenthner	Senior Vice President and Chief Financial Officer (principal financial officer)	March 6, 2009
By: /s/ John B. Walker John B. Walker	Vice President and Chief Accounting Officer (principal accounting officer)	March 6, 2009
By: /s/ Steven B. Bing Steven B. Bing	Director	March 6, 2009
By: /s/ Donald G. McClinton Donald G. McClinton	Director	March 6, 2009
By: /s/ Tyree G. Wilburn Tyree G. Wilburn	Director	March 6, 2009
By: /s/ Jonathan D. Goldberg Jonathan D. Goldberg	Director	March 6, 2009
By: /s/ W. Earl Reed, III W. Earl Reed, III	Director	March 6, 2009
By: /s/ Henry M. Altman, Jr. Henry M. Altman, Jr.	Director	March 6, 2009

Exhibit 21

ALMOST FAMILY, INC. AND SUBSIDIARIES
LIST OF SUBSIDIARIES AS OF MARCH 6, 2009

I. Subsidiaries of Almost Family, Inc.

NAME OF ENTITY	FORM OF ENTITY
Adult Day Care of America, Inc.	Delaware corporation
Adult Day Care of Louisville, Inc.	Kentucky corporation
Adult Day Care of Maryland, Inc.	Maryland corporation
National Health Industries, Inc.	Kentucky corporation
AFAM Acquisition, LLC	Kentucky limited liability company

II. Subsidiaries of National Health Industries, Inc.

NAME OF ENTITY	FORM OF ENTITY
Almost Family PC of Ft. Lauderdale, LLC	Florida limited liability company
Almost Family PC of Kentucky, LLC	Kentucky limited liability company
Almost Family PC of SW Florida, LLC	Florida limited liability company
Almost Family PC of West Palm, LLC	Florida limited liability company
Caretenders Mobile Medical Services, LLC	Ohio limited liability company
Caretenders of Birmingham, Inc.	Alabama corporation
Caretenders of Cleveland, Inc.	Kentucky corporation
Caretenders of Columbus, Inc.	Kentucky corporation
Caretenders of Jacksonville, LLC	Florida limited liability company
Caretenders Visiting Services Employment Company, Inc.	Kentucky corporation
Caretenders Visiting Services of Columbus, LLC	Ohio limited liability company
Caretenders Visiting Services of Cook County, LLC	Illinois limited liability company
Caretenders Visiting Services of District 6, LLC	Kentucky limited liability company
Caretenders Visiting Services of District 7, LLC	Kentucky limited liability company
Caretenders Visiting Services of Gainesville, LLC	Florida limited liability company
Caretenders Visiting Services of Hernando County, LLC	Florida limited liability company
Caretenders Visiting Services of Kentuckiana, LLC	Kentucky limited liability company
Caretenders Visiting Services of Ocala, LLC	Florida limited liability company
Caretenders Visiting Services of Orlando, LLC	Kentucky limited liability company
Caretenders Visiting Services of Palm Beach County, LLC	Florida limited liability company
Caretenders Visiting Services of Pinellas County, LLC	Florida limited liability company
Caretenders Visiting Services of St. Augustine, LLC	Florida limited liability company
Caretenders Visiting Services of St. Louis, LLC	Missouri limited liability company
Caretenders VS of Boston, LLC	Massachusetts limited liability company
Caretenders VS of Central KY, LLC	Kentucky limited liability company
Caretenders VS of Louisville, LLC	Kentucky limited liability company
Caretenders VS of Northern KY, LLC	Kentucky limited liability company
Caretenders VS of Western KY, LLC	Kentucky limited liability company
Mederi Caretenders VS of Broward, LLC	Florida limited liability company
Mederi Caretenders VS of SE FL, LLC	Florida limited liability company
Mederi Caretenders VS of SW FL, LLC	Florida limited liability company
Mederi Caretenders VS of Tampa, LLC	Florida limited liability company
Princeton Home Health, LLC	Alabama limited liability company
Caretenders of Cincinnati, Inc.	Kentucky corporation
Caretenders of New Jersey, Inc	Kentucky corporation
Caretenders VS of Ohio, LLC	Ohio limited liability company
Caretenders Visiting Services of Southern Illinois, LLC	Illinois limited liability company
Caretenders VS of Lincoln Trail, LLC	Kentucky limited liability company
AFAM Acquisition Ohio LLC	Kentucky limited liability company

III. Subsidiary of AFAM Acquisition, LLC

NAME OF ENTITY	FORM OF ENTITY
Patient Care, Inc.	Delaware corporation

IV. Subsidiaries of Patient Care, Inc.

NAME OF ENTITY	FORM OF ENTITY
Patient Care Medical Services, Inc.	New Jersey corporation
Patient Care Pennsylvania, Inc.	Delaware corporation
Patient Care New Jersey, Inc.	Delaware corporation
Priority Care, Inc.	Connecticut corporation

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

FORM 10-K/A
(Amendment No. 1)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

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 001-09848

ALMOST FAMILY, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**06-1153720**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

9510 Ormsby Station Road, Suite 300, Louisville, Kentucky 40223
(Address of principal executive offices)

(502) 891-1000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act
Title of Each Class
Common Stock, par value $.10 per share, with Preferred Stock Purchase Rights

Name of Each Exchange on Which Registered:
NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [ ] No [X]

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 if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]

(Do not check if a smaller reporting company)

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

As of June 30, 2008, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $189,198,033 based on the last sale price of a share of the common stock as of June 30, 2008 ($26.60), as reported by the NASDAQ Global Market.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 6, 2009
Common Stock, $.10 par value per share	8,175,473 Shares

DOCUMENTS INCORPORATED BY REFERENCE

None.

TABLE OF CONTENTS

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this "Amendment") amends Almost Family, Inc.'s (the "Company") Annual Report on Form 10-K for the fiscal year ended December 31, 2008, originally filed on March 6, 2009 (the "Original Filing"). We are filing this Amendment to include the information required by Part III and not included in the Original Filing as we will not file our definitive proxy statement within 120 days of the end of the Company's fiscal year ended December 31, 2008. Solely for this reason, we are filing certifications required under Section 302 of the Sarbanes-Oxley Act of 2002. Except as set forth above, this Amendment does not alter or restate any of the information set forth in the Original Filing.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers

The following table sets forth certain information with respect to the Company's executive officers.

Name	Age	Position with the Company
William B. Yarmuth (1)	57	Chairman of the Board, President and Chief Executive Officer
C. Steven Guenthner (2)	48	Senior Vice President and Chief Financial Officer
P. Todd Lyles (3)	47	Senior Vice President – Administration
Anne T. Liechty (4)	56	Senior Vice President – VN Operations
Phyllis D. Montville (5)	60	Senior Vice President – VN Operations
Cathy S. Newhouse (6)	47	Senior Vice President – Sales and Clinical Programs
John B. Walker (7)	51	Vice President and Chief Accounting Officer

Executive officers of the Company are elected by the Board of Directors for one year and serve at the pleasure of the Board of Directors with the exception of William B. Yarmuth who has an employment agreement with the Company. There are no family relationships between any director or executive officer.

(1) William B. Yarmuth has been a director of the Company since 1991, when the Company acquired National Health Industries ("National"), where Mr. Yarmuth was Chairman, President and Chief Executive Officer. After the acquisition, Mr. Yarmuth became the President and Chief Operating Officer of the Company. Mr. Yarmuth became Chairman and CEO in 1992. He was Chairman of the Board, President and Chief Executive Officer of National from 1981 to 1991.

(2) C. Steven Guenthner has been Senior Vice President and Chief Financial Officer of the Company since 1992. From 1983 through 1992 Mr. Guenthner was employed as a C.P.A. with Arthur Andersen LLP. Prior to joining the Company he served as a Senior Manager in the firm's Accounting and Audit division specializing in mergers and acquisitions, public companies and the healthcare industry.

(3) P. Todd Lyles joined the Company as Senior Vice President Planning and Development in 1997 and now serves as Senior Vice President – Administration. Prior to joining the Company Mr. Lyles was Vice President Development for the Kentucky Division of Columbia/HCA, a position he had held since 1993. Mr. Lyles experience also includes 8 years with Humana Inc. in various financial and hospital management positions.

(4) Anne T. Liechty became Senior Vice President – VN Operations in 2001. Ms. Liechty has been employed by the Company since 1986 in various capacities including Vice President of Operations for the Company's VN segment and its Product segment.

(5) Phyllis D. Montville became Senior Vice President – VN Operations in 2007. Ms Montville came to the Company in 2006 as Vice President of VN Operations in Florida. Before coming to the Company, she served as President with Best Choice Home Health from November, 2004 through December, 2005. She has 24 years experience in home care management, most of which is in the Florida market. Ms. Montville owned and operated her own franchise for 10 years. She started in the home care field as a branch manager and home care nurse.

(6) Cathy S. Newhouse became Senior Vice President – Sales and Clinical Programs in 2008 after joining the Company in 2007 as Vice President of Clinical Programs. During 2006 and 2007, she was Chief Operations and Clinical Officer with US Medical Management. From 1983 to 2006, she was with Gentiva Health Services, Inc. in progressive leadership roles. Her last position was Vice President of Specialty Programs. She has over 25 years experience in home care management focused on business development.

(7) John B. Walker became Vice President and Chief Accounting Officer of the Company in May 2007. He is a C.P.A. with 29 years of financial management experience. In 2003, he founded American Pipe Lining – MidAmerica, Inc. and served as its president until the company's sale in 2007. Prior to that, he held various senior financial management positions with high-growth companies in health insurance, home health and energy industries.

Board of Directors

Set forth below is a list of members of the Board of Directors, together with their ages, all Company positions and offices each person currently holds and the year in which each person joined the Board. Each of the current members of the Board of Directors is expected to stand for re-election of the 2009 Annual Meeting of Shareholders.

Name	Age	Position or Office	Director Since
William B. Yarmuth	57	Chairman of the Board, President and Chief Executive Officer	1991
Steven B. Bing	62	Director	1992
Donald G. McClinton	75	Director	1994
Tyree G. Wilburn	56	Director	1996
Jonathan D. Goldberg	57	Director	1997
W. Earl Reed, III	57	Director	2000
Henry M. Altman, Jr.	72	Director	2004

William B. Yarmuth. Mr. Yarmuth has been a director of the Company since 1991, when the Company acquired National Health Industries ("National"), where Mr. Yarmuth was Chairman, President and Chief Executive Officer. After the acquisition, Mr. Yarmuth became the President and Chief Operating Officer of the Company. Mr. Yarmuth became Chairman and CEO in 1992. He was Chairman of the Board, President and

Chief Executive Officer of National from 1981 to 1991.

Steven B. Bing. Mr. Bing was elected a director in 1992. From 1999 to 2007, Mr. Bing served with Prosperitas Investment Partners, L.P., a private investment company located in Louisville, Kentucky, most recently as its Chief Operating Officer. He is also a director of various closely-held business entities. Since 2005, Mr. Bing has served as Senior Vice President Sales & Marketing, New Business and Video Services for National Rural Telecommunications Cooperative, a large member owned cooperative in Herndon, Virginia serving in excess of 1,200 telephone and electric cooperatives across the country.

Donald G. McClinton. Mr. McClinton was elected a director in 1994. Mr. McClinton was President and part owner of Skylight Thoroughbred Training Center, Inc., a thoroughbred training center, until 2002, when it was sold. From 1986 to 1994, Mr. McClinton was co-chairman of Interlock Industries, a privately held conglomerate in the metals and transportation industries.

Tyree G. Wilburn. Mr. Wilburn was elected a director in 1996. Since 2003, Mr. Wilburn has served as Chairman of the Board, President and Chief Executive Officer of Merit Health Systems, LLC, a private hospital management company. He was a private investor from 1996 to 2002. From 1992 to 1996, Mr. Wilburn was Chief Development Officer of Community Health Systems, Inc., and, most recently, Executive Vice President and Chief Financial and Development Officer. From 1974 to 1992, Mr. Wilburn was with Humana Inc. where he held senior and executive positions in mergers and acquisitions, finance, planning, hospital operations, audit and investor relations. He is also a director of several private companies.

Jonathan D. Goldberg. Mr. Goldberg was elected a director in 1997. Mr. Goldberg is the managing partner of the law firm of Goldberg and Simpson in Louisville, Kentucky and has served in that capacity since 1991.

W. Earl Reed, III. Mr. Reed was elected a director in 2000. Since 1998, Mr. Reed has served as Chief Executive Officer of The Allegro Group, a healthcare financial advisory firm that advises public and private healthcare organizations including providing interim management services. From August 2005 to September 2007, Mr. Reed served as Chief Executive Officer and Chairman of the Board of LifeCare Holdings, Inc., a privately owned operator of 18 long-term hospitals. From May 2000 to December 2001, Mr. Reed served as Chairman, President and Chief Executive Officer of Rehab Designs of America Corporation, a private venture capital backed orthotics and prosthetics healthcare company, as part of a turnaround project. From 1987 to 1998, Mr. Reed was Chief Financial Officer and member of the board of directors of Vencor, Inc.

Henry M. Altman, Jr. Mr. Altman was elected a director in 2004. Mr. Altman retired in 2002 following over 40 years of experience in public accounting, most recently serving as the president and managing director of the Deming, Malone, Livesay & Ostroff CPA firm. He is currently the owner of Altman Consulting LLC, an independent business consulting firm. Mr. Altman currently serves on the boards of Jewish Hospital & St. Mary's HealthCare and University Medical Center in Louisville, Kentucky, and the American Hospital Association's Leadership Development Committee. He also serves on the boards of Louisville Medical Center Development Corporation and the Institute for Bioethics, Health Policy and Law. In 2001, Mr. Altman was presented with the inaugural Kentucky Hospital Association Health Care Governance Award.

Audit Committee of the Board of Directors

The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. As described in its charter, the principal duties of the Audit Committee include appointing the Company's independent auditors, reviewing the scope of the audit, reviewing the corporate accounting practices and policies with the independent auditors, reviewing with the independent auditors their final report, reviewing with independent auditors overall accounting and financial controls and consulting with the independent auditors. All of the members of the Audit Committee are "independent," as that term is defined in the applicable rules for companies traded on The Nasdaq Global Select Market (Nasdaq) and meet the criteria for independence under the Sarbanes-Oxley Act of 2002 and the rules adopted by the Securities and Exchange

Commission. The members of the Audit Committee are Messrs. Reed (Chair), Wilburn, Goldberg and Altman. The Board has designated Mr. Reed as the "audit committee financial expert" within the meaning of the SEC rules.

Code of Ethics and Business Conduct

The Board has adopted a Code of Ethics and Business Conduct that applies to all its directors, officers and employees, including the principal executive and financial officers, the controller and the principal accounting officer of the Company. The Code of Ethics and Business Conduct is available in its entirety on the Company's website, www.almostfamily.com. The Company intends to post amendments to, or waivers from, its Code of Ethics and Business Conduct, if any, that apply to the principal executive and financial officers, the controller or the principal accounting officer on its website.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who beneficially own more than ten percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission initial reports of stock ownership and reports of changes in stock ownership and to provide the Company with copies of all such filed forms. Section 16(a) of the Securities Exchange Act of 1934 provides that any profit realized by an insider from any purchase and sale, or sale and purchase, of the Company's equity securities within less than six months must be disgorged to the Company. Based solely on its review of such copies or written representations from reporting persons, the Company believes that all Section 16(a) reports were filed on a timely basis during fiscal 2008, except that John Walker filed a Form 4 reporting one transaction late by three days.

ITEM 11. EXECUTIVE COMPENSATION

The following Summary Compensation Table shows the compensation earned for the time period served as an executive officer during the last fiscal year by: (1) the President and Chief Executive Officer, (2) the Chief Financial Officer, and (3) each of the three other highest compensated executive officers of the Company serving at December 31, 2008 (collectively, the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
William B. Yarmuth	2008	421,418	-	45,382	101,333	515,000	-	162	1,083,295
Chairman of the Board,	2007	408,369	-	-	56,660	400,530	-	1,242	866,801
President & CEO	2006	375,481	-	-	-	390,000	-	938	766,419
C. Steven Guenthner	2008	240,772	-	18,153	46,003	250,000	-	-	554,928
Sr. Vice President	2007	233,316	-	-	28,330	176,029	-	-	437,675
Secretary/Treasurer & CFO	2006	219,421	-	-	-	170,000	-	-	389,421
Patrick T. Lyles	2008	216,580	-	12,102	28,535	190,000	-	-	447,216
Senior Vice President	2007	209,874	-	-	16,998	142,508	-	-	369,380
Administration	2006	195,412	-	-	-	138,000	-	-	333,412
Anne T. Liechty	2008	184,135	-	6,051	16,267	150,000	-	1,006	357,459
Senior Vice President-	2007	168,986	-	-	9,443	102,000	-	1,175	281,604
Visiting Nurse Operations	2006	156,379	-	-	-	150,000	-	1,016	307,395
Cathy S. Newhouse	2008	182,116	-	6,051	9,326	110,000	-	-	307,493
Senior Vice President –	2007	85,000	-	-	-	75,000	-	-	160,000
Sales & Clinical Programs	2006	-	-	-	-	-	-	-	-

In 2008, the fair value of each option award as presented in the Summary Compensation Table was estimated on the date of grant using the Monte Carlo option valuation model with suboptimal exercise behavior. The Company adopted the Monte Carlo option valuation pricing model in 2007. This lattice model places greater emphasis on market evidence and predicts more realistic results, because it considers open form information including volatility, employee exercise behaviors and turnover. The following assumptions were used for the year ended December 31, 2008: equivalent interest rate of 3.14%, equivalent volatility of approximately 45.08%, implied expected lives of 3.3 years, and expected lives of 5.9 years.

The following table provides information about equity and non-equity awards granted to the Named Executive Officers in 2008. Options and restricted stock were granted pursuant to the Company's 2007 Stock and Incentive Compensation Plan. Options vest ratably over 4 years and will be fully vested on 3/07/2012. Restricted stock vests on the third anniversary of the grant date.

Grants of Plan-Based Awards

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
William B. Yarmuth	3/07/08	7,500	20,000	22.18	348,510
C. Steven Guenthner	3/07/08	3,000	7,500	22.18	134,850
Patrick T. Lyles	3/07/08	2,000	5,000	22.18	89,900
Anne T. Liechty	3/07/08	1,000	3,000	22.18	49,504
Cathy S. Newhouse	3/07/08	1,000	5,000	22.18	67,720

The following table provides information on the outstanding equity awards as of December 31, 2008 for the Named Executive Officers.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards						Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable		Number of Securities Underlying Unexercised Options (#) Unexercisable		Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
William B. Yarmuth	7,500		22,500	(2)	19.40	2/11/17		
	-		20,000	(3)	22.18	3/07/18	7,500	337,350
C. Steven Guenthner	33,014	(1)	-		2.13	2/03/11		
	3,750	(2)	11,250	(2)	19.40	2/11/17		
	-		7,500	(3)	22.18	3/07/18	3,000	134,940
Patrick T. Lyles	20,000	(1)	-		2.13	2/03/11		
	2,250	(2)	6,750	(2)	19.40	2/11/17		
	-		5,000	(3)	22.18	3/07/18	2,000	89,960
Anne T. Liechty	1,250	(2)	3,750	(2)	19.40	2/11/17		
	-		3,000	(3)	22.18	3/07/18	1,000	44,980
Cathy S. Newhouse	-		2,500	(3)	22.18	3/07/18	1,000	44,980

(1) Options granted pursuant to the Company's Amended and Restated 2000 Stock Option Plan. On the effective date of the January 2007 2-for-1 stock split the number of shares was multiplied by two and the exercise price was divided by two. Information is presented as adjusted for the 2-forl stock split. Options vested ratably over 3 years and were fully vested on 2/5/2004.

(2) Options granted pursuant to the Company's Amended and Restated 2000 Stock Option Plan. Options vest ratably over 4 years and will be fully vested on 2/10/2011.

(3) Options and restricted stock were granted pursuant to the Company's 2007 Stock and Incentive Compensation Plan. Options vest ratably over 4 years and will be fully vested on 3/07/2012. Restricted stock vests on the third anniversary of the grant date. Restricted stock vests on the third anniversary of the grant date.

Potential Payments Under Termination or Change in Control of the Company

The Company has a year-to-year employment agreement with William B. Yarmuth, its Chairman of the Board, President and Chief Executive Officer. The agreement had an initial term of two years and provides that it will automatically be renewed for successive one-year terms. Either the Company or Mr. Yarmuth may terminate the agreement as of the last day of any renewal term by giving at least 60 days' prior written notice of termination. In addition, the Company may by decision of the Board of Directors terminate the agreement at any time by written notice to Mr. Yarmuth. Mr. Yarmuth is entitled to certain payments upon termination of employment with the Company. If Mr. Yarmuth's employment is terminated under either provision stated above, he would be entitled to a payment equal to two times the base salary earned by him during the preceding twelve months, payable within 30 days following termination. As of December 31, 2008, this amount would have been $821,600. If Mr. Yarmuth's employment is terminated by reason of his death or disability, he would be entitled to an amount equal to the excess of (i) 200% of his base salary over (ii) the present value of the disability payments to be received by him under any disability insurance policy maintained and paid for by the Company, if any, during the first two years in which such payments are to be received. This amount is payable within 90 days following the date of his death or disability. As of January 1, 2009, the employment agreement was amended to provide that payments upon termination (including following a change in control as described below) will not be made until Mr. Yarmuth has terminated employment within the meaning of the Internal Revenue Code Section 409A, and that to the extent payments are not exempt from 409A and are triggered by termination, payments will be delayed for six months following termination as required by Code Section 409A.

Following a "change of control," as defined in the employment agreement, if Mr.Yarmuth's employment with the Company is terminated for any reason (including cause, as defined) other than death or disability, he would be entitled to 290% of the base salary and bonus payments paid to him during the one-year period immediately preceding termination. This payment would be in a lump sum on the date of termination. As of December 31, 2008, this amount would have been $2,352,857. For purposes of the agreement, a "change of control" includes (i) any person's acquisition of 50% or more of the Company's common stock, (ii) 75% or more of the Company's directors being replaced, unless the current directors approved of the replacements, and (iii) stockholder approval of a merger or consolidation of the Company or its complete liquidation. If any of the above payments would be subject to excise taxes, then Mr. Yarmuth would be entitled to receive a payment for the purpose of assuring that he receives all compensation to which the excise tax applies absolutely net of the excise tax. The agreement includes a covenant not to compete that prohibits Mr. Yarmuth from competing with the Company within any county of any state in which the Company was at the time of termination conducting business or had a bona fide plan to begin conducting business.

No other Named Executive Officer has termination or change in control arrangements.

Directors' Compensation

The following table summarizes compensation paid to non-employee directors for 2008. Mr. Yarmuth is the only employee director and he does not receive any additional compensation for his service on the board of directors.

Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
William B. Yarmuth	-	-	-		-	-	-
Steven B. Bing	28,000	-	9,604	-	-	-	37,604
Donald G. McClinton	28,000	-	9,604	-	-	-	37,604
Tyree G. Wilburn	40,000	-	9,604	-	-	-	49,604
Jonathan D. Goldberg	-	-	9,604	-	-	49,908	59,512
W. Earl Reed, III	40,000	-	9,604	-	-	-	49,604
Henry M. Altman, Jr.	26,500	-	9,604	-	-	-	36,104

The Option Awards column reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008, in accordance with Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-Based Payment* ("SFAS 123R") of awards pursuant to the Company's equity incentive program and thus include amounts from awards granted before, as well as in, fiscal year 2008, because the expense is being recognized over each award's vesting period. Assumptions used in the calculation of these amounts for the fiscal year ended December 31, 2008 are included in Footnote 1 "Summary of Significant Accounting Policies—Stock-Based Compensation" to the Company's audited financial statements for the fiscal year ended December 31, 2008, included in the Company's Annual Report on Form 10-K filed with the SEC on March 6, 2009.

The Company cautions that the amounts reported in the Director Compensation Table for these awards may not represent the amounts that the directors will actually realize from the awards. Whether, and to what extent, a director realizes value will depend on the Company's actual operating performance, stock price fluctuations and the director's continued service.

At December 31, 2008, the aggregate number of option awards outstanding held by each director was as follows: Mr. Bing: 4,500; Mr. McClinton: 16,500; Mr. Wilburn: 20,500; Mr. Goldberg: 4,500; Mr. Reed: 36,500; and Mr. Altman: 14,500. No options were granted to non-employee directors in 2008.

The Company has a Non-Employee Directors Deferred Compensation Plan which allows Directors to elect to receive fees for Board services in the form of shares of the Company's common stock. The Plan authorized 200,000 shares for such use. As of December 31, 2008, 92,131 shares have been allocated in deferred accounts, 35,262 have been issued to previous Directors and 72,607 remain available for future allocation. Allocated shares are to be issued to Directors when they cease to be Directors or upon a change in control. Directors' fees are expensed as incurred whether paid in cash or deferred into the Plan. Amounts shown in the column "All Other Compensation" above represent 2008 fees deferred into the Non-Employee Directors Deferred Compensation Plan by Mr. Goldberg.

In February 2007, the Company implemented the recommendations of Mercer regarding compensation of non-employee directors. As a result, the Company has targeted cash compensation between the 25th and 50th percentile of the peer group. For 2008, Directors received cash compensation according to the following table:

Annual retainer	$	15,000
Chairman of audit committee additional retainer	$	7,500
Chairman of compensation committee additional retainer	$	5,000
Meeting fee per board meeting attended	$	1,500
Meeting fee per committee meeting attended	$	1,000

The Company also reimburses directors for the reasonable expenses they incur to attend board of directors, board committee and shareholder meetings. For 2009, the annual retainer is $25,000.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Board is comprised of Messrs. Goldberg (chair), Bing, McClinton, Reed, Wilburn and Altman, each a non-employee director of the Company. None of our executive officers serve on the Compensation Committee or board of directors of any other company of which any member of our Compensation Committee or any of our directors is an executive officer.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The Company's executive compensation program is designed to (1) motivate and retain executive officers, (2) reward the achievement of short-term and long-term performance goals, (3) establish an appropriate relationship between executive pay and short-term and long-term performance and (4) align executive officers' interests with those of the Company's shareholders. The primary elements of the Company's compensation program are base salary, annual cash incentive awards and equity-based compensation. The Company believes that each element supports one or more of the objectives of the Company's compensation program and provides sufficient flexibility to the Compensation Committee (the "Committee") to structure future awards to address new issues and challenges facing the Company. The Company's executive compensation program attempts to target total direct compensation for the Named Executive Officers (as defined herein) between the 50th and 75th percentiles of the healthcare industry, depending upon the individual performance of the Named Executive Officer, his level of responsibility, and the performance of the Company. The Company believes that this range of compensation allows it to attract and retain qualified and experienced healthcare executives.

Performance Measures

The primary elements of the Company's executive compensation program are designed to promote the achievement of financial operating goals established by the Committee and to increase shareholder value. The Company uses a cash incentive plan providing annual short-term incentives for achievement of goals. These plans provide certain of the Named Executive Officers with the opportunity to earn cash awards for achieving financial operating goals primarily related to targeted levels of earnings per share. The Company believes that this measure is generally used by investors to value the Company's Common Stock.

The equity-based component of the Company's executive compensation program is designed to incentivize the Named Executive Officers to increase the value of the Company's Common Stock. As such, equity-based compensation directly links the total direct compensation of the Named Executive Officers to increases in stock price appreciation and shareholder value.

The Executive Compensation Process

The Committee is comprised of six directors, each of whom is independent as defined under the Nasdaq listing standards and qualifies as an outside director within the meaning of Section 162(m) of the Code and a non-employee director within the meaning of Rule 16b-3 under the Exchange Act. The Committee meets periodically to review and oversee the Company's executive compensation program. The Committee makes all compensation decisions regarding the top three Named Executive Officers but has typically delegated to the CEO subject to the committee's review, compensation decisions regarding the remaining Named Executive Officers. On an annual basis, the Committee reviews base salaries and incentive compensation targets for the Named Executive Officers, for the upcoming fiscal year. At this time, the Committee also determines whether performance targets under each of the cash incentive plans were achieved for the prior fiscal year.

During 2006, the Company engaged Mercer Human Resources Consulting ("Mercer"), a global human resources consulting firm, to assist management and the Committee in a comprehensive evaluation of the Company's executive compensation program. Mercer assisted the Company by reviewing the Company's executive compensation strategy and providing compensation benchmarks to the Committee for each Named Executive Officer, including comparisons of base salary, cash incentives and equity-based compensation. Mercer also provided the Committee with other relevant market data and alternatives to consider when making compensation decisions for the Named Executive Officers. The Committee has continued to consult with Mercer on executive compensation issues since the 2006 comprehensive review. The Company from time to time uses Mercer for various other employee benefit matters.

The Committee made no grants of equity-based awards to the Named Executive Officers from 2002 through 2006 although the Committee did make grants of equity-based awards in 2007 and 2008. The Committee currently plans to consider additional grants on an annual basis in conjunction with its review and approval of annual salaries, short-term cash incentives and financial operating goals. The Committee may grant equity-based awards on a periodic basis, particularly in connection with promotions, exceptional performance or changes in a Named Executive Officer's level of responsibility.

During its comprehensive review in 2006, the Committee compared each element of compensation for the Named Executive Officers against a peer group of companies in the healthcare industry. The Company used the following companies for compensation benchmarking purposes: 1) its publicly reported industry peer group: Amedisys, Inc., Gentiva Health Services, Inc., National Home Health Care, LHC Group Inc., and 2) a health care industry survey group compiled by Mercer so that market conditions could also be appropriately considered. These peer groups may be periodically reviewed and updated by the Committee based upon recommendations from Mercer. The Committee believes these peer companies have competed for executives with similar talents and expertise to those of the Named Executive Officers.

Components of Executive Compensation

The Company's executive compensation program uses the following elements to structure the total direct compensation for the Named Executive Officers:

- base salary;
- annual cash incentives; and
- equity-based incentive compensation

The Company believes that the combination of these elements enables the Committee to award competitive total direct compensation between the 50th and 75th percentiles in the healthcare industry.

The Committee does not have a pre-established policy for the allocation between fixed compensation, such as base salary, and variable or "at risk" compensation, such as short-term cash incentives and equity. However, the Committee places a significant portion of total direct compensation for the Named Executive Officers at risk. At risk compensation under the Company's cash incentive plans incentivizes the Named Executive Officers to reach or exceed desired financial operating goals. Moreover, at risk compensation under the Company's equity incentive plans incentivizes the Named Executive Officers since the full benefit of equity-based compensation cannot be realized unless the Named Executive Officers are able to grow the value of the Common Stock over several years.

Base Salary

Base salaries are provided to the Named Executive Officers to compensate them for their services performed during the year. As part of its 2006 analysis, the Committee considered salary comparisons prepared by Mercer to determine if base salaries for the Named Executive Officers were competitive with similarly situated executives in the peer group and the healthcare industry generally. The Committee then undertook to generally structure base salaries to be in the range of the 50th to 75th percentile of its peer group, with the intent to move base salary closer to the 75th percentile of the peer group.

The base salary for each of Messrs. Yarmuth, Guenthner and Lyles has since been increased consistent with the cost-of-living increases awarded to employees generally in the Company. With respect to the other Named Executive Officers, the Committee has delegated discretion in this area to Mr. Yarmuth as chief executive officer. He has awarded annual increases to Ms. Liechty and Ms. Newhouse based on his subjective judgment of a number of factors. While certain aspects of performance of the Named Executive Officers can be measured in financial operating metrics, the Committee and Mr. Yarmuth also evaluate the Named Executive Officers in other performance areas that are more subjective. These areas include the success of the Named Executive Officer in developing and executing the Company's strategic objectives, capitalizing on growth opportunities, addressing significant challenges affecting the Company, developing key employees and exercising leadership. Mr. Yarmuth's establishment of base salaries for Ms. Liechty and Ms. Newhouse reflected his judgment with respect to their favorable job performance, increases in executive officer responsibility, an assessment of overall Company performance, and general market salary increases for all employees.

Cash Incentives

Under the Company's executive compensation program, a significant portion of total cash compensation for the Named Executive Officers is subject to the attainment of measurable financial operating goals. This approach creates a direct incentive for the Named Executive Officers to achieve pre-established performance objectives and places a significant percentage of each Named Executive Officer's total direct compensation at risk.

The Company maintains an annual cash incentive plan under which the Committee establishes annual financial operating goals for the Company's key employees, including the Named Executive Officers. For 2008, if the targeted level of earnings per share of $1.75 were achieved, the Committee would award a target bonus amount to Messrs. Yarmuth, Guenthner and Lyles based on a targeted percentage of their base salary. If earnings per share of $1.49 were achieved, the Committee would award a bonus equal to 50% of the target bonus amount. If earnings per share of $2.01 or greater were achieved, the Committee would award a bonus equal to 150% of the target bonus amount. The target bonus amounts as a percent of base salary for 2008 for these persons were based upon their respective levels of management responsibility and the recommendations in the 2006 Mercer analysis. The target bonus amounts as a percent of base salary were as follows: Mr. Yarmuth – 65%; Mr. Guenthner – 50%, and Mr. Lyles – 45%. The awards under these plans are formulaic, based upon the achievement of financial operating goals established by the Committee. Nevertheless, the Committee retains the discretion to increase or decrease cash incentive awards for unforeseen events or circumstances, including restatements to the Company's financial statements.

Because the Company earned $2.18 per share in 2008 and satisfied the criteria for payment of the maximum bonus amounts, each of these officers received a cash bonus equal to 150% of the target bonus amount. The Committee delegated to Mr. Yarmuth discretion in the payment of cash bonus amounts to Ms. Liechty and Ms. Newhouse. Based on the Company's achievement of earnings per share of $2.18 and his review of their performance and management responsibilities, Ms. Liechty was awarded a cash bonus of $113,000 and Ms. Newhouse was awarded a cash bonus of $110,000.

Following the formulaic awards under the annual cash incentive plan, the Committee determined to award additional cash bonuses to the following executive officers: William B. Yarmuth - $102,000; C. Steven Guenthner - $68,000; P. Todd Lyles - $43,000; and Anne T. Liechty - $37,000. The Committee considered the remarkable corporate accomplishments during 2008, including EPS growth of approximately 60% from 2007 on 47% more shares outstanding, the successful common stock offering, significant acquisitions, establishment of a syndicated bank credit facility, and an outstanding increase in the per share market value. The Committee also considered Mr. Yarmuth's input with regard to Name Executive Officers other than himself.

Equity-Based Compensation

Although no equity-based awards were made to the Named Executive Officers from 2002 to 2006, the Committee granted equity-based awards in 2007 and 2008 and plans to use equity-based compensation as a key component of its overall executive compensation strategy in the future. Such awards provide a direct and long-term link between the results achieved for the Company's shareholders and the total direct compensation provided to the Named Executive Officers. Stock-based compensation is designed to retain the Named Executive Officers through time-based vesting conditions and to motivate them to enhance the value of the Common Stock by aligning the financial interests of the Named Executive Officers with those of the Company's shareholders. Equity-based compensation also provides an effective incentive for management to create shareholder value over several years since the full benefit of this element of compensation is primarily realized as a result of the appreciation in the price of the Common Stock.

The Company does not currently have a security ownership policy for its Named Executive Officers or its Directors. The Committee generally does not take into consideration equity awards granted in previous years when evaluating awards for the current year.

The Committee does not grant options with an exercise price that is less than the closing price of the Common Stock on the NASDAQ on the grant date (fair market value) and it does not grant stock options that are priced on a date other than the grant date.

The amount of equity awarded to the Named Executive Officers is based upon a number of factors. First, the Committee considers an overall assessment of the Company's performance and the equity granting practices of other companies in the healthcare industry and its peer group. In addition, the Committee considers information prepared by Mercer with respect to the equity awards and considers the relative costs. In making equity awards for 2008, the Committee considered Mercer's recommendation to frame the awards by creating a target "value" of the award by multiplying a market based percentage for equity compensation times the executive's annual base salary. (The 2008 equity awards were based on the following percentage targets for Messrs. Yarmuth, Guenthner and Lyles: 100%, 65% and 50%, as adjusted by the Committee.) The Committee then considered the overall performance of each of Messrs. Yarmuth, Guenthner and Lyles and his actual and potential contribution to the Company's growth and long-term performance in determining individual awards. The Chief Executive Officer also provided an assessment of the overall level of performance for the other Named Executive Officers. The assessment of actual and potential contribution is based upon the Committee's subjective evaluation of each Named Executive Officer. Based on these assessments, the Committee determined the actual award for each of Messrs. Yarmuth, Guenthner and Lyles. The number of options and restricted shares was then rounded to the nearest thousand share number. The Committee followed the recommendation of Mr. Yarmuth with respect to the award of stock options and restricted shares to Ms. Liechty and Ms. Newhouse in 2008; these amounts were based upon their relative management responsibility within the Company and a 30% of salary target value, as adjusted. The Committee chose to use a mix of stock options and restricted shares, viewing stock options as effective in focusing management on share-price appreciation and restricted shares as encouraging ownership of Company shares while using fewer shares eligible for issuance under the Company's equity incentive plan. The Committee chose to target approximately one-half of the value of the equity award as stock options, with the other half of the value as restricted shares. For this purpose, the Committee valued the option shares using the Black-Scholes valuation model; the restricted shares were valued at the fair market value as reflected on the NASDAQ Global Select Market. All options awarded in 2008 will vest in four equal annual installments beginning on the first anniversary of the date of grant; all restricted shares vest in full on the third anniversary of the date of grant.

Section 401(k) Plan and Other Perquisites and Benefits

The Company maintains a Section 401(k) plan (the "401(k) Plan") that is a tax-qualified defined contribution retirement savings plan under which all eligible employees may contribute up to the limit prescribed by the IRS, on a pre-tax basis. The Named Executive Officers are eligible to contribute on a pre-tax basis at a discretionary level, which varies annually based upon results of the Plan's prior year non-discrimination testing. After one year of service, the Company matches 25% of the first 5% of pay that a participant contributes to the 401(k) Plan and may also provide additional profit sharing contributions based upon the Company's achievement of financial goals established by the Committee. All employee contributions to the 401(k) Plan are fully vested upon contribution and the Company's matching contribution vests in full immediately once the employee has three years of service. Contributions to the 401(k) Plan by the Named Executive Officers are usually limited by IRS rules.

Employment and Other Agreements

The Company has a year-to-year employment agreement with William B. Yarmuth, its Chairman of the Board, President and Chief Executive Officer. The parties entered into the agreement effective January 1, 1996. The agreement includes a covenant not to compete for a period of two years following Mr. Yarmuth's termination as an employee of the Company. With respect to Mr. Yarmuth's employment agreement, he and the Company entered into an amendment to ensure that the Employment Agreement complies with Section 409A of the Internal Revenue Code of 1986, as amended, and the final Treasury Regulations promulgated thereunder. As described elsewhere in this Item 11 of the Form 10-K/A, the agreement also provides for payments to be made to Mr. Yarmuth under certain circumstances upon his termination of employment.

The Company has no other employment agreements.

Executive Compensation Tax Deductibility

Section 162(m) of the Code generally provides that the compensation paid by publicly held corporations to the chief executive officer and the four most highly paid senior executive officers in excess of $1,000,000 per executive will be deductible by the Company only if paid pursuant to qualifying performance-based compensation plans approved by shareholders of the Company. Compensation as defined by the Code includes, among other things, base salary, incentive compensation and gains on stock options and restricted Common Stock. Although the Company currently attempts to structure all incentive compensation to be deductible for federal income tax purposes, the Company's primary policy is to maximize the effectiveness of the Company's executive compensation program. In that regard, the Committee intends to remain flexible to take actions which are deemed to be in the best interests of the Company and its shareholders. Such actions have not always qualified for tax deductibility under the Code and may not do so in the future.

Beginning on January 1, 2006, the Company began accounting for equity-based incentive compensation in accordance with the requirements of Statement of Financial Accounting Standards No. 123 (revised 2004) ("SFAS 123R").

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board is composed entirely of independent directors satisfying the requirements of the Nasdaq listing standards. The Committee is composed of Messrs. Jonathan D. Goldberg (Chairman), Steven B. Bing, Donald G. McClinton, W. Earl Reed, III, Tyree G. Wilburn and Henry M. Altman, Jr. The Compensation Committee is responsible for establishing and administering the policies and programs that govern both annual cash compensation and stock-based incentive compensation plans for the executive officers of the Company.

The Compensation Committee has reviewed and discussed the "Compensation Discussion and Analysis" section with management. Based upon the foregoing review and discussion with management, the Compensation Committee recommended to the Board that the "Compensation Discussion and Analysis" section be included in this Form 10-K/A.

All members of the Compensation Committee of the Company listed below submit the foregoing report.

COMPENSATION COMMITTEE

Jonathan D. Goldberg, Chairman
Steven B. Bing
Donald G. McClinton
W. Earl Reed, III
Tyree G. Wilburn
Henry M. Altman, Jr.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Shares of Common Stock Beneficially Owned as of March 31, 2009 (1)

Directors, Executive Officers and 5% Beneficial Owners	**Amount and Nature of Beneficial Ownership**		**Percent of Class**
William B. Yarmuth 9510 Ormsby Station Road, Suite 300 Louisville, KY 40223	581,794	(2)	7.1%
C. Steven Guenthner	192,945	(3)	2.3%
Steven B. Bing	2,930	(4)	*
Donald G. McClinton	67,444	(5)	*
Tyree G. Wilburn	38,250	(6)	*
Jonathan D. Goldberg	91,061	(7)	1.1%
W. Earl Reed, III	146,804	(8)	1.8%
Henry M. Altman, Jr.	22,250	(9)	*
Patrick T. Lyles	86,562	(10)	1.1%
Anne T. Liechty	16,040	(11)	*
Phyllis D. Montville	5,125	(12)	*
Cathy S. Newhouse	4,400	(13)	*
John B. Walker	4,725	(14)	*
Directors and Executive Officers as a Group (13 persons)	1,260,330	(15)	15.1%

* Represents less than 1% of class.

(1) Based upon information furnished to the Company by the named persons, information contained in filings with the Securities and Exchange Commission (the "Commission"), and on the 8,175,473 shares of common stock issued and outstanding as of March 31, 2009. Under the rules of the Commission, a person is deemed to beneficially own shares over which the person has or shares voting or investment power or has the right to acquire beneficial ownership within 60 days, and such shares are deemed to be outstanding for the purpose of computing the percentage beneficially owned by such person or group. Unless otherwise indicated, the named person has the sole voting and investment power with respect to the number of shares of Common Stock set forth opposite such person's name.

(2) Includes 5,924 shares as to which Mr. Yarmuth shares voting and investment power pursuant to a family trust and 20,000 shares subject to currently exercisable options.

(3) Includes 42,389 shares subject to currently exercisable options.

(4) Includes 2,250 shares subject to currently exercisable options.

(5) Includes 2,250 shares subject to currently exercisable options and 30,194 phantom shares within the Non-Employee Directors Deferred Compensation Plan.

(6) Includes 14,250 shares subject to currently exercisable options.

(7) Includes 2,250 shares subject to currently exercisable options, 50,211 phantom shares within the Non-Employee Directors Deferred Compensation Plan and includes 2,000 shares held by spouse's self-directed 401(k) plan over which Mr. Goldberg disclaims any beneficial interest. 31,100 shares of common stock have been pledged as loan security.

(8) Includes 34,250 shares subject to currently exercisable options and 12,554 phantom shares within the Non-Employee Directors Deferred Compensation Plan.

(9) Includes 12,250 shares subject to currently exercisable options.

(10) Includes 25,750 shares subject to currently exercisable options.

(11) Includes 3,250 shares subject to currently exercisable options.

(12) Includes 3,125 shares subject to currently exercisable options.

(13) Includes 2,500 shares subject to currently exercisable options.

(14) Includes 3,125 shares subject to currently exercisable options.

(15) Includes currently exercisable options held by all directors and executive officers as a group to purchase 167,639 shares of Common Stock and 92,959 phantom shares held by Non-Employee Directors within the Non-Employee Directors Deferred Compensation Plan.

Equity Compensation Plans

As of December 31, 2008, shares of common stock authorized for issuance under our equity compensation plans are summarized in the following table. See note 7 to the consolidated financial statements for a description of the plans. The table below is furnished pursuant to item 12.

Plan Category	Shares to Be Issued Upon Exercise	Weighted-Average Option Exercise Price	Shares Available for Future Grants
Plans approved by shareholders	371,139	$ 14.24	377,250
Plans not approved by shareholders	-	-	-
Total	371,139	$ 14.24	377,250

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. All members of these committees are "independent" as defined in the NASDAQ listing standards. As described in its charter, the principal duties of the Audit Committee include appointing the Company's independent auditors, reviewing the scope of the audit, reviewing the corporate accounting practices and policies with the independent auditors, reviewing with the independent auditors their final report, reviewing with independent auditors overall accounting and financial controls and consulting with the independent auditors. The Audit Committee is also responsible for the review and approval of all related-party transactions required to disclosed under the rules of the Securities and Exchange Commission; the Company is not currently party to any such transactions. A copy of the Audit Committee charter is available in its entirety on the Company's website, www.almostfamily.com.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Paid to the Independent Auditors

Audit Fees

Ernst & Young LLP charged to the Company an aggregate amount of $753,000 and $602,000 for professional services rendered for fiscal year 2008 and fiscal year 2007, respectively, for the audit of the Company's annual financial statements, the reviews of the Company's financial statements included in the Company's reports on Form 10-Q, the review of internal control over financial reporting and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

Audit-Related Fees

Ernst & Young LLP charged to the Company an aggregate amount of $17,000 and $17,000 for assurance and related services rendered for fiscal year 2008 and fiscal year 2007, respectively, that are primarily related to the audit of the Company's 401(k) employee benefit plan.

Tax Fees

Ernst & Young LLP charged to the Company an aggregate amount of $177,000 and $144,000 for professional services rendered for fiscal year 2008 and fiscal year 2007, respectively, for tax compliance, tax advice, and tax planning.

All Other Fees

There were no other services or fees provided by Ernst & Young LLP in 2008 and 2007.

Pre-Approval Policies and Procedures

During fiscal year 2008, the Audit Committee approved all audit, audit-related and non-audit services provided to the Company by Ernst & Young LLP before management engaged the auditor for those purposes. The Audit Committee's current practice is to consider for pre-approval all audit, audit-related, tax and non-audit services proposed to be provided by our independent auditors for the fiscal year.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES

a)

1. and 2. No financial statements or schedules are filed with this report on Form 10-K/A.

3. Exhibits

A list of the exhibits filed or furnished with this report on Form 10-K/A is provided in the Exhibit Index beginning on page 22 of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ALMOST FAMILY, INC.

By /S/ William B. Yarmuth April 29, 2009
William B. Yarmuth
Chairman, President and Chief Executive Officer

By /S/ C. Steven Guenthner April 29, 2009
C. Steven Guenthner
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibits required to be filed by Item 601 of Regulation S-K and by Item 15 are set forth below:

Number	Description of Exhibit	Page Number
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.	23
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.	24

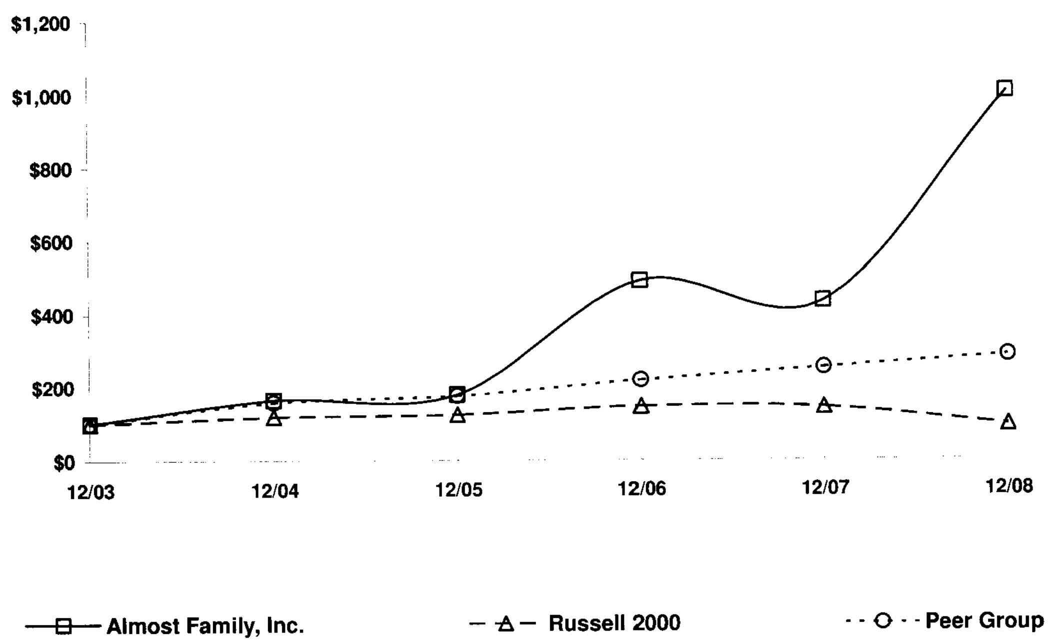
*Denotes filed herein.

COMPARISON OF FIVE-YEAR CUMULATIVE STOCKHOLDER RETURN

This graph compares the cumulative return experienced by holders of the Company's Common Stock during the last five fiscal years to the returns of the Russell 2000 Index and the returns of our peer group index, comprised of these publicly-traded healthcare companies: Amedisys Inc., Gentiva Health Services Inc., and LHC Group, Inc. The peer group index formerly included National Home Health Care Corp. which ceased to be publicly traded on November 21, 2007. The graph assumes the investment of $100 on December 31, 2003 in the Company's Common Stock and each of the indices, and the reinvestment of all dividends paid during the period on the securities comprising the indices. The graph is included in the version of this document distributed to our shareholders with our proxy statement, but was not included in the Company's Form 10-K as filed with the SEC.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Almost Family, Inc., The Russell 2000 Index
And A Peer Group



*$100 invested on 12/31/03 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	Cumulative Total Return					
	12/03	12/04	12/05	12/06	12/07	12/08
ALMOST FAMILY	100.00	164.58	178.77	489.57	434.19	1005.14
RUSSELL 2000	100.00	118.33	123.72	146.44	144.15	95.44
PEER GROUP	100.00	157.81	175.89	217.73	252.24	285.35