

**1) With so many governmental regulations in the healthcare sector and more changes on the way can you share some insight on how Kindred Healthcare engages with policy makers?**

We are engaged with policy makers directly and indirectly on the state and federal level regarding regulations and laws affecting our business across the post-acute care continuum. We are members and actively involved with trade associations that advocate on our behalf including the American Hospital Association, American Rehabilitation Providers Association, American Health Care Association and the National Association of Homecare and Hospice among others. Kindred representatives participate in these associations' committees, Boards and advocacy efforts.

We also have a strong internal government affairs team that works directly with policy makers and their staffs to understand who Kindred is, the care we provide and our commitment to quality. Complementing these efforts, we engage Members of Congress to come into our hospitals and nursing centers to walk the halls and get a first hand view of what we do each day. With the potential for more changes that would greatly impact Kindred, there will be times when we will turn to you to write emails and contact your Member of Congress so that our voice is even louder on Capitol Hill.

**2) I don't understand how we could report such good earnings, yet our stock price is so low. Why is it that we had to reorganize the nursing center division if we are doing so well?**

You are correct, we reported strong third quarter operating results with each of our divisions continuing to show improvement in our quality and clinical outcomes measures as well as their financial performance. Unfortunately, our stock price is more reflective of how people perceive our opportunities looking forward, the uncertainty in the market because of economic issues in the U.S. and abroad, the recent 11% cuts to our nursing centers and the potential for more funding cuts from Congress. The 11% percent cuts are estimated to reduce Medicare reimbursements to our centers by \$125 million in 2012. As a result, we made the difficult decision to reorganize the nursing center division. In order to protect as many jobs as possible, some people have moved into other roles or unfilled positions, and some unfilled positions have been eliminated as a part of this consolidation. We will not be reducing staffing levels in our facilities or other resources that affect patient and resident care.

**3) I know that healthcare costs are rising for everybody in the country, but why does it seem like Kindred's are more than other companies, especially since we are now so large?**

Insurance costs are rising everywhere (but not more here), but there are some things you can do to manage your costs for your benefits including our Healthy Steps program, and electing the Consumer Choice insurance option for you and your family. Unfortunately, our contributions are not related to the size of the company, and many other companies offer plans with much higher deductibles and out-of-pocket costs.

**4) I have heard that the company will reinstate the 401(k) match and continue the profit-sharing for the 401(k). If this is true, can you please provide details?**

We will be reinstating the employer match in January 2012 for those employees who contribute to the 401(k) plan and have completed at least one year of service. We will contribute 50% of the first 4% contributed, to an annual maximum of \$500.

Additionally, we will continue the profit-based match for the 401(k) plan. The amount of the match is determined annually by the Board of Directors based on the company achieving certain financial targets, and if the 2011 targets are met it will be paid out in March 2012.

**5) Is Kindred considering options for more flexible schedules?**

We aim to be as flexible as possible to make sure people can be productive and do their jobs but not miss any personal events, such as activities with children or dental appointments. We do, however, need to keep in mind that as a healthcare company that provides services around the clock, we cannot develop a one size fits all approach. Whenever possible, we need to figure out how we can accommodate the diverse needs of our employees while also making sure work gets done in a timely manner.

**6) What is Kindred doing to provide professional growth and promotion opportunities from within?**

We place a great deal of emphasis on providing growth and leadership development opportunities for our employees. Some opportunities include the Executive Fellowship program, the Nurse Leadership program, Rising Stars, and Top Gun that provide effective leadership and management training. We are also proud of our continuing education, in-service programs, and sharing of best practices that provide ongoing professional development for our clinicians and therapists. Our tuition-reimbursement system also provides incentive for pursuing education opportunities that lead to professional growth and development.

**7) Why don't we do more e-learning which, if done correctly, could be used to save the company tons of money?**

We have a lot of opportunities for e-learning, and are looking to expand these opportunities in the future. On Knect we have various training programs. We also offer WebEx, a conferencing service that allows people to meet at the same time, but in different locations. RehabCare also offers extensive training programs online.

**8) What is Kindred doing to invest in technology?**

We continue to invest in technology improvements and upgrades to help us do our work more effectively and efficiently. We have several initiatives under way, including the Smart technology roll-out in the RehabCare division, ProTouch enhancements in our Hospital division, Point Click Care in our Nursing Center division that illustrate our current and ongoing investment. We are also looking at opportunities to further invest in the technologies for HomeCare and Hospice.