

a publication of Kindred Healthcare, Inc.

SPIRIT

Summer 2011

INSIDE:

**Executive Spotlight:
New Leadership Additions**

Kudos from Across the Country



Kindred
Healthcare

Dedicated to Hope, Healing and Recovery

Better Together – Kindred Healthcare and RehabCare

Coming Together to Continue the Care as America's Largest Provider of Post-Acute Services

Kindred Healthcare's mission is to promote healing, provide hope, preserve dignity and produce value for each patient, resident, family member, customer, employee and shareholder we serve.

On the Cover:

A patient at Kindred Hospital Central Tampa receives occupational therapy as part of his recovery process.



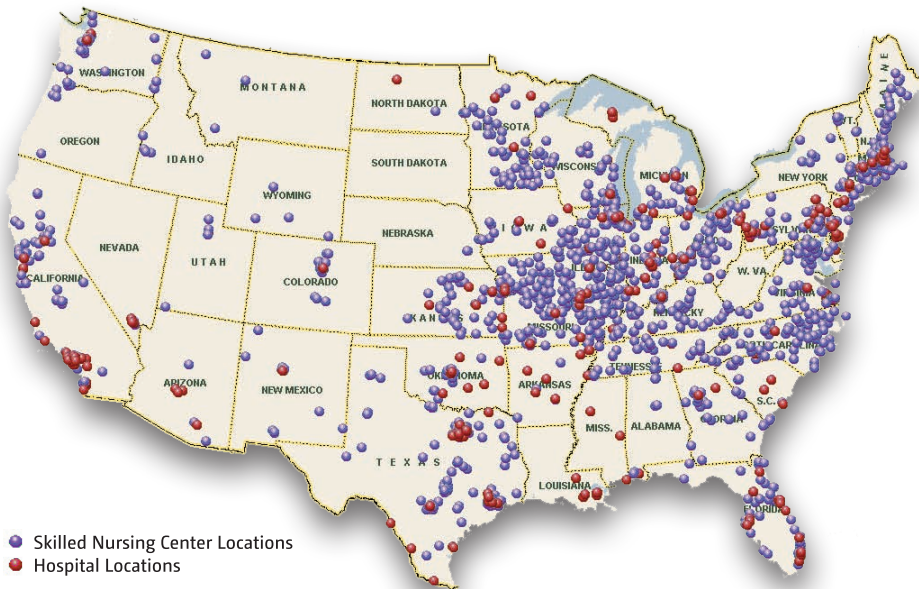
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The New Kindred Healthcare

Dedicated to Hope, Healing and Recovery Across the Post-Acute Spectrum



RehabCare

The newly formed company has 75,000 employees and operations in 46 states. The company operates 118 long-term acute care hospitals, 226 nursing and rehabilitation centers, 121 inpatient rehabilitation facilities (primarily hospital-based units) and 1,808 rehabilitation therapy service contracts in hospitals, skilled nursing facilities and assisted living facilities.

The new Kindred Healthcare continues the care as never before.

Kindred's acquisition of RehabCare creates a network of post-acute care in virtually every care setting – inpatient, outpatient, transitional, skilled nursing, home health and hospice, long-term acute care and assisted living.

"I am even more excited about bringing our two companies together today than I was when we announced the merger in February," said Kindred President and CEO **Paul Diaz**, "because throughout the past few months we have continued to see new opportunities to learn from each other, to better the care of our patients and grow. As we grow, adding approximately 19,000 employees and over 1,300 new locations, it is more important than ever that we continue to focus on our core mission – taking care of patients, residents and customers."

Diaz added, "We are fully engaged in determining the best of both of our organizations, ranging from clinical training programs to information technology to marketing practices, in order to identify and adopt the very best for our combined company. Now that we have successfully passed the hurdle of closing the transaction, we must move ahead in our efforts to effect our system conversions and integrate policies, procedures and best practices throughout our enterprise. This merger is an important step in becoming "better together" as it draws on the expertise and unique experiences of all of our colleagues, and establishes a stronger company that with your help will be the Premier Rehabilitation Services and Post-Acute Care Provider in the U.S. – a goal we can all work toward!"

The RehabCare name has been retained for the combined Skilled Nursing Rehabilitation Services (SRS) and Hospital Rehabilitation Services (HRS) businesses. The leadership team includes **Chris Bird** as President, **Katie Gilchrist** as Senior Vice President of Finance and **Mary Van de Kamp** as Senior Vice President of Clinical Operations. Joining them to round out the leadership team is RehabCare's **Pat Henry** as SRS Executive Vice President and **Mary Pat Welc** as HRS Senior Vice President. RehabCare's hospitals in Texas, Oklahoma and Louisiana will combine with Kindred hospitals in those states to form a new Southwest Region under the leadership of **Brock Hardaway**, who has become a Kindred Executive Vice President.

"The acquisition of RehabCare will turn Kindred Healthcare into a powerhouse, regardless of what happens on the Medicare-reimbursement front," according to a report in **Barron's** magazine. "[It] will broaden the company's already diverse array of services."

Nineteen **Kindred Nursing and Rehabilitation Centers** Recognized by *U.S. News & World Report*

Ranked **One of the Best**

Nursing Homes in America by
U.S. News & World Report



Nineteen Kindred Nursing and Rehabilitation Centers have been recognized by *U.S. News & World Report* as being among the best nursing homes in their states. The magazine reviewed nursing homes in each state and listed all of the facilities that received five stars, the highest overall rating, from the federal government's Centers for Medicare & Medicaid Services. A facility's overall rating is geared to its performance in health inspections, nurse staffing and medical care.

The rating was based on a review of data in December 2010.

More information is available at

<http://health.usnews.com/senior-housing>

Congratulations to our centers that made the *U.S. News & World Report* list. They are:

Nineteenth Avenue Healthcare Center
San Francisco, CA

Hacienda Care Center
Livermore, CA

Windsor Rehabilitation and Healthcare Center
Windsor, CT

Kindred Transitional Care and Rehabilitation – Harrison
Corydon, IN

Kindred Transitional Care and Rehabilitation – Indian Creek
Corydon, IN

Bremen Health Care Center
Bremen, IN

Riverside Manor Healthcare Center
Calhoun, KY

Maple Manor Health Care Center
Greenville, KY

Brigham Manor Nursing and Rehabilitation Center
Newburyport, MA

Kindred Nursing and Rehabilitation – Newton and Wellesley Alzheimer's
Wellesley, MA

Kindred Nursing and Rehabilitation – Den-Mar
Rockport, MA

Colony House Nursing and Rehabilitation Center
Abington, MA

Franklin Skilled Nursing and Rehabilitation Center
Franklin, MA

Brewer Rehabilitation and Living Center
Brewer, ME

Norway Rehabilitation and Living Center
Norway, ME

Westgate Manor
Bangor, ME

Oak Hill Nursing and Rehabilitation Center
Pawtucket, RI

Fairpark Healthcare Center
Maryville, TN

Queen Anne Healthcare
Seattle, WA

Kindred's Nursing Center Division **Is Number 1!**

Each month, our Nursing Center Division receives a regulatory survey outcome analysis from an unbiased, third party vendor, TSI Healthcare Solutions. In May, the division received the TSI Comprehensive Index Analysis Report containing their Skilled Nursing and Rehabilitation Centers most recent individual and aggregate annual standard survey results, peer group rankings and comparative state averages. This analysis also measures the most recent standard survey for every Skilled Nursing Facility in the nation, including all Kindred nursing centers and the nursing centers of the 10 largest multi-facility companies with a national presence.

As of May 1st, Kindred Nursing Center Division ranked #1 among the large multi-facility, multi-state companies! It's an incredible goal to have reached and everyone involved takes great pride in this accomplishment. Our nursing centers have continued to improve their rankings and the steady, hard work by all helped achieve this distinction. Kindred and this division have invested a great deal of time and effort to put in place the training, support and tools to improve their services and this report is proof that all of us are focused to the things that matter the most.



The ranking is based on annual survey performance in four major categories:

- 1** Average number of deficiencies per survey
- 2** Scope and severity of deficiencies cited within each survey
- 3** Substandard quality of care surveys
- 4** Deficiency-free surveys

The rankings take into account both the actual score in each category and an “indexing methodology” for each category. This adjusts for regional and state differences in survey outcomes and each company’s unique distribution of skilled nursing facilities across the 50 states. In this manner, a true “apples to apples” comparison is achieved between the large multi-facility companies.

Congratulations to everyone in the division on achieving a first-place ranking among the large-sized peer group.

Executive **Spotlight**



Pat Henry

Executive Vice President,
Skilled Nursing Rehabilitation
Services

What is your background?

I've been at RehabCare for 12 years. I'm a speech-language pathologist by training. I've actually worked twice for companies that were acquired by Kindred – the first was TheraTx.

What reaction are you getting from people at RehabCare about the acquisition?

It's been largely positive. As with any change there's a certain worry about what it means to people personally. But there's been a lot of communication – information has been given to the field on a regular basis. And Kindred has a very good reputation in the industry.

How do you think this changes the country's post-acute healthcare landscape?

The most exciting thing is that we are pretty much going to be covering every venue of post-acute care. I see this as a real strength. It also gives us a very strong voice in addressing pending changes in healthcare. We will really be able to get in front of the people making decisions, and we will be able to give them data that should be factored into their decisions. To be able to have that level of knowledge this company will have, from a patient care standpoint, makes us very strong.

What do you see the healthcare landscape like five years down the road?

I think over the course of the next three to five years you're going to see more healthcare networks within specific communities. Markets are going to become something we all deal with on a much larger scale than we have in the past, and aligning long-term services with short-term acute care hospitals, determining the best place for the patient to go to get the best outcome in the most efficient manner, from a time as well as from a financial standpoint.

Tell us about yourself.

I've been married for 35 years, and my husband and I have two grown children who live in Dallas – my daughter is also a speech-language pathologist. My husband and I enjoy the symphony and the arts.





Mary Pat Welc
Senior Vice President,
Hospital Rehabilitation Services

How long have you been with RehabCare?

I am a speech-language pathologist and have spent most of my life in acute care hospital settings. I have been with RehabCare for 15 years and Senior Vice President of this division for four years.

How do you think this acquisition changes the country's post-acute healthcare landscape?

It's absolutely game changing. We're creating a really unique combination of care settings. We can get the patient in whether it's a hospital, IRF or nursing center. It's really going to be one-stop shopping.

What strengths does each company bring to the combination?

As I look at the two companies, the cultures are a little different. Kindred has done really well in focusing on processes and systems and the support center

function so people in field can focus on providing care. There's a really good infrastructure. RehabCare always has tried innovative things, like target markets and game-changing clinical tools. So it is a really dynamic combination of a strong process with a support system that therapists can get jazzed about. We talk about being the largest post-acute provider in the country, but we're also going to be the single largest employer of therapists in the country. We can offer them one stop for their career in different settings.

What are your hobbies – how do you spend your personal time?

I'm originally from Chicago, and our three adult children still live there. We enjoy our grandchildren, and we have homes in Wisconsin and Phoenix. I love golf, and I enjoy reading a lot.



Brock Hardaway
Executive Vice President,
Southwest Region,
Hospital Division

What reaction are you getting about the acquisition?

It's been very positive overall. Physicians and referral sources are understanding that as healthcare gets more consolidated that this is necessary.

How do you think this changes the country's post-acute healthcare landscape?

Creating a company of this size and scale causes people to pay attention to us more than ever. People are starting to think about more opportunities for us than in the past. We're getting calls where people are wanting us at the table as part of the discussion.

What do you see five years down the road?

I think we'll get to a point where short-term acute care hospitals systems will be less likely to do everything themselves, and I think they'll see that with our emphasis on post-acute care that we have a real role to play. We'll be working together with those hospital systems to deliver care in a range of settings.



Kindred Foundation Contribution Report

The Kindred Foundation was established in 2001 to maximize resources to support worthwhile community activities in three categories – healthcare-related charities, employee education and mission-related research – giving local facilities the ability to participate at a higher level in non-profit organizations they already support in their communities.

Each nursing center has been allocated \$2,500 to become sponsors of their local Alzheimer’s Association Memory Walk.

Kindred has also committed \$75,000 in dollar-for-dollar matching funds for the hospitals that participate in the American Lung Association’s Asthma Walk, and \$75,000 in dollar-for-dollar matching funds for the hospitals and

nursing centers that take part in the American Heart Association’s Heart Walk. We offer these matching funds as well as \$5,000 to each hospital to sponsor their local Asthma and Heart Walks.

For more information, please contact Leigh White at leigh.white@kindredhealthcare.com or 502.596.6593.

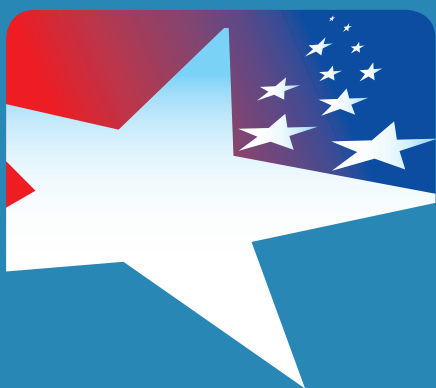
Between January 1 and March 31, 2011, The Kindred Foundation disbursed the following matching funds:

Nursing Center Matches

Victorian Healthcare Center	American Red Cross	\$145
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Hospital Matches

Kindred Hospital San Gabriel Valley	American Red Cross	\$250
Kindred Hospital Arizona – Northwest Phoenix	American Cancer Society	\$785
Kindred Hospital New Orleans	American Heart Association	\$123.50
Kindred Hospital Albuquerque	Albuquerque Hispano Chamber of Commerce	\$5,000



For any questions regarding this report, please contact Vice President of Public Policy and Government Affairs

Raymond Sierpina

at 502.596.7956.

PAC Report

From after the November election through the first quarter of 2011, the Kindred Political Action Committee (PAC) contributed to the following federal candidates, PACs and party committees:

Max Baucus for U.S. Senate

Scott Brown for U.S. Senate

Democratic Congressional Campaign Committee

Every Republican Is Critical PAC (ERICPAC)

Freedom Fund

Mitch McConnell for U.S. Senate

Robert Menendez for U.S. Senate

Ben Nelson for U.S. Senate

Frederick Upton for U.S. House

Kudos

Kindred Hospital Santa Ana Santa Ana, CA

I'm writing this letter to express my father's, as well as my entire family's, gratitude for all the care you have given our mother, Mary. For the entire time she was there, she was taken care of like family. Everyone from the doctors, nurses and staff truly cared for her and for us as we came to visit. We always felt comforted knowing that when we left she was always being treated like she was your only patient. Words can't express how thankful we are to have had our mother in your care and for all the love you had shown to her and our father. We wish we could put everyone's name that assisted her and us over the years, but we know we might forget someone, so when we say thank you, it is to everyone! Our only request is that this thank you makes its way to as many people at Kindred as possible with out utmost gratitude!

Love, Hugs and Thanks

The P. Family

Kindred Hospital Houston Houston, TX

It has been almost a year since our mother was admitted to the Kindred ICU. Although it was a very difficult time for our family, the folks at Kindred were very thoughtful, helpful and considerate. Dan, Della, Paul, Romeo and Dr. Vinn – their names are still remembered after a year for all that they did not only for our beloved mother but also for our family, day in and day out for almost three months. So many more that we don't recall their names but we do recall how they took us in and helped us through it all. It was not only the mentioned staff but all the way from the warm and friendly welcome we always received from the security folks to all the various staff members that took thoughtful care to make sure our Mom as well as her family were respectfully treated.

We so appreciate having such a well staffed facility so close to our home.

Thank you, Ronny S. and family



**Bay View Nursing and
Rehabilitation Center
Alameda, CA**

Hello! My name is Gloria L. and my dad, Federico F., was in hospice at your facility on March 3 and passed away on March 6. I would just like to commend the following; Cora Academia, Solan Kho and Susan Marx. These employees have done an outstanding job during my dad's short stay. They have provided the comfort my dad needed. They had provided him the respect that he needed. I am very grateful and thankful to have met these three employees who have made a big difference during this difficult time. I thank them for their kindness and compassion to dad during those two days.

**Kindred Hospital Boston
Boston, MA**

Because my mother was on a vent, the hospital eventually discharged her to Kindred Hospital Boston. As had been the case at Presentation (another Kindred facility), my mother was welcomed and provided with expert care. Alyssa Hajjar-Bettters kept me updated as to my mother's situation. Dr. Leoni and his team were vigilant in their management of my mother's case. He spoke with her directly and frankly, rather than assuming that I needed to be the intermediary. She greatly appreciated this. Dr. Leoni facilitated the conversation in which he had to tell her that there were no more treatment options available for her. He handled it in such a compassionate, sensitive manner that she felt grateful for his candor. She passed at Kindred Hospital Boston surrounded by family and friends. Of note were the numerous employees who came by to bid her farewell. Their deep and heartfelt caring eased all of our pain. While my mother did not experience a miraculous cure, she did experience a level of care and compassion that I have not seen elsewhere. On behalf of my family, I thank everyone who was involved with her.





Nansemond Pointe Rehabilitation and Healthcare Center Suffolk, VA

We would like to acknowledge Nansemond Pointe for caring for our loved one. As a family, we would like to say thank you to the staff and everyone who contributed to the well being of our loved one, Mrs. B.H. We don't know what we would have done without you. We would like to say thank you from the bottom of our hearts. We couldn't let your work be taken for granted without recognition. We truly are thankful for all that you have done and all that you are doing for our loved one. We can't express how much this means to us to see our loved one filled with joy every time we visit. It truly puts a smile on our faces as a family. We really appreciate you and couldn't have done it without you.

The H/B Family

Kindred Hospital Bay Area – St. Petersburg St. Petersburg, FL

My family and I would like to recommend Barb Rivera (ICU nurse extraordinaire) for a Kindred Healthcare distinguished service award. She provided superb care and guidance to us and my Dad while he was being weaned from a ventilator in the ICU at Kindred Hospital Bay Area – St. Petersburg. Barb is simply an amazing person and caretaker. She was interactive with Dad and us. She helped us understand all that Dad should expect in ICU, who all the physicians, nurse practitioners, technicians and therapists were, and all the questions we should be asking. She helped us understand Dad's lab values and all his meds. She motivated and encouraged Dad, and helped him work towards getting off the ventilator. She even suggested some physical therapy he could be doing over the weekend while the therapists were off. Barb is a remarkable nurse and people person. She does the job and takes the time to educate the patient and family. She is a gem, and should be recognized and rewarded.

Kevin

Don't forget to visit our Kindred Healthcare Facebook page, Twitter account, LinkedIn group and YouTube Channel.

As you know, companies and individuals everywhere rely on the Internet and social networks for information and communication. Having a greater presence in these networks gives us the ability to broaden our Kindred community, tell the Kindred story and share our mission of providing hope, healing and recovery.

When you are at home surfing the web, connect with us online and, most importantly, share these resources with your friends, family and colleagues.

