



Specialty Hospital Care Leading the Way to Recovery

*2021 Quality and
Social Responsibility Report*



Doing the Right Thing Every Day

Committed to Doing the Right Thing for our Patients, People and Partners and Delivering Quality Every Day

As the nation's leading specialty hospital company, we feel that we have a moral responsibility to our patients, hospital and health system partners, and payor sources to transparently report our annual quality performance and clinical outcomes. We are proud to present Kindred Healthcare's 2021 Quality and Social Responsibility Report.

We are motivated to deliver superior clinical outcomes for our nation's most difficult-to-treat and medically complex patients. We do this through innovative solutions and strong partnerships that create a positive patient experience and deliver the right care at the right time.

Kindred's mission is to help our patients reach their highest potential for health and healing with intensive medical and rehabilitative care through a compassionate patient experience.

A key driver in our commitment to quality, and all we do, is our people – the patients we care for each day, our compassionate teammates delivering exceptional care in our specialty hospitals and units, and the diverse and multicultural populations in the communities in which we serve. We embrace a culture of inclusion, diversity and health equity and prioritize our Core Six Values.

In this report you will not only learn about the great care and patient experience we delivered in 2020, but also about our abilities to drive solutions for the unique patient population we serve, and how our specialty hospitals played a critical role in our health system's response to COVID-19.

As leaders in post-acute specialty hospital care, we believe that we have an ethical obligation to be the change that we want to see in the world. In 2020, we expanded upon our long-standing social responsibility initiatives to address injustice in the communities in which we serve, and to tackle issues that impact the lives of our patients and teammates.

On behalf of our dedicated and talented people, we thank you for letting us share some of the ways in which we are making hope, healing and recovery possible.



Benjamin A. Breier
Chief Executive Officer



Jason Zachariah
President and Chief Operating
Officer

Our Mission

To help our patients reach their highest potential for health and healing with intensive medical and rehabilitative care through a compassionate patient experience.

Kindred Is

24,000

dedicated and caring employees delivering specialized hospital services to more than

375,000

patients annually in more than

325

locations across

35

states in our long-term acute care hospitals, inpatient rehabilitation hospitals, acute rehabilitation units and behavioral health line of business.



THE CORE SIX *Our Core Values*



DO THE RIGHT THING ALWAYS



STAY FOCUSED ON THE PATIENT



BE KINDER THAN EXPECTED



CREATE FUN IN WHAT YOU DO



GIVE YOUR BEST

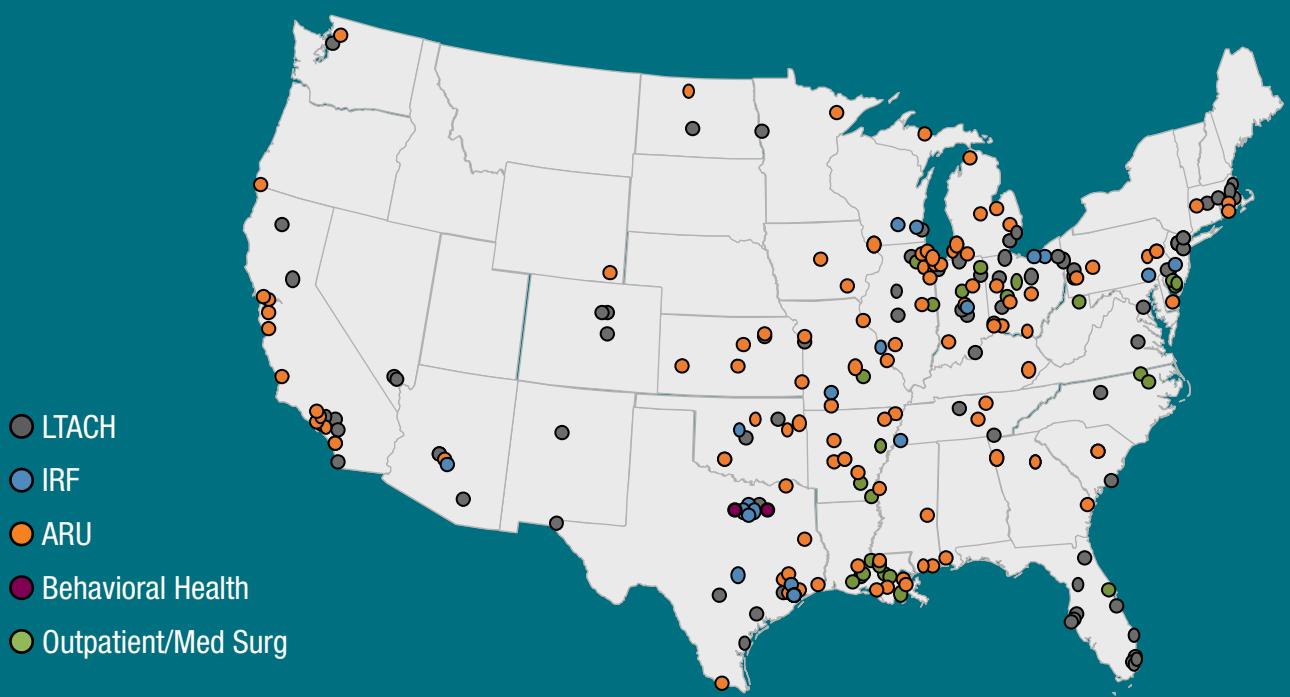


RESPECT INDIVIDUALITY TO CREATE THE TEAM

Delivering Quality Specialty Hospital Care That Benefits Specialized Patients

Kindred cares for the most medically complex and rehab-intensive patients – the 10% subset of patients who account for more than 60% of the nation's healthcare costs. We provide solutions for this unique subset of patients through our partnerships with hospitals, payors and other providers in the healthcare continuum.

The ongoing and significant rise in patients who are more medically complex with multiple chronic diseases demands specialized clinicians and care to treat the whole person. Providing the right care in the right place allows us to create care models that support a full recovery, ongoing wellness and prevent the need for a hospital readmission.





Long-Term Acute Care (LTAC) Hospitals

LTAC hospitals are specialty hospitals that provide care for a very high acuity, unique patient population and play a vital role in achieving more efficient recovery of patients who have a high risk of readmission due to their clinical complexity. Interdisciplinary, physician-led teams deliver hospital-based care for the most vulnerable and post-intensive patient populations, including patients with significant respiratory challenges – often those who could not be successfully weaned off of a ventilator in a short-term hospital – as well as patients diagnosed with multi-system organ failure, post-intensive care syndrome and other clinically complex conditions that require an extended recovery period.

All of Kindred's 64 LTAC hospitals have achieved, or are in process of achieving, accreditation by The Joint Commission for Disease-Specific Care (DSC) Certification in Respiratory Failure and Sepsis. A gold standard in the acute care industry, The Joint Commission DSC Certification "demonstrates commitment to a higher standard of service" and "strengthens community confidence in quality and safety of care."

Acute Inpatient Rehabilitation Hospitals and Units

For patients with the greatest rehabilitation needs, inpatient rehabilitation facilities (IRFs) and hospital-based acute rehabilitation units provide the intensive, interdisciplinary clinical and rehabilitation services necessary for improved function and independence. Patients must be able to participate in at least three hours of therapies each day, five days a week under the direction of a doctor specialized in rehabilitation and physical medicine, a physiatrist, and 24/7 nursing care. IRF clinicians deliver a sophisticated level of care that is not available in other settings, such as SNFs, assisted living centers or through home health.

Kindred's freestanding IRFs are operated under Joint Venture (JV) arrangements with some of the nation's leading health systems, such as UC Davis, UW Health, University Hospitals in Cleveland, Dignity Health and Mercy Health Network, in order to drive efficiencies and clinical integration in inpatient rehabilitation hospitals. Additionally, Kindred operates more than 100 acute rehabilitation units (ARUs) on behalf of their well-known host hospitals. All of these partnerships continue to produce strong quality performance with optimal clinical outcomes and strong patient engagement.



Behavioral Health Hospitals

Behavioral health hospitals serve to address a full range of issues including mental health, psychiatric care, addiction treatment and counseling, provided by teams of social workers, counselors, psychiatrists and physicians. Services focus on prevention, intervention, treatment and recovery supports.

Kindred's new and growing program capitalizes on demonstrated core competencies as a partner who can effectively manage specialty programs for unique patient populations and our competitive advantage of having the infrastructure to enable rapid expansion of behavioral health services. Kindred has an aggressive development and partnership plan to be part of the solution in making vital acute behavioral health resources available in critical communities and address unmet needs.

LTACHs: Making a Difference

“ LTAC hospitals differentiate themselves because they have a laser focus on patients who are ventilator dependent, have respiratory failure, require dialysis, and have complex [post] surgical needs, etc. – all of that requires a multi-disciplinary approach [in which] LTAC hospitals specialize.
– Pulmonology Hospitalist Specialist (ATI Advisory) **”**

Not All Post-Acute Settings Are Equal

“ The pandemic highlights the uneven patient care abilities across the four PAC settings, with regard to physician leadership and oversight, the contributions of other specialists and clinicians, infection control reliability, and patient outcomes. These disparities are of greatest consequence for medically-complex patients with and recovering from COVID-19.
– American Hospital Association **”**

Social Responsibility, Health Equity, Inclusion and Community Involvement

At Kindred, our responsibility is to lead through actions, consistent with our company's core values and mission, in order to be actively involved – physically and financially – in serving the communities in which we deliver care and in those where our teammates and patients reside. In 2020, in response to social unrest nationwide, we redoubled our efforts to expand our investment in the lives of our teammates and the world around us.

Kindred Institute of Inclusion and Equity

In 2020, Kindred designated \$1 million to create the Kindred Institute of Inclusion and Equity, a platform to aid not-for-profit organizations across the nation that seek to support and empower individuals from disadvantaged backgrounds. Through this initiative, Kindred will invest in a broad array of grassroots, community efforts that can affect real change, including causes related to healthcare disparities, gaps in the education system and social services in the cities where our team members live and work.

Scholarship of HOPE

Kindred has pledged to establish a \$1 million scholarship program dedicated to supporting our teammates from underrepresented segments of our population. One way to advance at Kindred and other corporations is by earning a college or graduate degree, and we want to help remove barriers to the advancement of our team members. We will award up



to \$1 million in scholarships each year to help team members complete a bachelor's degree or advanced degree program.

Tuition Reimbursement and Ongoing Training

The new scholarship program builds upon Kindred's long-standing commitment to invest in our teammates' training, continuing medical education and leadership skills so they may always provide the highest-quality care to our patients. This includes our tuition reimbursement program, which helps enable our teammates to gain the next-level professional degree. Additionally, to achieve the priorities of assuring clinical competencies and adoption of best practices by our teams in the field, we have an extensive and interactive online Learning Center.

Employee Resource Groups

Our longstanding Inclusion and Equity Council established two initial Employee Resource Groups (ERGs) in 2020 – dedicated to women and our Black teammates – which regularly engages more than 800 Kindred employees in monthly meetings. This was a first step in establishing more affinity groups for underrepresented team members based on gender,



race, ethnicity and mental and physical abilities. These groups will support a diverse and inclusive work environment that encourages team members to bring their whole selves to work, while spotlighting their individuality.

HOPE Fund

Kindred's first priority is delivering specialized care and services to our patients, but we recognize that unforeseen events mean that our teammates require special assistance. We established the HOPE Fund in 1999 to provide monetary assistance to Kindred employees who experience financial hardship due to a catastrophic life event or natural disaster.

Over time, the fund has grown considerably through the generous donations of Kindred employees. In fact, since 2005, the fund has been able to contribute more than \$9 million to nearly 6,750 team members struggling with loss due to fire or natural disaster, the death of an employee or immediate family member, medical events, domestic violence and other situations that result in severe financial challenges.

A Foundation for a Healthier Future

The Kindred Foundation maximizes resources so our hospitals are able to support non-profit organizations in their own communities, while we nationally develop strong partnerships with two key healthcare related organizations whose missions are closely aligned with our business – the American Lung Association and the American Heart Association.

We hope to help raise awareness about these important organizations and aid in funding research through our commitment to dollar-for-dollar matching funds for Kindred locations that participate and raise funds for events sponsored by these organizations and many others.

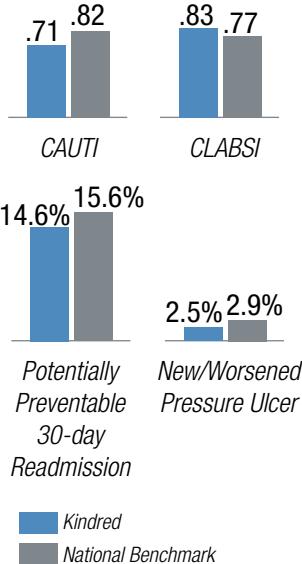
Community Involvement by our Teams

At Kindred we value the importance of physically engaging in efforts and initiatives that improve the lives of others. To facilitate such involvement, we encourage all of our teammates to dedicate work days to give back. In 2020, despite COVID prohibitions, our teams participated in outstanding efforts including Habitat for Humanity, food drives and community-based COVID vaccine clinics for first responders.

Quality by the Numbers

Kindred Hospitals Quality Indicators

Source: CMS



Kindred Freestanding and Hospital-Based Acute Rehabilitation Quality Indicators

Source: Uniform Data System for Medical Rehabilitation

	Kindred	UDS	Variance
CMI	1.42	1.42	-
Discharge to Community	80.40	79.50	▲
Discharge to Acute	9.50	10.30	▲
Functional Efficiency	76.86	65.91	▲
Average Length of Stay	12.2	13.3	▲

67.4%

Kindred LTAC hospitals had a 67.4% successful ventilator wean rate.

Source:
Kindred Internal Data

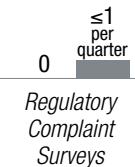
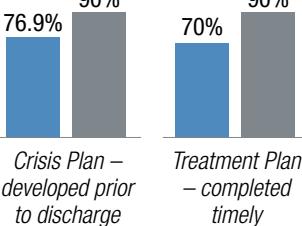
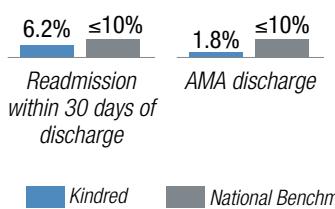
97%

In 2020, Kindred LTAC hospitals maintained compliance with 97% of patients meeting patient criteria (3+ days in an ICU or 96+ required hours of mechanical ventilation).

Source: Kindred Internal Data

Kindred Behavioral Health Hospitals Quality Indicators

Source: CMS Data



1.306

In 2020, the Case Mix Index (CMI) of patients in Kindred's LTAC hospitals was 1.306 – exceeding industry averages.

Source: CMS and Kindred Internal Data

50%

A new study reveals that in 2020, patients were nearly 50% more likely to be rehospitalized from a SNF than from an LTAC hospital.

Source: ATI Advisory, Role of LTAC Hospitals in COVID-19 Pandemic, February 2021

The Value of Partnership

Kindred continues to engage in joint venture arrangements with some of the nation's leading health systems and universities to drive efficiencies and clinical integration in LTAC hospitals, rehabilitation hospitals, behavioral health hospitals and care management. These partnerships continue to produce strong quality performance with optimal clinical outcomes.

To date, Kindred has ongoing joint venture agreements and other operating partnerships with many of the nation's leading academic medical centers, hospitals and health systems, as well as

strategic ownership and partnership in the Silver State ACO (SSACO) in Nevada. Of note, SSACO is one of only 33 ACOs (out of 541) in the nation that achieved Medicare savings in five consecutive years (2015-2019), and was ranked as one of the top 10 Medicare Shared Savings Plan ACOs (#7) for savings in 2019.

Kindred Is Partnering with a Growing Number of Health Systems Across the Nation



Atlantic Health System
Atlantic Rehabilitation Institute

CENTRAL TEXAS REHABILITATION HOSPITAL
An Ascension Seton Partnership

CHI Franciscan
Rehabilitation Hospital

Community

Dignity Health

KNOXVILLE REHABILITATION HOSPITAL
In Partnership With Tenet Healthcare and The University of Tennessee Medical Center

Mercy

MERCYONE

Methodist
REHABILITATION HOSPITAL

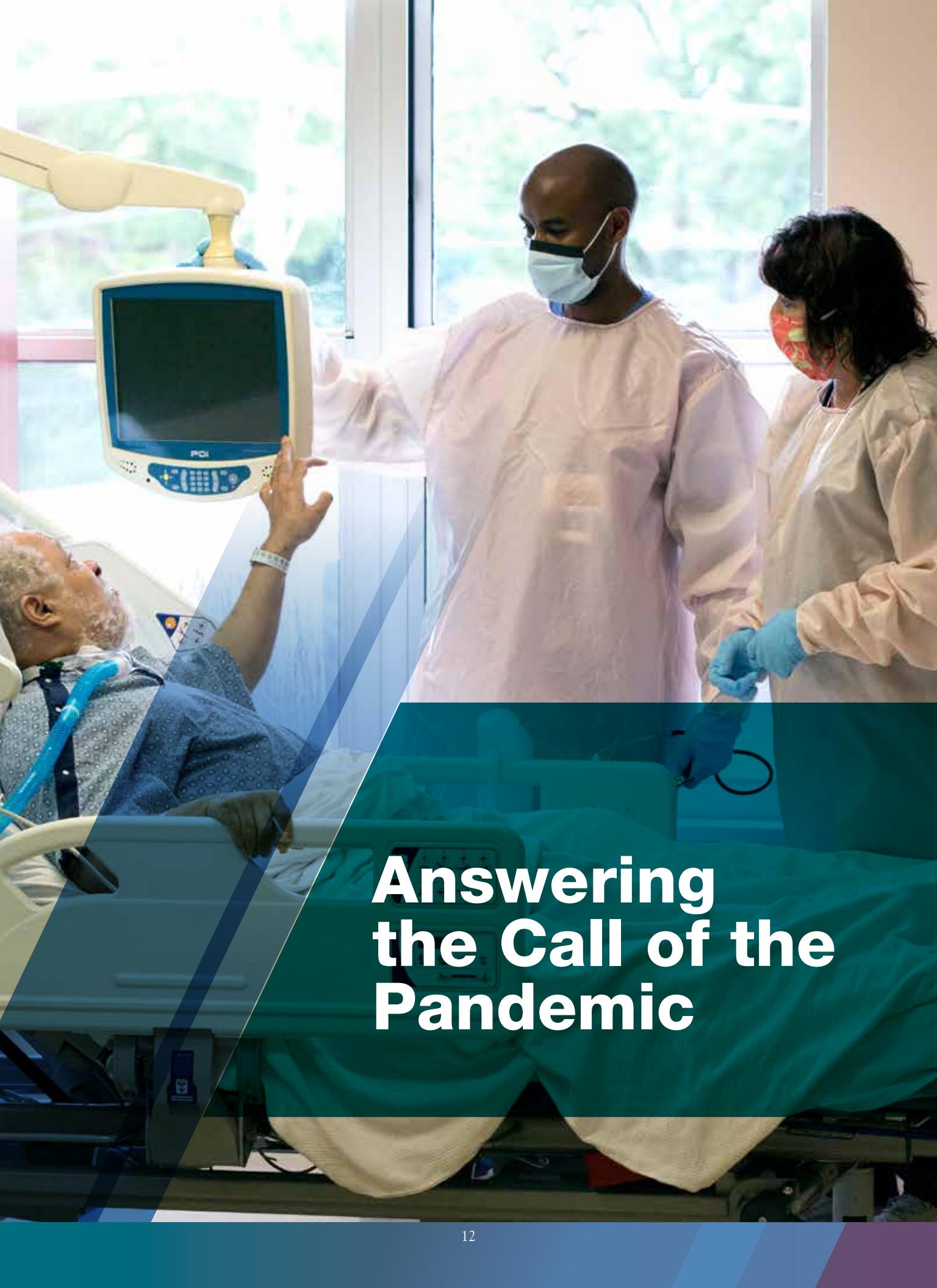
PALOMAR HEALTH
Rehabilitation Institute

The Rehabilitation Hospital of Montana
In Partnership with Billings Clinic & St. Vincent Healthcare

University Hospitals

UWHealth
Rehabilitation Hospital
UnityPoint Health
Meriter

Texas Rehabilitation Hospital
of Fort Worth



Answering the Call of the Pandemic

In 2020, Kindred provided vital medical and rehabilitative services to more than 6,000 patients who were positive for COVID-19, and cared for countless more who were continuing to recover and recuperate from the devastating impact of the virus.

We helped relieve challenges experienced by short-term acute care hospitals (STACHs) through our collective breadth of services, expertise, hospital-level infection control, strong supply chain of personal protective equipment (PPE) and clinical models that are tailored to clinically complex patients. Our specialty hospitals are also approved and active vaccine sites of service, continuing in our mission to combat COVID-19.

LTAC Hospitals

Throughout 2020, Kindred's LTAC hospitals played a critical role in public health efforts by partnering and closely aligning with STACHs to relieve capacity constraints and deliver necessary hospital-level services to a more clinically complex population, including non-COVID and COVID patients.

To meet community need and assist partner hospitals in responding to the pandemic, Kindred established one or two COVID-dedicated units within our LTAC hospitals in each of our 24 local markets. Additionally, we transitioned two of our LTAC hospitals to serve as COVID-dedicated hospitals in Chicago and Dallas.

Despite federal waivers that allowed LTAC hospitals more flexibility in admitting more patients who would not normally qualify for LTAC hospital-level Medicare reimbursements (50% waiver), Kindred increased the percentage of patients who meet LTAC hospital criteria to 97% for 2020. Additionally, year over year, Kindred increased the average patient CMI to 1.3, which according to a recently released research report by ATI Advocacy, exceeded the national average for the industry. While Kindred

increased the percentage of patients discharged to home/community, and decreased the percentage of patients discharged to the hospital, we experienced increased average lengths of stay largely due to challenges in discharging patients to skilled nursing facilities due to the pandemic.

Acute Rehabilitation Hospitals/Units

Kindred's freestanding rehabilitation hospitals worked closely and strategically with our Joint Venture (JV) acute care hospital system partners (e.g., Atlantic Health, Community Health, Mercy, CommonSpirit) to accept their post-COVID recovery patients and other non-COVID overflow patients.

Additionally, in response to community need, we established five COVID-dedicated units within our rehab hospitals. These facilities also helped fill gaps in the post-acute continuum created by the unique challenges of SNFs and their inability to accept new admissions due to COVID outbreaks among their long-stay populations.

The hospital-based acute rehabilitation units (ARUs) that Kindred manages on behalf of our hospital partners saw significant business interruption as an immediate result of COVID. Another federal waiver allowed host hospitals to take over beds in "distinct part units" for acute care patients, which at the end of 2020 resulted in nearly 390 of our beds being assumed by the host hospital – a full 20% of our managed ARU beds. Throughout the pandemic as some regions have stabilized and others have been impacted by surges, we have experienced shifting capacity as some beds have returned to their previous status while others have been taken over in new surge regions.

However, throughout the COVID pandemic, Kindred's JV acute inpatient rehabilitation hospitals and hospital-based ARUs outperformed peer providers,

with higher rates of discharge to community, while maintaining consistent patient functional efficiency, average lengths of stay of only about 12 days and low rates of rehospitalizations. We have delivered these results while the entire national IRF-industry patient mix has shifted to a more critical patient population.

Acute Behavioral Health

This small but growing business line has seen continued high need for acute behavioral health services throughout the national health emergency. The need for critical services has been exacerbated by the pandemic when issues like depression, suicidal thoughts and drug dependence have become more acute and severe as they have been magnified by social isolation and fear.

In direct response to unique community need for behavioral health services for COVID-19 patients, Kindred established a dedicated 24-bed unit in our Plano, Texas behavioral health hospital.

“ Individuals discharged after a severe course of COVID-19 frequently present with persisting physical and cognitive dysfunctions after hospital discharge. Those patients significantly benefit from multi-disciplinary inpatient rehabilitation. Our data demonstrate the highly promising effects of early post-acute rehabilitation in survivors of severe or critical COVID-19.”

– European Journal of Physical and Rehabilitation Medicine

“ The pandemic is likely to have both long- and short-term implications for mental health and substance use, particularly for groups likely at risk of new or exacerbated mental health struggles. An analysis of the psychological toll on health care providers during outbreaks found that psychological distress can last up to three years after an outbreak.”

– Kaiser Family Foundation

“ The clinical expertise in LTAC hospitals with “critical care nurses, respiratory therapists, and intensivists” aligns with the ongoing needs of COVID patients. “During this unprecedented international crisis, [LTAC hospitals] offer additional opportunities to prepare for and manage the surge of COVID-19 patients experiencing respiratory failure.”

– Health Affairs Blog

Considerations for Health Policy Post-Pandemic

In response to the pandemic, hospitals relied on developing clear lines of communication with post-acute care partners to ensure more seamless patient transitions. Federal policy must be supported by an organized, local public health response that encourages formalized partnerships, supporting efficient utilization of the full range of acute and post-acute facilities and services in a specific region.

Reimbursement policy should consider the role that post-acute providers will play in future emergencies, and the manner in which certain providers were able to adjust to meet critical needs. Especially within risk-based models, collaborative patient-centered care and clinical outcomes – not just cost containment – needs to be valued and rewarded.

Experts agree that the pandemic and isolation is intensifying behavioral health issues and the critical need will last for years to come. Clinicians and payors suggest that specialty hospitals with strong behavioral health capabilities would meet the needs of patients where their complex physical needs are exacerbated by their behavioral health issues. This demonstrates an opportunity for health plans and providers to work together to discuss care models that address physical and behavioral health needs in one setting.





Dedicated to Hope,
Healing and Recovery
www.kindred.com