

REHABCARE GROUP INC

Form 425

March 16, 2011

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Investor Presentation

Kindred Healthcare, Inc. (NYSE: KND)

March 16, 2011

Filed pursuant to Rule 425 under the Securities Act of 1933 and deemed filed

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pursuant to Rule 14a-12 under the Securities Exchange Act of 1934

Filing Person: Kindred Healthcare, Inc.

Commission File No.: 001-14057

Subject Company: RehabCare Group, Inc.

Commission File No.: 001-14655

Forward-Looking Statements  
Additional Information About this Transaction  
In  
connection  
with  
the  
pending

transaction

with

RehabCare

Group,

Inc.

( RehabCare ),

Kindred

Healthcare,

Inc.

( Kindred )

will

file

with

the

Securities

and

Exchange

Commission (the SEC ) a Registration Statement on Form S-4 that will include a joint proxy statement of Kindred and Reha

Kindred.

Kindred

and

RehabCare

will

mail

the

definitive

proxy

statement/prospectus

to

their

respective

stockholders.

WE

URGE

INVESTORS

AND

SECURITY

HOLDERS

TO

READ

THE

JOINT

PROXY

STATEMENT/PROSPECTUS

REGARDING

THE

PENDING

TRANSACTION

WHEN

IT

BECOMES  
AVAILABLE  
BECAUSE

IT  
WILL  
CONTAIN IMPORTANT INFORMATION.

You may obtain a free copy of the joint proxy statement/prospectus (when available) and other related documents filed by

Kindred

and

RehabCare

with

the

SEC

at

the

SEC's

website

at

.

The

joint

proxy

statement/prospectus

(when

available)

and

the

other

documents

filed

by

Kindred

and

RehabCare

with

the

SEC

may

also

be

obtained

for

free

by

accessing

Kindred's website

at

[www.kindredhealthcare.com](http://www.kindredhealthcare.com)

and

clicking

on  
the  
Investors  
link  
and  
then  
clicking  
on  
the  
link  
for  
SEC  
Filings  
or  
by  
accessing  
RehabCare's  
website  
at  
www.rehabcare.com

and  
clicking  
on  
the  
Investor  
Information  
link  
and  
then  
clicking  
on  
the link for SEC Filings .

#### Participants in this Transaction

Kindred, RehabCare and their respective directors, executive officers and certain other members of management and employees are soliciting the support of Kindred's and RehabCare's respective stockholders in favor of the pending transaction. Information regarding the persons who may, under the rules of the SEC, be solicited in connection with the pending transaction will be set forth in the joint proxy statement/prospectus to be filed with the SEC. Information about Kindred's executive officers and directors in Kindred's definitive proxy statement filed with the SEC on August 11, 2009 and RehabCare's executive officers and directors in its definitive proxy statement filed with the SEC on March 23, 2010. You can contact Kindred or RehabCare, respectively, using the contact information above.

#### Forward-Looking Statements

Information set forth in this presentation contains forward-looking statements, which involve a number of risks and uncertainties that may cause actual results to differ materially from those stated in the forward-looking information. There is no assurance that the forward-looking information is accurate and there is no guarantee of its accuracy.

future  
performance  
and  
that  
actual  
results  
could  
differ  
materially  
from  
those  
contained

in  
the

forward-looking

information. Such forward-looking statements include, but are not limited to, statements about the benefits of the business combination of RehabCare,

including

future

financial

and

operating

results,

the

combined

company's

plans,

objectives,

expectations

and

intentions

and

other

statements

that

are

not

historical facts.

The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: (a) regulatory approvals and the satisfaction of the closing conditions to the acquisition of RehabCare by Kindred, including approvals from the shareholders of the respective companies, and Kindred's ability to complete the required financing as contemplated by the financial agreements; (b) the ability to integrate the operations of the acquired hospitals and rehabilitation services operations and realize the anticipated revenues, economies of scale and productivity gains in connection with the RehabCare acquisition and any other acquisitions that may be undertaken during 2011; (c) the impact of unanticipated issues, expenses and liabilities associated with those acquisitions and the risk that RehabCare fails to meet its obligations; (d) the potential for diversion of management time and resources in seeking to complete the RehabCare acquisition and integrate its operations with the operations of Kindred's other businesses; (e) the impact of Kindred's significantly increased levels of indebtedness as a result of the RehabCare acquisition; and (f) the impact of operating flexibility and ability to fund ongoing operations with additional borrowings, particularly in light of the current market conditions and the potential for

potential

for

dilution

to  
Kindred  
stockholders  
as  
a  
result  
of  
the  
RehabCare  
acquisition;  
and  
(g)  
the  
ability  
of  
the  
Company  
to  
operate  
pursuant  
to  
the  
terms  
of its debt  
obligations, including Kindred's obligations under financings undertaken to complete the RehabCare acquisition, and the ability to enter into  
lease agreements with Ventas, Inc. (NYSE:VTR). Additional factors that may affect future results are contained in Kindred's  
which  
are  
available  
at  
the  
SEC's  
web  
site  
at  
.  
Many  
of  
these  
factors  
are  
beyond  
the  
control  
of  
Kindred  
or  
RehabCare.  
Kindred  
and



RehabCare

disclaim

any

obligation to update and revise statements contained in these materials based on new information or otherwise.

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[www.sec.gov](http://www.sec.gov)

[www.sec.gov](http://www.sec.gov)

3  
696  
(3)  
sites of service,  
315  
facilities  
in

40

states

56,800

(3)

dedicated

employees,

making Kindred

a top-200 private

employer in

the U.S.

(4)

33,800

(3)

patients and

residents

per day

\$4.4 billion

(2)

consolidated

revenues

Largest Diversified Post-Acute

Provider in the United States

(1)

(1) Ranking based on revenues.

(2) Revenues for the year ended December 31, 2010.

(3) As of December 31, 2010.

(4) Ranking provided by TMP, Inc.

4  
4  
\$2.0 billion revenues  
(1)  
HOSPITAL  
Long-term Acute Care Hospitals

Largest operator in U.S.

(2)

89 hospitals with  
6,887 licensed beds

(3)

\$2.2 billion revenues

(1)

Third largest nursing  
center operator in U.S.

(2)

226 nursing centers with  
27,442 licensed beds

(3)

7 assisted living facilities with 463  
licensed beds

(3)

NURSING CENTER

Nursing and Rehabilitation Centers

\$505 million revenues

(1)

Second largest contract therapy  
company in U.S.

(2)

381 external locations served  
through 5,900 therapists and  
10,600 total employees

(3)

REHABILITATION

*Peoplefirst*

Rehabilitation

Services

(1)

Revenues for the year ended December 31, 2010 (divisional revenues before intercompany eliminations).

(2)

Ranking based on revenues.

(3)

As of December 31, 2010.

Kindred's Market Leading Businesses

5

Provide superior clinical outcomes and quality care with an approach which is patient-centered, disciplined and transparent  
Lower cost by reducing lengths of stay in acute care hospitals and transition patients home at the highest possible level of function  
Reduce rehospitalization through our integrated and interdisciplinary care management teams and protocols

Kindred's Value Proposition and  
Our **Continued Care** Campaign





7

Investment Rationale

Each year, nearly 9 million people

23,000 a day

are discharged from

short-term acute care hospitals that require some form of post-acute care

As the largest diversified post-acute provider, Kindred is uniquely positioned

to grow and succeed in what will be an increasingly integrated healthcare delivery system

Kindred has a track record of providing quality, cost-effective care, operational excellence and consistent levels of free cash flows

Our platform and infrastructure, together with our successful organic development and opportunistic M&A strategy, offer the potential for creating significant value for shareholders

8  
Kindred Update

9  
Kindred Update  
Kindred  
Healthcare,  
Inc.  
( Kindred )  
and

RehabCare  
Group,  
Inc.  
( RehabCare )

have  
announced a transaction whereby Kindred will acquire RehabCare for ~\$35/share  
Both Companies reported strong Q4 and 2010 clinical and financial results and share a  
high  
degree  
of  
confidence  
and  
visibility  
in  
their  
business  
plans  
and  
estimates  
for  
2011

The combined Company will have an industry leading position in attractive post-acute  
business segments and growing local markets

Kindred  
will  
be  
well  
positioned  
for  
future  
growth  
in  
a  
changing  
healthcare  
landscape  
with  
the expansion of the combined service offerings  
The transaction substantially enhances Kindred's growth and margin profile  
The proposed transaction is highly accretive to Kindred's earnings and cash flows and  
generates  
strong  
operating  
cash  
flows  
providing  
the  
ability  
to  
quickly

delever  
and  
finance  
future growth

10  
Both Kindred and RehabCare beat 4Q and 2010 analyst estimates  
Summary of Q4 and 2010 Results  
Kindred  
RehabCare  
1)  
I/B/E/S consensus as of 2/7/2011.

2)  
Reflects income from continuing operations.

3)  
Actual revenues exclude Miami IRF.

4)  
Includes discontinued operations.

(\$MM, except EPS Data)

(\$MM, except EPS Data)

Q4 2010

2010

Consensus

(1)

Actual

% Surprise

Consensus

(1)

Actual

% Surprise

Revenues

1,121.0

1,135.5

1.3%

4,345.0

4,359.7

0.3%

EBITDA

61.0

66.8

9.5%

211.0

217.3

3.0%

EBIT

30.0

35.4

18.0%

90.0

95.7

6.3%

Net Income

(2)

16.0

19.8

23.8%

52.0

56.1

7.9%

EPS

(2)

\$0.41



\$0.50  
22.0%  
\$1.33  
\$1.42  
6.8%  
Q4 2010  
2010  
Consensus  
(1)  
Actual  
% Surprise  
Consensus  
(1)  
Actual  
% Surprise  
Revenues  
(3)  
343.0  
339.3  
-1.1%  
1,347.2  
1,329.4  
-1.3%  
EBITDA  
41.5  
44.1  
6.3%  
163.5  
164.1  
0.4%  
EBIT  
34.1  
36.1  
5.9%  
133.4  
133.6  
0.1%  
Net Income  
(4)  
14.9  
17.1  
14.8%  
60.6  
62.5  
3.1%  
EPS  
(4)  
\$0.60  
\$0.69  
15.0%

\$2.45

\$2.53

3.3%

11  
Transaction Overview

12  
~\$35  
/  
share  
total  
(\$26  
/

share  
in  
cash;  
~\$9

/  
share  
in  
Kindred  
stock)

(1)  
\$1.3 billion total consideration, including assumption of net debt

Transaction Overview

Consideration

Accretion

Synergies

Kindred and RehabCare have announced a transaction whereby Kindred  
will acquire RehabCare for ~\$35/share

Transaction

Substantially accretive to Kindred's earnings and operating cash flows

\$40 million in identified annual cost and operating synergies

Full run-rate achieved within two years (\$25MM achieved first year)

Excluding one time costs

Committed financing from J.P. Morgan, Morgan Stanley and Citi

Financing

Expected Close

On or about June 30, 2011

1)

Based on a fixed exchange ratio.

13  
Transaction Overview  
J.P.  
Morgan,  
Morgan  
Stanley  
and

Citi  
have  
committed  
\$1.85Bn  
in  
debt  
financing  
Key Capital Considerations

Ability

to  
delever  
quickly

(Pro  
forma  
adjusted  
leverage

flat  
to  
current

Kindred  
standalone)

Maintain strong balance sheet, liquidity and financial flexibility (approximately \$250MM undrawn revolver capacity at close)

Sources and Uses

(1)  
(\$MM)

Sources  
% of Total

\$600MM ABL Revolving Credit Facility

\$350  
19%

Term Loan B

700  
38%

Senior Unsecured Notes

550  
30%

Equity Consideration

(3)  
228

13%

Total Sources

1,828  
100%

Uses

% of Total

Purchase RehabCare Equity (~\$35/share)

885  
48%

Retire RehabCare Debt

399  
22%  
Retire Kindred Debt  
367  
20%  
Other  
177  
10%  
Total Uses  
1,828  
100%  
Pro-Forma Capitalization  
(1)  
(\$MM)  
2011E  
(2)  
New Borrowings  
1,600  
Total Debt  
1,600  
Revenue  
EBITDA  
(4)  
Rent Expense  
EBITDAR  
(4)  
Total Debt / EBITDA  
Adjusted Debt  
(5)  
/ EBITDAR  
6,200  
6,200  
470  
487  
422  
422  
892  
909  
3.4x  
3.3x  
4.6x  
4.5x  
5,846  
445  
414  
859  
3.6x  
4.8x  
1,600  
1,600



2010PF

(2)

1)

Sources and Uses is as of 12/31/10. Pro-Forma Capitalization is based on borrowings expected at closing. Figures may not add.

2)

2010PF figures reflect full year run rate of 2010 Kindred acquisitions (\$157MM in revenue, \$44MM in EBITDAR, \$7MM in net income). 2011 figures reflect full year run rate of 2011 Kindred acquisitions. 2011 figures do not include the results of discontinued operations (inpatient rehabilitation facility in Miami). 2011 figures display 12 months of operations from the transaction closed on 1/1/11.

3)

Based on a fixed exchange ratio.

4)

2010PF and 2011E includes \$25MM of run rate synergies.

5)

Calculated with 6.0x cap rate.

14  
Agency Ratings  
Corporate Family  
Term Loan B  
Moody's  
Investors  
Service

(1)  
B1  
Ba3  
Standard and  
Poor's

(2)  
B+  
B+  
(1)  
Release dated March 14, 2011

(2)  
Release dated March 11, 2011

15

Kindred and RehabCare will be the Premier Rehabilitation and  
Post-Acute Provider in the United States

Metrics

Kindred

Kindred + RehabCare

Focus

SNF, LTAC and Contract Rehab  
SNF, LTAC and Contract Rehab  
Scale  
(1)

States

Facilities

Beds

2010 Revenue (Pro Forma)

2010 EBITDA (Pro Forma)

40  
322  
34,792  
\$4,517MM  
(2)  
\$254MM  
(2)

RehabCare

Contract Rehab and LTAC

42  
34  
1,788  
\$1,349MM  
\$166MM  
46  
356  
36,580  
\$5,866MM  
(2)

\$445MM

(2)(3)

Payor Mix ( 09)

Business

Mix:

EBITDA

( 10)

(2)

29%

13%

58%

Contract Rehab

SNF

LTAC

40%

24%

36%

Medicaid  
Medicare  
Commercial  
LTAC  
SRS  
52%  
27%  
21%  
LTAC  
SRS  
HRS  
69%  
29%  
Medicaid  
2%  
Medicare  
Commercial  
45%  
35%  
3%  
17%  
LTAC  
SNF  
HRS  
Contract Rehab  
11%  
8%  
62%  
19%  
LTAC  
SNF  
HRS  
Contract Rehab  
51%  
20%  
29%  
Commercial  
Medicaid  
Medicare  
Business  
Mix:  
Revenue  
( 10)  
(2)(4)  
39%  
48%  
13%  
HRS  
47%  
42%

11%

Contract Rehab

SNF

LTAC

(1)

RehabCare states include LTAC and IRF locations. Beds include LTACs and freestanding IRFs. Kindred facilities include own

(2)

Includes the full year benefit of all of the acquisitions Kindred has closed in 2010 (\$157MM Revenue and \$37MM EBITDA b  
rounding.

(3)

Includes \$25MM of run rate synergies.

(4)

Revenue excludes the effect of Kindred intercompany eliminations. EBITDA includes intercompany eliminations in Kindred s

16  
Kindred and RehabCare Combined Presence  
Kindred Hospitals  
Kindred Nursing and Rehabilitation Centers  
RehabCare Hospitals  
Acute Rehabilitation Units  
Existing Cluster Market



Potential New Cluster Market

Transaction enhances Kindred's Cluster Market Strategy

17

Leading Position in Attractive Growing Businesses

(1) Includes 1,112 facilities from RehabCare and 696 facilities from Kindred.

Multiple earnings streams, multiple avenues for growth

PF Kindred

116

3

5  
94  
8  
8  
7  
5  
2  
0  
20  
40  
60  
80  
100  
120  
140  
13  
10  
97  
121  
Freestanding  
Hospital Based  
207  
324  
277  
227  
226  
223  
0  
50  
100  
150  
200  
250  
300  
350  
Number of Facilities  
315  
300  
200  
108  
1,808  
1,000  
900  
471  
450  
342  
471  
700  
700  
1,493

0  
500  
1,000  
1,500  
2,000  
Third Party  
Affiliated

(1)  
12  
6  
15  
18  
19  
111  
118  
0  
20  
40  
60  
80  
100  
120  
140

Number of Facilities

- #1 Operator of Hospital Based and Freestanding IRFs
- #4 Operator of Skilled Nursing and Rehab Centers
- #1 Contract Rehab Manager
- #1 Operator of Long-Term Acute Care Hospitals

18  
Strategic Rationale

19

Rapidly Changing Post-Acute Market

Multiple Patient Discharge Destinations

SOURCE: RTI, 2009: Examining Post-Acute Care Relationships in an Integrated Hospital System

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Positioned to Take Advantage of  
Changing Healthcare Landscape

Continue [The](#)

Care

Uniquely Positioned For Bundled Or Episodic Payment Environment

SKILLED  
NURSING  
FACILITIES  
HOSPICE  
HOME  
HEALTH  
CARE  
OUTPATIENT  
REHAB  
ASSISTED  
LIVING  
ACUTE CARE  
HOSPITALS  
TRANS  
TRANS  
CARE  
CARE  
ICU  
ICU  
IN-PATIENT  
REHAB  
LTACs  
FREESTANDING/ HIH  
Patient Illness Severity  
SAU  
SAU  
TCC  
&  
TCU  
ADULT DAY  
CARE



21

Transaction Enhances Financial Profile

(1) Standalone Kindred growth analysis compares 2011 guidance issued on 12/15/10 relative to 2010 standalone performance

Pro

forma

Kindred

growth

analysis  
compares  
pro  
forma  
2011  
guidance  
relative  
to  
2010  
pro  
forma  
results,  
in  
each  
case  
assuming  
the  
RehabCare  
acquisition  
occurred  
on  
the  
first  
day  
of  
each  
respective  
year  
and  
includes  
first  
year  
run  
rate  
synergies  
in  
both  
2010  
and  
2011  
figures.  
2011  
margin  
figures  
per  
guidance  
midpoint  
and  
compares  
standalone

2011  
guidance  
issued  
on  
12/15/10  
relative  
to  
pro  
forma  
2011  
guidance.  
2011  
pro  
forma  
guidance  
reflects  
the  
combined  
business  
as  
if  
the  
transaction  
closed  
on  
1/1/11  
and  
includes  
first  
year  
run  
rate  
synergies.  
EBITDAR Growth  
(1)  
2010  
2011  
3.5  
5.1  
2.0  
4.0  
6.0  
Standalone Kindred  
Pro Forma Kindred  
(%)  
EBITDA Growth  
(1)  
2010  
2011  
6.1

7.9  
3.0  
5.0  
7.0  
9.0  
Standalone Kindred  
Pro Forma Kindred  
(%)  
EBITDA Margin  
(1)  
2011  
5.6  
7.7  
0.0  
2.0  
4.0  
6.0  
8.0  
Standalone Kindred  
Pro Forma Kindred  
(%)  
Net Income Margin  
(1)  
2011  
1.3  
1.7  
0.0  
0.6  
1.2  
1.8  
Standalone Kindred  
Pro Forma Kindred  
(%)  
Enhances Kindred's growth and operating margin profiles

22

Transaction Reduces Rent and  
Fixed Charge Burden

Declining Rent Burden

Enhanced Margin Profile

RehabCare operates a less capital-intensive business model, driving  
higher pro forma returns on assets

(1)  
Midpoint of guidance issued 12/15/10.

(2)  
Midpoint of pro forma guidance which reflects combined business as if the transaction closed 1/1/11.

2011 Operating Leverage  
(\$MM)  
Kindred

(1)  
Pro Forma

(2)  
Revenue  
\$4,800  
\$6,200  
EBITDAR  
640  
899  
% Margin  
13.3%  
14.5%  
Rent  
370  
423  
% Margin  
7.7%  
6.8%  
EBITDA  
270  
476  
% Margin  
5.6%  
7.7%  
D&A  
140  
185  
% Margin  
2.9%  
3.0%  
EBIT  
130  
291  
% Margin  
2.7%  
4.7%

23  
Growing Portfolio of Owned Real Estate  
16  
Facilities  
43  
Facilities  
0

10  
20  
30  
40  
50

2006

Current Kindred

Kindred has been focused on adding high  
quality real estate to balance sheet

Acquisitions

Development  
of  
state-of-the-art  
LTACHs  
and TCCs

Exercise of in-the-money purchase  
options

Own 16 hospitals; 25 nursing centers and 2  
assisted living facilities

Combined company has total PP&E book  
value of approximately \$1billion

Kindred expects pro forma stabilized  
EBITDA

(1)  
of approximately \$100 million  
from owned real estate

(1) Only includes Kindred facilities



24  
Transaction Provides  
Significant EPS and Cash Flow Accretion  
Low End of  
Guidance  
Pro-Forma  
Impact

Mid Point

High End of

Guidance

2011 EPS Impact

\$

%

\$0.50

\$0.52

\$0.55

34%

34%

34%

2011 EPS Guidance

Prev

(1)

New

(2)

\$1.45

\$1.53

\$1.60

\$1.95

\$2.05

\$2.15

(1)

Previous guidance shown is Kindred standalone guidance issued on 12/15/10.

(2)

2011 guidance reflects the combined business as if the transaction closed on 1/1/11.

25  
2011 Kindred Guidance  
Stand Alone  
(2)  
Pro Forma  
(3)  
(\$MM)

Low  
High  
Low  
High  
Revenue  
4,800  
4,800  
6,200  
6,200  
EBITDA  
265  
275  
470  
487  
(-) Interest  
26  
26  
118  
118  
(-) Taxes  
40  
44  
66  
73  
Cash Flow  
199  
205  
286  
296  
Cash Flow Margin  
4.1%  
4.3%  
4.6%  
4.8%  
Strong Free Cash Flows and Ability to Delever  
3.5  
4.3  
4.2  
3.9  
4.4  
0.0  
2.0  
4.0  
6.0  
2006  
2007  
2008  
2009  
2010  
Stand Alone Kindred

(x)

Historical

Adjusted

Debt

/

EBITDAR

(1)

(1)

Calculated with 6.0x cap rate.

(2)

Per guidance midpoint, issued 12/15/2010.

(3)

2011 guidance reflects the combined business as if the transaction closed on 1/1/2011.

Cash Flow Profile

Kindred has operated comfortably with a levered balance sheet

Routine CapEx declines as a % of revenue, improving free cash flow profile

26  
26  
Strategic and Financial Rationale  
Unparalleled combined service offering  
No.  
1  
IRFs,

LTACs  
and  
SNF  
Rehab  
management  
contracts;

No.  
4  
standalone  
SNFs  
Expands  
relationships  
with  
acute  
care  
networks  
through  
RehabCare s  
IRFs  
and  
JV  
relationships

Long-term growth prospects supported by strong demographic trends

Leading position in  
attractive growing  
markets

Well Diversified

Product Offering

Experienced

Management Team

Well positioned to take advantage of the changing healthcare landscape

Strong service offering in post-acute continuum strengthens cluster strategy

Increases facility diversification, potentially creating future cluster locations

Solidifies Kindred's leadership in improving patient care while  
decreasing healthcare spending

Average

industry

tenor

of

the

management

team

of

16

years

in

the

industry

and

10

years  
at  
Kindred  
Successfully grown revenue and EBITDA by 88% and 235% respectively since 2000  
Recognized as the leading post-acute management team in the market  
Pro Forma Kindred will be the post-acute leader with an enhanced financial profile  
Focus on adding high quality real estate to the balance sheet  
Acquisitions,  
development  
of  
state-of-the-art  
LTACHs  
and  
Transitional  
Care  
Centers  
(TCCs)  
Book value of PP&E is approximately \$1 billion  
Significant cash flow generated by assets that are unencumbered by leases  
Strong Asset Base  
Strong FCF & Ability  
to Delever  
Strong  
free  
cash  
flow  
and  
ability  
to  
delever  
Company is expected to delever on an adjusted basis to current levels by the end of 2011  
Proven  
ability  
to  
successfully  
operate  
and  
grow  
free  
cash  
flow  
in  
a  
highly  
regulated  
environment  
Superior cash management through lean working capital



Kindred Has a History of Successfully  
Integrating Acquisitions

2002  
2003  
2005  
2006  
2007

2008

2009

2010

February 2006:

Commonwealth Communities  
Holdings (6 Hospitals, 11 NCs  
and 4 ALFs)

November 2010:

Five LTACHs  
from Vista  
Healthcare

2004

July 2007: (Spin-off)

Kindred and AmerisourceBergen  
combine their institutional pharmacy  
businesses to form Pharmerica Corp.

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April 2002:

Specialty Healthcare  
Services (6 hospitals)

March 2005:

Pharmacy  
Partners (2  
pharmacies)

April 2005:

Skilled Care (2  
pharmacies)

November 2005:

RXPPTS, Inc.  
(1 Pharmacy)

August 2007:

The Greens Post-  
Acute  
Rehabilitation  
Center

Fountains On the  
Greens (Assisted  
Living Facility)

October 2007:

Professional  
Therapy Solutions

April 2010:

Stratford  
Commons (NC  
and ALF)

September 2010:

3 Texas NCs

November 2010:

Signature Health  
Services

November 2004:  
First Stop of Iowa  
(1 pharmacy)  
August 2006:  
EconoMed  
(1 Pharmacy)  
ValueScript  
(1 Pharmacy)  
PharmaStat  
(1 Pharmacy)  
July 2009:  
Acclaim  
Hospice

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Track record for operational success based on commitment to quality, service excellence and a disciplined approach to the business

Experienced management team, robust technology platform, processes and systems, and a demonstrated ability to adapt to change

Growing businesses through disciplined organic development and acquisition strategies

Strong cash flows with financial flexibility to finance acquisitions and development activities

Well positioned to succeed in changing post-acute landscape

Investment Considerations

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Investor Presentation

Kindred Healthcare, Inc. (NYSE: KND)

March 16, 2011



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Kindred Q4 10 Highlights

Fourth quarter consolidated revenues grew 6% to \$1.1 billion

Diluted EPS of \$0.50 grew 19% from Q4 09



Full year operating cash flows exceed \$200 million for second consecutive year

Routine and development capital expenditures were fully funded through internal resources in both years

Hospitals report growth from last year's Q4

Recent acquisitions drove hospital revenues up 5% to \$508 million

Operating income grew 3% to \$96 million

Nursing and rehabilitation centers successfully transitioned to new Medicare payment system in Q4

Revenue growth of 4% driven by increased acuity and clinical services and 4% growth in admissions

Division reports solid 13% growth in operating income

*Peoplefirst*

Rehabilitation adds to customer base and adjusts to new Medicare rules in fourth quarter

Revenue growth of 21% primarily driven by new customers

32

RehabCare Q4 10 Highlights

Excluding transaction related expenses in Q4 09, diluted EPS increased 86% year over year to \$0.69

Hospital division improved EBITDA margin to 15.2% in the fourth quarter from 12.9% in the third quarter

Impacted by regulatory changes, Skilled Nursing Rehabilitation Services

division reported 5.8% operating earnings margin in the quarter,  
consistent with expectations

Hospital Rehabilitation Services division delivered near record operating  
earnings margin of 20.6%

Cash flow from operations of \$104 million in 2010 allowed the Company  
to pay down debt by \$66 million and lower debt to EBITDA ratio to 2.4

Business Segment Buildup

(1)

Segment figures do not sum to totals due to eliminations / corporate expenses. RehabCare figures do not include discontinued operations from the acquisitions Kindred has closed in 2010 (\$157MM Revenue and \$37MM EBITDA benefit)

RehabCare acquisition significantly enhances scale in both the Skilled Nursing and Hospital Rehab businesses and adds to Kindred's LTAC business

Hospitals

Rehabilitation Services  
Nursing Centers  
Total  
(1)  
Nursing Center  
Based  
Hospital Based  
Total  
2010 Pro forma  
\$MM  
Revenue  
(1)  
Kindred Healthcare  
435  
84  
519  
2,093  
2,212  
4,517  
RehabCare  
516  
180  
696  
653  
0  
1,349  
Total  
951  
264  
1,215  
2,746  
2,212  
5,866  
EBITDAR  
(1)  
Kindred Healthcare  
24  
16  
40  
336  
242  
618  
RehabCare  
45  
35  
80  
136  
0  
216  
Total

69  
51  
120  
472  
242  
834  
% Margin  
7.3%  
19.3%  
9.9%  
17.2%  
10.9%  
14.2%  
EBITDA  
(1)  
Kindred Healthcare  
18  
16  
34  
176  
44  
254  
RehabCare  
45  
35  
80  
86  
0  
166  
Total  
63  
51  
114  
262  
44  
420  
% Margin  
6.6%  
19.3%  
9.4%  
9.5%  
2.0%  
7.2%  
(+) Synergies  
25  
Pro Forma EBITDA  
445  
33

34  
Reconciliation of  
Non-GAAP Measures  
Year ended December 31,  
Operating income (loss):  
2006  
2007

2008  
 2009  
 Hospital division  
 Nursing center division  
 Rehabilitation division  
 Pharmacy division  
 Corporate:  
 Overhead  
 Insurance subsidiary  
 Operating income  
 Rent  
 Depreciation and amortization  
 Interest, net  
 Income before income taxes  
 Income taxes  
 Income from cont. ops.  
 \$364  
 305  
 51  
 -  
 (135)  
 (6)  
 (141)  
 579  
 (348)  
 (126)  
 (3)  
 102  
 39  
 \$63  
 \$ Millions  
 2010  
 Fourth  
 Quarter  
 2009  
 \$93  
 77  
 11  
 -  
 (33)  
 (2)  
 (35)  
 146  
 (88)  
 (32)  
 -  
 26  
 9  
 \$17  
 \$96



87  
9  
-  
(33)  
(1)  
(34)  
158  
(90)  
(32)  
(3)  
33  
13  
\$20  
Fourth  
Quarter  
2010  
\$383  
239  
30  
49  
(157)  
(7)  
(164)  
537  
(289)  
(115)  
1  
134  
53  
\$81  
\$365  
295  
34  
18  
(168)  
(7)  
(175)  
537  
(338)  
(118)  
(1)  
80  
37  
\$43  
\$346  
322  
38  
-  
(133)  
(7)

(140)  
566  
(339)  
(120)  
(8)  
99  
39  
\$60  
\$357  
303  
52  
-  
(134)  
(3)  
(137)  
575  
(357)  
(122)  
(6)  
90  
34  
\$56

35  
Investor Presentation  
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