

2010 **KINDRED HEALTHCARE** QUALITY
AND SOCIAL RESPONSIBILITY REPORT

CONTINUE THE CARE

LEADING THE WAY
IN PERSON-CENTERED
AND COORDINATED
POST-ACUTE CARE



Dedicated to Hope, Healing and Recovery



IN 2010, 122,010 INDIVIDUALS WERE ADMITTED TO KINDRED, 68,602 (56%) OF THESE PEOPLE WENT HOME OR TO A LOWER-INTENSITY CARE SETTING AFTER AN AVERAGE STAY OF 31 DAYS - 91% WOULD RECOMMEND KINDRED AGAIN.

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CONTINUING POST-ACUTE CARE

Every day millions of patients seek and receive care in a general hospital setting where short-term acute care services are provided to address immediate health concerns. The primary goal of the care delivered is to stabilize the patient as a step toward recovery, and discharge them from the hospital.

For 23,000 of these individuals discharged daily, they require ongoing specialized care for a full recovery. These patients require the care, rehabilitation and services

delivered across the continuum of post-acute care. What they want is to get the highest quality care at the lowest cost and return home as soon as possible – Kindred has the diverse services in local healthcare delivery systems to meet this goal. Kindred exists to continue their care, in a coordinated way, from hospital to home.

CONTINUE THE CARE

At Kindred, we continue the care for patients and residents in sites of service across the entire post-acute spectrum – including long-term acute care hospitals, transitional care centers, skilled nursing and rehabilitation centers, rehabilitative therapies, assisted living communities,

EACH YEAR, NEARLY

9 MILLION

PEOPLE – 23,000 A DAY – ARE DISCHARGED FROM SHORT-TERM ACUTE CARE HOSPITALS AND REQUIRE SOME FORM OF **POST-ACUTE CARE.**

THE POST-ACUTE CARE CONTINUUM

Kindred's expertise across the post-acute spectrum allows us to achieve our goal of helping patients recover to the fullest extent by providing care in the proper care setting.



BUILDING A PATH TOWARD COORDINATED, PERSON-CENTERED CARE

homecare and hospice. We specialize in delivering quality medical interventions and transitioning patients to the lowest cost setting that meets their health needs and enhances their quality of life.

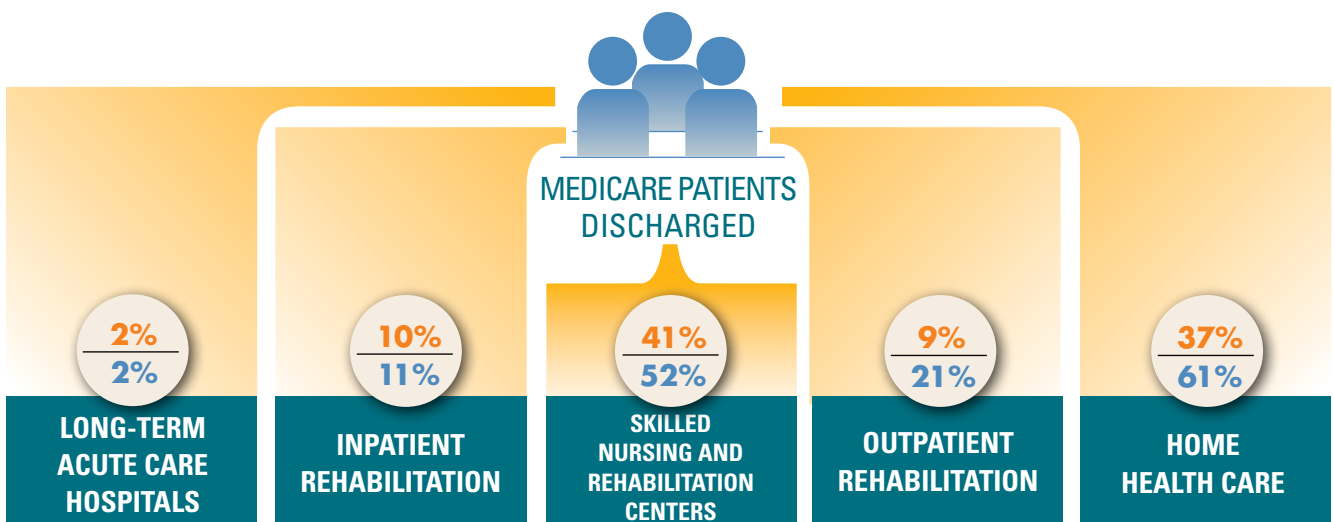
Research indicates that post-acute care provided after a significant medical episode can result in faster and greater clinical improvements than if a patient was discharged home without additional care intervention.

In order to best provide care from hospital to home, we utilize integrated and interdisciplinary care management that is disciplined, person-centered, transparent and promotes recovery and wellness. This approach enables Kindred's nearly 57,000 dedicated employees to provide superior clinical outcomes and quality care, to lower costs by reducing lengths of stay and transitioning patients home more quickly and reduce unnecessary rehospitalizations.

Whether the patient is chronically and critically ill and dependent upon a ventilator, or needs specialized rehabilitative therapies to walk again after a knee or hip replacement – Kindred is here to help with recovery and wellness. To meet individual needs in the lowest cost and most clinically-appropriate setting, with the goal of transitioning every person back to their home, Kindred offers diversified healthcare services across the entire post-acute spectrum.

MEDICARE PATIENTS USE A RANGE OF POST-ACUTE SERVICES MULTIPLE TIMES AFTER THEY LEAVE A TRADITIONAL HOSPITAL.

35% OF MEDICARE BENEFICIARIES ARE DISCHARGED FROM ACUTE HOSPITALS TO POST-ACUTE CARE.⁽¹⁾
KINDRED IS POSITIONED TO CONTINUE THAT CARE IN A COORDINATED COST-EFFECTIVE WAY.



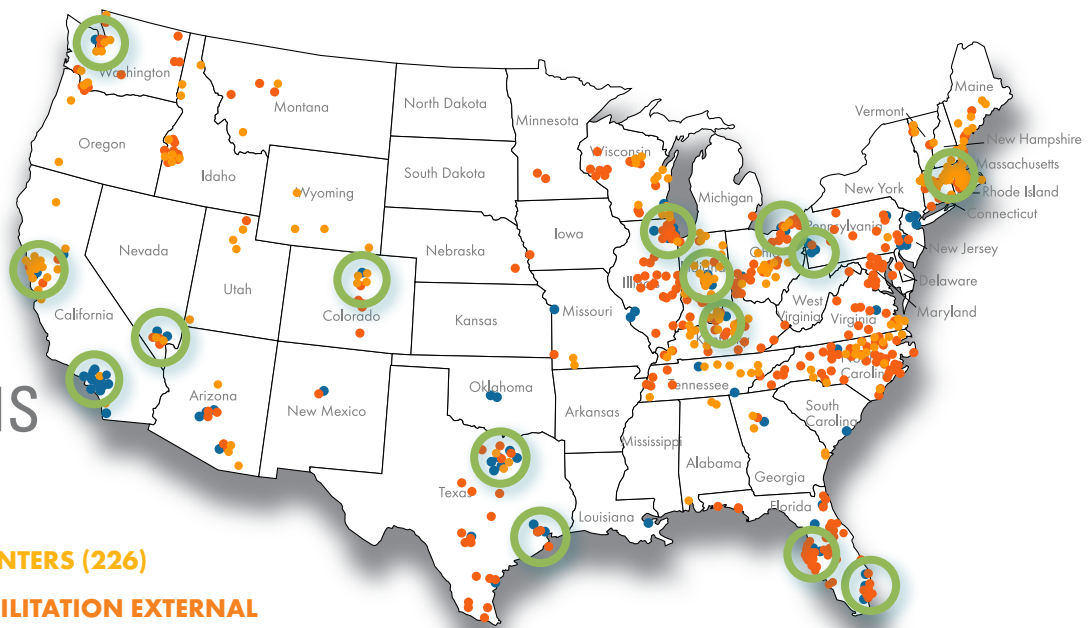
Higher Intensity of Service ← ● → Lower Intensity of Service

% Patients' first site of discharge after acute-care hospital stay **%** Patients' use of site during a 90-day episode

(1) RTI, 2009: Examining Post-Acute Care Relationships in an Integrated Hospital System

ABOUT KINDRED

Kindred's care approach is to provide a continuum of post-acute care in local healthcare delivery markets.



KINDRED LOCATIONS

HOSPITALS (89)

NURSING AND REHABILITATION CENTERS (226)

PEOPLEFIRST REHABILITATION EXTERNAL CUSTOMERS (381)

CLUSTER MARKETS WHERE KINDRED IS AGGRESSIVELY DEVELOPING A CONTINUUM OF POST-ACUTE SERVICES

As of December 31, 2010.

OUR MISSION

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.

OUR MANAGEMENT PHILOSOPHY

Kindred Healthcare's Management Philosophy is to focus on our people, on quality and customer service, and our business results will follow.

Kindred Healthcare is
56,800
 dedicated employees
 taking care of over
33,800
 patients and residents
 every day in
696
 sites of service in
40
 states.

QUALITY CARE IN THE MOST APPROPRIATE SETTING

LONG-TERM ACUTE CARE FOR MEDICALLY COMPLEX PATIENTS

Our LTAC hospitals are designed to provide aggressive interdisciplinary care to medically complex patients who require extended recovery time. Our hospitals are fully licensed as acute care hospitals and are accredited by The Joint Commission.

Subacute Units

Located within our LTAC hospitals, Subacute Units (licensed as skilled nursing centers) are for the patient who needs less than full long-term acute care. These patients might have late-stage emphysema or need wound care by a physician-directed team.

SKILLED NURSING AND REHABILITATION

Our nursing and rehabilitation centers provide a full range of medical, nursing, rehabilitation and social services to treat and support each of our patients and residents. While many of our patients go home within a few weeks, we also

provide long-term care for residents with dementia and Alzheimer's. For those residents who are unable to return home, we provide safe, compassionate care in an environment that fosters independence and dignity.

Transitional Care

A nursing and rehabilitation center where the majority of patients are receiving short-term care is known as a Transitional Care Center. Transitional Care Centers and Units offer short-term rehab and some medically complex care. Our goal is to help patients return home in less than 20-30 days.

HOME HEALTH

Our growing Home Health programs in select markets feature medical interventions, including wound care and rehabilitation therapy that are delivered in the comfort of a patient's own home. Experienced nurses, therapists and aides work with each individual to maximize physical abilities,

to improve their health and well-being, to assist with a variety of daily activities including bathing, and to provide essential education and management of medications and medical conditions.

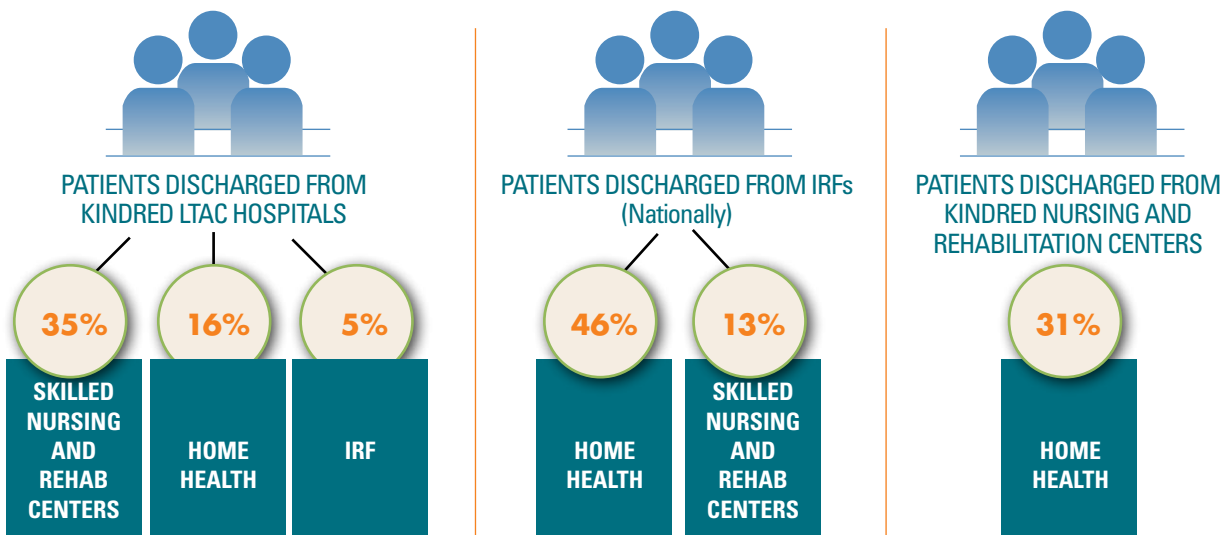
HOSPICE

Hospice provides a family-oriented model of care designed to meet the spiritual, emotional and physical needs of patients in life's final transition. Kindred's Hospice program provides essential respite care for family caregivers, and keeping the patient in a familiar and comfortable environment.

REHABILITATIVE CARE

Kindred, through Peoplefirst Rehabilitation, offers a variety of rehabilitation services including physical, occupational and speech-language therapies. These services are offered across the entire post-acute continuum through every transition from hospital to home.

KINDRED IS POSITIONED TO HELP DETERMINE THE MOST APPROPRIATE SETTING FOR PATIENTS AS THEY CONTINUE THEIR CARE THROUGHOUT A POST-ACUTE EPISODE.



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

LONG-TERM ACUTE CARE HOSPITALS

OUR MEDICALLY COMPLEX PATIENTS OFTEN NEED THE FOLLOWING TYPES OF CARE:

- pulmonary care (ventilator management and weaning)
- complex wound care
- intensive short-term rehabilitation
- dialysis
- IV antibiotic therapy
- pain management

Kindred long-term acute care (LTAC) hospitals provide aggressive, specialized interdisciplinary care to medically complex patients who require extended recovery time. These patients are critically and chronically ill and have few care options left; they come to us because they require the kind of care and prolonged recovery time that conventional short-term acute care hospitals may not be equipped to provide. Kindred hospitals reduce the cost, trauma and risk of short-term hospital re-admission by being staffed and equipped to rapidly respond to changes in medical condition.

Our LTAC hospitals are subject to the same three levels of quality oversight as general hospitals. Kindred hospitals are accredited by The Joint Commission and certified for participation in the Medicare Program by the Centers for Medicare and Medicaid Services. In addition, every Kindred hospital is licensed by state regulatory authorities and inspected for compliance with state standards.

WHO ARE OUR PATIENTS?

Kindred uses nationally validated, commercially available patient screening criteria to evaluate the appropriateness of patients admitted to LTAC hospitals. The criteria basically define an LTAC level of care as comparable to an acute hospital level of care with additional criteria for intensity of service and severity of illness.

Kindred's average length of stay ranges from 27 – 31 days. Studies show that LTAC patients are more medically complex than those in other settings. Several independent and government sponsored studies report that LTAC hospitals treat the sickest, and most costly to care for, Medicare patients.



SERVICES TAILORED FOR THE MEDICALLY COMPLEX PATIENT

Many Kindred hospitals provide an intensive level of care that include intensive care units (ICUs), special care units, high observation units and telemetry units. Additionally, Kindred hospitals have ancillary services including laboratory, radiology and operating or procedure rooms.

All Kindred hospitals have monitoring capabilities through telemetry. Kindred policy requires that electronic telemetry tracings be monitored 24 hours a day, seven days a week, 365 days a year.

To improve caregiver communication and quality, Kindred has developed an electronic health record system called ProTouch. This automated charting and ordering system improves accuracy and helps prevent errors.

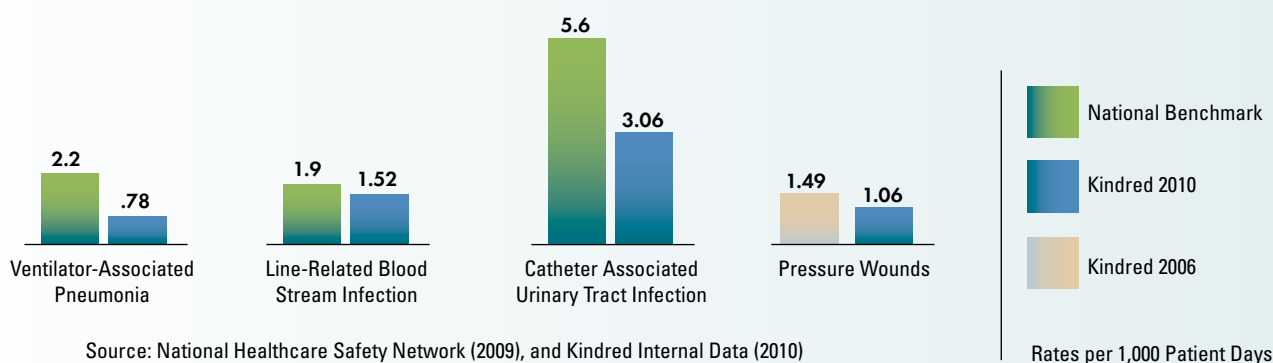
PHYSICIANS DEDICATED TO RECOVERY

Kindred understands the vital role of physician participation in everything we do from the Board of Directors to the bedside.

Kindred's Board of Directors has an active Compliance and Quality Committee that meets quarterly, chaired by a physician who has provided services to hospitals and nursing and rehabilitation centers for more than 30 years, with specific expertise in emergency medicine and long-term care.

We also have a full-time, board-certified Chief Medical Officer and a Medical Advisory Board comprised of 15 physicians, both community and academically based, who provide guidance and oversight on physician and clinical practice issues in our hospitals. We also have a Pharmacy Standards Committee that provides guidance on pharmacy standards and medication safety issues.

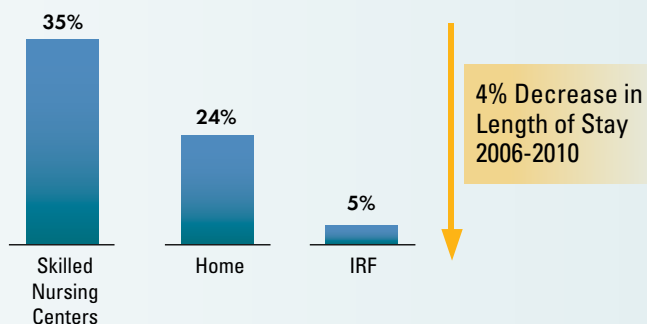
KINDRED'S QUALITY EXCEEDS NATIONAL BENCHMARKS ON KEY INDICATORS



28,766 PATIENTS (64%) WENT HOME OR TO A LOWER LEVEL OF CARE IN 2010 AFTER AN AVERAGE LENGTH OF STAY OF 30 DAYS.

15,755 PATIENTS (35%) WERE DISCHARGED TO SKILLED NURSING FACILITIES IN 2010

% KINDRED PATIENTS DISCHARGED TO HOME OR LOWER LEVEL OF CARE WITH A DECLINING LENGTH OF STAY



MORE THAN 1/4 OF OUR PATIENTS ARE COMING FROM MANAGED CARE OR COMMERCIAL INSURANCE CASE MANAGERS BECAUSE LTAC HOSPITALS ARE VIEWED AS A QUALITY, COST-EFFECTIVE ALTERNATIVE TO LONG STAYS IN COMMUNITY HOSPITALS.

At the hospital level we have a Medical Executive Committee, a primary Medical Director and specialty Medical Directors, charged with oversight of physician practice and quality issues. In terms of attending physicians, over 8,000 have been credentialed to practice in Kindred hospitals.

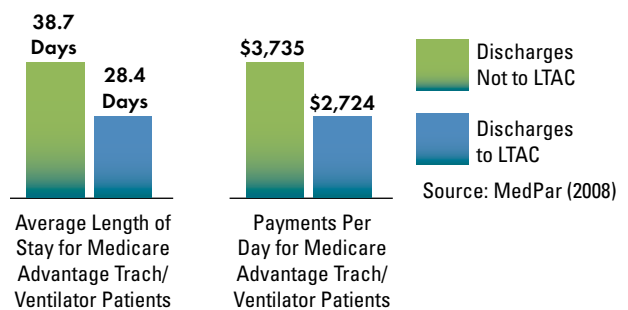
As with all hospitals, Kindred bylaws require that attending physicians be responsible for the care of their patients 24 hours a day, seven days a week. As an additional resource to attending physicians, the vast majority of Kindred hospitals have a contracted physician onsite from 7 p.m. to 7 a.m. to provide emergency services, if needed.

SUBACUTE UNITS

Located within our LTAC hospitals, Subacute Units (licensed as skilled nursing centers) are for the patient who requires less than full long-term acute care. These patients might have late-stage emphysema or need wound care by a physician-directed team.

The focus of our Subacute Units is to provide medically supervised, comprehensive rehabilitation for medically complex patients who no longer need acute care but need additional rehabilitation through a team of nurses, physicians and our Peoplefirst Rehabilitation therapists.

LOWERING THE COST OF CARING FOR THE MOST MEDICALLY COMPLEX MEDICARE MANAGED CARE PATIENTS



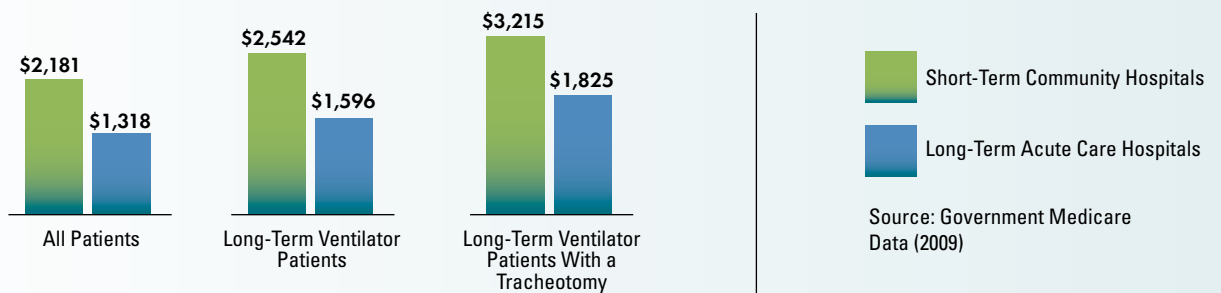
LONG-TERM ACUTE CARE PATIENTS ARE RE-ADMITTED TO ACUTE CARE HOSPITALS 27% LESS OFTEN THAN SIMILAR PATIENTS WHO DID NOT HAVE ACCESS TO LONG-TERM ACUTE CARE.

Source: Medicare Payment Advisory Commission, Report to Congress (2004)

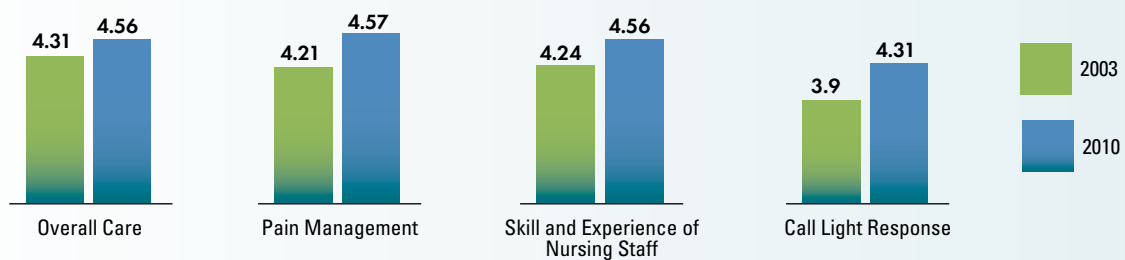
“The majority of LTAC admissions are medically complex and there is general consensus that these cases need the more intensive treatment programs provided by LTACs,” and “LTACs serve a more severely ill patient population than any other provider category.”

–Government-sponsored study by RTI International, 2007

LONG-TERM ACUTE CARE HOSPITALS COST SIGNIFICANTLY LESS PER DAY THAN SHORT-TERM COMMUNITY HOSPITALS



PATIENT/FAMILY SATISFACTION SCORES (1 = Poor, 5 = Excellent)



NURSING AND REHABILITATION CENTERS

Nursing and rehabilitation centers across the country have adapted to meet the diverse needs of today's patients and residents. Increasingly, our patients are more medically and clinically complex with growing nursing and therapy needs. Despite caring for sicker patients, Kindred nursing and rehabilitation centers have continued to improve quality outcomes by responding with more nursing and therapy staff to meet patient needs.

Our skilled nursing and rehabilitation centers offer award-winning care. Most Kindred nursing centers have been nationally recognized with more than 85% earning a National Quality Award from the American Health Care Association, which are based on the Malcolm Baldrige National Quality Award Program.

These centers provide a full range of medical, nursing, rehabilitation and social services to treat and support each of our patients and residents. Many of our patients go home within a few weeks, and for those residents who are unable to return home, we provide safe, compassionate care in an environment that fosters independence and dignity.

TRANSITIONAL CARE

We recognize these changing needs and have focused on services to meet them. Our Transitional Care Centers and Transitional Care Units are shaping the future of our nursing and rehabilitation centers. These units focus on patients who require short-term rehabilitative care. Generally they are recuperating from joint surgery or other procedures and need an intensive, supervised rehabilitation regimen rather than a traditional stay in a nursing home.

Additional rehabilitation services include physical, occupational and speech-language therapies. These services are designed to restore patients and residents to 75 – 100% of their prior level of function.

DEMENTIA AND ALZHEIMER'S CARE

While we are advancing our rehabilitative services, Kindred understands a great percentage of our residents have some sort of dementia, including Alzheimer's disease. Many of our nursing and rehabilitation centers specialize in the unique challenges facing these residents and offer a supportive and safe environment for the resident, and peace of mind for their families.

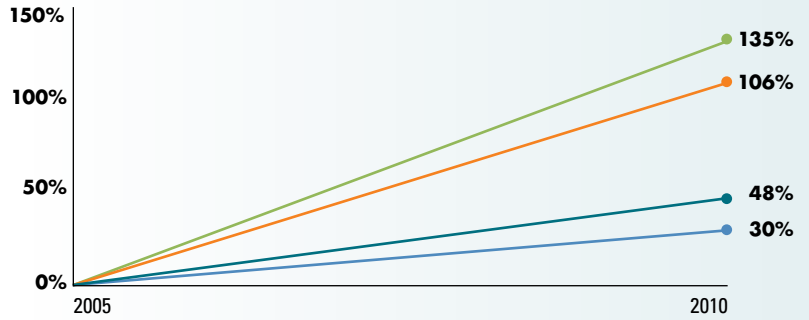


39,836 PATIENTS (50%) ADMITTED TO KINDRED NURSING AND REHABILITATION CENTERS RETURNED HOME AFTER AN AVERAGE STAY OF 32 DAYS IN 2010, AND 95% OF THESE PATIENTS RETURNED HOME IN LESS THAN 90 DAYS.

KINDRED IS CARING FOR MORE AND SICKER PATIENTS...

- % Increase in Patients Receiving Dialysis
- % Increase in Patients with IV Therapy
- % Increase in Admissions from Hospital
- % Increase in Medicare Case Mix Severity Index

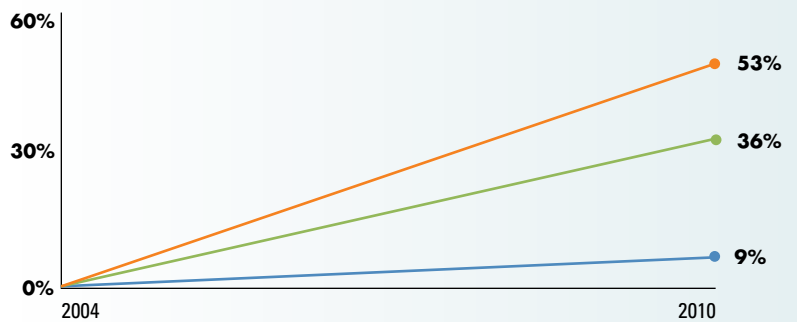
Source: Kindred Internal Data



AND IN TURN HAS INVESTED IN ADDITIONAL CLINICAL RESOURCES...

- % Increase in Rehabilitation Hours Per Patient Day
- % Increase in Pharmacy Costs
- % Increase in Nursing Hours Per Patient Day

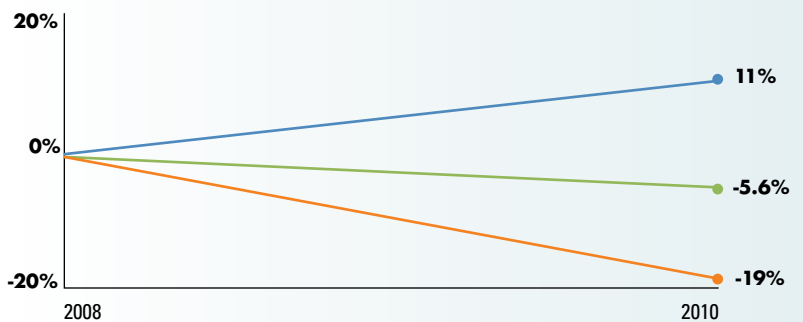
Source: Kindred Internal Data



RESULTING IN FEWER REHOSPITALIZATIONS AND MORE PATIENTS GOING HOME SOONER...

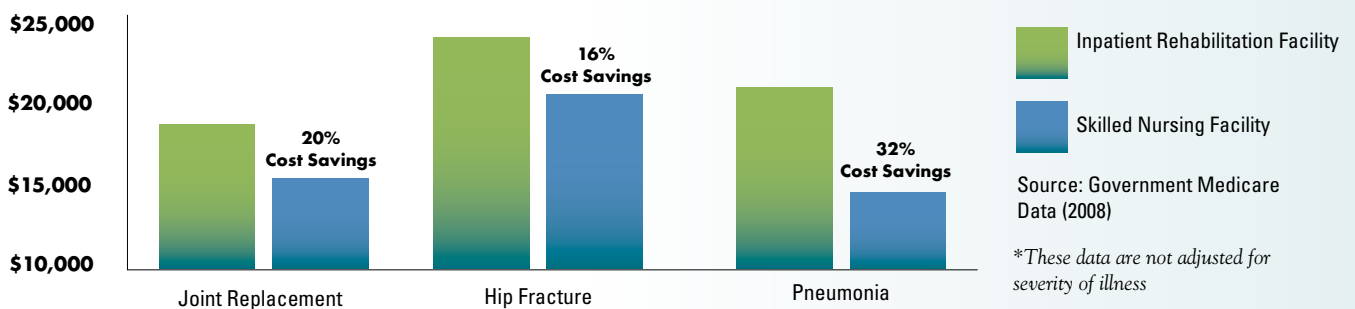
- % Increase in Patients Discharged Home
- % Decrease in Rehospitalizations within 30 days of Admission
- % Decrease in Average Length of Stay

Source: Kindred Internal Data



AT A LOWER COST TO THE HEALTHCARE SYSTEM.

COST OF CARE OVER EPISODE FOR SELECT REHAB CONDITIONS*



Source: Government Medicare Data (2008)

*These data are not adjusted for severity of illness

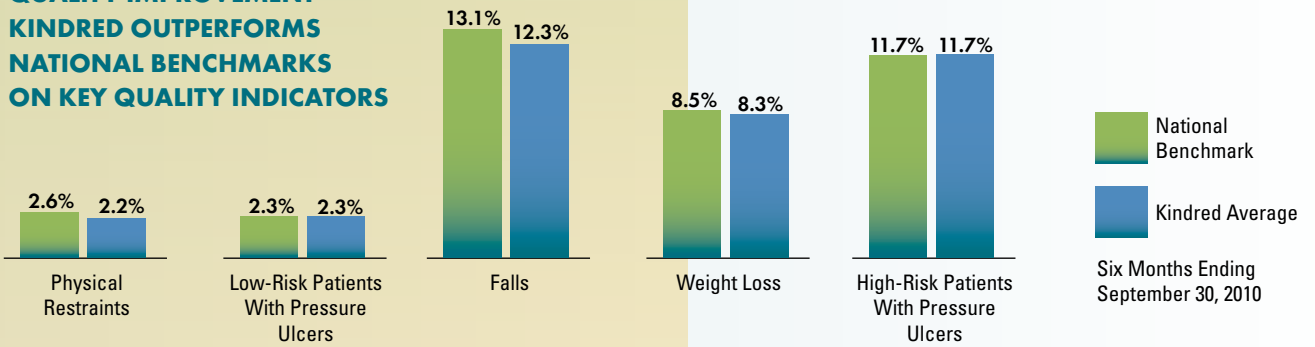
“Patients with joint replacement discharged from skilled nursing facilities and inpatient rehab facilities do not differ materially... in terms of functional status and other outcomes.”*

Both settings provide intensive rehabilitation care and show significant outcome improvement.

*DeJong, et al. Archives of Physical Medicine and Rehabilitation, vol. 90 Aug. 2009



QUALITY IMPROVEMENT – KINDRED OUTPERFORMS NATIONAL BENCHMARKS ON KEY QUALITY INDICATORS

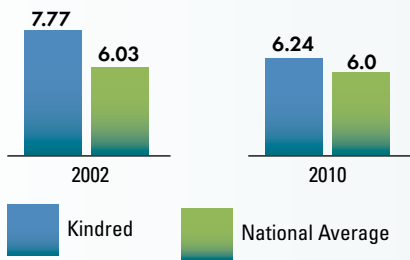




CARE AND SUPPORT

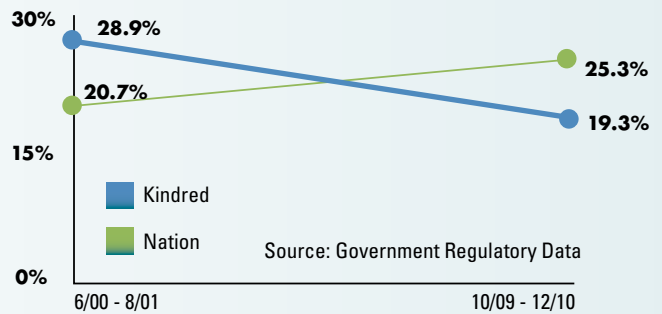
All of our services – including intensive rehabilitative transitional care, specialized dementia and Alzheimer’s care, or hospice and palliative care – are designed to provide a home-like environment to allow for independence and enable our patients and residents to receive the medical care they need, the restorative therapy they require, and the support they and their families deserve.

AVERAGE NUMBER OF DEFICIENCIES PER STANDARD SURVEY



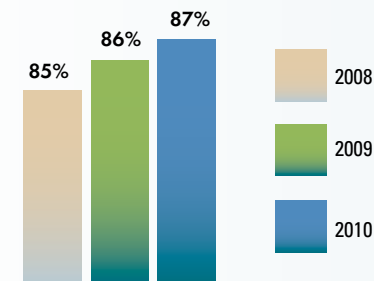
Source: Government Regulatory Data

KINDRED PERCENTAGE OF ANNUAL SURVEYS WITH HIGHER SEVERITY TAGS

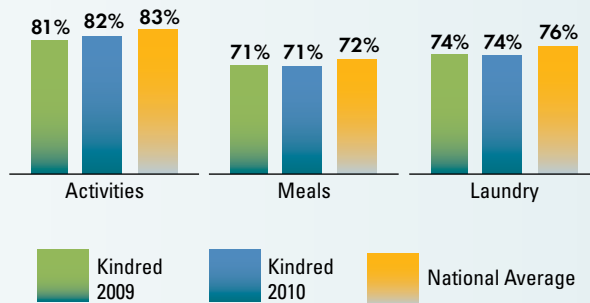


Source: Government Regulatory Data

CUSTOMER SATISFACTION IMPROVING – % PATIENTS AND RESIDENTS WHO WOULD RECOMMEND KINDRED FOR CARE



QUALITY IMPROVEMENT EFFORTS CONTINUE – % SATISFIED OR VERY SATISFIED



KINDRED HEALTHCARE HAS WON 199 AMERICAN HEALTH CARE ASSOCIATION BRONZE AND EIGHTEEN SILVER AWARDS SINCE 2003.

PEOPLEFIRST REHABILITATION

Apart from the setting, two things that make for better outcomes are starting rehab earlier after surgery and obtaining more intense therapy, namely more physical and occupational therapy per day. * Peoplefirst has protocols in place to maximize these critical components in our patients' recovery.

**DeJong, et al. Archives of Physical Medicine and Rehabilitation, vol. 90 Aug. 2009*

Peoplefirst Rehabilitation helps patients and residents recover to the highest level of independence possible by providing intense physical, occupational and speech-language therapies in settings across the entire post-acute continuum. Our therapists are committed to emphasizing a patient's abilities rather than disabilities, and we use leading-edge technology to help our patients lead the most pain-free, productive lives possible.

Our therapists treat increasingly complex patients with much more intense rehabilitative needs, particularly those patients in our Transitional Care Centers who have rehab needs of up to three hours per day. In 2010, across all Kindred settings within the post-acute continuum, Peoplefirst therapists provided an average of 95 minutes of treatment per patient per day. A growing body of research indicates that higher intensity therapy interventions provided in nursing and rehabilitation centers result in shorter lengths of stay and return to home.

We invest in the knowledge base and training of our therapists to meet this increasing demand from medically complex patients to ensure that the tools are in place to provide the most effective rehabilitation to successfully transition patients to the most appropriate and lowest cost setting available.

Peoplefirst therapy services and specialized programs are tailored to meet the unique needs and capabilities of each individual patient in order to deliver on providing the best quality of life.



EXCELLENCE THROUGH INFORMATION

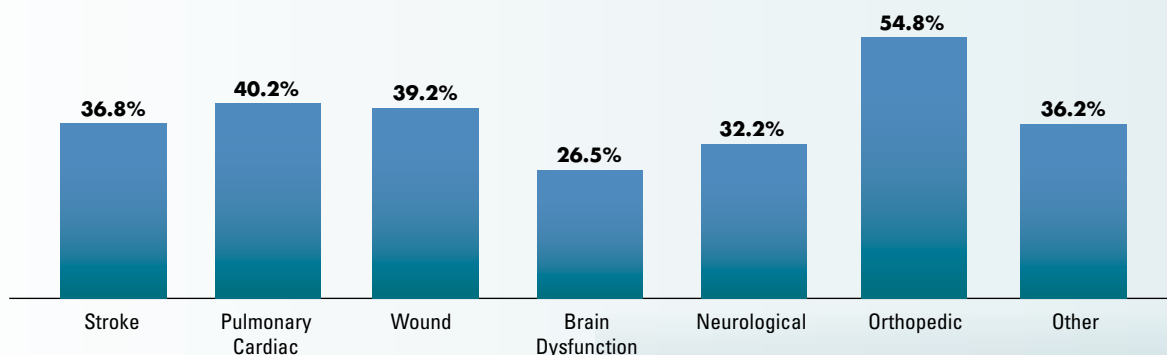
These rehabilitation services are provided in our own hospitals and nursing and rehabilitation centers in addition to non-Kindred facilities. Our reputation for clinical excellence includes a clinical information management system. This information helps provide continuous analysis of our clinical results and is used in the successful management of our rehab programs. Peoplefirst has also developed and implemented proprietary handheld technology to improve the productivity of therapists.

DELIVERING IMPROVED OUTCOMES

In 2010, the physical and occupational therapy services provided by Peoplefirst led to a 76.4% improvement in function for patients from what they were able to do before they became ill or injured.



INCREASE (%) IN FUNCTIONAL OUTCOME MEASUREMENT SCORES FROM ADMISSION TO DISCHARGE IN 2010



Source: Kindred Internal Data, Using Modified "Functional Outcome Measures" (FOMS)

Earlier rehabilitation admission, higher-level activities early in the rehabilitation process, tube feeding and newer medications are associated with better stroke rehabilitation outcomes.

Horn et al, Archives of Physical Medicine and Rehabilitation Vol 86, December 2005

OUR SERVICES INCLUDE:

- physical, occupational and speech-language therapies

Specialized Programs include:

- cardio-pulmonary rehabilitation
- palliative care
- home care and hospice
- orthopedic rehabilitation
- neuro rehabilitation
- wound care
- lymphedema
- low vision support
- medically complex care

POWERING INNOVATION

INNOVATIONS AND PARTNERSHIPS IN CARE INTEGRATION

In 2010, Kindred elevated our ongoing efforts with acute care hospitals, health systems and payors to optimize care delivery and coordination. We have been building these relationships over the past several years and have seen improved patient care outcomes.

Our initiatives align goals that healthcare providers, policy makers and patients share, including reduced avoidable rehospitalizations, improved care transitions and better healthcare coordination. Kindred's early experience in care coordination and continuum of care management facilitates participation in pilots to test new models of care delivery and payment.

Some of the partnerships and care integration in 2010 included formation of, and ongoing participation on, Joint Operating Committees with acute care hospitals in select markets to foster clinical collaboration between acute and post-acute clinicians, and improved information technology (IT) linkages and connectivity. These pilots and programs are demonstrating improvement – including fewer readmissions, more patients discharged to home and better mortality rates – all of which result in cost-savings.

As part of Kindred's efforts to facilitate better integrated care across settings, 2010 marked growth in several collaboratives that enhance integration and partnerships with acute-care healthcare providers.

One such collaborative is between Norton Healthcare and Kindred in Louisville, Kentucky, the home office for both organizations. Norton is an integrated health system that is one of four sites nationally participating in the "Accountable Care Organization" demonstration project sponsored by Dartmouth University and the Brookings Institute. Kindred and Norton have established a Joint Operating Committee which focuses on improving care transitions between the acute and post-acute settings through integration of physician practice across sites of care, coordinating care management functions, improving quality outcomes and ultimately achieving efficiencies.

“Our collaborative with Kindred to improve care coordination for patients from our hospitals, to post-acute settings, to home is an integral part of Norton Healthcare's overall effort to identify innovative ways to improve care, reduce costs and enhance the overall health of our community.”

– Russell Cox, Chief Operating Officer, Norton Healthcare



Andrew Kramer, M.D.

- Founder and Chief Executive Officer, Nursing Home Quality LLC
- Professor Emeritus University of Colorado School of Medicine
- Internal Medicine Faculty Member since 1982
- Established Division of Health Care Policy and Research, University of Colorado Department of Medicine in 2001
- Awarded over \$70 million in Research Grants from NIH, CMS, DHHS and numerous foundations

INNOVATIONS IN REDUCING REHOSPITALIZATIONS

Kindred is focused on innovative strategies that can improve quality and at the same time reduce healthcare costs. One such area is rehospitalizations, or the reality that over 34% of Medicare beneficiaries who leave a hospital are readmitted within 90 days and that unplanned rehospitalizations cost Medicare over \$17 billion a year (N Engl J Med 2009; 360:1418-1428).

THERE HAS BEEN A 5.6% IMPROVEMENT IN KINDRED NURSING AND REHABILITATION CENTERS' REHOSPITALIZATION RATE AFTER 30 DAYS FROM 2008-2010

“The real world challenge for both acute and post-acute providers is to prospectively identify which patients are at highest risk for hospital admission. Our research has shown that high risk patients can be identified so that clinicians can target care interventions known to be effective in reducing the need for a hospital admission.”

Andrew Kramer, M.D.

The Kindred Foundation, a 501(c)(3) entity formed to advance research in post-acute and long term care, is supporting a project to develop an application to identify patients at highest risk of hospitalization so that Kindred clinicians can target care interventions for these patients, and to match patients with Kindred sites of care and services to reduce hospitalization risk. The research team is being led by physician and health services researcher, Andrew Kramer, M.D, Chief Executive Officer of Nursing Home Quality LLC. Dr. Kramer previously conducted groundbreaking and widely cited research on re-hospitalizations for the Centers for Medicare and Medicaid Services (CMS) and the Medicare Payment Advisory Commission (MedPAC).

INNOVATIONS IN CLINICAL TRAINING

Clinical Impact Symposia

As an ongoing effort to enhance and improve the clinical practice of our nurses and caregivers along the post-acute care continuum, we have developed annual Clinical Impact Symposia to advance Kindred as a leader in clinical excellence.

2010 Respiratory Care Clinical Impact Symposium

The 2010 Respiratory Care Across the Continuum symposium sought to convene the leaders and premier educators in respiratory care along with those delivering care across the post-acute continuum to share best-practices and innovations in respiratory care. One highlight of the

three-day event was a presentation by Dr. Forrest Bird, the inventor of the world's first mass-produced mechanical ventilator.

Participants in the symposium included representatives from Kindred LTAC hospitals, nursing and rehabilitation centers and Peoplefirst Rehabilitation emphasizing our interdisciplinary approach to patient care and offering cross-divisional networking opportunities. The symposium also featured poster presentations, offering yet another opportunity for sharing and learning from best-care practices.

2009 Wound Management Clinical Impact Symposium

In 2009, Kindred instituted its inaugural Clinical Impact Symposium, focusing on a clinical issue that is of crucial importance to care across the entire acute and post-acute continuum – wound care. More than 300 participants from all three divisions attended the Wound Management – Setting Standards for Care symposium, where nationally respected wound care experts, including keynote speaker Dr. Barbara Bates-Jensen, RN, PhD, and Dr. Susan Horn, PhD, gave presentations and attendees interacted with hands-on skills demonstrations.

Those in attendance discussed their common issues, including the importance of gathering and analyzing data, which enables clinicians to make the best care decisions and achieve the best outcomes when assessing and treating wounds.



OUR PEOPLE – OUR MOST IMPORTANT ASSET

Kindred recognizes that our greatest strength is the nearly 57,000 dedicated and compassionate employees who create our dynamic culture of caring. Every day, they deliver on our promise of hope, healing and recovery. We understand that in order to best equip Kindred employees to continue to deliver on that promise, we must provide the necessary leadership skills, training, tools and investment in their health and well-being.

Our goal is to attract, develop and retain outstanding talent and to provide the tools and training to continue to excel and grow professionally.

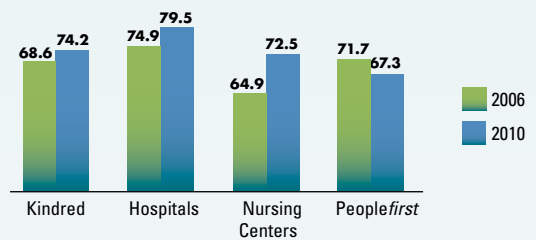
LEADERSHIP & PROFESSIONAL DEVELOPMENT

Our Executive Fellowship and Nurse Leadership Programs are designed to provide hands-on field experience, practical tools and resources to help our employees better understand what will face them in both the executive and clinical worlds.

Kindred provides continuing education, in-service programs and quality improvement guidance. These programs are provided to maintain staff competency and enrich knowledge for enhancing quality patient care. Additionally, we offer financial support and encouragement for our employees to take advantage of educational opportunities outside of scheduled work hours.

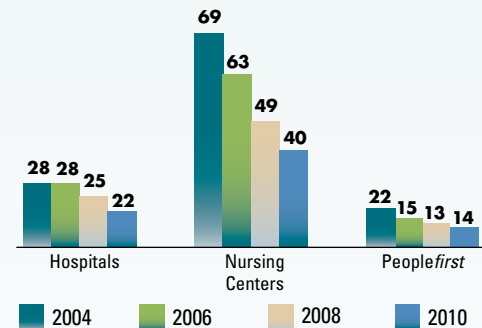
Our investment in our people – in their professional development, personal growth and healthy lifestyles – is an integral part of our culture. What we do results in an engaged workforce that is empowered and encouraged to plan for the future, take care of their own health and that of their families, and live life to its fullest.

EMPLOYEE RETENTION (%)



Employees who have been with Kindred at least one year

TURNOVER RATES (%)



Over \$300 Million was invested in our employees in 2010.

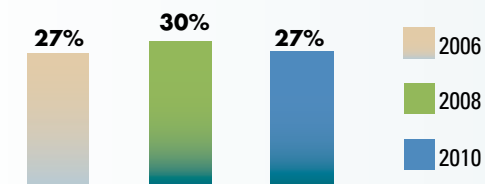
\$30.5 million in employee training • over \$115 million to our employee healthcare plan • \$2.1 million to employees in tuition reimbursement • over \$20 million invested in employee recognition and bonus programs for non-management employees throughout the year



OVER 43,000

employees and dependents were covered under Kindred's medical plan in 2010 – an increase of 1,295 from 2004.

401(k) RETIREMENT SAVINGS AND PROFIT-SHARING PLAN PARTICIPATION (%)

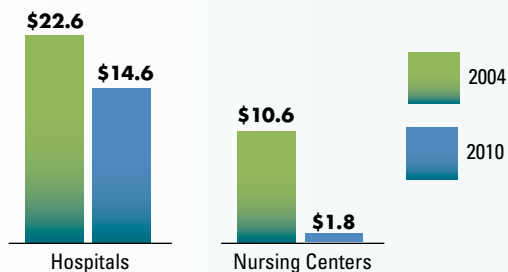


In 2010

OVER 20,000

employees and dependents completed a Health Risk Assessment for 2011. This is approximately a 60% increase over 2010. These employees will receive \$7 million in reduced premium payments if they engage in wellness programs

REDUCTION IN CONTRACT LABOR (\$ in millions) – IMPROVING THE CONSISTENCY OF THE PATIENT/CAREGIVER RELATIONSHIP



Contract labor (temporary nurses, therapists and other facility staff) in our hospitals and nursing and rehabilitation centers has steadily declined over the past six years. Decreasing contract labor creates a better culture for employees, reduces the amount of re-orientation for caregivers and improves quality through more consistent patient/caregiver relationships.

OUR COMMITMENT TO DIVERSITY

The Kindred workforce is a team of diverse individuals that share the common goal of providing the highest quality care for our patients and residents. We celebrate this diversity, and in 2010 we named a Chief Diversity Officer to broaden the inclusive culture of Kindred and to expand opportunities available for women and minorities. In 2010, Kindred's compassionate workforce was composed of more than 81% women and nearly 42% minorities.

KINDRED'S CONTRIBUTION TO OUR ECONOMY AND COMMUNITIES

**\$3.5 MILLION HAS BEEN DONATED BY
KINDRED AND OUR EMPLOYEES TO THE
ALZHEIMER'S ASSOCIATION THROUGH
THE NATIONAL MEMORY WALK.**

**LAST YEAR EMPLOYEES DONATED
ALMOST 10,000 HOURS WORTH OVER
\$200,000 TO FELLOW EMPLOYEES
WHO HAD EMERGENCY SITUATIONS.**

**ALMOST \$3.5 MILLION HAS BEEN
DONATED TO ASSIST MORE THAN 2,300
EMPLOYEES THROUGH THE HOPE FUND.**

GIVING HOPE TO EACH OTHER

An essential part of the Kindred mission is that we also take care of each other. While life is never easy, some situations are more difficult than others. At these times, maintaining hope can become a daily challenge for our employees and their families. It is specifically for this reason that The **HOPE** Fund (Helping Others Persevere through Emergencies), a 501(c)(3), was created to assist Kindred employees facing challenging, catastrophic life events.

Since 2005, almost \$3.5 million has been donated to assist employees struggling through seemingly insurmountable difficulties such as deaths, terminal illness and devastating weather events, like floods, hurricanes and wildfires. In all, we have helped more than 2,300 employees.

GIVING BACK TO THE COMMUNITY

Our commitment to our patients and residents extends to helping raise money to fight the diseases that most affect them and their loved ones. We help enhance local community fundraising by matching donations raised by our employees. Through the Kindred Foundation, a 501(c)(3), we have created strong national and regional partnerships with the Alzheimer's Association, the American Heart Association and the American Lung Association.

Since 2005, Kindred and our employees have contributed over \$3.5 million to the Alzheimer's Association through participation in the organization's national Memory Walk. Each year, about 3,000 employees participate in more than 100 walks across the United States.





**KINDRED IS THE
168th LARGEST
NON-GOVERNMENT
EMPLOYER IN THE
UNITED STATES.**

OVER \$2.1 BILLION IN SALARIES AND LABOR COSTS • ALMOST \$75 MILLION IN EMPLOYEE STATE INCOME TAXES • OVER \$115 MILLION IN COMPANY-PAID HEALTH INSURANCE • OVER \$145 MILLION IN PROVIDER, PROPERTY AND INCOME TAXES • OVER \$525 MILLION IN PRODUCTS AND SERVICES FROM VENDORS

KINDRED'S ECONOMIC IMPACT

Healthcare plays a major role in the economy, and Kindred takes its role in reducing the cost of healthcare seriously. We also understand that Kindred has a role to help support economic recovery. Kindred Healthcare's contribution to the economy is demonstrated in a number of ways, including salaries, taxes, benefits and through being a quality employer.

IN 2010

KINDRED INCREASED

the number of net clinical employees by over 2,600, including hiring 703 RNs, 195 LPNs, 1,024 CNAs and 686 physical, occupational and speech-language therapists.





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