Kindred Healthcare

NYSE:KND

INVESTOR PRESENTATION

FEB. 2009

FORWARD-LOOKING STATEMENTS

This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements regarding the Company's expected future financial position, results of operations, cash flows, financing plans, business strategy, budgets, capital expenditures, competitive positions, growth opportunities, plans and objectives of management and statements containing the words such as "anticipate," "approximate," "believe," "plan," "estimate," "expect," "project," "could," "should," "will," "intend," "may" and other similar expressions, are forward-looking statements.

Such forward-looking statements are inherently uncertain, and stockholders and other potential investors must recognize that actual results may differ materially from the Company's expectations as a result of a variety of factors, including, without limitation, those discussed below. Such forward-looking statements are based upon management's current expectations and include known and unknown risks, uncertainties and other factors, many of which the Company is unable to predict or control, that may cause the Company's actual results or performance to differ materially from any future results or performance expressed or implied by such forward-looking statements. These statements involve risks, uncertainties and other factors discussed below and detailed from time to time in the Company's filings with the Securities and Exchange Commission.

In addition to the factors set forth above, other factors that may affect the Company's plans or results include, without limitation, (a) changes in the reimbursement rates or the methods or timing of payment from third party payors, including the Medicare and Medicaid programs, changes arising from and related to the Medicare prospective payment system for long-term acute care ("LTAC") hospitals, including potential changes in the Medicare payment rules, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, and changes in Medicare and Medicaid reimbursements for the Company's nursing centers; (b) the impact of the Medicare, Medicaid and SCHIP Extension Act of 2007, including the ability of the Company's hospitals to adjust to potential LTAC certification and the three-year moratorium on future hospital development; (c) the Company's ability to operate pursuant to the terms of its debt obligations and its master leases with Ventas, Inc. (NYSE:VTR); (d) the Company's ability to meet its rental and debt service obligations; (e) the Company's ability to attract and retain key executives and other healthcare personnel; (f) increased operating costs due to shortages in qualified nurses, therapists and other healthcare personnel; (g) the effects of healthcare reform and government regulations, interpretation of regulations and changes in the nature and enforcement of regulations governing the healthcare industry; (h) failure of the Company's facilities to meet applicable licensure and certification requirements; (i) national and regional economic, financial, business and political conditions, including their effect on the availability and cost of labor, credit, materials and other services; (j) the Company's ability to control costs, particularly labor and employee benefit costs; (k) the Company's ability to successfully pursue its development activities and successfully integrate new operations, including the realization of anticipated revenues, economies of scale, cost savings and productivity gains associated with such operations; (l) the increase in the costs of defending and insuring against alleged professional liability claims and the Company's ability to predict the estimated costs related to such claims, including the impact of differences in actuarial assumptions and estimates compared to eventual outcomes; (m) the Company's ability to successfully reduce (by divestiture of operations or otherwise) its exposure to professional liability claims; (n) the further consolidation of managed care organizations and other third party payors; (o) the Company's ability to successfully dispose of unprofitable facilities; (p) events or circumstances which could result in impairment of an asset or other charges; (q) changes in generally accepted accounting principles or practices; (r) the condition of the financial markets, including volatility and deterioration in the capital and credit markets, which would limit the availability and terms of debt and equity financing sources to fund the requirements of the Company's businesses, or which would negatively impact the Company's investment portfolio; and (s) the Company's ability to maintain an effective system of internal controls over financial reporting. Many of these factors are beyond the Company's control. The Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance. The Company disclaims any obligation to update any such factors or to announce publicly the results of any revisions to any of the forward-looking statements to reflect future events or developments.

The information being provided today is as of this date only and the Company disclaims any obligation to update any such factors or to announce publicly the results of any revisions to any of the forward-looking statements to reflect future events or developments. Additional information concerning the Company, including our third quarter 2008 earnings release is available along with our other SEC filings and a copy of this presentation, on our website www.kindredhealthcare.com, under the heading "Investor Information."

Reconciliation of non-GAAP Financial Measures

Our website also includes reconciliations of any non-GAAP financial measures we mention in our presentations to their corresponding GAAP measures. These reconciliations may be found at www.kindredhealthcare.com under the heading "Investor Information."

LARGEST POST-ACUTE PROVIDER IN THE UNITED STATES(1)

$4.1 billion(2)
consolidated
revenues

658(3)
sites of service,
310 facilities
in **40** states

33,500(3)
patients and
residents
per day

54,300(3)
dedicated
employees

(1) Ranking based on revenues.
(2) Revenues for the twelve months ended September 30, 2008.
(3) As of September 30, 2008.

HOSPITAL

Long-term Acute Care Hospitals

$1.8 billion revenues(1)

Largest operator in U.S. (2)

82 hospitals with
6,428 licensed beds

HEALTH SERVICES

Nursing and Rehabilitation Centers

$2.1 billion revenues(1)

Second largest nursing
center operator in U.S. (2)

228 nursing centers with
28,378 licensed beds

6 assisted living residences
with 317 licensed beds

REHABILITATION

People*first* Rehabilitation
Services

$413 million revenues(1)

Second largest contract
therapy company in U.S.(2)

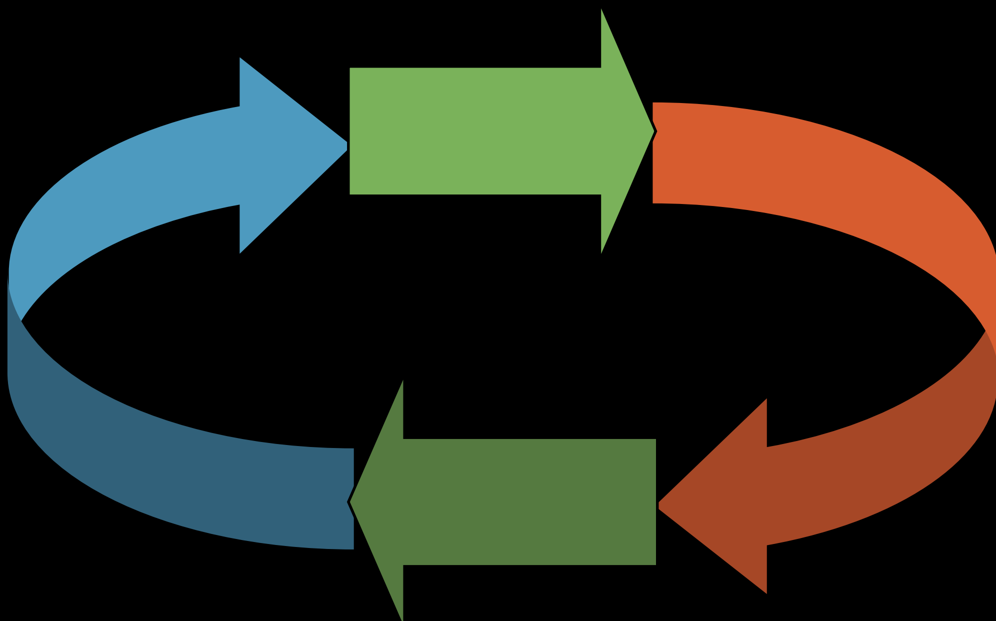
348 external locations served
through 4,900 therapists and
8,500 total employees

(1) Revenues for the twelve months ended September 30, 2008 (divisional revenues before intercompany eliminations).
(2) Ranking based on revenues.

KINDRED'S VALUE CREATION PROPOSITION AND MANAGEMENT PHILOSOPHY

Driven by a Commitment to Our Mission and Values

Disciplined and Balanced Approach to Our Key Success Factors



Taking Care of Our Employees

Focus on Quality and Customer Service


Take Care of our People
Take Care of our Patients and Customers
Grow
Be Efficient
Manage our Capital Wisely
Organizational Excellence Through Performance Improvement
KEY SUCCESS FACTORS

HEALTH SERVICES DIVISION

BALANCED SCORECARD

HEALTH SERVICES DIVISION

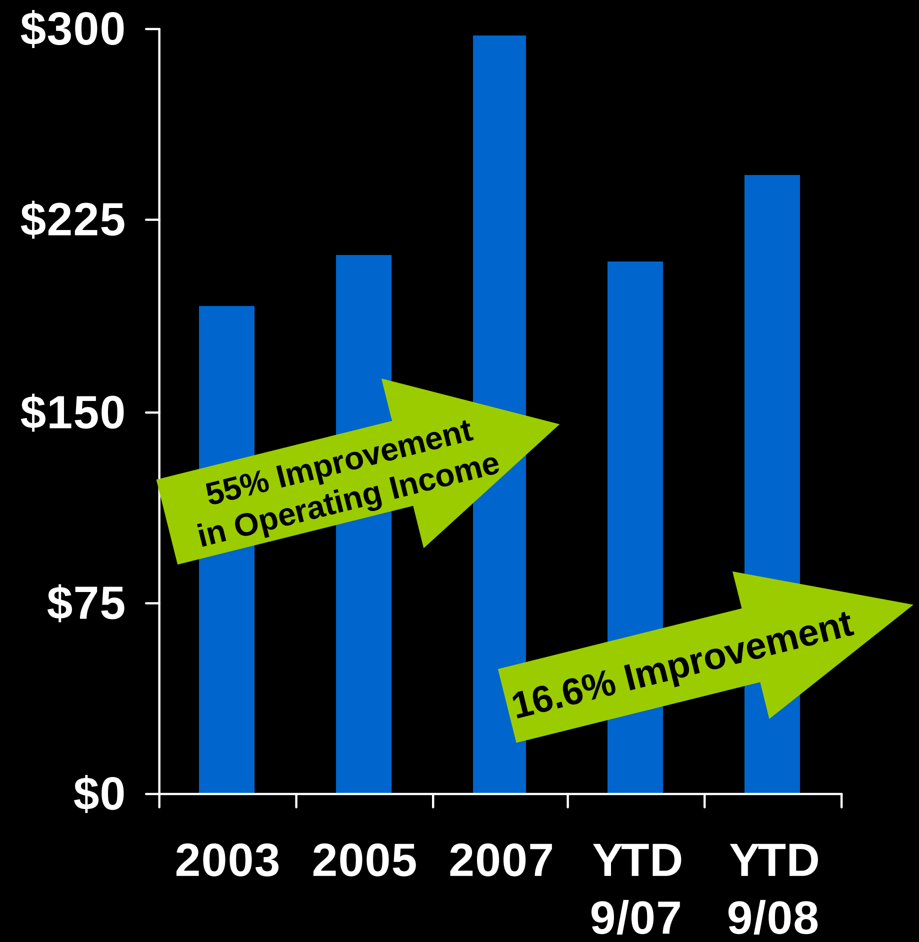
People	Quality & Service	Growth	Efficiency	Capital	Organizational Excellence
• Employee Turnover & Retention - Administrators - Directors of Nursing - Nurses & Therapists • Increasing RN Coverage • Employee Satisfaction	• Survey Results • Clinical Indicators • Avoidable Hospital Re-admissions • Discharge & Community Placement • Patient, Resident & Family Satisfaction	• Daily Census • Quality Mix including Medicare & Managed Care Admissions • Acuity Mix & Length of Stay • Revenue Per Patient Day (PPD)	• Labor Hours PPD • Labor Cost PPD • Ancillary Expense PPD (RX, Rehab) • Controllable Expenses PPD (Food, Supplies, Laundry, Housekeeping) • Overtime & Contract Labor	• Accounts Receivable Collections • Bad Debt Expense • Improving ROI on Routine Capital Spending	• Consistent Staffing Assignments • Angel Care & Falling Stars Programs • Service Excellence Program

NURSING CENTERS
MEASURING OUR PROGRESS

REVENUE GROWTH

($ millions)

OPERATING INCOME



($ millions)

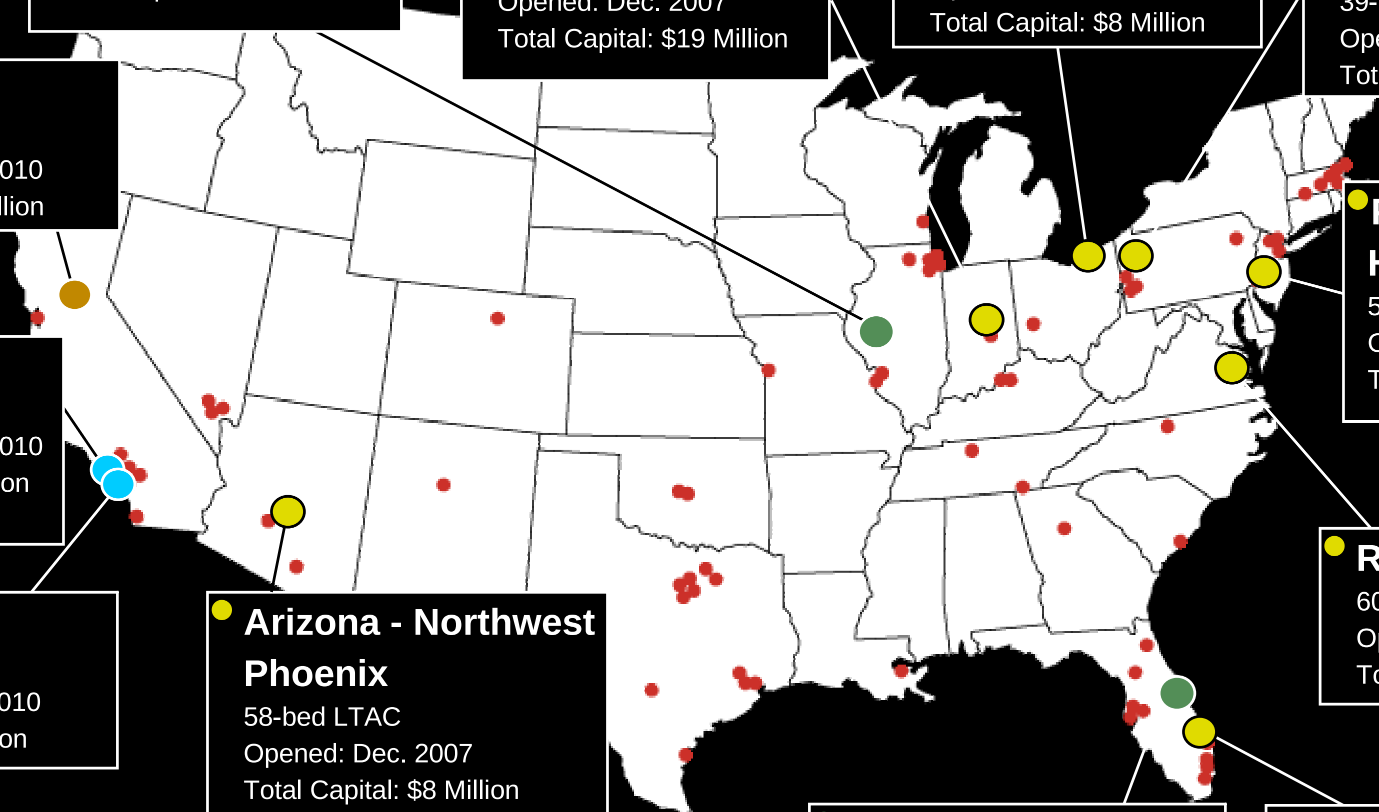
HOSPITAL DIVISION

BALANCED SCORECARD

HOSPITAL DIVISION

People	Quality & Service	Growth	Efficiency	Capital	Organizational Excellence
• Employee Turnover & Retention - Hospital CEOs - Chief Clinical Officers - Nurses - Therapists • Employee Satisfaction	• Clinical Quality Index (Bloodstream & Urinary Tract Infections, Pressure Wounds, Vent Pneumonia Rates) • Wound Care Improvement Measurement • Patient, Physician & Family Satisfaction	• Admissions • Daily Census • Revenue Per Patient Day (PPD) • Length of Stay • Case Mix Index	• Labor Hours PPD • Labor Cost PPD • Ancillary Expense PPD (RX, Rehab) • Controllable Expenses PPD (Food, Supplies, Laundry, Housekeeping) • Overtime & Contract Labor	• Accounts Receivable Collections • Bad Debt Expense • Improving ROI on Routine Capital Spending	• Service Excellence Program

HOSPITAL DEVELOPMENT 2006 - 2010



Springfield
50-bed LTAC
Opening date: April 2010
Total Capital: $24 Million

Indianapolis South
60-bed LTAC
Opened: Dec. 2007
Total Capital: $19 Million

Cleveland
68-bed LTAC
40-bed SNF
Opened: Dec. 2006
Total Capital: $8 Million

Pittsburgh - North Shore
72-bed LTAC
39-bed SNF
Opened: Mar. 2007
Total Capital: $15 Million

Sacramento
58- bed LTAC
Opening date: Jan. 2010
Total Capital: $43 Million

Los Angeles
29-bed HIH
Opening date: Jan. 2010
Total Capital: $4 Million

Philadelphia - Havertown
57-bed LTAC
Opened: Aug. 2007
Total Capital: $13 Million

Richmond
60-bed LTAC
Opened: Sept. 2007
Total Capital: $16 Million

Torrance
50-bed HIH
Opening date: Jan. 2010
Total Capital: $6 Million

Arizona - Northwest Phoenix
58-bed LTAC
Opened: Dec. 2007
Total Capital: $8 Million

Melbourne
60-bed LTAC
Opening date: Oct. 2009
Total Capital: $30 Million

The Palm Beaches
70-bed LTAC
Opened: Aug. 2008
Total Capital: $31 Million

82 HOSPITALS

HOSPITALS OPENED '06- '08

REPLACEMENT HOSPITAL

HOSPITALS EXPECTED TO BE OPEN IN '09 AND '10

HIHs EXPECTED TO BE OPEN IN '10

PEOPLE*FIRST* REHABILITATION

BALANCED SCORECARD

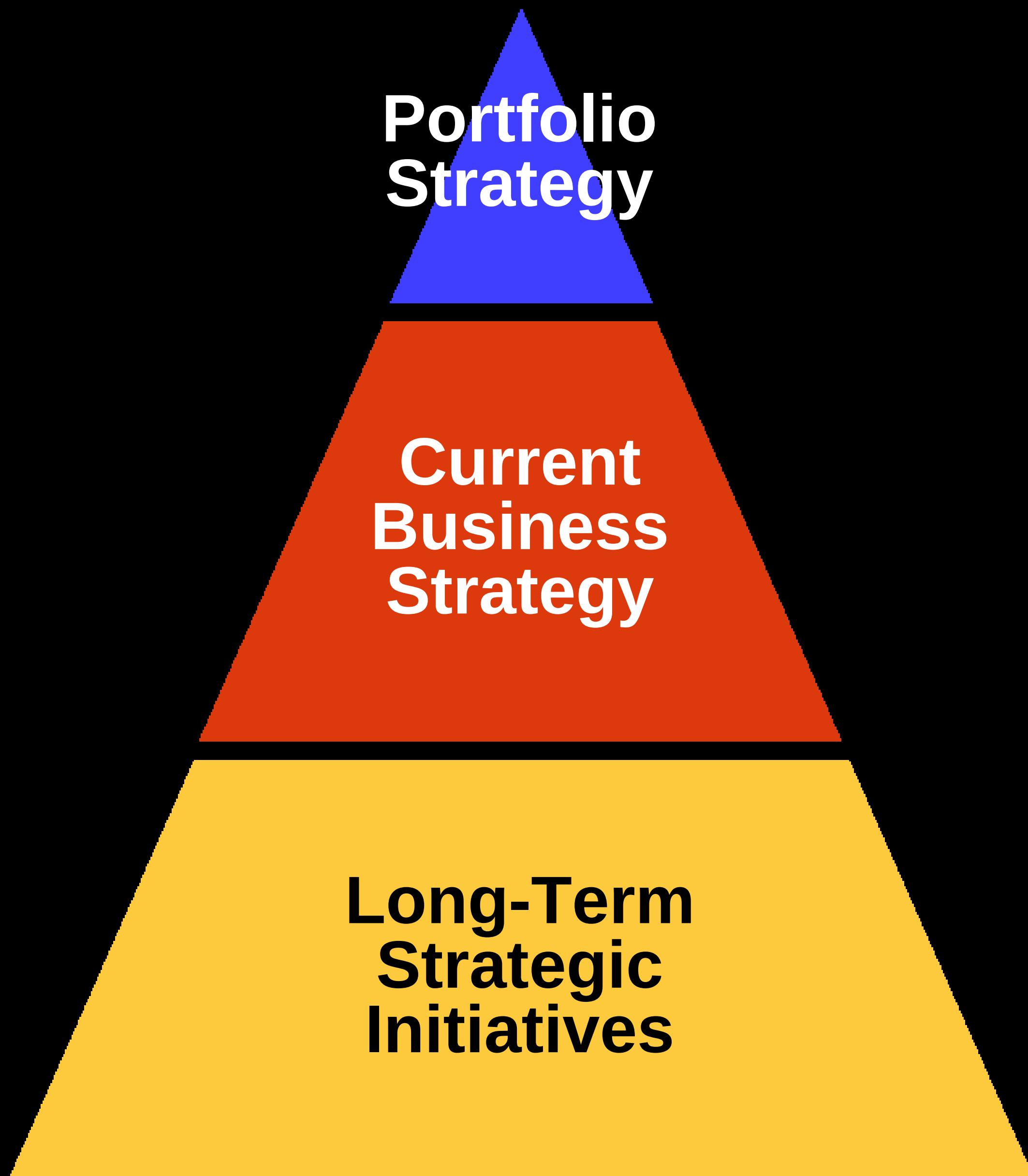
PEOPLE*FIRST* REHABILITATION

People	Quality & Service	Growth	Efficiency	Capital	Organizational Excellence
• Employee Turnover - Rehab Managers - Therapists • Employee Satisfaction	• Patient Outcomes Measurements (Functional Improvement from Admission to Discharge) • Customer Satisfaction	• New Contracts • Patient Case Mix • Revenue Per Minute • Increasing Outpatient Therapy Services	• Therapist Productivity • Cost Per Minute	• Accounts Receivable Collections/ DSO's	• Compliance Audit Results • Handheld Technology Utilization

REVENUE AND EARNINGS GROWTH

16.2% CAGR ALONG WITH 12.9% EARNINGS GROWTH

STRATEGIC PLAN


Portfolio Strategy
Current Business Strategy
Long-Term Strategic Initiatives

Portfolio Strategy

- Reinvest in our SNFs and selectively acquire SNFs and ALFs in Cluster Markets
- Reinvest/develop new LTACHs
- Build our People*first* Rehab business (SNF/Hospital/inpatient and outpatient)

Current Business Strategy

- Leverage Culture and **Performance Improvement Process** (with a more customer driven focus) as a competitive advantage
- Continue to energize our **Sales and Marketing** efforts
- Develop **Post-Acute Service Lines** and better manage patients across our continuum (i.e., LTACH to Sub-Acute or SNF)
- Develop and expand **Physician Services** and relationships

Long-Term Strategic Initiatives

- Develop **Centers of Clinical Excellence** and implement a Company-wide **Service Excellence Program**
- **Employee Satisfaction and Engagement** (taking it to the next level)
- Promote our **Value Proposition** and develop a market-driven **Managed Care Strategy**
- **Cluster Market Development**
- Explore **Hospice/Home Health** entry strategy

FINANCIAL REVIEW

FINANCIAL REVIEW

- Earnings guidance issued on October 30, 2008
  - Q4 2008 earnings guidance of $0.35 to $0.45 per share
  - 2008 EPS guidance range $1.30 to $1.40
  - Year-end revolver balance expected to approximate $330 to $340 million with cash expected to be $60 to $70 million, providing significant financial flexibility going into 2009
- 2008 capital expenditures expected to approximate $120 to $125 million for routine capital expenditures and $50 to $55 million for hospital development

FINANCIAL REVIEW

(cont.)

- 2009 EPS guidance range of $1.30 to $1.45, issued on October 30, 2008
- Guidance assumes
  - Routine capital expenditures of $100 to $110 million and new hospital development of $50 to $60 million, mostly funded through internal sources
  - Hospital volume recovery expected from lower Q3 levels
  - Medicaid and commercial insurance rate pressures
  - Cost pressures in all divisions as Company continues to attract higher acuity and more managed care patients
  - Longer view to reach stabilization for new hospitals and improvements in under-performing facilities

HEALTH SERVICES DIVISION

EARNINGS GROWTH DRIVERS

Same-store organic opportunities

- Improving quality, customer service and clinical capabilities to differentiate from other SNFs $\Rightarrow$ Daily Census Growth
- Improving payor quality mix through our Service Line Development initiative and Sales and Marketing programs
  - Transitional Care Units (TCUs) marketed to short-stay rehab and medically complex patients - 110 currently
  - Reflections (Alzheimer's) Units - 85 currently

Continuous repositioning of SNF portfolio and adding new facilities in Cluster Markets

HOSPITAL DIVISION

EARNINGS GROWTH DRIVERS

Same-store organic opportunities

- Deepening relationships with referral sources and key physician groups
- Increasing admissions through Medicare Advantage and managed care contracting
- Driving operating efficiencies in tighter reimbursement environment
- Expanding outpatient services including surgery, rehabilitation and wound care
- Expanding service lines and clinical programs including sub-acute unit development
  - Ten co-located hospital based sub-acute units under development

Adding facilities to the portfolio

- Six new hospitals and one replacement hospital opened since December 2006 with one hospital to open in '09 and three in '10
- Additional replacement hospital will open by 2010

PEOPLE*FIRST* REHABILITATION

EARNINGS GROWTH DRIVERS

- Our focus on our Therapists and their professional development differentiates us in the industry resulting in strong recruitment and retention rates
- Revenue growth continues to be strong through new contract and service expansion
- Opportunity for margin improvement through operational efficiencies from better practice management and stronger management of contract labor
- Continue to leverage technology to increase productivity and operational efficiencies

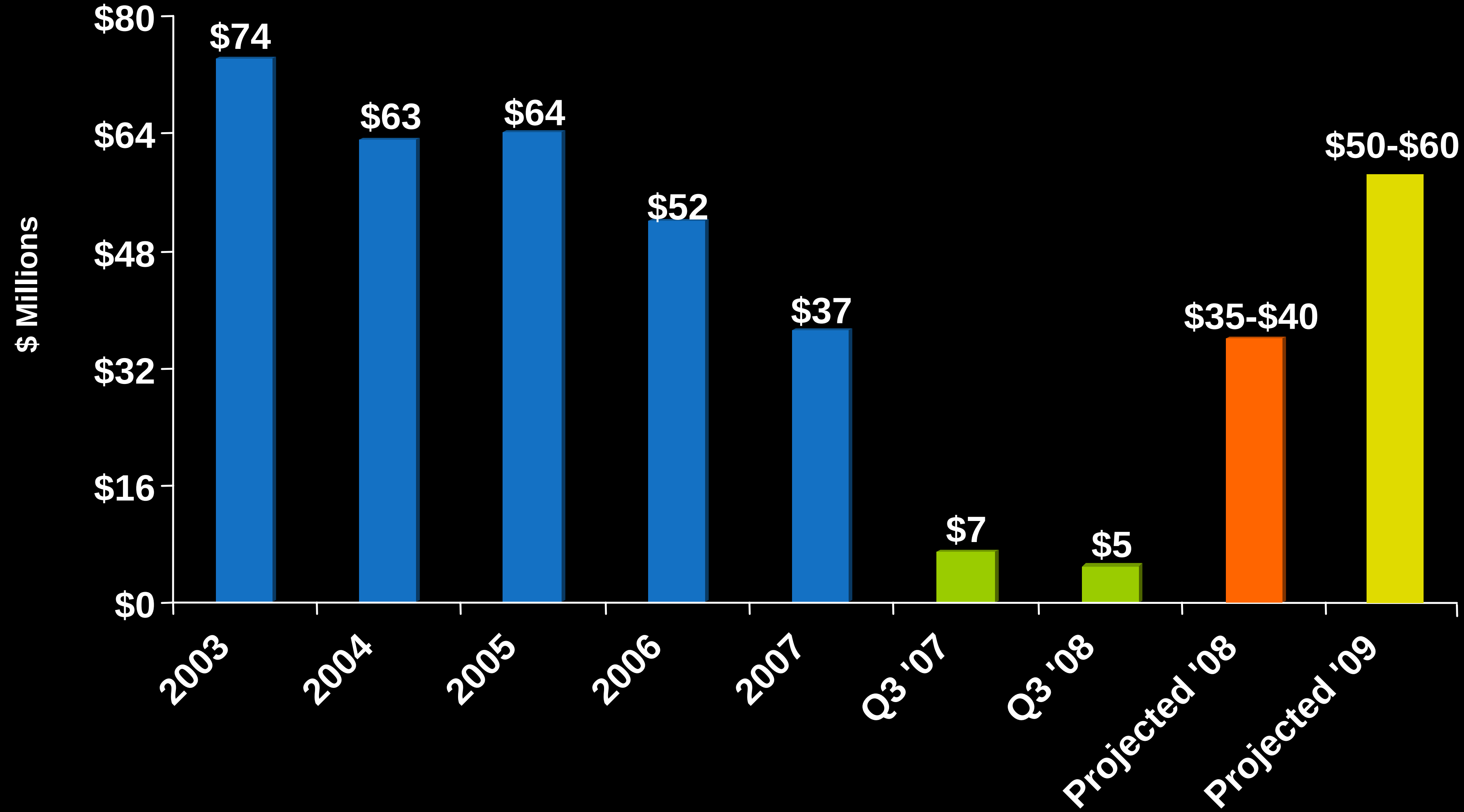
2008-2009 EARNINGS GUIDANCE RANGES

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	2008 Earnings Guidance Ranges		2009 Earnings Guidance Ranges	
	As of October 30, 2008		As of October 30, 2008	
Revenues	$ 4,200		$ 4,400	
	Low	High	Low	High
Operating income	$ 560	$ 567	$ 583	$ 593
Rent	346	346	361	361
Depr. & amort.	121	121	125	125
Interest, net	7	7	8	8
Pretax income	86	93	89	99
Income taxes	35	38	37	42
Net income	$51	$55	$52	$57
Diluted EPS	$1.30	$1.40	$1.30	$1.45
Diluted shares	39.0	39.0	39.5	39.5

FINANCIAL REVIEW

PROFESSIONAL LIABILITY COSTS



FINANCIAL REVIEW
(cont.)

Kindred Credit Facility

- $500 million asset-based revolver
- Can be increased to $600 million under certain conditions
- Expiration - July 2012
- Thirteen member lender group
- Pricing determined by average daily borrowings
- Current level priced at LIBOR + 175 basis points

RECONCILIATION OF NON-GAAP MEASURES

	Year ended December 31,					Third Quarter 2007	Third Quarter 2008
	2003	2004	2005	2006	2007		
Operating income (loss):							
Hospital division	$301	$328	$420	$383	$365	$83	$65
Health services division	192	208	211	242	297	75	79
Rehabilitation division	(2)	32	32	30	34	8	7
Pharmacy division	26	37	57	49	18	1	-
Corporate:							
Overhead	(113)	(124)	(135)	(157)	(168)	(55)	(31)
Insurance subsidiary	(13)	(7)	(10)	(7)	(7)	(2)	(2)
	(126)	(131)	(145)	(164)	(175)	(57)	(33)
Reorganization items	1	-	2	-	-	-	-
Operating income	392	474	577	540	539	110	118
Rent	(227)	(235)	(250)	(294)	(344)	(87)	(86)
Depreciation and amortization	(74)	(83)	(96)	(116)	(120)	(30)	(29)
Interest, net	(4)	(7)	3	1	(1)	(1)	(3)
Income (loss) before income taxes	87	149	234	131	74	(8)	-
Income taxes	36	61	94	52	34	-	(1)
Income (loss) from cont. ops.	$51	$88	$140	$79	$40	$(8)	$1

$ Millions

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