

HealthSouth Corporation Completes Sale of Long-Term Acute Care Hospitals and Calls Remaining 10.75% Senior Notes

PR Newswire
BIRMINGHAM, Ala.

BIRMINGHAM, Ala., Aug. 1, 2011 /PRNewswire/ -- HealthSouth Corporation (NYSE: HLS) today announced it has completed the sale of five of its long-term acute care hospitals (LTCHs) to affiliates of LifeCare Holdings, Inc. for approximately \$117.5 million, consisting of cash and retained working capital.

"The sale of these long-term acute care hospitals to LifeCare reinforces HealthSouth's strategic focus on our core inpatient rehabilitation hospitals," said HealthSouth President and Chief Executive Officer Jay Grinney. "We want to recognize and thank our highly skilled employees at these hospitals for their years of service and wish them the best under LifeCare's leadership."

The Company also announced that pursuant to the indenture governing the 10.75% senior notes, it has issued notice to the trustee that it is exercising its call option on the remaining \$164 million of these notes. The call is expected to be completed on or about September 1, 2011, and inclusive of the call premium will require a cash outlay of approximately \$175 million.

"We will use the proceeds from the sale of the LTCHs, revolver capacity, and cash on hand to fund the call," said HealthSouth Executive Vice President and Chief Financial Officer Doug Coltharp. "The sale of the LTCHs has accelerated our plan to eliminate the 10.75% senior notes and positions us to achieve our target leverage ratio of 3.0x during 2011. The removal of this expensive debt from our capital structure will have a favorable effect on our future free cash flow generation."

About HealthSouth

HealthSouth is the nation's largest owner and operator of inpatient rehabilitation hospitals in terms of revenues, number of hospitals, and patients treated and discharged. Operating in 26 states across the country and in Puerto Rico, HealthSouth serves patients through its network of inpatient rehabilitation hospitals, outpatient rehabilitation satellite clinics, and home health agencies. HealthSouth's hospitals provide a higher level of rehabilitative care to patients who are recovering from conditions such as stroke and other neurological disorders, orthopedic, cardiac and pulmonary conditions, brain and spinal cord injury, and amputations. HealthSouth can be found on the Web at www.healthsouth.com.

Forward-Looking Statements

Statements contained in this press release which are not historical facts are forward-looking statements. In addition, HealthSouth, through its senior management, may from time to time make forward-looking public statements concerning the matters described herein. All such estimates, projections, and forward-looking information speak only as of the date hereof, and HealthSouth undertakes no duty to publicly update or revise such forward-looking information, whether as a result of new information, future events, or otherwise. Such forward-looking statements are necessarily estimates based upon current information, involve a number of risks and uncertainties, and relate to, among other things, future events, HealthSouth's business strategy, its financial plans, its future financial performance, or its projected business results, or its projected capital expenditures. Actual events or results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors which could cause actual events or results to differ materially from those estimated by HealthSouth include, but are not limited to, any adverse outcome of various lawsuits, claims, and legal or regulatory proceedings involving the Company; significant changes in HealthSouth's management team; HealthSouth's ability to successfully complete and integrate acquisitions, investments, and joint ventures consistent with its growth strategy; changes, delays in (including in connection with resolution of Medicare payment reviews or appeals), or suspension of reimbursement for HealthSouth's services by governmental or private payors; changes in the regulation of the healthcare industry at either or both of the federal and state levels; competitive pressures in the healthcare industry and HealthSouth's response thereto; HealthSouth's ability to obtain and retain favorable arrangements with third-party payors; HealthSouth's ability to attract and retain nurses, therapists, and other healthcare professionals in a highly competitive environment with often severe staffing shortages and the impact on HealthSouth's labor expenses from potential union activity and staffing shortages; general conditions in the economy and capital markets; the increase in the costs of defending and insuring against alleged professional liability claims and our ability to predict the estimated costs related to such claims; and other factors which may be identified from time to time in HealthSouth's SEC filings and other public announcements, including HealthSouth's Form 10K for the year ended December 31, 2010, and its Form 10-Q for the quarter

ended March 31, 2011.

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