

KINDRED HEALTHCARE, INC  
Form 10-Q  
May 08, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2012

OR

**Transition Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 001-14057

**KINDRED HEALTHCARE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**680 South Fourth Street**

**Louisville, KY**  
(Address of principal executive offices)

**(502) 596-7300**

(Registrant's telephone number, including area code)

**61-1323993**  
(I.R.S. Employer

Identification No.)

**40202-2412**  
(Zip Code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<b>Class of Common Stock</b>	<b>Outstanding at April 30, 2012</b>
Common stock, \$0.25 par value	52,897,749 shares

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**Table of Contents****KINDRED HEALTHCARE, INC.****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****(Unaudited)****(In thousands, except per share amounts)**

	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenues	\$ 1,579,970	\$ 1,192,421
Salaries, wages and benefits	945,302	678,695
Supplies	111,295	90,022
Rent	107,968	91,453
Other operating expenses	310,964	259,369
Other income	(2,748)	(2,785)
Impairment charges	867	
Depreciation and amortization	48,690	32,549
Interest expense	26,578	5,728
Investment income	(292)	(495)
	1,548,624	1,154,536
Income from continuing operations before income taxes	31,346	37,885
Provision for income taxes	12,814	15,609
Income from continuing operations	18,532	22,276
Income (loss) from discontinued operations, net of income taxes	110	(179)
Net income	18,642	22,097
Earnings attributable to noncontrolling interests	(451)	
Income attributable to Kindred	\$ 18,191	\$ 22,097
Amounts attributable to Kindred stockholders:		
Income from continuing operations	\$ 18,081	\$ 22,276
Income (loss) from discontinued operations	110	(179)
Net income	\$ 18,191	\$ 22,097
Earnings per common share:		
Basic:		
Income from continuing operations	\$ 0.35	\$ 0.56
Income (loss) from discontinued operations		
Net income	\$ 0.35	\$ 0.56
Diluted:		
Income from continuing operations	\$ 0.35	\$ 0.55
Income (loss) from discontinued operations		

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Net income		\$ 0.35	\$ 0.55
Shares used in computing earnings per common share:			
Basic		51,603	39,035
Diluted		51,638	39,543
	See accompanying notes.		

**Table of Contents****KINDRED HEALTHCARE, INC.****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****(Unaudited)****(In thousands)**

	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net income	\$ 18,642	\$ 22,097
Other comprehensive income:		
Available-for-sale securities:		
Change in net unrealized investment gains	1,202	554
Reclassification of net gains included in net income	(77)	(158)
Net change	1,125	396
Interest rate swaps:		
Change in unrealized loss	(131)	
Reclassification of losses included in net income	201	
Net change	70	
Income tax expense related to items of other comprehensive income	(420)	(138)
Other comprehensive income	775	258
Comprehensive income	19,417	22,355
Earnings attributable to noncontrolling interests	(451)	
Comprehensive income attributable to Kindred	\$ 18,966	\$ 22,355

See accompanying notes.

**Table of Contents****KINDRED HEALTHCARE, INC.****CONDENSED CONSOLIDATED BALANCE SHEET****(Unaudited)****(In thousands, except per share amounts)**

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 40,137	\$ 41,561
Cash restricted	5,327	5,551
Insurance subsidiary investments	74,462	70,425
Accounts receivable less allowance for loss of \$32,864 March 31, 2012 and \$29,746 December 31, 2011	1,044,401	994,700
Inventories	31,155	31,060
Deferred tax assets	19,911	17,785
Income taxes	7,689	39,513
Other	40,186	32,687
	1,263,268	1,233,282
Property and equipment	2,053,326	1,975,063
Accumulated depreciation	(956,871)	(916,022)
	1,096,455	1,059,041
Goodwill	1,084,716	1,084,655
Intangible assets less accumulated amortization of \$21,964 March 31, 2012 and \$16,581 December 31, 2011	441,824	447,207
Assets held for sale	4,671	5,612
Insurance subsidiary investments	120,184	110,227
Other	222,054	198,469
Total assets	\$ 4,233,172	\$ 4,138,493
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 205,835	\$ 216,801
Salaries, wages and other compensation	380,981	407,493
Due to third party payors	28,330	37,306
Professional liability risks	45,257	46,010
Other accrued liabilities	131,339	130,693
Long-term debt due within one year	10,415	10,620
	802,157	848,923
Long-term debt	1,648,071	1,531,882
Professional liability risks	223,344	217,717
Deferred tax liabilities	17,313	17,955
Deferred credits and other liabilities	196,089	191,771
Noncontrolling interests-redeemable	9,532	9,704
Commitments and contingencies		

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Equity:

Stockholders' equity:

Common stock, \$0.25 par value; authorized 175,000 shares; issued 52,900 shares March 31, 2012 and 52,116 shares December 31, 2011	13,225	13,029
Capital in excess of par value	1,135,917	1,138,189
Accumulated other comprehensive loss	(694)	(1,469)
Retained earnings	157,363	139,172
	1,305,811	1,288,921
Noncontrolling interests-nonredeemable	30,855	31,620
Total equity	1,336,666	1,320,541
Total liabilities and equity	\$ 4,233,172	\$ 4,138,493

See accompanying notes.



**Table of Contents****KINDRED HEALTHCARE, INC.****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****(Unaudited)****(In thousands)**

	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Net income	\$ 18,642	\$ 22,097
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	48,690	32,549
Amortization of stock-based compensation costs	1,802	2,644
Amortization of deferred financing costs	2,357	846
Provision for doubtful accounts	7,496	5,830
Deferred income taxes	(3,662)	