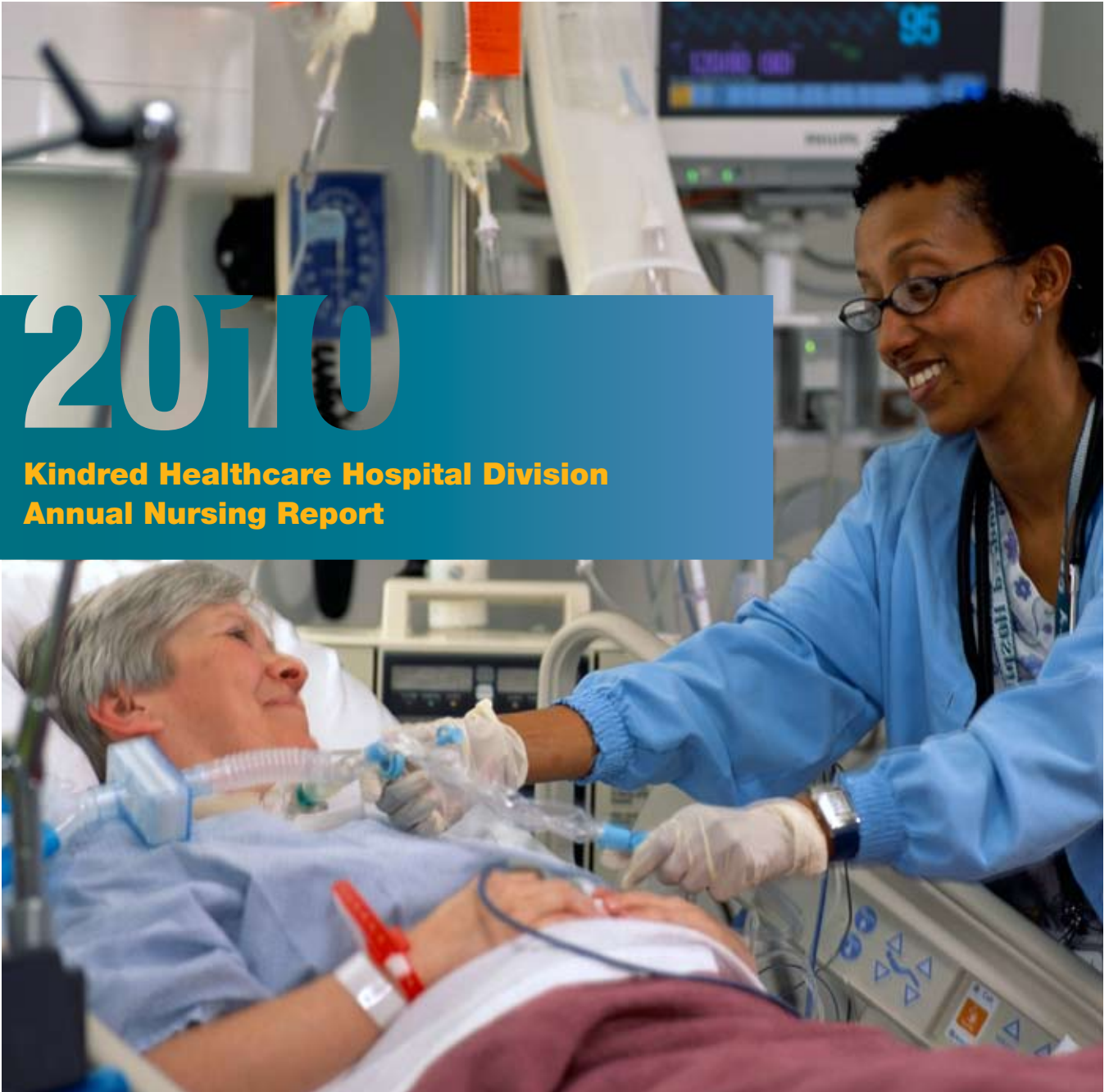


Kindred  Hospitals

Dedicated to Hope, Healing and Recovery

2010

**Kindred Healthcare Hospital Division
Annual Nursing Report**





CONTENTS

About Kindred Healthcare	4
Patient-Centered Care	6
Integrated Treatment and Services	8
Clinical Systems	10
Clinical Councils	12
Our Quality Care Indicators	14
Clinical Impact Symposia	16
Education and Training Opportunities	18
Kindred Nurses – By the Numbers	19

Welcome

We are pleased to bring you this second annual 2010 Kindred Healthcare Hospital Division Nursing Report, which provides the opportunity to highlight our greatest resource in delivering high-quality, patient-centered healthcare – our caregivers. As they are dedicated to providing essential care to our patients, we are committed to them.

At Kindred, we are proud of the quality care delivered in our 89 long-term acute care hospitals that results in quality patient outcomes. Year over year, our quality metrics have continued to improve. In order to continue this trend of performance excellence and improved value and outcomes for our patients, we remain committed to providing the best environment

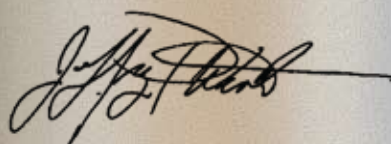
in which to work, while fostering opportunities for professional and leadership development.

Investing in our nurses and caregivers is investing in Kindred's future, which is why we have put key training and leadership development programs in place.

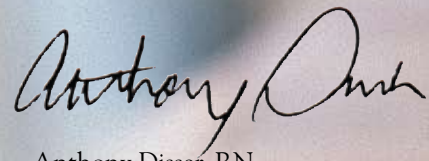
It is our goal to enhance the environment in which we all work, live and provide life-sustaining care. As you will see in this report, efforts and initiatives geared toward realizing this goal are having a tremendous and positive impact. We see this through improved clinical outcomes for our patients, consistently improved retention rates and high levels of nurse/caregiver satisfaction.

The intent of this report is to highlight the excellent work of our nurses, to detail our programs dedicated to professional and leadership development and to illustrate Kindred's continued efforts to make our hospitals the best places to work.

As Kindred nurses and caregivers, your role is key and you truly are our greatest assets! A heartfelt thank you to each and every one of you and for the work you do each day to care for our patients and their families.



Jeffrey Winter
President, Hospital Division



Anthony Disser, RN
Senior Vice President of Clinical
Operations, Hospital Division

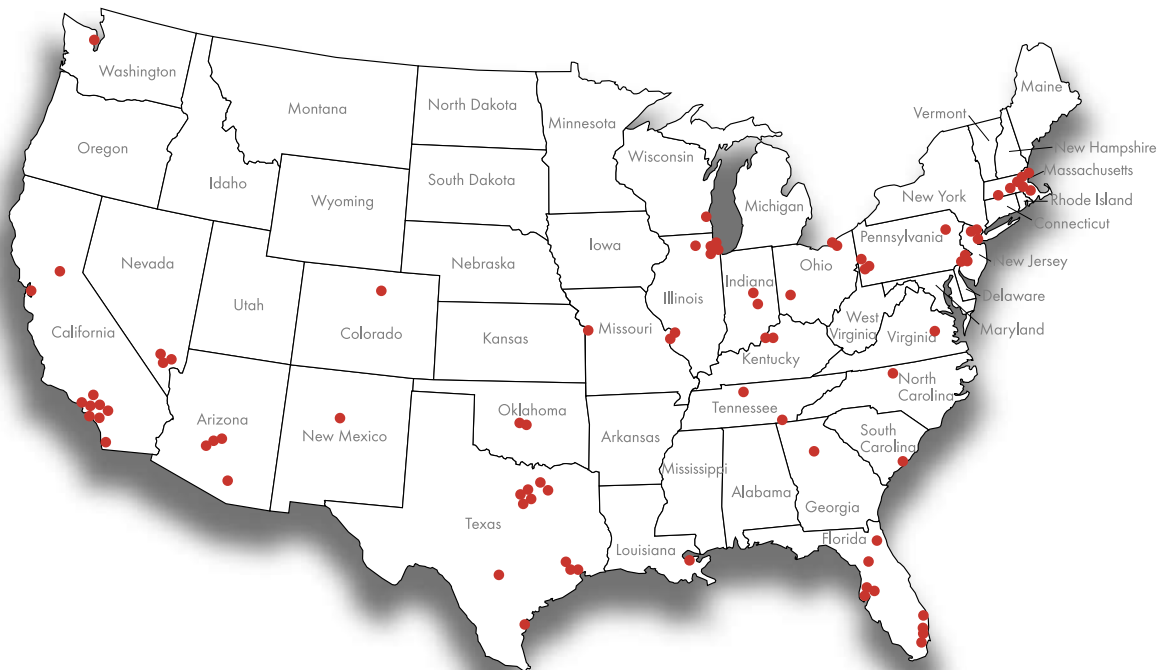
Our Mission

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.

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

Our Management Philosophy

Our Locations





Kindred Hospitals are
16,800 dedicated employees
delivering care to more than
3,800 patients each day in
89 long-term acute care
hospitals in **24** states.

**Quality Care in the Most
Appropriate Setting**

Kindred's long-term acute care (LTAC) hospitals are designed to provide 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 requires less than full long-term acute care. These patients might

have late-stage emphysema or require extensive wound care by an interdisciplinary team.

Continuing the Care

Kindred's care approach is to provide a continuum of post-acute care in local healthcare delivery markets. The unique and specialized care delivered in our LTAC hospitals each day is integral to patient recovery and restoring wellness – and an important step to successfully transitioning patients home or to lower-acuity settings in the local community to best meet their individual needs.



Kindred's Patient Care Philosophy

It is the philosophy of Kindred Hospitals to create an environment that supports safe and effective delivery of patient care, treatment and services, continuous improvement and innovative services that recognize the complexities presented by the current healthcare environment.

We believe that multiple avenues must be available for voicing concerns, questioning care, resolving issues surrounding professional practice and addressing ethical dilemmas or concerns.

Kindred's Nursing Practice Plan

Patient care services provided by long-term acute care hospitals throughout Kindred's Hospital Division are based on the organization's mission, vision, goals and patient care philosophy as well as on the needs of the individual communities served. The patient care services are organized in response to patient needs as identified through the Hospital Division's overall planning process. The plan outlines the organizational components integral in the provision of safe and effective patient care.

The plan for providing patient care considers the following:

- The areas of the organization in which care is provided
- The mechanisms used in each area to identify patient care needs

- The number and mix of staff members in each area to provide for patient needs
- The process used for assessing and acting on staffing variances
- The interdisciplinary plan for improving the quality of care
- Compliance with the National Patient Safety Goals

The organizational plan for providing patient care for each hospital is reviewed annually and revised as necessary. Changes in patient care needs or findings from performance improvement activities, risk management, infection control, safety and other internal assessments may also trigger reviews and revision. The leadership of Kindred's Hospital Division and each individual hospital takes responsibility for providing the



Patient Care

foundation and support for planning, directing, coordinating, providing and improving healthcare services. These services are based on assessed and identified needs and are designed to be in accordance with the organization's mission, vision, values and strategic plans.

The goal of nursing service in each Kindred hospital is to provide quality patient care in a long-term acute healthcare environment by facilitating and coordinating the members of the healthcare team to meet patient needs, assist in the rehabilitation process and support the patient in the dying process as recognized by the standards for the practice of nursing.

Patient-Centered Care

Care that is truly patient-centered considers patients' cultural traditions, their personal preferences and values, their family situations and their lifestyles. It makes the patient and their loved ones an integral part of the care team who collaborate with healthcare professionals in making clinical decisions. Patient-centered care puts responsibility for important aspects of self-care and monitoring in patients' hands – along with the tools and support they need to carry out that responsibility. Patient-centered care ensures that transitions between providers, departments and healthcare settings are respectful, coordinated and efficient.

Advancing patient-centered care is clearly a multi-faceted challenge, and at Kindred we are working to identify best practices and promising system changes that enable patient-centered care in three areas:

- Involving patients and families in the design of care
- Reliably meeting patient's needs and preferences
- Informed shared decision-making

The Interdisciplinary Treatment Team

The patients in Kindred's long-term acute care hospitals have three to six concurrent active diagnoses and have suffered an acute episode on top of several chronic illnesses. We utilize the Interdisciplinary Care Coordination Team to best treat the patient by planning for the patient's unique clinical needs, focusing on any barriers to discharging the individual to the next level of care through a truly coordinated, multidisciplinary team approach. The expertise of every team member is critical in the collaborative process in order to achieve Kindred's standard of quality patient care.

The organization embraces a continuous quality and performance improvement philosophy as outlined in our Hospital Strategic Quality Plan in which interdisciplinary cross-functional teams are chartered for the purpose of performance improvement. Interdisciplinary teams are maintained to ensure continuity of patient care services through open communication. Each patient is unique and their specific needs determine their care delivery. This approach to individualized care is age-specific and appropriate to the patient's needs and severity of disease, condition, impairment or disability. Patient care goals are identified, prioritized and directed toward discharge and are discussed at regular team meetings.

The following disciplines play key roles in determining patient care and services:

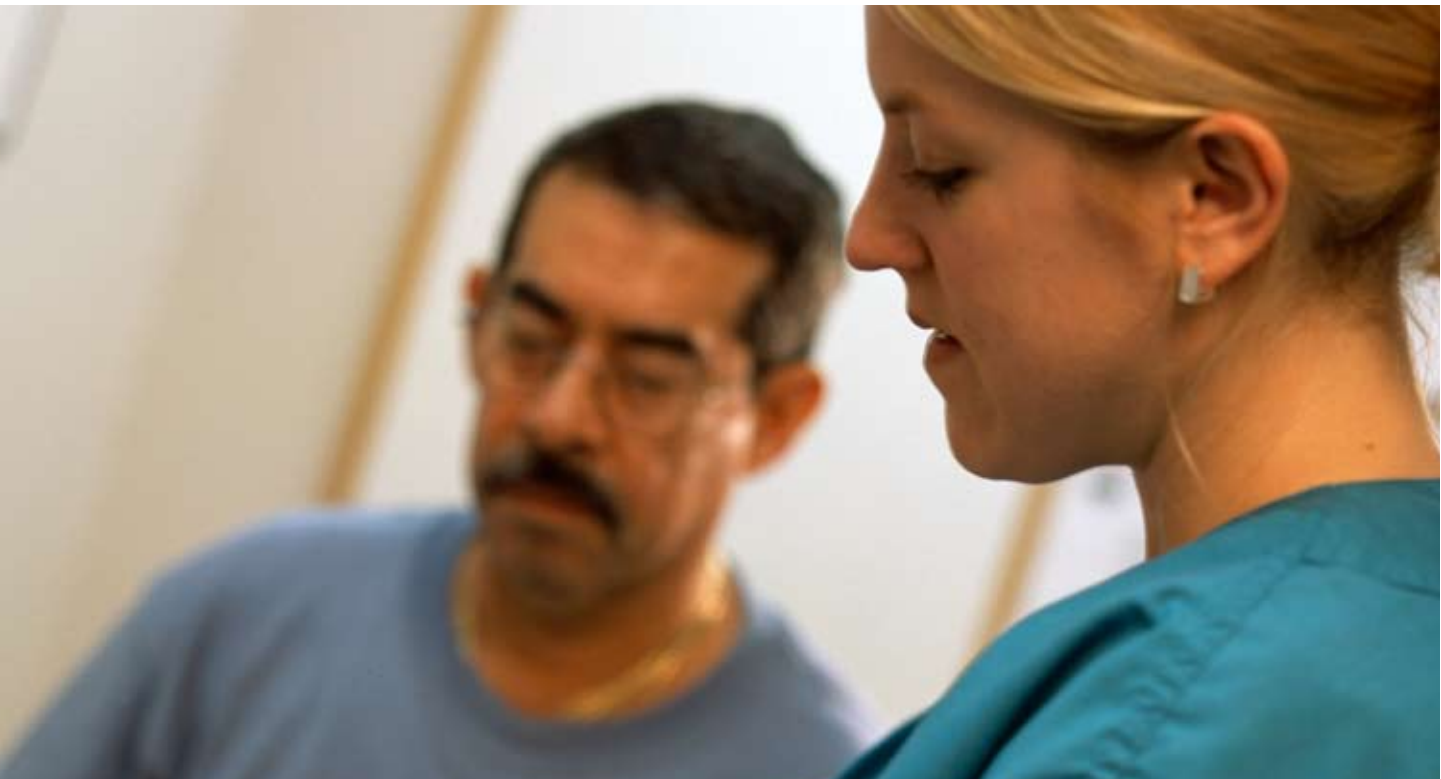
- Nursing
- Physicians
- Case Management and Care Management
- Rehabilitation Services
- Respiratory Care
- Food & Nutrition Services
- Pharmacy
- Chief Clinical Officers & Quality Managers
- Wound Care Specialists
- Infection Control
- Clinical Documentation Specialists
- Coding/HIM

Many disciplines work together to promote patient healing in Kindred LTAC hospitals, which calls upon the wide variety of patient care services to help.



Provision of Care, Treatment and Services





- It is our goal to provide patient care in an integrated system of settings, services, healthcare practitioners and care levels. We will match the patient's ongoing needs to the appropriate level and type of care before admission, during admission, while in the hospital, before discharge and at discharge. Our goal is to maximize coordination of care along this continuum.
- It is our goal to determine care needs through assessment of each patient's needs.
- It is our goal to provide individualized, planned and appropriate care in settings that support the patient's care, treatment and rehabilitation goals.
- It is our goal to educate patients and the people who play a significant role in the patient's life, on improving patient health outcomes by promoting recovery, a speedy return to optimal level of function, healthy behavior and the appropriate involvement of the patient and or family in his or her care.



Hospital Division

Clinical Systems:

Supporting Patient Care Outcomes and Documentation

One of the responsibilities of the Kindred Healthcare Support Center and the Hospital Division Clinical Operations Team is to ensure the entire clinical team has all of the tools necessary to deliver great care and service to our patients and families. We are dedicated to continue to develop new tools and enhance the automation and technologies already in place in order to support the critical work carried out by our nursing staff each day.

The automation tools and modalities that Kindred Healthcare has built for use in our LTAC hospitals include:

- ProTouch - Electronic patient medical record (EMR)
- STATUS.net - System that captures ventilator data and uploads into ProTouch
- SoftLab – Laboratory information system (LIS)
- RxLink Web – Pharmacy information system
- Micromedex – Drug reference resource
- Centricity IC – Radiology information system (RIS)
- Centricity PACS & Web – Radiology image viewing and storing
- Momentus – Dietary management system
- Event Reporting System – Risk management and claims reporting system
- KHAT – Kindred Hospital Acuity Tool to assist in nurse staffing
- MSO – Medical staff credentialing software
- Intellioorder – Materials management inventory tracking system
- AIMS – Maintenance management system
- CERME – Case management software
- LMS – Learning management software
- Kronos – Automated time and attendance system
- Data Warehouse – Data repository for reports
- Meditech – Patient accounting system used to register patient stays and bill payers
- Knect – Kindred's intranet of internal resources

ProTouch

ProTouch is a valuable documentation tool for clinicians and physicians. It is the basic information entry database that tells the patient story. When ProTouch is used to its full potential, the patient story assures the Interdisciplinary Team can plan and deliver continuous and coherent care and document the work.

Recent work by the Kindred Support Center Information Services and Hospital Division Clinical Operations team has resulted in several key improvements in ProTouch:

- Electronic Interdisciplinary Team (EIT) documentation of the IDT meeting has been incorporated into ProTouch including goals and barriers related to the patient's plan of care.
- By auto-populating data fields, this enhancement creates efficiencies and enables the interdisciplinary team to focus efforts on collaborative patient care coordination and to utilize past data to trend patient care over time – driving the desired outcomes and quality of care.
- Wound Care Program enhancements allow the use of the modified Bates-Jensen wound scoring tool, more complete plan of care documentation, additional skin etiology documentation, trending wound scores, improved wound/skin flowsheets and a more complete Braden Scale. The improved electronic tracking of wounds enables Kindred clinicians to most appropriately provide effective wound care.
 - Medication Reconciliation allows for timely, accurate and complete reconciliation of medications across the continuum of care by maximizing the functionality in ProTouch. The project was invaluable for reaching National Patient Safety Goal 8 – reconciling all the medications patients were taking upon admission. In late 2011, users will begin to see significant changes in the look and feel of ProTouch and the addition of new data analytics capabilities. This ongoing commitment to building a better ProTouch will bring new tools that enable us to better serve our patients and deliver on our commitment to providing the best in patient care.



Kindred Clinical Councils

To deliver on Kindred's promise of hope, healing and recovery, the Hospital Division has developed a broad scope of councils to support and develop clinical operations and management improvement. The goal of these dedicated councils is to improve patient outcomes and contribute to a professional environment that attracts premier nursing staff.

National Nursing Council

In 2010, the National Nursing Council worked on several major projects that resulted in improving quality patient care and nursing practice. The National Nursing Council is provided regular updates from all Kindred Hospital Division Clinical Subcommittees including wound care, infection control, rehabilitation (RehabCare), pharmacy (PharMerica), survey activities, best practice reviews, CNA subcommittees, respiratory therapy, nutrition and laboratory. The interaction of these subcommittees, that share a goal of clinical excellence, is imperative for Kindred Hospitals and caregivers to continue to deliver on the goal of hope, healing and recovery.

For 2011, the council has committed to new programs and initiatives that will further enhance nurse training and improved patient outcomes. These include:

- Finalize nurse manager standardized orientation
- Developing process to monitor chemical restraints
- Develop a nationwide Foley reduction program
- Develop suicide risk assessment screen/abuse intervention
- Streamline procedure documentation

Patient Care Committee

Clinicians have come together to form the Kindred Patient Care Committee (PCC) to work toward improving the delivery care model for our patients, families and employees.

Throughout 2010, the PCC interacted with all disciplines of direct patient care to guide, implement and monitor effective and efficient best clinical practices and patient care delivery. The focus of the PCC is on standardization of clinical practices, seamless care to our patient and families and building relationships among disciplines. The ongoing work of the committee will ensure improved quality care and performance, and increased satisfaction for those we serve.

The PCC interacts with the Hospital Division National Nursing Council, Respiratory Care Directors Council and other clinical councils or disciplines to assure congruence of agendas and best clinical practices for our patients.

In 2011, The PCC will work diligently to further develop a patient-focused care model.

Wound Care Advisory Council

This entity serves as the Advisory Council for wound prevention and management with a special focus on standards of care and practice, policies and procedures, products and equipment and clinical competencies.

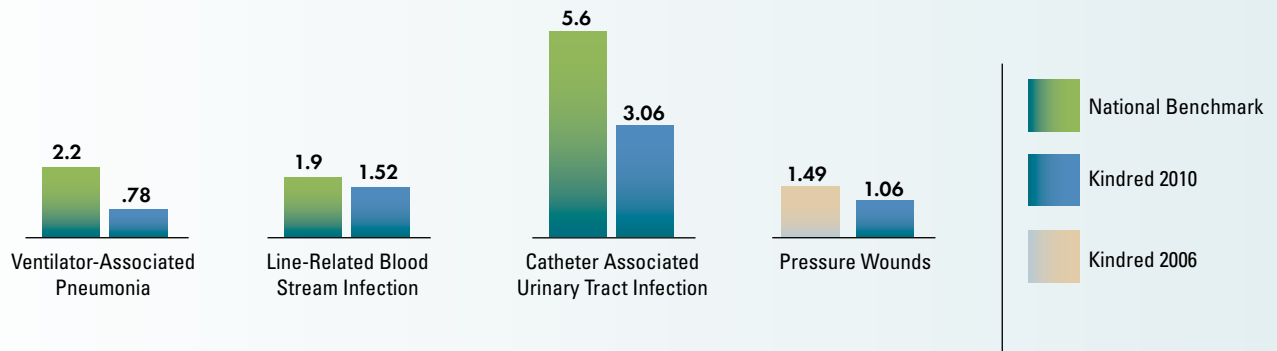
A significant advancement for this council was the completion of the Phase III ProTouch Wound Pathway changes, which will be beta tested with ongoing education during 2011. This step forward recognizes the role that the electronic health record system (ProTouch) in place in all of Kindred's Hospitals can play. It has an integral role in documenting and tracking skin integrity in a user-friendly interface. This, coupled with the ongoing efforts to update and improve policies and conduct procedure reviews, will continuously improve the ability of Kindred's caregiving staff to reduce the incidence of hospital acquired pressure ulcers and to better treat those present at admission.

Other clinical councils include Kindred Hospital Division's Infection Control Council, Nutrition Council, Lab Council, Respiratory Care Directors Council and the Clinical Operations Leadership Team (COLT).

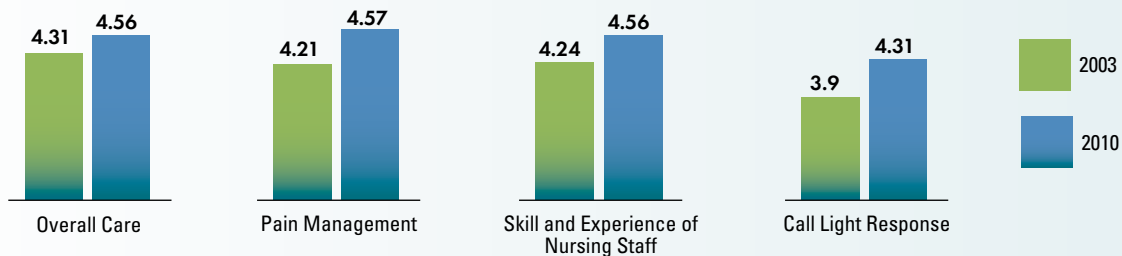
A Focus on Quality Patient Care



KINDRED'S QUALITY EXCEEDS NATIONAL BENCHMARKS ON KEY INDICATORS



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



In 2010, 28,766 patients (64%) went home or to a lower level of care after an average length of stay of 30 days.

Kindred's quality exceeds national benchmarks on key indicators and Kindred Hospitals are consistently receiving very high satisfaction rates from patients and families.

Overall nurse satisfaction in Kindred LTAC hospitals was 66.3 percent in 2010.

Success in Promoting Caregiver Safety

The Slip Resistant Footwear Initiative continued its effective run into 2010, building upon the successes of the previous years since its 2008 inception.

Resultant of our constant effort to create a safer workplace environment through the promotion and use of slip resistant shoes, in 2010 Kindred saw a 6% frequency reduction in slip and fall injuries in the Nursing Center Division

and a 10% frequency reduction in slip and fall injuries in the Hospital Division.

Also in 2010, Worker's Comp Champions were chosen for all facility locations – HD and NCD. These champions will focus on ensuring root cause analysis and PIP is executed as well as facilitating any operational changes, which may be required to reduce injury frequency.

Kindred also provided Loss Prevention training at Regional, District and Facility levels, which included:

- Root Cause analysis
- Process Improvement planning
- Slip Resistant Shoe Initiative roll-out & training
- Efforts to strengthen existing safety policy and procedure

We created a safer 2010 for our caregivers and look forward to continued progress.

Investing in Nurse Leaders

The goal of Kindred hospitals is to attract, retain and develop outstanding nurses. To do so, we are committed to providing them with the best tools, resources and training to continue to excel in their field and grow professionally.

Nurse Leadership Program

This training program provides training in leadership, delegation, performance management, conflict management and team building. The leadership development initiative has brought about an overwhelming positive reaction and interest from Chief Clinical Officers and Directors of Nursing. Kindred has plans to conduct three Nurse Leadership programs in 2011.



Clinical Impact Symposia

With the goal of enhancing and improving the clinical practice and expertise of our nurses and therapists along the post-acute continuum, Kindred developed annual Clinical Impact Symposia to advance the organization as a leader in clinical excellence.

2009 marked the initial symposium focused on Wound Management, and in 2010 the second annual symposium was entitled Respiratory Care Across the Continuum. These educational opportunities have attracted more than 350 of our Kindred colleagues each year. The 2011 symposium will focus on Cardiopulmonary and Respiratory Therapy.

These symposia set us apart from other providers, and help us enhance the clinical skills and provide our caregivers the training to best serve our patients.

“As a former critical care nurse, I grew up in my profession working with Bird ventilators. I never in my wildest imagination could I have envisioned meeting the actual inventor – this was a humbling moment in my professional career and one that I will forever cherish.”

Carlene Nugent, Chief Clinical Officer at Kindred Hospital South Hollywood – Florida



2010 Clinical Impact Symposium: Respiratory Care Across the Continuum

Kindred's second annual Clinical Impact Symposium, held in Louisville in November 2010, followed in the steps of 2009's inaugural conference as an enormous success.

One of the highlights of the 2010 symposium was a presentation by Dr. Forrest Bird, the inventor of the world's first mass-produced mechanical ventilator, who spoke about the importance of education. He continues to contribute to the field of pulmonary science by participating in the development of the VDR, a ventilator

that permits management of the most challenging patients including ARDS, trauma and inhalation injury.

The impact of hearing from one who has made such distinguished contributions to respiratory care was felt by all in attendance.

The symposium emphasized an interdisciplinary approach to patient care and offered cross-divisional networking opportunities.

The symposium also featured poster presentations by clinicians from across Kindred, as well as some friendly

competition in the form of the Great Expectorations Challenge. Both the poster presentations and the challenge provide attendees the opportunity to learn from one another and share best practices with their counterparts across Kindred's continuum of care.

All of the participants, speakers and leaders gathered with a common goal in mind – to enhance clinical practice in the post-acute continuum, moving Kindred towards recognition as a leader in clinical excellence.



Evidenced-Based Practices – A Case Study on Reducing Pressure Ulcers

“What I like best about my position is that I can provide quality care for thousands of patients through the support and ongoing education I can provide to bedside caregivers. I am able to assist caregivers, WCCs, staff nurses, CNAs and ancillary staff achieve quality outcomes by providing evidence-based, best practices for patients at a high risk for skin and pressure issues.”

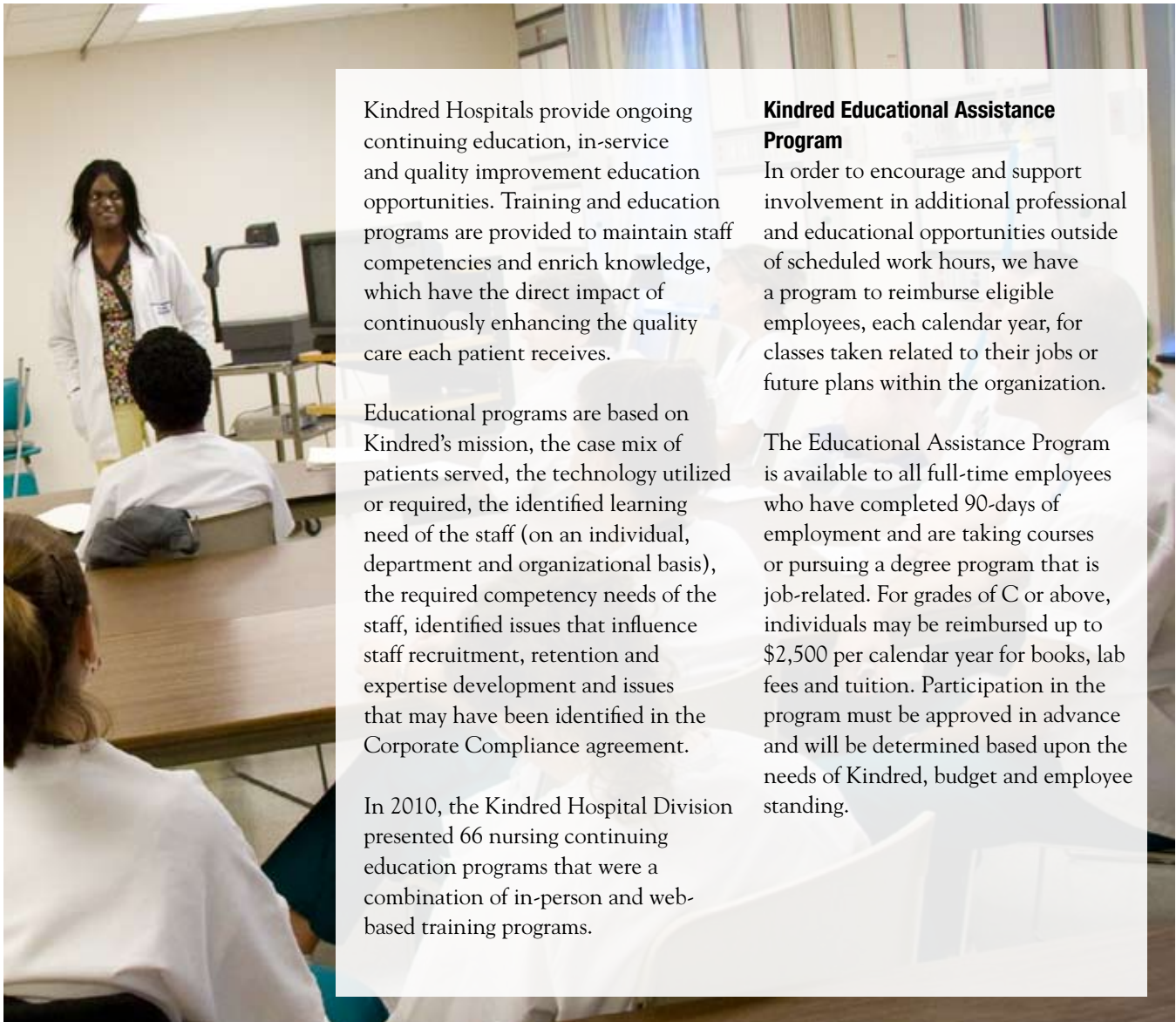
Susan Logan, RN, BSN, ET, CWS, FACCWS

Kindred Healthcare is committed to developing and implementing evidenced-based, best practices that enhance the care and clinical outcomes for our patients. One such best practice that was more recently put into place is the 2010 Skin Saver Initiative, which was created by Kindred’s wound care program under the direction of Susan Logan, RN, BSN, ET, CWS, FACCWS.

The new initiative seeks to reduce and prevent pressure ulcers by maximizing the tremendous hands-on time that CNAs have with patients each day at the bedside. The goal of the program is to empower CNAs to realize their ability to prevent pressure ulcers.

According to Logan, in order to accomplish the stated goal, the team has to do so through education. Highlights of the program include establishing monthly activities to enhance the education-level of all caregivers, working directly with CNAs to enhance communications regarding patient skin integrity, creating new tools to aid in care methods to prevent ulcers and developing a new annual recognition program for CNAs known as “Skin Savers.” While the program embraces the nearly 60 percent of time spent at the bedside by CNAs, it relies on communication and leadership skills from nurses and caregivers at all levels to produce ongoing success – from the Wound Care Advisory Council, to the Wound Care Coordinators (WCCs), to the Directors of Education, and most certainly, the CNAs.

The Skin Saver Program illustrates an example of how Kindred seeks out best practices and standardizes them for all hospitals in order to address a difficult clinical issues like pressure ulcers among the critically and chronically ill.



Kindred Hospitals provide ongoing continuing education, in-service and quality improvement education opportunities. Training and education programs are provided to maintain staff competencies and enrich knowledge, which have the direct impact of continuously enhancing the quality care each patient receives.

Educational programs are based on Kindred's mission, the case mix of patients served, the technology utilized or required, the identified learning need of the staff (on an individual, department and organizational basis), the required competency needs of the staff, identified issues that influence staff recruitment, retention and expertise development and issues that may have been identified in the Corporate Compliance agreement.

In 2010, the Kindred Hospital Division presented 66 nursing continuing education programs that were a combination of in-person and web-based training programs.

Kindred Educational Assistance Program

In order to encourage and support involvement in additional professional and educational opportunities outside of scheduled work hours, we have a program to reimburse eligible employees, each calendar year, for classes taken related to their jobs or future plans within the organization.

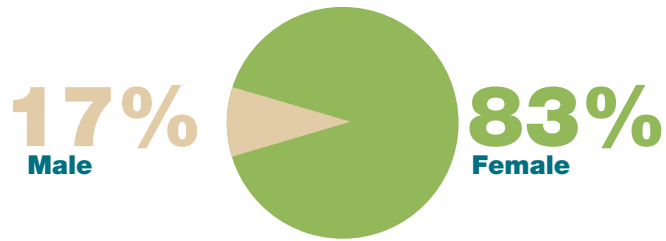
The Educational Assistance Program is available to all full-time employees who have completed 90-days of employment and are taking courses or pursuing a degree program that is job-related. For grades of C or above, individuals may be reimbursed up to \$2,500 per calendar year for books, lab fees and tuition. Participation in the program must be approved in advance and will be determined based upon the needs of Kindred, budget and employee standing.

Ongoing Educational Opportunities

The average age of a Kindred nurse in 2010 was

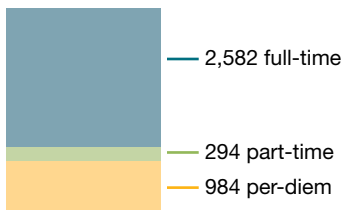
43

Kindred nurses gender



Kindred Nurses By the Numbers

Number of nurses (FT/PT/PD)



The average years of service of a Kindred nurse in 2010 was

4 years

Improving Retention – Reduced Turnover

We do a good job of finding and keeping great nurses. This is evident from the caliber of our entire caregiving team, and the fact that we continue to improve retention. In 2010, turnover for Kindred nursing staff in our LTAC hospitals was **26.3** percent, down from **26.7** percent in 2009 and from just over **31** percent in 2010. We are proud of our retention rates and credit it to the rewarding work in Kindred LTAC hospitals.



Kindred Hospitals

Dedicated to Hope, Healing and Recovery

www.kindredhospitals.com

COPYRIGHT © 2011 Kindred Healthcare Operating, Inc. CSR132550

FSC