

GENTIVA HEALTH SERVICES INC

Form 425

June 02, 2014

Jefferies 2014 Global Healthcare

Conference

June 2, 2014

Filed pursuant to Rule 425 under the Securities

Act of 1933, as amended

Edgar Filing: GENTIVA HEALTH SERVICES INC - Form 425

Filer: Kindred Healthcare, Inc.

(Commission File No. 001-14057)

Subject Company: Gentiva Health Services, Inc.

(Commission File No. 001-15669)

2

## Forward-Looking Statements

2

This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, regarding our financial position, results of operations, cash flows, financing plans, business strategy, budgets, capital expenditures, competitive position, and performance, anticipated profitability, revenues, expenses or other financial items, and product or services line growth, together with the Company based upon currently available information.

Such forward-looking statements are inherently uncertain, and stockholders and other potential investors must recognize that actual results or performance may differ materially from those discussed below. Such forward-looking statements are based upon management's current expectations and include known and unknown risks, uncertainties and other factors that may cause actual results or performance to differ materially from any future results or performance expressed or implied by such forward-looking statements. Kindred's filings with the Securities and Exchange Commission.

In addition to the factors set forth above, other factors that may affect Kindred's plans, results or stock price include, without limitation, potential material changes to the delivery of healthcare services and the reimbursement paid for such services by the government, the Affordable Care Act (collectively, the ACA) or future deficit reduction measures adopted at the federal or state level, any amendments, modifications or retraction of funding for various aspects of the ACA create additional uncertainty about the ultimate impact of the ACA on Medicare and Medicaid Services (CMS) and others, and the numerous processes required to implement these reforms, Kindred's ability to predict the impact such reforms or any other future legislation or regulation will have on Kindred's business, financial position, results of operations, and cash flows, reimbursement to Kindred's transitional care (TC) hospitals in 2013 and beyond by imposing a budget neutrality adjustment factor on Medicare reimbursement to Kindred's nursing centers and changed payments for the provision of group therapy services effective January 1, 2013 (Taxpayer Relief Act) which instituted an automatic 2% reduction on each claim submitted to Medicare beginning April 1, 2013, the Act of 2013, which will reduce the population of patients eligible for Kindred's hospital services and change the basis upon which reimbursement is provided subsequent procedures when multiple therapy services are provided on the same day. At this time, Kindred believes that the rules regarding reimbursement rates or the methods or timing of payment from third party payors, including commercial payors and the Medicare program, and potential changes in the Medicare payment rules, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the Medicare home health and hospice operations, and the expiration of the Medicare Part B therapy cap exception process, (h) the effects of regulations governing the healthcare industry, (i) the ability of Kindred's hospitals and nursing centers to adjust to medical needs, (j) pending whistleblower and wage and hour class action lawsuits against Kindred) and Kindred's ability to predict the estimated outcomes, (k) the impact of Kindred's significant level of indebtedness on Kindred's funding costs, operating flexibility and ability to successfully redeploy its capital and proceeds of asset sales in pursuit of its business strategy and pursue its development opportunities, (l) economies of scale, cost savings and productivity gains associated with such operations, as and when planned, including the potential impact when and if declared by the Board of Directors, in compliance with applicable laws and Kindred's debt and other contractual obligations, and cost containment efforts of managed care organizations and other third party payors, (p) Kindred's ability to meet its rental obligations thereunder, and Kindred's ability to operate pursuant to its master lease agreements with Ventas, Inc. (NYSE:VTR), (r) the cost and terms of debt and equity financing sources to fund the requirements of Kindred's businesses, or which could negatively impact Kindred's ability to successfully reduce (by divestiture of operations or otherwise) its exposure to professional liability and other claims, (u) Kindred's associated obligation to refund overpayments to government payors, fines and other sanctions, (v) national and regional economic conditions, (w) services, (w) increased operating costs due to shortages in qualified nurses, therapists and other healthcare personnel, (x) Kindred's facilities, (z) events or circumstances which could result in the impairment of an asset or other charges, such as the impact of the changes in generally accepted accounting principles or practices, and changes in tax accounting or tax laws (or authoritative interpretations) reporting.

This presentation also includes forward-looking statements regarding Kindred's proposed business combination transaction with Gentiva (the transaction), all statements regarding Kindred's (and Kindred and Gentiva's combined) expected future financial position, results of operations, cash flows, financing plans, business strategy, budgets, capital expenditures, competitive position, and performance, anticipated profitability, revenues, expenses or other financial items, and product or services line growth, together with the Company based upon currently available information.

opportunities, plans and objectives of management, and statements containing the words such as anticipate, approximate, similar expressions. Statements in this presentation concerning the business outlook or future economic performance, anticipated businesses of Kindred and Gentiva), together with other statements that are not historical facts, are forward-looking statements

Risks and uncertainties related to the proposed transaction with Gentiva include, but are not limited to, uncertainty as to whether adverse reactions or changes to business relationships resulting from the announcement or completion of the transaction, uncertainty of the transaction or any failure to complete the transaction, competitive responses to the announcement or consummation of the transaction, information obtained or are obtained subject to terms and conditions that are not anticipated, costs and difficulties related to the integration of savings and synergies from the transaction, unexpected costs, liabilities, charges or expenses resulting from the transaction, litigation and other conditions.

Many of these factors are beyond Kindred's control. Kindred cautions investors that any forward-looking statements made by Kindred are subject to the results of any revisions to any of the forward-looking statements to reflect future events or developments.

Kindred has provided information in this presentation to compute certain non-GAAP measurements for specified periods before the presentation and on our website at [www.kindredhealthcare.com](http://www.kindredhealthcare.com) under the heading "Investors".

#### Additional Information

This presentation is provided for informational purposes only and does not constitute an offer to purchase or the solicitation of an offer to purchase by the SEC in connection with a possible business combination transaction with Gentiva. Kindred and Gentiva shareholders should consult their brokers and contain important information. Those documents, if and when filed, as well as Kindred's other public filings with the SEC, may contain

Kindred Healthcare's Diversified Business and  
Revenue Mix

(1) Revenues for the twelve months ended March 31, 2014 (before intercompany eliminations).

(2) March 31, 2014.

(3) For the twelve months ended March 31, 2014.

40%

(\$2.0 billion)

Medicare

Medicaid

Revenue

Mix

(1

)

Business

Mix  
(1)  
21%  
(\$1.1 billion)  
Business-to-  
Business  
Commercial  
Insurance/  
Private  
12%  
(\$0.6 billion)  
27%  
(\$1.4 billion)  
25%  
(\$1.3 billion)  
21%  
(\$1.1 billion)  
49%  
(\$2.5 billion)  
Hospitals  
(LTAC/IRF)  
RehabCare  
Nursing and  
Rehabilitation  
Centers  
5%  
(\$0.2 billion)  
Care  
Management  
3

\$5.1 billion total revenues

2,313 locations, 309 facilities in 47 states

503,000 patients and residents

63,000 dedicated employees

(1)  
(2)  
(3)  
(2)

Leading Diversified Post-Acute Provider  
With Focus on Developing *Integrated Care Market*  
Capabilities  
Transitional Care Hospitals (100)  
Inpatient Rehabilitation Hospitals (5)  
Hospital-Based Acute Rehab Units (105)  
Nursing and Rehabilitation Centers (99)

RehabCare Total Sites of Service (1,825)

Home Health, Hospice and Private Duty

in 16 Integrated Care Markets (157)

Regional Support Centers

As of March 31, 2014

Integrated Care Market (12)

Targeted Integrated Care Market (10)

4



Kindred's Value Proposition and our

[Continue](#)

The

Care

Campaign

Be a leader in helping to coordinate and deliver high quality care at the lowest cost (particularly for those patients who are the highest users of healthcare services)

By providing superior clinical outcomes in the most appropriate setting, with an approach which is patient-centered, disciplined and transparent

Lower healthcare costs by reducing rehospitalizations and lengths-of-stay in acute care hospitals and throughout an episode of care

By transitioning patients home at the highest possible level of function and wellness

Participate in the development of new care delivery and payment models

To better coordinate care and manage patients with chronic conditions, including the dual-eligibles, with our partners through our integrated care management teams and protocols

5

and More Quickly  
(Reducing Average  
Length-of-Stay)

2

Sending More Patients  
Home

1

Kindred Healthcare  
Delivering on Quality, Value and Innovation in Patient Care Delivery  
Outperforming  
National Quality Benchmarks

503,000

Patients and Residents were  
cared for in settings across the  
continuum

Kindred Hospitals, Nursing Centers, and Home Health and Hospice  
continue to improve on quality indicators and beat industry benchmarks

Reducing  
Rehospitalization

2

56%  
of our Nursing Center

patients go home  
after  
32  
days

70%  
of our Hospital patients  
go home or to a Lower Level  
of Care after  
27 days  
Reduced the total average length  
of stay

by  
10.3%  
in our Hospitals

by  
11%  
in  
our  
Nursing  
Centers  
Kindred Hospitals reduced  
rehospitalization rates by  
14%  
Kindred Nursing Centers have  
reduced rehospitalization rates by  
15%

(1)  
2013 Results  
(2)  
Same store Comparison 2013 to 2009  
6

Kindred's Five-Year Strategic Plan  
Creating Value for Patients, Payors, Teammates and Shareholders  
Fee-For-Service World  
Succeed Today  
in a  
Value-Based Payment World  
Prepare for a Future  
Succeed In  
The Core  
Reposition  
Portfolio  
Aggressively Grow  
Kindred at Home,  
RehabCare, and

Assisted Living  
Businesses  
Develop Care  
Management  
Capabilities  
Advance  
Integrated Care  
Market Strategy  
Improve Capital  
Structure and Enhance  
Shareholder Returns

1  
2  
3  
4  
5  
6

In Integrated  
Care Markets

Redeploy  
Capital to  
Higher  
Margin  
Businesses

To Operationalize  
Continue  
The  
Care

Support new Risk-  
Based Payment  
Systems

People Services

Quality and  
Clinical  
Outcomes

Organic Growth

Manage Cost  
and Capital

Partner with  
Hospitals, Payors  
and ACOs

Continue to Delever

Acquire Facility Real

Grow Dividend

7

Estate

2010 Actual  
2014 Est.  
8  
Growth Phase Begins  
Repositioning  
Strategy Complete  
2  
Executing on Kindred's 5-Year Strategic Plan  
Business  
Mix



Owned vs  
Leased  
Facilities  
Capital  
Structure

(1)

(2)

(1)

Revenue before intercompany eliminations;

(2)

Leases capitalized using 6x rent; Equity represents market cap and Funded Debt calculated as of 12/31 for 2010 Actual and 2014 Est. and calculated as of 3/31 for the twelve months ended March 31, 2014.

Pursuing Highly Accretive External Opportunities to Accelerate Growth  
and Advance Our Continue the Care  
Strategy

Aggressively Grow Kindred  
at Home and RehabCare

3

Executing on Kindred's 5-Year Strategic Plan

9

Kindred has invested approximately \$121 million in  
Acquisitions for its Kindred at Home and RehabCare

Divisions over the Last Twelve Months, Advancing Care Management Capabilities

Integration of Senior Home Care acquisition ahead of plan  
Volumes, revenue and operating margins are all exceeding our pro forma plan in its first full quarter of operations

Kindred Home Based Primary Care (formerly Western Reserve Senior Care) has exceeded expectations  
Strengthens our commitment to further expand our Care Management division

Senior Home Care  
(December 2013)  
Operates 47 home health locations throughout Florida and Louisiana  
\$143 million in revenues

Western Reserve Senior Care  
(October 2013)  
Kindred's entry into the home-based primary care physician practice sector

TherEX (September 2013)  
Provides on-site, hospital-based rehabilitation services nationwide

Other Acquisitions include Virginia Beach Home Health, Dignity Home Health Joint Venture, and 3 TCCs and 2 IRFs being developed on hospital campuses in Integrated Care Markets

Kindred has a history of thoughtful, disciplined growth, and successfully integrating acquisitions and achieving synergies. Gentiva is a compelling opportunity to build on this track record of success

10

Kindred's New Care Management Division  
Optimized for Episodic Care, Bundled Payment and Risk  
Develop Care  
Management Capabilities

4

Executing on Kindred's 5-Year Strategic Plan

Boston  
Cleveland  
Indianapolis  
Las Vegas  
Houston  
New  
Dallas/Fort  
Worth  
Single Market  
Leadership

Incentive Alignment  
Post-Acute Physician  
Leadership  
Standardized Quality  
Measures  
Centralized  
Placement and  
Admissions  
Dedicated Care  
Managers  
I-T Interoperability /  
Info Sharing  
Integrated Care Market Strategy  
Market Implementation Update  
Advance Integrated Care  
Market Strategy and  
Implement Care  
Management  
Capabilities  
5  
Executing on Kindred's 5-Year Strategic Plan  
11

Attractive Investment Considerations  
Kindred Substantially Repositioned for Growth Going Into 2015  
12

Repositioned to faster growth, higher  
margin and less capital intensive businesses

Through repositioning, \$1 billion of  
revenues shifted from Nursing Centers  
to  
Hospital, Rehab and Home Health Care  
since 2011.

1)

As of 3/31/14

2)

Pro Forma 2014 rents of \$335M at 6x

Improving Business

Mix

(Revenues)

Enhanced Future

Earnings, Margin and

Free Cash Flow

Profile

(as of May 7, 2014)

(\$ in millions)

\$125 -

\$145 million of free cash flows

Dividend Yield: 2.0%

Improved Capital

Structure

(\$ in millions)

Enterprise EBITDAR Multiple: 6.8x

Free Cash Flow Yield

4

: 10.5 %

TAD / EBITDAR: 5.1x

3) Market value calculated as of close of business on 3/31/14 (\$23.42).

4) Free Cash Flow Yield represents free cash flow mid-point divided by Market Value of Equity.

2010

2014E

Hospital Services

42%

48%

Rehab Services

10%

24%

Nursing Center

47%

21%

Care Management /

Home Health Care

1%

7%

Total

100%

100%

EBITDAR

Cash Flows from



Operations  
CAPEX  
Free Cash Flow  
Outstanding Share Count  
Dividend  
\$120 -  
\$130  
\$715-  
\$732  
\$26  
\$125 -  
\$145  
\$245 -  
\$275  
55 million  
Funded debt  
1  
\$1,669  
Lease obligations  
2  
\$2,010  
Total adjusted debt (TAD)  
\$3,679  
Market value of equity  
3  
\$1,283  
Enterprise Value  
\$4,962

Legislative and Financial Review  
13

LTAC Legislation Enacted  
Providing Long Term Strategic Opportunity and Visibility

Key Provisions, Timeline and  
Preliminary View of Impact

Strategic Considerations and  
Opportunities

14

6%

34%

Medicare Fee-For-Service

Medicaid

Insurance/Medicare

Advantage/Other

60%

The Bipartisan Budget Act of 2013, signed by the President on December 26, brings long-sought patient and facility criteria to long-term care hospitals

Hospital

Division

Revenue

Mix

(1)

(1)

Revenues for the twelve months ended March 31, 2014 (divisional revenues before intercompany eliminations).

Overview of Key Payment Provisions  
in LTAC Criteria Legislation

Definition of Patients Eligible for LTAC Rate

Patients will continue to be eligible for payment under the current LTAC PPS if they meet either one of two criteria: patients with 3 or more days in an acute care hospital Intensive Care Unit (ICU); or patients

receiving  
prolonged  
mechanical  
ventilation  
(greater  
than  
96  
hours)  
in  
the  
LTAC

Definition of Patients Eligible for Site Neutral  
Rate

Other  
medically  
complex  
patients  
may  
still  
be  
admitted  
to  
LTACs  
and  
receive  
a  
site  
neutral  
rate  
that  
is  
either  
at  
LTAC  
cost  
or  
at  
a  
per  
diem  
rate  
comparable  
to  
payments  
made  
to  
acute  
care

hospitals  
under  
the IPPS payment system

Effective Date and Phase-In

Effective date: Two-year Phase-in of criteria begins after October 1, 2015, linked to each LTAC's cost-reporting period

About 70% of Kindred LTACs have cost-reporting periods that begin July of each year; phase-in of new criteria would not begin for most Kindred LTACs until Summer 2016

During  
phase-in,  
cases  
receiving  
site  
neutral  
rate  
get  
paid  
50%  
based  
on  
current  
LTAC  
rate  
and  
50%  
based  
on  
the  
site  
neutral  
rate  
15

The new criteria would not become fully effective until Summer 2018 for most Kindred LTACS.

16  
2014  
2015  
2016  
2017  
2018  
Oct. 1  
July 1  
Oct. 1  
July 1  
Oct. 1  
July 1  
Oct. 1  
July 1  
Oct. 1



July 1

1. Patient Criteria
2. Site Neutral IPPS  
Equivalent Rate:

50/50 Blend

Full Site Neutral  
Rate

3. 25-Day Length of Stay

Rule Relief

4. 25% Rule Relief

5. Moratorium

6. 50%

Compliance

Test

2020

LTAC Legislation Phase-in and Timeline for the  
Majority of Kindred s Hospitals

Jan 1, 2014

Jan 1, 2015

Summer 2016

Summer 2016

Summer 2016

Summer

2018

17  
Preliminary View of Impact on Kindred's Medicare Fee  
For  
Service  
Business  
(60%  
of

Current  
Hospital  
Revenues)  
Payment Categories under  
Current LTAC PPS  
Payment Categories under  
New LTAC Criteria  
1.  
LTAC DRG (with outlier  
payment)  
~ 70% of current cases  
2.  
LTAC Cost (for short  
stays)  
3.  
IPPS  
Per  
Diem  
(for  
very  
short stays)  
1.  
LTAC DRG (with outlier  
payment) for defined cases  
~ 40% of current cases  
2.  
LTAC Cost; or  
3.  
IPPS Per Diem  
~ 60% of  
current cases  
~ 30% of  
current  
cases  
Site  
Neutral  
Rate  
When  
fully  
phased-in  
(Summer  
2018),  
an  
additional  
30%  
of  
cases  
will  
be  
paid

at  
the  
site  
neutral  
rate  
under  
the  
new  
criteria,  
but  
without  
the  
current  
restraints  
imposed  
by  
the  
25-day length of stay requirement.

18  
Comparison of IPPS and LTAC Per Diem Rates  
for Top Diagnostic Categories  
IPPS Per Diem  
LTAC Per Diem  
Percent of Kindred Discharges  
1.

Pulmonary Edema

\$1,812

\$1,722

12.8%

2.

Septicemia

\$2,106

\$1,569

9.5%

3.

Respiratory Infections

\$1,806

\$1,610

3.9%

4.

Skin Ulcers

\$1,607

\$1,338

2.5%

5.

Ventilator < 96 hours

\$2,653

\$2,061

2.3%

6.

Osteomyelitis

\$1,743

\$1,411

2.1%

7.

Chronic Obstructive Pulmonary  
Disease

\$1,617

\$1,536

1.8%

Subject

to

effective

care

management,

IPPS

per

diem

rates

are

at

or

above

LTAC per diem rates for Kindred's most frequent cases and creates a platform for innovative arrangements with managed care payors for a

broader range of patients.

Incremental Volume from:

Increased Medicare Advantage volume, where the 25 ALOS requirement will no longer be an issue (patient revenues priced to match cost)

Potential for increased Direct Admissions to Kindred Hospitals



Incremental Volume from:

Opportunity to go upstream and take market share

Identify patients discharged from acute to SNF that are LTAC Eligible

The

New

LTAC

Criteria

Presents

Potential

Incremental

Medicare

Volume

for

Kindred

Hospitals

19

New

Patients

through

Repositioning of

Hospital Services

New Patients through

Site Neutral Payment

New Patients that

Meet LTAC Criteria

IRFs

Psych

Sub Acute

Managed Care Hospitals

Incremental Volume through:

Creation of new service lines

or whole hospital conversions

### Strategic Considerations

Affirms role of LTACs in healthcare continuum for severely ill, medically complex patients at LTAC rate and many other medically complex patients at site neutral rate.

Creates strategic platform for managed care

and episodic  
LTAC services

Elimination of 25-day length of stay requirement for MA patients

Direct admits to LTACs at site neutral IPPS comparable rates

Continued development of co-located Sub-Acute Units to create patient care continuum for recovering critically chronically ill patients in need of inpatient and rehabilitation services

Opportunity to develop clinical programs and services that better align cost and care (including risk-based arrangements) over the implementation period to appeal to ACOs, managed care organizations and others  
20

LTAC legislation provides significant clarity and will allow Kindred to organically grow patient volumes and leverage existing capacity.

Kindred and Gentiva  
A Compelling Opportunity for  
American Healthcare and Shareholders  
21

Proposed Transaction Highlights

22

1

Per FactSet consensus estimates.

Kindred has submitted a proposal to the Gentiva Board of Directors to acquire all of the outstanding shares of Gentiva common stock

Transaction is supported by a strong strategic and financial rationale and creates significant value for all shareholders

Kindred  
has  
a  
strong  
desire  
to  
reach  
a  
negotiated  
agreement  
with  
Gentiva

We urge Gentiva's shareholders to impress upon Gentiva's Board of Directors and Management the value of engaging with Kindred immediately on a potential combination

Our Proposal

Purchase

Consideration

\$14.00 per share

50% stock / 50% cash or 100% cash at Gentiva Board's option

Premium &

Valuation

64% premium to May 14, 2014 closing price

59% premium to the 60-day volume weighted average price

40% premium to the median Wall Street analysts one year price target of \$10 per share

8.9x 2014E EBITDA

Financing

Mix of debt, equity and other instruments such that pro forma leverage profile is consistent with Kindred stand alone

Pro Forma

Impact

Significantly and immediately accretive to Kindred's earnings and cash flows

Pro forma leverage remains similar to Kindred's current standalone leverage

Approximately \$60-80 million in annual pre-tax operating and financial synergies

Increased financial flexibility and meaningful capital structure synergies by replacing Gentiva's highly levered capital structure

1

Combination Creates Premier Post-Acute Care Provider

23

(\$ in millions)

Kindred

Gentiva

Pro Forma

States

47

40

47

Locations

2,313

500

2,813

Employees

63,000

47,000  
110,000  
2014 Revenue  
\$5,200

1  
\$2,000

2  
\$7,200  
2014 EBITDAR  
\$724

1  
\$226  
2  
\$1,005

3  
1  
Based on midpoint of Kindred's management's guidance, issued on May 7, 2014.

2  
Gentiva revenue based on management guidance. Gentiva EBITDAR based on consensus estimate.

3  
Pro forma Kindred includes \$55mm of non-finance cost synergies.

4  
Peer group based on FactSet consensus estimates.

Benchmarking Peers  
4

2014 Revenue  
(\$ in millions)  
2014 EBITDAR  
(\$ in millions)

The acquisition of Gentiva further strengthens Kindred's ability to serve patients across the full continuum of post-acute care

2014 Revenue  
(\$ in millions)  
2014 EBITDAR  
(\$ in millions)

Pro Forma  
(1)

Pro Forma  
(1)

\$7,200  
\$5,200  
\$3,065  
\$2,373  
\$2,000  
\$1,206  
\$839  
\$711  
\$485  
\$1,005  
\$724



\$630  
\$535  
\$226  
\$93  
\$70  
\$67  
\$37

Strategic Rationale

24

Creates leading national provider of diversified and integrated post-acute care services across the full spectrum of care

Expands and enhances presence in Kindred's Integrated Care Markets, driving coordinated care to more communities in a more efficient and cost-effective manner

Increased financial flexibility, lower cost of capital and substantial cost / revenue synergies will allow for investment to improve care management, support further clinical investments and create career opportunities for employees

Combined

company

will

be

well  
positioned  
not  
just  
to  
respond  
to,  
but  
to  
help  
shape,  
the  
evolution  
of  
the  
American  
Healthcare  
Delivery  
System

Shareholder value creation through significant and immediate premium and synergies, a meaningful dividend and combined Company's growth potential

### Compelling Value for Gentiva Shareholders

25

Source: FactSet as of 5/14/2014.

Gentiva Share Price Performance

\$14.00 per share value represents a substantial premium to its current share price

50%

stock

/

50%

cash

deal

allows

for

investors

to

participate

in

the

greater

growth

prospects,

meaningful

dividend and increased financial flexibility of the combined company

On an NTM EBITDA multiple basis, this proposal is higher than any multiple Gentiva has traded at over the

previous five years

2.00

6.00

10.00

14.00

\$18.00

May-12

Sep-12

Jan-13

May-13

Sep-13

Jan-14

May-14

Gentiva

Offer Price: \$14.00 per share

60-Day VWAP as of 5/14/14: \$8.82

39%

Premium

59%

Premium

VWAP Since 5/1/2012: \$10.05

\$8.54

Current

Price

64% premium to May 14, 2014 closing price of \$8.54

59% premium to the 60-day volume weighted average price

Cash election provides opportunity for immediate liquidity

Offer Supported by Wall Street Analysts

26

Source:

Bloomberg.

Broker

Support for

Combination

Selected Commentary

Knowing Gentiva management pretty well . . . these really nice people will ultimately **realize that independence is no longer an option** and that it is time to come to the table to meet its new family.

Combined entity could **create a post-acute titan** with the ability to provide integrated population health management to patients at home.

This **deal would be a good exit strategy for Gentiva shareholders**, as the company's several large acquisitions have not translated to returns.

Value in expanding the breadth and scope of services throughout the post-acute space. The greater **density and scale will also provide**

benefits  
as  
uncertainty  
remains  
with  
the  
underlying  
fundamentals.

Over the long term **Kindred's integrated post-acute model could have**  
strategic  
advantages  
vs.  
Gentiva's  
current  
home  
based  
only  
structure

This is **likely a pretty good deal for Gentiva shareholders** given the  
execution / reimbursement risks.

Wall Street analysts who cover Gentiva have universally supported our proposal, noting the compelling price delivers greater value than Gentiva could hope to achieve through its standalone plans and that the combined company would provide the kind of integrated, patient-centered care that our country and healthcare system need

## Kindred Is Helping to Shape the Future of Healthcare Delivery

As the U.S. population ages, demand for patient-centered healthcare is growing rapidly and Kindred is pioneering an integrated approach to address this demand

### [Continue](#)

The Care strategy delivers the services that patients need across the full spectrum of care, from inpatient hospitalization to post-acute rehab services to home and hospice care

Kindred is enhancing scale and fostering innovation to provide more communities with integrated, patient-centered care in the lowest-cost setting

Gentiva's complementary capabilities are one way to advance this strategy

27

Kindred is at the forefront of healthcare reform: we are implementing a better model to improve outcomes, smooth care transitions and lower costs





Jefferies 2014 Global Healthcare  
Conference  
June 2, 2014



Hospital Division  
\$2.5  
billion  
Revenues  
(1)  
\$533  
million  
Operating  
Income  
(2)(4)  
Transitional Care Hospitals (certified as LTAC hospitals)

100

Transitional  
Care  
Hospitals  
(3)

7,324  
licensed  
beds  
(3)  
Inpatient Rehabilitation Hospitals (IRFs)

5  
IRFs  
(3)

215  
licensed  
beds  
(3)  
(1)

Revenues for the twelve months ended March 31, 2014 (divisional revenues before intercompany eliminations).

(2)  
Operating income for the twelve months ended March 31, 2014.

(3)  
As of March 31, 2014.  
(4)

Before certain disclosed items.  
#2 Operator of Long-Term Acute  
Care Hospitals and Inpatient  
Rehabilitation Facilities

Consistently outperforms national benchmarks on key  
quality indicators

Sale of 16 facilities to Vibra Healthcare, LLC  
Divestiture of 14 Transitional Care Hospitals, 1 inpatient  
rehabilitation hospital and 1 skilled nursing facility  
\$180 million of net sales proceeds

In Q1 2014, cost per patient day outpaced revenue compared  
to Q1 2013, which resulted in an operating income margin  
decline

to  
22.3%  
from  
23.5%  
(4)

Q1 2014 operating income declined to \$147 million versus

\$158  
million  
last  
year  
(4)  
6%  
34%  
Medicare  
Medicaid  
Insurance/Other  
Revenue  
Mix  
(1)  
60%  
31  
117  
105  
100  
44  
27  
19  
16  
0  
20  
40  
60  
80  
100  
120  
140

Revenue

Mix

(1)

Nursing Center Division

47 Transitional Care Centers (Sub-Acute facilities  
licensed

as

SNFs)

(3)

13 Nursing and Rehabilitation Centers

(with

Transitional

Care

Units)

(3)

12  
Hospital-Based  
Sub-Acute  
Units  
(3)  
39  
Skilled  
Nursing  
Centers  
(Traditional  
SNFs)  
(3)

Challenging operating environment  
under RUGs IV rules and ongoing  
Medicaid rate pressures

Divestiture or non-renewal of 123  
nursing centers proceeding toward  
completion

New Transitional Care Centers  
( TCCs ) and hospital based sub-acute  
core growth continuing

Division overhead restructuring near  
completion, allowing for a smaller, but  
more profitable business

HCP transaction to acquire real estate  
will eliminate \$9 million of annual rent  
for the Nursing Center Division

39%  
33%  
28%  
Medicaid  
Medicare  
Private/Other

\$1.1  
billion  
Revenues  
(1)  
\$145  
million  
Operating  
Income

(2)(4)  
(1)

Revenues for the twelve months ended March 31, 2014 (divisional revenues before  
intercompany eliminations).



(2)

Operating income for the twelve months ended March 31, 2014.

(3)

As of March 31, 2014.

(4)

Before certain disclosed items.

32

2,230 sites of service served through  
20,200 therapists  
(3)

Including 105 hospital-based acute  
rehabilitation units  
(3)  
#1 Contract Rehab Manager  
Third Party

Affiliated

Provides a compelling value proposition to our Hospital (HRS) and Skilled Nursing (SRS) partners through advanced tech systems, clinical programs and highly trained therapist team

Q1 2014 operating margin at 11.4%, showing stability while implementing significant recent Medicare rule changes

In October 2013, acquired TherEX which provides on-site, hospital-based rehabilitation services in 11 states  
\$1.3 billion Revenues

(1)  
\$144 million Operating Income

(2)(4)  
Business

Mix

(1)

HRS

SRS

22%

\$0.3 billion

78%

\$1.0 billion

(1)

Revenues for the twelve months ended March 31, 2014 (divisional revenues before intercompany eliminations).

(2)

Operating income for the twelve months ended March 31, 2014.

(3)

As of March 31, 2014.

(4)

Before certain disclosed items.

2,230

1,350

1,000

471

33

308

1,940

1,042

700

471

290

300

0

500

1,000

1,500  
2,000  
2,500

Acquired Senior Home Care which operated 47 home health locations throughout Florida and Louisiana with \$143 million in revenue

Building management team, including sales, clinical operations and IT capabilities to support accelerated expansion

While implementation of Homecare Homebase IT system contributed to performance issues in 2013, all branches (including Senior Home Care) fully operational and standardized Q1 2014

Q1 2014 revenues of \$88 million

34

Including our key affiliates:

**Senior Home Care**

**IntegraCare**

**Professional Healthcare at Home**

**Signature Health Services**

**Acclaim Hospice and Palliative Care**

207 sites of service in 13 states

71 in Kindred's Integrated Care Markets

5,000

caregivers serving 17,000 patients on a daily basis

Care Management Division/Kindred At Home

\$356

million

Pro

Forma

Annualized

Revenues

(1

)

Care Management Division and

(1)

Includes historical results of Senior Home Care acquisition, plus Kindred at Home revenues for the twelve months ended March 31, 2014 (divisional revenues before intercompany eliminations).

Commercial

Insurance/

Other

(\$71 million)

Private Duty

Hospice

Home Health

Revenue Mix

(1)

Business Mix

(1)

Medicaid

(\$13 million)

Medicare

(\$272 million)

4%

76%

20%

80%

15%

5%

2014 Earnings Guidance

(\$ millions, except statistics)

35

As of May 7, 2014

As of February 20, 2014

Low

High

Low

High

Operating income

715

\$

732

\$

725



\$	
742	
\$	
Rent	
335	
335	
338	
338	
Depreciation and amortization	
163	
163	
165	
165	
Interest, net	
98	
98	
106	
106	
Income from continuing operations before income taxes	
119	
136	
116	
133	
Provision for income taxes	
46	
53	
45	
52	
Income from continuing operations	
73	
83	
71	
81	
Earnings attributable to noncontrolling interests	
(15)	
(15)	
(13)	
(13)	
Income from continuing operations attributable to the Company	
58	
68	
58	
68	
Allocation to participating unvested restricted stockholders	
(2)	
(2)	
(2)	
(2)	
Available to common stockholders	
56	

\$  
66  
\$  
56  
\$  
66  
\$  
Earnings per diluted share  
1.05  
\$  
1.25  
\$  
1.05  
\$  
1.25  
\$  
Shares used in computing earnings per diluted share  
53.2  
53.2  
53.2  
53.2

The earnings guidance excludes the effect of reimbursement changes, severance, retirement and retention costs, litigation costs, transaction-related costs, any further acquisitions or divestitures, any impairment charges, and any repurchases of common stock.

36

#### Explanation of Non-GAAP Measures

The enclosed presentation includes financial measures referred to as operating income, or earnings before interest, income taxes, amortization and rent. The Company's management uses operating income as a meaningful measure of operational performance measures. The Company uses operating income to assess the relative performance of its operating divisions as well as the employees' businesses. In addition, the Company believes this measurement is important because securities analysts and investors use this measure of the Company's performance to other companies in the healthcare industry. The Company believes that income (loss) from continuing operations is the most comparable GAAP measure. Readers of the Company's financial information should consider income (loss) from continuing operations as the most complete measure of the Company's financial performance because it provides the most complete measure of its performance. Operating income is considered in addition to, not as a substitute for, or superior to, financial measures based upon GAAP as an indicator of operational performance. A reconciliation of operating income to income (loss) from continuing operations is provided in the enclosed Appendix.

In addition to the results provided in accordance with GAAP, the Company provides information in the enclosed presentation to investors on non-GAAP measurements for the twelve months ended March 31, 2014 and three months ended March 31, 2013 before certain charges or adjustments. Charges that were excluded from core operating results are denoted in the tables in the enclosed Appendix.

The use of these non-GAAP measurements are not intended to replace the presentation of the Company's financial results in accordance with GAAP. The Company believes that the presentation of core operating results provides additional information to investors to facilitate the comparison of the Company's performance by excluding certain charges for the twelve months ended March 31, 2014 and three months ended March 31, 2013 that the Company believes are not representative of its ongoing operations due to the materiality and nature of the charges. The Company's core operating results are presented as a performance measure for the purpose of evaluating performance internally.

Reconciliation of Non-GAAP Measures

(\$ in thousands)

37

First

Twelve

2013 Quarters

Quarter

months ended

First

Second

Third

Fourth

2014

March 31, 2014

Revenues:

Hospital division

671,206

\$

618,598

\$

604,169

\$

616,721

\$

657,453

\$

2,496,941

\$

Nursing center division

275,141

269,501

270,210

274,908

281,572

1,096,191

Rehabilitation division:

Skilled nursing rehabilitation services

257,884

248,710

244,384

242,376

253,285

988,755

Hospital rehabilitation services

74,523

69,777

68,296

74,017

73,964

286,054

332,407

318,487

312,680

316,393

327,249

1,274,809

Care management division

51,621

53,039

53,801

66,466

87,704

261,010

1,330,375

1,259,625

1,240,860

1,274,488

1,353,978

5,128,951

Eliminations:

Skilled nursing rehabilitation services

(29,303)

(29,257)

(28,698)

(28,728)

(30,070)

(116,753)

Hospital rehabilitation services

(24,200)

(23,706)

(22,944)

(22,553)

(23,689)

(92,892)

Nursing centers

(1,213)

(1,001)

(1,161)

(875)

(662)

(3,699)

(54,716)

(53,964)

(52,803)

(52,156)

(54,421)

(213,344)

1,275,659

\$

1,205,661

\$

1,188,057

\$

1,222,332

\$

1,299,557

\$

4,915,607

\$

Income (loss) from continuing operations:

Operating income (loss):

Hospital division

149,698

\$  
131,676  
\$  
113,147  
\$  
127,898  
\$  
146,895  
\$  
519,616  
\$  
Nursing center division  
29,844  
36,678  
32,146  
36,694  
39,095  
144,613  
Rehabilitation division:  
Skilled nursing rehabilitation services  
12,373  
20,686  
(8,155)  
13,356  
17,358  
43,245  
Hospital rehabilitation services  
18,132  
19,573  
18,215  
18,005  
19,820  
75,613  
30,505  
40,259  
10,060  
31,361  
37,178  
118,858  
Care management division  
2,786  
3,961  
1,085  
2,131  
4,697  
11,874  
Corporate:  
Overhead  
(45,585)  
(43,196)

(39,157)

(48,557)

(44,050)

(174,960)

Insurance subsidiary

(509)

(384)

(482)

(539)

(406)

(1,811)

(46,094)

(43,580)

(39,639)

(49,096)

(44,456)

(176,771)

Impairment charges

(187)

(438)

(441)

(76,127)

(74)

(77,080)

Transaction costs

(944)

(108)

(613)

(447)

(683)

(1,851)

Operating income

165,608

168,448

115,745

72,414

182,652

539,259

Rent

(77,957)

(78,796)

(78,228)

(82,381)

(82,474)

(321,879)

Depreciation and amortization

(42,249)

(39,228)

(37,190)

(38,361)



(40,210)  
(154,989)  
Interest, net  
(28,084)  
(27,609)  
(24,399)  
(23,906)  
(25,624)  
(101,538)  
Income (loss) from continuing operations  
before income taxes  
17,318  
22,815  
(24,072)  
(72,234)  
34,344  
(39,147)  
Provision (benefit) for income taxes  
6,481  
9,160  
(7,217)  
(20,903)  
13,102  
(5,858)  
10,837  
\$  
13,655  
\$  
(16,855)  
\$  
(51,331)  
\$  
21,242  
\$  
(33,289)  
\$

Reconciliation  
of  
Non-GAAP  
Measures  
(continued)  
(\$ in thousands)

38

Twelve months ended March 31, 2014

Severance

Facility

Senior debt

Before

and retirement

closing

Impairment

Transaction

modification

As  
charges  
costs  
costs  
Litigation  
charges  
costs  
charges  
Total  
Reported  
Income (loss) from continuing operations:  
Operating income (loss):  
Hospital division  
533,342  
\$  
-  
\$  
(6,026)  
\$  
(7,700)  
\$  
-  
\$  
-  
\$  
(13,726)  
\$  
519,616  
\$  
Nursing center division  
144,677  
  
-  
  
(64)  
  
-  
  
-  
  
-  
  
-  
  
(64)  
  
144,613

Rehabilitation division:

Skilled nursing rehabilitation services

66,534

(139)

-

(23,150)

-

-

-

(23,289)

43,245

Hospital rehabilitation services

76,989

(1,376)

-

-

-

-

-

(1,376)

75,613

143,523

(1,515)

-

(23,150)

-

-

-

(24,665)

118,858

Care management division

13,002

(676)

(452)

-

-

-

-

(1,128)

11,874

Corporate:

Overhead

(171,135)

(3,366)

-

-

-

-

(459)

(3,825)

(174,960)

Insurance subsidiary

(1,811)

-

-

-

-

-

-

-

(1,811)

(172,946)

(3,366)

-

-

-

-

(459)

(3,825)

(176,771)

Impairment charges

(998)

-

-

-

(76,082)

-

-

(76,082)

(77,080)

Transaction costs

-

-

-

-

-

(1,851)

-

(1,851)

(1,851)

Operating income

660,600

(5,557)

(6,542)

(30,850)

(76,082)

(1,851)

(459)

(121,341)

539,259

Rent

(321,879)

-

-

-

-

-

-

-

(321,879)

Depreciation and amortization

(154,989)

-

-

-

-

-

-

-

(154,989)

Interest, net

(100,077)

-

-

-

-

-

(1,461)

(1,461)

(101,538)

Income (loss) from continuing operations

before income taxes

83,655



(5,557)

(6,542)

(30,850)

(76,082)

(1,851)

(1,920)

(122,802)

(39,147)

Provision (benefit) for income taxes

29,869

(2,186)

(2,312)

(12,139)

(17,803)

(532)

(755)

(35,727)

(5,858)

53,786

\$

(3,371)

\$

(4,230)

\$

(18,711)

\$

(58,279)

\$

(1,319)

\$

(1,165)

\$

(87,075)

\$

(33,289)

\$

Charges

Reconciliation  
of  
Non-GAAP  
Measures  
(continued)  
(\$ in thousands)

39

Three months ended March 31, 2013

Charges

Before

One-time

Transaction

As

charges

bonus

costs

Total  
reported  
Income from continuing operations:  
Operating income (loss):  
Hospital division  
157,661  
\$  
(7,963)  
\$  
-  
\$  
(7,963)  
\$  
149,698  
\$  
Nursing center division  
34,550  
  
(4,706)  
  
-  
  
(4,706)  
  
29,844  
  
Rehabilitation division:  
Skilled nursing rehabilitation services  
17,425  
  
(5,052)  
  
-  
  
(5,052)  
  
12,373  
  
Hospital rehabilitation services  
19,387  
  
(1,255)  
  
-  
  
(1,255)  
  
18,132  
  
36,812

(6,307)

-

(6,307)

30,505

Care management division

3,619

(833)

-

(833)

2,786

Corporate:

Overhead

(45,270)

(315)

-

(315)

(45,585)

Insurance subsidiary

(509)

-

-

-

(509)

(45,779)

(315)

-

(315)

(46,094)

Impairment charges

(187)

-

-

-

(187)

Transaction costs

-

-

(944)

(944)

(944)

Operating income

186,676

(20,124)

(944)

(21,068)

165,608

Rent

(77,957)

-

-

-

(77,957)

Depreciation and amortization

(42,249)

-

-

-

(42,249)

Interest, net

(28,084)

-

-

-

(28,084)

Income from continuing operations

before income taxes

38,386

(20,124)

(944)

(21,068)

17,318

Provision for income taxes

15,008

(8,145)

(382)

(8,527)

6,481

23,378

\$

(11,979)

\$

(562)

\$

(12,541)

\$

10,837  
\$



Jefferies 2014 Global Healthcare  
Conference  
June 2, 2014