

HEALTHSOUTH®

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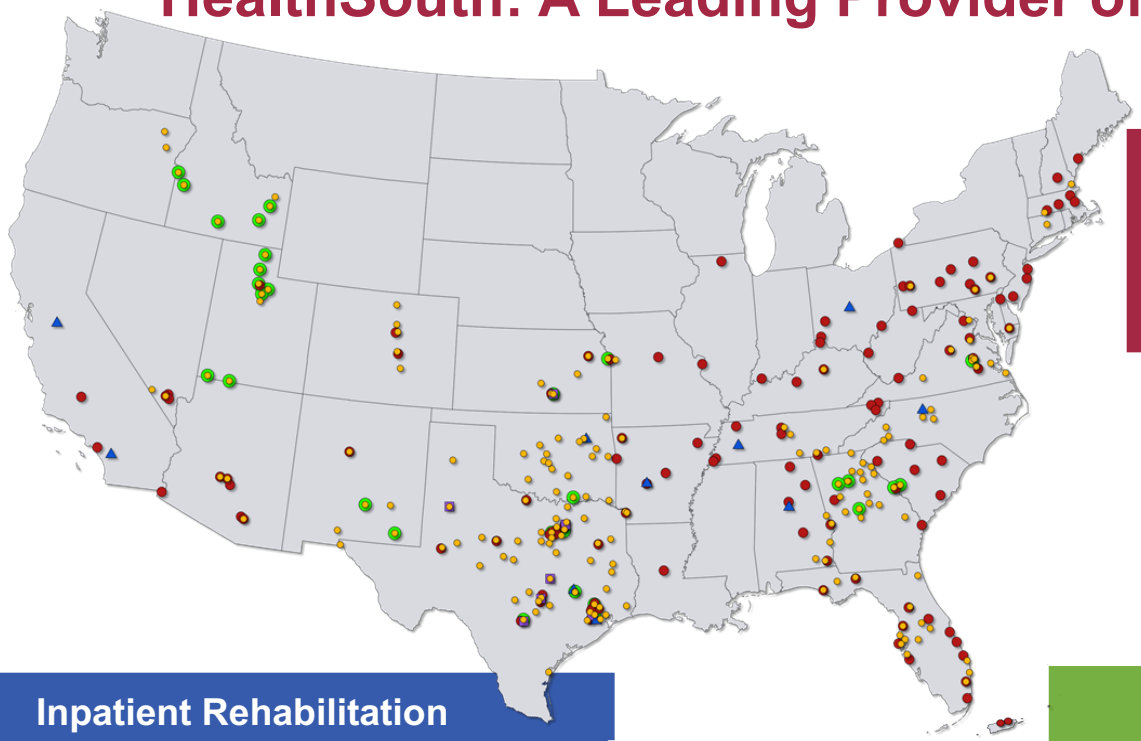
HealthSouth: A Leading Provider of Post-Acute Care



58% of HealthSouth's IRFs are located within a 30-mile radius of an Encompass location.

- Inpatient Rehabilitation Hospitals
- Adult Home Health Locations
- Hospice Locations
- Pediatric Home Health Locations
- Future Inpatient Rehabilitation Hospitals (10 under development plus one satellite)

Inpatient Rehabilitation

Portfolio - As of June 30, 2016	
121	Inpatient Rehabilitation Hospitals • 34 operate as joint ventures with acute care hospitals
29	Number of States (plus Puerto Rico)
~ 27,900	Employees

Key Statistics - Trailing 4 Quarters	
~ $2.9 Billion	Revenue
160,100	Inpatient Discharges
628,650	Outpatient Visits

IRF Marketshare

11% of IRFs

21% of Licensed Beds

28% of Patients Served

Home Health and Hospice Marketshare

4th largest provider of Medicare-certified skilled home health services

Encompass Home Health and Hospice

Portfolio – As of June 30, 2016	
182	Home Health Locations
7	Pediatric Home Health Locations
29	Hospice Locations
24	Number of States
~ 7,600	Employees

Key Statistics - Trailing 4 Quarters	
~ $609 million	Revenue
165,857	Home Health Episodes
2,743	Hospice Admissions

Note: One of the 121 IRFs and two of the 182 adult home health locations are nonconsolidated. These locations are accounted for using the equity method of accounting.

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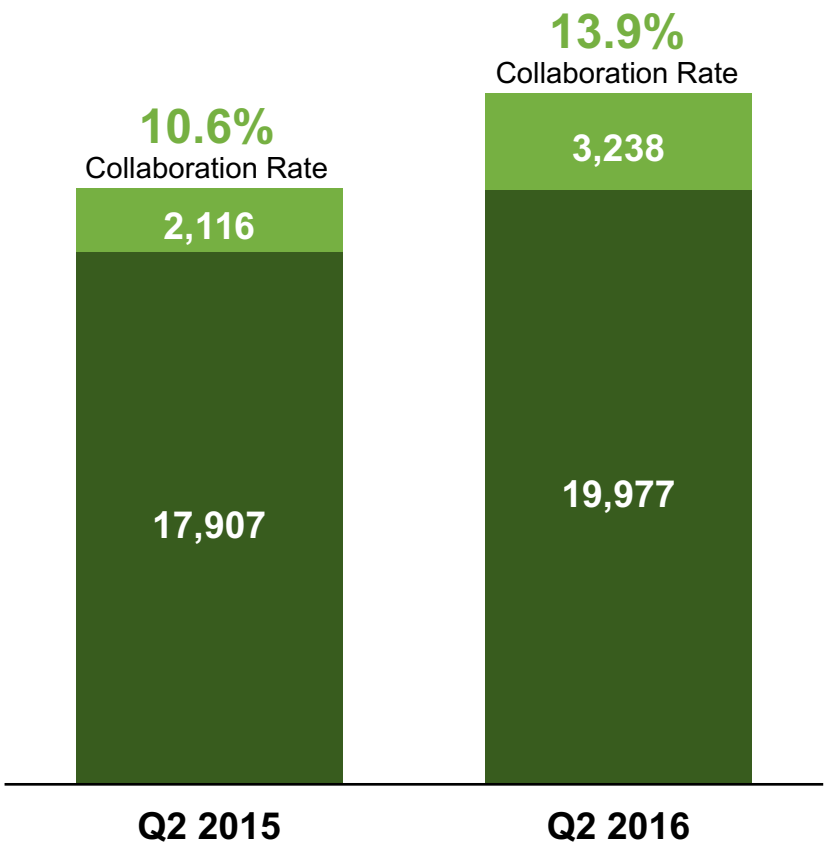
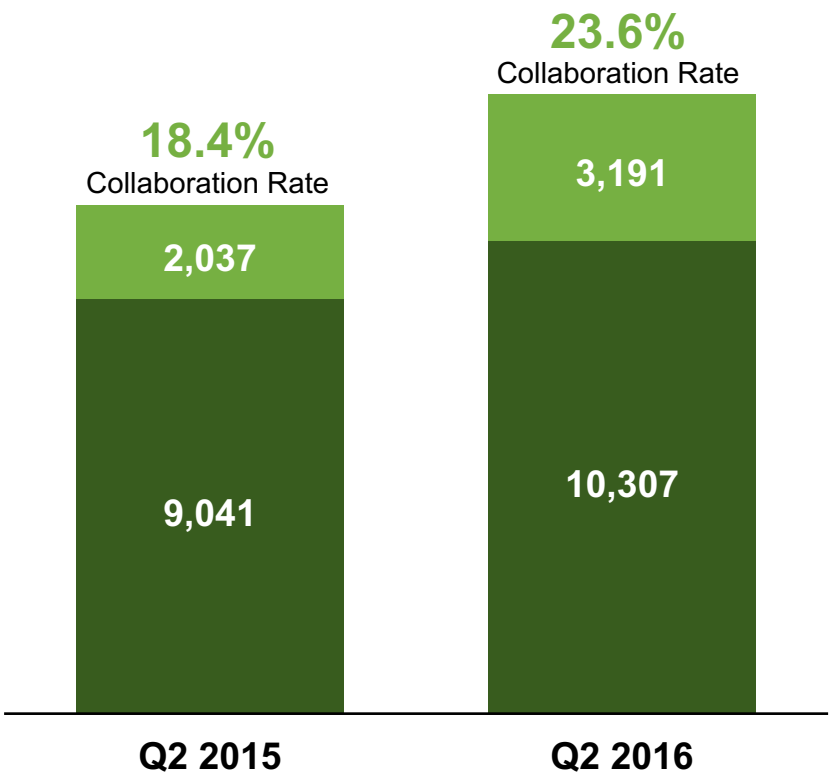
IRF-Home Health Clinical Collaboration (all discharges)

All Markets



Overlap Markets*



HealthSouth IRF Discharges to non-Encompass Home Health

HealthSouth IRF Discharges to Encompass Home Health

* Generally defined as a HealthSouth IRF located within a 30-mile radius of an Encompass location.

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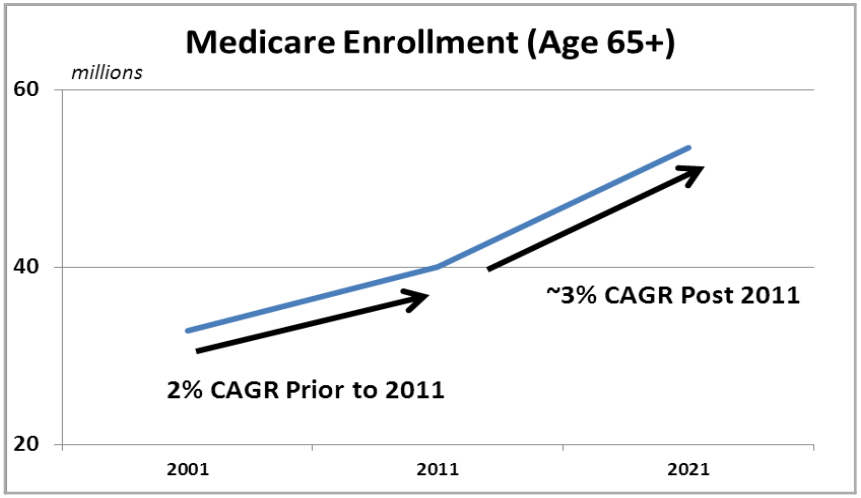
Key Demographic Tailwind: Expanding Medicare Beneficiary Population



Census Data - Population Growth by Age			
5 Year CAGR			
Age	2015-2020	2020-2025	2025-2030
65 to 69 years	2.5%	2.1%	0.2%
70 to 74 years	5.3%	2.6%	2.2%
75 to 79 years	4.5%	5.4%	2.7%
80 to 84 years	2.4%	4.6%	5.6%
85 to 89 years	0.5%	2.7%	4.9%
Total 65 to 89	**3.4%**	**3.2%**	**2.4%**

Key Observations:

- *The growth rate of Medicare beneficiaries increased in 2011 to an approx. 3% CAGR as "baby boomers" started turning 65.*
- *In 2030, the Medicare population is projected to increase to 81 million beneficiaries from 55 million beneficiaries today.*

	Average Age of HealthSouth Patients	
	IRF	Home Health
< 65 years	29%	11%
65 to 69 years	13%	11%
70 to 74 years	13%	13%
75 to 79 years	14%	15%
80 to 84 years	14%	17%
85 to 89 years	11%	17%
> 90 years	6%	16%

Source: www.census.gov/population/projections/files/summary/NP2014-T9.xls; Center for Medicare & Medicaid Services, Medicare Trustees Report - June 2016 - pages 186, 191

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HLS: Strong and Sustainable Business Fundamentals

Attractive Healthcare Sectors

- Favorable demographic trends
- Nondiscretionary nature of many conditions treated
- Highly fragmented post-acute industries

Industry Leading Position

- Largest provider of inpatient rehabilitation services
- 4th largest provider of Medicare-certified skilled home health services
- Consistent delivery of high-quality, cost-effective care
- Enhanced utilization of technology (e.g., clinical, data management, and technology-enabled business processes)

Cost-Effectiveness

- Effective labor management
- Continued improvements in supply chain
- Economies related to scale and market density

Real Estate Portfolio

- Portfolio of 121* IRFs as of June 30, 2016
  - ✓ 84 owned and 37 leased

Financial Strength

- Strong balance sheet and liquidity, no significant near-term maturities (credit agreement matures in 2020; bonds mature in 2022** and beyond)
- Substantial free cash flow generation

Growth Opportunities

- Attractive organic growth opportunities in both segments
- Flexible inpatient rehabilitation de novo and acquisition strategy
- Home health and hospice platform with track record of growth through acquisitions in highly fragmented industry segments

* Includes one nonconsolidated entity.
** Issued notice for redemption of remaining outstanding principal balance of $76 million of 2022 Notes to be completed in September 2016