

RehabCare and Kindred Healthcare Combining Our Strengths

July 15, 2011

Dear Colleague,

We are continuing to successfully integrate the strengths of RehabCare and Kindred into one great company, united in our commitment to our patients, residents and customers. We appreciate that there are some ongoing questions regarding changes to payroll and benefits so we wanted to use this edition of Combining Our Strengths to address those areas.

Payroll

Since our last communication, we have been transitioning all RehabCare and Triumph employees onto the Kindred payroll system. Everyone is currently in the midst of, or has completed, the first Kindred pay cycle and will be receiving a pay stub in the mail in the next week or two. Below we have taken this opportunity to remind you of some changes you may see with payroll. At the end of this Combining Our Strengths we have included an image of a Kindred paystub so that you will know what to expect.

Pay Frequency & Pay Dates

Your pay frequency will not change and your pay date will remain the same for all employees except those who work in New Hampshire and Maine. Once we have transitioned to the Kindred payroll system, employees in those two states will be paid a few days earlier than they are now.

First Kindred Paycheck

One question on everyone's mind is "When will I receive my first paycheck from Kindred?" As there are several different pay cycles, we wanted to clearly identify when each will begin on the Kindred payroll system and when the paycheck will be issued:

Pay Cycle	First Kindred Paycheck Issue Date
Weekly: 1st pay cycle – July 2-8	July 18
Bi-weekly: 1st pay cycle – July 3-16	July 22
Semi-monthly: 1st pay cycle – July 1-15	July 22 or 25

There will be no interruption in your current direct deposit designations.

As we have indicated in the past, Kindred does not currently have the online pay-stub that you are accustomed to, so your pay-stub will be mailed to your home facility or, in some cases, directly to your home.

Salary & Wages

As we have communicated in previous editions, your current salary or wages will not change. Additionally, there will be no change in shift differentials and premium pay practices.

Earnings History and W-2 Forms

We are loading all of your 2011 payroll history into the Kindred payroll system. While most of the data will be loaded before you receive your first paycheck from Kindred, we will be completing this process over the next several months. Most employees will receive only one W-2 in 2011 combining their Kindred and RehabCare earnings. However, some of you may receive two W-2s, if you transferred between different companies during the year. For example, if you worked in California until March and then transferred to a site in Texas, you may have worked for two tax companies even though both sites were part of RehabCare.

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Benefits

As we have communicated for the past several months, there will be no change to your benefits for the rest of 2011. Your current medical, dental, vision, disability, 401(k) and other elections will continue with no interruption. Later this year, you will have the opportunity to participate in Kindred's Open Enrollment period for benefits beginning January 1, 2012. As we get closer to the Open Enrollment period, you will receive much more information about your benefit options for 2012.

Benefit Deductions

As your benefits will not change, the deduction amounts you currently have withheld from your pay will not change. However, the descriptions of your deductions may change. The list on the last page shows the current description of the more common deductions you have now and the corresponding description that you will see on your new Kindred paycheck.

PDO and Leave Policies

Since our last communication, we have received some questions regarding paid days off (PDO) policies so we want to clearly address any changes you may experience. No one will lose any of your banked time when the payroll converts. However, as we have indicated, there will be some changes to PDO cash-outs, and the manner in which your time off is reflected on your paystub.

When you receive your first Kindred paystub, you will notice that the time earned this calendar year, and any banked time is reflected in one lump sum on the paystub. However, managers will continue to receive reports that clearly indicate the time earned this year and the banked time for each employee.

Beginning in July, you will be able to cash out only time earned this year; the 70% cash out rate does not change. Those hours that were earned in prior years – or from previous grandfathered banks – will remain banked. For the majority of employees, PDO hours used for time off will be those earned first so that current time will be available to cash out.

To better illustrate how banked time and time earned this year will be used for cash outs or vacation requests, we have created a few sample scenarios that should assist with understanding the new process:

Field Plan Example 1 – Employee w/Grandfathered Bank	
Time in current bank:	80 hours
Time in grandfathered bank	320 hours
Total hours	400 hours
Employee takes 40 hours of vacation	
Time in current bank	87.4 hours (additional hours accrued during pay period)
Time in grandfathered bank	280 hours
Total hours remaining:	367.4 hours
Employee “cashes out” 40 hours of PDO (does not take vacation noted above)	
Time in current bank	47.4 hours
Time in grandfathered bank	320 hours
Total hours remaining	367.4 hours

Field Plan Example 2 – Employee w/Grandfathered Bank	
Time in current bank:	80 hours
Time in grandfathered bank	60 hours
Total hours	140 hours
Employee takes 80 hours of vacation	
Time in current bank	67.4 hours (additional hours accrued during pay period)
Time in grandfathered bank	0 hours
Total hours remaining:	67.4 hours
Employee “cashes out” 80 hours of PDO (does not take vacation noted above)	
Time in current bank	7.4 hours
Time in grandfathered bank	60 hours
Total hours remaining	67.4 hours

continued

PCA Account

As we have indicated in the past, your PCA Account will not change in 2011. You will still be able to use your current PCA funds for the remainder of the year. Continue to follow your current procedure on submitting paperwork for the PCA benefit.

Tuition Assistance

The Tuition Assistance program that is offered to hospital employees will not change in 2011

HUMAN RESOURCES

Transfers

As Kindred and RehabCare/Triumph are now one single company, employees are eligible for transfers between locations. Please take into consideration that we want to assure no interruption to the care and rehab services for our patients and customers. As well, all staffing decisions are made based upon the local market's unique needs.

Performance Review & Hire Dates

We have been asked many questions regarding performance review dates, and we want to reassure you that there will not be any change to your performance review date. However, there may be changes to your hire date to account for previous service that you had with Kindred/Peoplefirst.

HR Support

For other Human Resources questions you may have, we encourage you to contact your HR Generalist. Call an Assistance Center Expert (ACE) or a Payroll Assistance Center Expert (PACE) if you have questions about benefits or your paycheck at 866.314.3944 Monday through Friday. The ACE Center is available from 7:00 a.m. to 7:00 p.m. Central, and the PACE Center from 7:30 a.m. to 5:00 p.m. Central.

As I have stated in previous editions, I encourage everyone to submit any and all questions you may have regarding the integration to asktheceo@rehabcare.com or share it with Brock Hardaway (Triumph) at bhardaway@triumph-healthcare.com, Mary Pat Welch (HRS) at mpwelc@rehabcare.com, or Pat Henry (SRS) at pmhenry@rehabcare.com.

Thanks for all you do!



Benjamin A. Breier
Chief Operating Officer
Kindred Healthcare

Paycheck

To the right is an image of a sample Kindred paycheck (for a larger image see the following page). The format is slightly different from the current RehabCare Earnings Statements, but the line items are generally the same – all earnings (regular, overtime, PDO, bonuses, etc.) along with taxes and deductions will continue to display:

Current Deduction Description	New Deduction Description
Medical 125	EE Med Self-Insured-Acq
Dental	EE Dentl Pretax-Acq
Sh Term Disability	EE STD - Acq
Medical Fsa	EE Med FSA Acq/Mgd
401K	401K

Questions about your paycheck or to reset your ADP password, call PACE at 866-314-3944, option 2.

RehabCare Group East, Inc.				Pay Period: 07/16/2011 - 07/31/2011			
Test Person 3689 WI-SRB-RehabCare Group East		Personnel #: 00232739 Cost Center: 8018340 Pay Rate: 41.50 Hrs/Week: 100.00		Tax Auth: Single Filing Status: WI Single		Allowances: 01 \$ 0.00 Additional: 01 \$ 0.00	
HOURS and EARNINGS				TAXES and DEDUCTIONS			
Description	Hours	Rate	Amount	Description	Current Amount	YTD Amount	YTD Amount
Regular	88.07	41.50	3,682.47	** Federal - FTD	651.04		3,517.66
OT Rate	12.00	41.50	498.00	EE State - WI	170.83		897.19
OT Prem .5	12.00	20.75	249.00	EE State - WI	38.98		309.75
				** Deductions	216.54		1,149.26
				EE Med Self-Insured	167.00		326.00
				EE Dntl Pretax - Acq	15.40		30.80
				EE Vision Pretax	15.12		30.24
				401K	375.91		2,879.55
				EE Med FSA Acq/Mgd	57.14		285.70
				EE STD - Acq	107.85		107.85
Check Date: 08/10/2011		Earnings: \$ 4,430.07	Taxes: \$ 1,697.39	Deductions: \$ 938.42	Net Pay: \$ 2,394.26		
*** IMPORTANT MESSAGE ***				PAID TIME BALANCES			
				PLAN	ACCRUED	ANNUAL	
				FDO		58.10	
RehabCare Group East, Inc. 680 South Fourth Street Lansville, KY 40022				Deposit Date: 08/10/2011 Advice #: 2327900015001			
Deposit To The Account(s) Of:				DIRECT DEPOSIT ADVICE			
Test Person 123 Main Street Anywhere WI 53405				Page	ABA #	Account #	Amount
				0	*****1378	*****0672	\$ 2,394.26
				TOTAL \$ 2,394.26			
*** VOID *** VOID *** VOID ***							
***** NON NEGOTIABLE *****							

continued

RehabCare Group East, Inc.

Pay Period: 07/16/2011 - 07/31/2011

Test Person 3689 WI-SRS-RehabCare Group East		Personnel #: 00232739 Cost Center: 851B340 Pay Rate: 41.53 Hrs Worked: 100.67		TaxAuth	Filing Status	Allowances	Additional \$	ExmtStat	
				FED	Single	01	\$ 0.00		
				WI	Single	01	\$ 0.00		
HOURS and EARNINGS					TAXES and DEDUCTIONS				
Description	Current			YTD	Description	Current	YTD		
	Hours	Rate	Amount	Amount		Amount	Amount		
Regular	88.67	41.53	3,682.47	18,412.35	** Federal- FED				
OT Base	12.00	41.53	498.36	2,491.80	W/H EE	651.04	3,517.66		
OT Prem .5	12.00	20.77	249.24	1,246.20	OASDI EE	170.83	897.19		
					MedcarEE	58.98	309.75		
					** State - WI				
					W/H EE	216.54	1,149.26		
					** Deductions				
					EE Med Self-Insure	167.00	334.00		
					EE DMO PreTax - Ac	15.40	30.80		
					EE Vision Pretax-A	15.12	30.24		
					401K	575.91	2,879.55		
					EE Med FSA Acq/Mgd	57.14	285.70		
					EE STD - Acq	107.85	107.85		
Check Date	Earnings			Taxes	Deductions		Net Pay		
08/10/2011	\$	4,430.07		\$	1,097.39	\$	938.42	\$	2,394.26
*** IMPORTANT MESSAGE ***						PAID TIME BALANCES			
						PLAN	ACCRUED	AVAIL	
						PDO		58.10	

RehabCare Group East, Inc.
680 South Fourth Street
Louisville, KY 40202

Deposit Date: 08/10/2011

Advice #: 23273900015001

DIRECT DEPOSIT ADVICE

Deposit To The Account(s) Of:

Test Person
123 Main Street
Anywhere WI 53405

Type	ABA #	Account #	Amount
C	*****1378	*****0672	\$ 2,394.26
TOTAL			\$ 2,394.26

*** VOID *** VOID *** VOID ***

***** NON NEGOTIABLE *****

Please feel free to print this out and post it on your bulletin board.