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KINDRED HEALTHCARE, INC Form 10-Q November 08, 2010 Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

ÞQUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

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) 61-1323993 (I.R.S. Employer Identification No.)

680 South Fourth Street

Louisville, KY (Address of principal executive offices)

40202-2412 (Zip Code)

(502) 596-7300

(Registrant s telephone number, including area code)

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

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to such filing requirements for the past 90 days. Yes b 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 b 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 b

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

Class of Common Stock
Common stock, \$0.25 par value

Outstanding at October 31, 2010 39,480,570 shares

1 of 48

KINDRED HEALTHCARE, INC.

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KINDRED HEALTHCARE, INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

	Three months ended September 30,			Nine months ende September 30,			0,	
		2010		2009		2010		2009
Revenues	\$ 1,0	053,012	\$ 1,	,057,488	\$ 3	3,224,213	\$ 3	3,200,016
Salaries, wages and benefits	(613,607		629,077	1	,852,987	1	,865,125
Supplies		83,753		82,400		255,094		246,648
Rent		89,295		88,081		266,595		260,164
Other operating expenses	1	234,968		221,524		707,859		663,684
Other income		(2,794)		(2,870)		(8,735)		(8,565)
Depreciation and amortization		29,167		31,992		90,140		93,837
Interest expense		1,642		1,741		4,247		6,448
Investment income		(403)		(746)		(903)		(3,254)
	1 (049,235	1	.051.199	2	3,167,284	3	3,124,087
	1,0	049,233	1,	,031,199		5,107,204	-	,124,007
Income from continuing operations before income taxes		3,777		6,289		56,929		75,929
Provision (benefit) for income taxes		(1,323)		901		20,538		29,662
Income from continuing operations		5,100		5,388		36,391		46,267
Discontinued operations, net of income taxes:								
Income (loss) from operations		(260)		13		(327)		(1,465)
Gain (loss) on divestiture of operations		86		52		3		(23,999)
Net income	\$	4,926	\$	5,453	\$	36,067	\$	20,803
Earnings per common share:								
Basic:								
Income from continuing operations	\$	0.13	\$	0.14	\$	0.92	\$	1.19
Discontinued operations:	Ψ	0.15	Ψ	0.11	Ψ	0.52	Ψ	1.17
Income (loss) from operations		(0.01)				(0.01)		(0.04)
Gain (loss) on divestiture of operations		(0.01)				(0.01)		(0.62)
()								(010_)
Net income	\$	0.12	\$	0.14	\$	0.91	\$	0.53
Diluted:								
Income from continuing operations	\$	0.13	\$	0.14	\$	0.92	\$	1.18
Discontinued operations:								
Income (loss) from operations		(0.01)				(0.01)		(0.04)
Gain (loss) on divestiture of operations								(0.61)
Net income	\$	0.12	\$	0.14	\$	0.91	\$	0.53

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Shares used in computing earnings per common share:				
Basic	38,778	38,398	38,720	38,297
Diluted	38,838	38,524	38,855	38,419

See accompanying notes.

KINDRED HEALTHCARE, INC.

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

(In thousands, except per share amounts)

Cash and cash equivalents \$15,321 \$16,302 Cash restricted 5,383 5,826 Insurance subsidiary investments 63,344 106,834 Accounts receivable less allowance for loss of \$16,775 September 30, 2010 and \$22,313 22,303 20,156 December 31, 2009 613,951 613,951 610,955 Income taxes 13,481 17,447 17,447 Other 21,366 21,194 Property and equipment 1,682,692 1,515,700 Accumulated depreciation 848,596 750,098 Goodwill 86,711 81,223 Intangible assets less accumulated amortization of \$3,312 September 30, 2010 and 86,711 81,223 Assets held for sale insurance subsidiary investments 116,348 10,932 Deferred tax assets 114,183 110,933 Other 68,606 62,802 Turnett liabilities 2,101,027 \$ 2,022,224 LIABILITIES AND STOCKHOLDERS EQUITY 284,506 287,772 Due to third party payors 38,575 28,261		September 30, 2010	December 31, 2009
Cash and cash equivalents \$15,321 \$16,302 Cash restricted 5,383 5,826 Insurance subsidiary investments 63,344 106,834 Accounts receivable less allowance for loss of \$16,775 September 30, 2010 and \$22,313 22,303 20,156 December 31, 2009 613,951 613,951 610,955 Income taxes 13,481 17,447 17,447 Other 21,366 21,194 Property and equipment 1,682,692 1,515,700 Accumulated depreciation 848,596 750,098 Goodwill 86,711 81,223 Intangible assets less accumulated amortization of \$3,312 September 30, 2010 and 86,711 81,223 Assets held for sale insurance subsidiary investments 116,348 10,932 Deferred tax assets 114,183 110,933 Other 68,606 62,802 Turnett liabilities 2,101,027 \$ 2,022,224 LIABILITIES AND STOCKHOLDERS EQUITY 284,506 287,772 Due to third party payors 38,575 28,261	ASSETS		
Cash restricted 5,383 5,820 Insurance subsidiary investments 63,344 106,834 Accounts receivable less allowance for loss of \$16,775 September 30, 2010 and 13,951 610,955 \$20,156 December 31, 2009 613,951 610,955 Inventories 22,313 22,303 Deferred tax assets 29,107 42,791 Income taxes 13,481 17,447 Other 1,682,692 21,156 Property and equipment 1,682,692 1,515,700 Accumulated depreciation 834,096 (765,602 Accumulated depreciation 848,596 750,098 Goodwill 848,596 750,098 Accumulated amortization of \$3,312 September 30, 2010 and 82,647 81,223 Intangible assets less accumulated amortization of \$3,312 September 30, 2010 and 11,279 8,806 Insurance subsidiary investments 111,279 8,806 10,238 64,491 Insurance subsidiary investments 116,348 100,223 10,223 114,183 110,398	Current assets:		
Insurance subsidiary investments	Cash and cash equivalents		
Accounts receivable less allowance for loss of \$16,775 September 30, 2010 and \$20,155 December 31, 2009 \$13,951 \$2,303 \$22,303 \$22,303 \$22,303 \$22,303 \$22,303 \$22,303 \$22,100 \$22,107 \$22,9107 \$24,791 \$21,600 \$21,306 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,600 \$21,194 \$21,	Cash restricted	5,383	5,820
\$20,156 December 31, 2009	Insurance subsidiary investments	63,344	106,834
Inventories 22,113 22,303 22,602 29,107 42,791 10,700 42,791 10,70		(12.051	(10.050
Deferred tax assets 29,107 42,791 Income taxes 13,481 17,447 Other 21,366 21,194 Property and equipment 1,682,692 1,515,700 Accumulated depreciation (834,096) (765,602 Accumulated depreciation 848,596 750,098 Goodwill 86,711 81,223 Intangible assets less accumulated amortization of \$3,312 September 30, 2010 and 71,038 64,491 Assets held for sale 11,279 8,806 Insurance subsidiary investments 116,548 100,223 Deferred tax assets 114,183 110,930 Other 68,606 62,802 LIABILITIES AND STOCKHOLDERS EQUITY Current liabilities: 2,101,027 2,022,224 Legents wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Due to third party payors 38,575 28,261 Other accrued liabilities 41,977 78,358 Long-term debt due within one year			
Income taxes		7	,
Other 21,366 21,194 Property and equipment 1,682,692 1,515,700 Accumulated depreciation 834,096 765,602 Goodwill 848,596 750,098 Goodwill S2,647 86,711 81,223 Intangible assets less accumulated amortization of \$3,312 September 30, 2010 and \$2,647 71,038 64,491 Assets held for sale Insurance subsidiary investments 116,348 100,223 Deferred tax assets 114,183 110,233 Other 68,606 62,802 LIABILITIES AND STOCKHOLDERS EQUITY Current liabilities: Accounts payable \$ 149,037 \$ 161,066 Salaries, wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 599,276 602,619 Long-term debt 165,080 147,647 Professional liability risks 216			
Property and equipment 1,682,692 1,515,700 Accumulated depreciation 1,682,692 1,515,700 Accumulated depreciation 843,096 750,098 Goodwill		,	,
Property and equipment 1,682,692 1,515,700 Accumulated depreciation (834,096) (765,602 Respect to the property and equipment (834,096) (834,096) Respect to the property and equipment (844,918 Respect to the property a	Other	21,366	21,194
Accumulated depreciation (834,096) (765,602 848,596 750,098 Goodwill 86,711 81,223 Intangible assets less accumulated amortization of \$3,312 September 30, 2010 and \$2,647 December 31, 2009 71,038 64,491 Assets held for sale 11,279 8,806 Insurance subsidiary investments 116,348 100,223 Deferred tax assets 114,183 110,936 Other 68,606 62,802 LIABILITIES AND STOCKHOLDERS EQUITY Current liabilities: Accounts payable \$149,037 \$161,066 Salaries, wages and other compensation 284,506 287,772 Due to third party payors 385,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt due within one year 165,080 147,647 Professional liability risks 165,080 147,647		784,266	843,651
September 30, 2010 and September 30, 2010 and September 31, 2009 71,038 64,491 71,038 64,491 71,038 64,491 71,038 64,491 71,038 64,491 71,038 64,491 71,038 64,491 71,038	Property and equipment	1,682,692	1,515,700
September 30, 2010 and September 30, 2010 and September 31, 2009 Topology Topo	Accumulated depreciation	(834,096)	(765,602)
September 30, 2010 and September 30, 2010 and September 31, 2009 Topology Topo			
Intangible assets less accumulated amortization of \$3,312 September 30, 2010 and \$2,647 December 31, 2009 71,038 64,491 Assets held for sale 11,279 8,806 116,348 100,223 Deferred tax assets 116,348 110,930 114,183 110,1930 114,183 110,1930		848,596	750,098
\$2,647 December 31, 2009 71,038 64,491 Assets held for sale 11,279 8,806 Insurance subsidiary investments 116,348 100,223 Deferred tax assets 114,183 110,936 68,606 62,802 \$2,101,027 \$2,022,224 \$2,002,000 \$2,101,000 \$2,	Goodwill	86,711	81,223
Assets held for sale 11,279 8,806 Insurance subsidiary investments 116,348 100,223 Deferred tax assets 114,183 110,930 Other 68,606 62,802 LIABILITIES AND STOCKHOLDERS EQUITY Current liabilities: Accounts payable \$149,037 \$161,066 Salaries, wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 599,276 602,619 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126	Intangible assets less accumulated amortization of \$3,312 September 30, 2010 and		
Insurance subsidiary investments	\$2,647 December 31, 2009	71,038	64,491
Deferred tax assets 114,183 110,930 Other 68,606 62,802 LIABILITIES AND STOCKHOLDERS EQUITY Current liabilities: Accounts payable \$ 149,037 \$ 161,066 Salaries, wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126	Assets held for sale	,	,
Other 68,606 62,802 LIABILITIES AND STOCKHOLDERS EQUITY Current liabilities: Accounts payable \$ 149,037 \$ 161,066 Salaries, wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126	·	· · · · · · · · · · · · · · · · · · ·	,
LIABILITIES AND STOCKHOLDERS EQUITY Current liabilities: Accounts payable \$ 149,037 \$ 161,066 Salaries, wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126			
LIABILITIES AND STOCKHOLDERS EQUITY Current liabilities: 449,037 161,066 Salaries, wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126	Other	68,606	62,802
LIABILITIES AND STOCKHOLDERS EQUITY Current liabilities: 449,037 161,066 Salaries, wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126		\$ 2,101,027	\$ 2,022,224
Current liabilities: Accounts payable \$ 149,037 \$ 161,066 Salaries, wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126			
Accounts payable \$ 149,037 \$ 161,066 Salaries, wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126	-		
Salaries, wages and other compensation 284,506 287,772 Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126	Current liabilities:		
Due to third party payors 38,575 28,261 Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126	Accounts payable		. ,
Professional liability risks 42,892 47,076 Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126			
Other accrued liabilities 84,177 78,358 Long-term debt due within one year 89 86 599,276 602,619 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126		,	
Long-term debt due within one year 89 86 599,276 602,619 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126	•	•	
599,276 602,619 Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126	Other accrued liabilities	· · · · · · · · · · · · · · · · · · ·	
Long-term debt 165,080 147,647 Professional liability risks 216,146 195,126	Long-term debt due within one year	89	86
Professional liability risks 216,146 195,126		599,276	602,619
Professional liability risks 216,146 195,126	Long-term debt	165,080	147,647
Deferred credits and other liabilities 111,693 110,238	Professional liability risks	216,146	195,126
	Deferred credits and other liabilities	111,693	110,238

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Commitments and contingencies

9,869	9,776
826,060	820,407
162	(423)
172,741	136,834
1,008,832	966,594
\$ 2,101,027	\$ 2,022,224
	826,060 162 172,741 1,008,832

See accompanying notes.

KINDRED HEALTHCARE, INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(In thousands)

Three months ended September 30,		Nine months ended September 30,	
2010	2009	2010	2009
\$ 4,926	\$ 5,453	\$ 36,067	\$ 20,803
29,167	31,992	90,140	94,511
2,593	2,449	8,114	7,548
6,110	7,100	18,387	21,747
(3,017)	4,286		
	Septem 2010 \$ 4,926 29,167 2,593 6,110	September 30, 2010 2009 \$ 4,926 \$ 5,453 29,167 31,992 2,593 2,449 6,110 7,100	September 30, 2010 September 2010 2010 2009 \$ 4,926 \$ 5,453 \$ 36,067 29,167 31,992 29,167 31,992 90,140 2,593 2,449 6,110 7,100 18,387