

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

**QUARTERLY 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)

680 South Fourth Street

Louisville, KY
(Address of principal executive offices)

(502) 596-7300

(Registrant's telephone number, including area code)

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

40202-2412
(Zip 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

Edgar Filing: KINDRED HEALTHCARE, INC - Form 10-Q

to such filing requirements for the past 90 days. Yes 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 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

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	Outstanding at October 31, 2010
Common stock, \$0.25 par value	39,480,570 shares

Table of Contents

KINDRED HEALTHCARE, INC.

FORM 10-Q

INDEX

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited): <u>Condensed Consolidated Statement of Operations for the three months ended September 30, 2010 and 2009 and for the nine months ended September 30, 2010 and 2009</u>	3
<u>Condensed Consolidated Balance Sheet September 30, 2010 and December 31, 2009</u>	4
<u>Condensed Consolidated Statement of Cash Flows for the three months ended September 30, 2010 and 2009 and for the nine months ended September 30, 2010 and 2009</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	45
Item 4. <u>Controls and Procedures</u>	46
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	47
Item 6. <u>Exhibits</u>	47

Table of Contents**KINDRED HEALTHCARE, INC.****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****(Unaudited)****(In thousands, except per share amounts)**

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenues	\$ 1,053,012	\$ 1,057,488	\$ 3,224,213	\$ 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	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	3,167,284	3,124,087
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:				
Income (loss) from operations	(0.01)		(0.01)	(0.04)
Gain (loss) on divestiture of operations				(0.62)
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

Edgar Filing: KINDRED HEALTHCARE, INC - Form 10-Q

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.

Table of Contents

KINDRED HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

(In thousands, except per share amounts)

	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,321	\$ 16,303
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 \$20,156 December 31, 2009	613,951	610,959
Inventories	22,313	22,303
Deferred tax assets	29,107	42,791
Income taxes	13,481	17,447
Other	21,366	21,194
	784,266	843,651
Property and equipment	1,682,692	1,515,700
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	110,930
Other	68,606	62,802
	\$ 2,101,027	\$ 2,022,224
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
	599,276	602,619
Long-term debt	165,080	147,647
Professional liability risks	216,146	195,126
Deferred credits and other liabilities	111,693	110,238

Edgar Filing: KINDRED HEALTHCARE, INC - Form 10-Q

Commitments and contingencies

Stockholders' equity:		
Common stock, \$0.25 par value; authorized 175,000 shares; issued 39,476 shares	9,869	9,776
September 30, 2010 and 39,104 shares December 31, 2009		
Capital in excess of par value	826,060	820,407
Accumulated other comprehensive income (loss)	162	(423)
Retained earnings	172,741	136,834
	1,008,832	966,594
	\$ 2,101,027	\$ 2,022,224

See accompanying notes.

Table of Contents**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
Cash flows from operating activities:				
Net income	\$ 4,926	\$ 5,453	\$ 36,067	\$ 20,803
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	29,167	31,992	90,140	94,511
Amortization of stock-based compensation costs	2,593	2,449	8,114	7,548
Provision for doubtful accounts	6,110	7,100	18,387	21,747
Deferred income taxes	(3,017)	4,286		