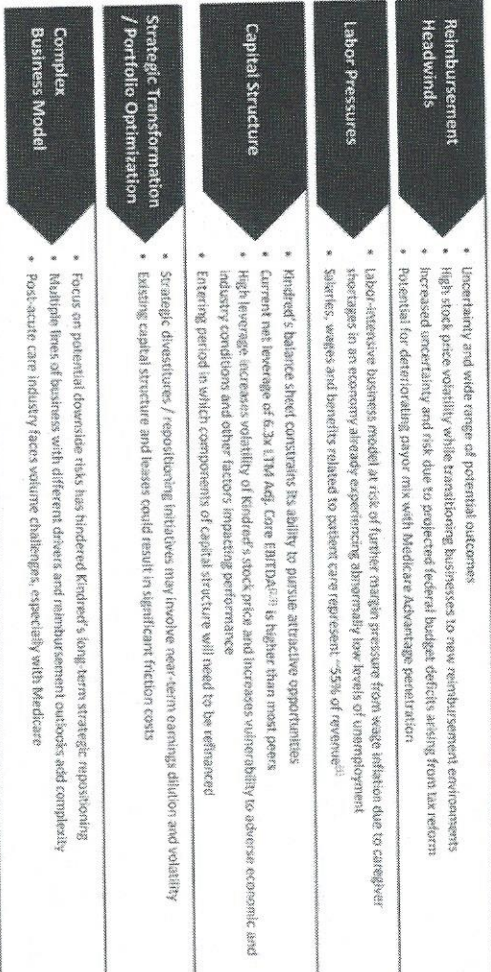

Operating, Regulatory and Reimbursement Headwinds and Risks

Provides Certain Cash Value in Challenging Operating Environment

Board taking proactive steps to maximize value in light of risks and uncertainty



¹ Kindred's medical revenue per patient day (MPD) is based on the number of patient days, not the number of patients, and is based on the number of patient days. Kindred's MPD is based on the number of patient days, not the number of patients, and is based on the number of patient days. Kindred's MPD is based on the number of patient days, not the number of patients, and is based on the number of patient days.

² Kindred's net leverage is based on the number of patient days, not the number of patients, and is based on the number of patient days. Kindred's net leverage is based on the number of patient days, not the number of patients, and is based on the number of patient days.

³ Kindred's Core EBITDA is based on the number of patient days, not the number of patients, and is based on the number of patient days. Kindred's Core EBITDA is based on the number of patient days, not the number of patients, and is based on the number of patient days.

Regulatory Environment Remains Pressured

Post-Acute Reimbursement Headwinds

- Persistent reimbursement headwinds for all post-acute care providers as policymakers seek to lower growth in post-acute care spending and reduce variation in post-acute care costs
- Continued pressure to reduce post-acute care utilization from Medicare Advantage payers, ACAs and bundle holders
- Post-acute care providers are compelled to position themselves as the lowest-cost solution and demonstrate better-quality outcomes versus peers

MedPAC's Latest Recommendation to Congress

- MedPAC's latest recommendation to Congress for post-acute 2019 rates includes the following:
 - LTACH payment update eliminated (implies reduction in rate)
 - Home Health payment rates reduced by 5%
 - Hospice rate update eliminated (implies reduction in rate)
 - Medicare IPE PPS rates reduced by 5%
- MedPAC further proposes to base payments on a mix of setting-specific weights and unified post-acute care weights in FY19 for all post-acute care providers

Tax Reform Potential Impact to Medicare & Medicaid

- As a result of sequestration, Medicare would face a 4% cut which equates to \$25 billion in the first year, according to a report by the bipartisan Congressional Budget Office¹³
- Annual amount could increase in subsequent years depending on the size of the deficit and Medicare's budget
- On December 6, 2017, House Speaker Paul Ryan discussed tackling the debt associated with tax reform by stating, "It's the health care entitlements that are the big drivers of our debt, so we spend more time on the health care entitlements — because that's really where the problem lies."

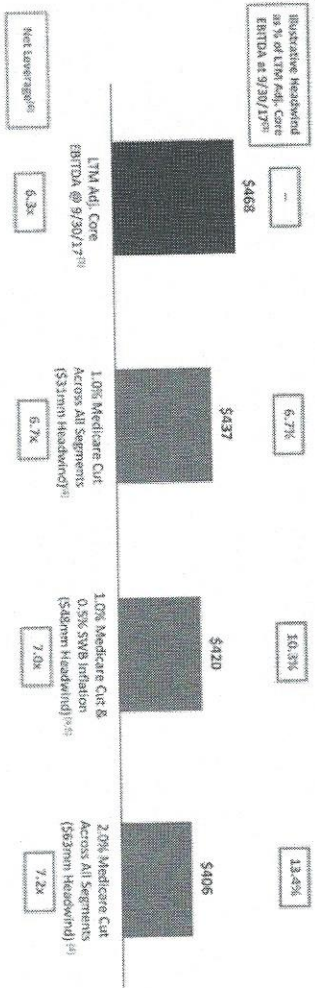
Source: Congressional Budget Office, "The Budget and Economic Outlook: 2017-2026," p. 263 (May 2016) and p. 268 (May 2017).

Reimbursement & Operational Overhang Impact Financial Performance

- Significant challenges to forecasting: Difficult operating environment to persist over the foreseeable future with reimbursement challenges expected across all segments
- Reimbursement changes in the form of rate cuts are challenging to mitigate without accompanying structural / methodology changes
- Rate cut impact to earnings magnified by low net margin profile
- Potential wage inflation due to caregiver shortages in a full-employment environment

Contextualizing Hypothetical Impact of Reimbursement Cuts and Wage Inflation to LTM Adl. Core EBITDA at 9/30/17(\$33)

\$ in millions



⁽¹⁾ Restorative Headwind represents the impact of the restorative headwind on EBITDA, assuming all other items are constant.
⁽²⁾ A 1.0% Medicare cut across all segments is assumed to result in a \$31mm headwind to EBITDA.
⁽³⁾ A 1.0% Medicare cut across all segments and a 0.5% SWB inflation is assumed to result in a \$40mm headwind to EBITDA.
⁽⁴⁾ A 2.0% Medicare cut across all segments is assumed to result in a \$53mm headwind to EBITDA.
⁽⁵⁾ A 0.5% SWB inflation is assumed to result in a \$7mm headwind to EBITDA.
⁽⁶⁾ Net leverage is calculated as total debt divided by EBITDA.

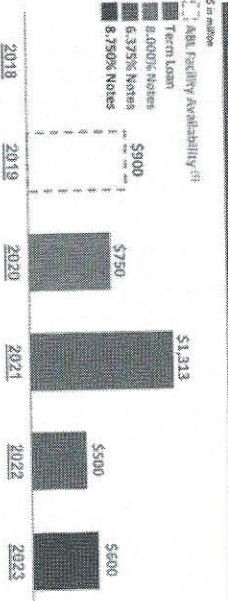
High Leverage Drives Meaningful Volatility to Stockholders

Kindred remains levered in excess of 6x, despite the infusion of near-term liquidity from its insurance restructuring

Kindred Net Leverage Ratios



Overview of Upcoming Maturities⁽¹⁾



Leverage ratios have increased following acquisition of Gentiva primarily due to reimbursement headwinds in ITACH business

Given Kindred's existing leverage profile and resulting interest expense, no near-term benefit is expected from federal tax reform

Upcoming maturity wall in successive years requires Kindred to refinance in short to medium term

Prior to sale process rumors, Kindred's notes traded at significantly higher yields / discount to par, suggesting increased borrowing costs to come