

KINDRED HEALTHCARE, INC
Form 10-Q
August 06, 2009
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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 June 30, 2009

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

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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 July 31, 2009
Common stock, \$0.25 par value	39,031,952 shares

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

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenues	\$ 1,073,054	\$ 1,026,041	\$ 2,142,528	\$ 2,060,516
Salaries, wages and benefits	620,830	587,416	1,236,048	1,179,656
Supplies	83,912	80,769	164,248	158,603
Rent	86,882	85,860	172,083	169,483
Other operating expenses	221,755	213,544	442,160	437,517
Other income	(2,823)	(5,167)	(5,695)	(9,884)
Depreciation and amortization	31,355	30,545	61,845	61,103
Interest expense	2,229	2,907	4,707	7,828
Investment income	(1,033)	(2,335)	(2,508)	(5,582)
	1,043,107	993,539	2,072,888	1,998,724
Income from continuing operations before income taxes	29,947	32,502	69,640	61,792
Provision for income taxes	12,409	13,025	28,761	25,105
Income from continuing operations	17,538	19,477	40,879	36,687
Discontinued operations, net of income taxes:				
Loss from operations	(897)	(528)	(1,478)	(3,048)
Gain (loss) on divestiture of operations	(24,051)	2,712	(24,051)	2,712
Net income (loss)	\$ (7,410)	\$ 21,661	\$ 15,350	\$ 36,351
Earnings (loss) per common share:				
Basic:				
Income from continuing operations	\$ 0.45	\$ 0.50	\$ 1.05	\$ 0.95
Discontinued operations:				
Loss from operations	(0.02)	(0.01)	(0.04)	(0.08)
Gain (loss) on divestiture of operations	(0.62)	0.07	(0.62)	0.07
Net income (loss)	\$ (0.19)	\$ 0.56	\$ 0.39	\$ 0.94
Diluted:				
Income from continuing operations	\$ 0.45	\$ 0.49	\$ 1.05	\$ 0.94
Discontinued operations:				
Loss from operations	(0.02)	(0.01)	(0.04)	(0.08)
Gain (loss) on divestiture of operations	(0.62)	0.07	(0.62)	0.07
Net income (loss)	\$ (0.19)	\$ 0.55	\$ 0.39	\$ 0.93
Shares used in computing earnings (loss) per common share:				
Basic	38,307	37,714	38,246	37,579

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Diluted	38,415	38,474	38,366	38,273
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See accompanying notes.

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

	June 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 39,727	\$ 140,795
Cash restricted	5,305	5,104
Insurance subsidiary investments	156,932	196,983
Accounts receivable less allowance for loss of \$24,734 June 30, 2009 and \$27,548 December 31, 2008	660,526	611,032
Inventories	22,122	22,325
Deferred tax assets	76,351	58,296
Income taxes	1,197	47,257
Other	21,132	20,843
	983,292	1,102,635
Property and equipment	1,459,746	1,392,636
Accumulated depreciation	(710,574)	(656,676)
	749,172	735,960
Goodwill	74,306	72,244
Intangible assets less accumulated amortization of \$2,210 June 30, 2009 and \$1,817 December 31, 2008	63,973	64,367
Assets held for sale	32,197	7,786
Insurance subsidiary investments	52,196	48,610
Deferred tax assets	106,206	100,751
Other	54,286	49,408
	\$ 2,115,628	\$ 2,181,761
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 155,276	\$ 178,246
Salaries, wages and other compensation	282,734	281,542
Due to third party payors	23,369	33,122
Professional liability risks	49,677	55,447
Other accrued liabilities	80,468	76,832
Long-term debt due within one year	83	81
	591,607	625,270
Long-term debt	274,791	349,433
Professional liability risks	209,116	187,804
Deferred credits and other liabilities	106,149	104,279
Commitments and contingencies		
Stockholders' equity:	9,754	9,727

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Common stock, \$0.25 par value; authorized 175,000 shares; issued 39,018 shares June 30, 2009 and 38,909 shares December 31, 2008

Capital in excess of par value	815,439	812,141
Accumulated other comprehensive loss	(3,304)	(3,619)
Retained earnings	112,076	96,726
	933,965	914,975
	\$ 2,115,628	\$ 2,181,761

See accompanying notes.

Table of Contents**KINDRED HEALTHCARE, INC.****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****(Unaudited)****(In thousands)**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Cash flows from operating activities:				
Net income (loss)	\$ (7,410)	\$ 21,661	\$ 15,350	\$ 36,351
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	31,714	31,269	62,519	62,674
Amortization of stock-based compensation costs	2,660	3,626	5,099	7,395
Provision for doubtful accounts	7,631	6,788	14,647	15,160
Deferred income taxes	(7,328)	(8,429)	(9,507)	(13,147)
(Gain) loss on divestiture of discontinued operations	24,051	(2,712)	24,051	(2,712)
Other	32	(517)	236	(1,093)
Change in operating assets and liabilities:				
Accounts receivable	22,274	17,997	(64,141)	(84,146)
Inventories and other assets	(2,026)	2,714	(9,561)	(4,458)
Accounts payable	(2,383)	(11,382)	(10,268)	(11,030)
Income taxes	2,878	(2,612)	46,101	38,984
Due to third party payors	(19,154)	(11,316)	(9,753)	(14,807)
Other accrued liabilities	30,331	(3,133)	22,261	4,989