

HEALTHSOUTH Comments on Final Rules for Inpatient Rehabilitation Prospective Payment System

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HEALTHSOUTH Corporation today commented on the final rules recently issued by the Centers for Medicare and Medicaid Services (CMS) implementing a prospective payment system (PPS) for inpatient rehabilitation facilities. The PPS replaces the cost-based reimbursement system currently in effect.

Richard M. Scrushy, Chairman of the Board and Chief Executive Officer of HEALTHSOUTH, said, "Our review of the final inpatient PPS rules confirms our earlier belief that HEALTHSOUTH's commitment to providing cost-effective inpatient rehabilitation services would be rewarded under PPS. In 1997, our average reimbursable cost per Medicare discharge in our inpatient rehabilitation facilities was \$11,504. By 1999, we had reduced that cost to \$9,940, and we have since driven it down even further. Under the final PPS rules, the base reimbursement rate will be approximately \$11,838 per discharge before the application of case specific and facility-specific factors that could drive that reimbursement up or down. We had previously expected that our average PPS reimbursement would be in the range of \$11,000 to \$11,200 per Medicare discharge, and we now believe that our average reimbursement will exceed that range. With over 70,000 Medicare discharges in our inpatient rehabilitation facilities projected for this year, this new reimbursement system presents a significant growth opportunity for us. We are very pleased that CMS's final rules challenge providers to follow HEALTHSOUTH's lead in effectively managing the delivery of high-quality, cost-effective care to patients who require inpatient rehabilitation."

Scrushy added, "We are in the process of preparing our 2002 budgets, which we expect to complete in mid-November. We will be taking the impact of PPS into account in those budgets, giving particular consideration to the implementation of the new system at each facility based on that facility's particular cost report year-end. When we have completed that process, we will revise our earnings guidance to the market as necessary."

The final PPS rules are scheduled to be implemented beginning January 1, 2002 for cost reporting years beginning on or after that date. Interested persons may review the final rules and other data at <http://www.hcfa.gov/medicare/irfpps.htm>.

HEALTHSOUTH is the nation's largest provider of outpatient surgery and rehabilitative healthcare services, with over 1,900 locations in all 50 states, the United Kingdom, Australia, Puerto Rico and Canada. HEALTHSOUTH can be found on the Web at <http://www.healthsouth.com/>.

Statements contained in this press release which are not historical facts are forward-looking statements. Without limiting the generality of the preceding statement, all statements in this press release concerning or relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, HEALTHSOUTH, through its senior management, may from time to time make forward-looking public statements concerning the matters described herein. Such forward-looking statements are necessarily estimates reflecting the best judgment of HEALTHSOUTH's senior management based upon current information, involve a number of risks and uncertainties and are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. HEALTHSOUTH's actual results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors, including those identified in this press release and in the public filings made by HEALTHSOUTH with the Securities and Exchange Commission, including HEALTHSOUTH's Annual Report on Form 10-K for the year ended December 31, 2000 and its Quarterly Reports on Form 10-Q, and forward-looking statements contained in this press release or in other public statements of HEALTHSOUTH or its senior management should be considered in light of those factors. There can be no assurance that such factors or other factors will not affect the accuracy of such forward-looking statements.

For more information, contact Richard M. Scrushy, Chairman & CEO, or Tadd McVay, Senior Vice President and Treasurer, at 205-967-7116.

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SOURCE: HEALTHSOUTH Corporation

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