

HEALTHSOUTH Comments on Notice of Medicare Lawsuit

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HEALTHSOUTH Corporation today announced that it had received a notice that the U.S. Department of Justice was partially intervening in a lawsuit against it alleging that certain physical therapy practices, primarily involving the use of physical therapy aides and other assistive personnel, violate Medicare regulations relating to the provision of physical therapy. Based on the information about the lawsuit contained in the notice, HEALTHSOUTH believes that the allegations are without legal merit, and expects to defend against the claims vigorously. The lawsuit, which remains under seal and which alleges violations of the federal False Claims Act, has not been served on HEALTHSOUTH.

"HEALTHSOUTH is extremely disappointed that the Department of Justice has elected to intervene in this lawsuit, and we believe we will be vindicated when we have the chance to state our case," said Richard M. Scrushy, Chairman of the Board and Chief Executive Officer of HEALTHSOUTH. "While we have limited ability to comment on this matter because we have not yet been served with a complaint, based on what we know today we believe that the allegations relate to a relatively small percentage of our outpatient physical therapy business, representing less than 1% of our total revenues for the year 2000, for example. We are aware that the Department has been investigating the use of physical therapy aides and similar personnel in connection with the provision of therapy services by providers throughout the country. The team approach to physical therapy - involving therapists, therapy assistants, appropriately supervised aides and other qualified personnel -- is an integral part of the delivery of physical therapy services and a well-recognized practice throughout the industry. Indeed, the use of qualified aides under the supervision of a physical therapist makes it possible for providers to make therapy services available to more patients in a more cost-effective and time-efficient way, speeding the recovery of Medicare therapy patients.

"We have cooperated extensively with the government in its investigation, providing documents, information and legal analysis supporting our therapy practices and our understanding of Medicare requirements and industry standards," Scrushy continued. "To our knowledge, the ability of therapy providers to be reimbursed by Medicare for services in which qualified aides provide assistance has never been in question. We view this action as an attack not only on HEALTHSOUTH, but on the whole physical therapy industry, and we will fight this case on behalf of the industry. While we stand ready to resolve any issues relating to inadvertent documentation errors or other technical violations, we believe that our team approach to physical therapy is permitted under Medicare regulations and consistent with professional standards and practices followed by providers across the country. We strongly deny any suggestion that HEALTHSOUTH has violated the False Claims Act, and we stand ready to defend against these meritless allegations whenever we are served with a complaint in this case."

The Department's notice of partial intervention indicates that it is not intervening with respect to any allegations in the complaint other than those relating to the provision of physical therapy services by physical therapy aides, physical therapy technicians and similar personnel in outpatient rehabilitation. The notice also indicates that the Department intends to assert other claims relating to alleged violations of certain regulations relating to technical documentation requirements for Medicare physical therapy claims, that the Department may seek to consolidate other cases containing similar allegations, and that the Department intends to file a complaint with respect to these allegations within 120 days. Under the order, the original complaint will not be served until that time.

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 the potential outcome of the litigation described 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
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