

Department of Justice Files Notice Withdrawing Intervention in Birmingham Medicare Case Against HEALTHSOUTH

PRNewswire-FirstCall
BIRMINGHAM, Ala.

HEALTHSOUTH Corporation today announced that the U.S. Department of Justice had served it with a notice indicating that the Department of Justice was withdrawing its notice of partial intervention in a civil False Claims Act case against the company pending in the U.S. District Court for the Northern District of Alabama, United States ex rel. DeWayne Manning v. HEALTHSOUTH Corporation. The notice indicated that the Department of Justice had now determined that the case was barred by the filing of two earlier cases, referred to as the "Epstein case" and the "Devage case," in the U.S. District Court for the Western District of Texas, which the Department stated were based on the same basic facts and allegations as those in the Manning case. The notice also indicated that the Department had been informed by the relator-plaintiff that he intended to withdraw his complaint in the Manning case. In a proceeding on March 21, 2002, the Department advised the court that it intended to file a complaint in the Manning case by May 9, and the court ordered the Department to file its complaint not later than that date.

As previously disclosed by HEALTHSOUTH, it understands that the Department takes the position that the Epstein case, the Devage case and the Manning case, as well as two other cases pending in other jurisdictions in which the Department has filed notices of partial intervention, all represent essentially a single case involving the same purported issues concerning physical therapy services provided at HEALTHSOUTH's outpatient rehabilitation facilities. The Department did not intervene in the Epstein case, and HEALTHSOUTH has filed a motion to dismiss that case. The plaintiff-relator has filed his consent to dismissal in the Epstein case, and the parties are awaiting a ruling by the court on dismissal. The Department has, so far as HEALTHSOUTH is aware, not yet made or filed its intervention decision in the Devage case. Despite the unsealing of the Manning case and the other two cases referred to above, the company has not been served with any of the underlying complaints except in the Epstein case.

The Department's notice of withdrawal of its partial intervention in the Manning case indicates that it was aware in January, when it initially intervened in the case, that the Manning complaint might be barred under applicable provisions of the False Claims Act, which prohibits "copycat" relator-plaintiffs from filing suits alleging the same facts and issues as earlier-filed suits under the Act. Despite this knowledge, however, the Department elected to intervene in the Manning case and the other two cases in which it has intervened and to have those cases unsealed and made public, while acknowledging to the Birmingham court that it would not be prepared to file its complaint for four months after intervening. For this reason, HEALTHSOUTH is requesting that court to hold a hearing before any dismissal of the Manning case in an effort to obtain more information about the Department's actions in this matter, including the possibility of collusive arrangements between the Department and the various relator-plaintiffs, and that it will seek to recover its costs incurred in proceedings relating to the Manning case as a result of the earlier partial intervention.

"HEALTHSOUTH is extremely disappointed that the Department of Justice has apparently determined to continue to accuse us of violating Medicare regulations while delaying any opportunity for us to respond in court," said Richard M. Scrushy, Chairman of the Board and Chief Executive Officer of HEALTHSOUTH. "Since January, when the Manning case was unsealed and made public, we have asked to be served with a complaint to which we can respond, just as any other defendant in a lawsuit has a chance to respond. In March, the Department of Justice told both the court and us that we would have that chance today. Instead, we are now told that the Department knew even then that the Manning case was jurisdictionally improper, and we believe that the Department is likely to file similar notices of withdrawal in two other cases against us. It is unfortunate that the Department continues to cause harm to us and our stockholders by making these unsubstantiated claims public."

Scrushy added, "As we have said before, the Department appears to be attacking clinically appropriate practices which are consistent with industry standards, and which have not previously been challenged as violations of Medicare regulations. Once again, we strongly deny any suggestion that HEALTHSOUTH has violated the False Claims Act, and we stand ready to defend against these meritless allegations."

HEALTHSOUTH is the nation's largest provider of outpatient surgery and rehabilitative healthcare services, with approximately 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, 2001 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, Executive Vice President and Treasurer, at 205-967-7116

MAKE YOUR OPINION COUNT - Click Here

<http://tbutton.prnewswire.com/prn/11690X97554551>

SOURCE: HEALTHSOUTH Corporation

Contact: Richard M. Scrushy, Chairman & CEO, or Tadd McVay, Executive Vice President and Treasurer, both of HEALTHSOUTH Corporation, +1-205-967-7116

Website: <http://www.healthsouth.com/>

<http://healthsouth.mediaroom.com/2002-05-09-Department-of-Justice-Files-Notice-Withdrawing-Intervention-in-Birmingham-Medicare-Case-Against-HEALTHSOUTH>