

HEALTHSOUTH Chairman Richard Scrushy Cleared By Outside Investigation Of Advance Knowledge Of Medicare Rule Change Prior To Stock Transactions

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Richard M. Scrushy, Chairman of the Board of HEALTHSOUTH Corporation, was cleared by an outside investigation conducted by a national law firm of all allegations of inside knowledge concerning the impact of a Medicare reimbursement rule change prior to stock and loan repayment transactions in May and July 2002.

Fulbright & Jaworski L.L.P., a national law firm based in Houston, Texas, concluded that Mr. Scrushy had no knowledge of any Medicare reimbursement rule change or its financial impact on the Company until two months after he sold stock on May 14 due to expiring stock options and a week after he had repaid a stock loan on July 31.

Fulbright reached its findings after concluding an extensive six-week investigation that began on September 18. Fulbright's outside review involved interviews with over a dozen key HEALTHSOUTH employees and senior managers, members of the Board of Directors, and others outside the Company and included a review of internal Company email, documents, spread sheets, and other types of electronic data contained in approximately 12,900 documents comprising 119,600 pages, which were in turn derived from a search covering approximately 59,000 documents totaling 546,300 pages.

"This thorough outside review conducted by Fulbright & Jaworski puts to rest any question whether Mr. Scrushy had any inkling or knowledge of the Medicare reimbursement rule change or its impact prior to his stock transactions in May and July 2002," said independent director Robert P. May, chairman of the Board's Special Corporate Governance Committee and Special Litigation Committee.

The Fulbright Report concluded:

"...Fulbright & Jaworski L.L.P. has uncovered no oral interview or written document (including electronic data) that establishes that Mr. Scrushy was aware at the time of his option exercise and sale of HEALTHSOUTH common stock on May 14, 2002, of the pending issuance of Transmittal 1753 [the Medicare rule change]. Fulbright & Jaworski L.L.P. also has uncovered no oral interview or written document (including electronic data) that establishes that Mr. Scrushy knew prior to the time of the transfer by Mr. Scrushy of HEALTHSOUTH common stock to HEALTHSOUTH on or about July 31, 2002, in satisfaction of the principal amount of a loan made to him by HEALTHSOUTH under its 1999 Executive Equity Loan Plan, of: (i) Transmittal 1753 [the Medicare reimbursement rule change]; (ii) the application of Transmittal 1753 [the reimbursement rule change] to the Company's various outpatient therapy services; or (iii) the Transmittal's potential financial effect on the Company."

The Company said that it will continue to cooperate fully in all respects with the SEC in its investigation of these matters, of which the Company was first advised on September 18. The Company had notified the SEC on September 15 that it would fully cooperate in the event the SEC conducted an inquiry concerning Mr. Scrushy's stock transactions.

"I am pleased by Fulbright's confirmation of the facts and the truth concerning my lack of any knowledge of the Medicare reimbursement rule change prior to my stock transactions," Mr. Scrushy said.

HEALTHSOUTH is the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services, with approximately 1,900 locations in all 50 states, the United Kingdom, Australia, Canada and Puerto Rico. HEALTHSOUTH can be found on the Web at 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 revenues, 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 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.

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