

HealthSouth Announces First Phase of Board Transition Plan Strong and Newhall Voluntarily Resign as Directors

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HealthSouth Corporation (Pink Sheets: HLSH) today announced that George H. Strong and Charles W. Newhall III have voluntarily resigned from the HealthSouth Board of Directors effective today as part of the previously announced board transition plan.

Joel C. Gordon, Interim Chairman of the Board of HealthSouth said, "I want to thank George and Chuck for their many years of dedicated service and their tireless efforts on behalf of the Company and its shareholders. We appreciate their willingness to initiate the transition plan that the Special Committee of the Board has concluded is an important part of the rebuilding process at HealthSouth, although we regret their departure.

"The support, diligence and wise counsel of all my fellow directors, especially over the last nine months, have been invaluable in helping to stabilize HealthSouth's operations -- thus restoring hope to our tens of thousands of employees, patients, security holders and others," Mr. Gordon continued. "As directors, we have shared the frustration, outrage and sense of betrayal of HealthSouth's public security holders and employees over the fact that a relatively small group of people deliberately deceived us. We also share the strong determination to build HealthSouth back to a respected position in the healthcare community and to help restore value for our stakeholders."

"It has been a privilege to be part of the remarkable growth of a revolutionary force in the healthcare service business," said Mr. Strong. "I wish Joel, my other fellow directors, and the enormously dedicated managers and employees of HealthSouth every success as they continue the extraordinary progress we have achieved over the past nine months."

"It has been an honor to work for so many years alongside of the thousands of good people who have given their heart and soul to this company," said Mr. Newhall. "I am confident that the grave damage that this outrageous deception has done will be repaired, thanks to the continuing commitment of our employees, the loyalty of our physicians, and the leadership of the management team and the Board."

As previously announced on December 2, 2003, under HealthSouth's transition plan, two additional long-standing Directors will leave voluntarily not later than April 15, 2004 and one additional long-standing a fifth Director will leave voluntarily not later than August 31, 2004. Under the transition plan, the three Directors who joined HealthSouth's Board after August 2002 -- Jon F. Hanson, Robert P. May and Lee S. Hillman -- together with Joel C. Gordon, will remain on HealthSouth's Board in order to help ensure the continuity and stability of HealthSouth's current turnaround efforts. In addition, Messrs. Gordon and May have agreed to continue as Interim Chairman and Interim Chief Executive Officer, respectively, until such time as the Special Committee of HealthSouth's Board believes the turnaround is largely accomplished and a permanent management team is in place. HealthSouth's Special Committee consists of all of HealthSouth's current directors except Richard M. Scrushy, who has refused the Board of Directors' request that he resign as a director.

As also noted on December 2, 2003, a search for four new Directors has begun, overseen by a Search Committee which will seek input from HealthSouth's largest institutional stockholders. The Search Committee will recommend candidates to HealthSouth's Nominating Committee with the goal of filling the vacancies as soon as practicable.

About HEALTHSOUTH

HealthSouth is the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services, with nearly 1,700 locations nationwide and abroad. 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. 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. While it is impossible to identify all such factors, factors which could cause actual results to differ materially from those estimated by HealthSouth include, but are not limited to: the investigations by the Department of Justice and the Securities Exchange Commission into HealthSouth's financial reporting and

related activity calling into question the accuracy of the Company's previously filed financial statements; HealthSouth's statement that as a result of the investigations, the Company's previously filed financial statements should no longer be relied upon and may result in the Company restating its prior financial statements; the withdrawal by HealthSouth's former accountants of their audit reports on all of the Company's previously filed financial statements; the outcome of pending litigation relating to these matters; significant changes in HealthSouth's management team; HealthSouth's ability to successfully amend, restructure and/or renegotiate its existing indebtedness or cure or receive a waiver of the events of default under such agreements, the failure of which may result in HealthSouth filing a voluntary petition for bankruptcy; HealthSouth's ability to continue to operate in the ordinary course and manage its relationships with its creditors, including its lenders, bondholders, vendors and suppliers, employees and customers; changes, delays in or suspension of reimbursement for HealthSouth's services by governmental or private payors; changes in the regulation of the healthcare industry at either or both of the federal and state levels; changes to or delays in the implementation of the prospective payment system for inpatient rehabilitation services; competitive pressures in the healthcare industry and HealthSouth's response thereto; HealthSouth's ability to obtain and retain favorable arrangements with third-party payors; general conditions in the economy and capital markets; and other factors which may be identified from time to time in the Company's SEC filings and other public announcements.

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SOURCE: HealthSouth Corporation

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Web site: <http://www.healthsouth.com/>

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