

## **HealthSouth Announces Closing of HealthSouth Metro West Hospital**

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BIRMINGHAM, Ala.

HealthSouth Corporation (OTC Pink Sheets: HLSH) today announced that it will permanently close HealthSouth Metro West Hospital effective midnight September 2, 2004. The Company says its efforts to recruit and retain the physicians necessary to make the hospital profitable have been unsuccessful and that the facility continues to lose in excess of \$500,000 every month.

The hospital employs approximately 500 full-time, part-time and pool employees. Eligible employees will receive severance packages in accordance with HealthSouth policy. In addition, HealthSouth will offer resume workshops, internal and external job fairs and opportunities with local employment agencies to assist employees in finding new positions in the Birmingham area. The Company will also network with other employers in the Birmingham area to solicit job availabilities.

"This was a very difficult decision for us to make," said HealthSouth Metro West CEO Don Lilly. "Over the past four and a half years we have all worked diligently to turn the hospital around and have invested millions of dollars in the facility. Unfortunately we have been unsuccessful in making the hospital financially viable. Our primary focus at this point is to help our employees find new positions and to ensure a smooth transition for our patients and physicians."

The company acknowledges certain obligations to the City of Fairfield Healthcare Authority and intends to work with the Authority to fulfill those commitments. In addition, the Company will work to procure an appropriate buyer for the hospital buildings and will maintain Metro West's physical plant until an appropriate use for the property is determined.

Notice is being provided to appropriate employees, health providers and local government agencies in accordance with provisions of the Worker Adjustment and Retraining Notification Act ("WARN") (29 U.S.C.A. Sections 2101 et seq.). In addition, the Company will be notifying the appropriate parties in regards to the closing of the hospital's emergency department, which will be effective on July 31, 2004.

HealthSouth employs approximately 3,500 people in Birmingham and is the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services in the country. 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. 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; 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 alleged defaults under such agreements, the inability 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 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.

For more information, contact Andy Brimmer at 205-410-2777.

SOURCE: HealthSouth Corporation

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