

## **Court Rules in Favor of HealthSouth in Litigation Involving General Medicine, P.C.**

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HealthSouth Corporation today reported that the United States District Court for the Eastern District of Michigan granted the Company's motion to set aside a consent judgment in the amount of \$376 million between Horizon/CMS Healthcare Corporation, a former subsidiary of HealthSouth, and General Medicine, P.C. The court agreed with HealthSouth that the consent judgment was a product of fraud on the court. In granting HealthSouth's motion, the court stated that General Medicine's failure to disclose material facts to the court "caused a distortion of the judicial process .... the primary purpose of which was to ambush" HealthSouth. Since 2004, General Medicine has been litigating against HealthSouth in an attempt to force the Company to pay the amount of the consent judgment.

"We are extremely pleased with the court's decision in this matter," said John Whittington, Executive Vice President and General Counsel of HealthSouth. "It confirms our belief that the secret settlement and the consent judgment were the product of collusion and fraud on the court and that the consent judgment should not be binding on HealthSouth and should be set aside."

The consent judgment was the result of a suit brought in the United States District Court for the Eastern District of Michigan in 1996 by General Medicine against Horizon, prior to HealthSouth's acquisition of Horizon. HealthSouth was not a party to that suit. HealthSouth learned of the consent judgment only after selling Horizon when General Medicine sued HealthSouth in Alabama seeking recovery of the \$376 million consent judgment and claiming allegedly fraudulent transfers involving assets of Horizon. Mr. Whittington added, "the Company intends to vigorously defend any remaining claims against it and aggressively pursue our counterclaims in the Alabama case."

The General Medicine litigation in both Michigan and Alabama has been previously discussed in greater detail in HealthSouth's Form 10K for the year ended December 31, 2008 and Form 10-Q for the quarterly period ended March 31, 2009, both of which can be found on the Company's website at [www.healthsouth.com](http://www.healthsouth.com) in the investor section.

### **About HealthSouth**

HealthSouth is the nation's largest provider of inpatient rehabilitative healthcare services. Operating in 26 states across the country and in Puerto Rico, HealthSouth serves patients through its network of inpatient rehabilitation hospitals, long-term acute care hospitals, outpatient rehabilitation satellites, and home health agencies. HealthSouth strives to be the nation's preeminent provider of inpatient rehabilitative healthcare services and can be found on the Web at [www.healthsouth.com](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. All such estimates, projections, and forward-looking information speak only as of the date hereof, and HealthSouth undertakes no duty to publicly update or revise such forward-looking information, whether as a result of new information, future events, or otherwise. Such forward-looking statements are necessarily estimates based upon current information and involve a number of risks and uncertainties. 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, any adverse outcome of various lawsuits, claims, and legal or regulatory proceedings that may be brought against the Company; significant changes in HealthSouth's management team; 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; competitive pressures in the healthcare industry and HealthSouth's response thereto; HealthSouth's ability to obtain and retain favorable arrangements with third-party payors; HealthSouth's ability to attract and retain nurses, therapists, and other healthcare professionals in a highly competitive environment with often severe staffing shortages and the impact on HealthSouth's labor expenses from potential union activity and staffing shortages; general conditions in the economy and capital markets; and other factors which may be identified from time to time in HealthSouth's SEC filings and other public announcements, including HealthSouth's Form 10K for the year ended December 31, 2008 and Form 10-Q for the quarterly period ended March 31, 2009.

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