

## **HealthSouth Divides Ambulatory Services Division Into Two Separate Divisions -- Outpatient Rehabilitation and Diagnostics**

**Karen Davis Named President of New Diagnostics Division; Company Announces Further Management Changes**

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BIRMINGHAM, Ala.

HealthSouth Corporation (OTC Pink Sheets: HLSH) today announced that it will divide its Ambulatory Services Division into two divisions -- Outpatient Rehabilitation and Diagnostics. Bob May, who serves as HealthSouth's Interim Chief Executive Officer and Interim President of its Ambulatory Services Division, will continue to oversee the new Outpatient Rehabilitation Division until the search for a permanent replacement is complete. Karen Davis has been named President of the new Diagnostics Division.

By separating its diagnostics business into its own division, HealthSouth said it will be better able to place a renewed focus on HealthSouth's 127 diagnostic imaging centers across the country. HealthSouth said it plans to enhance the Diagnostics Division's information systems, acquire new equipment where needed and create a dedicated sales team for the division.

Davis has worked for HealthSouth for nine years in a variety of capacities. She has served as Diagnostic Group Vice President for the Eastern United States, as CEO for HealthSouth Metro West Hospital, and as its National Director for Clinical Trials. Prior to coming to HealthSouth, she worked for Diagnostic Health Corporation, which was acquired by HealthSouth in 1994.

"Separating diagnostics into its own division exemplifies our commitment to investing in and operating our core lines of business, in which diagnostic imaging plays an integral role," May said. "Karen understands the intrinsic needs and demands of this expanding healthcare specialty. She makes a great addition to the senior management team."

HealthSouth also announced other management changes, including the resignations of William W. Horton, Executive Vice President and Corporate Counsel, and Brandon O. Hale, Executive Vice President -- Administration and Corporate Secretary.

Greg Doody, a partner of Balch & Bingham LLP, a regional law firm based in Birmingham, Ala., has been named Acting Corporate Counsel and Corporate Secretary and will assist May in coordinating matters regarding HealthSouth's legal affairs while a search is conducted for Horton's permanent replacement. In addition, Trevor Dignall, President of Dignall and Associates, a human resources consulting and executive search business, will assume interim responsibility for Hale's administrative activities.

HealthSouth is the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services, operating nearly 1,700 facilities nationwide and abroad. HealthSouth 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. 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.

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

SOURCE: HealthSouth Corporation

CONTACT: Andy Brimmer of HealthSouth Corporation, +1-205-410-2777

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

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