Kindred Code of Conduct Revised 9-2007

Introduction

Kindred Healthcare’s Mission Statement

Kindred Healthcare will be the nation’s leading provider of skilled nursing, rehabilitation and long-term hospital services. We will set the benchmark for professional excellence and commitment to the residents, patients and employees we serve, making Kindred Healthcare synonymous with quality, service, compassion, integrity and sound fiscal stewardship.

Kindred Healthcare’s Critical Success Factors

The following Critical Success Factors are crucial to achieve Kindred’s mission:
Taking Care of Our People

Promote programs that help recruit and retain key employees.
Focus on Quality Care and Customer Service
Good people and a service-oriented mindset drives quality care, and good care drives customer growth.

Census, Contract and Payor Mix Growth Growing each business organically creates value for our patients, customers and shareholders.
Improved Operating Efficiency Disciplined management of our resources helps support continued investment in our people and quality.

Collecting Cash

Focus on collecting accounts receivable is critically important to continuing to support our quality and business goals.
Organizational Excellence

Our commitment to service, improving clinical outcomes, personnel development, performance improvement processes, and the Ethics and Compliance Program are key parts of our culture and will be the primary differentiators of our company.
Letter From the CEO

Dear Employee, Officer and Board Member,

At Kindred Healthcare, our management philosophy is: “Focus on our people, on quality and customer service, and our business results will follow.” This means an important part of the culture at Kindred is to treat each other with respect and to do our jobs ethically and with compassion.

As providers of healthcare services, we have a responsibility to act with integrity every day. Making the right decisions not only means we act in a legal and ethical manner, but also ensures that we continue to provide the levels of quality care and customer service that lead to organizational excellence. In addition, it helps create a work environment that we can all be proud of.

As a company we have formalized these goals through the Kindred Ethics and Compliance Program. This program reinforces Kindred’s commitment to ethically do the right thing as well as our commitment to comply with applicable laws, regulations, guidelines and company policies.

The Code of Conduct that accompanies this letter sets forth the ethical and legal standards that guide Kindred and every employee. I ask you to take the time to read and understand the contents of this Code of Conduct. It is applicable to all aspects of our business.

As part of Kindred’s commitment to quality and customer service, we need to make sure every employee has the ability to express any concerns or complaints without fear of reprisal or any other penalty. We do this in two ways. Our Open Door Policy encourages employees to contact their immediate supervisor and, if necessary, to proceed up the chain of command to reach an acceptable resolution. If this option does not adequately address your concerns, you may also call Kindred’s Compliance Hotline (800.359.7412). The Hotline is confidential and has been developed to maintain the caller’s anonymity up to the limits of the law. I can assure you that there will be no retaliation or retribution against any employee who, in good faith, reports concerns to the Hotline.

By recognizing the value of our employees and supporting their efforts we can build organizational excellence around our Shared Values … truth, fairness, integrity, ethical conduct, respect, compassion, service, and teamwork. These are values to live and work by, and they will help us create value for our patients, residents, shareholders, ourselves and our families.

Very truly yours,

Paul J. Diaz
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Code of Conduct
Overview
The Kindred Healthcare Code of Conduct describes Kindred’s values, standards and expectations that apply to all parts of our operations. The Code defines the appropriate relationships Kindred strives to have with patients, residents, employees, shareholders, customers, contractors and the communities in which we work. All employees, officers and Board Members must follow the standards in this Code for Kindred to grow and prosper in the future.

Kindred recognizes as a healthcare organization we must comply with all laws and regulations pertaining to the provision of healthcare services. We must make every effort to identify where there is risk for non-compliance. The Code supports these efforts by promoting ethical and legal behavior in the following areas:

Quality —Kindred Healthcare is committed to making quality care the primary consideration in everything we do. Quality is the cornerstone of all activities and should be the driving force behind all decisions and actions. Our goal is to understand customers’ expectations, to provide care and services in a timely and reasonable manner, and to be responsive to patients’, residents’ and families’ concerns. Kindred dedicates itself to continuous quality improvement every day
to achieve enhanced quality outcomes. This means that we should always look for ways to work better and more efficiently and share these ideas with supervisors and colleagues.

Financial Practices —Kindred is committed to being truthful, transparent and accurate in all records, reporting and billing activities.

Business Practices —Kindred Healthcare competes on the basis of the quality and cost effectiveness of services provided. Kindred will not use gifts, gratuities, bribes or kickbacks to convince others to refer patients or residents to facilities or purchase services.

Conflicts of Interest —We should all avoid situations where personal interests are, or appear to be, in conflict with Kindred’s interests.

Safeguarding Resources —We are entrusted to safeguard and properly use Kindred Healthcare’s assets, including confidential information, and the assets of others, which are in our possession.

Compliance with Laws —Kindred is committed to complying with the laws and regulations that govern our operations as a healthcare provider, employer and publicly held company. Each of us is likewise responsible for complying with these laws.

Additional Guidance

The Code covers many areas of potentially unethical and illegal behavior, but it is not possible to list all activities here that could raise compliance concerns. In many instances, Kindred’s policies and procedures provide detailed guidance on how to handle situations that may not be immediately clear. But there may be some situations where neither the Code nor Kindred’s policies provide the guidance needed to act ethically or legally. In these cases, you should consult a supervisor, manager or the Compliance Department to be sure that decisions made and actions taken reflect Kindred’s values and commitment to compliance. Kindred has high expectations and standards. Employees, officers and Board Members must review and observe the Kindred Code of Conduct to ensure that conduct and actions are consistent with Kindred’s commitment to excellence. Each of us can help promote Kindred Healthcare’s success by following the standards described in the Code.

Application Of Code To Contractors And Vendors

Kindred is committed to maintaining integrity and quality when other people or organizations act on Kindred’s behalf. Any independent contractor, subcontractor, vendor, or other entity or individual with whom Kindred has entered into a contract or other arrangement to conduct business on behalf of
Kindred, including the provision of patient or resident care or services or conducting billing or coding services, must adhere to all applicable laws and regulations. These entities are encouraged to have their own compliance program and code of conduct or to adopt and follow Kindred’s Code. In addition, any contractors providing patient or resident care on Kindred’s behalf must show proof of licensure, certification or other evidence of provider competency.

Ethics and Compliance Program

Overview
The Kindred Healthcare Ethics and Compliance Program is a comprehensive effort to promote ethics and compliance among employees, officers and Board Members. The program seeks to promote a culture of ethical conduct and to support Kindred’s mission to be the most trusted and respected provider of post-acute services. The Program is also designed to detect, prevent and correct fraud, waste and abuse as we provide quality care to our patients and residents and conduct business operations. The Ethics and Compliance Program has seven basic elements.

Program Structure — To promote compliance, Kindred has established systems, processes and compliance committees at every level of the organization, from the Board of Directors and the home office to field offices and to each facility. In addition, Kindred’s Compliance Department assists in coordinating and implementing the Program.

Written Standards — Kindred’s policies and procedures, along with this Code of Conduct, provide guidance on how to perform job responsibilities ethically and legally. Each individual must take the time to be aware of the policies and procedures that apply to job responsibilities, follow these policies and procedures, and to request additional guidance from supervisors when needed.

Training — Kindred has established training programs to provide detailed guidance on compliance issues and to make certain that each of us receive the information needed to perform our jobs. Minimum training requirements must be achieved and tracked.

Reporting Mechanisms — Each of us must report possible compliance issues to supervisors or through the Open Door Policy. Our Compliance Hotline (800.359.7412) provides another way to report possible compliance issues anonymously or to get answers to compliance-related questions. Kindred employees who, in good faith, report a possible compliance issue must not be subjected to retaliation, retribution or harassment by Kindred or any of its employees. Issues reported to the Compliance Department are thoroughly reviewed and appropriate corrective action or performance improvement activities are initiated. Regulatory violations identified and corrected by managers during the course of business operations must be reported to the Compliance Department so that Kindred can ensure that issues are identified...
and addressed throughout the enterprise in a coordinated manner.

Internal Investigation and Corrective Action — All reported concerns and allegations are taken seriously and reviewed promptly. Allegations of serious wrongdoing may be referred to the Law Department for direction in conducting the investigation. If an internal investigation substantiates a violation, it is Kindred’s policy to initiate corrective action, including, as appropriate, making restitution for any overpayment, notifying the appropriate government agency, implementing disciplinary action, or implementing system and process changes to prevent a similar violation from recurring in the future.

Monitoring Systems — Internal and external monitoring systems make it possible for Kindred to make certain that written standards and training programs are working to address compliance concerns. These monitoring systems also provide valuable information on how to improve operations.

Adherence to the Code — It is important that employees, officers, and Board Members perform their job responsibilities ethically and legally; therefore, adherence to the Code of Conduct is a component of performance reviews. There is disciplinary action for intentional violations of the Code, and it is unacceptable to overlook wrongdoing.

These seven elements form the core of the Program. The Program is administered by the Compliance Department and headed by the Chief Compliance Officer (CCO). The CCO reports directly to the Board of Directors and the department functions independently of the operating divisions. The department’s mission is to maintain a structure and process that promotes ethical behavior and compliance with legal requirements and company policies, resulting in quality care, accurate financial practices and organizational excellence.

Effectiveness of the Ethics and Compliance Program

The effectiveness of the Program in promoting ethical and legal behavior and in detecting and preventing fraud, waste and abuse is assessed through various efforts. Kindred evaluates the organization’s ability to self-identify potential wrongdoing and conduct appropriate reviews, followed by corrective action and performance improvement when indicated. Adherence to policies and legal requirements and the effectiveness of controls to prevent wrongdoing are monitored by operations through self-audits, and validated through independent audits by the Internal Audit Department, the Compliance Department and various independent entities. The results of these activities are continuously assessed and used to improve the Program.
Quality

Patient and Resident Care and Safety

Kindred is committed to providing high-quality care and promoting patient safety in the most appropriate setting. We should each strive to provide the best possible care based on the identified needs of patients and residents, and in the most cost-effective and safe manner.

Kindred is subject to many federal, state and local laws on quality. Accreditation standards also apply to certain Kindred facilities. Kindred is committed to providing quality care in compliance with all applicable laws, regulations and standards related to patient and resident care.

Customer Service

Kindred’s goal is to understand our customers’ expectations, to provide care and services in a timely and reasonable manner, and to be responsive to patients’, residents’ and families’ concerns. This goal requires all of our focus. Patients, residents and their families are encouraged to ask questions and communicate any concern related to the care and services we provide. Employees are trained to be responsive so that questions and concerns can be resolved quickly, and to communicate issues to their supervisors when immediate solutions are not possible. Every Kindred hospital and nursing center utilizes the ASAP Program, which provides additional methods for patients, residents and family members to communicate concerns and achieve resolution.

Patient and Resident Rights and Healthcare Decision-Making

Patients, residents and their families entrust Kindred with the care and well being of those who, in many instances, are seriously ill. Each patient and resident is an individual entitled to dignity, consideration and respect. Patient or resident abuse or neglect is not tolerated. Kindred employees are responsible for reporting any instances of observed or suspected abuse or neglect to a supervisor.

Kindred’s policies and procedures provide detail on patient and resident rights. Many patients and residents in our facilities have impaired or limited decision-making abilities due to injury, illness or disease. We should always respect the rights of patients and residents and their families to participate in healthcare decisions and we must inform them of their rights, as required by law. This includes the right to participate in decisions on whether to consent to or refuse treatment. In certain instances, a patient’s or resident’s decision regarding care may conflict with Kindred’s policies. These kinds of ethical issues should be reviewed under Kindred’s policies and procedures and applicable state and federal laws.
Kindred will respond promptly to patient or resident concerns or complaints concerning admission, treatment, discharge or the quality of care. We are each responsible for responding to and communicating complaints or concerns. Any concerns should be brought to the attention of supervisors or the Compliance Department. All concerns should be reviewed and responded to in a timely manner.

Quality of Life

Kindred recognizes that our patients, residents and family members must often make difficult healthcare decisions that may significantly impact an individual’s quality of life. We are committed, along with our medical staffs, to help provide information that will promote knowledgeable decision-making. Additionally, when patients and residents are in our hospitals and nursing centers, we want to promote ethical, innovative, professional and compassionate care within an environment that nurtures their physical, social, emotional and spiritual needs.

Professional Standards

Kindred’s strength lies in the caliber and commitment of our employees, which is consistent with our Critical Success Factor, “Taking Care of Our People.” To deliver on Kindred’s commitment to quality, we should work toward the highest degree of performance, behave professionally at all times, and promote high standards and integrity.

This includes using respectful communication and behaving properly toward patients, residents, visitors, coworkers, supervisors and contractors. Kindred prohibits abusive, menacing, threatening or disrespectful behavior. Kindred has implemented processes such as the Open Door Policy and the Compliance Hotline to facilitate appropriate methods for communicating and resolving concerns.

Kindred leadership must promote a culture that supports teamwork and respect for other people, supports the provision of safe and quality care and services, and is designed to effectively carry out the mission, vision and goals of the organization. Leadership must encourage honest and open communication and be responsive to concerns and to resolving conflict.

At Kindred, only qualified individuals may provide patient or resident care in our facilities. Kindred will ensure that caregivers have the appropriate qualifications to perform job duties professionally and in a manner consistent with Kindred’s high standards. All positions requiring licenses or certifications will be filled with employees who have the appropriate credentials. In addition, Kindred will not
hire any individual who has been excluded from participating in the Medicare and Medicaid programs. Kindred has detailed policies on how to determine whether an applicant has been subject to such exclusion.

Kindred expects each employee, officer and Board Member to observe the highest ethical and legal standards. We should always act honestly and in good faith, strive for excellence in performing job duties, observe all laws and regulations governing Kindred’s business, and use Kindred’s assets only for legitimate and ethical business purposes. This includes using all work time to the advantage of patients or residents or other Kindred endeavors and always putting forth the best effort on the job. All offers of employment are conditional upon the successful completion of any required background checks.

Quality Improvement

Kindred is dedicated to continuous quality improvement. These activities also assist in identifying best practices and disseminating them throughout the organization. Kindred focuses on training as well as policies and procedures to achieve quality care and quality outcomes and, at the same time, recognizes that providing quality care is full of opportunities for improvement. We should continuously strive to improve performance and operations. Kindred offers many chances to enhance job performance through additional training opportunities.

Kindred requires that all financial documents, records and bills be accurate, complete and truthful. Employees must follow legal requirements, established financial standards, and generally accepted accounting principles in completing all financial records. If the accuracy or reliability of information is unclear or in doubt, all necessary steps must be taken to make appropriate corrections. Particular care should be taken to ensure compliance in the following areas:

Financial Practices

Claims — All claims for payment must be supported by adequate documentation. Any claim submitted to the government or any other payer must contain truthful information.

Bills — Bills must reflect only services actually rendered and be fully documented in the medical record.

Documentation — Proper documentation must show that the services were actually provided and that information on the bill is accurate before making payment for services or seeking payment for services provided.

Billing Codes — Billing codes must accurately describe the services provided. Any inaccuracies in bills already submitted must be immediately reported to a supervisor so that appropriate corrections can be made.
Business Practices

Kickbacks and Referrals

Many federal and state laws prohibit accepting or providing anything of value to induce the referral of patients, residents or business or in return for obtaining services or supplies. Therefore, Kindred employees, officers and Board Members must not accept or offer to provide anything of value in exchange for the direct or indirect referral of patients, residents or business, or in return for buying services or supplies.

These laws pertain to all Medicare and Medicaid business and, in some states, to private business relationships as well. Violation of these laws may be a crime and can result in substantial penalties for both Kindred Healthcare and individual employees.

It is difficult to identify all the situations that may raise fraud and abuse concerns; however, prohibitions include the following:

• Payments may not be made to referral sources (specifically, physicians or referral facilities) that exceed the fair market value of services provided. Likewise, Kindred may not accept payments that exceed the fair market value of services provided in cases where Kindred is the referral source.

• Kindred will not give free or discounted goods or services to referral sources or accept free or discounted goods or services in cases where Kindred is the referral source. This includes free or discounted services or supplies such as X-ray, laboratory, ambulance, pharmacy, therapy, and dietary services and supplies.

• Kindred will not make payment arrangements with vendors, suppliers or others in a position to make referrals where reimbursement is based on the amount or volume of business referred rather than the value of the services provided.

To ensure compliance with these laws, Kindred requires that all agreements with referral sources, and purchasers of Kindred’s services in cases where Kindred is the referral source, be put in writing. Contracts not already pre-approved by Kindred’s Law Department must be submitted for legal review before the agreements are finalized. Any questions or concerns about whether a particular arrangement is permissible under these laws should be directed to Kindred’s Law Department or the Compliance Department.
Gifts and Gratuities

If someone from outside of Kindred offers gifts or items of value, it could be perceived as improper because it may suggest that the donor expects special treatment in exchange for the gift. Therefore, Kindred does not permit acceptance of gifts or gratuities of more than nominal value from vendors or others doing business with Kindred. We should politely refuse gifts or gratuities exceeding nominal value.

Likewise, Kindred does not permit the giving of gifts of more than nominal value to vendors or others doing business with the Company. Employees should consult Kindred policies, which provide more detailed guidance on the subject of gifts and gratuities. Employees may also consult supervisors and, if necessary, the Compliance Department.

Payments to Government Officials

Federal law and the laws of most states prohibit giving anything of value to government officials with the intent to influence the decisions of the government. Kindred’s policy is that nothing of value may be given to federal or state government officials.

Likewise, federal law prohibits corporations from contributing anything of value to the political campaign of anyone running for federal office. State laws vary on whether corporations can contribute to the political campaign of individual candidates. Kindred’s policy is that the organization will not contribute anything of value to the political campaign of any person running for federal office unless specifically permitted by law. The Senior Vice President of Compliance and Government Programs must pre-approve Kindred’s contributions to the political campaigns of individuals running for state offices. These laws and policies do not preclude lawful contributions by Kindred’s Political Action Committee (PAC) to support political candidates.

Conflicts of Interest

Kindred’s employees, officers and Board Members should not engage in any activities that conflict with the interests of Kindred. It is impossible to describe all of the situations that may give rise to a conflict of interest, but some examples include:

- A Kindred employee accepts outside employment in an organization that does business with Kindred or is a competitor of the organization and it interferes
with the employee’s commitment to Kindred’s professional standards. While certain employees, such as nurses, are not prohibited from working shifts at another facility, this additional work should be discussed with supervisors.

- A Kindred employee or an immediate family member (parent, sibling, child and spouse) has a financial interest in a firm that does business with Kindred Healthcare or is a competitor of the organization where the interest may affect the employee’s decisions or actions.

- A Kindred employee or an immediate family member serves as a director, officer, employee, consultant or agent of an organization which is a competitor of or does business with Kindred Healthcare.

- A Kindred employee or an immediate family member uses any confidential information about Kindred for personal gain or the benefit of others.

- A Kindred employee or an immediate family member appropriates for personal use the benefit of any Kindred business venture which the employee learns about while working at Kindred.

- A Kindred employee accepts gifts from any person or firm doing or seeking to do business with Kindred under circumstances where it appears that the purpose of the gift may be to influence the conduct of business with the donor.

Kindred’s employees, officers and Board Members have a responsibility to put the interests of Kindred and our patients and residents ahead of any other business interests they may have. Any potential conflicts of interest should be disclosed to supervisors upon hire or as they occur. This includes any additional employment accepted while working for Kindred.

**Safeguarding of Resources**

**Protecting Confidential Information**

Kindred employees, officers, Board Members and business associates must maintain the confidentiality of all information obtained on the job. Confidential information should not be shared with anyone inside or outside of Kindred, except as necessary to perform work and only after proper authorization has been obtained. This confidentiality obligation continues even after transfer to another Kindred department or facility or after employment with Kindred has ended.

- Patient and Resident Information — HIPAA is the Health Insurance Portability and Accountability Act and it is designed to protect the privacy of
Protected Health Information. This includes information that relates to the health of an individual and identifies, or can be used to identify, the individual. Only people authorized by federal and/or state law may have access to medical records and other patient or resident information. Serious penalties could result for individuals or Kindred if these laws are violated.

For example, access to the medical record and other patient or resident information may be appropriate for direct caregivers and billing personnel to allow them to provide care or submit bills for services provided. It also may be appropriate for the patient or resident and his or her physician and legal representative to have access to the information. Patient or resident information should not be released to anyone outside of Kindred, unless the patient or resident or his or her legal representative first provides written consent. Kindred has developed specific policies and procedures to ensure compliance with HIPAA. Supervisors should be contacted if there is any question concerning the appropriateness of access to patient or resident information.

• Company Information — Confidential information about Kindred Healthcare’s business is a valuable asset and is intended for use only within Kindred. All information concerning Kindred’s finances, operations, products, policies, customers, development plans, computer programs and related information should be treated as proprietary and confidential. This information should not be released to anyone outside of Kindred Healthcare such as competitors, suppliers, outside contractors or business associates.

• Employee Information — Kindred employee and personnel files are also confidential. Only individuals authorized according to Kindred policy and state and federal law will have access to employee records.

• Security Breach Reporting — Kindred Healthcare strictly protects the security of the data that resides within our systems. We carefully protect data from loss, misuse, unauthorized access or disclosure, alteration or destruction. In the event that a breach occurs, Kindred will fully comply with the reporting requirements of the prevailing state or federal law.

Document Management

Kindred Healthcare has a document management policy that applies to all Company documents that are in the possession or control of any employee, officer or Board Member. This policy establishes procedures for consistently retaining, preserving and disposing of Company documents, while ensuring the proper control of information and data storage. The policy is designed to:

• ensure consistent compliance with all legal requirements concerning the retention and destruction of Company documents;
• preserve Company documents that are relevant to pending or imminent litigation, legal actions, and government investigations;

• reduce space requirements for storing tangible and electronic documents; and

• facilitate the organization of Company documents, thereby improving the efficiency with which such documents can be retrieved whenever necessary.

Responsible Use of Kindred Resources

• Property, Equipment and Supplies — We should use Kindred resources for authorized business purposes only. Kindred’s assets, property, facilities, equipment and supplies should be protected against loss, theft, damage and misuse.

• Kindred Funds — Those of us entrusted with the direct handling of Kindred’s funds (specifically, patient cash receipts, operating receipts, petty cash, facility disbursements) are responsible for the integrity and accuracy of those monies and records.

• Computers and Computer Software — We must use Kindred’s electronic resources responsibly. Computers, software and electronic mail provided by Kindred should be used for work purposes only. Kindred may access this information in the ordinary course of business as permitted by applicable law. Care should be taken when electronic methods are used to communicate confidential, proprietary or sensitive legal or financial matters as these materials could be accessed at a future time by third parties, even if the electronic documents have been deleted.

If your work requires you to send data outside the Kindred network for any reason, prior to doing so you must consult your supervisor regarding special procedures for the safeguarding of data such as the use of encryption.

Kindred’s policy is that we use computer software only as permitted by license agreements. Kindred employees may not use, install, or duplicate computer software without a license or proper authorization from the software developer.

• Work Time — We should each spend work time to benefit Kindred’s patients and residents or for other work-related activities. It is not permissible to use work time for outside work, personal errands or any activity not related to Kindred Healthcare’s services without first obtaining permission from a supervisor.
Compliance with Laws

False Claims

The Federal False Claims Act, 31 USC §§ 3729-3733, and similar state laws assist the federal and state governments in combating fraud and abuse and recovering losses resulting from fraud in government programs, purchases and/or contracts. These laws prohibit the knowing and/or intentional use of false or fraudulent claims, records or statements for the purpose of obtaining payment from the government. These laws apply to Medicare and Medicaid reimbursement and prohibit, among other things, billing for services not rendered, billing for undocumented services, falsifying cost reports, billing for medically unnecessary services, assigning improper codes to secure reimbursement or higher reimbursement, and participating in kickbacks. A violation of these laws may result in civil, criminal and/or administrative penalties, including monetary penalties, imprisonment, exclusion from participation in Medicare and Medicaid, and loss of licensure status. Federal law and some state laws allow private citizens to file a lawsuit on behalf of the government and to share in a percentage of any monetary recovery or settlement. These laws and Kindred policy prohibit retaliating or discriminating against employees because of their initiation of, or participation in, a lawful false claims investigation, report, claim or proceeding. These laws also provide for certain monetary awards and equitable relief to the prevailing plaintiff, including compensation for lost wages and reinstatement to a former position.

Summaries of the Federal False Claims Act, related state laws and applicable whistleblower provisions are posted on Kindred’s external website and on Kindred’s Intranet (Knect). Suspected false claims violations should be reported to Kindred Management, Kindred’s Compliance Hotline (800.359.7412), or to the appropriate federal or state agency.

Health, Safety and Environmental

Kindred wants to create a safe environment for our employees, patients, residents and their families. Kindred is committed to complying with all federal, state and local health, safety and environmental laws. Kindred employees are responsible for ensuring that our offices and facilities comply with these laws, including laws regarding the following:

• handling and disposal of infectious materials, such as syringes
• use of medical equipment

• use of personal protective equipment to prevent the spread of infectious diseases

• storage, security, handling and disposal of hazardous materials

Workplace Conduct, Equal Employment Opportunity and Discrimination

Kindred is an equal opportunity/affirmative action employer.

Kindred’s policies, procedures and personnel programs are administered without regard to race, color, religion, sex, age, sexual orientation, national origin, disability or veteran status. To further the principle of equal opportunity, Kindred has developed affirmative action plans for minorities and women, individuals with disabilities, and Vietnam-era and other disabled veterans. In addition, Kindred complies with applicable federal, state and local laws governing nondiscrimination and harassment in employment at every Kindred location. The policy applies to recruitment, placement, promotion, transfer, retention and training, as well as to all other privileges, personnel programs, Kindred Healthcare policies, procedures, and terms and conditions of employment.

Kindred employees share responsibility for preventing discrimination and harassment. Any knowledge of discrimination or harassment should be discussed immediately with a supervisor or manager, facility administrator, district or regional manager, director of operations or regional vice president. Kindred’s policies prohibit taking any kind of retaliatory action against those who report discrimination or harassment.

Kindred’s policies on workplace conduct, equal employment opportunity and discrimination are described in detail in the Kindred Healthcare Employee Handbook. The Handbook should be consulted for detail on these policies.

Securities Trading

General Rule

Kindred employees, officers and Board Members, and their immediate families, household members and associates, should not buy or sell securities (or the securities of any company with which Kindred has or is contemplating a material relationship) at any time employees, officers and Board Members possess material information that the rest of the investing public does not know. “Material information” is information that a reasonable investor would consider important in a decision to buy, hold or sell securities. Material information includes, but is not limited to, information regarding financial results, future earnings or other financial issues, Kindred’s intent to buy back or sell its stock, significant acquisitions or dispositions, material litigation, changes in management or
forthcoming articles or analyst reports about Kindred. In addition, Kindred employees, officers and Board Members may not communicate material information to any other person (including relatives, friends, or business associates) regardless of the purpose for which such communication may be made, except to the extent necessary to perform their job functions.

The federal securities laws generally prohibit employees, officers and Board Members from purchasing or selling securities if they possess material non-public information. These laws also prohibit Kindred employees, officers and Board Members from communicating such information to any other person for such use. Employees, officers and Board Members of Kindred may be presumed to know, or have access to, this type of information.

Questions about whether information a Kindred employee, officer or Board Member possesses might be deemed material should be directed to the Law Department at 502.596.7300.

Prohibited Trading Periods

All Kindred executive officers, Board Members, vice presidents and corporate office directors are subject to prohibited trading periods.

The covered personnel are prohibited from trading in Kindred securities during the period beginning on the first day of each calendar quarter and ending on the first business day following Kindred’s earnings release covering the previous quarter. For example, Kindred’s first quarter ends on March 31 and if it publicly announces its earnings for the first quarter on Tuesday, May 2, the prohibited trading period or “blackout period” would run from April 1 until May 3. Special blackout periods may also be imposed from time to time when material developments pertaining to Kindred have not yet been communicated publicly. Unless otherwise in possession of material, non-public information, covered personnel generally can trade in Kindred securities at any time other than a prohibited trading period.

• Kindred Pre-Clearance Policy - All Kindred Board Members, executive officers and vice presidents are required to obtain pre-clearance from the Law Department prior to buying or selling Kindred securities. The purpose of this clearance is to protect such individuals and Kindred from inadvertent violations of the securities laws during periods of time when significant information is about to be released by Kindred.

• Consequences of a Violation - Kindred employees, officers and Board Members could be subject to substantial civil fines and criminal penalties. Kindred could be subject to unfavorable publicity as well as a negative market reaction. Employees, officers and Board Members could also be subject to internal disciplinary proceedings including dismissal.
Antitrust

Kindred’s policy is to comply with the letter and spirit of the antitrust laws of the United States. These laws are designed to foster free and open competition in the marketplace. Kindred employees should not participate in any discussion, understanding, agreement, plan or scheme - formal or informal - with any competitor or potential competitor, which restricts competition. Examples of activities that could violate the antitrust laws include making arrangements or having discussions with competitors about prices, price levels, market territories, or refusing to deal with certain customers or other competitors.

Government Requests for Information

Kindred’s policy is to comply with every reasonable and lawful request by federal, state and local government officials for information and documents. These requests might include information related to patient or resident care, billing and financial practices and related operational or financial issues. While Kindred will comply with these requests, the law does not require disclosure of certain information. Examples of information that might not be subject to disclosure include, but are not limited to the following:

- certain patient or resident information that might be protected by medical record privacy laws
- certain quality assurance information compiled by Kindred facilities to comply with federal and state requirements
- certain information collected as part of Kindred’s peer review process to review and evaluate the credentials of healthcare providers furnishing services in Kindred facilities

Please consult supervisors or the Law Department if there is any question concerning whether information or documents requested by a government official should be disclosed.

Implementation of the Ethics and Compliance Program

Adhering to the Code of Conduct

Kindred’s employees, officers and Board Members must review and observe the Kindred Code of Conduct. We are each responsible for reporting suspected violations of the Code. It is not acceptable to overlook actual or potential wrongdoing.
Resolution of Problems and Concerns

Compliance-related concerns should be addressed by following Kindred’s Open Door Policy outlined in the Employee Handbook. This policy encourages employees to contact immediate supervisors and, if necessary, to proceed up the chain of command to reach an acceptable resolution.

Compliance Hotline

If the Open Door process is inappropriate or ineffective, or if an employee, Board Member, contractor or vendor desires anonymity in seeking information or reporting a concern, Kindred has a Compliance Hotline (800.359.7412). The Compliance Hotline is designed to permit an individual to call and report a compliance-related concern or to obtain clarification on compliance issues. An external party answers the Compliance Hotline 24 hours a day, seven days a week. Callers are reminded that they do not have to identify themselves. If there is no way to respond to the inquiry without identification, callers have the option of revealing their identity so that appropriate action can be taken. Kindred will make every attempt to preserve callers’ anonymity within the limits of the law.

Kindred Healthcare takes seriously any issue reported to the Hotline. It is therefore very important to use the Hotline appropriately. Employees who intentionally misuse the Compliance Hotline may be subject to disciplinary action.

Kindred employees who, in good faith, report a possible violation of this Code must not be subjected to retaliation, retribution or harassment by Kindred or any of its employees. Any supervisor, manager or employee who conducts or condones retribution, retaliation or harassment in any way will be subject to disciplinary action up to and including discharge.

All new employees, officers and Board Members must review the Kindred Healthcare Code of Conduct. The Code will also be reviewed annually with all employees during general compliance training.