

KINDRED HEALTHCARE, INC
Form 10-Q
May 07, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

**□ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2010

OR

**□ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission file number: 001-14057

KINDRED HEALTHCARE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

680 South Fourth Street

Louisville, KY
(Address of principal executive offices)

(502) 596-7300

(Registrant's telephone number, including area code)

61-1323993
(I.R.S. Employer
Identification No.)

40202-2412
(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject

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to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at April 30, 2010
Common stock, \$0.25 par value	39,481,505 shares

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	Three months ended March 31,	
	2010	2009
Revenues	\$ 1,089,837	\$ 1,069,474
Salaries, wages and benefits	627,175	615,218
Supplies	85,886	80,336
Rent	88,319	85,201
Other operating expenses	234,204	220,405
Other income	(3,084)	(2,872)
Depreciation and amortization	31,121	30,490
Interest expense	1,307	2,478
Investment income	(877)	(1,475)
	1,064,051	1,029,781
Income from continuing operations before income taxes	25,786	39,693
Provision for income taxes	10,631	16,352
Income from continuing operations	15,155	23,341
Discontinued operations, net of income taxes:		
Loss from operations	(154)	(581)
Loss on divestiture of operations	(137)	
Net income	\$ 14,864	\$ 22,760
Earnings per common share:		
Basic:		
Income from continuing operations	\$ 0.38	\$ 0.60
Discontinued operations:		
Loss from operations		(0.02)
Loss on divestiture of operations		
Net income	\$ 0.38	\$ 0.58
Diluted:		
Income from continuing operations	\$ 0.38	\$ 0.60
Discontinued operations:		
Loss from operations		(0.02)
Loss on divestiture of operations		
Net income	\$ 0.38	\$ 0.58
Shares used in computing earnings per common share:		
Basic	38,626	38,184

Diluted

38,859

38,315

See accompanying notes.

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KINDRED HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

(In thousands, except per share amounts)

	March 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,675	\$ 16,303
Cash restricted	6,421	5,820
Insurance subsidiary investments	64,253	106,834
Accounts receivable less allowance for loss of \$19,053 March 31, 2010 and \$20,156 December 31, 2009	663,654	610,959
Inventories	22,228	22,303
Deferred tax assets	46,391	42,791
Income taxes		17,447
Other	28,252	21,194
	845,874	843,651
Property and equipment	1,580,194	1,515,700
Accumulated depreciation	(790,577)	(765,602)
	789,617	750,098
Goodwill	81,382	81,223
Intangible assets less accumulated amortization of \$2,868 March 31, 2010 and \$2,647 December 31, 2009	66,489	64,491
Assets held for sale	8,773	8,806
Insurance subsidiary investments	110,028	100,223
Deferred tax assets	114,966	110,930
Other	64,266	62,802
	\$ 2,081,395	\$ 2,022,224
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 153,969	\$ 161,066
Salaries, wages and other compensation	266,548	287,772
Due to third party payors	26,589	28,261
Professional liability risks	43,742	47,076
Other accrued liabilities	77,279	78,358
Income taxes	12,189	
Long-term debt due within one year	87	86
	580,403	602,619
Long-term debt	196,625	147,647
Professional liability risks	207,259	195,126
Deferred credits and other liabilities	114,278	110,238

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Commitments and contingencies

Stockholders' equity:

Common stock, \$0.25 par value; authorized 175,000 shares; issued 39,514 shares	March 31, 2010 and		
39,104 shares	December 31, 2009		
		9,878	9,776
Capital in excess of par value		821,638	820,407
Accumulated other comprehensive loss		(224)	(423)
Retained earnings		151,538	136,834
		982,830	966,594
		\$ 2,081,395	\$ 2,022,224

See accompanying notes.

Table of Contents**KINDRED HEALTHCARE, INC.****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****(Unaudited)****(In thousands)**

	Three months ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 14,864	\$ 22,760
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	31,121	30,805
Amortization of stock-based compensation costs	2,775	2,439
Provision for doubtful accounts	6,431	7,016
Deferred income taxes	(7,463)	(2,179)
Loss on divestiture of discontinued operations	137	
Other	(163)	204
Change in operating assets and liabilities:		
Accounts receivable	(59,126)	(86,415)
Inventories and other assets	(11,245)	(7,535)
Accounts payable	(7,582)	(12,264)
Income taxes	29,286	43,223
Due to third party payors	(1,894)	9,401
Other accrued liabilities	(11,137)	(5,535)
Net cash provided by (used in) operating activities	(13,996)	1,920
Cash flows from investing activities:		
Routine capital expenditures	(14,815)	(26,924)
Development capital expenditures	(7,567)	(13,062)
Acquisitions	(47,696)	(15,604)
Purchase of insurance subsidiary investments	(14,278)	(36,257)
Sale of insurance subsidiary investments	53,211	54,092
Net change in insurance subsidiary cash and cash equivalents	(5,575)	20,458
Other	(28)	(953)
Net cash used in investing activities	(36,748)	(18,250)
Cash flows from financing activities:		
Proceeds from borrowings under revolving credit	389,600	390,800
Repayment of borrowings under revolving credit	(340,600)	(371,600)
Payment of deferred financing costs	(22)	(309)
Issuance of common stock	35	
Other	103	94
Net cash provided by financing activities	49,116	18,985
Change in cash and cash equivalents	(1,628)	2,655
Cash and cash equivalents at beginning of period	16,303	140,795
Cash and cash equivalents at end of period	\$ 14,675	\$ 143,450

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Supplemental information:

Interest payments	\$	875	\$	2,070
Income tax refunds		11,412		25,170

See accompanying notes.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)