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## Kindred Healthcare, Inc. Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

(Operator instructions) And we will take our first question from Adam Feinstein with Lehman Brothers.

**Paul Diaz**

Good morning, Adam. Adam?

**Operator**

Adam, your line is open, please go ahead. Adam, if you can please check your mute button. And we will move on to our next question with Robert Hawkins with Stifel Nicolaus.

**Paul Diaz**

Hi, Rob, good morning.

**Robert Hawkins – Stifel Nicolaus**

Hey, good morning, great quarter.

**Paul Diaz**

Thank you, sir.

**Robert Hawkins – Stifel Nicolaus**

I guess the first thing is maybe spend some time on guidance. Your guidance more or less has the quarter baked in. You really – and some of the deleveraging baked in. So you are really not raising the outlook for the remaining part of the year. Is that correct, the way I'm looking at it?

**Paul Diaz**

I would say with one notable exception that our previous guidance, our budgets, as we always do, we have talked about assumed the statutory market basket adjustments. So, in the context of the proposed rules, those are negated by the adjustments on the forecasting era. So we are absorbing a \$4 million to \$5 million reduction against our original guidance. So in layman's terms, or at least as an operator, I think we are growing through that in the fourth quarter.

**Robert Hawkins – Stifel Nicolaus**

Okay. So that was what the net – because they said it was a net impact of about minus 0.2 or minus 0.3%. Is that really the way it kind of played out when you guys looked at the numbers the way CMS was couching it? Or was it the way they tinkered with the forecasting adjustment? It's a little bit different.

**Rich Lechleiter**

It is fairly complicated in terms of looking at every different provider's mix of facilities and locations and things. But, for the most part, I think for us and for most of the industry, that is fairly accurate. So as I said, it is a \$4 million to \$5 million impact in the fourth quarter that we believe, again without any change in our current view around malpractice or anything else, that we think we can continue to grow and through our new hospitals and quality mix improvement in our nursing homes and just steady as you go operations.

**Robert Hawkins – Stifel Nicolaus**

Okay. Then for the quarter, was there a way to quantify the flu impact for you guys? Because I know maybe not directly, but it fills the hospitals up. They maybe push patients out faster. How did that really play into your numbers this quarter?

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