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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

**Date of Report (Date of earliest event reported): December 19, 2017**

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**KINDRED HEALTHCARE, INC.**  
(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**001-14057**  
(Commission  
File Number)

**61-1323993**  
(IRS Employer  
Identification No.)

**680 South Fourth Street**  
**Louisville, Kentucky**  
(Address of principal executive offices)

**40202**  
(Zip Code)

**Registrant's telephone number, including area code: (502) 596-7300**

**Not Applicable**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation to the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 7.01. Regulation FD Disclosure.**

On December 19, 2017, Kindred Healthcare, Inc. (“Kindred” or the “Company”) issued a press release regarding the matter disclosed in Item 8.01 of this Current Report on Form 8-K. A copy of such press release is attached hereto as Exhibit 99.1. Exhibit 99.1 is being furnished under Item 7.01 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), as amended, or otherwise subject to the liability of such section, nor shall this information be deemed incorporated by reference into any filing made by the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

**Item 8.01. Other Events.**

On December 19, 2017, Kindred entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Kentucky Hospital Holdings, LLC, a Delaware limited liability company (“HospitalCo Parent”), Kentucky Homecare Holdings, Inc., a Delaware corporation (“Parent”), and Kentucky Homecare Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent (“Merger Sub”). Concurrently with the execution of the Merger Agreement, the Company entered into a Separation Agreement (the “Separation Agreement”) with Parent, HospitalCo Parent and Kentucky Hospital Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of HospitalCo Parent.

**Item 9.01. Financial Statements and Exhibits.**(d) Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	<a href="#">Press release, dated December 19, 2017.</a>
99.2	<a href="#">Transcript of video sent to Kindred employees by President and CEO Ben Breier.</a>
99.3	<a href="#">Letter to partners, dated December 19, 2017.</a>
99.4	<a href="#">“Moving Forward” FAQs, dated December 19, 2017.</a>
99.5	<a href="#">“Touching Base,” email to Kindred employees from President and CEO Ben Breier, dated December 19, 2017.</a>

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**Forward Looking Statements**

Certain statements contained herein includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are often identified by words such as “anticipate,” “approximate,” “believe,” “plan,” “estimate,” “expect,” “project,” “could,” “would,” “should,” “will,” “intend,” “hope,” “may,” “potential,” “upside,” and other similar expressions.

Such forward-looking statements are inherently uncertain, and stockholders and other potential investors must recognize that actual results may differ materially from the Company’s expectations as a result of a variety of factors. Such forward-looking statements are based upon management’s current expectations and include known and unknown risks, uncertainties and other factors, many of which the Company is unable to predict or control, that may cause the Company’s actual results, performance, or plans to differ materially from any future results, performance or plans expressed or implied by such forward-looking statements. Risks and uncertainties related to the proposed transactions include, but are not limited to, the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement; the failure of the parties to satisfy conditions to completion of the proposed merger, including the failure of the Company’s stockholders to approve the proposed merger or the failure of the parties to obtain required regulatory approvals; the risk that regulatory or other approvals are delayed or are subject to terms and conditions that are not anticipated; changes in the business or operating prospects of the Company or its businesses; changes in health care and other laws and regulations; the impact of the announcement of, or failure to complete, the proposed merger on our relationships with employees, customers, vendors and other business partners; and potential or actual litigation. In addition, these statements involve risks, uncertainties, and other factors detailed from time to time in the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission (the “SEC”).

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Many of these factors are beyond the Company's control. The Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance. The Company disclaims any obligation to update any such factors or to announce publicly the results of any revisions to any of the forward-looking statements to reflect future events or developments.

**Additional Information and Where to Find It**

The Company will file with the SEC and mail to its stockholders a proxy statement in connection with the proposed merger. We urge investors and security holders to read the proxy statement when it becomes available because it will contain important information regarding the proposed merger. You may obtain a free copy of the proxy statement (when available) and other related documents filed by the Company with the SEC at the SEC's website at [www.sec.gov](http://www.sec.gov). You also may obtain the proxy statement (when it is available) and other documents filed by the Company with the SEC relating to the proposed merger for free by accessing the Company's website at [www.kindredhealthcare.com](http://www.kindredhealthcare.com) by clicking on the link for "Investors", then clicking on the link for "SEC Filings."

**Participants in the Solicitation**

The Company and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the Company's stockholders in connection with the proposed merger. Information regarding the interests of these directors and executive officers in the proposed merger will be included in the proxy statement when it is filed with the SEC. You may find additional information about the Company's directors and executive officers in the Company's proxy statement for its 2017 Annual Meeting of Stockholders, which was filed with the SEC on May 25, 2017. You can obtain free copies of these documents from the Company using the contact information above.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KINDRED HEALTHCARE, INC.

December 19, 2017

By: /s/ Joseph L. Landenwich

Name: Joseph L. Landenwich

Title: General Counsel and Corporate Secretary



**KINDRED HEALTHCARE TO BE ACQUIRED BY TPG CAPITAL,  
WELSH, CARSON, ANDERSON & STOWE AND HUMANA INC.  
FOR \$9.00 PER SHARE IN CASH**

*Transaction Valued at Approximately \$4.1 Billion;  
27 Percent Premium to 90-Day VWAP*

*Transaction Will Result in Two Separate Companies*

*Kindred at Home Will Enhance Access to Care and Reduce Costs for  
People Living with Chronic Conditions*

*Specialty Hospital Company Is Uniquely Positioned to Care for the Most  
Medically-Complex and Rehab-Intensive Populations*

LOUISVILLE, Ky. – December 19, 2017 – Kindred Healthcare, Inc. (“Kindred” or “the Company”) (NYSE:KND) today announced that its Board of Directors has approved a definitive agreement under which it will be acquired by a consortium of three companies: TPG Capital (“TPG”), Welsh, Carson, Anderson & Stowe (“WCAS”) and Humana Inc. (“Humana”) (NYSE: HUM) (together, the “consortium”) for approximately \$4.1 billion in cash including the assumption or repayment of net debt.

Under the terms of the agreement, Kindred stockholders will receive \$9.00 in cash for each share of Kindred common stock they hold, representing a premium of approximately 27 percent to Kindred’s 90-day volume weighted average price (“VWAP”) for the period ending December 15, 2017, the last trading day prior to media reports regarding the potential transaction.

Kindred operates home health, hospice and community care businesses, long-term acute care (“LTAC”) hospitals, inpatient rehabilitation facilities (“IRF”) and a contract rehabilitation services business. Immediately following the acquisition of Kindred, the home health, hospice and community care businesses will be separated from Kindred and operated as a standalone company owned 40 percent by Humana, with the remaining 60 percent owned by TPG and WCAS (“Kindred at Home”). Humana will have a right to buy the remaining ownership interest in Kindred at Home over time through a put/call arrangement. Kindred’s LTAC hospitals, IRFs and contract rehabilitation services businesses will be operated as a separate specialty hospital company owned by TPG and WCAS (“Kindred Healthcare”).

Benjamin A. Breier, President and Chief Executive Officer of Kindred, said, “We are pleased to have reached this agreement, which will deliver significant cash value to Kindred’s stockholders and concludes a robust strategic review undertaken by the Board and management team over the course of 2017. We believe this agreement maximizes value for stockholders and represents a significant step forward in transforming home healthcare in America by enhancing access to care and reducing costs for people living with chronic conditions. In addition, the specialty hospital company, Kindred Healthcare, will be uniquely positioned to care for the most medically-complex and rehab-intensive populations.”

Continued Mr. Breier, “The flexibility and resources gained through the investments by Humana, TPG and WCAS are expected to enhance innovation in both platforms, further our culture of a patient-first approach to high-quality, compassionate care and create new opportunities for Kindred employees.”

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Bruce D. Broussard, Humana's President and Chief Executive Officer, said, "Humana is focused on enhancing our capabilities for care in the home to prioritize patient wellness while delivering high-quality care in a low-cost setting. This transaction with Kindred underscores the successful and ongoing execution of our strategy by joining with the most geographically diverse home healthcare provider in the country. We are confident that these new capabilities will help Humana continue to modernize home health and meaningfully improve the member and provider experience. We look forward to completing this strategic transaction with TPG and WCAS."

"TPG's healthcare team has a long history of partnering with companies and management teams that hold significant growth potential," said Jeff Rhodes, Partner at TPG. "We believe this transaction will provide Kindred with additional resources and focus to drive significant value for all stakeholders. We look forward to partnering with Humana, WCAS and the management team at Kindred to build on the complementary capabilities this transaction brings together. We are excited to build the new companies and invest behind best in class clinical care."

D. Scott Mackesy, WCAS's Managing Partner, said, "WCAS's healthcare franchise has been built around partnering with excellent management teams and providing incremental resources to drive above market growth. We have a long history of creative dealmaking with corporate partners and look forward to working with Humana, TPG and Kindred's management team to deliver the highest quality, most cost-efficient healthcare to all."

Debra A. Cafaro, Chairman and Chief Executive Officer of Ventas, Inc. ("Ventas") (NYSE: VTR), said, "As the premier capital provider for leading healthcare companies and long-standing partners to Kindred, we are delighted to support Kindred and this transaction. It creates the nation's foremost LTAC, IRF and contract rehabilitation services operator with improved financial strength. The specialty hospital company, Kindred Healthcare, brings together Kindred's outstanding management team as well as experienced private equity partners with strong healthcare backgrounds. We look forward to deepening our partnership with Kindred's sponsors and building on the strong relationship we have developed with Kindred over many years to continue transforming care for the aging population."

#### ***Leadership and Shared Services***

Upon completing the transaction, Mr. Breier will serve as Chief Executive Officer of the specialty hospital company, Kindred Healthcare. David Causby, currently Executive Vice President and President of Kindred at Home, will serve as Chief Executive Officer of Kindred at Home.

Under a shared services agreement, Kindred Healthcare will continue to provide certain support functions to Kindred at Home for a transitional period.

#### ***Timing and Approvals***

The agreement is subject to certain conditions to closing, including, without limitation, the approval of the agreement by the stockholders of Kindred, the receipt of certain licensure and regulatory approvals, the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and other customary closing conditions.

The transaction is expected to close during the summer of 2018.

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### ***Advisors***

Barclays and Guggenheim Securities, LLC are serving as financial advisors to Kindred and Cleary Gottlieb Steen & Hamilton LLP is serving as legal counsel.

Morgan Stanley & Co. LLC and JPMorgan Chase are acting as lead financial advisors to the consortium. Citi is also acting as financial advisor. Debevoise & Plimpton LLP and Mintz Levin are serving as legal counsel to the consortium. Ropes & Gray LLP is serving as legal counsel to WCAS.

TripleTree, LLC is acting as strategic and financial advisor to Humana. Evercore provided a fairness opinion to the Board of Directors of Humana. Fried, Frank, Harris, Shriver & Jacobson LLP is acting as legal advisor to Humana.

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### ***About Kindred***

Kindred Healthcare, Inc., a top-105 private employer in the United States, is a FORTUNE 500 healthcare services company based in Louisville, Kentucky with annual revenues of approximately \$6.1 billion<sup>1</sup>. At September 30, 2017, Kindred's continuing operations, through its subsidiaries, had approximately 86,400 employees providing healthcare services in 2,475 locations in 45 states, including 77 LTAC hospitals, 19 inpatient rehabilitation hospitals, 16 sub-acute units, 609 Kindred at Home home health, hospice and non-medical home care sites of service, 101 inpatient rehabilitation units (hospital-based) and contract rehabilitation service businesses which served 1,653 non-affiliated sites of service. Ranked as one of Fortune magazine's Most Admired Healthcare Companies for eight years, Kindred's mission is to promote healing, provide hope, preserve dignity and produce value for each patient, resident, family member, customer, employee and shareholder we serve. For more information, go to [www.kindredhealthcare.com](http://www.kindredhealthcare.com). You can also follow us on Twitter and Facebook.

### ***About Humana***

Humana Inc. is committed to helping our millions of medical and specialty members achieve their best health. Our successful history in care delivery and health plan administration is helping us create a new kind of integrated care with the power to improve health and well-being and lower costs. Our efforts are leading to a better quality of life for people with Medicare, families, individuals, military service personnel, and communities at large.

To accomplish that, we support physicians and other health care professionals as they work to deliver the right care in the right place for their patients, our members. Our range of clinical capabilities, resources and tools – such as in-home care, behavioral health, pharmacy services, data analytics and wellness solutions – combine to produce a simplified experience that makes health care easier to navigate and more effective.

More information regarding Humana is available to investors via the Investor Relations page of the company's website at [humana.com](http://humana.com), including copies of:

- Annual reports to stockholders;
- Securities and Exchange Commission filings;
- Most recent investor conference presentations;
- Quarterly earnings news releases and conference calls;

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<sup>1</sup> Revenues from continuing operations for the last twelve months ended September 30, 2017.

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- Calendar of events; and
  - Corporate Governance information.

#### ***About TPG***

TPG is a leading global alternative asset firm founded in 1992 with more than \$73 billion of assets under management and offices in Austin, Beijing, Boston, Dallas, Fort Worth, Hong Kong, Houston, London, Luxembourg, Melbourne, Moscow, Mumbai, New York, San Francisco, Seoul, and Singapore. TPG's investment platforms are across a wide range of asset classes, including private equity, growth venture, real estate, credit, and public equity. TPG aims to build dynamic products and options for its investors while also instituting discipline and operational excellence across the investment strategy and performance of its portfolio. For more information, visit [www.tpg.com](http://www.tpg.com).

#### ***About WCAS***

WCAS focuses its investment activity in two target industries: technology and healthcare. Since its founding in 1979, WCAS has organized 16 limited partnerships with total capital of over \$22 billion. The Firm is currently investing an equity fund, Welsh, Carson, Anderson and Stowe XII, L.P., which closed on over \$3.3 billion in commitments. WCAS has a current portfolio of approximately twenty companies with 2017 annual revenues totaling over \$16 billion. WCAS's strategy is to partner with outstanding management teams and build value for its investors through a combination of operational improvements, internal growth initiatives and strategic acquisitions. See [www.wcas.com](http://www.wcas.com) to learn more.

#### ***Forward-Looking Statements***

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***Contacts***

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**For Kindred**

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**For TPG**

**For WCAS**

**Kindred Ben Breier Video Transcript**

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- Hi everyone and happy holidays. We have some exciting news about the evolution of Kindred, and I'm proud to be able to share it with you today. Let me take some time to walk through this next chapter and what I believe it means for our company, our patients and of course all of you.
- Today, we announced that Kindred will become two separate, private companies, Kindred at Home and a specialty hospital company, Kindred Healthcare.
- This transaction represents an opportunity to evolve our integrated care approach and position all of the Company's service lines to be even more successful in the future.
- We have three really impressive partners in this transaction:
  - TPG Capital and Welsh, Carson, Anderson & Stowe, or WCAS. These are two of the most experienced healthcare investors in private equity.
  - And Humana, a company also based in Louisville that shares our commitment to advancing integrated care and expanding access to health services in the home.

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- Kindred at Home, our home health, hospice and community care business, will become a standalone company owned 40 percent by Humana, with the remaining 60 percent owned by TPG and WCAS.
  - Our LTAC hospitals, Inpatient Rehab Facilities and contract rehab services will become one separate specialty hospital company, Kindred Healthcare, owned by TPG and WCAS.
  - I am honored that I will be the CEO of Kindred Healthcare following the completion of the transaction, and my colleague and partner David Causby will be CEO of Kindred at Home.
  - Kindred has been a publicly traded company since 2001, so I want to take a moment to explain the compelling rationale for this transaction.
  - In addition to delivering substantial cash value for our stockholders, the transaction is a natural evolution of our integrated care strategy and will enable us to more effectively pursue our vision as a provider, as an innovator and as post-acute benefits manager.
  - The transaction represents a significant step forward in transforming home healthcare in America by enhancing access to care and reducing costs for people living with chronic conditions.

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- Further, the specialty hospital company, Kindred Healthcare, will be uniquely positioned to care for the most medically-complex and rehab-intensive populations.
  - I believe the unique platform created through this transaction will enable us to meet the evolving needs of our patients and their families, while also driving continued growth.
  - Importantly, we expect the flexibility and resources that we will gain through this transaction to create new opportunities for our teammates, enhance innovation in both platforms and further our culture of a patients-first approach to high-quality, compassionate care.
  - It should be business as usual at Kindred until the transaction closes. We expect this will occur sometime around the summer of 2018, subject to approvals and customary closing conditions.
  - During this period, I am counting on all of you to remain focused on what you do best – caring for our patients and supporting your fellow colleagues.
  - Looking ahead, we have a lot of work to do to implement the plan we announced today.

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- A team with members of Kindred leadership, as well as leaders from our other partners, is already hard at work to determine how best to position these two companies for success.
  - We will continue to keep you updated as we achieve milestones and as important information becomes available. Today you will receive a communication called “Moving Forward” and we will continue to publish new editions of “Moving Forward” to keep you apprised of our progress and address questions from teammates across the country.
  - Above all, I want to reiterate that we expect the additional resources available will allow both companies to achieve even greater things. We are very pleased and excited and hope you share our enthusiasm for the even brighter future ahead.
  - In closing, on behalf of the entire leadership team, I want to thank you for all that you do each day to improve the lives of our patients.
  - It’s your hard work and your commitment to Kindred that are the foundation of our success, and we could not have built our market-leading platform, successfully repositioned our portfolio over the last few years or realized this opportunity without your efforts – so, thank you.

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- I know that with the holiday season in full swing and the New Year quickly approaching, this is a busy time for everyone.
  - I am grateful for your continued focus on excellent care delivery and the difference you make in the lives of our patients and their family members.
  - I look forward to continuing our work together to meaningfully improve the lives of our patients.
  - Thank you all very much.



Dear INSERT:

I am reaching out with some exciting news about our company. Kindred announced that it is being acquired and will become two private companies. Kindred's IRFs, contract rehabilitation services and LTAC hospitals will become a specialty hospital company, Kindred Healthcare, owned by TPG Capital and Welsh, Carson, Anderson & Stowe ("WCAS"). Our home health, hospice and community care businesses will become a separate company, Kindred at Home, owned 40 percent by Humana, with the remaining 60 percent owned by TPG and WCAS.

This transaction represents an opportunity to evolve our integrated care approach and position each of Kindred's service lines to be even more successful in the future. As an important part of a private specialty hospital company, Kindred Rehabilitation Services (KRS) will have greater financial and operational flexibility to meet the needs of patients and our partners. We are excited to have strong financial partners; TPG and WCAS are two of the most experienced healthcare investors in private equity. TPG and WCAS share our commitment to providing a patients-first approach to high-quality, compassionate care and have the resources and experience to help us succeed in this next chapter.

Providing quality and compassionate care is the foundation of what we do; our patients will see no change in the quality care delivered to them each day, and our partners will see greater financial and operational flexibility that enables us to reinvest, innovate and deliver the post-acute solutions that set Kindred apart within an evolving healthcare system. Importantly, a strong connection will remain between our service lines from hospital to home – while Kindred at Home will be operated as a separate company, we will continue to work with them to fill gaps in care and offer patients a seamless experience.

Transitioning to a private company represents an important step forward for our enterprise. It is strategically significant, financially compelling and the right thing to do in order to succeed as the premiere specialty hospital company provider in the country. We believe this transaction will position Kindred for long-term success against the backdrop of dynamic changes in the healthcare services industry. We believe this move will provide great benefit for each of our Joint Venture and Rehabilitation partners in the Hospital and Long Term Care industry.

Looking ahead, it should be business as usual for all of us at Kindred and at all of our facilities until the completion of the transaction, which we expect in the summer of 2018. Even after we complete the transaction, I want to emphasize that you will remain an important and valued partner to our organization and our working relationship will not change.

We value our business relationship and look forward to continuing it for many years to come.

Regards,

Jason Zachariah

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## **Forward-Looking Statements**

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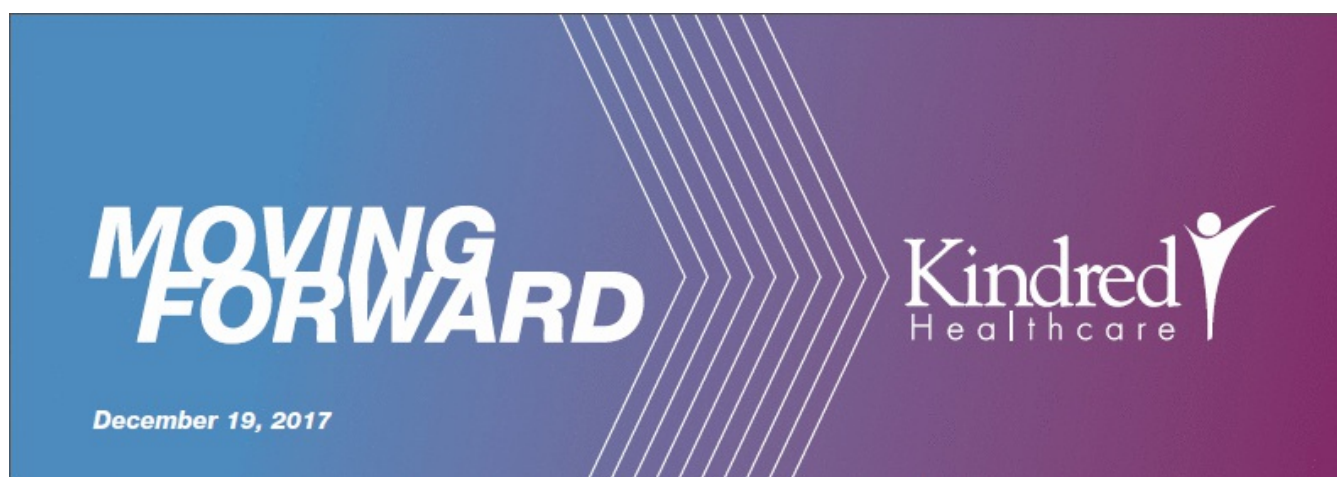
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We are excited to announce that Kindred’s Board of Directors approved a definitive agreement under which Kindred will be acquired by a consortium of three companies: TPG Capital, Welsh, Carson, Anderson & Stowe (“WCAS”) and Humana. The transaction will create two separate, privately-held companies. In connection with the acquisition of Kindred, our home health, hospice and community care businesses will be separated into a new company (“Kindred at Home”) with the remaining businesses forming a new specialty hospital company (“Kindred Healthcare”). Under the terms of the agreement, Kindred at Home will be owned 40 percent by Humana, with the remaining 60 percent owned by TPG and WCAS. TPG and WCAS will own Kindred Healthcare. This transaction is expected to close in the summer of 2018.

We understand that an announcement like this can cause anxiety and uncertainty, particularly when the expected closing date is many months away. Be assured that we are committed to communicating with you as frequently and transparently as possible throughout the process of completing the transaction.

We know you will have a lot of questions about the transaction and what it means for you. Although we are still in the early stages of finalizing details of the transaction, we want to take this opportunity to provide answers to some questions that are likely top of mind for you and your colleagues.

Please take a moment to review the answers listed below. We look forward to providing more details about these important topics and answering any other questions you may have as the transaction progresses. In the meantime, if you have any questions, please email

[MovingForward@Kindred.com](mailto:MovingForward@Kindred.com) and we will try to answer your question in a future round-up of frequently asked questions.

Throughout the course of the transition, we do not anticipate any disruptions to our day-to-day operations, so it should be business as usual for you. We appreciate your remaining focused on delivering outstanding care to our patients and family members, and we thank you for your continued hard work and dedication. We look forward to sharing more information with you soon.

#### FREQUENTLY ASKED QUESTIONS

*Q. Why is the Company going private?*

A. With Kindred becoming two private companies, each company will have greater financial and operational flexibility to better pursue their own unique vision as providers, innovators and post-acute benefits managers. Because private companies can focus on long-term growth instead of publicly reporting quarterly performance, the two new companies will offer new opportunities for each to reinvest, innovate and deliver the post-acute solutions that our patients and partners expect and require within an evolving healthcare system.

*Q. What does this transaction mean for Kindred’s integrated care strategy?*

A. This is a natural evolution of our integrated care strategy as it will create a unique platform to meet the needs of patients and their families while driving Kindred’s continued growth.

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Kindred has made great strides testing, deploying and modifying our integrated care strategy in a rapidly changing healthcare environment. This transaction represents a significant opportunity to evolve our integrated care approach to better position all of the Company's service lines to be even more successful in the future.

Specifically, the transaction will create a unique partnership with one of the nation's largest Medicare Advantage companies, Humana, which will tap into Kindred's post-acute provider platform to manage care for people living with chronic conditions — the exact population that we've been caring for throughout our continuum and through our Continue the Care strategy. Importantly, a strong connection will remain between our service lines from hospital to home into the future.

In addition, with the launch of the recently formed Kindred Innovations, we are poised to deploy within Kindred and externally a suite of post-acute solutions to providers and payers to fill gaps in care and offer patients a seamless experience. Kindred Innovations will draw upon the many lessons learned through our integrated care strategy – including leveraging the amazing work of our Contact Center – to create a market leading post-acute benefits manager.

*Q. What changes will Kindred patients notice?*

A. Our patients will see no change in the care delivered to them each day. Providing quality and compassionate care is the foundation of what we do. It is important for all of us to focus on the importance of continuing to deliver quality services to the patients and families we serve.

*Q. What changes will Kindred employees experience?*

A. At the field level, we expect there will be little to no change. At this early stage we do not yet know the effect on support-level positions, but we expect that the separation into two new companies will create exciting opportunities for many of our employees. A team consisting of members of Kindred leadership as well as leaders from our other partners in this transaction is hard at work to determine how best to position these two new companies for success.

*Q. Will I have to reapply for my job?*

A. We do not anticipate that anyone will be required to reapply for their current position.

*Q. What should I do during the transition?*

A. It is business as usual for all of us at Kindred and your responsibilities will not change. Please continue to act with the same dedication and focus that you always have as you deliver compassionate care to your patients and support your fellow colleagues.

*Q. Will my salary or pay rate change?*

A. We do not anticipate changes to base salaries or pay rates following the close of the transaction.

*Q. Will I retain my seniority after the transaction closes?*

A. Yes, your current tenure will continue following the close of the transaction, and you will retain your seniority.

*Q. Will my benefits change?*

A. Pending completion of the transaction, we anticipate employee benefits plans, including healthcare, 401(k) and PTO, to remain largely unchanged throughout 2018. Both new companies will provide their own benefit plans during the 2019 open enrollment season.

*Q. Will my title change?*

A. We anticipate that titles will remain unchanged through the close of the transaction. Once the post-close company structure is finalized, there may be role/ title harmonization initiatives in the future that could result in changes to some titles.

*Q. What happens between now and the official close of the transaction?*

A. In nearly every respect, it will be business as usual. We will keep you updated on important decisions and milestones as the transaction progresses in future issues of Moving Forward. In the meantime, you should continue to remain focused on what you do best – caring for our patients and family members, or providing support for your colleagues who provide care.

*Q. To whom should I direct any questions I have regarding the transaction?*

A. It is early in the process, and we do not yet have all of the answers, but please email any questions you may have to [MovingForward@Kindred.com](mailto:MovingForward@Kindred.com) and we will work to address them as quickly and thoroughly as possible in future issues of Moving Forward.

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### *Forward-Looking Statements*

This communication includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are often identified by words such as “anticipate,” “approximate,” “believe,” “plan,” “estimate,” “expect,” “project,” “could,” “would,” “should,” “will,” “intend,” “hope,” “may,” “potential,” “upside,” and other similar expressions.

Such forward-looking statements are inherently uncertain, and stockholders and other potential investors must recognize that actual results may differ materially from Kindred’s expectations as a result of a variety of factors. Such forward-looking statements are based upon management’s current expectations and include known and unknown risks, uncertainties and other factors, many of which Kindred is unable to predict or control, that may cause Kindred’s actual results, performance, or plans to differ materially from any future results, performance or plans expressed or implied by such forward-looking statements. Risks and uncertainties related to the proposed transactions include, but are not limited to, the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement; the failure of the parties to satisfy conditions to completion of the proposed merger, including the failure of Kindred’s stockholders to approve the proposed merger or the failure of the parties to obtain required regulatory approvals; the risk that regulatory or other approvals are delayed or are subject to terms and conditions that are not anticipated; changes in the business or operating prospects of Kindred or its homecare business or hospital business; changes in healthcare and other laws and regulations; the impact of the announcement of, or failure to complete, the proposed merger on our relationships with employees, customers, vendors and other business partners; and potential or actual litigation. In addition, these statements involve risks, uncertainties, and other factors detailed from time to time in Kindred’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission (the “SEC”).

Many of these factors are beyond Kindred’s control. Kindred cautions investors that any forward-looking statements made by Kindred are not guarantees of future performance. Kindred disclaims any obligation to update any such factors or to announce publicly the results of any revisions to any of the forward-looking statements to reflect future events or developments.

### *Additional Information and Where to Find It*

Kindred will file with the SEC and mail to its stockholders a proxy statement in connection with the proposed merger. We urge investors and security holders to read the proxy statement when it becomes available because it will contain important information regarding the proposed merger. You may obtain a free copy of the proxy statement (when available) and other related documents filed by Kindred with the SEC at the SEC’s website at [www.sec.gov](http://www.sec.gov). You also may obtain the proxy statement (when it is available) and other documents filed by Kindred with the SEC relating to the proposed merger for free by accessing Kindred’s website at [www.kindred-healthcare.com](http://www.kindred-healthcare.com) by clicking on the link for “Investors”, then clicking on the link for “SEC Filings.”

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# Touching Base



## *GREETINGS,*

I am writing today with some very exciting news about the future of our company. First, I want to thank you for all that you do each day to improve the lives of our patients. With the holiday season in full swing and the New Year quickly approaching, I know this is a busy time for everyone. I am grateful for your continued focus on excellent care delivery and the difference you make in the lives of our patients and their family members.

## *What We Announced*

Today, we announced that Kindred will become two separate, private companies – Kindred at Home and a specialty hospital company, which will continue to be called Kindred Healthcare – through a transaction that will enable us to more effectively pursue our vision as a provider, innovator and post-acute benefits manager. We have three impressive partners in this transaction: TPG Capital and Welsh, Carson, Anderson & Stowe (“WCAS”), two of the most experienced healthcare investors in private equity, and Humana, a Louisville-based public company committed to advancing its integrated care delivery strategy and expanding access to health services in the home.

Our home health, hospice and community care businesses will become a standalone company, Kindred at Home, owned 40 percent by Humana, with the remaining 60 percent owned by TPG and WCAS. Kindred’s LTAC hospitals, IRFs and contract rehabilitation services will become a specialty hospital company, Kindred Healthcare, operated as a separate organization owned by TPG and WCAS. In addition to delivering substantial cash value for Kindred

## *December 2017*

stockholders, this agreement represents a significant step forward in transforming home healthcare in America by enhancing access to care and reducing costs for people living with chronic conditions. The specialty hospital company will also be uniquely positioned to care for the most medically-complex and rehab-intensive populations.

Importantly, we expect the flexibility and resources gained through the investments by Humana, TPG and WCAS to create new opportunities for teammates, enhance innovation in both platforms and further our culture of a patients-first approach to high-quality, compassionate care. A press release we issued this morning with additional information is attached.

## *What This Means for You*

Although we are excited to have reached this agreement, there is still considerable work to do to implement the plan announced today. A team consisting of members of Kindred leadership as well as leaders from our other partners in this transaction is already hard at work to determine how best to position these two new companies for success.

While many decisions have not yet been made, I am pleased to share that I will continue as CEO of Kindred Healthcare and David Causby will serve as CEO of Kindred at Home.

It should be business as usual at Kindred until the transaction closes, which is expected to occur during the summer of 2018, subject to approvals and customary closing conditions.

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*Moving Forward*

We are committed to keeping you updated. Just as we have for prior transactions, we plan to share news with you as we achieve milestones and as important information becomes available. These periodic updates will be shared in a new communication called Moving Forward. The first edition of Moving Forward is attached to the email with this issue of Touching Base.

Of course, I understand that many of you will have questions about today's announcement. Here, you can find a video in which I discuss this exciting next chapter and what I believe it means for Kindred, our patients and teammates.

We have also established a mailbox at [MovingForward@kindred.com](mailto:MovingForward@kindred.com) where you can send questions for possible inclusion in a future round-up of frequently asked questions.

In the meantime, it is important that you remain focused on what you do best – caring for our patients and supporting your fellow colleagues.

On behalf of the entire leadership team, I want to extend our deepest appreciation to each of you for your hard work and commitment in helping to build our market-leading platform and successfully reposition our portfolio over the last few years. This opportunity was made possible by your dedication and efforts. I look forward to continuing our work together to meaningfully improve the lives of our patients.

Regards,



Ben

Please feel free to print this out and post it on your facility bulletin board. Also feel free to share this information with our physicians and colleagues in your next regularly scheduled staff meeting.

**KINDRED HEALTHCARE'S MISSION** is to promote healing, provide hope, preserve dignity and produce value for each patient, resident, family member, customer, employee and shareholder we serve.

**OUR KEY SUCCESS FACTORS**

- Take Care of Our People
- Take Care of Our Patients, Residents and Customers
- Grow
- Be Efficient
- Manage Our Capital Wisely
- Organizational Excellence Through Performance Improvement

**CONTINUE THE CARE**

Our patient-centered, integrated approach to managing care transitions to support patients recovery from an illness or injury.

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