

HEALTHSOUTH CORP
Form 10-Q
November 04, 2009

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 September 30, 2009

OR

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

Commission File Number 001-10315

HealthSouth Corporation

(Exact name of Registrant as specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	63-0860407 (I.R.S. Employer Identification No.)
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3660 Grandview Parkway, Suite 200 Birmingham, Alabama (Address of Principal Executive Offices)	35243 (Zip Code)
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(205) 967-7116
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes o 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 x Accelerated filer " Non-Accelerated filer " Smaller reporting company "

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

The registrant had 93,305,496 shares of common stock outstanding, net of treasury shares, as of October 30, 2009.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains historical information, as well as forward-looking statements that involve known and unknown risks and relate to future events, our business strategy, our future financial performance, or our projected business results. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “targets,” “potential,” or “continue” or the negative terms or other comparable terminology. Such forward-looking statements are necessarily estimates or forecasts based upon current information and involve a number of risks and uncertainties, many of which are beyond our control. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. Any forward-looking statement is based on information current as of the date of this report and speaks only as of the date on which such statement is made. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include, but are not limited to, the following:

- each of the factors discussed in Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2008, as well as uncertainties and factors discussed elsewhere in this Form 10-Q, in our other filings from time to time with the United States Securities and Exchange Commission, or in materials incorporated therein by reference;
- changes or delays in, or suspension of, reimbursement for our services by governmental or private payors, including our ability to obtain and retain favorable arrangements with third-party payors;
- our ability to attract and retain nurses, therapists, and other healthcare professionals in a highly competitive environment with often severe staffing shortages and the impact on our labor expenses from potential union activity and staffing shortages;
 - changes in the regulations of the healthcare industry at either or both of the federal and state levels;
 - competitive pressures in the healthcare industry and our response to those pressures;
 - our ability to successfully access the credit markets on favorable terms; and
 - general conditions in the economy and capital markets.

The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no duty to update these forward-looking statements, even though our situation may change in the future. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

HealthSouth Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2009	December 31, 2008 (As Adjusted)
	(In Millions, Except Share Data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 117.3	\$ 32.2
Restricted cash	88.1	154.0
Current portion of restricted marketable securities	7.7	20.3
Accounts receivable, net of allowance for doubtful accounts of \$33.6 in 2009; \$31.1 in 2008	216.2	235.8
Insurance recoveries receivable	-	182.8
Other current assets	55.0	57.6
Total current assets	484.3	682.7
Property and equipment, net	671.5	673.9
Goodwill	414.7	414.7
Intangible assets, net	37.7	42.8
Investments in and advances to nonconsolidated affiliates	27.6	36.7
Income tax refund receivable	8.6	55.9
Other long-term assets	110.0	91.5
Total assets	\$ 1,754.4	\$ 1,998.2
Liabilities and Shareholders' Deficit		
Current liabilities:		
Current portion of long-term debt	\$ 21.9	\$ 23.6
Accounts payable	50.6	45.6
Accrued expenses and other current liabilities	369.8	408.5
Government, class action, and related settlements	6.1	268.5
Total current liabilities	448.4	746.2
Long-term debt, net of current portion	1,674.8	1,789.6
Other long-term liabilities	165.7	162.2
	2,288.9	2,698.0
Commitments and contingencies		
Convertible perpetual preferred stock, \$.10 par value; 1,500,000 shares authorized; 400,000 shares issued; liquidation preference of \$1,000 per share	387.4	387.4
Shareholders' deficit:		
HealthSouth shareholders' deficit:		
Common stock, \$.01 par value; 200,000,000 shares authorized; issued: 97,238,725 in 2009; 96,890,924 in 2008	1.0	1.0
Capital in excess of par value	2,888.4	2,956.5

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Accumulated deficit	(3,756.0)	(3,812.2)
Accumulated other comprehensive income (loss)	0.9	(3.2)
Treasury stock, at cost (3,926,639 shares in 2009 and 8,872,121 shares in 2008)	(137.0)	(311.5)
Total HealthSouth shareholders' deficit	(1,002.7)	(1,169.4)
Noncontrolling interests	80.8	82.2
Total shareholders' deficit	(921.9)	(1,087.2)
Total liabilities and shareholders' deficit	\$ 1,754.4	\$ 1,998.2

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed balance sheets.

HealthSouth Corporation and Subsidiaries
 Condensed Consolidated Statements of Operations
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
		(As Adjusted)		(As Adjusted)
	(In Millions, Except Per Share Data)			
Net operating revenues	\$472.7	\$455.5	\$1,431.5	\$1,376.3
Operating expenses:				
Salaries and benefits	235.4	236.3	709.2	700.8
Other operating expenses	66.8	68.6	201.6	201.0
General and administrative expenses	26.0			