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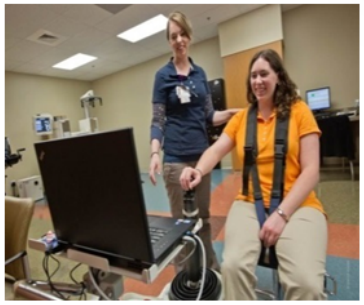

First Quarter 2016 Earnings Call

April 27, 2016

SUPPLEMENTAL SLIDES

Forward-Looking Statements

The information contained in this presentation includes certain estimates, projections and other forward-looking information that reflect our current outlook, views and plans with respect to future events, including legislative and regulatory developments, strategy, capital expenditures, development activities, dividend strategies, repurchases of securities, effective tax rates, financial performance, and business model. These estimates, projections and other forward-looking information are based on assumptions HealthSouth believes, as of the date hereof, are reasonable. Inevitably, there will be differences between such estimates and actual events or results, and those differences may be material.

There can be no assurance any estimates, projections or forward-looking information will be realized. All such estimates, projections and forward-looking information speak only as of the date hereof. HealthSouth undertakes no duty to publicly update or revise the information contained herein.

You are cautioned not to place undue reliance on the estimates, projections and other forward-looking information in this presentation as they are based on current expectations and general assumptions and are subject to various risks, uncertainties and other factors, including those set forth in the Form 10-K for the year ended December 31, 2015, the form 10-Q for the quarter ended March 31, 2016, when filed, and in other documents we previously filed with the SEC, many of which are beyond our control, that may cause actual events or results to differ materially from the views, beliefs and estimates expressed herein.

Note Regarding Presentation of Non-GAAP Financial Measures

The following presentation includes certain "non-GAAP financial measures" as defined in Regulation G under the Securities Exchange Act of 1934. Schedules are attached that reconcile the non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States. Our Form 8-K, dated April 26, 2016, to which the following supplemental slides are attached as Exhibit 99.2, provides further explanation and disclosure regarding our use of non-GAAP financial measures and should be read in conjunction with these supplemental slides.

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Q1 2016 Summary (Q1 2016 vs. Q1 2015)

(In Millions)	Q1 2016	Q1 2015	Growth Dollars	Growth Percent
HealthSouth Consolidated				
Net operating revenues	$ 909.8	$ 740.6	$ 169.2	22.8%
Adjusted EBITDA*	$ 192.1	$ 156.1	$ 36.0	23.1%
Inpatient Rehabilitation Segment				
Net operating revenues	$ 749.2	$ 630.3	$ 118.9	18.9%
Adjusted EBITDA*	$ 196.9	$ 164.4	$ 32.5	19.8%
Home Health and Hospice Segment				
Net operating revenues	$ 160.6	$ 110.3	$ 50.3	45.6%
Adjusted EBITDA*	$ 22.6	$ 16.9	$ 5.7	33.7%

Major takeaways:

- Strong revenue, volume, and Adjusted EBITDA growth in both segments
  - 17% discharge growth for IRFs (same-store = 2.8%)
  - 56.1% admissions growth for home health (same-store = 12.6%)
- Adjusted EPS grew 19.6% to $0.61 per diluted share ($0.51 per diluted share in Q1 2015).
- Adjusted free cash flow grew 63.1% to $129.5 million ($79.4 million in Q1 2015).

*Reconciliation to GAAP provided on pages 30-33

Q1 2016 Summary (cont.)

- **Balance sheet**
  - Reduced debt by $55.3 million - See page 21.
    - ✓ Redeemed $50 million of 7.75% Senior Notes due 2022 in March 2016
    - ✓ Issued notice for redemption of an additional $50 million of the 2022 Notes to be completed in May 2016
  - Reduced leverage ratio by 0.3x to 4.3x - See page 21.
- **Adjusted diluted earnings per share*(1) were $0.61 in Q1 2016 ($0.51 in Q1 2015) - See page 11.**
- **Expansion Activity (see page 17)**
  - Began operating a 27-bed joint venture IRF unit in Hot Springs, AR in February 2016
  - Expanded existing hospitals by 50 beds
  - Opened new home health location in Lee's Summit, MO (Kansas City metro area)
- **Shareholder distributions**
  - Paid quarterly cash dividend of $0.23 per share on January 15, 2016
  - Declared a $0.23 per share quarterly cash dividend paid on April 15, 2016
  - Repurchased 314,532 shares of common stock for ~$11 million in open market transactions

* Reconciliation to GAAP provided on pages 35-36

Refer to pages 37-38 for end notes.

Inpatient Rehabilitation Segment - Revenue

($millions)	Q1 2016	Q1 2015	Favorable/ (Unfavorable)
Net operating revenues:			
Inpatient	$ 719.4	$ 606.6	18.6%
Outpatient and other	29.8	23.7	25.7%
Total segment revenue	**$ 749.2**	**$ 630.3**	18.9%
(Actual Amounts)			
Discharges	41,098	35,116	17.0%
New-store discharge growth			14.2%
Same-store discharge growth			2.8%
Net patient revenue / discharge	$ 17,505	$ 17,274	1.3%

- **Revenue growth was driven by strong same-store and new-store volume growth.**
- **New-store discharge growth resulted from the acquisitions of Reliant (October 2015) and Cardinal Hill (May 2015), joint ventures in Savannah, GA (April 2015) and Hot Springs, AR (February 2016), and the opening of Franklin, TN (December 2015).**
- **Revenue per discharge was impacted by the ramp up at new hospitals in Franklin, TN and Hot Springs, AR (required to treat a minimum of 30 patients for zero revenue as part of the Medicare certification process) and a $1.8 million revenue reserve for post-payment claims reviews.**
- **Outpatient and other revenue increase was due to the acquisitions of Reliant and Cardinal Hill.**

Inpatient Rehabilitation Segment - Adjusted EBITDA*

($millions)	Q1 2016	% of Revenue	Q1 2015	% of Revenue
Net operating revenues	$ 749.2		$ 630.3	
Less: Provision for doubtful accounts	(15.6)	2.1%	(11.0)	1.7%
Net operating revenues less provision for doubtful accounts	733.6		619.3	
Operating expenses:				
Salaries and benefits	(369.9)	49.4%	(306.4)	48.6%
Other operating expenses[(a)]	(104.8)	14.0%	(95.2)	15.1%
Supplies	(32.4)	4.3%	(29.8)	4.7%
Occupancy costs	(15.6)	2.1%	(10.4)	1.7%
	(152.8)	20.4%	(135.4)	21.5%
Other income	0.6		0.5	
Equity in nonconsolidated affiliates	2.2		1.6	
Noncontrolling interests	(16.8)		(15.2)	
Segment Adjusted EBITDA	**$ 196.9**		**$ 164.4**	
Percent change	19.8%			
In arriving at Adjusted EBITDA, the following were excluded:				
(a) Loss (gain) on disposal or impairment of assets	$ 0.5		$ (1.5)	

Segment Adjusted EBITDA for the quarter of $196.9 million

- Salaries and benefits as a percent of revenue increased primarily due to merit and benefit cost increases year over year and the ramping up of new stores.

- Other operating expenses in Q1 2015 included an approximate $4 million litigation settlement[(2)].

- Supplies expense as a percent of revenue decreased primarily due to continued supply chain initiatives.

- Occupancy costs as a percent of revenue increased due to the acquisition of Reliant.

Bad debt expense increased as a percent of revenue due to administrative payment delays at the Company's largest Medicare Administrative Contractor and continued delays resulting from the implementation of ICD-10 by certain payors; pre-payment claims denials increased year over year but were consistent with the level experienced in the second half of 2015.

* Reconciliation to GAAP provided on page 33

Refer to pages 37-38 for end notes.

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Home Health and Hospice Segment - Revenue

($millions)	Q1 2016	Q1 2015	Favorable/ (Unfavorable)
Net operating revenues:			
Home health revenue	$ 150.9	$ 103.9	45.2 %
Hospice revenue	9.7	6.4	51.6 %
Total segment revenue	**$ 160.6**	**$ 110.3**	45.6 %
(Actual Amounts)			
Admissions	25,763	16,499	56.1 %
New-store admissions growth			43.5 %
Same-store admissions growth			12.6 %
Episodes	43,844	29,512	48.6 %
New-store episode growth			36.3 %
Same-store episode growth			12.3 %
Revenue per episode	$ 3,035	$ 3,102	(2.2)%

- **Revenue growth was driven by strong same-store and new-store volume growth.**
- **New-store admission and episode growth resulted from the acquisition of CareSouth and Encompass' other acquisitions throughout 2015.**
- **Revenue per episode was impacted by:**
  - **Medicare reimbursement rate cuts that became effective January 1, 2016 and**
  - **lower revenue per episode at CareSouth due to patient mix.**

Home Health and Hospice Segment - Adjusted EBITDA*

($millions)	Q1 2016	% of Revenue	Q1 2015	% of Revenue
Net operating revenues	$ 160.6		$ 110.3	
Less: Provision for doubtful accounts	(0.9)	0.6%	(0.6)	0.5%
Net operating revenues less provision for doubtful accounts	159.7		109.7	
Operating expenses:				
Cost of services	(78.4)	48.8%	(53.4)	48.4%
Support and overhead costs[(a)]	(57.0)	35.5%	(38.1)	34.5%
	(135.4)	84.3%	(91.5)	83.0%
Equity in net income of nonconsolidated affiliates	0.2		—	
Noncontrolling interests	(1.9)		(1.3)	
Segment Adjusted EBITDA	**$ 22.6**		**$ 16.9**	
Percent change	33.7%			
In arriving at Adjusted EBITDA, the following was excluded:				
(a) Gain on disposal or impairment of assets	(0.3)		—	

Segment Adjusted EBITDA for the quarter of $22.6 million.

- Cost of services increased as a percent of net operating revenues primarily due to lower average revenue per episode and merit and benefit cost increases.

- Support and overhead costs increased as a percent of net operating revenues primarily due to lower average revenue per episode and expenses related to the integration of CareSouth.

* Reconciliation to GAAP provided on page 33

Earnings per Share - As Reported

(In Millions, Except Per Share Data)	Q1 2016	Q1 2015
Inpatient rehabilitation segment Adjusted EBITDA	$ 196.9	$ 164.4
Home health and hospice segment Adjusted EBITDA	22.6	16.9
General and administrative expenses	(27.4)	(25.2)
Consolidated Adjusted EBITDA	192.1	156.1
Interest expense and amortization of debt discounts and fees	(44.6)	(31.8)
Depreciation and amortization	(42.4)	(31.9)
Stock-based compensation expense	(4.5)	(9.4)
Other, including noncash (loss) gain on disposal or impairment of assets	(0.2)	1.5
	100.4	84.5
Certain unusual and nonrecurring items:		
Government, class action, and related settlements	—	(8.0)
Loss on early extinguishment of debt	(2.4)	(1.2)
Professional fees - accounting, tax, and legal	(0.2)	(2.2)
Pre-tax income	97.8	73.1
Income tax expense[3]	(39.7)	(30.3)
Income from continuing operations*	$ 58.1	$ 42.8
Interest and amortization on 2.0% Convertible Senior Subordinated Notes (net of tax)[4]	2.4	2.3
Diluted shares (see page 27)	99.4	101.1
Diluted earnings per share*[4]	**$ 0.61**	**$ 0.44**

- **Earnings per share for the first quarter of 2016 were impacted by:**
  - Higher interest expense related to the financing of the Reliant and CareSouth acquisitions
  - Higher depreciation and amortization resulting from acquisitions and capital investments
  - Lower stock-based compensation expense due to the mark-to-market adjustment for stock appreciation rights[5] and decreased stock awards resulting from 2015's performance under the long-term incentive plan
  - Loss on early extinguishment of debt associated with the $50 million redemption of the 7.75% Senior Notes due 2022 in Q1 2016
  - Lower share count resulting from stock repurchases in Q4 2015 and Q1 2016
- **Earnings per share for the first quarter of 2015 included ~$11 million, or $0.07 per share, for certain nonrecurring items, including the General Medicine settlement.**

* Earnings per share are determined using income from continuing operations attributable to HealthSouth.
Refer to pages 37-38 for end notes.

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Adjusted Earnings per Share[1]

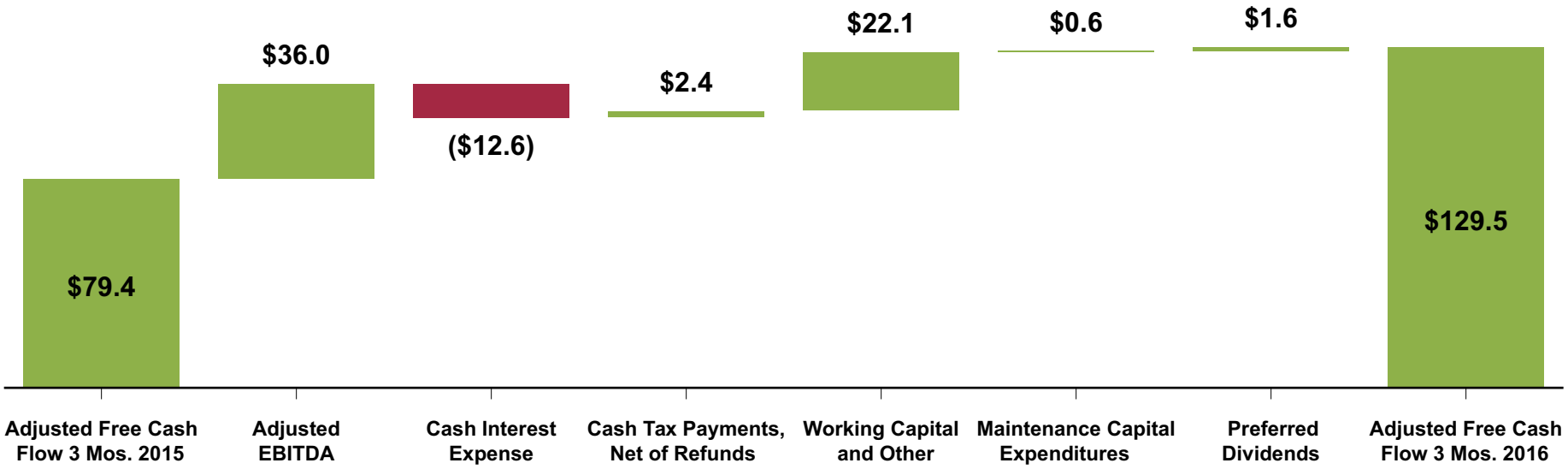
	Q1	
	2016	2015
Earnings per share, as reported	**$ 0.61**	**$ 0.44**
Adjustments, net of tax:		
Government, class action, and related settlements	—	0.05
Professional fees — accounting, tax, and legal	—	0.01
Mark-to-market adjustment for stock appreciation rights[5]	(0.01)	—
Loss on early extinguishment of debt	0.01	0.01
Adjusted earnings per share*	**$ 0.61**	**$ 0.51**

Adjusted earnings per share removes the impact of certain unusual and nonrecurring items from the earnings per share calculation.

* Adjusted EPS may not sum due to rounding. See complete calculations of adjusted earnings per share on pages 35-36.

Refer to pages 37-38 for end notes.

Adjusted Free Cash Flow*(6)



- Adjusted free cash flow grew 63.1% primarily as a result of increased Adjusted EBITDA.
- Cash interest expense increased due to the financing of the Reliant and CareSouth acquisitions.
- The decrease in working capital was mainly attributable to the timing of payroll-related liabilities as well as a year-over-year decrease in payroll tax withholdings related to the vesting of employee restricted stock awards.
- Quarterly free cash flow for the remainder of 2016 will be impacted by the timing of income tax payments and maintenance capital expenditures, as well as working capital changes.

* Reconciliation to GAAP provided on page 34
Refer to pages 37-38 for end notes.

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Revised Guidance

Initial 2016 Full-Year Guidance		Revised 2016 Full-Year Guidance	Projected Growth Over 2015
Net Operating Revenues $3,550 million to $3,650 million	+$30 million	Net Operating Revenues $3,580 million to $3,680 million	13% to 16%
Adjusted EBITDA $765 million to $785 million	+$5 million	Adjusted EBITDA $770 million to $790 million	13% to 16%
Adjusted Earnings per Share from Continuing Operations Attributable to HealthSouth $2.32 to $2.44	+$0.05 per share	Adjusted Earnings per Share from Continuing Operations Attributable to HealthSouth $2.37 to $2.49	5% to 11%

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Guidance Considerations

Inpatient Rehabilitation

- **Full-year contribution from Reliant and other 2015 acquisitions and openings**
  - Transitioning to HLS business model
- **Continued evolution of payor mix**
  - Managed care and Medicaid increases expected to moderate in 2016 as compared to 2015
- **Estimated 1.6% increase in Medicare pricing (effective October 1, 2015)**
- **Moderating increase in group medical expense compared to increase experienced in 2015**
- **Bad debt expense of 1.8% to 2.0% of net operating revenues in 2016**

Home Health and Hospice

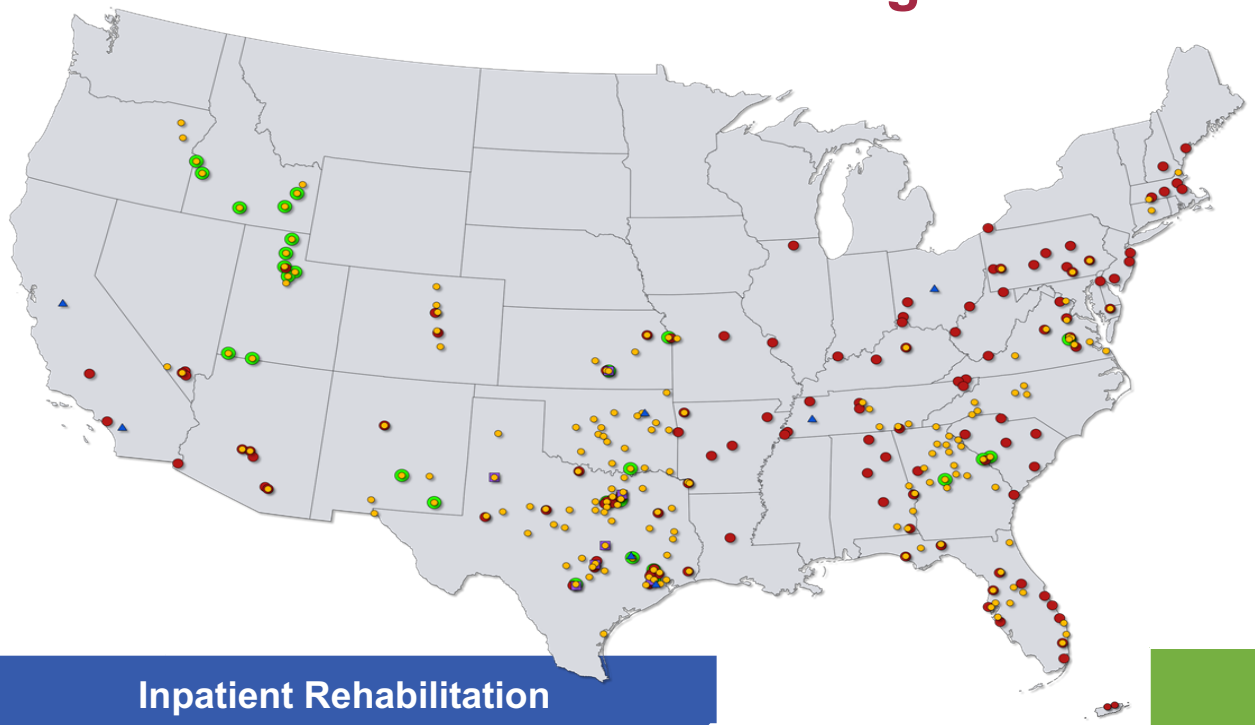
- **Full-year contribution from CareSouth and other 2015 acquisitions and openings**
  - Transitioning to Encompass business model
- **Estimated 1.7% decrease in Medicare pricing (effective January 1, 2016)**
- **Enhanced clinical collaboration with HealthSouth IRFs**

Consolidated

- **Completion of additional $50 million redemption of 2022 Notes in May 2016**
- **Diluted share count of 100.5 million shares**
- **Tax rate of approximately 41%**

Appendix

HealthSouth: A Leading Provider of Post-Acute Care



58% of HealthSouth's IRFs are located within a 30-mile radius of an Encompass location.

- Inpatient Rehabilitation Hospitals
- Adult Home Health Locations
- Hospice Locations
- Pediatric Home Health Locations
- Future Inpatient Rehabilitation Hospitals (7 Under Development)

Inpatient Rehabilitation

Portfolio - As of March 31, 2016	
122	Inpatient Rehabilitation Hospitals • 34 operate as joint ventures with acute care hospitals
29	Number of States (plus Puerto Rico)
~ 27,400	Employees

Key Statistics - Trailing 4 Quarters	
~ $2.8 Billion	Revenue
155,143	Inpatient Discharges
608,803	Outpatient Visits

IRF Marketshare

10% of IRFs

21% of Licensed Beds

28% of Patients Served

Home Health and Hospice Marketshare

4th largest provider of Medicare-certified skilled home health services

Encompass Home Health and Hospice

Portfolio – As of March 31, 2016	
179	Home Health Locations
7	Pediatric Home Health Locations
27	Hospice Locations
24	Number of States
~ 7,500	Employees

Key Statistics - Trailing 4 Quarters	
~ $560 million	Revenue
151,900	Home Health Episodes
2,552	Hospice Admissions

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Expansion Activity

Inpatient Rehabilitation Facilities	# of New Beds		
	2016	2017	2018
De Novo:			
Modesto, CA	50	—	—
Pearland, TX	—	40	—
Murrieta, CA	—	—	50
Joint Ventures:			
Hot Springs, AR	40	—	—
Broken Arrow, OK	—	40	—
Bryan, TX	49	—	—
Westerville, OH	—	60	—
Jackson, TN	—	48	—
Bed Expansions, net*	110	100	100
	249	288	150

Home Health and Hospice	# of locations
December 31, 2015	213
Acquisitions	—
De Novo	1
Merged / Closed Locations	(1)
March 31, 2016	213

- **Opened one home health location in Lee's Summit, MO (Kansas City metro area)**
- **Closed one legacy HealthSouth home health agency in Sea Pines, FL**

- **Began operating 27-bed IRF unit in Hot Springs, AR in February 2016**
  - **joint venture with CHI St. Vincent Hot Springs**
  - **will relocate unit to new 40-bed hospital when construction is completed (expected Q3 2016)**
- **Expanded existing hospitals by 50 beds**
  - **40 beds in Cincinnati, OH**
  - **10 beds in Johnson City, TN (Quillen)**

* Net bed expansions in each year may change due to the timing of certain regulatory approvals and/or construction delays.

Business Outlook: Revenue Assumptions

Volume	Inpatient Rehabilitation • 3+% annual discharge growth			Home Health & Hospice • 10+% annual episode growth • Includes $30-$40 million per annum in agency acquisitions		
Medicare Pricing	**Approx. 74% of Revenue**			**Approx. 84% of Revenue**		
	FY 2016 Q415-Q316	**FY 2017 Q416-Q317 Proposed Rule**	**FY 2018* Q417-Q318**	**CY 2016 Q116-Q416**	**CY 2017 Q117-Q417 Mngt. Estimate**	**CY 2018* Q118-Q418**
Market basket update	2.4%	2.7%	1.0%	2.3%	2.6%	1.0%
Healthcare reform reduction	(20) bps	(75) bps	-	-	-	-
Healthcare reform rebasing adjustment	-	-	-	(2.4%)	(2.4%)	-
Healthcare reform coding intensity reduction	-	-	-	(0.9%)	(0.9%)	(0.9%)
Expiration of rural add-on	-	-	-	-	-	Approx. (0.7%)
Healthcare reform productivity adjustment	(50) bps	(50) bps	-	(40) bps	Approx. (50) bps	-
Net impact - all providers	1.7%	1.45%	1.0%	(1.4%)	(1.2%)	(0.6%)
Estimated impact to HealthSouth	1.6%	1.7%		(1.7%)		
2% Sequestration						
Managed Care Pricing, Including Medicare Advantage	**Approx. 19% of Revenue**			**Approx. 11% of Revenue**		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
Expected increases	2-4%	2-4%	2-4%	0-2%	0-2%	0-2%

* The Medicare Access and CHIP Reauthorization Act of 2015 mandated a market basket update of +1.0% in 2018 for post-acute providers including rehabilitation hospitals as well as home health and hospice agencies.

Adjusted Free Cash Flow*[6] and Tax Assumptions

Certain Cash Flow Items (millions)	Q1 2016 Actual	2016 Assumptions	2015 Actual
• **Cash interest expense** (net of amortization of debt discounts and fees)	$41.1	$165 to $175	$128.6
• **Cash payments for taxes, net of refunds**	$0.7	$20 to $40	$9.4
• **Working Capital and Other**	$3.0	$60 to $80	$69.2
• **Maintenance CAPEX**	$17.7	$95 to $110	$83.1
• **Dividends paid on preferred stock[7]**	$—	$—	$3.1
• **Adjusted Free Cash Flow**	$129.5	$360 to $445	$389.0

GAAP Tax Considerations:

- *Gross federal NOL of ~$183 million as of March 31, 2016*
- *Remaining valuation allowance of ~$28 million related to state NOLS*

Quarterly free cash flow for the remainder of 2016 will be impacted by the timing of income tax payments and maintenance capital expenditures, as well as changes in working capital.

* Reconciliation to GAAP provided on page 34

Refer to pages 37-38 for end notes.

Free Cash Flow Priorities

Highest Priority

Growth in Core Business

	(In Millions)		
	Q1 2016 Actuals	**2016 Assumptions**	**2015 Actuals**
IRF bed expansions	$4.1	$20 to $30	$20.8
New IRF's			
- De novos	17.3	70 to 90	47.8
- Acquisitions	—	0 to 20	786.2
New home health and hospice acquisitions	—	30 to 40	200.2
	$21.4	$120 to $180	$1,055.0

2022 senior notes are fully callable:
- Redeemed $50 million in March 2016
- ~$126 million remaining as of March 31, 2016
- will complete additional $50 million redemption in May 2016

Debt Reduction

	Q1 2016 Actuals	**2016 Assumptions**	**2015 Actuals**
Debt redemptions (borrowings), net	$55.3	$TBD	$(1,060.3)
Leased property purchases	—	TBD	—

Shareholder Distributions

Current quarterly cash dividend of $0.23 per common share

Cash dividends on common stock[8]	21.3	85	77.2
Common stock repurchases	12.9	TBD	45.3
	$89.5	$TBD	$(937.8)

~$149 million authorization remaining as of March 31, 2016

Note: 2015 amount for debt borrowings included ~$208 million related to the Reliant hospitals' capital lease obligations. See the debt schedule on page 21. Refer to pages 37-38 for end notes.

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Debt Schedule

($millions)	Mar. 31, 2016	Dec. 31, 2015	Change in Debt vs. YE 2015
Advances under $600 million revolving credit facility, July 2020 - LIBOR +200bps	$ 130.0	$ 130.0	$ —
Term loan facility, July 2020 - LIBOR +200bps	437.8	443.3	(5.5)
Bonds Payable:			
7.75% Senior Notes due 2022	124.8	174.3	(49.5)
5.125% Senior Notes due 2023	294.8	294.6	0.2
5.75% Senior Notes due 2024	1,192.7	1,192.6	0.1
5.75% Senior Notes due 2025	343.5	343.4	0.1
2.0% Convertible Senior Subordinated Notes due 2043	268.3	265.9	2.4
Other notes payable	38.4	39.2	(0.8)
Capital lease obligations	285.9	288.2	(2.3)
Long-term debt	**$ 3,116.2**	**$ 3,171.5**	$ (55.3)
Debt to Adjusted EBITDA*	**4.3x**	**4.6x**	

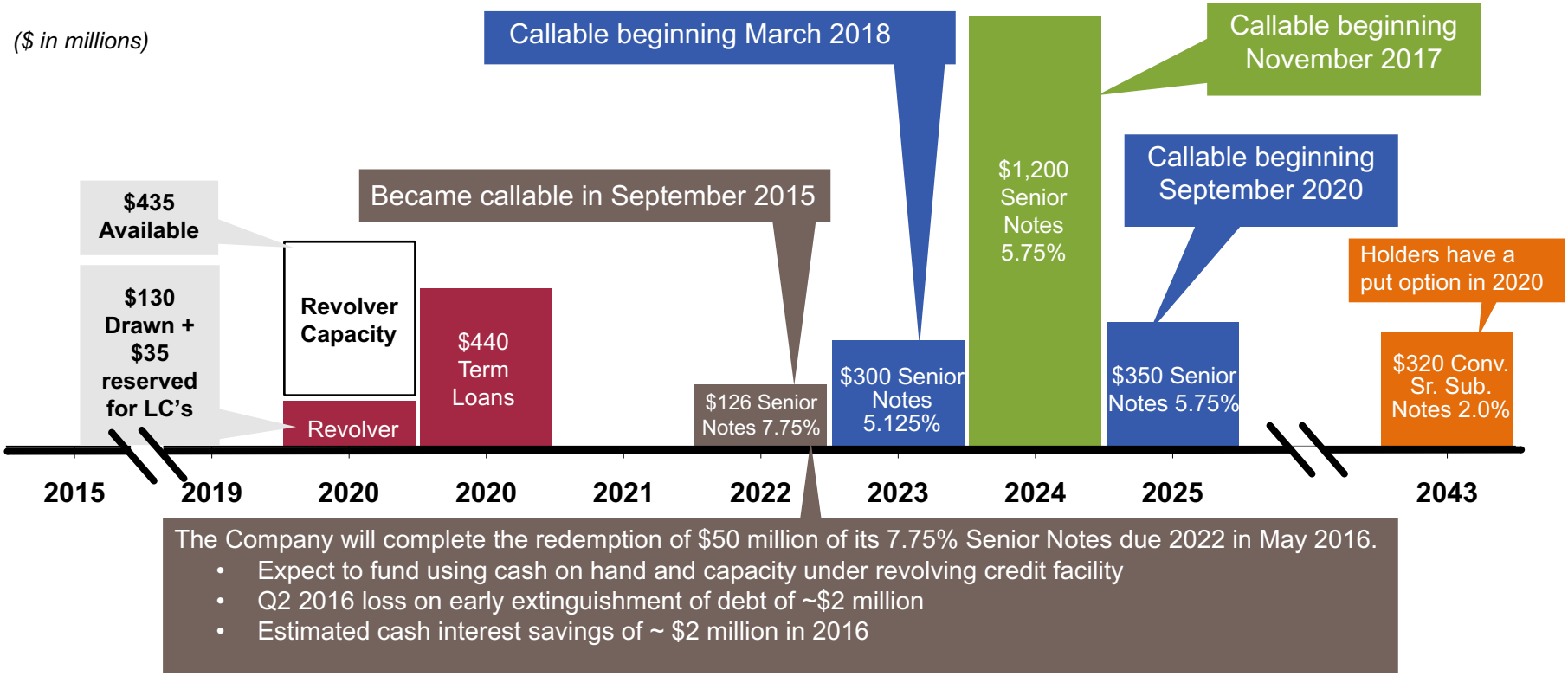
Note: The 7.75% Senior Notes due 2022 are fully callable. The Company redeemed $50 million of the 2022 Notes in March 2016 and will complete the redemption of an additional $50 million in May 2016.

* Reconciliation to GAAP provided on pages 30-32

Debt Maturity Profile - Face Value

HealthSouth is positioned with a cost-efficient, flexible capital structure.

As of March 31, 2016*



* This chart does not include ~$286 million of capital lease obligations or ~$38 million of other notes payable. See the debt schedule on page 21.

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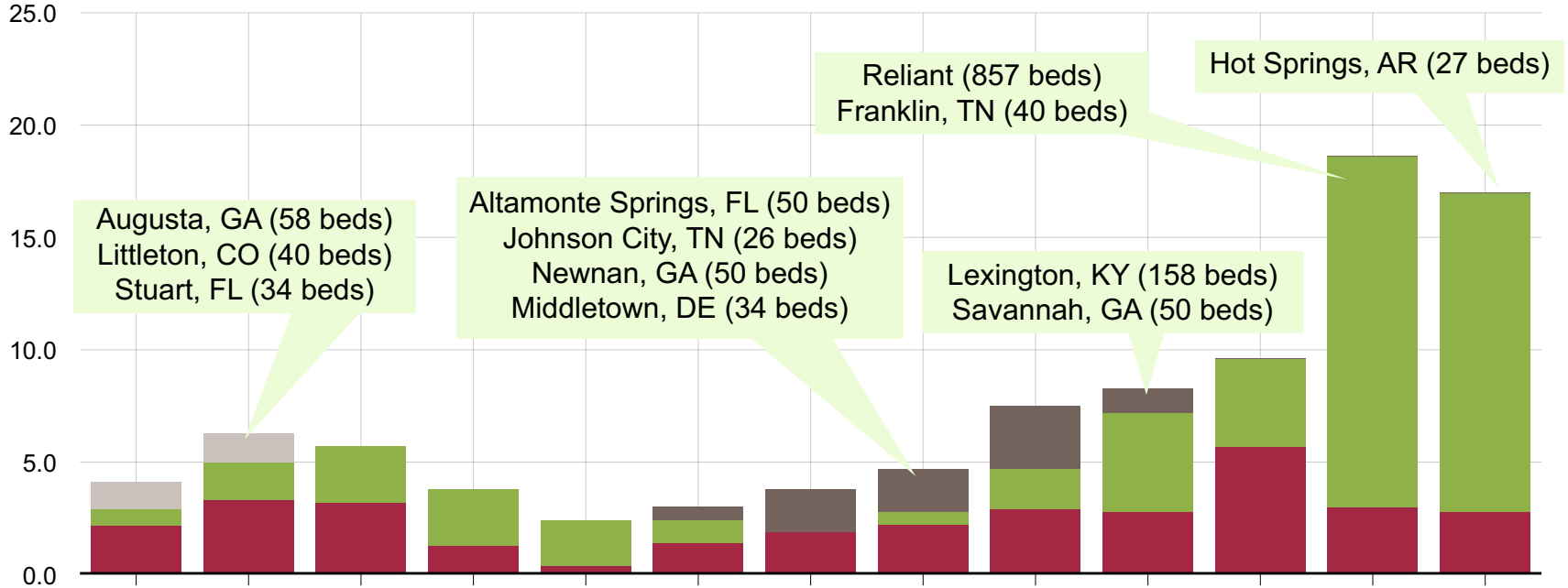
New-Store/Same-Store IRF Growth



	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Fairlawn[9]						0.6%	1.9%	1.9%	2.0%	1.1%			
St. Vincent's[10]	1.2%	1.3%											
New Store	0.7%	1.7%	2.5%	2.5%	2.0%	1.0%	—%	0.6%	1.8%	4.4%	5.7%	15.6%	14.2%
Same Store	2.2%	3.3%	3.2%	1.3%	0.4%	1.4%	1.9%	2.2%	2.9%	2.8%	3.9%	3.0%	2.8%
Total by Qtr.	4.1%	6.3%	5.7%	3.8%	2.4%	3.0%	3.8%	4.7%	6.7%	8.3%	9.6%	18.6%	17.0%
Total by Year				5.0%				3.5%				10.9%	
Same-Store Year[11]				2.5%				1.3%				3.2%	
Same-Store Year UDS[12]				(0.7)%				(0.2)%				1.3%	

Refer to page 37-38 for end notes.

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Payment Sources (Percent of Revenues)

	Inpatient Rehabilitation Segment		Home Health and Hospice Segment		Consolidated		
	Q1		Q1		Q1		Full Year
	2016	2015	2016	2015	2016	2015	2015
Medicare	73.8%	73.5%	83.5%	83.8%	75.4%	74.9%	74.9%
Medicare Advantage	7.6%	8.3%	8.7%	7.3%	7.8%	8.2%	7.9%
Managed care	11.0%	11.2%	2.7%	3.1%	9.5%	10.0%	9.8%
Medicaid	3.0%	2.0%	4.9%	5.6%	3.4%	2.6%	3.0%
Other third-party payors	1.6%	1.7%	—%	0.1%	1.4%	1.5%	1.7%
Workers' compensation	1.1%	1.1%	—%	—%	0.9%	0.9%	0.9%
Patients	0.6%	0.8%	0.1%	0.1%	0.5%	0.7%	0.6%
Other income	1.3%	1.4%	0.1%	—%	1.1%	1.2%	1.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Inpatient Rehabilitation Operational and Labor Metrics

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Full Year 2015
	(In Millions)					
Net patient revenue-inpatient	$ 719.4	$ 696.8	$ 625.1	$ 618.7	$ 606.6	$ 2,547.2
Net patient revenue-outpatient and other revenues	29.8	29.1	26.5	26.6	23.7	105.9
Net operating revenues	$ 749.2	$ 725.9	$ 651.6	$ 645.3	$ 630.3	$ 2,653.1
Discharges[13]	41,098	40,891	36,746	36,408	35,116	149,161
Net patient revenue per discharge	$ 17,505	$ 17,040	$ 17,011	$ 16,994	$ 17,274	$ 17,077
Outpatient visits	162,649	163,119	138,121	144,914	131,353	577,507
Average length of stay	12.9	12.6	12.9	13.0	13.3	12.9
Occupancy %	68.9%	66.4%	69.6%	70.4%	72.8%	62.8%
# of licensed beds	8,481	8,404	7,422	7,374	7,100	8,404
Occupied beds	5,843	5,580	5,166	5,191	5,169	5,278
Full-time equivalents (FTEs)[14]	19,352	19,136	17,782	17,601	17,002	17,880
Contract labor	194	152	141	118	116	132
Total FTE and contract labor	19,546	19,288	17,923	17,719	17,118	18,012
EPOB[15]	3.35	3.46	3.47	3.41	3.31	3.41

Refer to pages 37-38 for end notes.

Home Health and Hospice Operational Metrics

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Full Year 2015
				(In Millions)		
Net home health revenue	$ 150.9	$ 144.4	$ 118.3	$ 111.5	$ 103.9	$ 478.1
Net hospice and other revenue	9.7	9.0	8.7	7.6	6.4	31.7
Net operating revenues	$ 160.6	$ 153.4	$ 127.0	$ 119.1	$ 110.3	$ 509.8
Home Health:				(Actual Amounts)		
Admissions[16]	25,763	22,892	18,076	16,862	16,499	74,329
Recertifications	19,453	18,909	16,542	15,103	14,485	65,039
Episodes	43,844	42,697	33,542	31,817	29,512	137,568
Average revenue per episode	$ 3,035	$ 3,005	$ 3,123	$ 3,082	$ 3,102	$ 3,072
Episodic visits per episode	19.1	18.2	19.6	19.4	19.6	19.1
Total visits	949,387	862,224	721,055	675,095	630,999	2,889,373
Cost per visit	$ 72	$ 73	$ 72	$ 71	$ 71	$ 72
Hospice:						
Admissions[17]	724	614	620	594	624	2,452
Patient days	63,431	59,100	55,627	49,272	40,898	204,898
Revenue per day	$ 153	$ 155	$ 156	$ 154	$ 156	$ 155

Refer to pages 37-38 for end notes.

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Share Information

(Millions)	Weighted Average for the Period				
	Q1		Full Year		
	2016	2015	2015	2014	2013
Basic shares outstanding[7]	89.5	87.1	89.4	86.8	88.1
Convertible perpetual preferred stock[7][18]	—	3.2	1.0	3.2	10.5
Convertible senior subordinated notes[18]	8.4	8.2	8.3	8.2	1.0
Restricted stock awards, dilutive stock options, restricted stock units, and common stock warrants[19]	1.5	2.6	2.3	2.5	2.5
Diluted shares outstanding	99.4	101.1	101.0	100.7	102.1

(Millions)	End of Period				
	Q1		Full Year		
	2016	2015	2015	2014	2013
Basic shares outstanding[7]	89.4	87.2	89.3	86.6	86.8

	Date	Approx. Conversion Rate	Approx. Conversion Price
Convertible senior subordinated notes[18]	04/01/16	26.6011	$37.59

Refer to pages 37-38 for end notes.

Segment Operating Results

	Q1 2016				Q1 2015			
	IRF	Home Health and Hospice	Reclasses	HealthSouth Consolidated	IRF	Home Health and Hospice	Reclasses	HealthSouth Consolidated
Net operating revenues	$ 749.2	$ 160.6	$ —	$ 909.8	$ 630.3	$ 110.3	$ —	$ 740.6
Less: Provision for doubtful accounts	(15.6)	(0.9)	—	(16.5)	(11.0)	(0.6)	—	(11.6)
	733.6	159.7	—	893.3	619.3	109.7	—	729.0
Operating Expenses:								
Inpatient Rehabilitation:								
Salaries and benefits	(369.9)	—	(116.2)	(486.1)	(306.4)	—	(78.7)	(385.1)
Other operating expenses[a]	(104.8)	—	(14.2)	(119.0)	(95.2)	—	(9.5)	(104.7)
Supplies	(32.4)	—	(2.6)	(35.0)	(29.8)	—	(1.6)	(31.4)
Occupancy	(15.6)	—	(2.4)	(18.0)	(10.4)	—	(1.7)	(12.1)
Home Health and Hospice:								
Cost of services sold (excluding depreciation and amortization)	—	(78.4)	78.4	—	—	(53.4)	53.4	—
Support and overhead costs	—	(57.0)	57.0	—	—	(38.1)	38.1	—
	(522.7)	(135.4)	—	(658.1)	(441.8)	(91.5)	—	(533.3)
Other income	0.6	—	—	0.6	0.5	—	—	0.5
Equity in net income of nonconsolidated affiliates	2.2	0.2	—	2.4	1.6	—	—	1.6
Noncontrolling interest	(16.8)	(1.9)	—	(18.7)	(15.2)	(1.3)	—	(16.5)
Segment Adjusted EBITDA	**$ 196.9**	**$ 22.6**	**$ —**	**219.5**	**$ 164.4**	**$ 16.9**	**$ —**	**181.3**
General and administrative expenses[b]				(27.4)				(25.2)
Adjusted EBITDA				**$ 192.1**				**$ 156.1**
Reconciliation to GAAP provided on pages 30-33								
In arriving at Adjusted EBITDA, the following were excluded:								
(a) Loss (gain) on disposal or impairment of assets	$ 0.5	$ (0.3)	$ —	$ 0.2	$ (1.5)	$ —	$ —	$ (1.5)
(b) Stock-based compensation	—	—	—	4.5	—	—	—	9.4

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Segment Operating Results

	Year Ended December 31, 2015			
	IRF	Home Health and Hospice	Reclasses	HealthSouth Consolidated
Net operating revenues	$ 2,653.1	$ 509.8	$ —	$ 3,162.9
Less: Provision for doubtful accounts	(44.7)	(2.5)	—	(47.2)
	2,608.4	507.3	—	3,115.7
Operating Expenses:				
Inpatient Rehabilitation:				
Salaries and benefits	(1,310.6)	—	(360.2)	(1,670.8)
Other operating expenses[a]	(387.7)	—	(41.8)	(429.5)
Supplies	(120.9)	—	(7.8)	(128.7)
Occupancy	(46.2)	—	(7.7)	(53.9)
Home Health and Hospice:				
Cost of services sold (excluding depreciation and amortization)	—	(244.8)	244.8	—
Support and overhead costs	—	(172.7)	172.7	—
	(1,865.4)	(417.5)	—	(2,282.9)
Other income	2.3	—	—	2.3
Equity in net income of nonconsolidated affiliates	8.6	0.1	—	8.7
Noncontrolling interest	(62.9)	(6.8)	—	(69.7)
Segment Adjusted EBITDA	**$ 691.0**	**$ 83.1**	**$ —**	**774.1**
General and administrative expenses[b][c]				(94.8)
Gain related to SCA equity interest				3.2
Adjusted EBITDA				**$ 682.5**
Reconciliation to GAAP provided on pages 30-33				
In arriving at Adjusted EBITDA, the following were excluded:				
(a) Loss (gain) on disposal or impairment of assets	$ 2.8	$ (0.2)	$ —	$ 2.6
(b) Stock-based compensation expense	—	—	—	26.2
(c) Transaction costs	—	—	—	12.3

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Reconciliation of Net Income to Adjusted EBITDA[20]

	2016 Q1	
(in millions, except per share data)	Total	Per Share
Net Income	$ 76.7	
Loss from disc ops, net of tax, attributable to HealthSouth	0.1	
Net income attributable to noncontrolling interests	(18.7)	
Income from continuing operations attributable to HealthSouth*	58.1	$ 0.61
Gov't, class action, and related settlements	—	
Pro fees - acct, tax, and legal	0.2	
Provision for income tax expense	39.7	
Interest expense and amortization of debt discounts and fees	44.6	
Depreciation and amortization	42.4	
Loss on early extinguishment of debt	2.4	
Other, including net noncash loss on disposal or impairment of assets	0.2	
Stock-based compensation expense	4.5	
Adjusted EBITDA	$ 192.1	
Weighted average common shares outstanding:		
Basic		89.5
Diluted		99.4

* Per share amounts for each period presented are based on diluted weighted-average shares outstanding.
Refer to pages 37-38 for end notes.

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Reconciliation of Net Income to Adjusted EBITDA[20]

	2015									
	Q1		Q2		Q3		Q4		Full Year	
(in millions, except per share data)	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
Net Income	$ 59.0		$ 60.2		$ 67.8		$ 65.8		$ 252.8	
Loss (income) from disc ops, net of tax, attributable to HealthSouth	0.3		1.6		(0.3)		(0.7)		0.9	
Net income attributable to noncontrolling interests	(16.5)		(17.3)		(17.1)		(18.8)		(69.7)	
Income from continuing operations attributable to HealthSouth*	42.8	$ 0.44	44.5	$ 0.47	50.4	$ 0.52	46.3	$ 0.48	184.0	$ 1.92
Gov't, class action, and related settlements	8.0		—		—		(0.5)		7.5	
Pro fees - acct, tax, and legal	2.2		0.1		0.4		0.3		3.0	
Provision for income tax expense	30.3		32.2		35.9		43.5		141.9	
Interest expense and amortization of debt discounts and fees	31.8		30.9		35.6		44.6		142.9	
Depreciation and amortization	31.9		32.7		33.7		41.4		139.7	
Loss on early extinguishment of debt	1.2		18.8		—		2.4		22.4	
Other, including net noncash (gain) loss on disposal or impairment of assets	(1.5)		0.8		0.9		2.4		2.6	
Stock-based compensation expense	9.4		6.2		6.2		4.4		26.2	
Encompass transaction costs	—		3.3		2.3		6.7		12.3	
Adjusted EBITDA	$ 156.1		$ 169.5		$ 165.4		$ 191.5		$ 682.5	
Weighted average common shares outstanding:										
Basic		87.1		89.8		90.6		90.1		89.4
Diluted		101.1		101.5		101.5		100.6		101.0

* Per share amounts for each period presented are based on diluted weighted-average shares outstanding.
Refer to pages 37-38 for end notes.

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Net Cash Provided by Operating Activities Reconciled to Adjusted EBITDA

(Millions)	Q1 2016	Q1 2015	Full Year 2015
Net cash provided by operating activities	$ 159.7	$ 102.0	$ 484.8
Provision for doubtful accounts	(16.5)	(11.6)	(47.2)
Professional fees—accounting, tax, and legal	0.2	2.2	3.0
Interest expense and amortization of debt discounts and fees	44.6	31.8	142.9
Equity in net income of nonconsolidated affiliates	2.4	1.6	8.7
Net income attributable to noncontrolling interests in continuing operations	(18.7)	(16.5)	(69.7)
Amortization of debt-related items	(3.4)	(3.3)	(14.3)
Distributions from nonconsolidated affiliates	(1.7)	(1.9)	(7.7)
Current portion of income tax expense	5.0	3.5	14.8
Change in assets and liabilities	18.3	56.0	147.1
Net premium paid on bond issuance/redemption	1.9	(8.0)	3.9
Cash used in operating activities of discontinued operations	0.2	0.1	0.7
Reliant/CareSouth transaction costs	—	—	12.3
Encompass transaction costs	—	—	—
Other	0.1	0.2	3.2
Adjusted EBITDA	$ 192.1	$ 156.1	$ 682.5

Reconciliation of Segment Adjusted EBITDA to Income from Continuing Operations Before Income Tax Expense

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Year Ended December 31, 2015
		(In Millions)	
Total segment Adjusted EBITDA	**$ 219.5**	**$ 181.3**	**$ 774.1**
General and administrative expenses	(31.9)	(34.6)	(133.3)
Depreciation and amortization	(42.4)	(31.9)	(139.7)
(Loss) gain on disposal or impairment of assets	(0.2)	1.5	(2.6)
Government, class action, and related settlements	—	(8.0)	(7.5)
Professional fees - accounting, tax, and legal	(0.2)	(2.2)	(3.0)
Loss on early extinguishment of debt	(2.4)	(1.2)	(22.4)
Interest expense and amortization of debt discounts and fees	(44.6)	(31.8)	(142.9)
Gain on consolidation of former equity method hospital	—	—	—
Net income attributable to noncontrolling interests	18.7	16.5	69.7
Gain related to SCA equity interest	—	—	3.2
Income from continuing operations before income tax expense	**$ 116.5**	**$ 89.6**	**$ 395.6**

Reconciliation of Net Cash Provided by Operating Activities to Adjusted Free Cash Flow[6]

($millions)	Q1 2016	Q1 2015	Full Year 2015
Net cash provided by operating activities	$ 159.7	$ 102.0	$ 484.8
Impact of discontinued operations	0.2	0.1	0.7
Net cash provided by operating activities of continuing operations	159.9	102.1	485.5
Capital expenditures for maintenance	(17.7)	(18.3)	(83.1)
Dividends paid on convertible perpetual preferred stock[7]	—	(1.6)	(3.1)
Distributions paid to noncontrolling interests of consolidated affiliates	(15.6)	(13.2)	(54.4)
Unusual and nonrecurring items:			
Cash paid for professional fees - accounting, tax, and legal	0.2	0.7	4.1
Encompass transaction costs and related assumed liabilities	0.5	17.7	17.9
Reliant and CareSouth transaction costs	0.3	—	10.4
Net premium on bond issuance/repayment	1.9	(8.0)	4.0
Cash paid for government, class action, and related settlements	—	—	7.7
Adjusted free cash flow	**$ 129.5**	**$ 79.4**	**$ 389.0**
Cash dividends on common stock	**$ 21.3**	**$ 18.6**	**$ 77.2**

Refer to pages 37-38 for end notes.

Adjusted EPS[1] - Q1 2016

	For the Three Months Ended March 31, 2016				
		Adjustments			
	As Reported	Professional Fees - Accounting, Tax, and Legal	Mark-to-Market Adjustment for Stock Appreciation Rights	Loss on Early Extinguishment of Debt	As Adjusted
	(In Millions, Except Per Share Amounts)				
Adjusted EBITDA*	**$ 192.1**	**$ —**	**$ —**	**$ —**	**$ 192.1**
Depreciation and amortization	(42.4)	—	—	—	(42.4)
Professional fees - accounting, tax, and legal	(0.2)	0.2	—	—	—
Loss on early extinguishment of debt	(2.4)	—	—	2.4	—
Interest expense and amortization of debt discounts and fees	(44.6)	—	—	—	(44.6)
Stock-based compensation	(4.5)	—	(2.4)	—	(6.9)
Loss on disposal or impairment of assets	(0.2)	—	—	—	(0.2)
Income from continuing operations before income tax expense	97.8	0.2	(2.4)	2.4	98.0
Provision for income tax expense	(39.7)	(0.1)	1.0	(1.0)	(39.8)
Income from continuing operations attributable to HealthSouth	**$ 58.1**	**$ 0.1**	**$ (1.4)**	**$ 1.4**	**$ 58.2**
Add: Interest on convertible debt, net of tax	2.4				2.4
Numerator for diluted earnings per share	**$ 60.5**				**$ 60.6**
Diluted earnings per share from continuing operations**	**$ 0.61**	**$ —**	**$ (0.01)**	**$ 0.01**	**$ 0.61**
Diluted shares used in calculation	**99.4**				

* Reconciliation to GAAP provided on page 30; Refer to pages 37-38 for end notes.
** Adjusted EPS may not sum across due to rounding.

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Adjusted EPS[1] - Q1 2015

	For the Three Months Ended March 31, 2015				
		Adjustments			
	As Reported	Government, Class Action, and Related Settlements	Professional Fees - Accounting, Tax, and Legal	Loss on Early Extinguishment of Debt	As Adjusted
	(In Millions, Except Per Share Amounts)				
Adjusted EBITDA*	**$ 156.1**	**$ —**	**$ —**	**$ —**	**$ 156.1**
Depreciation and amortization	(31.9)	—	—	—	(31.9)
Government, class action, and related settlements	(8.0)	8.0	—	—	—
Professional fees - accounting, tax, and legal	(2.2)	—	2.2	—	—
Loss on early extinguishment of debt	(1.2)	—	—	1.2	—
Interest expense and amortization of debt discounts and fees	(31.8)	—	—	—	(31.8)
Stock-based compensation	(9.4)	—	—	—	(9.4)
Gain on disposal or impairment of assets	1.5	—	—	—	1.5
Income from continuing operations before income tax expense	73.1	8.0	2.2	1.2	84.5
Provision for income tax expense	(30.3)	(3.2)	(0.9)	(0.5)	(34.9)
Income from continuing operations attributable to HealthSouth	**$ 42.8**	**$ 4.8**	**$ 1.3**	**$ 0.7**	**$ 49.6**
Add: Interest on convertible debt, net of tax	2.3				2.3
Numerator for diluted earnings per share	**$ 45.1**				**$ 51.9**
Diluted earnings per share from continuing operations**	**$ 0.44**	**$ 0.05**	**$ 0.01**	**$ 0.01**	**$ 0.51**
Diluted shares used in calculation	**101.1**				

* Reconciliation to GAAP provided on page 31; Refer to pages 37-38 for end notes.
** Adjusted EPS may not sum across due to rounding.

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End Notes

(1) HealthSouth is providing adjusted earnings per share from continuing operations attributable to HealthSouth ("adjusted earnings per share"), which is a non-GAAP measure. The Company believes the presentation of adjusted earnings per share provides useful additional information to investors because it provides better comparability of ongoing performance to prior periods given that it excludes the impact of government, class action, and related settlements, professional fees - accounting, tax, and legal, mark-to-market adjustments for stock appreciation rights, gains or losses related to hedging instruments, loss on early extinguishment of debt, adjustments to its income tax provision (such as valuation allowance adjustments and settlements of income tax claims), items related to corporate and facility restructurings, and certain other items. It is reasonable to expect that one or more of these excluded items will occur in future periods, but the amounts recognized can vary significantly from period to period and may not directly relate to the Company's ongoing operations. Accordingly, they can complicate comparisons of the Company's results of operations across periods and comparisons of the Company's results to those of other healthcare companies. Adjusted earnings per share should not be considered as a measure of financial performance under generally accepted accounting principles in the United States as the items excluded from it are significant components in understanding and assessing financial performance. Because adjusted earnings per share is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, it may not be comparable as presented to other similarly titled measures of other companies.

(2) In the first quarter of 2015, the Company recorded a settlement related to sexual harassment and other claims brought by eight former employees against another former employee. The settlement was not covered by insurance and was included in "Other Operating Expenses."

(3) Current income tax expense was $5.0 million and $3.5 million for Q1 2016 and Q1 2015, respectively.

(4) The interest and amortization related to the convertible senior subordinated notes must be added to income from continuing operations when calculating diluted earnings per share because the debt is assumed to have been converted and the applicable shares are included in the diluted share count.

(5) In connection with the Encompass acquisition, the Company granted stock appreciation rights based on the common stock of HealthSouth Home Health Holdings, Inc. to certain members of Encompass management. The fair value of Holdings' common stock is determined using the product of the trailing 12-month specified performance measure for Holdings and a specified median market price multiple based on a basket of public home health companies. The fair value of these stock appreciation rights will vary from period to period based on Encompass' performance and the change in the multiple of the basket of public home health companies.

(6) Definition of adjusted free cash flow is net cash provided by operating activities of continuing operations minus capital expenditures for maintenance, dividends paid on preferred stock, distributions to noncontrolling interests, and nonrecurring items. Common stock dividends are not included in the calculation of adjusted free cash flow.

(7) In March 2006, the Company completed the sale of 400,000 shares of its 6.5% Series A Convertible Perpetual Preferred Stock. In Q4 2013, the Company exchanged $320 million of newly issued 2.0% Convertible Senior Subordinated Notes due 2043 for 257,110 shares of its outstanding preferred stock. In April 2015, the Company exercised its rights to force conversion of all outstanding shares of preferred stock. On the conversion date, each outstanding share of preferred stock was converted into 33.9905 shares of common stock, resulting in the issuance of 3,271,415 shares of common stock.

(8) On July 16, 2015, the board of directors approved a $0.02 per share, or 9.5%, increase to the quarterly cash dividend on the Company's common stock, bringing the quarterly cash dividend to $0.23 per common share.

(9) HealthSouth acquired an additional 30% equity interest in Fairlawn Rehabilitation Hospital in Worcester, MA from its joint venture partner. This transaction increased HealthSouth's ownership interest from 50% to 80% and resulted in a change in accounting for this hospital from the equity method to a consolidated entity effective June 1, 2014.

(10) In Q3 2012, HealthSouth amended the joint venture agreement related to St. Vincent Rehabilitation Hospital in Sherwood, AR which resulted in a change in accounting for this hospital from the equity method to a consolidated entity.

(11) Includes consolidated HealthSouth inpatient rehabilitation hospitals classified as same store during each time period.

End Notes, con't.

(12) Data provided by Uniform Data System for Medical Rehabilitation, a division of UB Foundation Activities, Inc., a data gathering and analysis organization for the rehabilitation industry; represents ~70% of industry, including HealthSouth sites

(13) Represents discharges from HealthSouth's 121 consolidated hospitals in Q1 2016; 120 consolidated hospitals in Q4 2015; 108 consolidated hospitals in Q3 2015 and Q2 2015; and 106 consolidated hospitals in Q1 2015

(14) Excludes approximately 430 full-time equivalents in Q1 2016 and approximately 400 full-time equivalents in the 2015 periods presented who are considered part of corporate overhead with their salaries and benefits included in general and administrative expenses in the Company's consolidated statements of operations. Full-time equivalents included in the table represent HealthSouth employees who participate in or support the operations of the Company's hospitals.

(15) Employees per occupied bed, or "EPOB," is calculated by dividing the number of full-time equivalents, including an estimate of full-time equivalents from the utilization of contract labor, by the number of occupied beds during each period. The number of occupied beds is determined by multiplying the number of licensed beds by the Company's occupancy percentage.

(16) Represents home health admissions from Encompass' 184 consolidated locations in Q1 2016 and Q4 2015; 141 locations in Q3 2015, 139 locations in Q2 2015, and 143 locations in Q1 2015.

(17) Represents hospice admissions from Encompass' 27 locations in Q1 2016 and Q4 2015; 23 locations in Q3 2015; and 21 locations in Q2 2015 and Q1 2015.

(18) In November 2013, the Company closed separate, privately negotiated exchanges in which it issued $320 million of 2.0% Convertible Senior Subordinated Notes due 2043 in exchange for 257,110 shares of its 6.5% Series A Convertible Perpetual Preferred Stock. The Company recorded ~$249 million as debt and ~$71 million as equity. The convertible notes are convertible, at the option of the holders, at any time on or prior to the close of business on the business day immediately preceding December 1, 2043 into shares of the Company's common stock and is subject to customary antidilution adjustments. The Company has the right to redeem the convertible notes before December 1, 2018 if the volume weighted-average price of the Company's common stock is at least 120% of the conversion price ($45.70) of the convertible notes for a specified period. On or after December 1, 2018, the Company may, at its option, redeem all or any part of the convertible notes. In either case, the redemption price will be equal to 100% of the principal amount of the convertible notes to be redeemed, plus accrued and unpaid interest.

(19) The agreement to settle the Company's class action securities litigation received final court approval in January 2007. The 5.0 million shares of common stock and warrants to purchase ~8.2 million shares of common stock at a strike price of $41.40 (expire January 17, 2017) related to this settlement were issued on September 30, 2009. The 5.0 million common shares are included in the basic outstanding shares. The warrants were not included in the diluted share count prior to 2015 because the strike price has historically been above the market price. In Q1 2016 and Q1 2015, zero shares related to the warrants are included in the diluted share count due to antidilution based on the stock price. In full-year 2015, 80,814 shares related to the warrants are included in the diluted share count using the treasury stock method.

(20) Adjusted EBITDA is a non-GAAP financial measure. The Company's leverage ratio (total consolidated debt to Adjusted EBITDA for the trailing four quarters) is, likewise, a non-GAAP financial measure. Management and some members of the investment community utilize Adjusted EBITDA as a financial measure and the leverage ratio as a liquidity measure on an ongoing basis. These measures are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance or liquidity. In evaluating Adjusted EBITDA, the reader should be aware that in the future HealthSouth may incur expenses similar to the adjustments set forth.