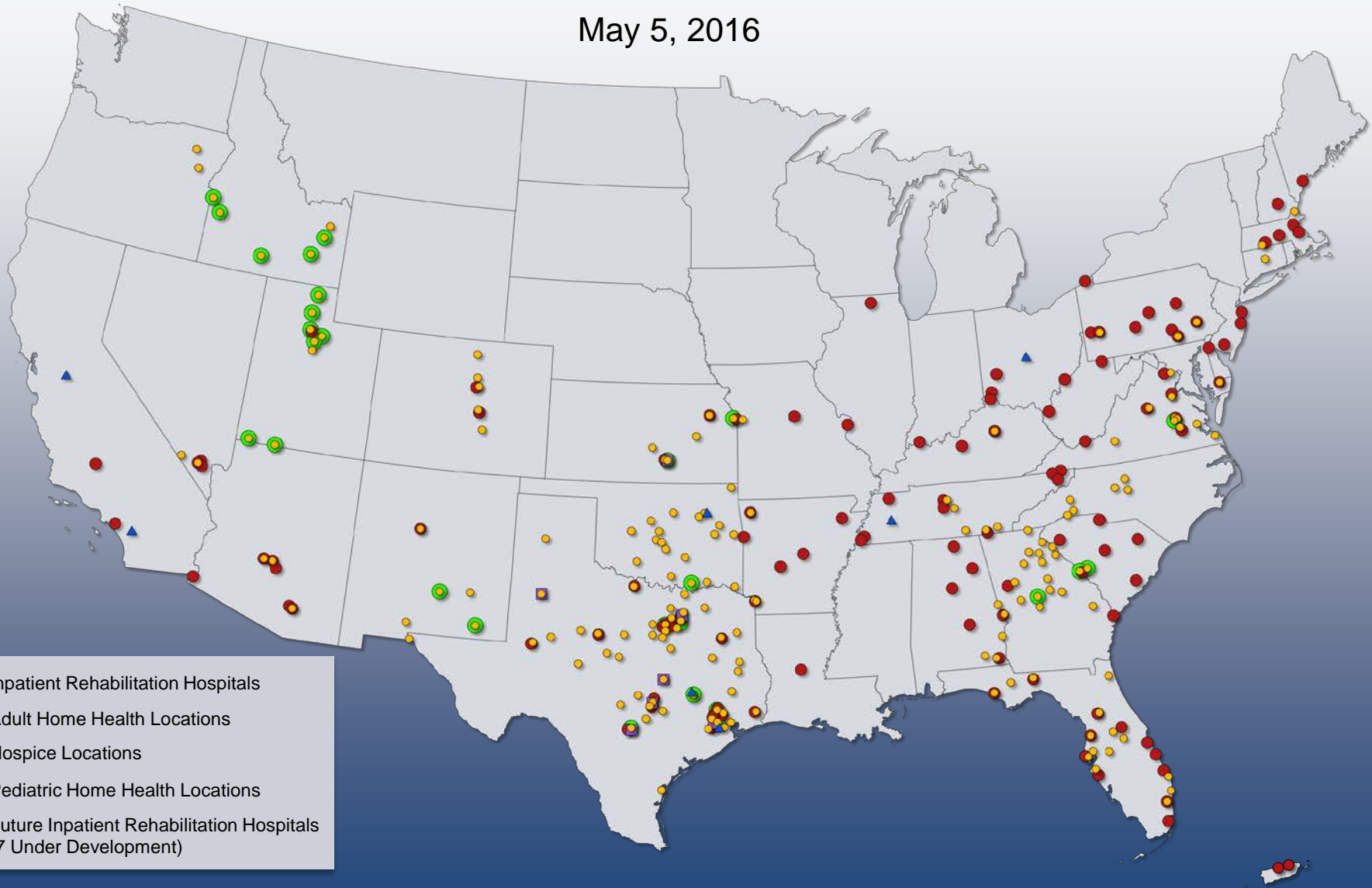


HEALTHSOUTH[®]

2016 ANNUAL SHAREHOLDER MEETING

May 5, 2016



2015: A Year of Significant Growth

Expansion into Home Health



Acquired December 31, 2014

- 4th largest provider of Medicare-certified skilled home health services in the U.S.
- Best-in-class home health provider; high-quality patient outcomes and operating efficiency
- Infrastructure to facilitate growth
- Exceptional culture: Winner of multiple "Best Places to Work" awards

Other Developmental Activities

- Opened 4 new home health locations and 2 hospice locations
- Acquired 10 home health locations and 2 hospice locations



Acquired November 2, 2015

- 44 home health and 3 hospice locations in 7 states across the southeast and mid-atlantic regions
- 14 new overlap markets with existing HealthSouth IRFs

Expansion of IRF Portfolio



Acquired October 1, 2015

- 11 hospitals with a total of 902 beds
- Increased geographic coverage in prominent Texas markets
- Added new markets in Massachusetts and Ohio



Acquisitions / Joint Ventures

1. Cardinal Hill Rehabilitation Hospital in Lexington, KY
2. Memorial Health in Savannah, GA
3. West Tennessee Healthcare System in Jackson, TN
4. Mount Carmel Health System in Westerville, OH
5. St. John Health System in Broken Arrow, OK
6. CHI St. Vincent Hot Springs in Hot Springs, AR
7. St. Joseph Health System in Bryan, TX

De Novo

8. Franklin, TN

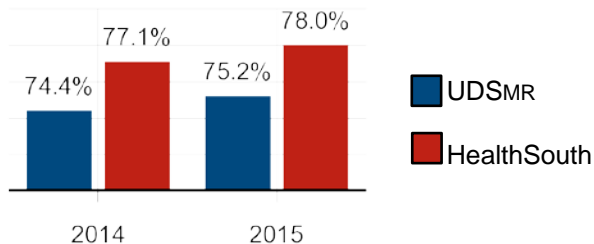
Bed expansions

- Added 85 net beds to existing hospitals

... and Significant Achievement

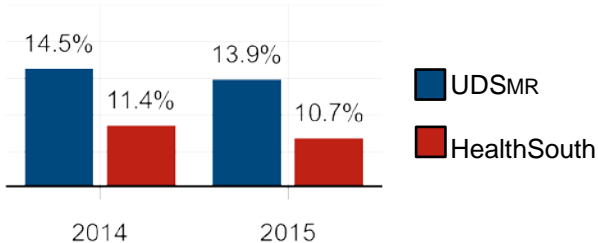
IRF Quality

Discharge to Community



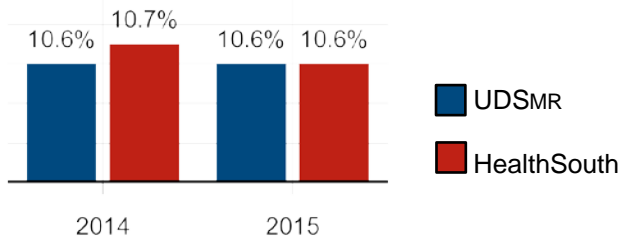
Percentage of cases discharged to community, including home and home with home health or home hospice care. Higher is better.

Discharge to Skilled Nursing



Percentage of patients discharged to skilled nursing facilities. Lower is better.

Discharge to Acute Hospital



Percentage of patients discharged to acute care hospital. Lower is better. On average, HLS treats higher acuity patients.

Home Health Quality

Quality of Care Star Ratings



Quality of Care
97% of Encompass' home health agencies are 3 Stars or higher

Patient Satisfaction Star Ratings



Patient Satisfaction
99% of Encompass' home health agencies are 3 Stars or higher

■ Encompass ■ National Average

... and Significant Achievement

Modern Healthcare BEST PLACES TO WORK™ 2015

58. Baylor
59. Licking

#60  **encompass™**
HOME HEALTH & HOSPICE

60. Encompass home health and hospice
61. Prominence Advisors

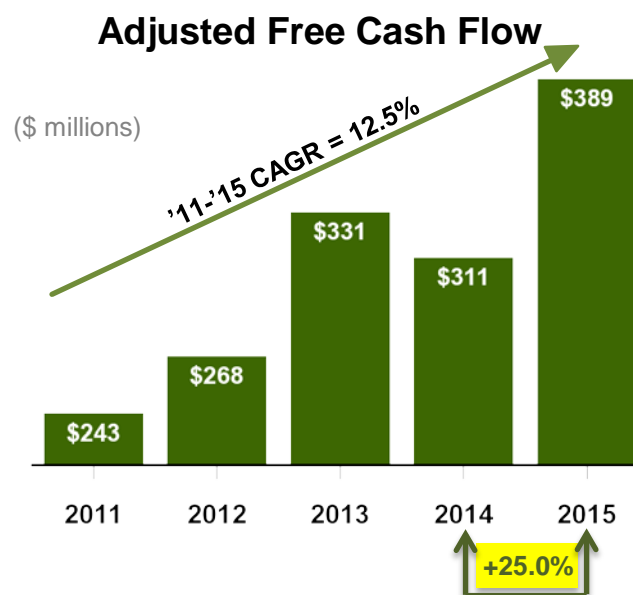
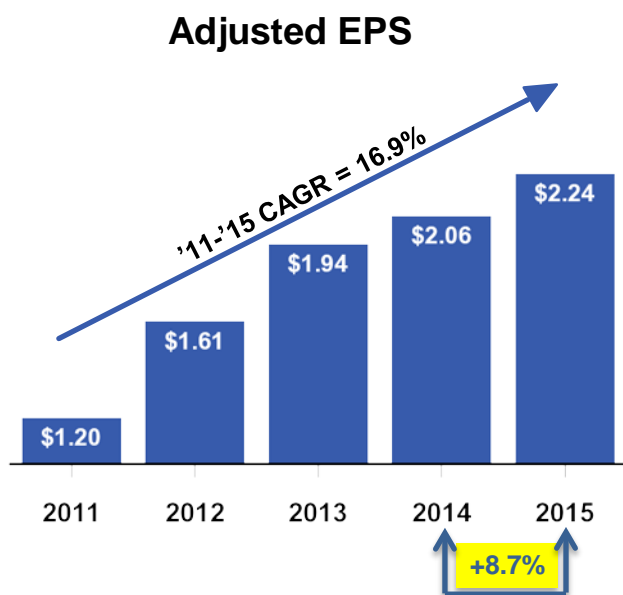
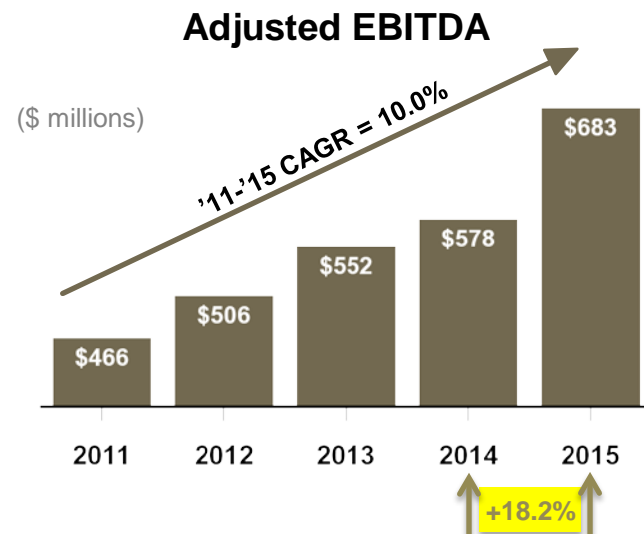
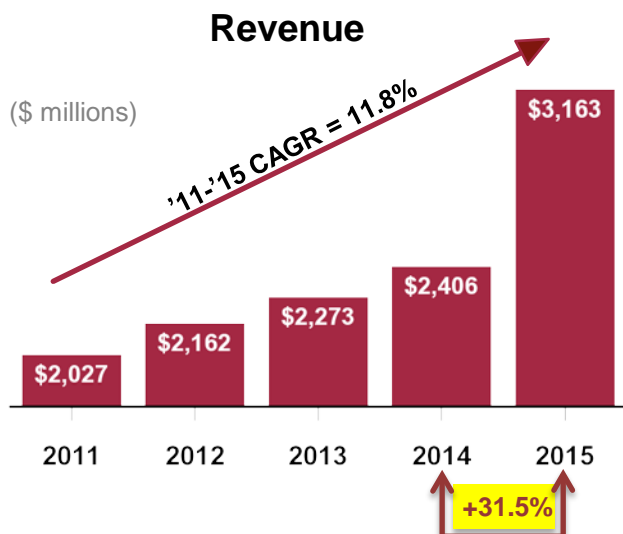
94. Rob
95. Wint

#96 HEALTHSOUTH®

96. HealthSouth Corporation
97. Galen Healthcare Solutions
98. Health by Design

- 2015 was the first year for HealthSouth to be named to Modern Healthcare's list of best employers in the healthcare industry.
- This was Encompass' fourth year to be named a "Best Places to Work" award winner. Encompass received this honor in 2014, 2013 and 2011.

... and Significant Achievement



Priorities for 2016

GROWTH



- **Integrate** Reliant and CareSouth ("pause" on additional large acquisitions)
- Achieve **organic growth** at existing hospitals and home health/hospice agencies
- **Acquire and construct** new hospitals and **acquire and open** new home health/hospice agencies

Highest Priority

Growth
in Core
Business

IRF bed expansions

New IRF's

- De novos

- Acquisitions

New home health and hospice
acquisitions

(In Millions)

Q1 2016	2016	2015
Actuals	Assumptions	Actuals
\$4.1	\$20 to \$30	\$20.8
17.3	70 to 90	47.8
—	0 to 20	786.2
—	30 to 40	200.2
\$21.4	\$120 to \$180	\$1,055.0

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

► Anticipate investing \$30 million – \$40 million to acquire new agencies

► 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)

Priorities for 2016



CAPITAL STRUCTURE

- **Reduce** financial **leverage** (target: < 4.0x by YE 2016)
- Continue **shareholder distributions**

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

Debt redemptions (borrowings), net

Leased property purchases

Current quarterly cash dividend of \$0.23 per common share

Shareholder Distributions

Cash dividends on common stock

Common stock repurchases

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

**Q1 2016
Actuals**

**2016
Assumptions**

**2015
Actuals**

\$55.3

\$TBD

\$(1,060.3)

—

TBD

—

21.3

85

77.2

12.9

TBD

45.3

\$89.5

\$TBD

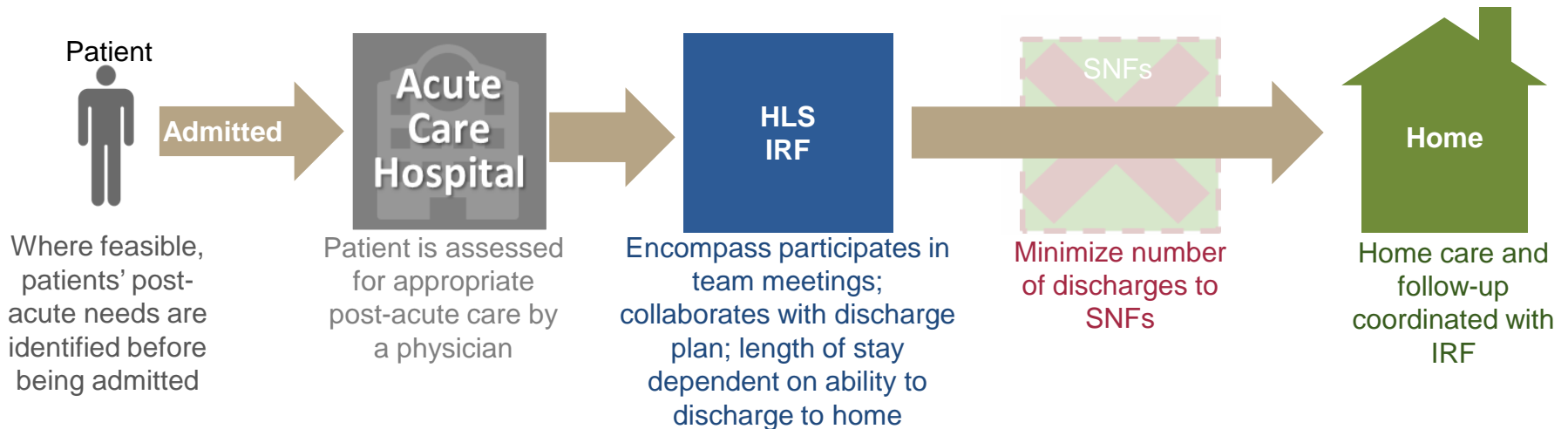
\$(937.8)

Priorities for 2016



OPERATIONAL INITIATIVES

- Develop **coordinated care protocols**
- Utilize ACE IT to **enhance outcomes** (e.g., reduce acute care transfers, enhance medication reconciliation)



Objectives

- ✓ Reduce Medicare Spending per Beneficiary (MSPB)
- ✓ Reduce readmissions
- ✓ Enhance clinical outcomes
- ✓ Improve patient and family satisfaction



As of December 31, 2015, these systems have data on ~200,000 IRF discharges and over 16 million home health visits.



Use data from these systems to develop best practice clinical protocols

Stratify risks and standardize "best practice" protocols

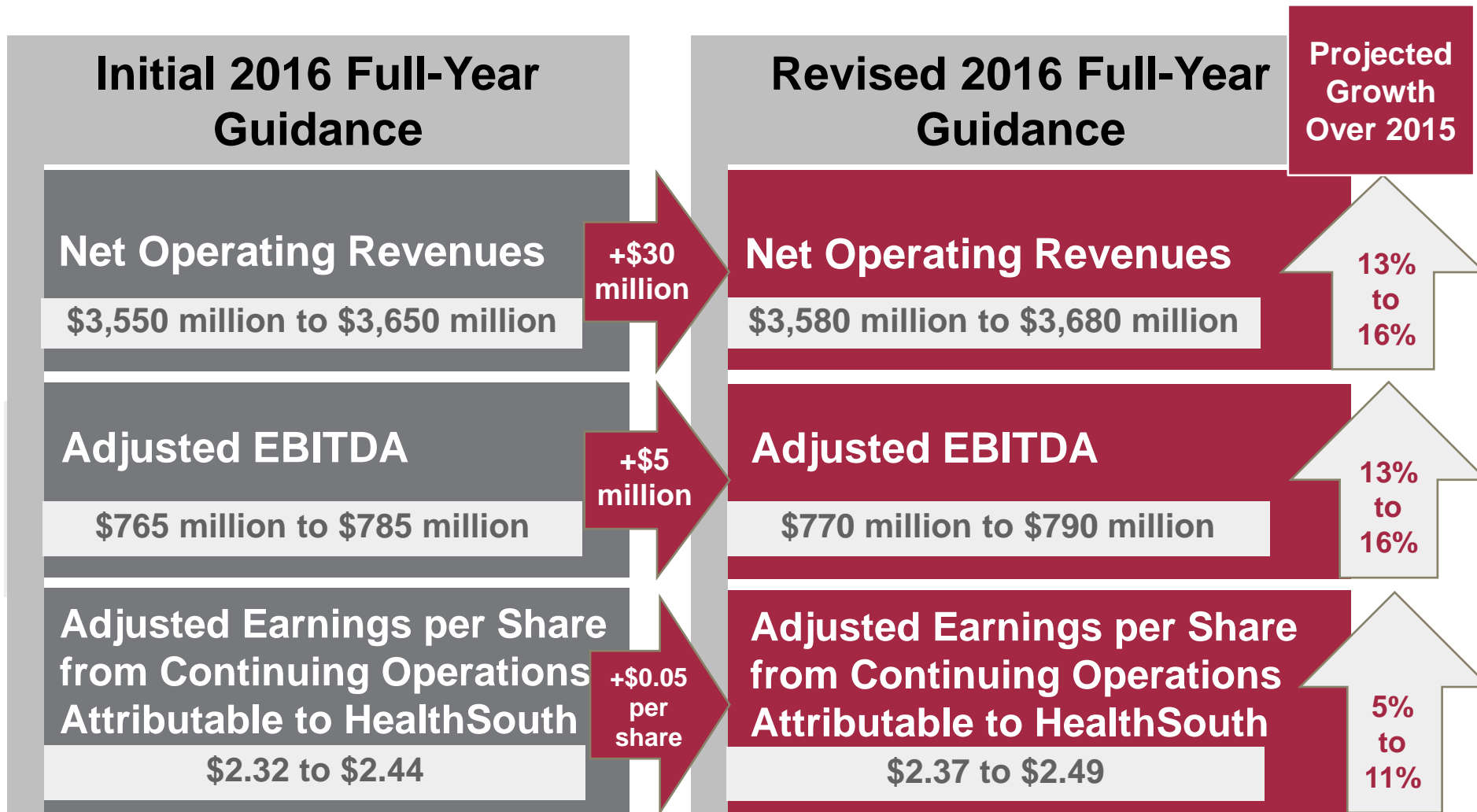
Q1 2016 Highlights

(In Millions)	Q1 2016	Q1 2015	Growth		
			Dollars	Percent	
HealthSouth Consolidated					
Net operating revenues	\$ 909.8	\$ 740.6	\$ 169.2	22.8%	
Adjusted EBITDA	\$ 192.1	\$ 156.1	\$ 36.0	23.1%	
Adjusted EPS	\$ 0.61	\$ 0.51	\$ 0.10	19.6%	
Adjusted free cash flow	\$ 129.5	\$ 79.4	\$ 50.1	63.1%	

Major takeaways:

- ▶ Generated 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%)
- ▶ Reduced debt by \$55.3 million; reduced leverage ratio to 4.3x from 4.6x at YE 2015
- ▶ Repurchased 314,532 shares of common stock for ~\$11 million
- ▶ Expanded our portfolio:
 - Completed 50-bed hospital in Savannah, GA
 - Began operating 27-bed JV unit in Hot Springs, AR
 - Opened new home health agency in Lee's Summit, MO (Kansas City metro area)
 - Continued the development of eight additional hospitals

Full-Year Guidance



HLS: Strong and Sustainable Business Fundamentals

Attractive Healthcare Sectors

- Favorable demographic trends
- Nondiscretionary nature of many conditions treated
- Highly fragmented post-acute industries

Industry Leading Position

- #1 market share in inpatient rehabilitation segment
- 4th largest provider of Medicare-certified skilled home health services
- Consistent delivery of high-quality, cost-effective care
- Enhanced utilization of technology (e.g., clinical, data management, and technology-enabled business processes)

Cost-Effectiveness

- Effective labor management
- Continued improvements in supply chain
- Operating leverage of G&A and occupancy expenses

Real Estate Portfolio

- Portfolio of 121 IRFs
 - ✓ 82 owned and 39 leased

Financial Strength

- Strong balance sheet and liquidity, no significant near-term maturities (credit agreement matures in 2020; bonds mature in 2022 and beyond)
- Substantial free cash flow generation

Growth Opportunities

- Attractive organic growth opportunities in both segments
- Flexible inpatient rehabilitation de novo and acquisition strategy
- Home health and hospice platform with track record of growth through acquisitions in highly fragmented industry