

April 21, 2015

To our employees, patients, families and business partners:

We have learned that the government has intervened in a civil lawsuit against HCR ManorCare under the Federal False Claims Act. The government made its decision to intervene in this lawsuit despite our full cooperation with its investigation. Our cooperation included producing information that we believe refutes the basic claims contained in the lawsuit. Unfortunately, the government disagreed and instead proceeded with its case. We believe this lawsuit is unjust, and we will vigorously defend ourselves in court.

The increasing amount of Medicare dollars expended in caring for a growing number of patients receiving rehabilitation services in skilled nursing facilities across the country over the past several years has resulted in close scrutiny of these services by the government. In our case, the government alleges that some of the rehabilitation services we provided were medically unnecessary and that we provided more rehabilitation care than our patients were entitled to receive as Medicare beneficiaries. We vehemently disagree. Most importantly, in no instance is HCR ManorCare accused of billing or receiving reimbursement for services it did not provide. Rather, this lawsuit is the result of a billing dispute between our company and the federal government that stems from the government's view that our industry as a whole is providing a level of care to Medicare rehabilitation patients that exceeds the government's expectations, despite the fact that these services were ordered by licensed physicians and delivered by licensed therapists.

In fulfilling our duty to our patients, we provide the care they are entitled to receive as Medicare beneficiaries based on their individual clinical needs, as determined by their own caregivers. Conversely, the government bases its allegations on retrospective analyses performed by a few alleged experts who have never cared for, spoken with or even seen the patients in question. Instead, these alleged experts second-guess the hands-on clinical judgment of tens of thousands of experienced, licensed, caring and compassionate doctors, nurses and therapists who actually provided care to our patients. In some cases these alleged experts ignore the tangible benefits of the rehabilitative therapy actually provided to patients. We believe it is important that we speak up for our patients and for these tens of thousands of dedicated, licensed caregivers.

We would like to highlight a number of other important facts. First, our Medicare billings are submitted to and approved for payment by the Centers for Medicare & Medicaid Services ("CMS") own third-party fiscal intermediaries; these intermediaries found the services they reviewed and approved for payment to be medically necessary and in compliance with billing guidelines. Second, the government's allegations in this case are based on an after-the-fact review of fewer than 200 patients' charts, some dating as far back as nine years, which represent a tiny fraction of the more than one million patients we cared for in our skilled nursing facilities during that time. Third, we believe the government is applying retroactive billing standards to this small number of patients that are inconsistent with the billing standards used by CMS fiscal intermediaries during that time.

HCR ManorCare is a recognized pioneer in developing clinical and rehabilitation capabilities to care for medically complex patients in a skilled nursing facility setting. Because of this fact, we



are the provider of choice in many of the communities we serve for patients who want to get well and return home quickly. We have improved the lives of our patients by providing them the quality clinical and rehabilitation care they need and are entitled to, and we provide this care at a substantially lower cost than for the same patients to receive rehabilitative care in an acute care hospital or specialty hospital. Further, our extensive capabilities have reduced our rate of patient rehospitalizations below the national average. We are proud that our company has been successful in helping millions of patients to recover from surgeries and serious illnesses, return home and remain home.

HCR ManorCare consistently emphasizes compliant, patient-centered quality care throughout our company. We have done our best to meet the individual needs of our patients in a manner that is consistent with the complex regulations that govern our business. We are confident that the millions of patients and family members who have benefited from the post-acute care we have provided for more than two decades and the tens of thousands of licensed health care professionals responsible for delivering care to our patients will overwhelmingly support our company in this regard. We look forward to making their stories known as this case proceeds.

HCR ManorCare embraces compliance as a core value. Our company has for many years operated a comprehensive compliance program that includes recommended best practices of CMS and the HHS Office of Inspector General. This program involves training programs, audit resources and annual mandatory compliance refreshers intended to instruct employees how to conduct themselves in a lawful manner. Our compliance program is a central part of our culture and day-to-day operations.

From time to time, errors that may affect the completeness of the claims we submit do occur in a company as large as ours – one that cared for more than 160,000 patients in our skilled nursing centers this past year. When we have identified billing issues through our controls and compliance activities, we have taken appropriate action, including at times terminating employees for misconduct and voluntarily repaying monies received for inaccurate billings. However, we categorically reject any attempt by the government to have our company and its employees portrayed as engaging in a systematic, corporate-wide fraud scheme. We are prepared to defend ourselves in this litigation. We are extremely proud of our company, our tens of thousands of caregivers and other employees who support them and our well-deserved reputation for being a high-quality health care provider.

We look forward to the opportunity to tell our side of the story. Thank you for your confidence and support.

Very sincerely,

HCR ManorCare