

**CHARTER FOR THE
QUALITY OF CARE AND PATIENT OUTCOMES COMMITTEE
OF THE BOARD OF DIRECTORS OF
KINDRED HEALTHCARE, INC.**

Mission Statement

The Quality of Care and Patient Outcomes Committee (the “Committee”) is appointed to assist the Board of Directors (the “Board”) in evaluating and monitoring: (1) the Company’s programs, policies, procedures and performance improvement practices that support and enhance the quality of care provided by the Company; (2) the Company’s compliance with applicable healthcare laws, regulations, policies, professional standards and industry guidelines; and (3) the Company’s compliance with its Code of Conduct.

Organization

The Committee shall be comprised of at least three directors. Members of the Committee are not required to meet the independence or other requirements under the rules of the New York Stock Exchange or such other exchange upon which the Company’s securities are principally traded. To the extent practicable, the Committee’s membership should include at least one member of the Audit Committee. The members of the Committee shall be appointed and removed by the Board. The Board also shall designate a Committee Chair. The Committee shall meet at least three times annually and shall regularly report to the Board on its findings and matters within the scope of its responsibility.

A quorum at any Committee meeting shall be at least a majority of the members. All determinations of the Committee shall be made by a majority of its members present at a meeting duly called and held. Notwithstanding the foregoing, any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held. The Chair of the Committee shall be responsible for establishing the agenda for meetings of the Committee. An agenda, together with materials relating to the subject matter of each meeting, shall be sent to the members of the Committee prior to the meeting. The Committee shall maintain minutes of all its meetings to document its activities and recommendations. The Committee shall review and reassess this Charter at least annually or more frequently as conditions dictate and recommend changes it considers appropriate to the Board for approval. A copy of the current version of this Charter shall be posted on the Company’s website. The Committee shall annually review its own performance.

Committee Authority and Responsibilities

The Committee shall have the authority and responsibility to:

- Retain and terminate any outside consultant, advisor or counsel it deems necessary to discharge its responsibilities and shall have sole authority to approve the fees and other retention terms of such consultant, advisor or counsel. In discharging its responsibilities, the Committee shall have full access to any relevant records of the Company. The Committee also may request that any officer or other employee of the Company, the Company’s outside counsel or any other person meet with any members of, or consultants, advisors or counsel to the Committee.

- Evaluate at least annually and review and concur with or reject, as necessary, management's appointment, termination, or replacement of the Company's Compliance Officer.
- Review with the Compliance Officer the Company's adoption, implementation and periodic review of policies and procedures designed to comply with all applicable healthcare laws, regulations, professional standards and industry guidelines, as well as the Company's policies and Code of Conduct.
- Review with the Compliance Officer the Company's adoption, implementation and periodic review of a system to allow the Company to respond to federal, state, internal and external reports of quality of care issues.
- Review with the Compliance Officer the development and maintenance of internal systems and controls to carry out the Company's policies and procedures relating to clinical compliance matters and ethics.
- Review with the Compliance Officer the steps the Company is taking to educate its employees regarding its Code of Conduct and compliance issues.
- Review with the Compliance Officer procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding compliance related matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding compliance and ethical issues.
- Review with the Compliance Officer the issues reported to the Company through its compliance hotline or otherwise brought to the Company's attention and the results of any internal investigations initiated by the Company pertaining to clinical outcomes or quality of care-related compliance issues reported through the compliance hotline.
- Review with the Company's General Counsel as necessary legal matters that may have a material impact on the Company's compliance status and any material inquiries or reports from regulators or governmental agencies pertaining to clinical outcomes or quality of care related compliance issues.
- Review with the Compliance Officer the Company's adoption, implementation and periodic review of policies and procedures designed to provide that each individual cared for in the Company's facilities or by its employees receives the appropriate level of care.
- Review with the Compliance Officer the Company's performance on established internal and external benchmarks of clinical performance and outcomes. In addition, the Committee should meet annually with the Company's clinical leadership to evaluate the Company's performance.
- Apprise the Board on the Company's clinical compliance and performance improvement efforts with appropriate internal and external sources.
- Apprise the Audit Committee with respect to any matters reported to the Committee that may have a material impact on the Company's business, financial statements or compliance policies.

- Form and delegate authority to subcommittees when appropriate and carry out such other duties that may be delegated to it by the Board from time to time or as may be required by law.
- Take any other actions necessary or advisable from time to time to comply with applicable laws and regulations and all applicable listing standards.