Kindred Healthcare

December 14, 2011

Public Company Accounting Oversight Board
Attention: Office of the Secretary
1666 K Street, N.W.
Washington, DC 20006-2803

RE: Rulemaking Docket Matter No. 37
Concept Release on Auditor Independence and Audit Firm Rotation

Dear Members of the Board:

Thank you for the opportunity to comment on the Public Company Accounting Oversight Board's (the "Board") *Concept Release on Auditor Independence and Audit Firm Rotation* (the "Concept Release"). On behalf of Kindred Healthcare, Inc. ("Kindred") (NYSE: KND), we are pleased to share our views on this important issue.

Kindred is a publicly-held healthcare services company based in Louisville, Kentucky with annual revenues of over $6 billion and approximately 77,000 employees providing post-acute healthcare services in over 2,000 sites across the United States.

We have been audited by the same accounting firm for the last 12 years and periodically engage one or more other accounting firms to provide non-audit services. In 1998, the Audit Committee of the Board of Directors elected to change the Company's independent auditor.

In our view, the concept of mandatory auditor rotation does not appear to advance the market dynamics related to quality, efficiency and cost. Start-up costs associated with such changes in an organization of our size would be significant and audit efficiencies and quality will be reduced through the loss of institutional knowledge of our company and its culture. Like other industries, ours is subject to significant regulatory changes that entail operational and financial consequences that require, among other things, stability in the organization to adjust as our business changes.

Requiring mandatory auditor rotation also eliminates one of the primary roles of an Audit Committee of a public company. The Audit Committee of a public company has both the authority and ability to change independent auditors as it deems appropriate (as our Audit Committee did in 1998). Minimizing this vital role of the Audit Committee is inconsistent with the independent governance structure under which the Committee is chartered. Further, business relationships are an important part of an objective and independent audit and continue to be an essential part of the Audit Committee's ongoing

680 South Fourth Street Louisville, Kentucky 40202
502.596.7300 KY TDD/TTY# 800.648.6057

evaluation of the performance of both the company's internal financial management and the external auditor.

Experience, a deep knowledge of the inner workings of an organization, and a strong sense of the culture of a company are all essential attributes of an objective and efficient independent auditor. As businesses evolve and inevitably become more complex, consistency and stability of business relationships play a key role in a company's success.

We respectfully note that there is no discussion of mandatory management – or Audit Committee – rotation every five years to further ensure objectivity and skepticism with respect to a company's financial statements. What seems lost in requiring auditor rotations is the fact that the Audit Committee has the primary responsibility to ensure that both management and the independent auditor are objectively fulfilling their respective roles. Disrupting the integral, and desirable, collaboration of these three groups – management, the Audit Committee and the independent auditor – would likely result in higher costs, greater inefficiencies and diminished levels of assurance on the part of the Audit Committee that it has sufficiently fulfilled its responsibilities to shareholders.

Thank you again for the opportunity to share our views.

Very truly yours,

Isaac Kaufman

Isaac Kaufman
Audit Committee Chairman

cc: Mr. Paul J. Diaz
Mr. Edward L. Kuntz
Dr. Thomas P. Cooper
Mr. Richard A. Lechleiter
Mr. John J. Lucchese