UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 2015

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period From _________ to __________.

Commission File Number: 001 – 34465 and 001 – 31441

SELECT MEDICAL HOLDINGS CORPORATION

SELECT MEDICAL CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	**20-1764048**
Delaware	**23-2872718**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

4714 Gettysburg Road, P.O. Box 2034, Mechanicsburg, Pennsylvania 17055
(Address of principal executive offices and zip code)

(717) 972-1100
(Registrants' telephone number, including area code)

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods as such Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

YES X NO __

Indicate by check mark whether the Registrants have submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrants were required to submit and post such files).

YES X NO ___

Indicate by check mark whether the registrant, Select Medical Holdings Corporation, is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer __X_	Accelerated filer____	Non-accelerated filer____ (Do not check if a smaller reporting company)	Smaller reporting company____

Indicate by check mark whether the registrant, Select Medical Corporation, is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ____	Accelerated filer____	Non-accelerated filer__X_ (Do not check if a smaller reporting company)	Smaller reporting company____

Indicate by check mark whether the Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

YES___ NO __X_

As of September 30, 2015, Select Medical Holdings Corporation had outstanding 131,190,842 shares of common stock.

This Form 10-Q is a combined quarterly report being filed separately by two Registrants: Select Medical Holdings Corporation and Select Medical Corporation. Unless the context indicates otherwise, any reference in this report to “Holdings” refers to Select Medical Holdings Corporation and any reference to “Select” refers to Select Medical Corporation, the wholly-owned operating subsidiary of Holdings, and any of Select’s subsidiaries. Any reference to “Concentra” refers to Concentra Inc., the indirect operating subsidiary of Concentra Group Holdings, LLC (“Group Holdings”), and its subsidiaries. References to the “Company,” “we,” “us” and “our” refer collectively to Holdings, Select, and Group Holdings and its subsidiaries.

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PART I FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets
(unaudited)
(in thousands, except share and per share amounts)

	Select Medical Holdings Corporation		Select Medical Corporation	
	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,354	$ 22,635	$ 3,354	$ 22,635
Accounts receivable, net of allowance for doubtful accounts of $46,425 and $82,278 at 2014 and 2015, respectively	444,269	574,845	444,269	574,845
Current deferred tax asset	15,991	23,346	15,991	23,346
Prepaid income taxes	17,888	2,303	17,888	2,303
Other current assets	46,142	78,402	46,142	78,402
Total Current Assets	527,644	701,531	527,644	701,531
Property and equipment, net	542,310	800,430	542,310	800,430
Goodwill	1,642,083	2,367,228	1,642,083	2,367,228
Other identifiable intangibles	72,519	258,640	72,519	258,640
Other assets	140,253	186,576	140,253	186,576
Total Assets	$ 2,924,809	$ 4,314,405	$ 2,924,809	$ 4,314,405
Current Liabilities:				
Bank overdrafts	$ 21,746	$ 24,099	$ 21,746	$ 24,099
Current portion of long-term debt and notes payable	10,874	17,666	10,874	17,666
Accounts payable	108,532	118,617	108,532	118,617
Accrued payroll	97,090	132,872	97,090	132,872
Accrued vacation	63,132	72,475	63,132	72,475
Accrued interest	10,674	25,300	10,674	25,300
Accrued other	82,376	131,460	82,376	131,460
Total Current Liabilities	394,424	522,489	394,424	522,489
Long-term debt, net of current portion	1,542,102	2,333,078	1,542,102	2,333,078
Non-current deferred tax liability	109,203	182,963	109,203	182,963
Other non-current liabilities	92,855	145,277	92,855	145,277
Total Liabilities	2,138,584	3,183,807	2,138,584	3,183,807
Commitments and contingencies (Note 11)				
Redeemable non-controlling interests	10,985	257,122	10,985	257,122
Stockholders' Equity:				
Common stock of Holdings, $0.001 par value, 700,000,000 shares authorized, 131,233,308 shares and 131,190,842 shares issued and outstanding at 2014 and 2015, respectively	131	131	-	-
Common stock of Select, $0.01 par value, 100 shares issued and outstanding	-	-	0	0
Capital in excess of par	413,706	419,477	885,407	898,968
Retained earnings (accumulated deficit)	325,678	405,689	(145,892)	(73,671)
Total Select Medical Holdings Corporation and Select Medical Corporation Stockholders' Equity	739,515	825,297	739,515	825,297
Non-controlling interest	35,725	48,179	35,725	48,179
Total Equity	775,240	873,476	775,240	873,476
Total Liabilities and Equity	$ 2,924,809	$ 4,314,405	$ 2,924,809	$ 4,314,405

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statements of Operations

(unaudited)

(in thousands, except per share amounts)

	Select Medical Holdings Corporation		Select Medical Corporation	
	For the Three Months Ended September 30,		For the Three Months Ended September 30,	
	2014	2015	2014	2015
Net operating revenues	$ 758,069	$ 1,021,123	$ 758,069	$ 1,021,123
Costs and expenses:				
Cost of services	644,392	900,949	644,392	900,949
General and administrative	19,719	22,201	19,719	22,201
Bad debt expense	10,357	18,287	10,357	18,287
Depreciation and amortization	17,584	31,472	17,584	31,472
Total costs and expenses	692,052	972,909	692,052	972,909
Income from operations	66,017	48,214	66,017	48,214
Other income and expense:				
Equity in earnings of unconsolidated subsidiaries	1,988	6,348	1,988	6,348
Gain on sale of equity investment	-	29,647	-	29,647
Interest expense	(21,753)	(33,052)	(21,753)	(33,052)
Income before income taxes	46,252	51,157	46,252	51,157
Income tax expense	17,956	18,347	17,956	18,347
Net income	28,296	32,810	28,296	32,810
Less: Net income attributable to non-controlling interests	1,766	3,404	1,766	3,404
Net income attributable to Select Medical Holdings Corporation and Select Medical Corporation	$ 26,530	$ 29,406	$ 26,530	$ 29,406
Basic	$ 0.20	$ 0.22		
Diluted	$ 0.20	$ 0.22		
Dividends paid per share	$ 0.10	$ -		
Weighted average shares outstanding:				
Basic	126,639	127,386		
Diluted	127,029	127,649		

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statements of Operations

(unaudited)

(in thousands, except per share amounts)

	Select Medical Holdings Corporation For the Nine Months Ended September 30, 2014	Select Medical Holdings Corporation For the Nine Months Ended September 30, 2015	Select Medical Corporation For the Nine Months Ended September 30, 2014	Select Medical Corporation For the Nine Months Ended September 30, 2015
Net operating revenues	$ 2,293,409	$ 2,703,531	$ 2,293,409	$ 2,703,531
Costs and expenses:				
Cost of services	1,926,037	2,309,213	1,926,037	2,309,213
General and administrative	57,219	67,917	57,219	67,917
Bad debt expense	32,490	43,243	32,490	43,243
Depreciation and amortization	51,009	70,668	51,009	70,668
Total costs and expenses	2,066,755	2,491,041	2,066,755	2,491,041
Income from operations	226,654	212,490	226,654	212,490
Other income and expense:				
Loss on early retirement of debt	(2,277)	-	(2,277)	-
Equity in earnings of unconsolidated subsidiaries	4,135	12,788	4,135	12,788
Gain on sale of equity investment	-	29,647	-	29,647
Interest expense	(64,032)	(79,728)	(64,032)	(79,728)
Income before income taxes	164,480	175,197	164,480	175,197
Income tax expense	63,823	65,048	63,823	65,048
Net income	100,657	110,149	100,657	110,149
Less: Net income attributable to non-controlling interests	5,742	8,740	5,742	8,740
Net income attributable to Select Medical Holdings Corporation and Select Medical Corporation	$ 94,915	$ 101,409	$ 94,915	$ 101,409
Basic	$ 0.71	$ 0.77		
Diluted	$ 0.71	$ 0.77		
Dividends paid per share	$ 0.30	$ 0.10		
Weighted average shares outstanding:				
Basic	129,706	127,541		
Diluted	130,177	127,844		

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity and Income
(unaudited)
(in thousands)

	Comprehensive Income	Total	Select Medical Holdings Corporation Stockholders: Common Stock Issued	Common Stock Par Value	Capital in Excess of Par	Retained Earnings	Non-controlling Interests
Balance at December 31, 2014		$ 775,240	131,233	$ 131	$ 413,706	$ 325,678	$ 35,725
Net income	$ 109,259	109,259				101,409	7,850
Net income - attributable to redeemable non-controlling interests	890						
Total comprehensive income	$ 110,149						
Dividends paid to common stockholders		(13,129)				(13,129)	
Issuance and vesting of restricted stock		9,849	1,158	0	9,849		
Tax benefit from stock based awards		383			383		
Repurchase of common shares		(15,076)	(1,378)	(0)	(7,790)	(7,286)	
Stock option expense		41			41		
Exercise of stock options		1,604	178	0	1,604		
Non-controlling interests acquired in business combination		3,470					3,470
Distributions to non-controlling interests		(5,881)					(5,881)
Purchase of non-controlling interests		(5)			(5)		
Exchange of ownership interests with non-controlling interests		8,664			1,689		6,975
Other		(943)		(0)		(983)	40
Balance at September 30, 2015		$ 873,476	131,191	$ 131	$ 419,477	$ 405,689	$ 48,179

	Comprehensive Income	Total	Select Medical Corporation Stockholders: Common Stock Issued	Common Stock Par Value	Capital in Excess of Par	Accumulated Deficit	Non-controlling Interests
Balance at December 31, 2014		$ 775,240	0	$ 0	$ 885,407	$ (145,892)	$ 35,725
Net income	$ 109,259	109,259				101,409	7,850
Net income - attributable to redeemable non-controlling interests	890						
Total comprehensive income	$ 110,149						
Additional investment by Holdings		1,604			1,604		
Dividends declared and paid to Holdings		(28,205)				(28,205)	
Contribution related to restricted stock awards and stock option issuances by Holdings		9,890			9,890		
Tax benefit from stock based awards		383			383		
Non-controlling interests acquired in business combination		3,470					3,470
Distributions to non-controlling interests		(5,881)					(5,881)
Purchase of non-controlling interests		(5)			(5)		
Exchange of ownership interests with non-controlling interests		8,664			1,689		6,975
Other		(943)				(983)	40
Balance at September 30, 2015		$ 873,476	0	$ 0	$ 898,968	$ (73,671)	$ 48,179

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Select Medical Holdings Corporation		Select Medical Corporation	
	For the Nine Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2015	2014	2015
Operating activities				
Net income	$ 100,657	$ 110,149	$ 100,657	$ 110,149
Adjustments to reconcile net income to net cash provided by operating activities:				
Distributions from unconsolidated subsidiaries	11,939	11,814	11,939	11,814
Depreciation and amortization	51,009	70,668	51,009	70,668
Provision for bad debts	32,490	43,243	32,490	43,243
Equity in earnings of unconsolidated subsidiaries	(4,135)	(12,788)	(4,135)	(12,788)
Loss on early retirement of debt	2,277	-	2,277	-
Gain on sale of assets and businesses	(1,236)	(1,264)	(1,236)	(1,264)
Gain on sale of equity investment	-	(29,647)	-	(29,647)
Stock compensation expense	7,391	9,244	7,391	9,244
Amortization of debt discount, premium and issuance costs	5,651	6,746	5,651	6,746
Deferred income taxes	2,844	(6,925)	2,844	(6,925)
Changes in operating assets and liabilities, net of effects from acquisition of businesses:				
Accounts receivable	(52,924)	(48,778)	(52,924)	(48,778)
Other current assets	491	(4,580)	491	(4,580)
Other assets	(2,267)	4,540	(2,267)	4,540
Accounts payable	2,276	3,047	2,276	3,047
Accrued expenses	(17)	32,716	(17)	32,716
Income taxes	(4,203)	15,246	(4,203)	15,246
Net cash provided by operating activities	152,243	203,431	152,243	203,431
Investing activities				
Purchases of property and equipment	(73,350)	(113,992)	(73,350)	(113,992)
Proceeds from sale of assets	-	1,542	-	1,542
Investment in businesses	(3,135)	(1,703)	(3,135)	(1,703)
Proceeds from sale of equity investment	-	33,096	-	33,096
Acquisition of businesses, net of cash acquired	(1,211)	(1,049,872)	(1,211)	(1,049,872)
Net cash used in investing activities	(77,696)	(1,130,929)	(77,696)	(1,130,929)
Financing activities				
Borrowings on revolving facilities	675,000	840,000	675,000	840,000
Payments on revolving facilities	(655,000)	(675,000)	(655,000)	(675,000)
Payments on Select term loans	(33,994)	(26,884)	(33,994)	(26,884)
Issuance of 6.375% senior notes, includes premium	111,650	-	111,650	-
Proceeds from Concentra term loans, net of discounts	-	646,875	-	646,875
Borrowings of other debt	7,036	11,041	7,036	11,041
Principal payments on other debt	(11,696)	(13,167)	(11,696)	(13,167)
Debt issuance costs	(4,434)	(23,300)	(4,434)	(23,300)
Dividends paid to common stockholders	(40,257)	(13,129)	-	-
Dividends paid to Holdings	-	-	(169,314)	(26,751)
Repurchase of common stock	(129,057)	(13,622)	-	-
Proceeds from issuance of common stock	5,545	1,604	-	-
Equity investment by Holdings	-	-	5,545	1,604
Proceeds from issuance of non-controlling interest	185	217,065	185	217,065
Proceeds from bank overdrafts	10,304	2,353	10,304	2,353
Tax benefit from stock based awards	-	383	-	383
Distributions to non-controlling interests	(3,119)	(7,440)	(3,119)	(7,440)
Net cash provided by (used in) financing activities	(67,837)	946,779	(67,837)	946,779
Net increase in cash and cash equivalents	6,710	19,281	6,710	19,281
Cash and cash equivalents at beginning of period	4,319	3,354	4,319	3,354
Cash and cash equivalents at end of period	$ 11,029	$ 22,635	$ 11,029	$ 22,635
Supplemental Cash Flow Information				
Cash paid for interest	$ 47,782	$ 59,937	$ 47,782	$ 59,937
Cash paid for taxes	$ 65,184	$ 55,905	$ 65,184	$ 55,905

The accompanying notes are an integral part of these consolidated financial statements .

SELECT MEDICAL HOLDINGS CORPORATION AND SELECT MEDICAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The unaudited condensed consolidated financial statements of Select Medical Holdings Corporation ("Holdings") and Select Medical Corporation ("Select") as of September 30, 2015, and for the three and nine month periods ended September 30, 2014 and 2015, have been prepared in accordance with generally accepted accounting principles ("GAAP"). In the opinion of management, such information contains all adjustments, which are normal and recurring in nature, necessary for a fair statement of the financial position, results of operations, and cash flow for such periods. All significant intercompany transactions and balances have been eliminated. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2015. Holdings and Select, and their subsidiaries, are collectively referred to as the "Company." The condensed consolidated financial statements of Holdings include the accounts of its wholly-owned subsidiary Select. Holdings conducts substantially all of its business through Select and its subsidiaries.

Certain information and disclosures normally included in the notes to consolidated financial statements have been condensed or omitted consistent with the rules and regulations of the Securities and Exchange Commission (the "SEC"), although the Company believes the disclosure is adequate to make the information presented not misleading. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2014, contained in the Company's Annual Report on Form 10-K filed with the SEC on February 25, 2015.

2. Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Redeemable Non-Controlling Interests

The interests held by other parties in subsidiaries, limited liability companies, and limited partnerships owned and controlled by the Company are generally reported as a component of stockholders' equity. Some of those non-controlling interests consist of outside owners that have certain "put rights," that are currently exercisable, and that, if exercised, require the Company to purchase the member's non-controlling interest. These redeemable non-controlling interests that are currently redeemable, or considered probable of becoming redeemable, have been adjusted to their approximate redemption values, and are reported outside of the stockholders' equity section. As of September 30, 2015 and December 31, 2014, the Company believes the redemption values of the non-controlling ownership interests approximates the fair value of those interests classified as redeemable non-controlling interests.

The changes in the redeemable non-controlling interests amounts for the nine months ended September 30, 2015 are as follows (in thousands):

Balance at December 31, 2014 – redeemable non-controlling interests	$ 10,985
Issuance of redeemable non-controlling interests	217,836
Redeemable non-controlling interests acquired in business combination	28,865
Changes in the redemption amounts of redeemable non-controlling interests	981
Net income attributable to redeemable non-controlling interests	890
Distributions to redeemable non-controlling interests	(1,559)
Repurchase of redeemable non-controlling interests	(876)
Balance at September 30, 2015 – redeemable non-controlling interests	$ 257,122

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. The original standard was effective for fiscal years beginning after December 15, 2016; however, in July 2015, the FASB approved a one-year deferral of this standard, with a new effective date for fiscal years beginning after December 15, 2017. The Company is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In April and August 2015, the FASB issued ASU No. 2015-03 and ASU No. 2015-15, *Interest-Imputation of Interest*, respectively, to simplify the presentation of debt issuance costs. The standard requires debt issuance costs be presented in the balance sheet as a direct deduction from the carrying value of the debt liability. The FASB clarified that debt issuance costs related to line-of-credit arrangements can be presented as an asset and amortized over the term of the arrangement. The guidance is effective for annual fiscal periods beginning after December 15, 2015. Early adoption is permitted, however the Company will defer. The Company is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which changes the reporting requirement for retrospective adjustments to provisional amounts in the measurement period. The amendments in this update require an entity to present separately on the face of the income statement or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The revised guidance is effective for annual fiscal periods beginning after December 15, 2015. Early adoption is permitted and the Company intends to prospectively adopt ASU No. 2015-16, as applicable.

3. Concentra Acquisition

On June 1, 2015, MJ Acquisition Corporation, a joint venture that Select created with Welsh, Carson, Anderson & Stowe XII, L.P. (“WCAS”), consummated the acquisition of Concentra Inc. (“Concentra”), the indirect operating subsidiary of Concentra Group Holdings, LLC (“Group Holdings”), and its subsidiaries. Pursuant to the terms of the stock purchase agreement (the “Purchase Agreement”), dated as of March 22, 2015, by and among MJ Acquisition Corporation, Concentra and Humana Inc. (“Humana”), MJ Acquisition Corporation acquired 100% of the issued and outstanding equity securities of Concentra from Humana for $1,047.2 million, net of $3.8 million of cash acquired.

Select entered into a Subscription Agreement (the “Subscription Agreement”), by and among Select, WCAS, Group Holdings and the other members of Group Holdings. Pursuant to the Subscription Agreement, Select purchased Class A equity interests of Group Holdings for an aggregate purchase price of $217.9 million, representing a majority (50.1%) of the voting equity interests in Group Holdings. WCAS and the other members purchased Class A interests of Group Holdings for an aggregate purchase price of $217.1 million, representing a 49.9% share of the voting equity interests of Group Holdings.

MJ Acquisition Corporation entered into the Concentra credit facilities (Refer to Footnote 7 - Indebtedness) to fund a portion of the purchase price for all of the issued and outstanding stock of Concentra. Concentra, as the surviving entity of the merger between MJ Acquisition Corporation and Concentra, became the borrower under the Concentra credit facilities.

Group Holdings contributed cash of $435.0 million, to MJ Acquisition Corporation. MJ Acquisition Corporation used the cash, together with $650.0 million in borrowings under the Concentra credit facilities, to pay the purchase price. Select owns 50.1% of the voting interests of Group Holdings, the indirect parent of Concentra. Concentra’s financial results are consolidated with Select’s as of June 1, 2015. Group Holdings issued a non-controlling interest valued at $217.1 million.

Concentra, formed in 1979, is one of the largest providers of occupational health, consumer health, physical therapy and veteran’s healthcare services in the United States based on the number of facilities. As of September 30, 2015, Concentra operated 300 freestanding medical centers in 38 states, 141 medical facilities located at the workplaces of Concentra’s employer customers and 34 Department of Veterans Affairs community-based outpatient clinics.

The Concentra acquisition is being accounted for under the provisions of Accounting Standards Codification (“ASC”) 805, *Business Combinations.* The Company will allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The Company is in the process of completing its assessment of fair values for identifiable tangible and intangible assets, and liabilities assumed; therefore, the values set forth below are subject to adjustment during the measurement period for such activities as estimating useful lives of long-lived assets and finite lived intangibles and completing assessment of fair values by obtaining appraisals. The amount of these potential adjustments could be significant. The Company expects to complete its purchase price allocation activities by December 31, 2015.

The following table summarizes the preliminary allocation of the purchase price to the fair value of identifiable assets acquired and liabilities assumed, in accordance with the acquisition method of accounting (in thousands):

Cash and cash equivalents	$ 3,772
Identifiable tangible assets, excluding cash and cash equivalents	390,751
Identifiable intangible assets	190,000
Goodwill	715,304
Total assets	1,299,827
Total current liabilities	91,598
Total non-current liabilities	124,934
Non-controlling interests	32,336
Total liabilities	248,868
Net assets acquired	1,050,959
Less: Cash and cash equivalents acquired	3,772
Net cash paid	$ 1,047,187

Goodwill of $715.3 million has been preliminarily recognized in the transaction, representing the excess of the purchase price over the value of the tangible and intangible assets acquired and liabilities assumed. The factors considered in determining the goodwill that resulted from the Concentra purchase price included Concentra's future earnings potential and the value of Concentra's assembled workforce. The goodwill has been allocated to the Concentra segment and is not deductible for tax purposes. However, prior to its acquisition by MJ Acquisition Corporation, Concentra completed certain acquisitions that resulted in goodwill with an estimated value of $21.1 million that is deductible for tax purposes, which the Company will deduct through 2025.

For the three months ended September 30, 2015, Concentra contributed net revenue of $259.0 million and net income of approximately $0.3 million which is reflected in the Company's consolidated statement of operations.

For the period of June 1, 2015 through September 30, 2015, Concentra contributed net revenue of $345.8 million and a net loss of approximately $0.1 million which is reflected in the Company's consolidated statement of operations. We incurred $4.7 million of acquisition costs in the nine months ended September 30, 2015. Acquisition costs consist of legal, advisory, and due diligence fees and expenses.

The following pro forma unaudited results of operations have been prepared assuming the acquisition of Concentra occurred January 1, 2014. These results are not necessarily indicative of results of future operations nor of the results that would have actually occurred had the acquisition been consummated January 1, 2014.

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2014	**2015**	**2014**	**2015**
	(in thousands, except per share amounts)			
Net revenue	$ 1,017,953	$ 1,021,123	$ 3,051,398	$ 3,115,773
Net income	25,011	29,406	88,843	100,628
Income per common share:				
Basic	$ 0.19	$ 0.22	$ 0.67	$ 0.77
Diluted	$ 0.19	$ 0.22	$ 0.66	$ 0.76

The pro forma financial information is based on the preliminary allocation of the purchase price and therefore subject to adjustment upon finalizing the purchase price allocation during the measurement period. The net income tax impact was calculated at a statutory rate, as if Concentra had been a subsidiary of the company as of January 1, 2014.

Pro forma results for the three months ended September 30, 2014 were adjusted to include approximately $12.1 million of interest expense, an income tax benefit of approximately $2.5 million, approximately $0.5 million of rent expense, and approximately $0.2 million in net loss attributable to non-controlling interests. Results for the same period were also adjusted to exclude amortization expense of approximately $1.0 million.

Pro forma results for the nine months ended September 30, 2015 were adjusted to include approximately $19.8 million of interest expense, an income tax benefit of approximately $3.5 million, approximately $1.3 million in net income attributable to non-controlling interests, and approximately $0.9 million of rent expense. Results for the same period were also adjusted to exclude seller costs of $6.0 million, Concentra acquisition costs of $4.7 million, and amortization expense of approximately $1.8 million.

Pro forma results for the nine months ended September 30, 2014 were adjusted to include approximately $36.1 million of interest expense, an income tax benefit of approximately $7.5 million, $4.7 million of Concentra acquisition costs, approximately $2.2 million of net loss attributable to non-controlling interests, and approximately $1.4 million of rent expense. Results for the same period were also adjusted to exclude amortization expense of approximately $3.1 million.

4. Property and Equipment

Property and equipment consists of the following:

	December 31, 2014	September 30, 2015
	(in thousands)	
Land	$ 71,635	$ 74,661
Leasehold improvements	155,648	287,788
Buildings and improvements	396,228	407,726
Furniture and equipment	272,919	355,548
Construction-in-progress	41,230	106,802
Total property and equipment	937,660	1,232,525
Accumulated depreciation and amortization	(395,350)	(432,095)
Property and equipment, net	$ 542,310	$ 800,430

Depreciation expense was $28.5 million and $17.4 million for the three months ended September 30, 2015 and 2014, respectively. Depreciation expense was $66.3 million and $50.6 million for the nine months ended September 30, 2015 and 2014, respectively.

5. Intangible Assets

The net carrying value of the Company's goodwill and identifiable intangible assets consist of the following:

	December 31, 2014	September 30, 2015
	(in thousands)	
Goodwill	$ 1,642,083	$ 2,367,228
Identifiable intangibles:		
Trademarks	$ 57,709	$ 140,709
Certificates of need	12,727	12,983
Accreditations	2,083	2,083
Customer relationships	-	102,865
Total identifiable intangibles	$ 72,519	$ 258,640

Amortization expense was $3.0 million and $0.2 for the three months ended September 30, 2015 and 2014, respectively. Amortization expense was $4.4 million and $0.4 million for the nine months ended September 30, 2015 and 2014, respectively.

The Company's accreditations and trademarks have renewal terms. The costs to renew these intangibles are expensed as incurred. At September 30, 2015, the accreditations and trademarks have a weighted average time until next renewal of approximately 1.5 years and 4.1 years, respectively.

The changes in the carrying amount of goodwill for the Company's reportable segments for the nine months ended September 30, 2015 are as follows:

	Specialty Hospitals	Outpatient Rehabilitation	Concentra	Total
	(in thousands)			
Balance as of December 31, 2014	$ 1,335,460	$ 306,623	$ -	$ 1,642,083
Goodwill acquired	9,922	-	702,023	711,945
Measurement period adjustment	(53)	-	13,281	13,228
Disposal of business	-	(28)	-	(28)
Balance as of September 30, 2015	$ 1,345,329	$ 306,595	$ 715,304	$ 2,367,228

Refer to Footnote 3 – Concentra Acquisition for details of the goodwill acquired during the period.

6. Investments in Unconsolidated Subsidiaries

During the three months ended September 30, 2015, the Company sold an equity investment in an unconsolidated subsidiary of a start-up healthcare company for $33.1 million, which resulted in a gain on the sale of an equity investment of $29.6 million. The gain on sale of the equity investment was classified as non-operating income in the condensed consolidated statements of operations for the three months and nine months ended September 30, 2015. The proceeds of $33.1 million were classified as cash provided from an investing activity in the condensed consolidated statements of cash flows for the nine months ended September 30, 2015.

For the nine months ended September 30, 2015 and 2014, the Company received cash distributions of $11.8 million and $11.9 million, respectively. The cash distributions were determined to be a return on capital from certain of its unconsolidated equity investments and were classified as cash provided by operating activities in its condensed consolidated statements of cash flows. The prior-year amount was reclassified in order to conform to the current year presentation.

7. Indebtedness

For purposes of this indebtedness footnote, references to Select exclude Concentra, because the Concentra credit facilities are non-recourse to Holdings and Select.

The components of long-term debt and notes payable are as follows:

	December 31, 2014	September 30, 2015
	(in thousands)	
Select 6.375% senior notes[1]	$ 711,465	$ 711,293
Select credit facilities:		
Select revolving facility	60,000	225,000
Select term loans[2]	775,996	750,156
Other - Select	5,515	14,375
Total Select debt	1,552,976	1,700,824
Less: Select current maturities	10,874	11,617
Select long-term debt maturities	$ 1,542,102	$1,689,207
Concentra credit facilities:		
Concentra revolving facility		$ -
Concentra term loans[3]		645,886
Other - Concentra		4,034
Total Concentra debt		649,920
Less: Concentra current maturities		6,049
Concentra long-term debt maturities		$ 643,871
Total current maturities	$ 10,874	$ 17,666
Total long-term debt maturities	1,542,102	2,333,078
Total debt	$ 1,552,976	$ 2,350,744

(1) Includes unamortized premium of $1.5 million and $1.3 million at December 31, 2014 and September 30, 2015, respectively.
(2) Includes unamortized discounts of $4.2 million and $3.1 million at December 31, 2014 and September 30, 2015, respectively.
(3) Includes unamortized discounts of $3.0 million at September 30, 2015.

Excess Cash Flow Payment

On March 4, 2015, Select made a principal prepayment of $26.9 million associated with the Select series D term loan and Select series E term loan (collectively, the “Select term loans”) in accordance with the provision in the Select credit facilities (as defined below) that requires mandatory prepayments of term loans as a result of annual excess cash flow as defined in the Select credit facilities.

Select revolving facility

On May 20, 2015 Select entered into an additional credit extension amendment of its revolving credit facility (the "Select revolving facility" and together with the Select term loans, the "Select credit facilities") to obtain $100.0 million of incremental revolving commitments. The revolving commitments mature on March 1, 2018.

Concentra credit facilities

Concentra first lien credit agreement

On June 1, 2015, MJ Acquisition Corporation, as the initial borrower, entered into a first lien credit agreement (the "Concentra first lien credit agreement"). Concentra, as the surviving entity of the merger between MJ Acquisition Corporation and Concentra, became the borrower. The Concentra first lien credit agreement provides for $500.0 million in first lien loans comprised of a $450.0 million, seven-year term loan ("Concentra first lien term loan") and a $50.0 million, five-year revolving credit facility ("Concentra revolving facility"). The borrowings under the Concentra first lien credit agreement are guaranteed, on a first lien basis, by Concentra Holdings, Inc., the direct parent of Concentra. Select and Holdings are not parties to the Concentra first lien credit agreement and are not obligors with respect to Concentra's debt under such agreement.

Borrowings under the Concentra first lien credit agreement will bear interest at a rate equal to:

- in the case of the Concentra first lien term loan, Adjusted LIBO (as defined in the Concentra first lien credit agreement) plus 3.00% (subject to an Adjusted LIBO floor of 1.00%), or Alternate Base Rate (as defined in the Concentra first lien credit agreement) plus 2.00% (subject to an Alternate Base Rate floor of 2.00%); and

- in the case of the Concentra revolving facility, Adjusted LIBO plus a percentage ranging from 2.75% to 3.00%, or Alternate Base Rate plus a percentage ranging from 1.75% to 2.00%, in each case based on Concentra's leverage ratio.

The Concentra first lien term loan will amortize in equal quarterly installments, in aggregate annual amounts equal to 0.25% of the original principal amount of the first lien term loan commencing on September 30, 2015. The balance of the Concentra first lien term loan will be payable on June 1, 2022. The Concentra revolving facility matures on June 1, 2020.

Concentra second lien credit agreement

On June 1, 2015, MJ Acquisition Corporation, as the initial borrower, entered into a second lien credit agreement (the "Concentra second lien credit agreement" and, together with the Concentra first lien credit agreement, the "Concentra credit facilities"). Concentra, as the surviving entity of the merger between MJ Acquisition Corporation and Concentra, became the borrower. The Concentra second lien credit agreement provides for a $200.0 million eight-year second lien term loan ("Concentra second lien term loan" and, together with the Concentra first lien term loans, the "Concentra term loans"). The borrowings under the Concentra second lien credit agreement are guaranteed, on a second lien basis, by Concentra Holdings, Inc., the direct parent of Concentra. Select and Holdings are not parties to the Concentra second lien credit agreement and are not obligors with respect to Concentra's debt under such agreement.

Borrowings under the Concentra second lien term loan will bear interest at a rate equal to Adjusted LIBO Rate (as defined in the Concentra second lien credit agreement) plus 8.00% (subject to an Adjusted LIBO floor of 1.00%), or Alternate Base Rate (as defined in the Concentra second lien credit agreement) plus 7.00% (subject to an Alternate Base Rate floor of 2.00%).

In the event that, on or prior to June 1, 2016, Concentra prepays any of the Concentra second lien term loan to refinance such term loan, Concentra shall pay a premium of 2.00% of the aggregate principal amount of the Concentra second lien term loan prepaid and if Concentra prepays any of the Concentra second lien term loan to refinance such term loan on or prior to June 1, 2017, Concentra shall pay a premium of 1.00% of the aggregate principal amount of the Concentra second lien term loan prepaid. The Concentra second lien term loan will be payable on June 1, 2023.

Maturities of Long-Term Debt and Notes Payable

Maturities of the Company's long-term debt for the period from October 1, 2015 through December 31, 2015 and the years after 2015 are approximately as follows and are presented including the discounts on Select term loans and premium on Select's senior notes, and including the discounts on Concentra credit facilities:

	Select	Concentra	Total
		(in thousands)	
October 1 – December 31, 2015	$ 2,577	$ 1,578	$ 4,155
2016	283,412	5,504	288,916
2017	6,402	4,139	10,541
2018	695,645	4,151	699,796
2019	2,465	4,165	6,630
2020 and beyond	710,323	630,383	1,340,706
Total	$ 1,700,824	$ 649,920	$ 2,350,744

Loss on Early Retirement of Debt

On March 4, 2014, Select amended the Select term loans under the Select credit facilities. During the nine months ended September 30, 2014, the Company recognized a loss of $2.3 million for unamortized debt issuance costs, unamortized original issue discount and certain fees incurred related to the Select term loans modifications.

8. Fair Value

Financial instruments include cash and cash equivalents, notes payable, and long-term debt. The carrying amount of cash and cash equivalents approximates fair value because of the short-term maturity of these instruments.

The carrying value of the Select credit facilities was $836.0 million and $975.2 million at December 31, 2014 and September 30, 2015, respectively. The fair value of the Select credit facilities was $816.6 million and $960.6 million at December 31, 2014 and September 30, 2015, respectively. The fair value of the Select credit facilities was based on quoted market prices for this debt in the syndicated loan market.

The carrying value of Select's 6.375% senior notes was $711.5 million and $711.3 million at December 31, 2014 and September 30, 2015, respectively. The fair value of Select's 6.375% senior notes was $722.4 million and $695.8 million at December 31, 2014 and September 30, 2015, respectively. The fair value of this debt was based on quoted market prices.

The carrying value of the Concentra term loans was $645.9 million at September 30, 2015. The fair value of the Concentra term loans, was $649.3 million at September 30, 2015. The fair value of Concentra term loans was based on quoted market prices for this debt in the syndicated loan market.

The Company considers the inputs in the valuation process to be Level 2 in the fair value hierarchy. Level 2 in the fair value hierarchy is defined as inputs that are observable for the asset or liability, either directly or indirectly, which includes quoted prices for identical assets or liabilities in markets that are not active.

9. Segment Information

The Company's reportable segments consist of: (i) specialty hospitals, (ii) outpatient rehabilitation, and (iii) Concentra. Other activities include the Company's corporate services and certain other non-consolidating joint ventures and minority investments in other healthcare related businesses. The outpatient rehabilitation reportable segment has two operating segments: outpatient rehabilitation clinics and contract therapy. These operating segments are aggregated for reporting purposes as they have common economic characteristics and provide a similar service to a similar patient base. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance of the segments based on Adjusted EBITDA. Adjusted EBITDA is defined as net income before interest, income taxes, depreciation and amortization, gain (loss) on early retirement of debt, stock compensation expense, Concentra acquisition costs, equity in earnings (losses) of unconsolidated subsidiaries, and gain on sale of equity investment.

The following tables summarize selected financial data for the Company's reportable segments. The segment results of Holdings are identical to those of Select.

	Three Months Ended September 30, 2014				
	Specialty Hospitals	**Outpatient Rehabilitation**	**Concentra[1]**	**Other**	**Total**
	(in thousands)				
Net operating revenues	$ 556,335	$ 201,720		$ 14	$ 758,069
Adjusted EBITDA	80,950	23,012		(17,162)	86,800
Total assets	2,223,808	531,285		106,984	2,862,077
Capital expenditures	18,167	3,430		1,260	22,857

	Three Months Ended September 30, 2015				
	Specialty Hospitals	**Outpatient Rehabilitation**	**Concentra**	**Other**	**Total**
	(in thousands)				
Net operating revenues	$ 562,328	$ 199,593	$ 258,969	$ 233	$ 1,021,123
Adjusted EBITDA	53,656	23,807	25,584	(18,536)	84,511
Total assets	2,333,049	541,435	1,332,975	106,946	4,314,405
Capital expenditures	27,494	4,023	9,640	3,923	45,080

	Nine Months Ended September 30, 2014				
	Specialty Hospitals	Outpatient Rehabilitation	Concentra[1]	Other	Total
	(in thousands)				
Net operating revenues	$ 1,678,793	$ 614,368		$ 248	$ 2,293,409
Adjusted EBITDA	261,788	74,433		(51,239)	284,982
Total assets	2,223,808	531,285		106,984	2,862,077
Capital expenditures	59,465	9,606		4,279	73,350

	Nine Months Ended September 30, 2015				
	Specialty Hospitals	Outpatient Rehabilitation	Concentra[1]	Other	Total
	(in thousands)				
Net operating revenues	$ 1,753,445	$ 603,831	$ 345,798	$ 457	$ 2,703,531
Adjusted EBITDA	241,575	74,662	36,783	(54,672)	298,348
Total assets	2,333,049	541,435	1,332,975	106,946	4,314,405
Capital expenditures	81,329	11,048	13,494	8,121	113,992

A reconciliation of Adjusted EBITDA to income before income taxes is as follows:

	Three Months Ended September 30, 2014				
	Specialty Hospitals	Outpatient Rehabilitation	Concentra[1]	Other	Total
	(in thousands)				
Adjusted EBITDA	$ 80,950	$ 23,012		$ (17,162)	
Depreciation and amortization	(13,445)	(3,210)		(929)	
Stock compensation expense	-	-		(3,199)	
Income (loss) from operations	$ 67,505	$ 19,802		$ (21,290)	$ 66,017
Equity in earnings of unconsolidated subsidiaries					1,988
Interest expense					(21,753)
Income before income taxes					$ 46,252

	Three Months Ended September 30, 2015				
	Specialty Hospitals	Outpatient Rehabilitation	Concentra	Other	Total
	(in thousands)				
Adjusted EBITDA	$ 53,656	$ 23,807	$ 25,584	$ (18,536)	
Depreciation and amortization	(13,782)	(3,247)	(13,316)	(1,127)	
Stock compensation expense	-	-	(811)	(4,014)	
Income (loss) from operations	$ 39,874	$ 20,560	$ 11,457	$ (23,677)	$ 48,214
Gain on sale of equity investment					29,647
Equity in earnings of unconsolidated subsidiaries					6,348
Interest expense					(33,052)
Income before income taxes					$ 51,157

	Nine Months Ended September 30, 2014				
	Specialty Hospitals	**Outpatient Rehabilitation**	**Concentra[1]**	**Other**	**Total**
			(in thousands)		
Adjusted EBITDA	$ 261,788	$ 74,433		$ (51,239)	
Depreciation and amortization	(38,607)	(9,647)		(2,755)	
Stock compensation expense	-	-		(7,319)	
Income (loss) from operations	$ 223,181	$ 64,786		$ (61,313)	$ 226,654
Loss on early retirement of debt					(2,277)
Equity in earnings of unconsolidated subsidiaries					4,135
Interest expense					(64,032)
Income before income taxes					$ 164,480

	Nine Months Ended September 30, 2015				
	Specialty Hospitals	**Outpatient Rehabilitation**	**Concentra[1]**	**Other**	**Total**
			(in thousands)		
Adjusted EBITDA	$ 241,575	$74,662	$ 36,783	$(54,672)	
Depreciation and amortization	(40,409)	(9,564)	(17,510)	(3,185)	
Stock compensation expense	-	-	(811)	(9,664)	
Concentra acquisition costs	-	-	(4,715)	-	
Income (loss) from operations	$ 201,166	$65,098	$ 13,747	$(67,521)	$ 212,490
Gain on sale of equity investment					29,647
Equity in earnings of unconsolidated subsidiaries					12,788
Interest expense					(79,728)
Income before income taxes					$ 175,197

(1) The selected financial data for the Company’s Concentra segment for the periods presented begins as of June 1, 2015, which is the date the Concentra acquisition was consummated.

10. Income per Common Share

Holdings applies the two-class method for calculating income per common share. The two-class method is an earnings allocation formula that determines earnings per share for each class of stock participation rights in undistributed earnings. The following table sets forth for the periods indicated the calculation of income per common share in Holdings' consolidated statement of operations and the differences between basic weighted average shares outstanding and diluted weighted average shares outstanding used to compute basic and diluted income per common share, respectively:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2015	2014	2015
	(in thousands, except per share amounts)			
Numerator:				
Net income attributable to Select Medical Holdings Corporation	$ 26,530	$ 29,406	$ 94,915	$ 101,409
Less: Earnings allocated to unvested restricted stockholders	808	923	2,519	2,925
Net income available to common stockholders	$ 25,722	$ 28,483	$ 92,396	$ 98,484
Denominator:				
Weighted average shares – basic	126,639	127,386	129,706	127,541
Effect of dilutive securities:				
Stock options	390	263	471	303
Weighted average shares – diluted	127,029	127,649	130,177	127,844
Basic income per common share	$0.20	$0.22	$0.71	$0.77
Diluted income per common share	$0.20	$0.22	$0.71	$0.77

11. Commitment and Contingencies

Leases

The Company leases facilities and equipment from unrelated parties under operating leases. Minimum future lease obligations on long-term non-cancelable operating leases in effect at September 30, 2015 are approximately as follows:

	Select	Concentra	Total
		(in thousands)	
October 1 – December 31, 2015	$ 37,292	$ 15,576	$ 52,868
2016	139,770	55,994	195,764
2017	117,681	49,564	167,245
2018	95,355	40,763	136,118
2019	75,061	33,144	108,205
Thereafter	404,238	83,050	487,288
	$ 869,397	$ 278,091	$ 1,147,488

Total rent expense for operating leases, including cancelable leases, for the three months ended September 30, 2015 and 2014 was $59.1 million, including $14.4 million for Concentra, and $42.5 million, respectively. Total rent expense for operating leases, including cancelable leases, for the nine months ended September 30, 2015 and 2014 was $152.4 million, including $19.0 million for Concentra, and $126.3 million, respectively.

Property rent expense to unrelated parties for the three months ended September 30, 2015 and 2014 was $45.9 million, including $13.5 million for Concentra, and $31.4 million, respectively. Property rent expense to unrelated parties for the nine months ended September 30, 2015 and 2014 was $114.7 million, including $18.0 million for Concentra, and $93.0 million, respectively.

Construction Commitments

At September 30, 2015, the Company had outstanding commitments under construction contracts related to new construction, improvements and renovations at the Company's long term acute care properties, inpatient rehabilitation facilities, and Concentra facilities totaling approximately $37.8 million.

Litigation

The Company is a party to various legal actions, proceedings and claims (some of which are not insured), and regulatory and other governmental audits and investigations in the ordinary course of its business. The Company cannot predict the ultimate outcome of pending litigation, proceedings and regulatory and other governmental audits and investigations. These matters could potentially subject the Company to sanctions, damages, recoupments, fines and other penalties. The Department of Justice, Centers for Medicare & Medicaid Services or other federal and state enforcement and regulatory agencies may conduct additional investigations related to the Company's businesses in the future that may, either individually or in the aggregate, have a material adverse effect on the Company's business, financial position, results of operations and liquidity.

To address claims arising out of our operations, we maintain professional malpractice liability insurance and general liability insurance, subject to self-insured retention of $2.0 million per medical incident for professional liability claims and $2.0 million per occurrence for general liability claims. The Company also maintains umbrella liability insurance covering claims which, due to their nature or amount, are not covered by or not fully covered by the Company's other insurance policies. These insurance policies also do not generally cover punitive damages and are subject to various deductibles and policy limits. Significant legal actions, as well as the cost and possible lack of available insurance, could subject the Company to substantial uninsured liabilities. In the Company's opinion, the outcome of these actions, individually or in the aggregate, will not have a material adverse effect on its financial position, results of operations, or cash flows.

Healthcare providers are subject to lawsuits under the qui tam provisions of the federal False Claims Act. Qui tam lawsuits typically remain under seal (hence, usually unknown to the defendant) for some time while the government decides whether or not to intervene on behalf of a private qui tam plaintiff (known as a relator) and take the lead in the litigation. These lawsuits can involve significant monetary damages and penalties and award bounties to private plaintiffs who successfully bring the suits. The Company is and has been a defendant in these cases in the past, and may be named as a defendant in similar cases from time to time in the future.

On October 19, 2015, the plaintiff-relators filed a Second Amended Complaint in United States of America, *ex rel.* Tracy Conroy, Pamela Schenk and Lisa Wilson v. Select Medical Corporation, Select Specialty Hospital – Evansville, LLC ("SSH-Evansville"), Select Employment Services, Inc., and Dr. Richard Sloan. The case is a civil action filed in the United States District Court for the Southern District of Indiana by private plaintiff-relators on behalf of the United States under the federal False Claims Act. The plaintiff-relators are the former CEO and two former case managers at SSH-Evansville, and the defendants currently include the Company, SSH-Evansville, a subsidiary of the Company serving as common paymaster for its employees, and a physician who practices at SSH-Evansville. The plaintiff-relators allege that that SSH-Evansville discharged patients too early or held patients too long, improperly discharged patients to and readmitted them from short stay hospitals, up-coded diagnoses at admission, and admitted patients for whom long-term acute care was not medically necessary. They also allege that the defendants engaged in retaliation in violation of federal and state law. The Second Amended Complaint replaces a prior complaint that was filed under seal on September 28, 2012 and served on the Company on February 15, 2013, after a federal magistrate judge unsealed it on January 8, 2013. All deadlines in the case had been stayed after the seal was lifted in order to allow the government time to complete its investigation and to decide whether or not to intervene. On June 19, 2015, the U.S. Department of Justice notified the court of its decision not to intervene in the case, and the court thereafter approved a case management plan imposing certain deadlines, including the filing of a Second Amended Complaint. The Company intends to vigorously defend this action, but at this time the Company is unable to predict the timing and outcome of this matter.

On July 13, 2015, the federal District Court for the Eastern District of Tennessee unsealed a qui tam Complaint in Armes v. Garman, et al, No. 3:14-cv-00172-TAV-CCS, which named as defendants Select, Select Specialty Hospital – Knoxville, Inc. ("SSH-Knoxville"), Select Specialty Hospital – North Knoxville, Inc. and ten current or former employees of these facilities. The Complaint was unsealed after the United States and the State of Tennessee notified the Court on July 13, 2015 that each had decided not to intervene in the case. The Complaint is a civil action that was filed under seal on April 29, 2014 by a respiratory therapist formerly employed at SSH-Knoxville. The Complaint alleges violations of the federal False Claims Act and the Tennessee Medicaid False Claims Act based on extending patient stays to increase reimbursement and to increase average length of stay; artificially prolonging the lives of patients to increase Medicare reimbursements and decrease inspections; admitting patients who do not require medically necessary care; performing unnecessary procedures and services; and delaying performance of procedures to increase billing. The Complaint was served on some of the defendants during October 2015. The Company intends to vigorously defend this action if the relators pursue it, but at this time the Company is unable to predict the timing and outcome of this matter.

On September 30, 2015, the federal District Court for the Middle District of Florida unsealed a qui tam Complaint in Benjamin A. Van Raalte, M.D., Michael J. Cascio, M.D. and John J. Murtaugh v. Healogics, Inc., et al., No. 6:14-cv-00283-GAP-KRS. In addition to naming Healogics, Inc., the Complaint names approximately 500 defendants, which are alleged to be hospitals that have contracted with Healogics, Inc. to run the hospitals' wound care centers. One of the named defendants is "Select Medical" and Attachment 1 to the Complaint identifies Kessler Center for Wound Care in Ramsey, New Jersey, which is owned by a subsidiary of the Company that has a contract with Healogics, Inc. The Complaint, which has not yet been served on the Company, is a civil action that was filed under seal on June 30, 2014, and was unsealed after 29 States and the United States notified the Court that each had decided not to intervene in the case. The Complaint alleges that Healogics, Inc., with the cooperation of the defendant hospitals, caused the wound care centers to perform unnecessary services, to upcode for services, to provide services that were not medically necessary, and to bill for services that were not provided, all in violation of the federal False Claims Act and various state false claims acts. The Company intends to vigorously defend this action if the relators pursue it, but at this time the Company is unable to predict the timing and outcome of this matter.

12. Financial Information for Subsidiary Guarantors and Non-Guarantor Subsidiaries under Select's 6.375% Senior Notes

Select's 6.375% senior notes are fully and unconditionally guaranteed, except for customary limitations, on a senior basis by all of Select's wholly-owned subsidiaries (the "Subsidiary Guarantors") which is defined as a subsidiary where Select or a subsidiary of Select holds all of the outstanding ownership interests. Certain of Select's subsidiaries did not guarantee the 6.375% senior notes (the "Non-Guarantor Subsidiaries," including Group Holdings and its subsidiaries, which were designated as Non-Guarantor subsidiaries by Select's board of directors at the closing of the Concentra acquisition, the "Non-Guarantor Concentra").

Select conducts a significant portion of its business through its subsidiaries. Presented below is condensed consolidating financial information for Select, the Subsidiary Guarantors, the Non-Guarantor Subsidiaries, and Non-Guarantor Concentra at December 31, 2014 and September 30, 2015, and for the three and nine months ended September 30, 2014 and 2015.

The equity method has been used by Select with respect to investments in subsidiaries. The equity method has been used by Subsidiary Guarantors with respect to investments in Non-Guarantor Subsidiaries. Separate financial statements for Subsidiary Guarantors are not presented.

During the year ended December 31, 2014, the Company purchased the remaining outstanding non-controlling interest in a specialty hospital business changing the entity from a non-guarantor subsidiary to a guarantor subsidiary. The three and nine months ended September 30, 2014 have been retrospectively revised based on the guarantor structure that has existed since December 31, 2014.

Select Medical Corporation
Condensed Consolidating Balance Sheet
September 30, 2015
(unaudited)

	Select (Parent Company Only)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Non-Guarantor Concentra	Eliminations	Consolidated Select Medical Corporation
			(in thousands)			
Assets						
Current Assets:						
Cash and cash equivalents	$ 5,070	$ 4,143	$ 715	$ 12,707	$ -	$ 22,635
Accounts receivable, net	-	381,794	66,420	126,631	-	574,845
Current deferred tax asset	10,487	3,575	3,646	5,638	-	23,346
Intercompany receivables	-	2,035,460	142,959	-	(2,178,419) (a)	-
Prepaid income taxes	-	-	-	3,066	(763) (e)	2,303
Other current assets	9,950	34,930	5,375	28,147	-	78,402
Total Current Assets	25,507	2,459,902	219,115	176,189	(2,179,182)	701,531
Property and equipment, net	34,428	511,997	55,680	198,325	-	800,430
Investment in affiliates	4,107,499	83,840	-	-	(4,191,339) (b) (c)	-
Goodwill	-	1,651,924	-	715,304	-	2,367,228
Non-current deferred tax asset	16,257	-	-	-	(16,257) (d)	-
Other identifiable intangibles	-	72,775	-	185,865	-	258,640
Other assets	26,630	101,960	694	57,292	-	186,576
Total Assets	$ 4,210,321	$ 4,882,398	$ 275,489	$ 1,332,975	$ (6,386,778)	$ 4,314,405
Liabilities and Equity						
Current Liabilities:						
Bank overdrafts	$ 24,099	$ -	$ -	$ -	$ -	$ 24,099
Current portion of long-term debt and notes payable	8,687	1,709	1,221	6,049	-	17,666
Accounts payable	9,313	91,736	12,332	5,236	-	118,617
Intercompany payables	2,035,460	142,959	-	-	(2,178,419) (a)	-
Accrued payroll	15,993	80,742	367	35,770	-	132,872
Accrued vacation	5,974	48,970	9,100	8,431	-	72,475
Accrued interest	22,255	50	-	2,995	-	25,300
Accrued other	41,714	40,509	10,295	38,942	-	131,460
Income taxes payable	763	-	-	-	(763) (e)	-
Total Current Liabilities	2,164,258	406,675	33,315	97,423	(2,179,182)	522,489
Long-term debt, net of current portion	1,168,868	427,959	92,380	643,871	-	2,333,078
Non-current deferred tax liability	-	113,557	6,695	78,968	(16,257) (d)	182,963
Other non-current liabilities	51,898	43,726	5,274	44,379	-	145,277
Total Liabilities	3,385,024	991,917	137,664	864,641	(2,195,439)	3,183,807
Redeemable non-controlling interests	-	-	11,593	245,529	-	257,122
Stockholder's Equity:						
Common stock	0	-	-	-	-	0
Capital in excess of par	898,968	-	-	-	-	898,968
Retained earnings (accumulated deficit)	(73,671)	1,198,862	(380)	(140)	(1,198,342) (c)	(73,671)
Subsidiary investment	-	2,691,619	83,443	217,935	(2,992,997) (b)	-
Total Select Medical Corporation Stockholder's Equity	825,297	3,890,481	83,063	217,795	(4,191,339)	825,297
Non-controlling interests	-	-	43,169	5,010	-	48,179
Total Equity	825,297	3,890,481	126,232	222,805	(4,191,339)	873,476
Total Liabilities and Equity	$ 4,210,321	$ 4,882,398	$ 275,489	$ 1,332,975	$ (6,386,778)	$ 4,314,405

(a) Elimination of intercompany.
(b) Elimination of investments in consolidated subsidiaries.
(c) Elimination of investments in consolidated subsidiaries' earnings.
(d) Reclass of non-current deferred tax asset to report net non-current deferred tax liability in consolidation.
(e) Reclass of income taxes payable to report net prepaid income taxes in consolidation.

Select Medical Corporation
Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2015
(unaudited)

	Select (Parent Company Only)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Non-Guarantor Concentra	Eliminations	Consolidated Select Medical Corporation
	(in thousands)					
Net operating revenues	$ 233	$ 644,181	$ 117,740	$ 258,969	$ -	$ 1,021,123
Costs and expenses:						
Cost of services	581	568,084	102,588	229,696	-	900,949
General and administrative	22,169	32	-	-	-	22,201
Bad debt expense	-	11,994	1,793	4,500	-	18,287
Depreciation and amortization	1,128	14,334	2,694	13,316	-	31,472
Total costs and expenses	23,878	594,444	107,075	247,512	-	972,909
Income (loss) from operations	(23,645)	49,737	10,665	11,457	-	48,214
Other income and expense:						
Intercompany interest and royalty fees	(355)	347	8	-	-	-
Intercompany management fees	(1,967)	7,887	(5,920)	-	-	-
Gain on sale of equity investment	-	29,647	-	-	-	29,647
Equity in earnings of unconsolidated subsidiaries	-	6,319	29	-	-	6,348
Interest expense	(15,029)	(6,091)	(1,577)	(10,355)	-	(33,052)
Income (loss) from operations before income taxes	(40,996)	87,846	3,205	1,102	-	51,157
Income tax expense (benefit)	(13,708)	32,823	(328)	(440)	-	18,347
Equity in earnings of subsidiaries	56,694	1,432	-	-	(58,126) (a)	-
Net income	29,406	56,455	3,533	1,542	(58,126)	32,810
Less: Net income attributable to non-controlling interests	-	-	2,131	1,273	-	3,404
Net income attributable to Select Medical Corporation	$ 29,406	$ 56,455	$ 1,402	$ 269	$ (58,126)	$ 29,406

(a) Elimination of equity in earnings of subsidiaries.

Select Medical Corporation
Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2015
(unaudited)

	Select (Parent Company Only)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Non-Guarantor Concentra	Eliminations		Consolidated Select Medical Corporation
	(in thousands)						
Net operating revenues	$ 457	$ 1,993,777	$ 363,499	$ 345,798	$ -		$ 2,703,531
Costs and expenses:							
Cost of services	1,591	1,693,375	309,799	304,448	-		2,309,213
General and administrative	63,387	(185)	-	4,715	-		67,917
Bad debt expense	-	30,711	7,154	5,378	-		43,243
Depreciation and amortization	3,186	42,015	7,957	17,510	-		70,668
Total costs and expenses	68,164	1,765,916	324,910	332,051	-		2,491,041
Income (loss) from operations	(67,707)	227,861	38,589	13,747	-		212,490
Other income and expense:							
Intercompany interest and royalty fees	(952)	932	20	-	-		-
Intercompany management fees	37,320	(18,911)	(18,409)	-	-		-
Gain on sale of equity investment	-	29,647		-	-		29,647
Equity in earnings of unconsolidated subsidiaries	-	12,718	70	-	-		12,788
Interest expense	(43,210)	(18,175)	(4,619)	(13,724)	-		(79,728)
Income (loss) from operations before income taxes	(74,549)	234,072	15,651	23	-		175,197
Income tax expense (benefit)	(25,644)	93,389	(1,562)	(1,135)	-		65,048
Equity in earnings of subsidiaries	150,314	9,724	-	-	(160,038)	(a)	-
Net income	101,409	150,407	17,213	1,158	(160,038)		110,149
Less: Net income attributable to non-controlling interests	-	-	7,443	1,297	-		8,740
Net income (loss) attributable to Select Medical Corporation	$ 101,409	$ 150,407	$ 9,770	$ (139)	$ (160,038)		$ 101,409

(a) Elimination of equity in earnings of subsidiaries.

Select Medical Corporation
Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2015
(unaudited)

	Select (Parent Company Only)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Non-Guarantor Concentra	Eliminations	Consolidated Select Medical Corporation
			(in thousands)			
Operating activities						
Net income	$ 101,409	$ 150,407	$ 17,213	$ 1,158	$ (160,038) (a)	$ 110,149
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Distributions from unconsolidated subsidiaries	-	11,737	77	-	-	11,814
Depreciation and amortization	3,186	42,015	7,957	17,510	-	70,668
Provision for bad debts	-	30,711	7,154	5,378	-	43,243
Equity in earnings of unconsolidated subsidiaires	-	(12,718)	(70)	-	-	(12,788)
Gain on sale of assets and businesses	-	(1,257)	(6)	(1)	-	(1,264)
Gain on sale of equity investment	-	(29,647)	-	-	-	(29,647)
Stock compensation expense	8,433	-	-	811	-	9,244
Amortization of debt discount and issuance costs	5,500	-	-	1,246	-	6,746
Deferred income taxes	(6,925)	-	-	-	-	(6,925)
Changes in operating assets and liabilities, net of effects from acquisition of businesses:						
Equity in earnings of subsidiaries	(150,314)	(9,724)	-	-	160,038 (a)	-
Accounts receivable	-	(35,725)	(6,085)	(6,968)	-	(48,778)
Other current assets	(2,090)	(2,006)	(12)	(472)	-	(4,580)
Other assets	5,833	(1,546)	253	-	-	4,540
Accounts payable	(572)	8,139	(2,011)	(2,509)	-	3,047
Accrued expenses	12,541	15,433	2,713	2,029	-	32,716
Income taxes	18,410	-	-	(3,164)	-	15,246
Net cash provided by (used in) operating activities	(4,589)	165,819	27,183	15,018	-	203,431
Investing activities						
Purchases of property and equipment	(8,119)	(87,070)	(5,309)	(13,494)	-	(113,992)
Proceeds from sale of assets	-	1,519	9	14	-	1,542
Investment in businesses	-	(826)	(877)	-	-	(1,703)
Proceeds from sale of equity investment	-	33,096	-	-	-	33,096
Acquisition of businesses, net of cash acquired	-	-	(2,686)	(1,047,186)	-	(1,049,872)
Net cash used in investing activities	(8,119)	(53,281)	(8,863)	(1,060,666)	-	(1,130,929)
Financing activities						
Borrowings on revolving facilities	830,000	-	-	10,000	-	840,000
Payments on revolving facilities	(665,000)	-	-	(10,000)	-	(675,000)
Payments on Select term loans	(26,884)	-	-	-	-	(26,884)
Proceeds from Concentra term loans, net of discounts	-	-	-	646,875	-	646,875
Borrowings of other debt	6,486	-	1,547	3,008	-	11,041
Principal payments on other debt	(8,800)	(1,313)	(796)	(2,258)	-	(13,167)
Debt issuance costs	-	-	-	(23,300)	-	(23,300)
Proceeds from bank overdrafts	2,353	-	-	-	-	2,353
Equity investment by Holdings	1,604	-	-	-	-	1,604
Dividends paid to Holdings	(26,751)	-	-	-	-	(26,751)
Intercompany	(95,683)	(109,536)	(12,716)	217,935	-	-
Proceeds from issuance of non-controlling interests	-	-	-	217,065	-	217,065
Tax benefit from stock based awards	383	-	-	-	-	383
Distributions to non-controlling interests	-	-	(6,470)	(970)	-	(7,440)
Net cash provided by (used in) financing activities	17,708	(110,849)	(18,435)	1,058,355	-	946,779
Net increase (decrease) in cash and cash equivalents	5,000	1,689	(115)	12,707	-	19,281
Cash and cash equivalents at beginning of period	70	2,454	830	-	-	3,354
Cash and cash equivalents at end of period	$ 5,070	$ 4,143	$ 715	$ 12,707	$ -	$ 22,635

(a) Elimination of equity in earnings of consolidated subsidiaries.

Select Medical Corporation
Condensed Consolidating Balance Sheet
December 31, 2014

	Select (Parent Company Only)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations		Consolidated Select Medical Corporation
			(in thousands)			
Assets						
Current Assets:						
Cash and cash equivalents	$ 70	$ 2,454	$ 830	$ -		$ 3,354
Accounts receivable, net	-	376,780	67,489	-		444,269
Current deferred tax asset	10,186	2,458	3,347	-		15,991
Prepaid income taxes	17,888	-	-	-		17,888
Intercompany receivables	-	1,698,600	121,447	(1,820,047)	(a)	-
Other current assets	7,860	32,919	5,363	-		46,142
Total Current Assets	36,004	2,113,211	198,476	(1,820,047)		527,644
Property and equipment, net	17,521	468,138	56,651	-		542,310
Investment in affiliates	3,725,915	82,514	-	(3,808,429)	(b) (c)	-
Goodwill	-	1,642,083	-	-		1,642,083
Non-current deferred tax asset	11,230	-	-	(11,230)	(d)	-
Other identifiable intangibles	-	72,519	-	-		72,519
Other assets	32,463	106,843	947	-		140,253
Total Assets	$ 3,823,133	$ 4,485,308	$ 256,074	$ (5,639,706)		$ 2,924,809
Liabilities and Equity						
Current Liabilities:						
Bank overdrafts	$ 21,746	$ -	$ -	$ -		$ 21,746
Current portion of long-term debt and notes payable	8,496	1,844	534	-		10,874
Accounts payable	9,885	84,304	14,343	-		108,532
Intercompany payables	1,820,047	-	-	(1,820,047)	(a)	-
Accrued payroll	17,410	79,435	245	-		97,090
Accrued vacation	5,070	49,315	8,747	-		63,132
Accrued interest	10,596	78	-	-		10,674
Accrued other	39,801	34,107	8,468	-		82,376
Total Current Liabilities	1,933,051	249,083	32,337	(1,820,047)		394,424
Long-term debt, net of current portion	1,098,151	364,794	79,157	-		1,542,102
Non-current deferred tax liability	-	112,013	8,420	(11,230)	(d)	109,203
Other non-current liabilities	52,416	35,576	4,863	-		92,855
Total Liabilities	3,083,618	761,466	124,777	(1,831,277)		2,138,584
Redeemable non-controlling interests	-	-	10,985	-		10,985
Stockholder's Equity:						
Common stock	0	-	-	-		0
Capital in excess of par	885,407	-	-	-		885,407
Retained earnings (accumulated deficit)	(145,892)	1,048,455	8,366	(1,056,821)	(c)	(145,892)
Subsidiary investment	-	2,675,387	76,221	(2,751,608)	(b)	-
Total Select Medical Corporation Stockholder's Equity	739,515	3,723,842	84,587	(3,808,429)		739,515
Non-controlling interests	-	-	35,725	-		35,725
Total Equity	739,515	3,723,842	120,312	(3,808,429)		775,240
Total Liabilities and Equity	$ 3,823,133	$ 4,485,308	$ 256,074	$ (5,639,706)		$ 2,924,809

(a) Elimination of intercompany.
(b) Elimination of investments in consolidated subsidiaries.
(c) Elimination of investments in consolidated subsidiaries' earnings.
(d) Reclass of non-current deferred tax asset to report net non-current deferred tax liability in consolidation.

Select Medical Corporation
Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2014
(unaudited)

	Select (Parent Company Only)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations		Consolidated Select Medical Corporation
			(in thousands)			
Net operating revenues	$ 14	$ 645,137	$ 112,918	$ -		$ 758,069
Costs and expenses:						
Cost of services	549	544,852	98,991	-		644,392
General and administrative	19,790	(71)	-	-		19,719
Bad debt expense	-	8,802	1,555	-		10,357
Depreciation and amortization	926	14,113	2,545	-		17,584
Total costs and expenses	21,265	567,696	103,091	-		692,052
Income (loss) from operations	(21,251)	77,441	9,827	-		66,017
Other income and expense:						
Intercompany interest and royalty fees	(272)	269	3	-		-
Intercompany management fees	33,492	(27,764)	(5,728)	-		-
Equity in earnings of unconsolidated subsidiaries	-	1,961	27	-		1,988
Interest expense	(14,597)	(6,017)	(1,139)	-		(21,753)
Income (loss) from operations before income taxes	(2,628)	45,890	2,990	-		46,252
Income tax expense (benefit)	(492)	17,780	668	-		17,956
Equity in earnings of subsidiaries	28,666	941	-	(29,607)	(a)	-
Net income	26,530	29,051	2,322	(29,607)		28,296
Less: Net income attributable to non-controlling interests	-	150	1,616	-		1,766
Net income attributable to Select Medical Corporation	$ 26,530	$ 28,901	$ 706	$ (29,607)		$ 26,530

(a) Elimination of equity in earnings of subsidiaries.

Select Medical Corporation
Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2014
(unaudited)

	Select (Parent Company Only)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations		Consolidated Select Medical Corporation
			(in thousands)			
Net operating revenues	$ 248	$ 1,973,703	$ 319,458	$ -		$ 2,293,409
Costs and expenses:						
Cost of services	1,479	1,648,809	275,749	-		1,926,037
General and administrative	58,433	(1,214)	-	-		57,219
Bad debt expense	-	27,848	4,642	-		32,490
Depreciation and amortization	2,753	41,022	7,234	-		51,009
Total costs and expenses	62,665	1,716,465	287,625	-		2,066,755
Income (loss) from operations	(62,417)	257,238	31,833	-		226,654
Other income and expense:						
Intercompany interest and royalty fees	(820)	812	8	-		-
Intercompany management fees	107,159	(91,179)	(15,980)	-		-
Equity in earnings of unconsolidated subsidiaries	-	4,074	61	-		4,135
Loss on early retirement of debt	(2,277)	-	-	-		(2,277)
Interest expense	(42,919)	(17,923)	(3,190)	-		(64,032)
Income (loss) from operations before income taxes	(1,274)	153,022	12,732	-		164,480
Income tax expense	773	61,843	1,207	-		63,823
Equity in earnings of subsidiaries	96,962	6,271	-	(103,233)	(a)	-
Net income	94,915	97,450	11,525	(103,233)		100,657
Less: Net income attributable to non-controlling interests	-	598	5,144	-		5,742
Net income attributable to Select Medical Corporation	$ 94,915	$ 96,852	$ 6,381	$ (103,233)		$ 94,915

(a) Elimination of equity in earnings of subsidiaries.

Select Medical Corporation
Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2014
(unaudited)

	Select (Parent Company Only)	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated Select Medical Corporation
			(in thousands)		
Operating activities					
Net income	$ 94,915	$ 97,450	$ 11,525	$ (103,233) (a)	$ 100,657
Adjustments to reconcile net income to net cash provided by operating activities:					
Distributions from unconsolidated subsidiaries	-	11,890	49	-	11,939
Depreciation and amortization	2,753	41,022	7,234	-	51,009
Provision for bad debts	-	27,848	4,642	-	32,490
Equity in earnings of unconsolidated subsidiaires	-	(4,074)	(61)	-	(4,135)
Loss on early retirement of debt	2,277	-	-	-	2,277
Loss (gain) on sale of assets and businesses	-	(1,351)	115	-	(1,236)
Stock compensation expense	7,391	-	-	-	7,391
Amortization of debt discount, premium and issuance costs	5,651	-	-	-	5,651
Deferred income taxes	2,844	-	-	-	2,844
Changes in operating assets and liabilities, net of effects from acquisition of businesses:					
Equity in earnings of subsidiaries	(96,962)	(6,271)	-	103,233 (a)	-
Accounts receivable	-	(41,937)	(10,987)	-	(52,924)
Other current assets	1,364	528	(1,401)	-	491
Other assets	3,444	(5,505)	(206)	-	(2,267)
Accounts payable	-	1,268	1,008	-	2,276
Accrued expenses	3,742	(6,113)	2,354	-	(17)
Income taxes	(4,203)	-	-	-	(4,203)
Net cash provided by operating activities	23,216	114,755	14,272	-	152,243
Investing activities					
Purchases of property and equipment	(4,279)	(60,022)	(9,049)	-	(73,350)
Investment in businesses	-	(3,135)	-	-	(3,135)
Acquisition of businesses, net of cash acquired	-	(397)	(814)	-	(1,211)
Net cash used in investing activities	(4,279)	(63,554)	(9,863)	-	(77,696)
Financing activities					
Borrowings on revolving credit facility	675,000	-	-	-	675,000
Payments on revolving credit facility	(655,000)	-	-	-	(655,000)
Payments on Select term loans	(33,994)	-	-	-	(33,994)
Issuance of 6.375% senior notes, includes premium	111,650	-	-	-	111,650
Borrowings of other debt	6,111	-	925	-	7,036
Principal payments on other debt	(7,452)	(1,424)	(2,820)	-	(11,696)
Debt issuance costs	(4,434)	-	-	-	(4,434)
Proceeds from bank overdrafts	10,304	-	-	-	10,304
Equity investment by Holdings	5,545	-	-	-	5,545
Dividends paid to Holdings	(169,314)	-	-	-	(169,314)
Intercompany	50,646	(51,824)	1,178	-	-
Proceeds from issuance of non-controlling interests	-	-	185	-	185
Distributions to non-controlling interests	-	-	(3,119)	-	(3,119)
Net cash used in financing activities	(10,938)	(53,248)	(3,651)	-	(67,837)
Net increase (decrease) in cash and cash equivalents	7,999	(2,047)	758	-	6,710
Cash and cash equivalents at beginning of period	71	3,098	1,150	-	4,319
Cash and cash equivalents at end of period	$ 8,070	$ 1,051	$ 1,908	$ -	$ 11,029

(a) Elimination of equity in earnings of consolidated subsidiaries.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this discussion together with our unaudited condensed consolidated financial statements and accompanying notes.

Forward-Looking Statements

This report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "may," "could," "would," "should," "believe," "expect," "anticipate," "plan," "target," "estimate," "project," "intend" and similar expressions. These statements include, among others, statements regarding our expected business outlook, anticipated financial and operating results, our business strategy and means to implement our strategy, our objectives, the amount and timing of capital expenditures, the likelihood of our success in expanding our business, financing plans, budgets, working capital needs and sources of liquidity.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding our services, the expansion of our services, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

- changes in government reimbursement for our services due to the implementation of healthcare reform legislation, deficit reduction measures, and/or new payment policies (including, for example, the expiration of the moratorium limiting the full application of the 25 Percent Rule that would reduce our Medicare payments for those patients admitted to a long term acute care hospital from a referring hospital in excess of an applicable percentage admissions threshold) may result in a reduction in net operating revenues, an increase in costs and a reduction in profitability;

- the impact of the Bipartisan Budget Act of 2013 ("BBA of 2013"), which establishes new payment limits for Medicare patients who do not meet specified criteria, may result in a reduction in net operating revenues and profitability of our long term acute care hospitals ("LTCHs");

- the failure of our specialty hospitals to maintain their Medicare certifications may cause our net operating revenues and profitability to decline;

- the failure of our facilities operated as "hospitals within hospitals" to qualify as hospitals separate from their host hospitals may cause our net operating revenues and profitability to decline;

- a government investigation or assertion that we have violated applicable regulations may result in sanctions or reputational harm and increased costs;

- acquisitions or joint ventures may prove difficult or unsuccessful, use significant resources or expose us to unforeseen liabilities;

- our plans and expectations related to the Concentra acquisition, including expectations regarding the expected capital expenditures related to the acquisition, and our ability to realize anticipated synergies;
- private third-party payors for our services may undertake future cost containment initiatives that could limit our future net operating revenues and profitability;
- the failure to maintain established relationships with the physicians in the areas we serve could reduce our net operating revenues and profitability;
- shortages in qualified nurses, therapists, physicians, or other licensed providers could increase our operating costs significantly or limit our ability to staff our facilities;
- competition may limit our ability to grow and result in a decrease in our net operating revenues and profitability;
- the loss of key members of our management team could significantly disrupt our operations;
- the effect of claims asserted against us could subject us to substantial uninsured liabilities; and
- other factors discussed from time to time in our filings with the SEC, including factors discussed under the heading "Risk Factors" of this quarterly report on Form 10-Q and for the year ended December 31, 2014 contained in our annual report on Form 10-K with the SEC on February 25, 2015.

Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the SEC, we are under no obligation to publicly update or revise any forward-looking statements, whether as a result of any new information, future events or otherwise. You should not place undue reliance on our forward-looking statements. Although we believe that the expectations reflected in forward-looking statements are reasonable, we cannot guarantee future results or performance.

Investors should also be aware that while we do, from time to time, communicate with securities analysts, it is against our policy to disclose to securities analysts any material non-public information or other confidential commercial information. Accordingly, stockholders should not assume that we agree with any statement or report issued by any securities analyst irrespective of the content of the statement or report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of the Company.

Overview

We began operations in 1997 and have grown to be one of the largest operators of specialty hospitals and outpatient rehabilitation clinics in the United States based on number of facilities. On June 1, 2015, a joint venture created by Select and WCAS consummated the acquisition of Concentra, which provides occupational health, consumer health, physical therapy, and veteran's healthcare services throughout the United States. As of September 30, 2015, we operated 127 specialty hospitals in 28 states, and 1,033 outpatient rehabilitation clinics in 31 states and the District of Columbia. Through our contract therapy business we provide medical rehabilitation services on a contracted basis to nursing homes, hospitals, assisted living and senior care centers, schools, and work sites. Concentra operated 300 centers in 38 states. Concentra also provides contract services at employer worksites and Department of Veterans Affairs community-based outpatient clinics. We had operations in 46 states and the District of Columbia.

We manage our Company through three business segments, our specialty hospital segment, our outpatient rehabilitation segment and, as of June 1, 2015, the Concentra segment. The statistics related to the operation of the Concentra segment, and used for calculations in our discussion and analysis of our financial condition and results of operations for the period discussed herein, began as of June 1, 2015, which is the date the Concentra acquisition was consummated. We had net operating revenues of $2,703.5 million for the nine months ended September 30, 2015. Of this total, we earned approximately 65% of our net operating revenues from our specialty hospitals segment, approximately 22% from our outpatient rehabilitation segment, and approximately 13% from the Concentra segment. Our specialty hospital segment consists of hospitals designed to serve the needs of long term acute patients and hospitals designed to serve patients that require intensive medical rehabilitation care. Patients are typically admitted to our specialty hospitals from general acute care hospitals. These patients have specialized needs, and serious and often complex medical conditions such as respiratory failure, neuromuscular disorders, traumatic brain and spinal cord injuries, strokes, non-healing wounds, cardiac disorders, renal disorders, and cancer. Our outpatient rehabilitation segment consists of clinics and contract therapy that provide physical, occupational, and speech rehabilitation services. Our outpatient rehabilitation patients are typically diagnosed with musculoskeletal impairments that restrict their ability to perform normal activities of daily living. The Concentra segment consists of medical centers and contract services provided at employer worksites and Department of Veterans Affairs community-based outpatient clinics that deliver occupational medicine, urgent care, physical therapy, and wellness services.

Significant Events

Concentra Transaction

On June 1, 2015, MJ Acquisition Corporation, a joint venture that Select created with WCAS, consummated the acquisition of Concentra. Pursuant to the terms of the Purchase Agreement, MJ Acquisition Corporation acquired 100% of the issued and outstanding equity securities of Concentra from Humana for $1,047.2 million, net of $3.8 million of cash acquired. Select used borrowings under the Select revolving facility to fund its portion of the equity contribution to Group Holdings in an aggregate amount equal to $217.9 million. Group Holdings contributed those funds along with $217.1 million of equity contributions of its other members to MJ Acquisition Corporation, which used the funds, together with the borrowings under the Concentra credit facilities to pay the purchase price to Humana. The Concentra credit facilities consist of the Concentra first lien credit agreement and the Concentra second lien credit agreement. The Concentra first lien credit agreement provides for $500.0 million in first lien loans composed of a $450.0 million, seven-year term loan and a $50.0 million, five-year revolving credit facility. The $450.0 million Concentra first lien term loan was issued with a discount of $1.1 million resulting in proceeds of $448.9 million. The Concentra second lien credit agreement provides for a $200.0 million eight-year second lien term loan. The $200.0 million Concentra second lien term loan was issued with a discount of $2.0 million resulting in proceeds of $198.0 million.

Group Holdings is the indirect parent company of Concentra, the surviving entity of the merger between MJ Acquisition Corporation and Concentra. Select owns 50.1% of the voting equity interests of Group Holdings. Concentra's financial results are consolidated with Select's as of June 1, 2015.

Our acquisition costs related to the acquisition of Concentra were $4.7 million and are included in general and administrative expenses for the nine month period ended September 30, 2015. Concentra incurred $23.3 million of debt issuance costs related to the Concentra credit facilities through September 30, 2015. The original issue discounts and debt issuance costs associated with the Concentra term loans are being amortized in interest expense beginning June 1, 2015 using the interest method which will continue over the total term of each respective facility.

Select Revolving Credit Extension to $450.0 Million

On May 20, 2015, Select entered into an additional credit extension amendment to the Select credit facilities. Pursuant to the terms and conditions of the additional credit extension amendment, the lenders named therein committed an additional $100.0 million in incremental revolving commitments that mature on March 1, 2018. All other material terms and conditions applicable to the Select revolving facility commitments are applicable to incremental revolving commitments created under the additional credit extension amendment.

New Specialty Hospital Start-up Operating Expenses

Select is developing several new specialty hospitals resulting in start-up costs which have the effect of increasing our operating expenses. Adjusted EBITDA start-up losses were $3.1 million for the three months ended September 30, 2015, compared to $3.9 million for the three months ended September 30, 2014. Adjusted EBITDA start-up losses were $11.9 million for the nine months ended September 30, 2015, compared to $8.6 million for the nine months ended September 30, 2014.

Gain on Sale of Equity Investment

For the three and nine months ended September 30, 2015, we had a gain on the sale of an equity investment of $29.6 million. The equity investment was a start-up company investment in which we owned a non-controlling interest.

Summary Financial Results

Three Months Ended September 30, 2015

For the three months ended September 30, 2015, our net operating revenues increased 34.7% to $1,021.1 million, compared to $758.1 million for the three months ended September 30, 2014. We had income from operations of $48.2 million for the three months ended September 30, 2015, compared to $66.0 million for the three months ended September 30, 2014. Income before income taxes included a non-operating, one-time gain of $29.6 million on the sale of an equity investment for the three months ended September 30, 2015. Net income attributable to Holdings was $29.4 million for the three months ended September 30, 2015, compared to $26.5 million for the three months ended September 30, 2014. Our Adjusted EBITDA for the three months ended September 30, 2015 decreased 2.6% to $84.5 million, compared to $86.8 million for the three months ended September 30, 2014 and our Adjusted EBITDA margin was 8.3% for the three months ended September

30, 2015, compared to 11.5% for the three months ended September 30, 2014. See the section titled "*Results of Operations*" for a reconciliation of net income to Adjusted EBITDA.

Nine Months Ended September 30, 2015

For the nine months ended September 30, 2015, our net operating revenues increased 17.9% to $2,703.5 million, compared to $2,293.4 million for the nine months ended September 30, 2014. We had income from operations of $212.5 million for the nine months ended September 30, 2015, compared to $226.7 million for the nine months ended September 30, 2014. Income before income taxes included a non-operating, one-time gain of $29.6 million on the sale of an equity investment for the nine months ended September 30, 2015. Net income attributable to Holdings was $101.4 million for the nine months ended September 30, 2015, compared to $94.9 million for the nine months ended September 30, 2014. Our Adjusted EBITDA for the nine months ended September 30, 2015 increased 4.7% to $298.3 million, compared to $285.0 million for the nine months ended September 30, 2014 and our Adjusted EBITDA margin was 11.0% for the nine months ended September 30, 2015, compared to 12.4% for the nine months ended September 30, 2014. See the section titled "*Results of Operations*" for a reconciliation of net income to Adjusted EBITDA.

Regulatory Changes

Our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 25, 2015 contains a detailed discussion of the regulations that affect our business in Part I — Business — Government Regulations. The following updates our discussion of certain regulatory matters, taking into account, among other things, the changes to our business as a result of the Concentra acquisition. The following discussion also includes recent regulatory changes that have affected our results of operations in 2014 and 2015 or may have an effect on our future results of operations. The information below should be read in conjunction with the more detailed discussion of regulations contained in our Form 10-K.

General

The healthcare industry is required to comply with many complex laws and regulations at the federal, state and local government levels. These laws and regulations require that hospitals and facilities furnishing outpatient services (including outpatient rehabilitation clinics, freestanding medical centers, onsite clinics and community-based outpatient clinics) comply with various requirements and standards. These laws and regulations include those relating to the adequacy of medical care, facilities and equipment, personnel, operating policies and procedures and recordkeeping as well as standards for reimbursement, fraud and abuse prevention and health information privacy and security. These laws and regulations are extremely complex, often overlap and, in many instances, the industry does not have the benefit of significant regulatory or judicial interpretation. If we fail to comply with applicable laws and regulations, we could suffer civil or criminal penalties, including the loss of our licenses to operate and our ability to participate in the Medicare, Medicaid and other federal and state healthcare programs.

Facility Licensure

Our healthcare facilities are subject to state and local licensing statutes and regulations ranging from the adequacy of medical care to compliance with building codes and environmental protection laws. In order to assure continued compliance with these various regulations, governmental and other authorities periodically inspect our facilities, both at scheduled intervals and in response to complaints from patients and others. While our facilities intend to comply with existing licensing standards, there can be no assurance that regulatory authorities will determine that all applicable requirements are fully met at any given time. In addition, the state and local licensing laws are subject to changes or new interpretations that could impose additional burdens on our facilities. A determination by an applicable regulatory authority that a facility is not in compliance with these requirements could lead to the imposition of corrective action, assessment of fines and penalties, or loss of licensure, Medicare enrollment or certification or accreditation. These consequences could have an adverse effect on our company.

Some states still require us to get approval under certificate of need regulations when we create, acquire or expand our facilities or services, or alter the ownership of such facilities, whether directly or indirectly. The certificate of need regulations vary from state to state, and are subject to change and new interpretation. If we fail to show public need and obtain approval in these states for our new facilities or changes to the ownership structure of existing facilities, we may be subject to civil or even criminal penalties, lose our facility license or become ineligible for reimbursement.

Professional Licensure, Corporate Practice and Fee-Splitting Laws

Healthcare professionals at our specialty hospitals and facilities furnishing outpatient services are required to be individually licensed or certified under applicable state law. We take steps to ensure that our employees and agents possess all necessary licenses and certifications.

Some states prohibit the "corporate practice of medicine," which restricts business corporations from practicing medicine through the direct employment of physicians or from exercising control over medical decisions by physicians. Some states similarly prohibit the "corporate practice of therapy." The laws relating to corporate practice vary from state to state and are not fully developed in each state in which we have facilities. Typically, however, professional corporations owned and controlled by licensed professionals are exempt from corporate practice restrictions and may employ physicians or therapists to furnish professional services. Also, in some states hospitals are permitted to employ physicians.

Some states also prohibit entities from engaging in certain financial arrangements, such as fee-splitting, with physicians or therapists. The laws relating to fee-splitting also vary from state to state and are not fully developed. Generally, these laws restrict business arrangements that involve a physician or therapist sharing medical fees with a referral source, but in some states these laws have been interpreted to extend to management agreements between physicians or therapists and business entities under some circumstances.

We believe that each of our facilities complies with any current corporate practice and fee-splitting laws of the state in which it is located. In states where we are prohibited by the corporate practice of medicine from directly employing licensed physicians, we typically enter into management agreements with professional corporations that are owned by licensed physicians, which, in turn, employ or contract with physicians who provide professional medical services in our facilities. Under those management agreements, we perform only non-medical administrative services, do not exercise control over the practice of medicine by the physicians, and structure compensation to avoid fee-splitting. In those states that apply the corporate practice of therapy prohibition, we either contract to obtain therapy services from an entity permitted to employ therapists or we manage the physical therapy practice owned by licensed therapists through which the therapy services are provided.

Although we believe that our facilities comply with corporate practice and fee-splitting laws, if new regulations or judicial or administrative interpretations establish that our facilities do not comply with these laws, we could be subject to civil and perhaps criminal penalties. In addition, if any of our facilities is determined not to comply with corporate practice and fee-splitting laws, certain of our agreements relating to the facility may be determined to be unenforceable, including our management agreements with the professional corporations furnishing physician services or our payment arrangements with insurers or employers. Future interpretations of corporate practice and fee-splitting laws, the enactment of new legislation or the adoption of new regulations relating to these laws could cause us to have to restructure our business operations or close our facilities in a particular state. Any such penalties, determinations of unenforceability or interpretations could have a material adverse effect on our business.

Medicare Enrollment and Certification

In order to participate in the Medicare program and receive Medicare reimbursement, each facility must comply with the applicable regulations of the United States Department of Health and Human Services relating to, among other things, the type of facility, its equipment, its personnel and its standards of medical care as well as compliance with all applicable state and local laws and regulations. In addition, we provide the majority of our outpatient rehabilitation services through outpatient rehabilitation clinics certified by Medicare as rehabilitation agencies or "rehab agencies." Our other facilities furnishing outpatient services are generally enrolled in Medicare as suppliers.

Accreditation

Our specialty hospitals receive accreditation from The Joint Commission, the American Osteopathic Association (the "AOA"), the Commission on Accreditation of Rehabilitation Facilities (the "CARF") and/or other healthcare accrediting organizations. Where required under our contracts with the Department of Veterans Affairs, our facilities furnishing outpatient services that operate as community-based outpatient clinics are accredited by the Joint Commission or another healthcare accrediting organization. See "— Government Regulations – Veterans Affairs."

Workers' Compensation

Workers' compensation is a state mandated, comprehensive insurance program that requires employers to fund or insure medical expenses, lost wages and other costs resulting from work related injuries and illnesses. Workers' compensation benefits and arrangements vary from state to state, and are often highly complex. In some states, payment for services covered by workers' compensation programs are subject to cost containment features, such as requirements that all workers' compensation injuries be treated through a managed care program, or the imposition of fee schedules or payment caps for services furnished to injured employees. Some state workers' compensation laws limit the ability of an employer to select the providers furnishing care to injured employees. Several states require that physicians furnishing non-emergency services to workers' compensation patients must register with the applicable state agency and undergo special continuing education and training. Workers' compensation programs may also impose other requirements that affect the operations of our facilities furnishing outpatient services.

Our facilities furnishing outpatient services are reimbursed for services furnished to injured workers by payors pursuant to the applicable state workers' compensation statutes. Most of the states in which we maintain operations reimburse providers for services payable under workers' compensation laws pursuant to a treatment-specific fee schedule with established maximum reimbursement levels. In states without such fee schedules, healthcare providers are often reimbursed based on "usual and customary" fees benchmarked by market data and negotiated by providers with payors and networks.

Inadequate increases to the applicable fee schedule amounts for our services, and changes in state workers' compensation laws, including cost containment initiatives, could have a negative impact on the operations and financial performance of those facilities.

Veterans Affairs

The Veterans Affairs health system is the largest integrated healthcare system in the U.S. and includes over 150 hospitals, 800 community-based outpatient clinics (of which only 166 are operated by contractors) and 260 veterans medical centers. As of September 30, 2015, we had 34 community-based outpatient clinics, which were established to provide services to veterans residing in catchment areas under agreements with the Department of Veterans Affairs. The awarding of such agreements is regulated by laws related to federal government procurements generally, including the Federal Acquisition Regulations. Our contracts with the Department of Veterans Affairs include administrative and clinical services, performance standards, qualifications and other contractor requirements, and information and security requirements. In general, our facilities furnishing outpatient services that are community-based outpatient clinics provide outpatient primary care in exchange for a capitated monthly fee based on the number of eligible patients then enrolled in that community-based outpatient clinic.

Health Information Privacy and Security

The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) mandates the adoption of standards for the exchange of electronic health information in an effort to encourage overall administrative simplification and enhance the effectiveness and efficiency of the healthcare industry, while maintaining the privacy and security of health information.

Generally, HIPAA’s requirements apply to health plans, health care clearing houses and health care providers (called “covered entities”). As a covered entity, we are required to comply with three sets of standards under HIPAA adopted by the Department of Health and Human Services:

- Standards relating to the privacy of individually identifiable health information govern our use and disclosure of protected health information, and where we engage another party (called a “business associate”) to perform a function or activity involving the use or disclosure of such information on our behalf, require us to delineate the permissible uses and disclosure of any such information in a contract with such business associate (called a “business associate agreement”).
- Standards for the security of electronic health information require us to implement various administrative, physical and technical safeguards to ensure the integrity and confidentiality of electronic protected health information.
- Standards relating to electronic transactions and code sets require the use of uniform standards for common healthcare transactions, including healthcare claims information, plan eligibility, referral certification and authorization, claims status, plan enrollment and disenrollment, payment and remittance advice, plan premium payments and coordination of benefits.

The privacy, security and enforcement provisions of HIPAA were enhanced by the Health Information Technology for Economic and Clinical Health Act (“HITECH”), which was included in the American Recovery and Reinvestment Act (the “ARRA”), and a final rule promulgated by the Department of Health and Human Services on January 25, 2013 (the “HITECH Final Rule”). Among other things, HITECH and the HITECH Final Rule established security breach notification requirements, extended the reach of certain HIPAA requirements to business associates, imposed a requirement that business associates that are aware of a pattern of activity that constitutes a violation of HIPAA take steps to cure the violation, and expanded the definition of business associate to include business associate subcontractors. As a result of these changes, business associates and business associate subcontractors are directly liable for compliance with certain requirements of the HIPAA privacy and security regulations, including uses or disclosures that would violate HIPAA if committed by a covered entity.

As we conduct our business, we may act, depending on the circumstances, as either a covered entity or a business associate. For example, our LTCHs and inpatient rehabilitation facilities ("IRFs") are typically considered covered entities. In contrast, certain of our facilities furnishing outpatient services may be business associates to the professional corporations with which they enter into management agreements.

We possess individually identifiable health information of patients, often in electronic form, and in some cases contract with other parties to maintain and store individually identifiable health information of our patients. We believe that our privacy and security practices are appropriate to protect such individually identifiable health information. However, such information could nevertheless be subject to impermissible uses and disclosures. All impermissible uses and disclosures of protected health information are presumed to be a breach unless the covered entity or business associate can demonstrate that there is a low probability that the protected health information has been compromised. As a covered entity, we are required to report a breach of unsecured protected health information to affected individuals and notify the Department of Health and Human Services and, in certain circumstances involving large breaches, the media. As a business associate, we are required to report a breach of unsecured protected health information to the covered entity, and include in that report identification of the affected individuals as well as other information, to the extent possible, that the covered entity is required to provide in its notice to such individuals. We may incur significant expenses to comply with our breach notification obligations under HIPAA and HITECH including, for example, the costs of investigating the nature and cause of the breach, remediating the matter (e.g., by offering credit monitoring services to affected individuals) and responding to government inquiries. Those investigations could also divert the attention of management from the operation of our business and damage our reputation.

Violations of HIPAA and HITECH may also result in significant civil or criminal penalties. HITECH and the HITECH Final Rule impose a tiered-penalty structure when either HIPAA or certain HITECH requirements are violated. HITECH also provides for enforcement by the state attorneys general to enjoin further violation or obtain damages on behalf of the residents of the state. Violations of HIPAA or HITECH may also result in criminal penalties, where an entity knowingly violates patient privacy. If we fail to comply with the HIPAA or HITECH requirements, we could be subject to criminal penalties and civil sanctions.

We maintain a HIPAA committee that is charged with evaluating and monitoring our compliance with HIPAA. The HIPAA committee monitors regulations promulgated under HIPAA and HITECH as they have been adopted to date and as additional standards and modifications are adopted. Although health information standards have had a significant effect on the manner in which we handle health data and communicate with payors, the cost of our compliance has not had a material adverse effect on our business, financial condition or results of operations.

In addition to HIPAA and HITECH, there are numerous federal and state laws and regulations addressing patient and consumer privacy concerns, including unauthorized access or theft of personal information. State statutes and regulations vary from state to state. Lawsuits, including class actions and action by state attorneys general, directed at companies that have experienced a privacy or security breach also can occur. Although our policies and procedures are aimed at complying with privacy and security requirements and minimizing the risks of any breach of privacy or security, there can be no assurance that a breach of privacy or security will not occur. If there is a breach, we may be subject to various penalties and damages and may be required to incur costs to mitigate the impact of the breach on affected individuals.

__Medicare Reimbursement Generally__

The Medicare program reimburses us for services furnished to Medicare beneficiaries, which are generally persons age 65 and older, those who are chronically disabled, and those suffering from end stage renal disease.

The Medicare program reimburses our LTCHs, IRFs and outpatient rehabilitation providers, using different payment methodologies.

On April 16, 2015, President Obama signed into law H.R. 2, the Medicare Access and CHIP Reauthorization Act of 2015 (the "CHIP Act"), which reforms Medicare payment policy for services paid under the Medicare physician fee schedule and adopts a series of policy changes affecting a wide range of providers and suppliers. The CHIP Act repeals the sustainable growth rate (the "SGR") formula effective January 1, 2015, and establishes a new payment framework consisting of specified updates to the Medicare physician fee schedule, a new Merit-Based Incentive Payment System ("MIPS"), and incentives for participation in alternative payment models ("APMs"). To finance these provisions, the CHIP Act reduces market basket updates for post-acute care providers, including LTCHs and IRFs, among other Medicare payment cuts. As noted below, the CHIP Act sets the annual prospective payment system update for fiscal year 2018 at 1% for LTCHs and IRFs, as well as skilled nursing facilities, home health agencies, and hospices. The CHIP Act extends the exceptions process for outpatient therapy caps through December 31, 2017.

__Medicare Reimbursement of LTCH Services__

There have been significant regulatory changes affecting LTCHs that have affected our net operating revenues and, in some cases, caused us to change our operating models and strategies. We have been subject to regulatory changes that occur through the rulemaking procedures of CMS. All Medicare payments to our LTCHs are made in accordance with the long term care hospital prospective payment system ("LTCH-PPS"). Proposed rules specifically related to LTCHs are generally published in May, finalized in August and effective on October 1st of each year.

The following is a summary of significant changes to the Medicare LTCH-PPS which have affected our results of operations, as well as the policies and payment rates for fiscal year 2016 that affect our patient discharges and cost reporting periods beginning on or after October 1, 2015.

Fiscal Year 2014. On August 19, 2013, CMS published the final rule updating policies and payment rates for LTCH-PPS for fiscal year 2014 (affecting discharges and cost reporting periods beginning on or after October 1, 2013 through September 30, 2014). The standard federal rate was set at $40,607, an increase from the standard federal rate applicable during the period from December 29, 2012 through September 30, 2013 of $40,398. The update to the standard federal rate for fiscal year 2014 included a market basket increase of 2.5%, less a productivity adjustment of 0.5%, less a reduction of 0.3% mandated by the Patient Protection and Affordable Care Act (the "ACA"), and less a budget neutrality adjustment of 1.266%, as discussed below. The fixed-loss amount for high cost outlier cases was set at $13,314, which was a decrease from the fixed-loss amount in the 2013 fiscal year of $15,408.

Fiscal Year 2015. On August 22, 2014, CMS published the final rule updating policies and payment rates for LTCH-PPS for fiscal year 2015 (affecting discharges and cost reporting periods beginning on or after October 1, 2014 through September 30, 2015). The standard federal rate was set at $41,044, an increase from the standard federal rate applicable during fiscal year 2014 of $40,607. The update to the standard federal rate for fiscal year 2015 includes a market basket increase of 2.9%, less a productivity adjustment of 0.5%, less an additional reduction of 0.2% mandated by the ACA, and less a budget neutrality adjustment of 1.266%, as discussed below. The fixed-loss amount for high cost outlier cases is set at $14,972, which is an increase from the fixed-loss amount in the 2014 fiscal year of $13,314.

Fiscal Year 2016. On August 17, 2015, CMS published the final rule updating policies and payment rates for the LTCH-PPS for fiscal year 2016 (affecting discharges and cost reporting periods beginning on or after October 1, 2015 through September 30, 2016). The standard federal rate was set at $41,763, an increase from the standard federal rate applicable during fiscal year 2015 of $41,044. The update to the standard federal rate for fiscal year 2016 includes a market basket increase of 2.4%, less a productivity adjustment of 0.5%, less an additional reduction of 0.2% mandated by the ACA. The fixed-loss amount for high cost outlier cases paid under LTCH PPS was set at $16,423, which is an increase from the fixed-loss amount in the 2015 fiscal year of $14,972. The fixed-loss amount for high cost outlier cases paid under the site-neutral payment rate described below was set at $22,544.

Patient Criteria

The BBA of 2013, enacted December 26, 2013, establishes new payment limits for Medicare patients discharged from an LTCH who do not meet specified criteria. Specifically, for Medicare patients discharged in cost reporting periods beginning on or after October 1, 2015, LTCHs will be reimbursed under LTCH-PPS only if, immediately preceding the patient's LTCH admission, the patient was discharged from a general acute care hospital paid under the inpatient prospective payment system ("IPPS") and the patient's stay included at least three days in an intensive care unit ("ICU") or coronary care unit ("CCU") or the patient is assigned to a Medicare severity diagnosis-related group for LTCHs ("MS-LTC-DRG") for cases receiving at least 96 hours of ventilator services in the LTCH. In addition, to be paid under LTCH-PPS the patient's discharge from the LTCH may not include a principal diagnosis relating to psychiatric or rehabilitation services. For any Medicare patient who does not meet the new criteria, the LTCH will be paid a lower "site-neutral" payment rate, which will be the lower of (1) the IPPS comparable per-diem payment rate capped at the Medicare severity diagnosis-related group ("MS-DRG") including any outlier payments, or (2) 100 percent of the estimated costs for services.

The BBA of 2013 provides for a transition to the site-neutral payment rate for those patients not paid under LTCH-PPS. During the transition period (cost reporting periods beginning on or after October 1, 2015 through September 30, 2017), a blended rate will be paid for Medicare patients not meeting the new criteria. The blended rate will comprise half the site-neutral payment rate and half the LTCH-PPS payment rate. For discharges in cost reporting periods beginning on or after October 1, 2017, only the site-neutral payment rate will apply for Medicare patients not meeting the new criteria.

In addition, for cost reporting periods beginning on or after October 1, 2019, qualifying discharges from an LTCH will continue to be paid at the LTCH-PPS payment rate, unless the number of discharges for which payment is made under the site-neutral payment rate is greater than 50% of the total number of discharges from the LTCH. If the number of discharges for which payment is made under the site-neutral payment rate is greater than 50%, then beginning in the next cost reporting period all discharges from the LTCH will be reimbursed at the site-neutral payment rate. The BBA of 2013 requires CMS to establish a process for an LTCH subject to the site-neutral payment rate to re-qualify for payment under LTCH-PPS.

Existing payment adjustments, including the interrupted stay policy and the 25 Percent Rule (discussed below), will be applied to an LTCH discharge in the same manner as they are currently applied regardless of whether the case is paid at the LTCH-PPS payment rate or the site-neutral payment rate. Conversely, the short stay outlier payment adjustment will not apply to cases paid at the site-neutral payment rate. Beginning with fiscal year 2016, CMS will calculate the annual recalibration of the MS-LTC-DRG relative payment weighting factors using only data from LTCH discharges that meet the criteria for exclusion from the site-neutral payment rate. In addition, beginning in fiscal year 2016, CMS will apply the IPPS fixed-loss amount to site-neutral cases, rather than the LTCH PPS fixed-loss amount. For fiscal year 2016, the IPPS fixed-loss amount is set at $22,554 and the LTCH-PPS fixed-loss amount is set at $16,423. CMS will calculate the LTCH-PPS fixed-loss amount using only data from cases paid at the LTCH-PPS payment rate, excluding cases paid at the site-neutral rate.

Each of our LTCHs has their own unique annual cost reporting period. As a result, the new payment limits will become effective for each of our LTCHs at different points in time over a twelve month period beginning on October 1, 2015. Currently, 17 of our LTCHs have cost reporting periods commencing during the fourth quarter of 2015 and 37, 19 and 36 of our LTCHs have cost reporting periods commencing during the first quarter, second quarter and third quarters of 2016, respectively.

Medicare Market Basket Adjustments

The ACA instituted a market basket payment adjustment to LTCHs. In fiscal years 2017 through 2019, the market basket update will be reduced by 0.75%. The ACA specifically allows these market basket reductions to result in a less than 0% payment update and payment rates that are less than the prior year. The CHIP Act sets the annual update for fiscal year 2018 at 1% after taking into account the market basket payment reduction of 0.75% mandated by the ACA.

25 Percent Rule

The “25 Percent Rule” is a downward payment adjustment that applies if the percentage of Medicare patients discharged from LTCHs who were admitted from a referring hospital (regardless of whether the LTCH or LTCH satellite is co-located with the referring hospital) exceeds the applicable percentage admissions threshold during a particular cost reporting period. The Medicare, Medicaid, and SCHIP Extension Act of 2007 (the “SCHIP Extension Act”), as amended by the ARRA and the ACA, has limited the full application of the 25 Percent Rule.

The BBA of 2013 further delayed, and in some cases permanently suspends, the application of the 25 Percent Rule depending on the type of LTCH. After the expiration of the extension, our LTCHs will be subject to a downward payment adjustment for any Medicare patients who were admitted from a co-located or a non-co-located hospital and that exceed the applicable percentage admissions threshold of all Medicare patients discharged from the LTCH during the cost reporting period. These regulatory changes will have an adverse financial impact on the net operating revenues and profitability of many of our LTCHs for cost reporting periods beginning on or after July 1, 2016.

Moratorium on New LTCHs, LTCH Satellite Facilities and LTCH Beds

The SCHIP Extension Act imposed a moratorium on the establishment and classification of new LTCHs, LTCH satellite facilities and LTCH beds in existing LTCHs or satellite facilities subject to certain exceptions through December 28, 2012. The BBA of 2013, as amended by the Protecting Access to Medicare Act of 2014 (the “PAMA”), reinstated the moratorium on the establishment and classification of new LTCHs or LTCH satellite facilities, and on the increase of LTCH beds in existing LTCHs or satellite facilities beginning April 1, 2014 through September 30, 2017, with certain exceptions to the moratorium that are applicable to the establishment and classification of new LTCHs or LTCH satellite facilities currently under development.

Medicare Reimbursement of Inpatient Rehabilitation Facility Services

The following is a summary of significant changes to the Medicare prospective payment system for IRFs which have affected our results of operations during the periods presented in this report, as well as the policies and payment rates for fiscal year 2016 that affect our patient discharges and cost reporting periods beginning on or after October 1, 2015.

Fiscal Year 2014. On August 6, 2013, CMS published the final rule updating policies and payment rates for IRF-PPS for fiscal year 2014 (affecting discharges and cost reporting periods beginning on or after October 1, 2013 through September 30, 2014). The standard payment conversion factor for discharges for fiscal year 2014 was $14,846, an increase from the fiscal year 2013 standard payment conversion factor of $14,343. The update to the standard payment conversion factor for fiscal year 2014 included a market basket increase of 2.6%, less a productivity adjustment of 0.5%, less an additional reduction of 0.3% mandated by the ACA. CMS decreased the outlier threshold amount for fiscal year 2014 to $9,272 from $10,466 established in the final rule for fiscal year 2013.

Fiscal Year 2015. On August 6, 2014, CMS published the final rule updating policies and payment rates for IRF-PPS for fiscal year 2015 (affecting discharges and cost reporting periods beginning on or after October 1, 2014 through September 30, 2015). The standard payment conversion factor for discharges for fiscal year 2015 is $15,198, an increase from the fiscal year 2014 standard payment conversion factor of $14,846. The update to the standard payment conversion factor for fiscal year 2015 includes a market basket increase of 2.9%, less a productivity adjustment of 0.5%, less an additional reduction of 0.2% mandated by the ACA. CMS decreased the outlier threshold amount for fiscal year 2015 to $8,848 from $9,272 established in the final rule for fiscal year 2014.

Fiscal Year 2016. On August 6, 2015, CMS published the final rule updating policies and payment rates for the IRF-PPS for fiscal year 2016 (affecting discharges and cost reporting periods beginning on or after October 1, 2015 through September 30, 2016). The standard payment conversion factor for discharges for fiscal year 2016 was set at $15,478, an increase from the standard payment conversion factor applicable during fiscal year 2015 of $15,198. The update to the standard federal rate for fiscal year 2016 includes a market basket increase of 2.4%, less a productivity adjustment of 0.5%, less an additional reduction of 0.2% mandated by the ACA. CMS decreased the outlier threshold amount for fiscal year 2016 to $8,658 from $8,848 established in the final rule for fiscal year 2015.

Patient Classification Criteria

Under the IRF certification criteria that has been in effect since 1983, in order to qualify as an IRF, a hospital was required to satisfy certain operational criteria as well as demonstrate that, during its most recent 12-month cost reporting period, it served an inpatient population of whom at least 75% required intensive rehabilitation services for one or more of 10 conditions specified in the regulation. We refer to such 75% requirement as the “75% Rule.”

New IRF certification criteria became effective for cost reporting periods beginning on or after July 1, 2004 as a result of the major changes that CMS adopted on May 7, 2004 to the 75% Rule that: (1) temporarily lowered the 75% compliance threshold (starting at 50% and phasing to 75% over four years), (2) modified and expanded from 10 to 13 the medical conditions used to determine whether a hospital qualifies as an IRF, (3) identified the conditions under which comorbidities can be used to verify compliance with the 75% Rule, and (4) changed the timeframe used to determine compliance with the 75% Rule from “the most recent 12-month cost reporting period” to “the most recent, consecutive, and appropriate 12-month period,” with the result that a determination of non-compliance with the applicable compliance threshold will affect the facility's certification as an IRF for its cost reporting period that begins immediately after the 12-month review period.

Under the Deficit Reduction Act of 2005 (the "DRA"), Congress extended the phase-in period for the 75% Rule by maintaining the compliance threshold at 60% (rather than increasing it to the scheduled 65%) during the 12-month period beginning on July 1, 2006. The compliance threshold was then to increase to 65% for cost reporting periods beginning on or after July 1, 2007 and again to 75% for cost reporting periods beginning on or after July 1, 2008. However, the SCHIP Extension Act included a permanent freeze in the 75% Rule patient classification criteria compliance threshold at 60% (with comorbidities counting toward this threshold), at which time the requirement became known as the "60% Rule."

Compliance with the patient classification criteria is demonstrated through either medical review or the "presumptive" method, in which a patient's diagnosis codes are compared to a "presumptive compliance" list. CMS has announced that it will remove a number of diagnosis codes from the presumptive compliance list. According to CMS, these conditions do not demonstrate the need for intensive inpatient rehabilitation services in the absence of additional facts that would have to be pulled from a patient's medical record. As a result, beginning on or after October 1, 2015, a number of diagnosis codes previously on the presumptive compliance list will be removed, including diagnosis codes in the following categories: non-specific diagnosis codes, arthritis diagnosis codes, unilateral upper extremity amputations diagnosis, amputation status codes, prosthetic fitting and adjustment codes, some congenital anomalies diagnosis codes, and other miscellaneous diagnosis codes.

Medicare Market Basket Adjustments

The ACA instituted a market basket payment adjustment for IRFs. In fiscal years 2017 through 2019, the market basket update will be reduced by 0.75%. The ACA specifically allows these market basket reductions to result in less than a 0% payment update and payment rates that are less than the prior year. The CHIP Act sets the annual update for fiscal year 2018 at 1% after taking into account the market basket payment reduction of 0.75% mandated by the ACA.

Medicare Reimbursement of Outpatient Rehabilitation Services

The Medicare program reimburses outpatient rehabilitation providers based on the Medicare physician fee schedule. Historically, the Medicare physician fee schedule rates have updated annually based on the SGR formula. The SGR formula has resulted in automatic reductions in rates every year since 2002; however, for each year through March 31, 2015 CMS or Congress has taken action to prevent the SGR formula reductions. The CHIP Act repeals the SGR formula effective for services provided on or after January 1, 2015, and establishes a new payment framework consisting of specified updates to the Medicare physician fee schedule, a new MIPS, and APMs. For services provided between January 1, 2015 and June 30, 2015, a 0% payment update is applied to the Medicare physician fee schedule payment rates. For services provided between July 1, 2015 and December 31, 2015, a 0.5% update is applied to the fee schedule payment rates. For services provided in 2016 through 2019, a 0.5% update is applied each year to the fee schedule payment rates, subject to MIPS adjustment beginning in 2019. For services provided in 2020 through 2025, a 0.0% percent update each year to the fee schedule payment rates, subject to MIPS and APM adjustments. Finally, in 2026 and subsequent years eligible professionals participating in APMs that meet certain criteria would receive annual updates of 0.75%, while all other professionals would receive annual updates of 0.25%.

The CHIP Act requires that payments under the fee schedule be adjusted starting in 2019 based on performance in MIPS, which will consolidate the three existing incentive programs focused on quality, resource use, and meaningful use of electronic health records. The CHIP Act requires the Secretary of Health and Human

Services to establish the MIPS requirements under which a provider's performance is assessed according to established performance standards and used to determine an adjustment factor that is then applied to the professional's payment for a year. Each year from 2019-2024 professionals who receive a significant share of their revenues through an APM (such as accountable care organizations or bundled payment arrangements) that involves risk of financial losses and a quality measurement component will receive a 5% bonus. The bonus payment for APM participation is intended to encourage participation and testing of new APMs and promotes the alignment of incentives across payors. The specifics of the MIPS and APM adjustments beginning in 2019 and 2020, respectively, will be subject to future notice and comment rule-making. For the year ended December 31, 2014, we received approximately 10% of our outpatient rehabilitation net operating revenues from Medicare.

Therapy Caps

Beginning on January 1, 1999, the Balanced Budget Act of 1997 subjected certain outpatient therapy providers reimbursed under the Medicare physician fee schedule to annual limits for therapy expenses. Effective January 1, 2015, the annual limit on outpatient therapy services is $1,940 for combined physical and speech language pathology services and $1,940 for occupational therapy services. The per beneficiary caps were $1,920 for calendar year 2014.

In the DRA, Congress implemented an exceptions process to the annual limit for therapy expenses. Under this process, a Medicare enrollee (or person acting on behalf of the Medicare enrollee) is able to request an exception from the therapy caps if the provision of therapy services was deemed to be medically necessary. Therapy cap exceptions have been available automatically for certain conditions and on a case by case basis upon submission of documentation of medical necessity. The CHIP Act extends the exceptions process for outpatient therapy caps through December 31, 2017. Unless Congress extends the exceptions process, the therapy caps will apply to all outpatient therapy services beginning January 1, 2018, except those services furnished and billed by outpatient hospital departments. The annual limits for therapy expenses historically did not apply to services furnished and billed by outpatient hospital departments. The application of annual limits to hospital outpatient department settings will sunset on December 31, 2017 unless Congress extends it. We operated 1,033 outpatient rehabilitation clinics at September 30, 2015, of which 167 were provider based outpatient rehabilitation clinics operated as departments of the inpatient rehabilitation hospitals we operated.

The Middle Class Tax Relief and Job Creation Act of 2012 made several changes to the exceptions process to the annual limit for therapy expenses. For any claim above the annual limit, the claim must contain a modifier indicating that the services are medically necessary and justified by appropriate documentation in the medical record. In addition, all therapy claims, whether above or below the annual limit, must include the national provider identifier ("NPI") of the physician responsible for certifying and periodically reviewing the plan of care. Effective October 1, 2012, all claims exceeding $3,700 are subject to a manual medical review process. The $3,700 threshold is applied separately to the combined physical therapy/speech therapy cap and the occupational therapy cap. The CHIP Act requires the Secretary of Health and Human Services to replace the manual medical review process with a new medical review process using such factors as the Secretary may determine to be appropriate. The CHIP Act specifies that such factors may include: (a) whether the therapy provider has a high claims denial percentage for therapy services or is less compliant with applicable requirements; (b) whether the therapy provider has a pattern of billing for therapy services that is aberrant or questionable compared with peers, or otherwise has questionable billing practices, such as billing medically unlikely units of services in a day; (c) whether the therapy provider is newly enrolled or has not previously furnished therapy under Medicare; (d) the types of medical conditions treated by the services; and (e) whether the therapy provider is part of a group. The new factors apply to exception requests for which CMS has not conducted a medical review by July 15, 2015.

Operating Statistics

The following tables set forth operating statistics for each of our operating segments for each of the periods presented. The operating statistics reflect data for the period of time these operations were managed by us.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Specialty Hospitals Data[1]:	**2014**	**2015**	**2014**	**2015**
Number of hospitals owned - start of period	119	119	115	120
Number of hospitals acquired	1	-	1	1
Number of hospital start-ups	2	-	6	1
Number of hospitals closed/sold	(2)	(1)	(2)	(4)
Number of hospitals owned - end of period	120	118	120	118
Number of hospitals managed - end of period	9	9	9	9
Total number of hospitals (all) - end of period	129	127	129	127
Long term acute care hospitals	113	110	113	110
Rehabilitation hospitals	16	17	16	17
Available licensed beds [2]	5,311	5,150	5,311	5,150
Admissions [2]	13,787	13,927	41,524	42,352
Patient days [2]	332,120	338,412	1,004,049	1,034,166
Average length of stay (days) [2]	24	24	24	24
Net revenue per patient day [2][3]	$ 1,543	$ 1,522	$ 1,546	$ 1,563
Occupancy rate [2]	68%	71%	70%	72%
Percent patient days - Medicare [2]	62%	59%	63%	60%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2015**	**2014**	**2015**
Outpatient Rehabilitation Data:				
Number of clinics owned - start of period	901	881	885	880
Number of clinics acquired	2	-	14	7
Number of clinic start-ups	7	11	16	19
Number of clinics closed/sold	(27)	(2)	(32)	(16)
Number of clinics owned - end of period	883	890	883	890
Number of clinics managed - end of period	140	143	140	143
Total number of clinics (all) - end of period	1,023	1,033	1,023	1,033
Number of visits [2]	1,239,932	1,306,637	3,704,504	3,879,409
Net revenue per visit [2][4]	$ 103	$ 103	$ 104	$ 103

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015 [7]
Concentra Data:		
Number of centers owned - start of period	300	-
Number of centers acquired	-	300
Total number of centers - end of period	300	300
Number of visits [5]	1,980,496	2,654,330
Net revenue per visit [5][6]	$ 114	$ 114

(1) Specialty hospitals consist of LTCHs and IRFs.
(2) Data excludes specialty hospitals and outpatient clinics managed by the Company.
(3) Net revenue per patient day is calculated by dividing specialty hospital direct patient service revenues by the total number of patient days.
(4) Net revenue per visit is calculated by dividing outpatient rehabilitation clinic direct patient service revenue by the total number of visits. For purposes of this computation, outpatient rehabilitation direct patient service clinic revenue does not include contract therapy revenue.
(5) Data excludes onsite clinics and community-based outpatient clinics.
(6) Net revenue per visit is calculated by dividing center direct patient service revenue by the total number of center visits.
(7) The selected financial data for the Company's Concentra segment for the periods presented begins as of June 1, 2015, which is the date the Concentra acquisition was consummated.

Results of Operations

The following table outlines, for the periods indicated, selected operating data as a percentage of net operating revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2015**	**2014**	**2015**
Net operating revenues	100.0%	100.0%	100.0%	100.0%
Cost of services[(1)]	85.0	88.2	84.0	85.4
General and administrative	2.6	2.2	2.5	2.5
Bad debt expense	1.4	1.8	1.4	1.6
Depreciation and amortization	2.3	3.1	2.2	2.6
Income from operations	8.7	4.7	9.9	7.9
Loss on early retirement of debt	-	-	(0.1)	-
Equity in earnings of unconsolidated subsidiaries	0.3	0.6	0.2	0.5
Gain on sale of equity investment	-	2.9	-	1.1
Interest expense	(2.9)	(3.2)	(2.8)	(3.0)
Income before income taxes	6.1	5.0	7.2	6.5
Income tax expense	2.4	1.8	2.8	2.4
Net income	3.7	3.2	4.4	4.1
Net income attributable to non-controlling interests	0.2	0.3	0.3	0.3
Net income attributable to Holdings and Select	3.5%	2.9%	4.1%	3.8%

The following tables summarize selected financial data by business segment, for the periods indicated:

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2015	% Change	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2015	% Change
	(in thousands)			(in thousands)		
Net operating revenues:						
Specialty hospitals	$556,335	$562,328	1.1%	$1,678,793	$1,753,445	4.4%
Outpatient rehabilitation	201,720	199,593	(1.1)	614,368	603,831	(1.7)
Concentra(2)		258,969	N/A		345,798	N/A
Other(3)	14	233	N/M	248	457	N/M
Total company	$758,069	$1,021,123	34.7%	$2,293,409	$2,703,531	17.9%
Income (loss) from operations:						
Specialty hospitals	$67,505	$39,874	(40.9)%	$223,181	$201,166	(9.9)%
Outpatient rehabilitation	19,802	20,560	3.8	64,786	65,098	0.5
Concentra(2)		11,457	N/A		13,747	N/A
Other(3)	(21,290)	(23,677)	(11.2)	(61,313)	(67,521)	(10.1)
Total company	$66,017	$48,214	(27.0)%	$226,654	$212,490	(6.2)%
Adjusted EBITDA:(4)						
Specialty hospitals	$80,950	$53,656	(33.7)%	$261,788	$241,575	(7.7)%
Outpatient rehabilitation	23,012	23,807	3.5	74,433	74,662	0.3
Concentra(2)		25,584	N/A		36,783	N/A
Other(3)	(17,162)	(18,536)	(8.0)	(51,239)	(54,672)	(6.7)
Total company	$86,800	$84,511	(2.6)%	$284,982	$298,348	4.7%
Adjusted EBITDA margin:(4)						
Specialty hospitals	14.6%	9.5%		15.6%	13.8%	
Outpatient rehabilitation	11.4	11.9		12.1	12.4	
Concentra(2)		9.9			10.6	
Other(3)	N/M	N/M		N/M	N/M	
Total company	11.5%	8.3%		12.4%	11.0%	
Purchases of property and equipment:						
Specialty hospitals	$18,167	$27,494		$59,465	$ 81,329	
Outpatient rehabilitation	3,430	4,023		9,606	11,048	
Concentra(2)		9,640			13,494	
Other(3)	1,260	3,923		4,279	8,121	
Total company	$22,857	$45,080		$73,350	$113,992	

	As of September 30,	
	2014	2015
	(in thousands)	
Total assets:		
Specialty hospitals	$ 2,223,808	$ 2,333,049
Outpatient rehabilitation	531,285	541,435
Concentra[2]		1,332,975
Other[3]	106,984	106,946
Total company	$ 2,862,077	$ 4,314,405

N/M — Not Meaningful
N/A — Not Applicable

(1) Cost of services includes salaries, wages and benefits, operating supplies, lease and rent expense and other operating costs.

(2) Concentra's financial results are consolidated with Select's effective June 1, 2015.

(3) Other includes our corporate services and certain other non-consolidating joint ventures and minority investments in other healthcare related businesses.

(4) We define Adjusted EBITDA as net income before interest, income taxes, depreciation and amortization, gain (loss) on early retirement of debt, stock compensation expense, Concentra acquisition costs, equity in earnings (losses) of unconsolidated subsidiaries, and gain on sale of equity investment. We believe that the presentation of Adjusted EBITDA is important to investors because Adjusted EBITDA is commonly used as an analytical indicator of performance by investors within the healthcare industry. Adjusted EBITDA is used by management to evaluate financial performance and determine resource allocation for each of our operating units. Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles. Items excluded from Adjusted EBITDA are significant components in understanding and assessing financial performance. Adjusted EBITDA should not be considered in isolation or as an alternative to, or substitute for, net income, cash flows generated by operations, investing or financing activities, or other financial statement data presented in the consolidated financial statements as indicators of financial performance or liquidity. Because Adjusted EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, Adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies.

Following is a reconciliation of net income to Adjusted EBITDA as utilized by us in reporting our segment performance:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2015	2014	2015
	(in thousands)		(in thousands)	
Net income	$ 28,296	$ 32,810	$ 100,657	$ 110,149
Income tax expense	17,956	18,347	63,823	65,048
Interest expense	21,753	33,052	64,032	79,728
Loss on early retirement of debt	-	-	2,277	-
Gain on sale of equity investment	-	(29,647)	-	(29,647)
Equity in earnings of unconsolidated subsidiaries	(1,988)	(6,348)	(4,135)	(12,788)
Stock compensation expense:				
Included in general and administrative	2,650	3,433	5,840	8,073
Included in cost of services	549	1,392	1,479	2,402
Depreciation and amortization	17,584	31,472	51,009	70,668
Concentra acquisition costs	-	-	-	4,715
Adjusted EBITDA	$ 86,800	$ 84,511	$ 284,982	$ 298,348

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

In the following, we discuss our results of operations related to net operating revenues, operating expenses, Adjusted EBITDA, income from operations, equity in earnings of unconsolidated subsidiaries, gain on sale of equity investment, interest expense, income taxes and non-controlling interest, which are the same for Holdings and Select.

Net Operating Revenues

Our net operating revenues increased by 34.7% to $1,021.1 million for the three months ended September 30, 2015, compared to $758.1 million for the three months ended September 30, 2014.

Specialty Hospital Segment. Net operating revenues increased 1.1% to $562.3 million for the three months ended September 30, 2015, compared to $556.3 million for the three months ended September 30, 2014. The segment experienced growth in its net operating revenues primarily from a 1.9% increase in patient days offset in part by a 1.4% decrease in our net revenue per patient day. Patient days increased to 338,412 days for the three months ended September 30, 2015, as compared to 332,120 days for the three months ended September 30, 2014. The occupancy percentage was 71% for the three months ended September 30, 2015, compared to 68% for the three months ended September 30, 2014. The average net revenue per patient day decreased to $1,522 for the three months ended September 30, 2015, compared to $1,543 for the three months ended September 30, 2014, principally due to a decrease in our Medicare net revenue per patient day. Our Medicare net revenue per patient day was adversely affected by the anticipated conversion of most of our LTCHs to an August 31 Medicare cost report year-end. In May 2015, we received authorization from certain of our fiscal intermediaries to change the Medicare cost report year-end for most of our LTCHs to August 31. The LTCHs, which had a variety of year-end dates, began preparation for “stub” or shortened cost report years ending on August 31. With only a few months left in the current Medicare year, LTCHs with average lengths of stay below 25 days needed to be selective regarding admissions in order to meet the Medicare requirement that LTCHs have an average length of stay greater than 25 days. These LTCHs limited their admission of short stay patients and therefore experienced a decline in short stay volumes in the third quarter. Many of the patients admitted by such LTCHs had longer stays that had the effect of decreasing our Medicare rate in the third quarter. In July 2015, the fiscal intermediaries rescinded their approvals for the change of the Medicare cost report year-end for most of our LTCHs to August 31.

Outpatient Rehabilitation Segment. Net operating revenues decreased to $199.6 million for the three months ended September 30, 2015, compared to $201.7 million for the three months ended September 30, 2014. This decrease resulted from a reduction in net operating revenues at our contract therapy business, offset in part by increases in net operating revenues at our outpatient rehabilitation clinics. The net operating revenues generated by our outpatient rehabilitation clinics for the three months ended September 30, 2015 increased 6.0%, compared to the three months ended September 30, 2014. This growth was principally due to a 5.4% increase in visits to 1,306,637 visits at our owned clinics. Net revenue per visit in our owned outpatient rehabilitation clinics was $103 for both the three months ended September 30, 2015 and 2014. The net operating revenues generated by our contract therapy business for the three months ended September 30, 2015 decreased $11.4 million, compared to the three months ended September 30, 2014, principally from contract terminations.

Concentra Segment. Net operating revenues were $259.0 million, visits were 1,980,496 in the centers, and net revenue per visit was $114 for the three months ended September 30, 2015.

Operating Expenses

Our operating expenses include our cost of services, general and administrative expense, and bad debt expense. Our operating expenses increased to $941.4 million, or 92.2% of net operating revenues, for the three months ended September 30, 2015, compared to $674.5 million, or 89.0% of net operating revenues, for the three months ended September 30, 2014. Our cost of services, a major component of which is labor expense, was $900.9 million, or 88.2% of net operating revenues, for the three months ended September 30, 2015, compared to $644.4 million, or 85.0% of net operating revenues, for the three months ended September 30, 2014. A principal cause of the increase in cost of services, as a percentage of net operating revenues, resulted from higher relative cost of services in our specialty hospital segment due to increased labor costs associated with several training initiatives, including training to prepare for the adoption of patient criteria and incremental costs associated with a higher staff turnover rate for the three months ended September 30, 2015 as compared to 2014. Additionally, our Concentra segment operated with a higher relative cost of services percentage to net operating revenues during the three months ended September 30, 2015 as compared to the relative cost of services percentage to net operating revenues experienced overall by Select in the three months ended September 30, 2014. This had the effect of increasing the total cost of services as a percentage of net operating revenues for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. Facility rent expense, a component of cost of services, was $47.1 million, including $13.5 million at Concentra, for the three months ended September 30, 2015, compared to $32.5 million for the three months ended September 30, 2014. General and administrative expenses were $22.2 million, or 2.2% of net operating revenues, for the three months ended September 30, 2015, compared to $19.7 million, or 2.6% of net operating revenues, for the three months ended September 30, 2014. The decrease in general and administrative expenses as a percentage of net operating revenues resulted principally from the addition of Concentra. Our bad debt expense was $18.3 million, or 1.8% of net operating revenues, for the three months ended September 30, 2015, compared to $10.4 million, or 1.4% of net operating revenues, for the three months ended September 30, 2014, principally as a result of higher relative bad debt expense in our specialty hospitals and at Concentra.

Adjusted EBITDA

Specialty Hospital Segment. Adjusted EBITDA for our specialty hospital segment decreased to $53.7 million for the three months ended September 30, 2015, compared to $81.0 million for the three months ended September 30, 2014. The Adjusted EBITDA margin for the segment was 9.5% for the three months ended September 30, 2015, compared to 14.6% for the three months ended September 30, 2014. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the segment was attributable to the increased labor costs as discussed above under *"Operating Expenses."*

Outpatient Rehabilitation Segment. The Adjusted EBITDA for our outpatient rehabilitation segment increased 3.5% to $23.8 million for the three months ended September 30, 2015, compared to $23.0 million for the three months ended September 30, 2014. The Adjusted EBITDA margin for the segment was 11.9% for the three months ended September 30, 2015, compared to 11.4% for the three months ended September 30, 2014. The Adjusted EBITDA in our outpatient rehabilitation clinics increased by $1.6 million for the three months ended September 30, 2015, compared to the three months ended September 30, 2014. The increase in Adjusted EBITDA for our outpatient rehabilitation clinics was principally the result of increases in patient volume as discussed above under *"Net Operating Revenues."* The Adjusted EBITDA margin for our outpatient rehabilitation clinics was 13.8% for the three months ended September 30, 2015, compared to 13.6% for the three months ended September 30, 2014. Our contract therapy business experienced a decrease in Adjusted EBITDA of $0.8 million for the three months ended September 30, 2015, compared to the three months ended September 30, 2014, which principally resulted from contract terminations as discussed above under *"Net Operating Revenues."*

Concentra Segment. Adjusted EBITDA and the Adjusted EBITDA margin were $25.6 million and 9.9%, respectively, for the three months ended September 30, 2015.

Depreciation and Amortization

Depreciation and amortization expense was $31.5 million, including $13.3 million at Concentra, for the three months ended September 30, 2015, compared to $17.6 million for the three months ended September 30, 2014.

Income from Operations

For the three months ended September 30, 2015, we had income from operations of $48.2 million, compared to $66.0 million for the three months ended September 30, 2014. The decrease in our income from operations resulted principally from the increase in operating expenses of our specialty hospital segment as discussed above under *"Operating Expenses."*

Equity in Earnings of Unconsolidated Subsidiaries

For the three months ended September 30, 2015, we had equity in earnings of unconsolidated subsidiaries of $6.3 million, compared to $2.0 million for the three months ended September 30, 2014. The increase in our equity in earnings of unconsolidated subsidiaries resulted from increased earnings associated with several of our inpatient rehabilitation joint ventures and improved financial results at the start-up companies in which we own a non-controlling interest.

Gain on Sale of Equity Investment

For the three months ended September 30, 2015, we had a gain on the sale of an equity investment of $29.6 million. The equity investment was a start-up company investment in which we owned a non-controlling interest.

Interest Expense

Interest expense was $33.1 million for the three months ended September 30, 2015, compared to $21.8 million for the three months ended September 30, 2014. The increase in interest expense was principally due to increases in our indebtedness to finance the Concentra acquisition.

Income Taxes

We recorded income tax expense of $18.3 million for the three months ended September 30, 2015. The expense represented an effective tax rate of 35.9%. We recorded income tax expense of $18.0 million for the three months ended September 30, 2014. The expense represented an effective tax rate of 38.8%.

Our quarterly effective income tax rate is derived from our full year estimated effective income tax rate and can be impacted by discreet items and quarterly changes in our full year tax provision estimate.

Non-Controlling Interests

Non-controlling interests in consolidated earnings were $3.4 million for the three months ended September 30, 2015, compared to $1.8 million for the three months ended September 30, 2014. These amounts represent the minority interest's share of income and losses in consolidated entities which our ownership is less than 100.0%

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

In the following, we discuss our results of operations related to net operating revenues, operating expenses, Adjusted EBITDA, income from operations, loss on early retirement of debt, equity in earnings of unconsolidated subsidiaries, gain on sale of equity investment, interest expense, income taxes and non-controlling interest, which are the same for Holdings and Select.

Net Operating Revenues

Our net operating revenues increased by 17.9% to $2,703.5 million for the nine months ended September 30, 2015, compared to $2,293.4 million for the nine months ended September 30, 2014.

Specialty Hospitals Segment. Net operating revenues increased 4.4% to $1,753.4 million for the nine months ended September 30, 2015, compared to $1,678.8 million for the nine months ended September 30, 2014. The segment experienced growth in its patient services revenues which resulted from increases in patient days and an increase in our net revenues per patient day. Patient days increased to 1,034,166 days for the nine months ended September 30, 2015, as compared to 1,004,049 days for the nine months ended September 30, 2014. The occupancy percentage was 72% for the nine months ended September 30, 2015, compared to 70% for the nine months ended September 30, 2014. The average net revenue per patient day increased to $1,563 for the nine months ended September 30, 2015, compared to $1,546 for the nine months ended September 30, 2014, due to increases in both our Medicare and non-Medicare net revenue per patient day.

Outpatient Rehabilitation Segment. Net operating revenues decreased to $603.8 million for the nine months ended September 30, 2015, compared to $614.4 million for the nine months ended September 30, 2014. This decrease resulted from a reduction in net operating revenues at our contract therapy business, offset in part by increases in the segment's net operating revenues at our outpatient rehabilitation clinics. The net operating revenues generated by our outpatient rehabilitation clinics for the nine months ended September 30, 2015 increased 5.0%, compared to the nine months ended September 30, 2014. This growth was principally due to a 4.7% increase in visits to 3,879,409 at our owned clinics. Net revenue per visit in our owned outpatient rehabilitation clinics was $103 for the nine months ended September 30, 2015, compared to $104 for the nine months ended September 30, 2014. The net operating revenues generated by our contract therapy business for the nine months ended September 30, 2015 decreased $33.7 million compared to the nine months ended September 30, 2014, which principally resulted from contract terminations.

Concentra Segment. For the period from June 1, 2015 to September 30, 2015, net operating revenues were $345.8 million, visits were 2,654,330 in the centers, and net revenue per visit was $114.

Operating Expenses

Our operating expenses include our cost of services, general and administrative expense, and bad debt expense. Our operating expenses increased to $2,420.4 million, or 89.5% of net operating revenues, for the nine months ended September 30, 2015, compared to $2,015.7 million, or 87.9% of net operating revenues, for the nine months ended September 30, 2014. Our cost of services, a major component of which is labor expense, was $2,309.2 million, or 85.4% of net operating revenues, for the nine months ended September 30, 2015, compared to $1,926.0 million, or 84.0% of net operating revenues for the nine months ended September 30, 2014. The principal cause of the increase in cost of services as a percentage of net operating revenues resulted from higher relative cost of services in our recently acquired Concentra segment as compared to the relevant cost of services percentage to net operating revenues experienced overall by Select in the nine months ended September 30, 2014 and increases in our cost of services in our specialty hospital segment, as discussed above under "*Operating Expenses*" for the three months ended September 30, 2015. Facility rent expense, a component of cost of services, was $118.2 million, including $18.0 million at Concentra, for the nine months ended September 30, 2015, compared to $96.1 million for the nine months ended September 30, 2014. General and administrative expenses were $67.9 million, or 2.5% of net operating revenues, for the nine months ended September 30, 2015, compared to $57.2 million, or 2.5% of net operating revenues, for the nine months ended September 30, 2014. The increase in general and administrative expenses resulted primarily from Concentra acquisition costs of $4.7 million. Our bad debt expense was $43.2 million, or 1.6% of net operating revenues, for the nine months ended September 30, 2015, compared to $32.5 million, or 1.4% of net operating revenues, for the nine months ended September 30, 2014. This is principally a result of higher relative bad debt expense in our specialty hospitals and at Concentra.

Adjusted EBITDA

Specialty Hospital Segment. Adjusted EBITDA for the specialty hospital segment decreased to $241.6 million for the nine months ended September 30, 2015, compared to $261.8 million for the nine months ended September 30, 2014. The Adjusted EBITDA margin for the segment was 13.8% for the nine months ended September 30, 2015, compared to 15.6% for the nine months ended September 30, 2014. The decline in Adjusted EBITDA and Adjusted EBITDA margin for our specialty hospitals was attributable to increases in our cost of services and bad debt expense as discussed above under *"Operating Expenses."*

Outpatient Rehabilitation Segment. Adjusted EBITDA for the outpatient rehabilitation segment increased to $74.7 million for the nine months ended September 30, 2015, compared to $74.4 million for the nine months ended September 30, 2014. The Adjusted EBITDA margin for the segment was 12.4% for the nine months ended September 30, 2015, compared to 12.1% for the nine months ended September 30, 2014. The Adjusted EBITDA in our outpatient rehabilitation clinics increased by $4.8 million for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014. The increase in Adjusted EBITDA for our outpatient rehabilitation clinics was principally the result of increases in net operating revenues as discussed above under *"Net Operating Revenues."* The Adjusted EBITDA margin for our outpatient rehabilitation clinics was 14.0% for the nine months ended September 30, 2015, compared to 13.7% for the nine months ended September 30, 2014. Our contract therapy business experienced a decrease in Adjusted EBITDA of $4.5 million, compared to the nine months ended September 30, 2014, which principally resulted from contract terminations as discussed above under *"Net Operating Revenues."*

Concentra Segment. For the period June 1, 2015 to September 30, 2015, Adjusted EBITDA was $36.8 million and the Adjusted EBITDA margin for the segment was 10.6%.

Depreciation and Amortization

Depreciation and amortization expense was $70.7 million, including $17.5 million at Concentra, for the nine months ended September 30, 2015, compared to $51.0 million for the nine months ended September 30, 2014.

Income from Operations

For the nine months ended September 30, 2015, we had income from operations of $212.5 million, compared to $226.7 million for the nine months ended September 30, 2014. The decrease in our income from operations resulted principally from our specialty hospital segment, as discussed above under *"Operating Expenses,"* and was offset in part by the incremental effects of our Concentra segment since June 1, 2015.

Loss on Early Retirement of Debt

On March 4, 2014, we amended the Select term loans under the Select credit facilities. During the six months ended March 31, 2014, we recognized a loss of $2.3 million for unamortized debt issuance costs, unamortized original issue discount and certain fees incurred related to the Select term loan modifications.

Equity in Earnings of Unconsolidated Subsidiaries

For the nine months ended September 30, 2015, we had equity in earnings of unconsolidated subsidiaries of $12.8 million, compared to equity in earnings of unconsolidated subsidiaries of $4.1 million for the nine months ended September 30, 2014. The increase in our equity in earnings of unconsolidated subsidiaries resulted from increased earnings associated with several of our inpatient rehabilitation joint ventures and improved financial results at the start-up companies in which we own a non-controlling interest.

Gain on Sale of Equity Investment

For the nine months ended September 30, 2015, we had a gain on the sale of an equity investment of $29.6 million. The equity investment was a start-up company investment in which we owned a non-controlling interest.

Interest Expense

Interest expense was $79.7 million for the nine months ended September 30, 2015, compared to $64.0 million for the nine months ended September 30, 2014. The increase in interest expense was principally due to increases in our indebtedness to finance the Concentra acquisition.

Income Taxes

We recorded income tax expense of $65.0 million for the nine months ended September 30, 2015. The expense represented an effective tax rate of 37.1%. We recorded income tax expense of $63.8 million for the nine months ended September 30, 2014. The expense represented an effective tax rate of 38.8%.

Non-Controlling Interests

Non-controlling interests in consolidated earnings were $8.7 million for the nine months ended September 30, 2015, compared to $5.7 million for the nine months ended September 30, 2014. These amounts represent the minority owner's share of income and losses in consolidated entities which our ownership is less than 100.0%.

Liquidity and Capital Resources

Cash Flows for the Nine Months Ended September 30, 2015 and Nine Months Ended September 30, 2014

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2015
	(in thousands)	
Cash provided by operating activities	$ 152,243	$ 203,431
Cash used in investing activities	(77,696)	(1,130,929)
Cash provided by (used by) financing activities	(67,837)	946,779
Increase in cash and equivalents	6,710	19,281
Cash and equivalents at beginning of period	4,319	3,354
Cash and equivalents at end of period	$ 11,029	$ 22,635

Our operating activities provided $203.4 million of cash flows for the nine months ended September 30, 2015. Our operating activities provided $152.2 million of cash flows for the nine months ended September 30, 2014. The increase in our operating cash flows in the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014, is principally due to changes in working capital, which was affected by the timing of cash payments related principally to accrued expenses and income taxes.

Our days sales outstanding were 52 days at September 30, 2015, compared to 53 days at December 31, 2014, and 50 days at September 30, 2014. Our days sales outstanding will fluctuate based upon variability in our collection cycles and are significantly affected by the timing of our Medicare periodic interim payments. Our days sales outstanding at September 30, 2015, December 31, 2014 and September 30, 2014 all fell within our expected range of normal collection activity.

Investing activities used $1,130.9 million of cash flow for the nine months ended September 30, 2015, principally due to $1,047.2 million related to the Concentra acquisition and $114.0 million for purchases of property and equipment. Investing activities used $77.7 million of cash flow for the nine months ended September 30, 2014, principally due to $73.4 million related to the purchase of property and equipment.

Financing activities provided $946.8 million of cash flow for the nine months ended September 30, 2015. The principal sources of cash for financing activities were $165.0 million of net borrowings under the Select revolving facility, $646.9 million borrowed under the Concentra credit facilities, and $217.1 million attributable to non-consolidating interests in Group Holdings. The principal uses of cash for financing activities were for Select's $26.9 million for a mandatory prepayment of term loans under the Select credit facilities, $23.3 million for Concentra's debt issuance costs, $13.6 million for common stock repurchases and $13.1 million for dividend payments to common stockholders.

Financing activities used $67.8 million of cash flow for the nine months ended September 30, 2014. Cash was provided by $20.0 million in net borrowings on the Select revolving facility and $111.7 million from Select's issuance of additional 6.375% senior notes, offset in part by $129.1 million for common stock repurchases, $40.3 for dividend payments to common stockholders, and a $34.0 million mandatory prepayment of term loans under the Select credit facilities.

Capital Resources

Working capital — We had net working capital of $179.0 million at September 30, 2015, compared to net working capital of $133.2 million at December 31, 2014. The increase in net working capital is primarily due to the acquisition of Concentra.

Select credit facilities — On March 4, 2015, Select made a principal prepayment of $26.9 million associated with the Select term loans in accordance with the provision in the Select credit facilities that requires mandatory prepayments of the Select term loans as a result of annual excess cash flow as defined in the Select credit facilities.

At September 30, 2015, Select had outstanding borrowings under the Select credit facilities of $753.3 million (excluding unamortized original issue discounts of $3.1 million) of the Select term loans and borrowings of $225.0 million (excluding letters of credit) under the Select revolving facility. Select had $186.1 million of availability under the Select revolving facility (after giving effect to $38.9 million of outstanding letters of credit) at September 30, 2015.

The Select credit facilities require us to maintain certain leverage ratios (as defined in the Select credit facilities). For the four consecutive fiscal quarters ended September 30, 2015, Select was required to maintain its leverage ratio (its ratio of total indebtedness to consolidated EBITDA) at less than 5.00 to 1.00. Select's leverage ratio was 4.92 to 1.00 as of September 30, 2015.

Select revolving facility credit extension amendment — On May 20, 2015, Select entered into an additional credit extension amendment to the Select revolving facility. Pursuant to the terms and conditions of the additional credit extension amendment, the lenders named therein committed an additional $100.0 million in incremental revolving commitments that mature on March 1, 2018. All other material terms and conditions applicable to the Select revolving facility are applicable to incremental revolving commitments created under the additional credit extension amendment.

Concentra credit facilities — MJ Acquisition Corporation used borrowings under the Concentra credit facilities to pay Humana a portion of the purchase price for all of the issued and outstanding stock of Concentra. While this debt is non-recourse to Select, it is included in Select's consolidated financial statements.

Concentra Transaction — On June 1, 2015, MJ Acquisition Corporation, as the initial borrower, entered into the Concentra first lien credit agreement. Concentra, as the surviving entity of the merger between MJ Acquisition Corporation and Concentra, became the borrower under the Concentra first lien credit agreement on June 1, 2015. The Concentra first lien credit agreement provides for the Concentra first lien term loan and Concentra revolving facility. The borrowings under the Concentra first lien credit agreement are guaranteed, on a first lien basis, by Concentra Holdings, Inc., the direct parent of Concentra, the domestic subsidiaries of Concentra and will be guaranteed by Concentra's future domestic subsidiaries and secured by substantially all of Concentra's and its domestic subsidiaries' existing and future property and assets and by a pledge of Concentra's capital stock, the capital stock of Concentra's domestic subsidiaries and up to 65% of the voting capital stock and 100% of the non-voting capital stock of Concentra's foreign subsidiaries, if any.

Borrowings under the Concentra first lien credit agreement will bear interest at a rate equal to:

- in the case of the Concentra first lien term loan, Adjusted LIBO (as defined in the Concentra first lien credit agreement) plus 3.00% (subject to a LIBOR floor of 1.00%), or Alternate Base Rate (as defined in the Concentra first lien credit agreement) plus 2.00% (subject to an Alternate Base Rate floor of 2.00%); and
- in the case of the Concentra revolving facility, Adjusted LIBO plus a percentage ranging from 2.75% to 3.00%, or Alternate Base Rate plus a percentage ranging from 1.75% to 2.00%, in each case based on Concentra's leverage ratio.

The Concentra first lien term loan will amortize in equal quarterly installments on the last day of each March, June, September and December in aggregate annual amounts equal to 0.25% of the original principal amount of the Concentra first lien term loan commencing in September 2015. The balance of the Concentra first lien term loan will be payable on June 1, 2022. The Concentra revolving facility will be payable on June 1, 2020.

Concentra will be required to prepay borrowings under the Concentra first lien credit agreement with (1) 100% of the net cash proceeds received from non-ordinary course asset sales or other dispositions, or as a result of a casualty or condemnation, subject to reinvestment provisions and other customary carveouts and the payment of certain indebtedness secured by liens, (2) 100% of the net cash proceeds received from the issuance of debt obligations other than certain permitted debt obligations, and (3) 50% of excess cash flow (as defined in the Concentra first lien credit agreement) if Concentra's leverage ratio is greater than 4.25 to 1.00 and 25% of excess cash flow if Concentra's leverage ratio is less than or equal to 4.25 to 1.00 and greater than 3.75 to 1.00, in each case, reduced by the aggregate amount of term loans and certain debt secured on a pari passu basis optionally prepaid during the applicable fiscal year and the aggregate amount of revolving commitments hereunder reduced permanently during the applicable fiscal year (other than in connection with a refinancing). Concentra will not be required to prepay borrowings with excess cash flow if Concentra's leverage ratio is less than or equal to 3.75 to 1.00.

The Concentra first lien credit agreement require Concentra to maintain a leverage ratio (based upon the ratio of indebtedness for money borrowed to consolidated EBITDA, as defined in the Concentra first lien credit agreement) of 5.25 to 1.00 which is tested quarterly, but only if Revolving Exposure (as defined in the Concentra first lien credit agreement) exceeds 30% of Revolving Commitments (as defined in the Concentra first lien credit agreement) on such day. Failure to comply with this covenant would result in an event of default under the Concentra revolving facility only and, absent a waiver or an amendment from the lenders, preclude Concentra from making further borrowings under the Concentra revolving facility and permit the lenders to accelerate all outstanding borrowings under the Concentra revolving facility. Upon such acceleration, Concentra's failure to comply with the financial covenant would result in an Event of Default with respect to the Concentra first lien term loan.

On June 1, 2015, MJ Acquisition Corporation, as the initial borrower, also entered into the Concentra second lien credit agreement. Concentra, as the surviving entity of the merger between MJ Acquisition Corporation and Concentra, became the borrower under the Concentra second lien credit agreement on June 1, 2015. The Concentra second lien credit agreement provides for the Concentra second lien term loan. The borrowings under the Concentra second lien term loan are guaranteed, on a second lien basis, by Concentra Holdings, Inc., the domestic subsidiaries of Concentra and will be guaranteed by Concentra's future domestic subsidiaries and secured by substantially all of Concentra's and its domestic subsidiaries' existing and future property and assets and by a pledge of Concentra's capital stock, the capital stock of Concentra's domestic subsidiaries and up to 65% of the voting capital stock and 100% of the non-voting capital stock of Concentra's foreign subsidiaries, if any.

Borrowings under the Concentra second lien term loan will bear interest at a rate equal to Adjusted LIBO Rate (as defined in the Concentra second lien credit agreement) plus 8.00% (subject to a LIBOR floor of 1.00%), or Alternate Base Rate (as defined in the Concentra second lien credit agreement) plus 7.00% (subject to an Alternate Base Rate floor of 2.00%).

In the event that, on or prior to June 1, 2016, Concentra prepays any of the Concentra second lien term loan to refinance such term loans, Concentra shall pay a premium of 2.00% of the aggregate principal amount of the Concentra second lien term loan so prepaid and if Concentra prepays any of the Concentra second lien term loan to refinance such term loans on or prior to June 1, 2017, Concentra shall pay a premium of 1.00% of the aggregate principal amount of the Concentra second lien term loan so prepaid. The Concentra second lien term loan will be payable on June 1, 2023.

To the extent such amounts are not used to make a mandatory prepayment under the Concentra first lien credit agreement or to repay revolving indebtedness accompanied by a corresponding permanent reduction in the related revolving commitments, Concentra will be required to prepay borrowings under the Concentra second lien term loan with (1) 100% of the net cash proceeds received from non-ordinary course asset sales or other dispositions, or as a result of a casualty or condemnation, subject to reinvestment provisions and other customary carveouts and the payment of certain indebtedness secured by liens, (2) 100% of the net cash proceeds received from the issuance of debt obligations other than certain permitted debt obligations, and (3) 50% of excess cash flow (as defined in the Concentra second lien credit agreement) if Concentra's leverage ratio is greater than 4.25 to 1.00 and 25% of excess cash flow if Concentra's leverage ratio is less than or equal to 4.25 to 1.00 and greater than 3.75 to 1.00, in each case, reduced by the aggregate amount of term loans and certain debt secured on a pari passu basis optionally prepaid during the applicable fiscal year and the aggregate amount of senior revolving commitments reduced permanently during the applicable fiscal year (other than in connection with a refinancing). Concentra will not be required to prepay borrowings with excess cash flow if Concentra's leverage ratio is less than or equal to 3.75 to 1.00.

The Concentra credit facilities also contain a number of affirmative and restrictive covenants, including limitations on mergers, consolidations and dissolutions; sales of assets; investments and acquisitions; indebtedness; liens; affiliate transactions; and dividends and restricted payments. The Concentra credit facilities contain events of default for non-payment of principal and interest when due (subject to a grace period for interest), cross-default and cross-acceleration provisions and an event of default that would be triggered by a change of control.

Select and Holdings are not parties to the Concentra credit facilities and are not obligors with respect to Concentra's debt under such agreements.

At September 30, 2015, Concentra had outstanding borrowings under its credit facilities of $648.9 million of term loans (excluding unamortized original issue discounts of $3.0 million) and no borrowings under the revolving facility (excluding letters of credit). Concentra had $44.0 million of availability under its revolving credit facility (after giving effect to $6.0 million of outstanding letters of credit) at September 30, 2015.

Stock Repurchase Program — Holdings' board of directors has authorized a common stock repurchase program to repurchase up to $500.0 million worth of shares of its common stock. The program will remain in effect until December 31, 2016, unless extended or earlier terminated by the board of directors. Stock repurchases under this program may be made in the open market or through privately negotiated transactions, and at times and in such amounts as Holdings deems appropriate. Holdings is funding this program with cash on hand and borrowings under the Select revolving facility. During the nine months ended September 30, 2015, Holdings repurchased 1,032,334 shares at a cost of approximately $13.6 million, an average cost per share of $13.20, which includes transaction costs. Since the inception of the program through September 30, 2015, Holdings has repurchased 35,924,128 shares at a cost of approximately $314.7 million, or $8.76 per share, which includes transaction costs.

Liquidity — We believe our internally generated cash flows and borrowing capacity under the Select credit facilities will be sufficient to finance operations over the next twelve months. We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions, tender offers, or otherwise. Such repurchases or exchanges, if any, may be funded from operating cash flows or other sources and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Use of Capital Resources — We may from time to time pursue opportunities to develop new joint venture relationships with significant health systems and other healthcare providers, and from time to time we may also develop new inpatient rehabilitation hospitals. We also intend to open new outpatient rehabilitation clinics in local areas that we currently serve where we can benefit from existing referral relationships and brand awareness to produce incremental growth. In addition to our development activities, we may grow our network of specialty hospitals through opportunistic acquisitions.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. The original standard was effective for fiscal years beginning after December 15, 2016; however, in July 2015, the FASB approved a one-year deferral of this standard, with a new effective date for fiscal years beginning after December 15, 2017. The Company is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In April and August 2015, the FASB issued ASU No. 2015-03 and ASU No. 2015-15, *Interest-Imputation of Interest*, respectively, to simplify the presentation of debt issuance costs. The standard requires debt issuance costs be presented in the balance sheet as a direct deduction from the carrying value of the debt liability. The FASB clarified that debt issuance costs related to line-of-credit arrangements can be presented as an asset and amortized over the term of the arrangement. The guidance is effective for annual fiscal periods beginning after December 15, 2015. Early adoption is permitted, however the Company will defer. The Company is currently evaluating the standard to determine the impact it will have on its consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments,* which changes the reporting requirement for retrospective adjustments to provisional amounts in the measurement period. The amendments in this update require an entity to present separately on the face of the income statement or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The revised guidance is effective for annual fiscal periods beginning after December 15, 2015. Early adoption is permitted and the Company intends to prospectively adopt ASU No. 2015-16, as applicable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk

We are subject to interest rate risk in connection with our long-term indebtedness. Our principal interest rate exposure relates to the loans outstanding under the Select credit facilities; and Concentra credit facilities.

As of September 30, 2015 Select had $753.3 million (excluding unamortized original issue discount) in term loans outstanding under the Select credit facilities and $225.0 million in revolving loans outstanding under the Select credit facilities, which bear interest at variable rates.

As of September 30, 2015, Concentra had outstanding borrowings under the Concentra credit facilities of $648.9 million (excluding unamortized original issue discounts) of term loans and no borrowings under the revolving loan portion of the Concentra credit facilities, which bear interest at variable rates.

Each eighth point change in interest rates on the variable rate portion of our long-term indebtedness would result in a $2.0 million annual change in interest expense. However, because the variable interest rate for certain of Select's and Concentra's variable rate indebtedness is subject to an Adjusted LIBO Rate floor of 1.00% until the Adjusted LIBO Rate exceeds 1.00%, the interest rate on this indebtedness is currently effectively fixed as follows:

- Select's aggregate $478.5 million in the Select series E term loan is subject to an Adjusted LIBO Rate floor of 1.00% until the Adjusted LIBO Rate exceeds 1.00%. Select's interest rate on this indebtedness is currently effectively fixed at 3.75%.

- the $450.0 million Concentra first lien term loan is subject to an Adjusted LIBO Rate floor of 1.00% until the Adjusted LIBO Rate exceeds 1.00%. Concentra's interest rate on this indebtedness is currently effectively fixed at 4.00%.

- the $200.0 million Concentra second lien term loan is subject to an Adjusted LIBO Rate floor of 1.00% until the Adjusted LIBO Rate exceeds 1.00%. Concentra's interest rate on this indebtedness is currently effectively fixed at 9.00%.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered in this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures, including the accumulation and communication of disclosure to our principal executive officer and principal financial officer as appropriate to allow timely decisions regarding disclosure, are effective as of September 30, 2015 to provide reasonable assurance that material information required to be included in our periodic SEC reports is recorded, processed, summarized and reported within the time periods specified in the relevant SEC rules and forms.

Concentra Acquisition

On June 1, 2015, MJ Acquisition Corporation, a joint venture that Select created with WCAS, consummated the acquisition of Concentra. SEC guidance permits management to omit an assessment of an acquired business' internal control over financial reporting from management's assessment of internal control over financial reporting for a period not to exceed one year from the date of the acquisition.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(d) of the Securities Exchange Act of 1934 that occurred during the third quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

On June 1, 2015, MJ Acquisition Corporation, a joint venture that Select created with WCAS, consummated the acquisition of Concentra. Effective from that date, we began integrating Concentra into our existing control procedures. The Concentra integration may lead us to modify certain controls in future periods, but we do not expect changes to significantly affect our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Litigation

The Company is a party to various legal actions, proceedings and claims (some of which are not insured), and regulatory and other governmental audits and investigations in the ordinary course of its business. The Company cannot predict the ultimate outcome of pending litigation, proceedings and regulatory and other governmental audits and investigations. These matters could potentially subject the Company to sanctions, damages, recoupments, fines and other penalties. CMS or other federal and state enforcement and regulatory agencies may conduct additional investigations related to the Company's businesses in the future that may, either individually or in the aggregate, have a material adverse effect on the Company's business, financial position, results of operations and liquidity.

To address claims arising out of our operations, we maintain professional malpractice liability insurance and general liability insurance, subject to self-insured retention of $2.0 million per medical incident for professional liability claims and $2.0 million per occurrence for general liability claims. The Company also maintains umbrella liability insurance covering claims which, due to their nature or amount, are not covered by or not fully covered by the Company's other insurance policies. These insurance policies also do not generally cover punitive damages and are subject to various deductibles and policy limits. Significant legal actions, as well as the cost and possible lack of available insurance, could subject the Company to substantial uninsured liabilities. In the Company's opinion, the outcome of these actions, individually or in the aggregate, will not have a material adverse effect on its financial position, results of operations, or cash flows.

Healthcare providers are subject to lawsuits under the qui tam provisions of the federal False Claims Act. Qui tam lawsuits typically remain under seal (hence, usually unknown to the defendant) for some time while the government decides whether or not to intervene on behalf of a private qui tam plaintiff (known as a relator) and take the lead in the litigation. These lawsuits can involve significant monetary damages and penalties and award bounties to private plaintiffs who successfully bring the suits. The Company is and has been a defendant in these cases in the past, and may be named as a defendant in similar cases from time to time in the future.

On October 19, 2015, the plaintiff-relators filed a Second Amended Complaint in United States of America, *ex rel.* Tracy Conroy, Pamela Schenk and Lisa Wilson v. Select Medical Corporation, Select Specialty Hospital – Evansville, LLC ("SSH-Evansville"), Select Employment Services, Inc., and Dr. Richard Sloan. The case is a civil action filed in the United States District Court for the Southern District of Indiana by private plaintiff-relators on behalf of the United States under the federal False Claims Act. The plaintiff-relators are the former CEO and two former case managers at SSH-Evansville, and the defendants currently include the Company, SSH-Evansville, a subsidiary of the Company serving as common paymaster for its employees, and a physician who practices at SSH-Evansville. The plaintiff-relators allege that that SSH-Evansville discharged patients too early or held patients too long, improperly discharged patients to and readmitted them from short stay hospitals, up-coded diagnoses at admission, and admitted patients for whom long-term acute care was not medically necessary. They also allege that the defendants engaged in retaliation in violation of federal and state law. The Second Amended Complaint replaces a prior complaint that was filed under seal on September 28, 2012 and served on the Company on February 15, 2013, after a federal magistrate judge unsealed it on January 8, 2013. All deadlines in the case had been stayed after the seal was lifted in order to allow the government time to complete its investigation and to decide whether or not to intervene. On June 19, 2015, the U.S. Department of Justice notified the court of its decision not to intervene in the case, and the court thereafter approved a case management plan imposing certain deadlines, including the filing of a Second Amended Complaint. The Company intends to vigorously defend this action, but at this time the Company is unable to predict the timing and outcome of this matter.

On July 13, 2015, the federal District Court for the Eastern District of Tennessee unsealed a qui tam Complaint in Armes v. Garman, et al, No. 3:14-cv-00172-TAV-CCS, which named as defendants Select, Select Specialty Hospital – Knoxville, Inc. ("SSH-Knoxville"), Select Specialty Hospital – North Knoxville, Inc. and ten current or former employees of these facilities. The Complaint was unsealed after the United States and the State of Tennessee notified the Court on July 13, 2015 that each had decided not to intervene in the case. The Complaint is a civil action that was filed under seal on April 29, 2014 by a respiratory therapist formerly employed at SSH-Knoxville. The Complaint alleges violations of the federal False Claims Act and the Tennessee Medicaid False Claims Act based on extending patient stays to increase reimbursement and to increase average length of stay; artificially prolonging the lives of patients to increase Medicare reimbursements and decrease inspections; admitting patients who do not require medically necessary care; performing unnecessary procedures and services; and delaying performance of procedures to increase billing. The Complaint was served on some of the defendants during October 2015. The Company intends to vigorously defend this action if the relators pursue it, but at this time the Company is unable to predict the timing and outcome of this matter.

On September 30, 2015, the federal District Court for the Middle District of Florida unsealed a qui tam Complaint in Benjamin A. Van Raalte, M.D., Michael J. Cascio, M.D. and John J. Murtaugh v. Healogics, Inc., et al., No. 6:14-cv-00283-GAP-KRS. In addition to naming Healogics, Inc., the Complaint names approximately 500 defendants, which are alleged to be hospitals that have contracted with Healogics, Inc. to run the hospitals' wound care centers. One of the named defendants is "Select Medical" and Attachment 1 to the Complaint identifies Kessler Center for Wound Care in Ramsey, New Jersey, which is owned by a subsidiary of the Company that has a contract with Healogics, Inc. The Complaint, which has not yet been served on the Company, is a civil action that was filed under seal on June 30, 2014, and was unsealed after 29 States and the United States notified the Court that each had decided not to intervene in the case. The Complaint alleges that Healogics, Inc., with the cooperation of the defendant hospitals, caused the wound care centers to perform unnecessary services, to upcode for services, to provide services that were not medically necessary, and to bill for services that were not provided, all in violation of the federal False Claims Act and various state false claims acts. The Company intends to vigorously defend this action if the relators pursue it, but at this time the Company is unable to predict the timing and outcome of this matter.

ITEM 1A. RISK FACTORS

There have been no material changes from our risk factors as previously reported in our Annual Report on Form 10-K for the year ended December 31, 2014 and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2015 and June 30, 2015.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer

Holdings' board of directors has authorized a common stock repurchase program to repurchase up to \$500.0 million worth of shares of its common stock. The program will remain in effect until December 31, 2016, unless extended or earlier terminated by the board of directors. Stock repurchases under this program may be made in the open market or through privately negotiated transactions, and at times and in such amounts as Holdings deems appropriate. Holdings repurchased 1,032,334 shares at a cost of approximately \$13.6 million, which includes transaction costs, during the three and nine months ended September 30, 2015.

The following table sets forth the monthly purchases made under this program during the three months ended September 30, 2015:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publically Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under Plans or Programs
July 1 – July 31, 2015	-	-	-	$198,871,507
August 1 – August 31, 2015	737,267	$13.52	737,267	188,903,323
September 1 – September 30, 2015	295,067	12.38	295,067	185,249,408
Total	1,032,334	$13.20	1,032,334	$185,249,408

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits to this report are listed in the Exhibit Index appearing on page 68 hereof.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this Report to be signed on their behalf by the undersigned, thereunto duly authorized.

SELECT MEDICAL CORPORATION

By: /s/ Martin F. Jackson
Martin F. Jackson
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer)

By: /s/ Scott A. Romberger
Scott A. Romberger
Senior Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

Dated: October 29, 2015

SELECT MEDICAL HOLDINGS CORPORATION

By: /s/ Martin F. Jackson
Martin F. Jackson
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer)

By: /s/ Scott A. Romberger
Scott A. Romberger
Senior Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

Dated: October 29, 2015

EXHIBIT INDEX

Exhibit	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer, and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014, (ii) Condensed Consolidated Balance Sheets as September 30, 2015 and December 31, 2014, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014, (iv) Condensed Consolidated Statements of Changes in Equity and Income for the nine months ended September 30, 2015 and (v) Notes to Condensed Consolidated Financial Statements.