



## CASE STUDY: KINDRED HEALTHCARE

### KINDRED HEALTHCARE BOOSTS BOTTOM LINE WITH EMPLOYMENT-RELATED TAX INCENTIVES

According to the Bureau of Labor Statistics, the health-care and social assistance markets will add 4.3 million jobs in 2006, growing the industry by more than 30 percent. The cost of filling these jobs is tremendous, with turnover levels reaching 100 percent for some healthcare-related companies. What many don't realize is that the federal government offers a variety of tax credits designed to help companies offset the costs of hiring and training employees. For Kindred Healthcare, Inc., a Louisville, KY-based company that operates hospitals and nursing centers throughout the United States, capturing employment-related credits and incentives has boosted its bottom line.

Rose Michels is Corporate Director of Tax Compliance for Kindred Healthcare. When she first took responsibility for Kindred's employee tax program in 2001, capturing tax credits was a priority, but they were not being maximized. In 2001, Kindred first hired First Advantage Tax Consulting Services to help screen its 6,000 employees for employment-related tax credits and develop an overall tax-screening program. Today, First Advantage screens and determines eligibility for more than 95% of Kindred's 18,000 new hires. Tax credit management has become a consistent program within the company and delivers considerable impact to their bottom line. "When I took over, our participation in a tax-screening

program was very low at approximately 75 percent. Furthermore, screening candidates to see if they qualified for tax credits was inconsistent. Facilities reported 65 percent one month and 85 percent another because the screening process was not being monitored regularly," says Michels. She quickly learned from First Advantage that consistently screening candidates and rallying her hiring managers to participate greatly maximized the number of credits claimed. Increased participation and consistency meant that more applicants were being screened, which in turn increased eligibility rates and, thus, their overall tax credit capture.

The CFO and executive team quickly took notice, and today the program has the full support of senior management at Kindred. "These credits impact our earnings per share and our tax rate," says Michels. "We get the attention of the CFO and everyone understands how important they are to our company."

Healthcare providers like Kindred are excellent candidates for many federal tax credit programs because of industry-wide high turnover rates. While skilled positions such as doctors, nurses, administrators and others with long tenures generally do not qualify for tax credits, hundreds or thousands of other new hires often do. Those who work in higher turnover positions such as foodservice crews, nursing aides and housekeeping crews frequently are eligible for various government-issued incentives. According to the Bureau of Labor Statistics, healthcare

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and social assistance businesses hired 4.5 million workers in 2004, but 4.3 million of those workers left their positions, producing a 95 percent turnover rate. “We discovered that between 12 and 14 percent of our new hires are eligible for tax credits,” says Michels. Those numbers represent a tremendous savings to Kindred.

Among its services, First Advantage proactively researches tax credits for Kindred, automatically screens candidates for eligibility and handles all of the paperwork in filing claims. While determining new-hire eligibility is a necessary first step to a successful tax-credit program; following up is the crucial second step. Companies have a very tight 21-day window to submit the necessary paperwork to receive certain federal credits. By offering dedicated resources to ensure that this tight turnaround time is met, outsourcing providers prove invaluable to companies such as Kindred.

According to Michels, prior to First Advantage handling the program, not every facility in the Kindred network was meeting the exacting deadlines. First Advantage created an escalation system for Kindred to boost the participation rates and ensure that all forms and signatures are sent on time. Today, the company’s participation is close to 95 percent and continues to climb.

Michels says that First Advantage’s rapid responses and smooth-functioning interactive voice response (IVR) system enables Kindred to supply employee-screening

information quickly and easily via the telephone keypad. Initially Kindred began working with two vendors to manage its tax credit applications, but has since consolidated all outsourcing to First Advantage. “You lose out on a lot of credits if you are not able to follow up, and that relies on all systems working,” says Michels.

Michels says that First Advantage has also maximized Kindred’s tax credit program because it screens for all federal, state and local incentives. The Work Opportunity Tax Credit (WOTC) can add up to \$2,400 for each employee and the Welfare to Work tax credit (WtW) offers up to \$8,500 per employee over a two-year period. “However, in addition to the federal tax credits, First Advantage also handles our empowerment zone renewal credits, enterprise zone credits and various state tax credits,” says Michels. “Those additional resources are very valuable.”

For Kindred Healthcare, outsourcing the tax credit program has improved its bottom line, monetarily and through time savings. “Every time you choose to work with an external vendor, you think about the dollars,” says Michels. “But because these tax credit programs are always changing and the tight deadlines can be challenging to manage alone, we decided to rely on the tax experts at First Advantage to manage our program and save us time.”



For more information, contact **FIRST Advantage** Tax Consulting Services at 800.669.6005, [tax@FADV.com](mailto:tax@FADV.com), or visit [www.FADV.com/TaxConsulting](http://www.FADV.com/TaxConsulting).



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