

**LifeCare Holdings, Inc.**

**News Release**

**For Immediate Release  
January 23, 2006**

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**LifeCare Holdings, Inc. Comments on Proposed Medicare Reimbursement Changes for  
Long-Term Acute Care Hospitals**

**Plano, Texas** – LifeCare Holdings, Inc. (the “Company”) announced that on January 19, 2006, The Centers for Medicare and Medicaid Services (“CMS”) issued proposed regulatory changes to the Medicare reimbursement for long-term acute care hospitals. The proposed changes would be effective for Medicare discharges occurring on or after July 1, 2006. The proposed rules are subject to a 60-day public comment period, and the Company will be providing comments related to the proposed changes.

For the nine months ended September 30, 2005, the Company’s Medicare revenue was approximately \$202 million. Management is evaluating the impact the proposed regulations would have on the Company if enacted; however, the impact is expected to be significant. CMS estimated that the proposed reimbursement changes would reduce current Medicare reimbursement to long-term acute care hospital providers by 11.1%.

The Company’s comments may contain forward-looking statements and are subject to a number of uncertainties and risks that could significantly affect the current plans and expectations and the future financial condition and results of the Company. Therefore actual results may differ materially from those suggested by such forward-looking statements.

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