



# **Tenet Healthcare Corporation**

**30<sup>th</sup> Annual  
J.P. Morgan Healthcare Conference**

*January 9, 2012*

# Forward-looking statements



Certain statements contained in this presentation constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are based on management’s current expectations and involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results to be materially different from those expressed or implied by such forward-looking statements. Such factors include, among others, the following: the passage of health care reform legislation and the enactment of additional federal and state health care reform; other changes in federal, state and local laws and regulations affecting the health care industry; general economic and business conditions, both nationally and regionally; demographic changes; changes in, or the failure to comply with, laws and governmental regulations; the ability to enter into managed care provider arrangements on acceptable terms; changes in Medicare and Medicaid payments or reimbursement; liability and other claims asserted against the Company; competition, including the Company’s ability to attract patients to its hospitals; technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for, health care; changes in business strategy or development plans; the ability to attract and retain qualified personnel, including physicians, nurses and other health care professionals, and the impact on the Company’s labor expenses resulting from a shortage of nurses or other health care professionals; the significant indebtedness of the Company; the Company’s ability to integrate new businesses with its existing operations; the availability and terms of capital to fund the expansion of the Company’s business, including the acquisition of additional facilities; the creditworthiness of counterparties to the Company’s business transactions; adverse fluctuations in interest rates and other risks related to interest rate swaps or any other hedging activities the Company undertakes; the ability to continue to expand and realize earnings contributions from the revenue cycle management, health care information management, capitation management, and patient communications services businesses under our Conifer Health Solutions (“Conifer”) subsidiary by marketing these services to third party hospitals and other health care-related entities; and its ability to identify and execute on measures designed to save or control costs or streamline operations. Such factors also include the positive and negative effects of health reform legislation on reimbursement and utilization and the future designs of provider networks and insurance plans, including pricing, provider participation, coverage and co-pays and deductibles, all of which contain significant uncertainty, and for which multiple models exist which may differ materially from the company’s expectations. Certain additional risks and uncertainties are discussed in the Company’s filings with the Securities and Exchange Commission, including the Company’s annual report on Form 10-K and quarterly reports on Form 10-Q. The Company specifically disclaims any obligation to update any forward-looking statement, whether as a result of changes in underlying factors, new information, future events or otherwise.

## Non-GAAP Information

This presentation includes certain financial measures, such as adjusted EBITDA, that are not calculated in accordance with generally accepted accounting principles (GAAP). Management recommends that you focus on the GAAP numbers as the best indicator of financial performance. These alternative measures are provided only as a supplement to aid in analysis of the Company. Reconciliation between non-GAAP measures and related GAAP measures can be found at the end of this presentation.

## Tenet Healthcare

Providing Value through Sustainable Growth

### Acute Care Hospitals

- 50 hospitals
- 11 states
- More than 500,000 admissions (LTM)
- #1 or 2 in 13 of 24 markets

### Outpatient Centers

- 99 free-standing outpatient centers
  - 65 imaging centers
  - 25 ambulatory surgery centers
  - 8 urgent care centers
  - 1 free-standing ERs
- 12 states
- More than 4 million visits (LTM)
- 15 centers acquired in 2011
- 24 centers acquired in 2010

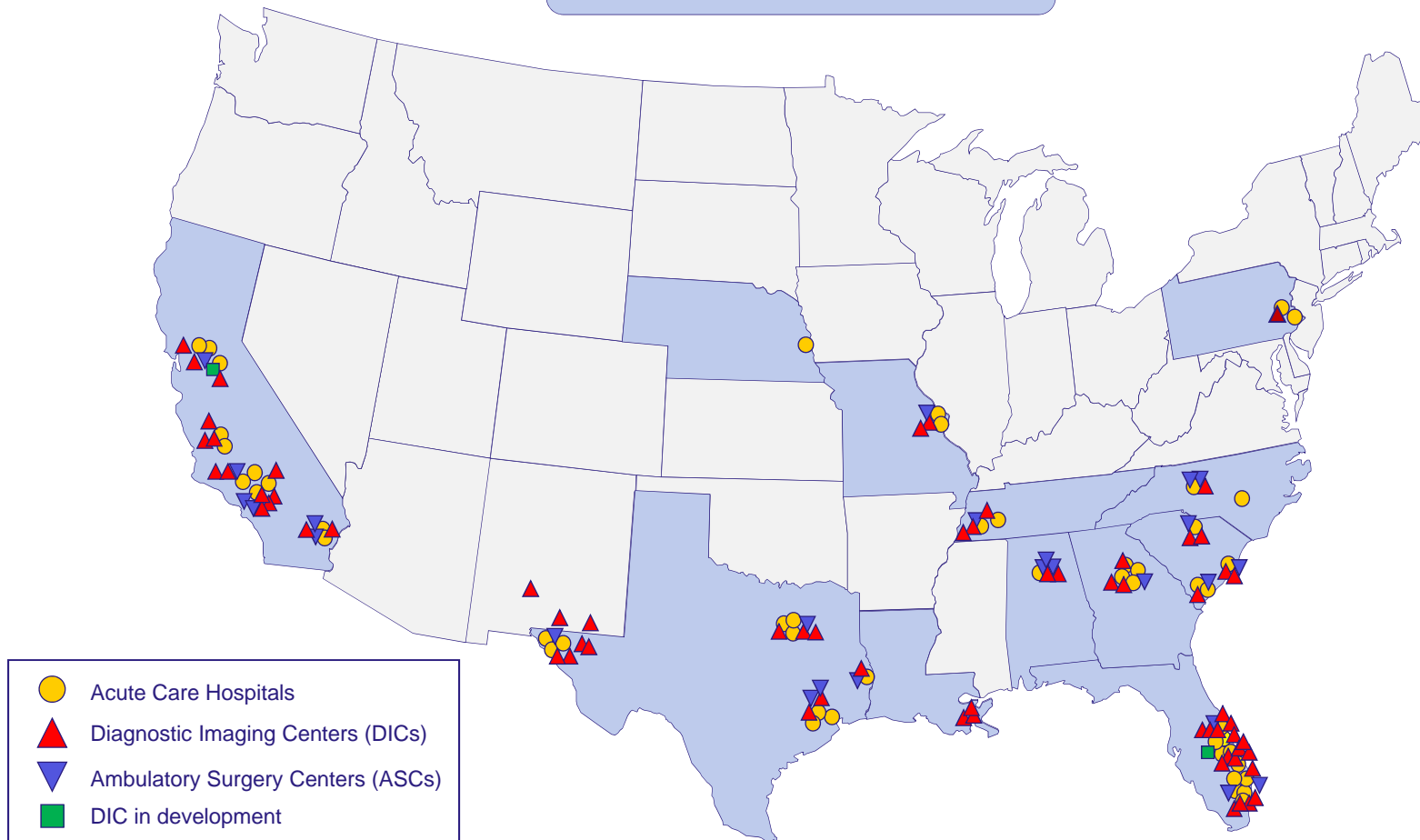
### Conifer Health Solutions

- Revenue Cycle Services
- Patient Communications
- Capitation Management
- More than 300 total healthcare entities

# High growth markets

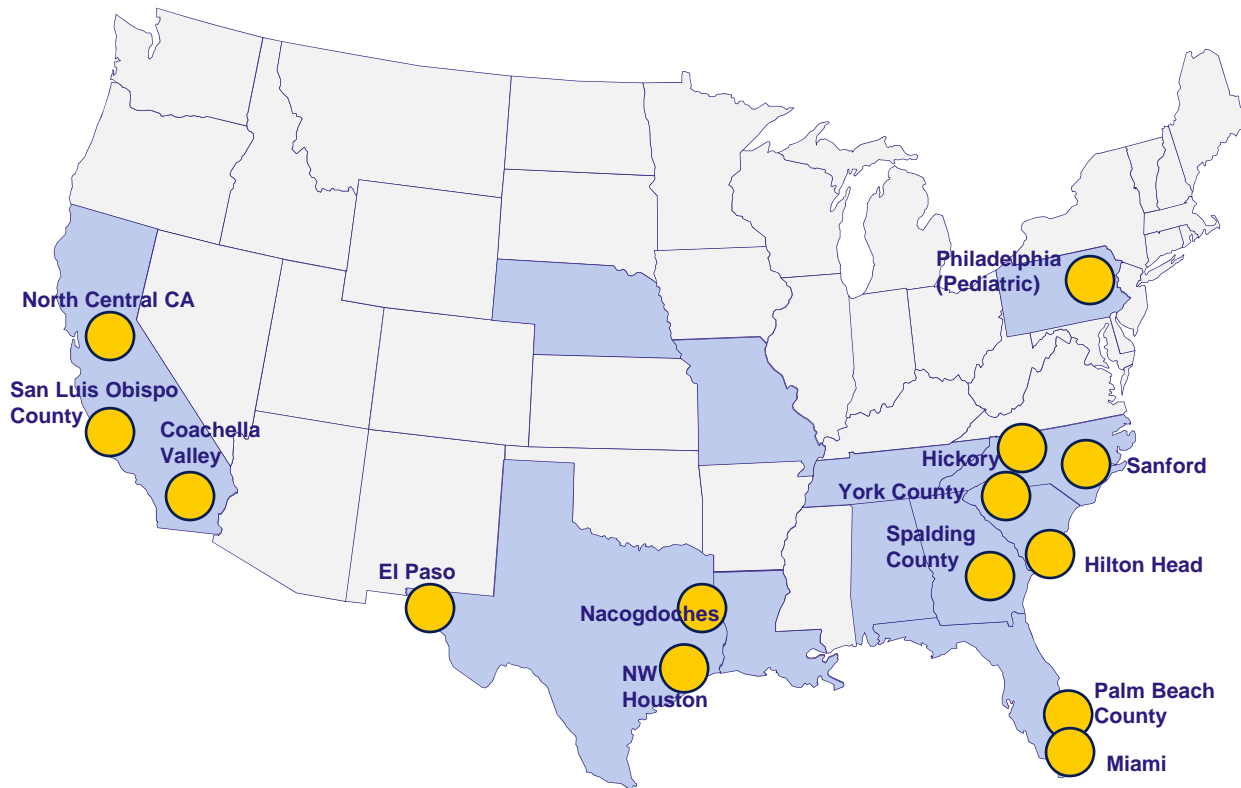


50 acute care hospitals  
99 OP centers (free-standing)



Diversified asset portfolio in attractive markets

# Leading market positions



 Market in which Tenet holds the number one or number two position

## Market Information

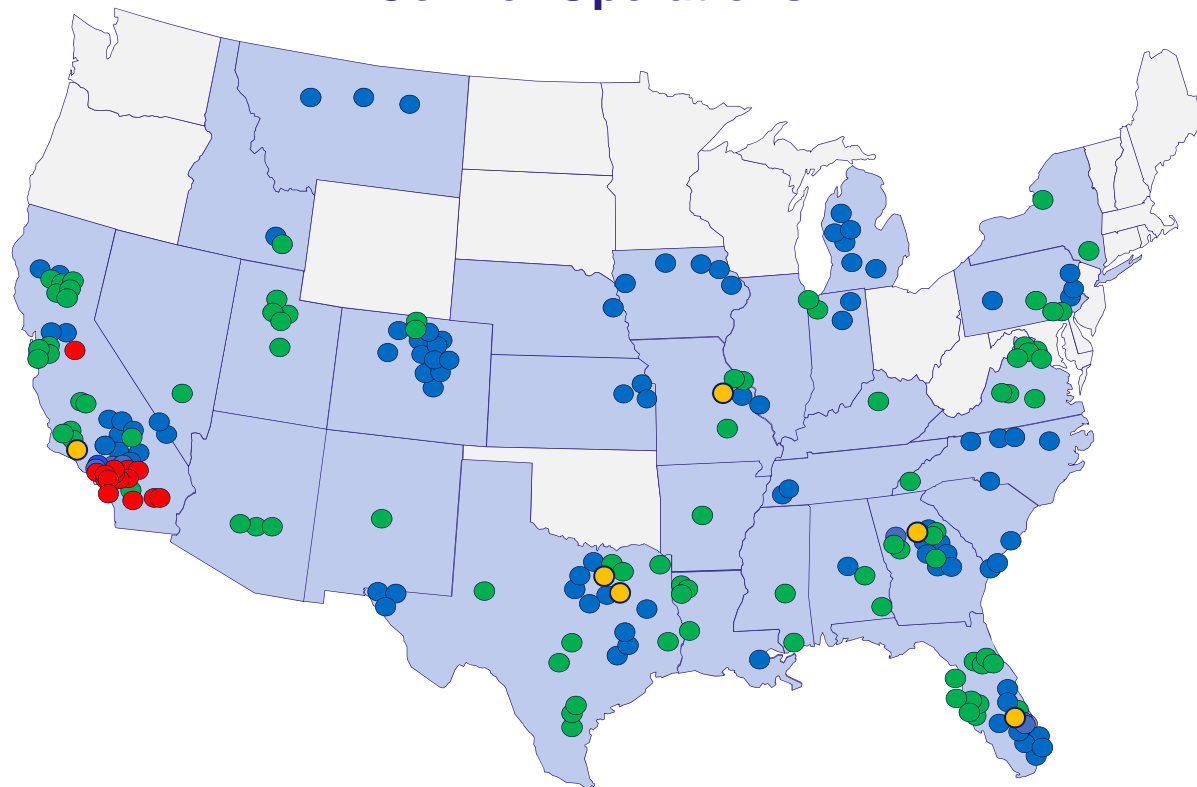
Of the 24 markets in which we operate:

- We negotiate our health plan contracts on a state- or nationwide basis to maximize the relevance of Tenet hospitals to the payers
- Tenet hospitals have an average market share of 20%
- Tenet holds the number 1 position in 11 markets
- Tenet holds the number 1 or 2 position in 13 of its markets
- In 3 markets Tenet operates one of the only two Level 1 trauma centers
- In 1 market Tenet operates one of only two pediatric Level 1 trauma centers
- Tenet operates the only hospitals in 3 of its markets

# Conifer: high growth, high margin services businesses



## Conifer Operations



## Conifer Health Solutions

Conifer brand launched November 2008

4,100+ employees

30 states + District of Columbia

Revenue Cycle Services formerly the Patient Financial Services division of Tenet Healthcare Corporation

5 million patient accounts processed annually

90+ hospital Revenue Cycle clients

### Partial client list includes:

- Howard University Hospital
- LHP Hospital Group
- Memorial University Medical Center
- Sisters Charity of Leavenworth Health System
- Trinity Health

- 2011 Adjusted EBITDA Outlook range confirmed: \$1.175 billion to \$1.275 billion
  - 2011 Adjusted EBITDA expected to be adversely impacted by:
    - \$12 million revenue deferral related to HIT accounting change
    - \$7 million as discount rate lower than anticipated on certain liabilities
  - Achieving Outlook range of \$1.175 billion to \$1.275 billion requires recognition of significantly favorable pending settlements, which remains uncertain
  
- 2012 Adjusted EBITDA Outlook range of \$1.200 billion to \$1.300 billion
  - Includes \$31 million adverse impact from revenue deferral related to HIT accounting change
  - Excludes any favorable impact from other items potentially carried over from 2011
  
- 2013 & 2015 Adjusted EBITDA Outlooks confirmed
  - 2013 confirmed at \$1.335 billion to \$1.535 billion
  - 2015 confirmed at \$1.750 billion to \$2.250 billion

# Conservative assumptions drive growth through 2015



## Key assumptions:

- Volumes:
  - Admissions growth: Maintain assumption of core average annual growth below 1%
    - 2015 admissions modestly higher than last year's Outlook as starting from a higher 2011 base
  - Outpatient acquisitions only assumed through 2013, representing a sub-set of the current pipeline
- Pricing pressure higher today than assumed a year ago
  - Commercial pricing growth assumed to slow to 5% CAGR beginning in 2013
  - But now, more conservative assumption of only 4-5% increases by 2015
- Revenues: 4-6% aggregate CAGR
- Costs:
  - MPI assumes \$50 million annual declines in operating expense (2013-2015)...despite much stronger MPI progress in 2011 (\$70 million) and \$80 million expected in 2012
  - Operating leverage improves cost metrics
- Bad debt assumes collection rates only recover to pre-recession levels
  - More conservative than could be justified given Conifer's increasingly effective collection techniques

# Headwinds and tailwinds in outlook compared to one year ago



## Tailwinds



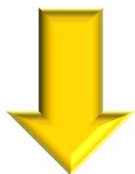
- Aggregate volume growth & strengthening commercial volumes
- Medicare Performance Initiative (MPI) cost savings
- New and/or expanded Provider fee programs in Pennsylvania and California
- Medicare reimbursement rates

## No Change



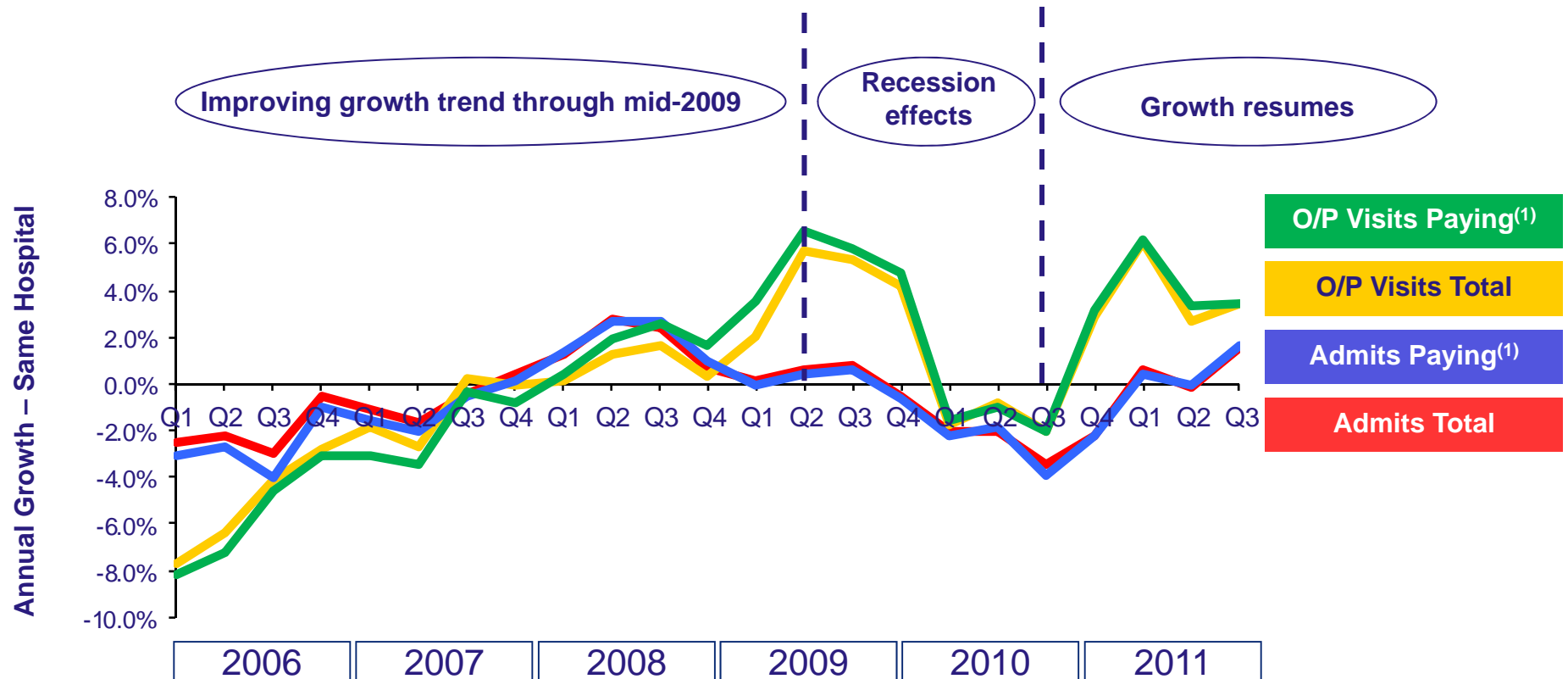
- Commercial pricing
- Conifer
- Acuity
- Bad debt expense

## Headwinds



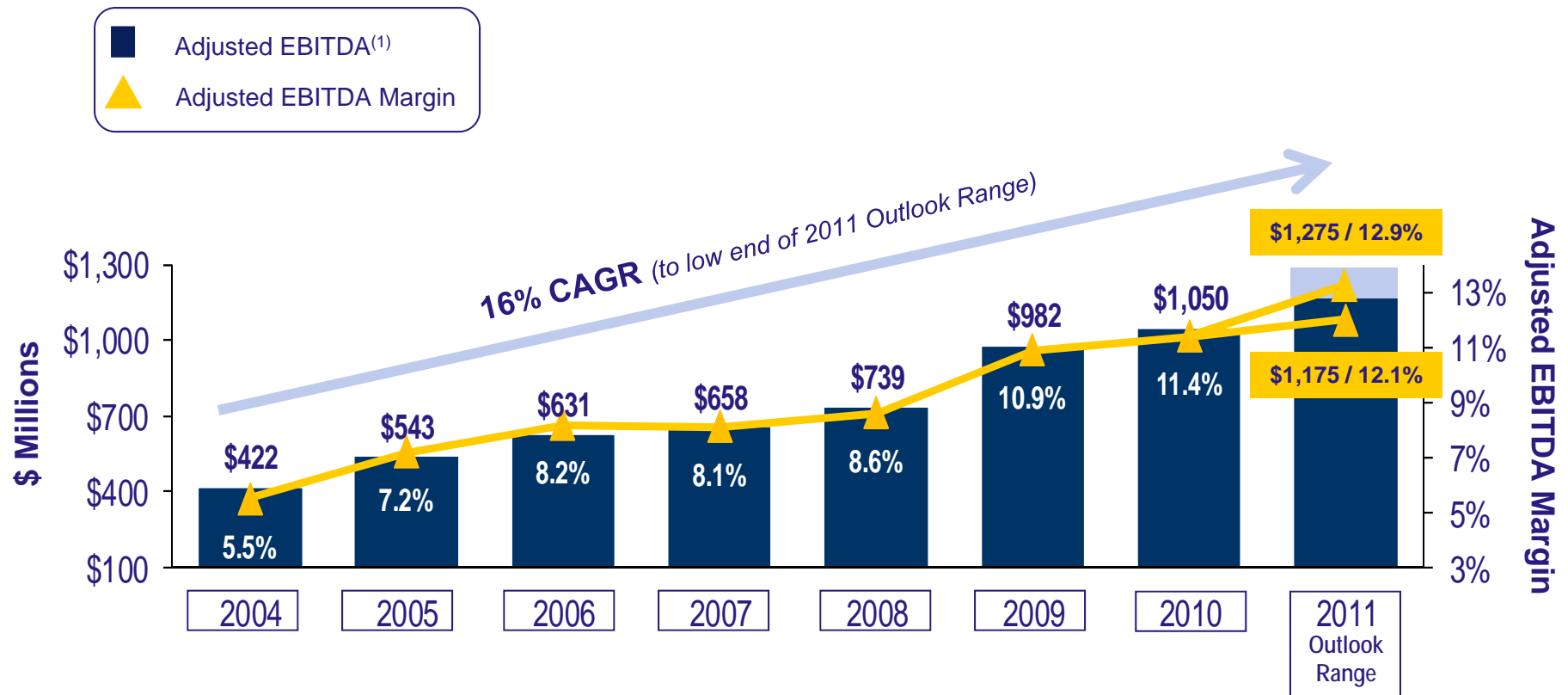
- Medicaid reimbursement
- Payer mix
- Healthcare Information Technology accounting for incentives

# Volumes: admissions and outpatient visits



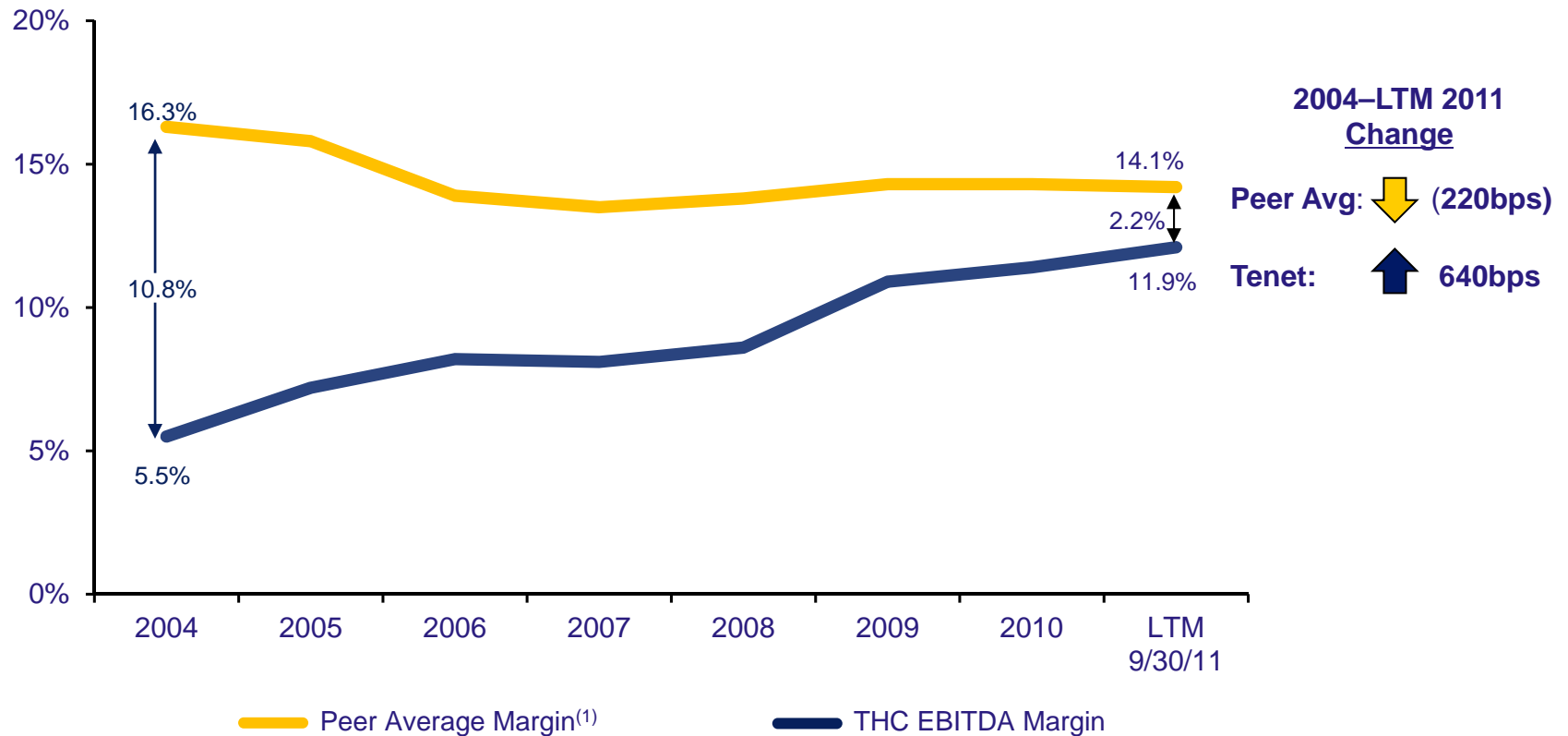
<sup>(1)</sup> Paying admissions/visits are defined as total admissions/visits less charity and uninsured admissions/visits.

# Adjusted EBITDA shows attractive organic growth trend



(1) Data reflects the results of our existing 50 hospitals.

# Tenet's consistent EBITDA improvement relative to peers has narrowed the margin gap



**Tenet is on track to exceed current industry average margins**

<sup>(1)</sup> Peer Average EBITDA margin of Community Health Systems, Hospital Corporation of America, Health Management Associates, LifePoint, Universal Health Services and Vanguard Health Systems. Last 12 months as of 9/30/11.

# Tenet's growth record has outperformed its peers



Percentage of quarters<sup>(1)</sup> since Q1'07 in which Tenet's same-hospital growth met or exceeded its peers:



**Peer  
Average**

**Admissions  
Growth**

79%

47%

58%

68%

58%

63%

**EBITDA  
Growth**

58%

68%

63%

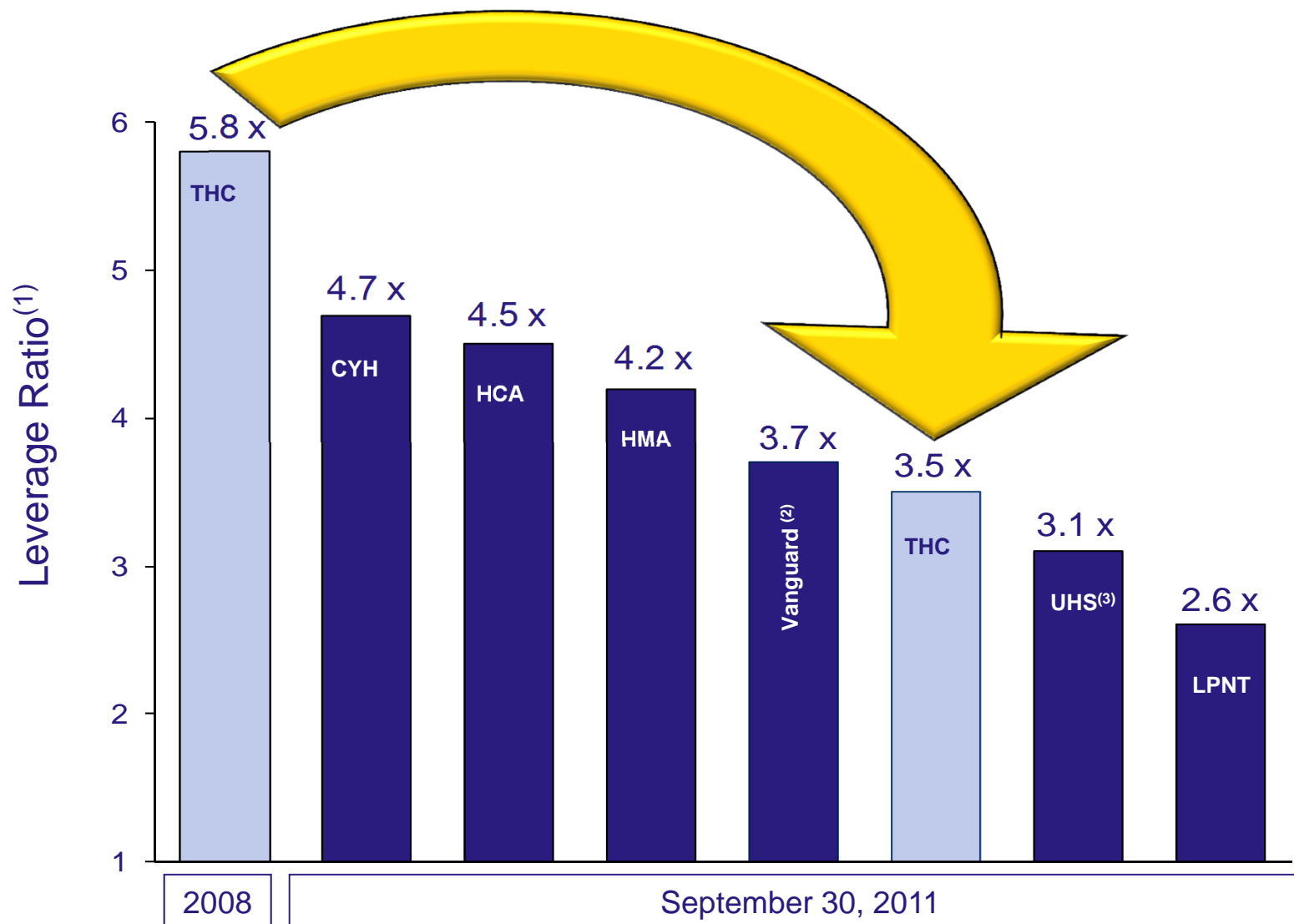
58%

47%

58%

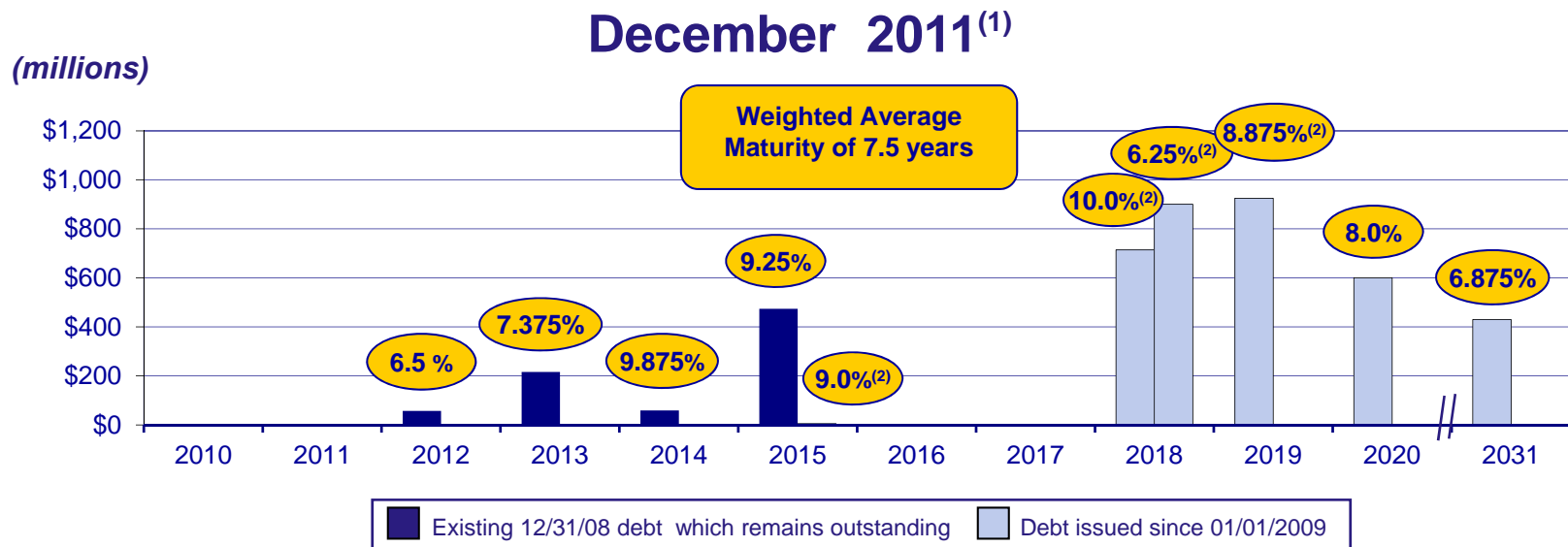
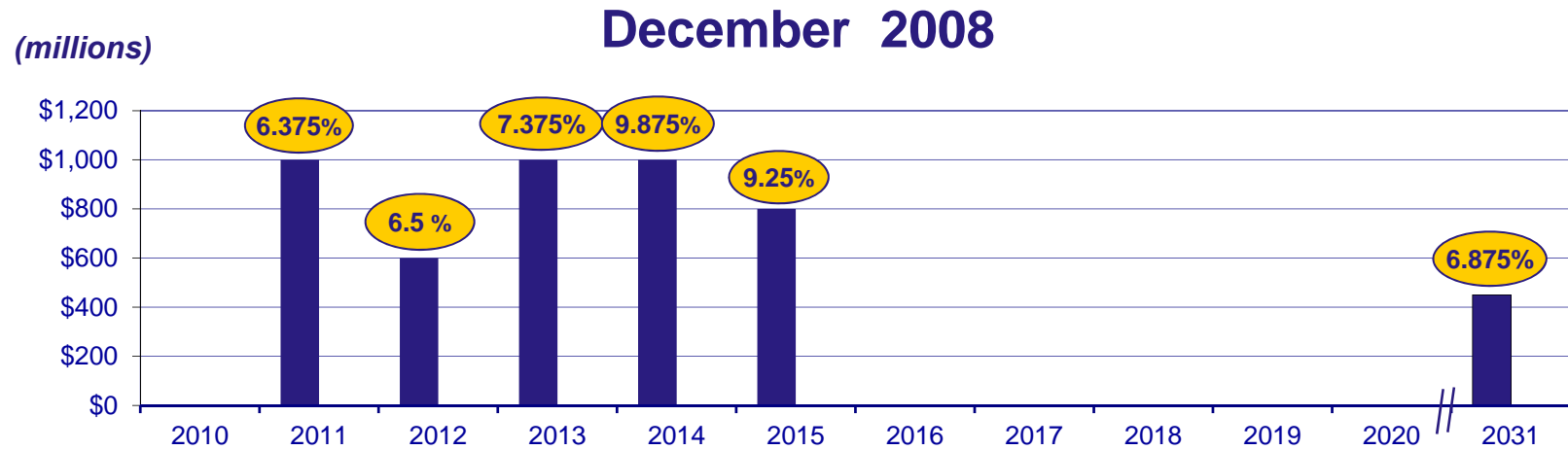
<sup>(1)</sup> Based on 19 quarters from Q1'07 to Q3'11.

# Tenet's leverage among the lowest in our sector



<sup>(1)</sup> Total debt less Cash and Cash Equivalents / LTM EBITDA; <sup>(2)</sup> Vanguard adjusted for recent major acquisition; <sup>(3)</sup> UHS adjusted for the Psychiatric Solutions acquisition.

# Near-term debt maturities extended and reduced



<sup>(1)</sup> 2011 transactions include the November issuance of \$900M – 6.25% Sr. Secured Debt maturing 05/01/2018, the November repurchase of \$713M 9% Sr. Secured Debt maturing 05/01/2015 and the December principal repayment of \$65M – 6.375% Sr. Unsecured Debt; <sup>(2)</sup> Secured Debt.

# 2011-2015 earnings drivers advanced in 2011



## Outpatient

- 39 outpatient acquisitions completed in 2010-2011
- Emphasis evolved from acquiring imaging centers in 2010 to acquiring surgery centers in 2011, which enhances physician alignment

## Conifer

- High growth/high margin services business
- More than 300 clients across Revenue Cycle, Patient Communications and Cap Management

## MPI

- Cost savings from productivity and other efficiency initiatives
  - \$73 mm 2011 savings - outperformed initial projected cost savings of \$50mm
  - Raised 2012 savings objective by 60% to \$80mm

## Health IT

- Health IT remains on track to capture \$320mm in government incentive payments

## Bad Debt

- Bad debt ratio declined to 7.6% year-to-date as of September 30, 2011, down from 8.0% in 2010

## Operating Leverage

- Driven by volume growth
  - Moderation in rate of decline in commercial admissions in 2011 and positive growth in commercial outpatient visits

## Affordable Care Act

- Reimbursement cuts from early stage implementation of Affordable Care Act offset by cost efficiencies and commercial pricing increases
- Potential sequestration effect of 2% reduction already partially offset by 1% annual update for FY2012

**Poised for additional value creation in 2012 and beyond**

# Health IT incentive payments contribute to aggregate EBITDA growth through 2017



## Health IT clinical systems drive:

- Physician alignment and integration
- Reduction of medical errors
- Standardization of clinical practice
- Cost reduction

Incentive revenues (\$mm)	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014	2015	2016	2017	Total
<b>Current Outlook</b>	-	-	54	33	74	79	50	24	6	320
<b>Prior Outlook</b> <i>(Nov 1, 2011)</i>	-	-	65	64	91	62	30	8	-	320
<b>Change</b> <i>Favorable/(Unfavorable)</i>			(11)	(31)	(17)	17	20	16	6	-

**\$315 million (NPV) in penalties avoided by achieving “Meaningful Use”**

<sup>(1)</sup> Estimate pending final year-end 2011 close. Actual results may vary when results are released in February.

# Compelling investment value



Track record of superior growth

\$2.2 billion NOL enhances cash flow

Proven strategies for further growth

Transparent disclosure

Diversified earnings streams

Upside potential from economic cycle

Upside from Affordable Care Act

Strong cash flow growth expectation



**Investment  
Value**

A large, multi-pointed yellow starburst graphic with a 3D effect, containing the text "Investment Value" in a bold, dark blue font.

*Gap between Tenet's current multiple and industry's is worth  $\approx$  \$2.00/share*

# Reconciliation of EBITDA



Adjusted EBITDA, a non-GAAP term, is defined by the Company as net income (loss) attributable to Tenet Healthcare Corporation common shareholders before (1) cumulative effect of changes in accounting principle, net of tax, (2) net income attributable to noncontrolling interests, (3) preferred stock dividends, (4) income (loss) from discontinued operations, net of tax, (5) income tax (expense) benefit, (6) investment earnings (loss), (7) gain (loss) from early extinguishment of debt, (8) net gain (loss) on sales of investments, (9) interest expense, (10) litigation and investigation (costs) benefit, net of insurance recoveries, (11) hurricane insurance recoveries, net of costs, (12) impairment of long-lived assets and goodwill and restructuring charges, net of insurance recoveries, and (13) depreciation and amortization. The Company's Adjusted EBITDA may not be comparable to EBITDA reported by other companies.

The Company provides this information as a supplement to GAAP information to assist itself and investors in understanding the impact of various items on its financial statements, some of which are recurring or involve cash payments. The Company uses this information in its analysis of the performance of its business excluding items that it does not consider as relevant in the performance of its hospitals in continuing operations. Adjusted EBITDA is not a measure of liquidity, but is a measure of operating performance that management uses in its business as an alternative to net income (loss) attributable to Tenet Healthcare Corporation common shareholders. Because Adjusted EBITDA excludes many items that are included in our financial statements, it does not provide a complete measure of our operating performance. Accordingly, investors are encouraged to use GAAP measures when evaluating the Company's financial performance.

The reconciliation of net income (loss) attributable to Tenet Healthcare Corporation common shareholders, the most comparable GAAP term, to Adjusted EBITDA, is set forth below.

Dollars in Millions	2004	2005	2006	2007	2008	2009	2010	Low	High	Low	High	Low	High	Low	High
								2011		2012		2013		2015	
Net Income (Loss) Attributable to Common Shareholders	\$ (2,806)	\$ (724)	\$ (803)	\$ (89)	\$ 25	\$ 181	\$ 1,119	\$ 64	\$ 153	\$ 201	\$ 272	\$ 306	\$ 451	\$ 578	\$ 911
Less: Net income (loss) from noncontrolling interests	3	(2)	(7)	(5)	(7)	(10)	(9)	(15)	(10)	(15)	(10)	(15)	(10)	(15)	(10)
Preferred stock dividends	0	0	0	0	0	(6)	(24)	(24)	(24)	(18)	(18)	0	0	0	0
Income (loss) from cumulative effect of accounting change	0	(16)	2	0	0	0	0	0	0	0	0	0	0	0	0
Income (loss) from discontinued operations, net of tax	(1,037)	(425)	32	(49)	(47)	(31)	17	(15)	(10)	(10)	(5)	(5)	0	(5)	0
Income (loss) from continuing operations	(1,772)	(281)	(830)	(35)	79	228	1,135	118	197	244	305	326	461	598	921
Income tax benefit (expense)	(300)	82	258	61	25	23	977	(62)	(113)	(156)	(195)	(209)	(294)	(382)	(589)
Income (loss) from continuing operations, before income taxes	(1,472)	(363)	(1,088)	(96)	54	205	158	180	310	400	500	535	755	980	1,510
Net gain on sales of investments	7	4	5	0	139	15	0	0	0	0	0	0	0	0	0
Investment earnings	20	59	62	47	22	0	5	5	5	0	0	0	0	0	0
Interest expense	(333)	(403)	(408)	(419)	(418)	(445)	(424)	(385)	(365)	(390)	(370)	(390)	(340)	(360)	(280)
Net gain (loss) from extinguishment of long-term debt	(13)	(15)	0	0	0	97	(57)	(120)	(115)	0	0	0	0	0	0
Operating income (loss)	(1,153)	(8)	(747)	276	311	538	634	680	785	790	870	925	1,095	1,340	1,790
Litigation and investigation costs	(74)	(212)	(766)	(13)	(41)	(31)	(12)	(60)	(55)	0	0	0	0	0	0
Hurricane insurance recoveries, net of costs	0	(7)	14	3	0	0	0	0	0	0	0	0	0	0	0
Impairment of long-lived assets and goodwill, and restructuring charges	(1,208)	(29)	(312)	(36)	(16)	(27)	(10)	(25)	(20)	0	0	0	0	0	0
Depreciation and amortization	(293)	(303)	(314)	(336)	(371)	(386)	(394)	(410)	(415)	(410)	(430)	(410)	(440)	(410)	(460)
Adjusted EBITDA	\$ 422	\$ 543	\$ 631	\$ 658	\$ 739	\$ 982	\$ 1,050	\$ 1,175	\$ 1,275	\$ 1,200	\$ 1,300	\$ 1,335	\$ 1,535	\$ 1,750	\$ 2,250
EPS - Continuing Ops - reported	(\$3.81)	(\$0.60)	(\$1.76)	(\$0.08)	\$0.15	\$0.43	\$2.01	\$0.16	\$0.34	\$0.47	\$0.60	\$0.63	\$0.92	\$1.16	\$1.81
EPS - Continuing Ops - normalized*	\$0.17	\$0.30	\$0.39	\$0.39	\$0.44	\$0.15	\$0.21	\$0.41	\$0.55	\$0.47	\$0.60	\$0.63	\$0.92	\$1.16	\$1.81
Weighted average shares outstanding (in millions)	467	470	472	475	479	492	502	485	485	489	489	491	491	503	503
Weighted average shares outstanding with preferred conversion (in millions)						507	561	544	544	489	489	491	491	503	503

\*Excludes impairment and restructuring charges, litigation and investigation costs, net gain (losses) from early extinguishment of debt, and net gain (losses)