



Q3'10
Earnings Call

November 2, 2010

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, or 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 Company's Conifer revenue cycle management and patient communication businesses; and its ability to identify and execute on measures designed to save or control costs or streamline operations. 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 document includes certain financial measures such as adjusted EBITDA, which 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.

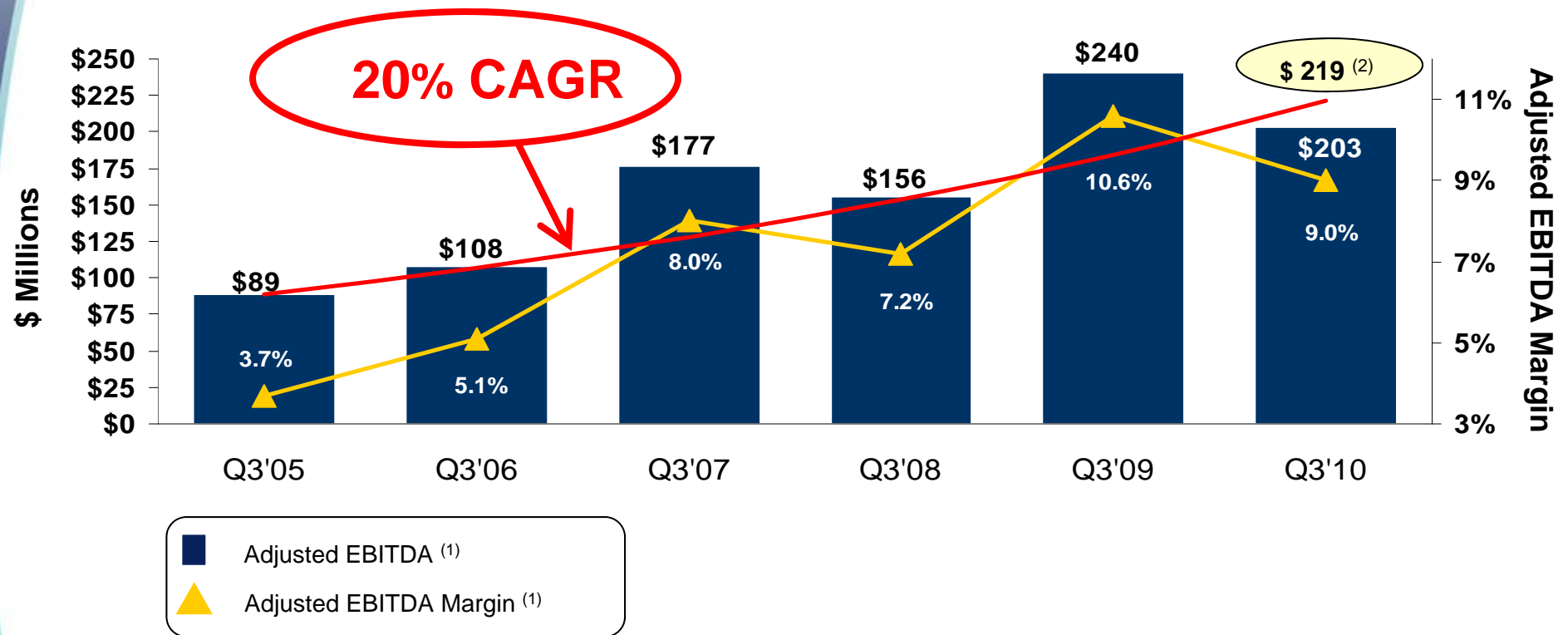
Reconciliation between non-GAAP measures and related GAAP measures can be found in our Q3'10 quarterly earnings release issued on November 2, 2010.

Q3'10 Highlights

- \$932 million in net income, or \$1.68 per diluted share
 - Deferred tax benefit contributes \$981 million, or \$1.75 per diluted share
 - Loss from early extinguishment of debt of \$55 million (*pre-tax*), or \$0.06 per diluted share
- \$203mm adjusted EBITDA
- 9.0% adjusted EBITDA margin
 - 2nd Strongest 3rd quarter EBITDA margin in 7 years
- Soft volumes largely offset by cost efficiencies and solid pricing
- Raising lower end of 2010 adjusted EBITDA Outlook range to new range of \$1.050 - \$1.100 Billion

5-year trend line of our third quarters

- Unusually strong Q3'09
- Quarter-to-quarter volatility: but one quarter doesn't change trend



(1) As originally reported for each year; total company

(2) Excluding incremental expenses related to lower discount rates for malpractice and workers' compensation expense and incremental HIT expense, net of favorable prior year cost report adjustments (PYCAs)

Notable items impacting Q3'10 and Q3'09

	Q3'10	Q3'09
Favorable	<ul style="list-style-type: none"> • \$2mm PYCA (1) 	<ul style="list-style-type: none"> • \$11mm PYCA (1) • \$6mm HMO distribution • \$3mm pension adjustment
Unfavorable	<ul style="list-style-type: none"> • \$14mm discount rate impact • \$4mm HIT increment 	
Net	\$16mm Unfavorable	\$20mm Favorable

\$36 mm

(1) "PYCA" refers to Prior Year Cost Report Adjustments

Volume Metrics *(Q3'10 compared to Q3'09)*

- 3.5% decline in total admissions
- 8.6% decline in commercial admissions
- 1.8% decline in adjusted admissions
- Admissions trends improving
 - July was weakest month in Q3'10
 - August improved relative to July
 - September continued to improve through mid-month

Outpatient volumes faring better than inpatient *(Q3'10 compared to Q3'09)*

- 2.0% decline in total outpatient visits
 - 1.7% decline in ED visits, but 70% of ED decline due to flu
- 6.3% decline in commercial outpatient visits
- 0.1% growth in outpatient surgeries
- 1.8% decline in adjusted admissions

Volume declines largely confined to just seven hospitals

	Q3'10	YTD (09/30/10)
	Percent of Company's Volume Change ⁽¹⁾	Percent of Company's Volume Change ⁽¹⁾
Admissions - Total	72	64
Admissions - Commercial	37	27
Outpatient Visits - Total	21	34
Outpatient Visits - Commercial	20	24

(1) Volume change of these 7 hospitals as a percentage of Company's total volume change for relevant time period.






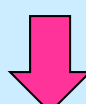




Volume declines concentrated by service line *(Q3'10 compared to Q3'09)*

- 32% of total admissions decline was in obstetrics
- Elective procedures being deferred

Commercially-insured patients reducing utilization of deferrable/elective services

(Q3'10 compared to Q3'09)

(% change)	Non-Commercial Admissions	Commercial Admissions	Aggregate Growth Rate	Total Admissions
Orthopedic Surgeries	 0.2	 (9.0)	(2.5)	7,000
Spinal Fusions	 16.6	 (14.8)	(0.3)	2,000
Urology	 6.1	 (8.5)	3.4	3,500
General Medicine	 5.1	 (1.6)	4.0	800

Conversely, . . . service lines which are less elective show uniform utilization across payers

(Q3'10 compared to Q3'09)

<i>(% change)</i>	Non-Commercial Admissions	Commercial Admissions	Aggregate Growth Rate	Total Admissions
OB Delivery	(7.0) ↔ (6.3)	(6.3)	(6.8)	18,000
Neonatal	(8.5) ↔ (6.4)	(6.4)	(7.9)	2,200

Capital structure enhanced

- Balance sheet strengthened
 - 2013 maturities extended to 2020
 - \$229mm repurchased (*par value*)
 - Debt reduced to \$4.06 billion
 - Net debt reduced to \$3.66 billion
- New \$800mm bank line
 - Less restrictive covenants

Revenues

- Favorable pricing and acuity drive stable revenue picture
- Commercial pricing particularly strong
- 2.4% increase in commercial acuity
- 0.9% increase in commercial revenues

Sources of earnings and cash flow growth

1 **Capacity Utilization**

Volume growth expected to improve utilization from current 50.8% (YTD 2010)

2 **Outpatient**

Outpatient margins are significantly greater than inpatient margins
Outpatient/ inpatient revenue mix expected to grow from current 33/67 mix (YTD)
(Industry norm is 40/60)

3 **MPI**

Cost savings from MPI and other efficiency initiatives
(Expect \$28-32mm 2010 savings)

4 **Bad debt**

Current recession-levels expected to decline
(Mid-point of 2010 Outlook is 8.1%, versus 6.4% in 2007)

5 **Conifer**

Building meaningful high-margin, high-growth service businesses
(7 clients representing 30 hospitals added to revenue cycle business and a strong pipeline)

6 **Health IT**

Incentive payments beginning in 2012 expected to more than offset current incremental expense burden (Incentive payments, partially offsetting expenditures, expected to total as much as \$320mm in the 4-year period beginning 2012)

7 **Healthcare Reform**

Expect significant reductions in uncompensated care and increased paying volumes

Expected contributions to near-term performance

- Outpatient
 - Acquisitions beginning to come on-line
 - \$70mm expected to be invested by 12/31/10 to acquire:
 - Revenues of \$100mm to \$150mm (2011)
 - EBITDA (2011) of \$30-40mm . . . 300-400 basis points of year-over-year growth in EBITDA
- MPI (*Medicare Performance Initiative*)
 - \$30mm expected contribution to 2010 EBITDA
 - Potential for an additional \$30mm in 2011
- Conifer
 - \$10mm potential EBITDA contribution in 2011 from outside clients
- HIT
 - Went live in four hospitals in October, and three more in November
- Pricing – significant visibility into 2011 with 80% of revenues under contract

Tax benefit of net operating loss carryforward

- \$981mm contribution to net income
 - \$1.75 per diluted share
- Recognized THC's sustained and sustainable return to profitability
- Future reporting periods will approximate a normalized tax rate of roughly 40%
- Cash tax payments, however, expected to remain low, at roughly recent levels until NOL is fully utilized

California provider fee expected to be recognized in Q4'10

- Expect \$64mm benefit in Q4'10
- Partial CMS approval received in October
 - Managed care portion still awaiting CMS approval – but expected before 12/31/10
- A portion of cash receipts, approximately \$36mm, expected to be delayed until Q1'11
- California working towards half year renewal in 2011
- Pennsylvania and other states developing similar arrangements
 - Pennsylvania's program could benefit Tenet by approximately \$25mm in 2011

Revenues grew slightly after adjusting for PYCAs

- Commercial pricing strong and further strengthened by enhanced commercial CMI but offset by adverse payer mix and aggregate declines in paying volumes
- 2.4% increase in commercial CMI
- PYCAs contribute \$2mm to Q3'10 revenues
 - \$9mm adverse variance to the \$11mm of PYCAs recorded in Q3'09
- 0.4% total revenue growth after adjusting for PYCAs

Increases in unit revenues *(Q3'10 vs Q3'09)*

- 0.9% growth in commercial managed care revenues
- 1.1% increase in net inpatient revenues per admission
- 5.6% increase in net outpatient revenues per visit
 - Low flu volumes helped outpatient pricing growth
- Good visibility into future increases:
 - 80% of 2011 commercial revenue contracting completed
 - 40% of 2012

Costs remain well controlled

- 800 FTE reduction by 9/30/10
 - FTEs per adjusted average daily census declined by 1.2% (*September*)
 - Cuts implemented in Q3'10 expected to have greater visibility in Q4'10.
- 4.9% increase in controllable costs (PAPD) (*Q3'10 vs Q3'09*)
 - 4.9% SW&B increase (PAPD)
 - Impacted by physician employment
 - 2.6% Supply cost increase (PAPD)
 - Impacted by enhanced acuity
 - 6.6% “Other operating expense” increase (PAPD)
 - Malpractice up \$1mm (*versus Q3'09*), but down \$11mm YTD
 - Q3'10 malpractice includes \$11mm charge related to lower discount rate
- \$4mm HIT expense (*incremental to Q3'09*)

Bad debt pressure less than initially anticipated

	Q3'10	Q3'09
Bad Debt / Net Operating Revenues (%)	8.3	8.5
Uninsured Admissions (change - %)	↓ (5.9)	
Uninsured Outpatient Visits (change - %)	↓ (2.7)	
Uncompensated ⁽¹⁾ Admissions (change - %)	↑ 0.7	
Uncompensated ⁽¹⁾ O/P Visits (change - %)	↓ (1.7)	
Cost of providing uncompensated care	\$133mm	\$129mm

(1) "Uncompensated" volumes defined as uninsured + charity

Cash Flow

- \$398mm cash and cash equivalents at 9/30/10
 - \$313mm decline
 - \$274mm used to repurchase debt
- \$160mm adjusted net cash provided by operating activities - continuing operations
- \$53mm adjusted free cash flow
 - \$107mm in capex – continuing operations
- Lower levels of accounts payable reduced cash flow

MOB sale ... *(subsequent to quarter end)*

- \$46mm cash received *(October 2010)*
 - MOBs had generated \$10mm in annual rents and \$3.5mm in EBITDA
- \$50mm additional sale under contract, but not in outlook

2010 Outlook Assumptions

Line #			Prior Outlook	Revised Outlook
1	Admissions - growth	(%)	(1.5) – (0.5)	(3.5) – (2.5)
2	Outpatient visits - growth	(%)	1.0 – 2.0	(1.0) – 0.0
3	Inpatient Revenue per Admission - growth	(%)	3.0 – 4.0	4.0 – 5.0
4	Outpatient Revenue per Visit - growth	(%)	3.0 – 4.0	5.5 – 6.5
5	Net operating revenues – growth	(%)	3.5 – 5.0	2.0 – 3.5
6	Net operating revenues	(\$Bil)	9.3 – 9.5	9.2 – 9.3
7	Controllable operating expense – growth	(%)	2.5 – 4.5	1.0 – 2.5
8	Controllable operating expenses	(\$Bil)	7.5 – 7.65	7.4 – 7.5
9	Bad debt ratio	(%)	7.8 - 8.8	7.8 – 8.3
10	Bad debt expense	(\$mm)	730 - 840	720 - 770
11	Adjusted EBITDA ⁽¹⁾	(\$mm)	1,035 – 1,100	1,050 – 1,100
12	Depreciation and Amortization	(\$mm)	385 - 420	385 - 400
13	Interest Expense, Net	(\$mm)	435 - 415	425 - 410
14	Income from continuing operations before income taxes ⁽¹⁾	(\$mm)	215 – 265	240 – 290
15	Net income ⁽¹⁾ (assumes 40% tax rate ⁽³⁾)	(\$mm)	130 – 160	145 – 175
16	Preferred stock dividends	(\$mm)	24	24
17	Net income attributable to noncontrolling interests	(\$mm)	6 – 12	11
18	Net income attributable to common shareholders	(\$mm)	100 – 124	110 – 140
19	E.P.S. ⁽¹⁾ ⁽²⁾ (assumes 40% tax rate ⁽³⁾)	(\$)	0.20 - 0.25	0.22 - 0.28

(1) Continuing operations excluding impairment and restructuring charges, litigation and investigation costs, loss from early extinguishment of debt, and deferred tax benefit.

(2) Share count of 501mm shares. Mandatory convertible preferred is anti-dilutive at the assumed earnings level. Share count potentially raised to 560mm shares at higher assumptions of earnings.

(3) Post recognition of deferred tax benefit recognized in Q3'10, GAAP net income will reflect tax rate of approximately 40 percent



Cash Walk Forward – Q4'10 (\$mm)

	Low	High
EBITDA Outlook (Q4'10)	281	331
Add Back: Stock Compensation Charges	4	14
Changes in Cash from Operating Assets and Liabilities	42	52
Interest Payments	(88)	(88)
Adjusted Net Cash Provided by Operating Activities – Cont. Ops.	239	309
Capital Expenditures – Cont. Ops.	(158)	(208)
Adjusted Free Cash Flow – Cont. Ops.	81	101
Income Tax Payments	(49)	(20)
Payments against Reserves for Restructuring Charges, Litigation Costs and Settlements	0	0
Net Cash Provided by Operating Activities from Disc. Ops.	(4)	2
Investing Activities <i>(including MOB divestitures and outpatient acquisitions)</i>	42	27
Net Financing Activities	(18)	(18)
Net Increase (Decrease) in Cash and Cash Equivalents	52	92
Cash and Cash Equivalents at September 30, 2010	398	
Cash and Cash Equivalents at December 31, 2010	450	490

Summary

- NOL value confirmed from accounting perspective
- Raised low end of 2010 adjusted EBITDA Outlook range to new range of \$1.050 - \$1.100 Billion
- Cost efficiencies partially offset impact of lower volumes
- Free Cash Flow reflects both declining AP and AR days
- Pricing remains a source of strength
- Commercial CMI remains favorable to Q3'09
- Q4'10 upside contributions expected from diverse sources:
 - California provider fee
 - Outpatient acquisitions
 - MOB sales