

TENET HEALTHCARE CORP  
Form 10-Q  
November 07, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**Form 10-Q**

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the quarterly period ended September 30, 2012

OR

o **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 1-7293

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**TENET HEALTHCARE CORPORATION**

(Exact name of Registrant as specified in its charter)

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**Nevada**  
(State of Incorporation)

**95-2557091**  
(IRS Employer Identification No.)

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**1445 Ross Avenue, Suite 1400**

**Dallas, TX 75202**

(Address of principal executive offices, including zip code)

**(469) 893-2200**

(Registrant's telephone number, including area code)

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Indicate by check mark whether the Registrant (1) has 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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, 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 Registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Exchange Act Rule 12b-2).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes  No

As of October 31, 2012, there were 106,475,474 shares of the Registrant's common stock, \$0.05 par value, outstanding.

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Dollars in Millions

(Unaudited)

|  | September 30,<br>2012 | December 31,<br>2011 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| <b>Current assets:</b>   |                       |                      |
| Cash and cash equivalents  | \$ 83                 | \$ 113               |
| Accounts receivable, less allowance for doubtful accounts (\$402 at September 30, 2012 and \$397 at December 31, 2011)                           | 1,338                 | 1,278                |
| Inventories of supplies, at cost   | 154                   | 161                  |
| Income tax receivable  | 13                    | 7                    |
| Current portion of deferred income taxes   | 394                   | 418                  |
| Assets held for sale   | 0                     | 2                    |
| Other current assets   | 502                   | 378                  |
| <b>Total current assets</b>  | <b>2,484</b>          | <b>2,357</b>         |
| Investments and other assets   | 126                   | 156                  |
| Deferred income taxes, net of current portion  | 338                   | 374                  |
| Property and equipment, at cost, less accumulated depreciation and amortization (\$3,444 at September 30, 2012 and \$3,386 at December 31, 2011) | 4,173                 | 4,350                |
| Goodwill   | 771                   | 736                  |
| Other intangible assets, at cost, less accumulated amortization (\$405 at September 30, 2012 and \$360 at December 31, 2011)                     | 578                   | 489                  |
| <b>Total assets</b>  | <b>\$ 8,470</b>       | <b>\$ 8,462</b>      |
| <b>LIABILITIES AND EQUITY</b>  |                       |                      |
| <b>Current liabilities:</b>  |                       |                      |
| Current portion of long-term debt  | \$ 243                | \$ 66                |
| Accounts payable   | 629                   | 760                  |
| Accrued compensation and benefits  | 379                   | 376                  |
| Professional and general liability reserves  | 72                    | 75                   |
| Accrued interest payable   | 110                   | 112                  |
| Accrued legal settlement costs   | 7                     | 64                   |
| Other current liabilities  | 389                   | 362                  |
| <b>Total current liabilities</b>   | <b>1,829</b>          | <b>1,815</b>         |
| Long-term debt, net of current portion   | 4,508                 | 4,294                |
| Professional and general liability reserves  | 322                   | 337                  |
| Accrued legal settlement costs   | 2                     | 2                    |
| Other long-term liabilities  | 524                   | 506                  |
| <b>Total liabilities</b>   | <b>7,185</b>          | <b>6,954</b>         |
| Commitments and contingencies  |                       |                      |
| Redeemable noncontrolling interests in equity of consolidated subsidiaries   | 16                    | 16                   |

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**Equity:**

**Shareholders equity:**

|  |                 |                 |
|--|-----------------|-----------------|
| Preferred stock, \$0.15 par value; authorized 2,500,000 shares; 46,300 of 7% mandatory convertible shares with a liquidation preference of \$1,000 per share issued at September 30, 2012 and 345,000 at December 31, 2011 | 45              | 334             |
| Common stock, \$0.05 par value; authorized 262,500,000 shares; 138,739,064 shares issued at September 30, 2012 and 137,867,138 shares issued at December 31, 2011  | 7               | 7               |
| Additional paid-in capital   | 4,437           | 4,427           |
| Accumulated other comprehensive loss   | (49)            | (52)            |
| Accumulated deficit  | (1,337)         | (1,440)         |
| Common stock in treasury, at cost, 34,320,438 shares at September 30, 2012 and 34,110,674 shares at December 31, 2011  | (1,879)         | (1,853)         |
| <b>Total shareholders equity</b>   | <b>1,224</b>    | <b>1,423</b>    |
| <b>Noncontrolling interests</b>  | <b>45</b>       | <b>69</b>       |
| <b>Total equity</b>  | <b>1,269</b>    | <b>1,492</b>    |
| <b>Total liabilities and equity</b>  | <b>\$ 8,470</b> | <b>\$ 8,462</b> |

See accompanying Notes to Condensed Consolidated Financial Statements.

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**TENET HEALTHCARE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**Dollars in Millions, Except Per-Share Amounts**

(Unaudited)

|   | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |               |
|---|-------------------------------------|--------------|------------------------------------|---------------|
|   | 2012                                | 2011         | 2012                               | 2011          |
| <b>Net operating revenues:</b>  |                                     |              |                                    |               |
| Net operating revenues before provision for doubtful accounts                                     | \$ 2,427                            | \$ 2,289     | \$ 7,373                           | \$ 7,018      |
| Less: Provision for doubtful accounts   | 206                                 | 189          | 585                                | 536           |
| <b>Net operating revenues</b>   | <b>2,221</b>                        | <b>2,100</b> | <b>6,788</b>                       | <b>6,482</b>  |
| <b>Operating expenses:</b>  |                                     |              |                                    |               |
| Salaries, wages and benefits  | 1,050                               | 1,002        | 3,166                              | 3,001         |
| Supplies  | 376                                 | 379          | 1,164                              | 1,167         |
| Other operating expenses, net   | 539                                 | 527          | 1,604                              | 1,526         |
| Electronic health record incentives   | (13)                                | 0            | (13)                               | (50)          |
| Depreciation and amortization   | 110                                 | 100          | 314                                | 298           |
| Impairment of long-lived assets and goodwill, and restructuring charges, net                      | 6                                   | 8            | 12                                 | 18            |
| Litigation and investigation costs  | 0                                   | 5            | 3                                  | 24            |
| <b>Operating income</b>   | <b>153</b>                          | <b>79</b>    | <b>538</b>                         | <b>498</b>    |
| Interest expense  | (103)                               | (59)         | (303)                              | (275)         |
| Investment earnings   | 1                                   | 1            | 2                                  | 3             |
| <b>Income from continuing operations, before income taxes</b>                                     | <b>51</b>                           | <b>21</b>    | <b>237</b>                         | <b>226</b>    |
| Income tax expense  | (18)                                | (4)          | (90)                               | (73)          |
| <b>Income from continuing operations, before discontinued operations</b>                          | <b>33</b>                           | <b>17</b>    | <b>147</b>                         | <b>153</b>    |
| <b>Discontinued operations:</b>   |                                     |              |                                    |               |
| Income (loss) from operations   | 4                                   | (2)          | 7                                  | (17)          |
| Impairment of long-lived assets and goodwill, and restructuring charges, net                      | 0                                   | 0            | (100)                              | 0             |
| Net gains (losses) on sales of facilities   | (1)                                 | 0            | 1                                  | 0             |
| Income tax benefit (expense)  | (4)                                 | 0            | 24                                 | 24            |
| <b>Income (loss) from discontinued operations</b>   | <b>(1)</b>                          | <b>(2)</b>   | <b>(68)</b>                        | <b>7</b>      |
| <b>Net income</b>   | <b>32</b>                           | <b>15</b>    | <b>79</b>                          | <b>160</b>    |
| Less: Preferred stock dividends   | 1                                   | 6            | 11                                 | 18            |
| Less: Net income (loss) attributable to noncontrolling interests                                  | (9)                                 | 3            | (24)                               | 8             |
| <b>Net income attributable to Tenet Healthcare Corporation common shareholders</b>                | <b>\$ 40</b>                        | <b>\$ 6</b>  | <b>\$ 92</b>                       | <b>\$ 134</b> |
| <b>Amounts attributable to Tenet Healthcare Corporation common shareholders</b>                   |                                     |              |                                    |               |
| Income from continuing operations, net of tax   | \$ 30                               | \$ 8         | \$ 129                             | \$ 128        |
| Income (loss) from discontinued operations, net of tax  | 10                                  | (2)          | (37)                               | 6             |
| <b>Net income attributable to Tenet Healthcare Corporation common shareholders</b>                | <b>\$ 40</b>                        | <b>\$ 6</b>  | <b>\$ 92</b>                       | <b>\$ 134</b> |
| <b>Earnings (loss) per share attributable to Tenet Healthcare Corporation common shareholders</b> |                                     |              |                                    |               |

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|  |    |             |    |             |    |             |    |             |
|--|----|-------------|----|-------------|----|-------------|----|-------------|
| <b>Basic</b>   |    |             |    |             |    |             |    |             |
| Continuing operations  | \$ | 0.29        | \$ | 0.07        | \$ | 1.25        | \$ | 1.06        |
| Discontinued operations  |    | 0.09        |    | (0.02)      |    | (0.36)      |    | 0.05        |
|  | \$ | <b>0.38</b> | \$ | <b>0.05</b> | \$ | <b>0.89</b> | \$ | <b>1.11</b> |
| <b>Diluted</b>   |    |             |    |             |    |             |    |             |
| Continuing operations  | \$ | 0.28        | \$ | 0.07        | \$ | 1.21        | \$ | 1.03        |
| Discontinued operations  |    | 0.09        |    | (0.02)      |    | (0.35)      |    | 0.05        |
|  | \$ | <b>0.37</b> | \$ | <b>0.05</b> | \$ | <b>0.86</b> | \$ | <b>1.08</b> |
| <b>Weighted average shares and dilutive securities<br/>outstanding (in thousands):</b> |    |             |    |             |    |             |    |             |
| Basic  |    | 104,244     |    | 117,188     |    | 103,613     |    | 120,204     |
| Diluted  |    | 107,311     |    | 120,908     |    | 106,904     |    | 124,466     |

See accompanying Notes to Condensed Consolidated Financial Statements.

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**TENET HEALTHCARE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME**

**Dollars in Millions**

**(Unaudited)**

|   | Three Months Ended |          | September 30, |          | Nine Months Ended |          | September 30, |          |
|---|--------------------|----------|---------------|----------|-------------------|----------|---------------|----------|
|   | 2012               | 2011     | 2012          | 2011     | 2012              | 2011     | 2012          | 2011     |
| Net income  | \$                 | 32       | \$            | 15       | \$                | 79       | \$            | 160      |
| Other comprehensive income:                             |                    |          |               |          |                   |          |               |          |
| Adjustments for supplemental executive retirement plans |                    | 0        |               | 0        |                   | 3        |               | 0        |
| <b>Other comprehensive income before income taxes</b>   |                    | <b>0</b> |               | <b>0</b> |                   | <b>3</b> |               | <b>0</b> |