TENET HEALTHCARE CORP
Form DEF 14A
March 25, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Tenet Healthcare Corporation

(Name of Registrant as Specified in Its Charter)

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x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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TENET HEALTHCARE CORPORATION

1445 Ross Avenue, Suite 1400

Dallas, Texas 75202

(469) 893-2200

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

to be held on Wednesday, May 5, 2010

March 25, 2010

To Our Shareholders:

Our Annual Meeting of Shareholders will be held on Wednesday, May 5, 2010, at 8:00 a.m. Central time at the Fairmont Dallas Hotel, 1717 North Akard Street, Dallas, Texas, for the following purposes:

1. To elect nine directors for terms of one year each;

2. To vote upon a proposal to approve the Second Amended and Restated Tenet Healthcare 2008 Stock Incentive Plan;

3. To vote upon a proposal to approve the Tenet Healthcare Corporation Ninth Amended and Restated 1995 Employee Stock Purchase Plan;

4. To ratify the selection of Deloitte & Touche LLP as independent registered public accountants for the year ending December 31, 2010; and

5. To transact any other business that properly may come before the meeting or any postponements or adjournments thereof.

You may vote if you were a shareholder of record of our common stock on March 9, 2010. Holders of our 7.00% Mandatory Convertible Preferred Stock are not entitled to vote at the Annual Meeting.

It is important that your shares be represented and voted at the Annual Meeting. You may vote your shares via the Internet, by telephone or by completing and returning a proxy card. Specific voting instructions are set forth in the General Information section of the accompanying Proxy Statement and on both the Notice of Internet Availability of Proxy Materials and proxy card. You may revoke a proxy at any time prior to its exercise at the Annual Meeting by following the instructions in the General Information section of the Proxy Statement. If you attend the Annual Meeting, you may, if you wish, withdraw your proxy and vote in person.

Gary Ruff
Corporate Secretary

Important Notice Regarding the Availability of Proxy Materials

for the Shareholder Meeting To Be Held on May 5, 2010

The accompanying Proxy Statement and proxy card, as well as our Annual Report on Form 10-K for the

year ended December 31, 2009, are available at *www.proxyvote.com.*

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Dear Tenet Shareholder,

2009 was a successful year for our company. We achieved key performance milestones which leave us well positioned for the future. This progress was all the more gratifying as we achieved it amidst a sluggish economy that led to an increase in the number of patients who are unemployed and/or uninsured.

We extended our strong record of earnings growth in both adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) and adjusted EBITDA margin. We grew adjusted EBITDA by one-third, and increased the adjusted EBITDA margin from 8.6 percent to 10.9 percent. These increases helped drive adjusted free cash flow growth of almost $400 million. Our 2009 adjusted EBITDA was more than twice what we generated in 2004 when we had 40 percent more hospitals than we have today. Through the successful execution of several capital market transactions and our improved earnings, we also strengthened our balance sheet and reduced our leverage position significantly.

One of our most important objectives last year was to control costs. We excelled at cost control and made significant cost cuts in virtually every part of our business, notably including corporate overhead and supply chain management. We are particularly proud of the cost savings related to malpractice expense. These savings provide compelling evidence of our successful initiatives in improved clinical quality. We also had a much better year with regard to bad debt expense than we had projected.

The volume picture was mixed. While we were very pleased with the 3.4 percent year-over-year growth in same-hospital outpatient visits, same-hospital and commercial admissions declined by 0.6 percent and 4.7 percent, respectively. Despite these declines, we still were able to achieve very strong earnings improvement. There is no question that the changes we made to our cost structure significantly enhanced the profitability of the company.

From an operational perspective, we made significant progress on a number of initiatives critical to our business:

- We achieved further improvements in our Centers for Medicare & Medicaid Services (CMS) Core Quality Measures, patient satisfaction and physician satisfaction scores, and we continued to earn a disproportionate number of Centers of Excellence designations. We also welcomed Dr. Kelvin Baggett to the company as our new Chief Medical Officer. Among his many responsibilities as CMO, Dr. Baggett is responsible for our ongoing efforts to continuously improve the safety and quality of clinical care.

- We grew our external services offerings through Conifer Health Solutions, now serving 23 non-Tenet hospitals, with revenue cycle services. In addition, Conifer s Patient Communications team serves 60 external clients, encompassing 75 hospitals.

- We are particularly pleased with the significant growth in the number of physicians who joined the medical staffs of our hospitals this past year: a net total of 855 new physicians, representing a net growth of 6.3 percent from 2008.

We completed the successful relocation of our corporate headquarters on time, under budget and with no disruption to the business. This move will save Tenet millions of dollars in 2010 and beyond.

We also maintained consistently high governance ratings from the Risk Metrics Group, once again ranking higher than any other company in our industry and in the top one percent among all companies in the S&P 500 through 2009.

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There is no more compelling evidence that our strategies are working, however, than having a growing number of physicians tell us they like the changes they re seeing at Tenet, and they want to treat their patients in our hospitals. Physician satisfaction reached an all-time high in 2009, extending our record of continuous improvement over six consecutive survey cycles.

I am proud of the many milestones we achieved last year, and I remain confident in our ability to make even greater improvements in the year ahead. Further progress will require strong and consistent performance on our part as we implement innovative techniques to grow patient volumes and extend the progress we ve made in controlling costs, without of course, losing sight of our mission to provide quality patient care and exceptional service at every Tenet hospital.

My confidence in our ability to achieve these and other goals comes from the more than 55,000 Tenet employees who demonstrate each day their commitment to our patients, our hospitals and the communities we serve.

Sincerely,

Trevor Fetter
President and Chief Executive Officer

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PROXY STATEMENT

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GENERAL INFORMATION

Your proxy is solicited by the Board of Directors of Tenet Healthcare Corporation for use at the Annual Meeting of Shareholders to be held in Dallas, Texas at 8:00 a.m. Central time on Wednesday, May 5, 2010, and any adjournments of the meeting, for the purposes set forth in the Notice of Annual Meeting of Shareholders.

Under Securities and Exchange Commission (SEC) rules, Tenet has elected to make our proxy materials available to the majority of our shareholders over the Internet rather than mailing paper copies of those materials to each shareholder. On March 25, 2010, we mailed to the majority of our shareholders a Notice of Internet Availability of Proxy Materials (the Notice of Internet Availability) directing shareholders to a website where they can access this Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2009 and view instructions on how to vote via the Internet or by telephone. If you received the Notice of Internet Availability only and would like to receive a paper copy of the proxy materials, please follow the instructions printed on the Notice of Internet Availability to request that a paper copy be mailed to you. Shareholders who do not receive the Notice of Internet Availability will receive a paper or electronic copy of our proxy materials. This Proxy Statement and related proxy materials are being mailed or made available to shareholders on or about March 25, 2010.

You may vote by calling the toll-free telephone number noted on your proxy card. Telephone voting is available 24 hours a day and will be accessible until 11:59 p.m. Eastern time on May 4, 2010. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. You also may choose to vote on the Internet. The website for Internet voting is noted on your proxy card or your Notice of Internet Availability. Internet voting also is available 24 hours a day and will be accessible until 11:59 p.m. Eastern time on May 4, 2010. As with telephone voting, you may confirm that your instructions have been properly recorded. If you received a paper copy of the proxy card by mail and choose to vote by mail, please mark your proxy card, date and sign it, and promptly return it in the postage-paid envelope provided. **Shares must be voted either by telephone, Internet or by completing and returning a proxy card. Shares cannot be voted by marking, writing on and/or returning a Notice of Internet Availability. Any Notices of Internet Availability that are returned will not be counted as votes.**

If your proxy is properly completed, the shares it represents will be voted at the meeting as you instructed. If you submit your proxy, but do not provide instructions, your proxy will be voted in accordance with the Board s recommendations as set forth in this Proxy Statement. You have the right to revoke your proxy at any time before it is voted by (1) filing a written notice with our Corporate Secretary, (2) delivering a new proxy bearing a later date, (3) granting a later proxy through Internet or telephone voting or (4) attending the Annual Meeting and voting in person.

Holders of our common stock at the close of business on March 9, 2010 are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 483,672,874 shares of our common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the Annual Meeting. The presence, in person or by proxy, of a majority of the shares of common stock outstanding on the date of the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Abstentions will be counted for purposes of determining the presence or absence of a quorum. In the case of Proposal 1 (Election of Directors) and Proposal 4 (Ratification of the Selection of Independent Registered Public Accountants), abstentions will not change the number of votes cast for or against these proposals and therefore will have no effect on the approval of these proposals. In the case of Proposal 2 (Amendment of 2008 Stock Incentive Plan) and Proposal 3 (Amendment of Employee Stock Purchase Plan), abstentions will be counted as present and entitled to vote and will have the same effect as votes against these proposals. Holders of our 7.00% Mandatory Convertible Preferred Stock are not entitled to vote at the Annual Meeting.

If your shares of our common stock are held by a broker in street name (which means your shares are registered in the name of your broker), under the rules of the New York Stock Exchange (NYSE) your broker may vote your shares on certain matters if you do not provide your broker with voting instructions. The ratification of the selection of our independent registered public accountants is considered a routine matter upon which brokerage firms may vote on behalf of their clients if no voting instructions are provided. A broker non-vote occurs when a broker holding your shares in street name does not vote on a particular matter because

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you did not provide the broker voting instructions and the broker lacks discretionary voting authority to vote the shares because the matter is non-routine. The non-routine matters on the agenda for this year s Annual Meeting include the election of directors, a proposal to amend our 2008 Stock Incentive Plan and a proposal to amend our Employee Stock Purchase Plan.

We will pay for the cost of proxy solicitations on behalf of the Board. We have engaged MacKenzie Partners, Inc. to assist in our proxy solicitations. We will pay MacKenzie an amount not to exceed $25,000 in fees for its proxy solicitation services and reimburse it for its reasonable out-of-pocket expenses. In addition to solicitation by mail by MacKenzie, proxies may be solicited personally or by telephone by our directors, officers and other employees. Proxy materials also may be distributed to the beneficial owners of our stock by brokers, custodians and other parties, and we will reimburse such parties for their reasonable out-of-pocket and clerical expenses.

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PROPOSAL 1 ELECTION OF DIRECTORS

Nominees for Election to the Board of Directors

Tenet s Board of Directors is elected annually by the shareholders. Our nominees for the election of directors include eight independent directors and our President and Chief Executive Officer. At the recommendation of our Nominating and Corporate Governance Committee (Governance Committee), our Board has selected the nominees listed below to serve as directors for the one-year term beginning at the Annual Meeting on May 5, 2010, or until their successors are elected or appointed. For information regarding factors considered in selecting these nominees, see Selection Process for Nominees below.

Unless you direct otherwise through your proxy voting instructions, the persons named as proxies will vote all proxies received for the election of each nominee named in this section. If any director nominee is unable or unwilling to serve as a nominee at the time of the Annual Meeting, the persons named as proxies may vote for a substitute nominee chosen by the present Board to fill the vacancy. In the alternative, the persons named as proxies may vote just for the remaining nominees, leaving a vacancy that may be filled at a later date by the Board, or the Board may reduce its size. We have no reason to believe that any of the nominees will be unwilling or unable to serve if elected as a director.

Our bylaws require that, to be elected, a director nominee must receive a majority of the votes cast in uncontested elections (i.e., the number of shares voted for a director nominee must exceed the number of votes cast against that nominee). Each director nominee is currently serving on the Board. If a nominee is not re-elected, Nevada law provides that the incumbent director would continue to serve on the Board until his or her successor is elected or the director resigns. However, under our Corporate Governance Principles, any incumbent director who receives, in an uncontested election of directors, a greater number of votes cast against his or her election than votes for his or her election must submit his or her resignation to the Board. In that situation, our Governance Committee would make a recommendation to the Board about whether to accept or reject the resignation, or whether to take other action. Our Board would then act on the Committee s recommendation and publicly disclose its decision and the rationale behind it within a reasonable period from the date that the election results were certified.

Director Changes in 2010

On March 8, 2010, one of our directors, J. McDonald Williams, notified us of his decision not to stand for re-election to the Board of Directors. Mr. Williams will resign from the Board, effective as of the conclusion of our Annual Meeting. Mr. Williams, a member of the Audit Committee and Compensation Committee, has served as an independent member of our Board since March 2005. In his role as director, Mr. Williams made many significant contributions to the Board, Tenet and our shareholders. As of March 25, 2010, the date of the mailing of this Proxy Statement, no candidate has been identified to fill the vacancy to be created upon Mr. Williams retirement from the Board.

Proxies cannot be voted for a greater number of persons than the number of nominees named in this Proxy Statement.

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The Board recommends that you vote FOR the election of each of the following nominees.

John Ellis Jeb Bush

Director

Member of Nominating and Corporate Governance Committee and Quality, Compliance and Ethics Committee

Age: 57

Mr. Bush is the president of Jeb Bush and Associates, a consulting firm. He served as the 43rd Governor of the State of Florida from January 1999 until January 2007. Prior to his election as Governor, Mr. Bush worked as a real estate executive and pursued other entrepreneurial ventures in Florida from 1981 to 1998, and served as Secretary of Commerce for the State of Florida from 1987 to 1988. Before 1981, Mr. Bush served in various positions at Texas Commerce Bank in Houston, Texas and in Caracas, Venezuela. He formed and serves as chairman of the Foundation for Florida s Future, a not-for-profit public policy organization, and the Foundation for Excellence in Education, a not-for-profit charitable organization. Mr. Bush holds a bachelor s degree in Latin American affairs from the University of Texas at Austin. He serves on the board of directors of one other public company, Rayonier Inc. He also serves on the board of directors of Angelica Corporation, CNL Bancshares Inc., CorMatrix Cardiovascular, Inc. and Empower Software Solutions, Inc. Mr. Bush has been a member of Tenet s Board since April 2007.

Trevor Fetter

Director

Member of Executive Committee

Age: 50

Mr. Fetter was named Tenet s President in November 2002 and was appointed Chief Executive Officer in September 2003. From March 2000 to November 2002, Mr. Fetter was chairman and chief executive officer of Broadlane, Inc. From October 1995 to February 2000, he served in several senior management positions at Tenet, including Chief Financial Officer. Mr. Fetter began his career with Merrill Lynch Capital Markets, where he concentrated on corporate finance and advisory services for the entertainment and healthcare industries. In 1988, he joined Metro-Goldwyn-Mayer, Inc., where he had a broad range of corporate and operating responsibilities, rising to executive vice president and chief financial officer. Mr. Fetter holds a bachelor s degree in economics from Stanford University and an M.B.A. from Harvard Business School. He is a member of the board of directors of one other public company, The Hartford Financial Services Group, Inc. Mr. Fetter completed a one-year term as the chairman of the board of directors of the Federation of American Hospitals on March 1, 2010 and remains a director. Mr. Fetter has been a director of Tenet since September 2003.

Brenda J. Gaines

Director

Member of Audit Committee and Compensation Committee

Age: 60

Ms. Gaines served as president and chief executive officer of Diners Club North America, a division of Citigroup, from 2002 until her retirement in March 2004. She also served as president of Diners Club from 1999 to 2002 and held a number of senior management positions within Citigroup from 1988. From 1983 to 1987, she worked in various management positions for the City of Chicago, including Deputy Chief of Staff to the Mayor and Commissioner of Housing. Ms. Gaines received her bachelor s degree from the University of Illinois at Champaign-Urbana and her master s degree in public administration from Roosevelt University in Chicago. She currently serves on the board of directors of three other public companies, Federal National Mortgage Association (Fannie Mae), NICOR Inc. and Office Depot, Inc., and she formerly served as a director of CNA Financial Corp. Ms. Gaines has been a member of Tenet s Board since March 2005.

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Karen M. Garrison

Director

Member of Nominating and Corporate Governance Committee and Quality, Compliance and Ethics Committee

Age: 61

Ms. Garrison served as president of Pitney Bowes Business Services from 1999 until her retirement in 2004. From 1978 to 1999, she held a number of senior management positions at Pitney Bowes and Dictaphone Corporation (then a subsidiary of Pitney Bowes), including vice president of operations and vice president of finance and chief financial officer. Ms. Garrison received her bachelor of science degree in accounting from Rollins College and her M.B.A. from the Florida Institute of Technology. She currently serves on the board of directors of two other public companies, Kaman Corporation and Standard Parking Corporation, and she formerly served as a director of North Fork Bancorporation, Inc. Ms. Garrison has been a member of Tenet s Board since March 2005.

Edward A. Kangas

Chairman

Chair of Compensation Committee and Executive Committee, and member of Quality, Compliance and Ethics Committee

Age: 65

Mr. Kangas served as global chairman and chief executive officer of Deloitte Touche Tohmatsu from 1989 to 2000. He also served as the managing partner of Deloitte & Touche (USA) from 1989 to 1994. He was elected managing partner and chief executive officer of Touche Ross in 1985, a position he held through 1989. Mr. Kangas began his career as a staff accountant at Touche Ross in 1967, where he became a partner in 1975. A certified public accountant, Mr. Kangas holds a bachelor s degree in business administration and an M.B.A. from the University of Kansas. He is a director of four other public companies, Eclipsys Corporation, Hovnanian Enterprises, Inc., Intuit Inc. and United Technologies Corporation, and he formerly served as a director of Electronic Data Systems Corporation. In addition, he is a board member of the International Federation of Multiple Sclerosis Societies, and he serves as a trustee of the Committee for Economic Development. He is also a member of Beta Gamma Sigma Directors Table and a life trustee of the board of trustees of the University of Kansas Endowment Association. Mr. Kangas has been a member of Tenet s Board since April 2003 and was first elected Chairman of the Board in July 2003.

J. Robert Kerrey

Director

Chair of Nominating and Corporate Governance Committee, and member of Executive Committee and Quality, Compliance and Ethics Committee

Age: 66

Mr. Kerrey has been president of The New School University in New York City since January 2001. From January 1989 to December 2000, he served as a U.S. Senator from the State of Nebraska. Before his election to the U.S. Senate, Mr. Kerrey was Governor of the State of Nebraska from January 1982 to December 1987. Prior to entering public service, he founded and operated a chain of restaurants and health clubs. Mr. Kerrey holds a degree in pharmacy from the University of Nebraska. He is a director of three other public companies, Genworth Financial, Inc., Jones Apparel Group, Inc. and Scientific Games Corporation. He is also co-chairman of the board of the Concord Coalition, a nonpartisan organization dedicated to responsible fiscal policy. Mr. Kerrey has been a member of Tenet s Board since March 2001.

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Floyd D. Loop, M.D.

Director

Chair of Quality, Compliance and Ethics Committee, and member of Executive Committee and Nominating and Corporate Governance Committee

Age: 73

Dr. Loop retired as the chief executive officer and chairman of the board of governors of The Cleveland Clinic Foundation in October 2004, a position he held for 15 years. Before becoming the Foundation s chief executive officer in 1989, Dr. Loop was an internationally recognized cardiac surgeon. He practiced cardiothoracic surgery for 30 years and headed the Department of Thoracic and Cardiovascular Surgery at The Cleveland Clinic from 1975 to 1989. Dr. Loop has authored more than 350 clinical research papers, chaired the Residency Review Committee for Thoracic Surgery and was president of the American Association for Thoracic Surgery. Dr. Loop holds a bachelor of science degree from Purdue University and received his medical degree from George Washington University. He is a director of two other public companies, Athersys, Inc. and Intuitive Surgical, Inc. He is also a director of Future Path Medical, LLC, Management Health Solutions, Inc., ValveXchange, Inc., Visible Assets Inc. and The Vitality Group, a member of Discovery Holdings Ltd. Dr. Loop has been a member of Tenet s Board since January 1999.

Richard R. Pettingill

Director

Member of Compensation Committee and Quality, Compliance and Ethics Committee

Age: 61

Mr. Pettingill served as president and chief executive officer of Allina Hospitals and Clinics from 2002 until his retirement in 2009. While in this role, he also served on the board of directors of the Minnesota Hospital Association and the Minnesota Business Partnership. Prior to joining Allina Hospitals and Clinics, Mr. Pettingill served as executive vice president and chief operating officer of Kaiser Foundation Health Plans and Hospitals from 1996 to 2002. From 1991 to 1995, he served as president and chief executive officer of Camino Healthcare. Mr. Pettingill received a bachelor s degree from San Diego State University and a master s degree in health care administration from San Jose State University. He is currently a 2010 Fellow in the Advanced Leadership Initiative program at Harvard University. Mr. Pettingill has been a member of Tenet s Board since March 2004.

James A. Unruh

Director

Chair of Audit Committee, and member of Executive Committee and Nominating and Corporate Governance Committee

Age: 69

Mr. Unruh has served as principal of Alerion Capital Group LLC, a private equity firm, since 1998. Prior to founding Alerion, Mr. Unruh was the chairman, president and chief executive officer of Unisys Corporation from 1990 until 1997. Before being named chief executive officer, Mr. Unruh held a number of senior management positions at Unisys and its predecessor corporation, Burroughs Corporation. Mr. Unruh received his bachelor s degree in business administration from Jamestown College and his M.B.A. from the University of Denver. He is a director of three other public companies, CSG Systems International, Inc., Prudential Financial, Inc. and Qwest Communications International. In addition, he serves as a director of various privately held companies in connection with his position at Alerion and as chairman of the Board of Trustees of Jamestown College. Mr. Unruh has been a member of Tenet s Board since June 2004.

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Selection Process for Nominees

Under our Corporate Governance Principles, the Governance Committee is responsible for nominating, and the Board is responsible for selecting, individuals to fill vacancies on the Board and to stand for election at each annual meeting. The Governance Committee considers candidates at the recommendation of existing Board members, our management, search firms or other consultants, and our shareholders. Shareholders may propose nominees for election in accordance with the terms of our bylaws or recommend candidates to the Board for consideration by writing to the Governance Committee in care of the Corporate Secretary at our offices in Dallas, Texas, or by e-mail to boardofdirectors@tenethealth.com.

In December 2009, the Executive Committee of our Board reviewed and discussed the current composition of the Board, long-term succession planning and other topics relating to the Board s nomination process. The Executive Committee reported and discussed the results of its meeting with the full Board. In February 2010, the Governance Committee met to consider potential nominees to the Board. As part of this process, the Governance Committee reviewed the composition of the Board as a whole, including the balance of business backgrounds, qualifications, technical skills, and other qualities represented on the Board. The Governance Committee also reviewed and discussed our Board s current leadership and other needs. Based on this review, the Governance Committee concluded, in light of our current structure and operations, that the following criteria best represented the qualities required for Board service:

- professionalism, integrity and commitment to our core ethical and other values;
- current or past service as the chief executive officer of a public or private company, chief executive officer of a business unit of a major corporation, or similar leadership position in a major governmental, professional or non-profit organization;
- expertise in financial and accounting matters, familiarity with the regulatory and corporate governance requirements applicable to public companies, and/or expertise in other areas enhancing the Board s performance;
- experience in the healthcare industry or other relevant industry experience, it being the intent of the Board that its members should represent a broad range of professional and business backgrounds that can contribute to our business;
- government, regulatory and public relations experience;
- ability and willingness to commit adequate time to Board and committee matters;
- the fit of the individual s skills and personality with those of other directors and potential directors, including the ability to work in a significantly challenging turnaround environment;
- diversity of viewpoint, background, experience and other demographics; and/or
- familiarity with and contacts in the communities in which we do business.

The Governance Committee also reviewed updated biographical information for each incumbent director, information relating to changes in professional status, independence and other professional commitments, as well as input derived from the Board s annual self-evaluation process with respect to each director s performance on the Board. The Governance Committee reviewed and discussed each incumbent director s commitments relative to other public company boards, including any related issues relevant to the director s candidacy.

Based on this review, the Governance Committee concluded that each of the nominees possesses the experience, skills and other characteristics best suited to meet the needs of the Board and the company in light of our current business and operating environment. Specifically, the Committee noted the following:

Executive Leadership Experience

Each of our nominees has served in a senior leadership role within a large, complex organization. In particular, two of the nominees (Mr. Fetter and Mr. Unruh) have served as the chief executive officers of S&P

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500 corporations. Two of our nominees have served as Governors of U.S. States (Mr. Bush and Mr. Kerrey). One of our nominees (Mr. Kerrey) is a former member of the U.S. Senate. Two of our nominees (Ms. Gaines and Ms. Garrison) have served as the chief executive officers and/or presidents of major business units of S&P 500 corporations and one of our nominees (Mr. Kangas), who also serves as the Chairman of our Board, served as the chairman and chief executive officer of an international public accounting firm. In addition, Mr. Kerrey currently serves as the president of a major university.

The Board believes that our nominees experience as senior executives in large complex public, private, government and academic organizations enables them to better oversee the management of the company, including its business and financial matters, corporate governance and compliance programs, governmental relations, investor and public communications, labor management relations and regulatory matters.

Mix of Business Sector and Other Experience

The Governance Committee determined that the mix of business and other backgrounds of the nominees was desirable in light of our current business operations and structure.

Healthcare Industry. Three of our nominees have direct experience in the healthcare industry.

Mr. Fetter, who serves as our President and Chief Executive Officer, has held senior leadership positions in the healthcare industry for over 15 years.

Dr. Loop, the Chair of the Quality, Compliance and Ethics Committee, has over 45 years experience in healthcare. He formerly served as the chief executive officer and chairman of the board of The Cleveland Clinic Foundation. In addition, Dr. Loop is an internationally recognized cardiologist, a background the Governance Committee deemed particularly significant given the importance of physician recruiting and retention in the hospital industry.

Mr. Pettingill has over 40 years of experience in executive leadership roles in the healthcare industry. He recently retired as president and chief executive officer of Allina Hospitals and Clinics and is currently a Senior Fellow in the Advanced Leadership Initiative program at Harvard University, where he is pursuing advanced academic work on public health policy issues.

Accounting and Finance. Five of our nominees have extensive experience in accounting and financial matters derived through their executive leadership roles in the public and private sector. In particular:

Mr. Fetter has served as a chief financial officer in the healthcare and entertainment sectors. He began his career with Merrill Lynch Capital Markets, where he concentrated on corporate finance and advisory services. He holds an advanced degree in business administration.

Ms. Gaines, a member of our Audit Committee, was the chief executive officer of Diners Club North America, a major business unit of Citigroup. She has a broad range of experience in the consumer credit industry, a background that provides the Board with a perspective on patient billing systems and accounts receivable collections. Ms. Gaines holds an advanced degree in public administration.

Ms. Garrison previously served as the president of a major business unit of Pitney Bowes Inc., an S&P 500 corporation, and holds an advanced degree in business administration. She has extensive experience in business reorganizations and restructurings.

Mr. Kangas, the Chairman of our Board, served as chairman and chief executive officer of Deloitte Touche Tohmatsu, a major international accounting firm. In that role, he acquired significant experience in the public accounting field and in advising large public corporations on a range of financial reporting and compliance matters. Mr. Kangas holds advanced degrees in business administration.

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Mr. Unruh, the Chair of our Audit Committee, has extensive experience in accounting and financial matters in public and private companies. He is a former chairman, president and chief executive officer of Unisys Corporation. He holds advanced degrees in business administration. In addition, he currently serves as a principal of a private equity firm. Mr. Unruh has extensive experience advising companies that have faced turnaround challenges.

Public Sector. Mr. Kerrey and Mr. Bush have a combined 25 years of experience in the public sector. Mr. Kerrey is a former U.S. Senator and Governor of the State of Nebraska, and Mr. Bush is a former Governor of the State of Florida. Mr. Bush also served as Florida s Secretary of Commerce. The Governance Committee believes that Mr. Bush s and Mr. Kerrey s experience in government is particularly relevant in light of the highly regulated nature of the healthcare sector, especially given the recent and ongoing activity in healthcare reform and related regulatory and legislative initiatives at both the federal and state level.

Technology and Manufacturing Sectors. Two of our nominees have extensive experience in the technology and manufacturing sectors, industry segments that we believe add diversity of perspective and other benefits to our Board. In particular:

Ms. Garrison, who served as the president of Pitney Bowes Business Services, has extensive experience in business reorganizations and restructurings, as well as crisis management. In particular, Ms. Garrison led a team of Pitney Bowes executives in managing the dislocation of personnel and business services following the September 11, 2001 terrorist attacks against the United States.

Mr. Unruh served as the chief executive officer of Unisys Corporation, a major computer services corporation. The Governance Committee believes that Mr. Unruh s knowledge and experience in the computer industry is particularly valuable in the healthcare sector, which is undertaking significant capital investments in new IT systems to meet the requirements of federal health laws. The Committee also noted that Mr. Unruh served as chief executive officer of Unisys at a time of significant business and other challenges and that his experience in turnaround management is particularly relevant to the current needs of our company.

Personal Qualities and Diversity. The Governance Committee believes that effective boards require teamwork. In addition, the Governance Committee believes that it is critical to identify candidates with demonstrated commitment to professionalism and integrity. Based on the Board s annual self-evaluation process, the Governance Committee determined that each nominee embodies these personal characteristics. In particular, the Governance Committee noted that each nominee has demonstrated an ability to work effectively with other directors and management, provide candid and direct feedback, and work constructively to bridge diverse viewpoints and reach a consensus. Our Board includes a balanced regional representation of our country, including nominees from each region in which we conduct business. Additionally, the Board considers a mix of backgrounds and skills essential to its diverse composition. Our Board currently includes individuals of differing ages, races and genders.

Special Considerations Regarding Service on Other Boards. Under our Corporate Governance Principles, nominees must seek approval prior to serving on another public company s board. In addition, the Governance Committee limits the number of public boards on which a nominee may serve to three in addition to our Board (two in the case of directors currently serving as chief executive officers or in equivalent positions of public companies). The Chair of the Governance Committee may waive the three board limit for a non-CEO director upon a showing that additional board service would not impair the director s service on our Board. The Governance Committee also reviews the public companies on which nominees serve to identify any special issues that might require further analysis, including service on boards of companies that are in bankruptcy. The Governance Committee does not consider service on such Boards to be an automatic bar to service on our Board. In fact, the Governance Committee believes that such service can provide useful experience and insight into overseeing corporations in a turnaround situation. If a nominee serves on the board of a public company in bankruptcy, the Governance Committee considers the specific facts and circumstances relating to the nominee s service on such board, including his or her role in the risk management process of that board.

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CORPORATE GOVERNANCE

Board Leadership Structure and Risk Oversight

Our Board of Directors is currently comprised of ten members, which include nine independent members and our President and Chief Executive Officer. Mr. Kangas, an independent, non-employee director, serves as the Chairman of our Board.

Roles of Board and Management

Tenet s business is conducted by its employees, managers and officers, under the direction of its Chief Executive Officer. The Board is elected by the shareholders to oversee management.

Role of Independent Chairman of the Board

In general, the Chairman of the Board coordinates the activities of the Board. Among other things, he:

- presides at all meetings of the Board;
- approves, in consultation with the Chief Executive Officer and the committee chairs, agendas for all Board and committee meetings;
- chairs executive sessions with non-management directors, which sessions occur in conjunction with each regularly scheduled meeting of the Board;
- oversees the flow of information to the Board to ensure that it receives the appropriate quality and quantity of information on a timely basis;
- acts as the principal liaison between the independent directors and the Chief Executive Officer on sensitive issues;
- serves as the Board s liaison to the Chief Executive Officer between meetings; and
- facilitates communications among non-management directors and between non-management directors and management.

The Chairman of the Board also evaluates, along with the Compensation Committee and other non-management directors, the performance of the Chief Executive Officer, and communicates the results of the evaluation to the Chief Executive Officer. In addition, he has the authority to call regular and special meetings of the Board and shareholders.

Separation of Roles of Chairman of the Board and Chief Executive Officer

At present, the positions of Chairman of the Board and Chief Executive Officer are held by different persons. Mr. Kangas, who became a director in April 2003, was elected Chairman of the Board in July 2003. Mr. Fetter, who was elected our President in November 2002, became a member of the Board in September 2003 and, in the same month, was named our Chief Executive Officer. The Board regularly reviews its leadership structure, including the separation of the roles of Chairman and Chief Executive Officer. The Board has determined that its current leadership structure is appropriate given its present characteristics and circumstances. In making this determination, the Board took into account Mr. Kangas long-term, successful tenure as Chairman, his excellent working relationships with the Chief Executive Officer and the other members of the Board, his stature and reputation among the Board members, and his special expertise in accounting and governance matters.

If at some future date the Board elected to combine the roles of Chairman and Chief Executive Officer, our Corporate Governance Principles would require the Board to appoint an independent, non-employee director to serve as Lead Director. The Lead Director would perform a role similar to that currently performed by our current, non-employee Chairman, including chairing executive sessions of the Board, serving as principal liaison between the non-employee directors and members of senior management, representing the Board in meetings with investors, legislators and other government officials, leading the Board in its self-evaluation process and working with the employee Chairman to facilitate information flow to the Board and develop meeting agendas and schedules.

Director Independence

Under our Corporate Governance Principles, at least two-thirds of the Board must consist of independent directors. The Board will not consider a director to be independent unless the Board affirmatively determines that the director has no material relationship with Tenet, and the director otherwise qualifies as independent under the corporate governance standards of the NYSE. The Board reviews each director s independence at least annually and has made the affirmative determination that each of directors Bush, Gaines, Garrison, Kangas, Kerrey, Loop, Pettingill and Unruh has no material relationship with the company and is independent. In addition, the Board has determined that director Williams, who is not standing for re-election to the Board at the Annual Meeting, has no material relationship with the company and is independent.

In making its independence determinations, the Board broadly considers all relevant facts and circumstances and, in particular, looks closely at the organizations with which each director has an affiliation. The Board reviews any interests a director, or member of the director s immediate family, may have that would preclude the Board from determining that the director has no material relationship with the company, including whether the director or a member of his or her immediate family is affiliated with an entity with which we have a commercial or charitable relationship. As part of this assessment, the Board reviews accounts payable information specifying the amount, if any, of payments we made for products and services in the prior year to those other companies with whom our directors have a relationship, and also reviews accounts receivable information to determine if we received any payments from those same entities. In addition, the Board examines donations made by Tenet to not-for-profit organizations with which the directors are affiliated.

The Audit, Compensation, and Nominating and Corporate Governance Committees are composed exclusively of independent directors as required by the NYSE. Also, all directors serving on the Audit Committee meet the more stringent independence standards for audit committee members required by the SEC. In addition, the Compensation Committee is composed exclusively of outside directors within the meaning of Rule 162(m) of the Internal Revenue Code and non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934.

Board and Committee Organization

We are governed by our Board of Directors. Members of our Board are kept informed of our business through discussions with our Chief Executive Officer and other senior officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees. Significant business decisions are generally considered by the Board as a whole. The Board met seven times during 2009. The Board regularly meets in executive sessions. Mr. Fetter is considered an employee director. All other directors are considered non-employee directors. Each incumbent director who served during 2009 participated in at least 75% of the aggregate of meetings of the Board and the committees on which he or she served, during the period he or she served as a director. All Board members are encouraged to attend our annual meeting of shareholders. Nine of our directors attended last year s annual meeting.

The Board has delegated certain of its responsibilities to the following committees: Audit Committee; Compensation Committee; Nominating and Corporate Governance Committee; Quality, Compliance and Ethics Committee; and Executive Committee. The following table indentifies the members of each of our committees.

Committee	Members
Audit	Mr. Unruh (Chair) Ms. Gaines Mr. Williams

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Committee	Members
Compensation	Mr. Kangas (Chair) Ms. Gaines Mr. Pettingill Mr. Williams
Nominating and Corporate Governance	Mr. Kerrey (Chair) Mr. Bush Ms. Garrison Dr. Loop Mr. Unruh
Quality, Compliance and Ethics	Dr. Loop (Chair) Mr. Bush Ms. Garrison Mr. Kangas Mr. Kerrey Mr. Pettingill
Executive	Mr. Kangas (Chair) Mr. Fetter Mr. Kerrey Dr. Loop Mr. Unruh

Each of the Board s committees, except the Executive Committee, operates under a written charter that is reviewed and approved annually by the respective committee. The Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Quality, Compliance and Ethics Committee charters are available for viewing in the Corporate Governance section under the About tab on our website at *www.tenethealth.com*. The Board and each committee may from time to time retain independent advisors and consultants to assist the directors in carrying out their responsibilities.

Audit Committee

The Audit Committee consists of directors Unruh (Chair), Gaines and Williams, each of whom the Board has determined is an audit committee financial expert as defined by the SEC and meets the financial literacy standards of the NYSE applicable to audit committee members. Each member of the Committee has been deemed by the Board of Directors to be an independent director under the NYSE corporate governance listing standards and meets the more stringent independence requirements for audit committee members established by the SEC.

The duties and responsibilities of the Audit Committee include Board oversight of: (1) our accounting, reporting and financial practices, including the integrity of our financial statements; (2) our compliance with legal and regulatory requirements with respect to applicable accounting and auditing matters; (3) our independent registered public accountants qualifications, independence and performance; and (4) our internal audit function.

The Audit Committee has implemented policies and procedures for the receipt, retention and treatment of complaints and concerns regarding accounting, internal accounting controls and auditing matters. Employees may lodge their complaints and concerns anonymously through our 24-hour toll-free Ethics Action Line. All such complaints and concerns are forwarded by the Ethics and Compliance Department to Tenet s Corporate Secretary. Third parties are directed to the Ethics and Compliance section under the About tab on our website, *www.tenethealth.com*, which contains information about how to submit concerns and complaints to our Ethics and Compliance Department. Third parties may also submit concerns and complaints to the Corporate Secretary. The Corporate Secretary directs all accounting-related concerns to the Chair of the Audit Committee.

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The Audit Committee, which has the sole authority to select and retain our independent registered public accountants, has selected Deloitte & Touche LLP to serve as our independent registered public accountants for the year ending December 31, 2010. In making the decision to retain Deloitte & Touche LLP, the Audit Committee took into account our experience with the firm during 2009, as well as the firm s reputation in the auditing field and its professional qualifications, and also reviewed auditor independence issues and existing commercial relationships with Deloitte & Touche LLP. The Audit Committee concluded that Deloitte & Touche LLP has no commercial relationship with us that would impair its independence. The Board is requesting shareholder ratification of the selection of Deloitte & Touche LLP as our independent registered public accountants for the year ending December 31, 2010 in Proposal 4 of this Proxy Statement.

The Audit Committee met 12 times during 2009. The Committee regularly meets in executive session with only non-employee directors. The Audit Committee Report can be found beginning on page 21.

Compensation Committee

The Compensation Committee consists of directors Kangas (Chair), Gaines, Pettingill and Williams. Each member of the Committee has been deemed by the Board of Directors to be an independent director under the NYSE corporate governance listing standards. In addition, each Committee member meets the qualifications for compensation committee members required by Section 162(m) of the Internal Revenue Code.

The Committee s primary duties and responsibilities include establishing general compensation policies for the company that: (1) support our overall business strategies and objectives; (2) enhance our efforts to attract and retain skilled employees; (3) link compensation with business objectives and organizational performance; and (4) provide competitive compensation opportunities for our key executives. The Committee oversees the administration of the company s executive compensation programs, and is responsible for establishing and interpreting the company s compensation policies and approving all compensation paid to executive officers, including the Named Executive Officers listed in the Summary Compensation Table of this Proxy Statement, which can be found on page 39. Specifically, the Compensation Committee makes all compensation decisions regarding our non-employee directors, the Named Executive Officers and other members of our senior management team, which includes our other executive officers and certain senior vice presidents. As part of our annual performance review process, our Chief Executive Officer reviews the performance of each of such other executives and discusses their performance with the Compensation Committee, which makes its own assessment of these officers performance based upon the Board s expectations of senior management. The Committee s decisions regarding the compensation of our executives are made in consultation with the Chief Executive Officer and outside the presence of other executives. The Compensation Committee, without the participation of management, also reviews the performance of the Chief Executive Officer.

The Committee retains an independent outside consultant, Frederic W. Cook and Co., to assist it in formulating its compensation policies, applying those policies to the compensation of executives and advising the Committee as to the form and reasonableness of compensation paid to executives.

Additional information on the role of the Compensation Committee in setting executive compensation and the assistance provided to the Committee by its outside consultant can be found in Compensation Discussion and Analysis beginning on page 23.

The Compensation Committee also acts on behalf of the Board in administering, or overseeing the administration of, all of our employee benefit plans except our health and welfare plans. The Committee determines which directors, officers, employees, advisors and consultants are eligible to participate in any of our active executive compensation plans, the extent of such participation, and the terms and conditions under which benefits may be vested, received or exercised. With respect to our qualified retirement plans, the Committee is responsible for overseeing the investment of the plans assets, reviewing actuarial and investment information concerning the plans, and monitoring the operation of the plans. The Committee also has the authority to amend our employee benefit plans.

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The Compensation Committee met seven times during 2009. The Committee regularly meets in executive session with only non-employee directors. The Compensation Committee Report can be found on page 23.

Compensation Committee Interlocks and Insider Participation

During 2009, directors Kangas (Chair), Gaines, Pettingill and Williams served on the Compensation Committee. No member of the Compensation Committee was at any time during 2009 or at any other time an officer or employee of the company, and no member had any relationship with the company requiring disclosure as a related-party transaction under Certain Relationships and Related Transactions on page 57 of this Proxy Statement. None of our executive officers has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of our Board of Directors or Compensation Committee during 2009.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of directors Kerrey (Chair), Bush, Garrison, Loop and Unruh. Each member of the Committee has been deemed by the Board of Directors to be an independent director under the NYSE corporate governance listing standards.

The Committee is responsible for identifying and evaluating corporate governance issues and making recommendations to the Board concerning our Corporate Governance Principles and other corporate governance matters. In addition, the Committee reviews proposed related-party transactions and determines whether such transactions are appropriate for the Board to consider. The Committee is also responsible for identifying and evaluating individuals qualified to become Board members and recommending to the Board candidates to stand for election or re-election as directors.

The Nominating and Corporate Governance Committee and the Board consider, among other things, the following attributes and criteria when selecting new nominees for election to the Board and determining which of our existing directors will stand for re-election to the Board: experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other factors as the Board considers appropriate in the context of its needs.

The Committee evaluates candidates through background and reference checks, interviews and an analysis of each candidate s qualifications and attributes in light of the current composition of the Board and our leadership needs at the time. From time to time, the Committee may engage the services of an outside consultant to assist the Committee by conducting searches to identify candidates, evaluating candidates qualifications, handling background and reference checks, and making initial contacts with potential candidates. The Nominating and Corporate Governance Committee considers candidates at the recommendation of existing Board members, our management, search firms or other consultants, and shareholders. Additional information on the process for selecting the nominees for election at the 2010 Annual Meeting, including the specific selection criteria considered, can be found in Selection Process for Nominees beginning on page 7.

The Nominating and Corporate Governance Committee met five times during 2009. The Committee regularly meets in executive session with only non-employee directors.

Quality, Compliance and Ethics Committee

The Quality, Compliance and Ethics Committee consists of directors Loop (Chair), Bush, Garrison, Kangas, Kerrey and Pettingill. Each member of the Committee has been deemed by the Board of Directors to be an independent director under the NYSE corporate governance listing standards.

The purpose of the Committee is to assist the Board in its oversight of our policies and procedures on ethics, quality assurance and legal compliance. The Committee s responsibilities with respect to overseeing our information, procedures and reporting systems, as well as our Compliance Program, are discussed below under

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Role of Board and its Committees in Risk Oversight. In addition to these responsibilities, the Committee: (1) reviews and approves our Standards of Conduct, which apply to all of our employees, as well as our directors; (2) receives periodic reports from our Ethics and Compliance Department as to our efforts to educate our employees about, and promote their adherence to, our Standards of Conduct; and (3) receives periodic reports from our Quality Management Department as to our efforts to advance quality health care. The Committee also oversees the performance of our obligations under our Corporate Integrity Agreement with the Office of Inspector General of the U.S. Department of Health and Human Services. Our Chief Compliance Officer reports directly to the Committee.

The Quality, Compliance and Ethics Committee met five times during 2009. The Committee regularly meets in executive session with only non-employee directors.

Executive Committee

The Executive Committee consists of directors Kangas (Chair), Fetter, Kerrey, Loop and Unruh. The Executive Committee, which met one time during 2009, may exercise all of the powers of the Board in the management of our business and affairs when the Board is not in session, but may not (1) fill vacancies on the Board, (2) change the membership of, or fill vacancies in, any committee of the Board, (3) adopt, amend or repeal our bylaws, or (4) declare dividends.

Role of Board and its Committees in Risk Oversight

Our Audit Committee is primarily responsible for overseeing risk management processes relating to our accounting practices, corporate finance and general business operations, including the management of counterparty credit and performance risk. The Audit Committee receives quarterly reports from management on business and operational risks, internal audit reports relating to the integrity of our internal financial reporting controls and procedures, and reports from our Ethics Action Line relating to allegations of financial fraud or other infractions, as described above. Our Audit Committee meets regularly with our Chief Executive Officer, Chief Financial Officer, Controller, General Counsel and Chief Compliance Officer, as well as our external and internal auditors, to discuss potential risks and other contingencies relating to our business. In addition, our Audit Committee meets on a quarterly basis to review these topics with selected chief executive officers and financial officers of our major operating units and regions. Our Audit Committee also reviews material risk issues in connection with its review of our quarterly and annual filings with the SEC. The Audit Committee reports and discusses the outcome of its meetings to the full Board, including any material risks identified by the Committee that require discussion or action by the full Board.

Our Quality, Compliance and Ethics Committee is primarily responsible for overseeing regulatory and compliance risk and also reports regularly to the full Board. In particular, the Committee oversees our information, procedures and reporting systems to provide reasonable assurance that: (1) our operations comply with applicable laws and regulations, particularly those related to healthcare providers; (2) we, including our directors and employees, act in accordance with appropriate ethical standards; and (3) our subsidiaries hospitals deliver quality medical care to their patients. The Quality, Compliance and Ethics Committee is also responsible for overseeing our Compliance Program, which is intended to foster compliance with federal and state laws and regulations applicable to healthcare providers, and receives periodic reports from our Chief Compliance Officer (who reports directly to the Committee), our Ethics and Compliance Department, and our internal and external legal, regulatory and other officers. The Committee meets regularly in joint session with our Audit Committee to discuss material regulatory and compliance risks and reports such risks to the full Board when appropriate for further discussion or action.

Special Role of Compensation Committee in Risk Oversight

Our Compensation Committee is responsible for assessing our compensation policies and practices relative to all our employees, including non-executive officers, to determine if the risks arising from these policies and

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practices are reasonably likely to have a material adverse effect on our company. In performing its duties, the Committee meets at least annually with our management and the Committee s independent compensation consultant to review and discuss potential risks relating to our employee compensation plans and programs. The Compensation Committee reports to the Board on a regular basis any risks associated with our compensation plans and programs, including recommended actions to mitigate such risks.

In March 2010, the Committee reviewed with our management and the independent compensation consultant our compensation programs and practices, the mechanisms in our compensation plans and programs intended to reduce the risk of conduct reasonably likely to have a material adverse effect on our company, and an overall risk assessment of such programs based on this analysis. Among other things, the Committee reviewed our pay philosophy, balance of cash and equity compensation, balance of long-term and short-term performance periods of our plans and programs, and the use of our Balanced Scorecard approach to annual incentive compensation (which rewards employees based on a broad range of financial and operational metrics as opposed to a single target). The Committee also considered in connection with this review our equity grant administration policy, stock ownership guidelines, clawback incentive pay policies, as well as our internal financial reporting and regulatory compliance procedures. Based on the foregoing review and discussion, the Committee identified no risks that required disclosure in this Proxy Statement.

Corporate Governance Principles

The Board has adopted a set of Corporate Governance Principles that provide the framework for our governance. These Corporate Governance Principles address such matters as director independence, director qualifications and responsibilities, director compensation, director and officer stock ownership and retention guidelines, and Board performance evaluations. Our Corporate Governance Principles may be found in the Corporate Governance section under the About tab on our website at *www.tenethealth.com*.

Policies on Ethics and Conduct

We maintain a values-based ethics program that is designed to monitor and raise awareness of ethical issues among employees and to stress the importance of understanding and complying with our Standards of Conduct. All of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, are required to abide by our Standards of Conduct to ensure that our business is conducted in a consistently legal and ethical manner. The members of our Board of Directors and many of our contractors are also required to abide by our Standards of Conduct. The standards reflect our basic values and form the foundation of a comprehensive process that includes compliance with all corporate policies, procedures and practices. Our standards cover such areas as quality patient care, compliance with all applicable laws and regulations, appropriate use of our assets, protection of patient information and avoidance of conflicts of interest. As part of the program, we provide annual ethics and compliance training sessions to every employee, as well as our Board of Directors and certain physicians and contractors. All employees are required to report incidents that they believe in good faith may be in violation of the Standards of Conduct, and are encouraged to contact our 24-hour toll-free Ethics Action Line when they have questions about the standards or any ethics concerns. Incidents of alleged financial improprieties reported to the Ethics Action Line or the Ethics and Compliance Department are communicated to the Audit Committee of our Board of Directors. All reports to the Ethics Action Line are kept confidential to the extent allowed by law, and employees have the option to remain anonymous. In cases reported to the Ethics Action Line that involve a possible violation of the law or regulatory policies and procedures, the matter is referred to the Ethics and Compliance Department for investigation. Retaliation against employees in connection with reporting ethical concerns is considered a serious violation of our Standards of Conduct, and, if it occurs, it will result in discipline, up to and including termination of employment. The full text of our Standards of Conduct is published in the Ethics and Compliance section under the About tab on our website at *www.tenethealth.com*.

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Director Stock Ownership Guidelines and Stock Retention Policies

The Board has adopted stock ownership guidelines that require each non-employee director to own shares of our stock with a value equal to three times the annual director retainer within five years after the date on which the director joins the Board. As of March 15, 2010, all of our non-employee directors were in compliance with the guidelines.

The Board has also adopted stock retention guidelines that require directors who have not satisfied their ownership guidelines to hold for at least one year all of the net shares received upon the exercise of stock options or vesting of restricted stock units. For this purpose, net shares means the number of shares obtained by exercising the option or upon restricted stock unit vesting, less the number of any shares sold to pay the exercise price of the option and any taxes and transaction costs due upon the exercise or vesting. (A detailed discussion of these guidelines can be found beginning on page 35.)

Communications with the Board of Directors by Shareholders and Other Interested Parties

Shareholders may communicate with the Board of Directors by e-mail to *boardofdirectors@tenethealth.com* or by writing to the Board in care of the Corporate Secretary at our office in Dallas, Texas. Shareholder communications will be reviewed internally to determine if the shareholder s concern can best be addressed by referral to a Tenet department such as Investor Relations or Corporate Communications. All other communications will be referred to the Corporate Secretary, who will determine if the communication should be brought to the attention of the full Board, the Chairman of the Board or a particular Board committee or Board member.

Other interested parties may make their concerns known to our non-employee directors by following the procedures for reporting concerns to the Audit Committee set forth in our Corporate Governance Principles, which are available on our website at *www.tenethealth.com*.

DIRECTOR COMPENSATION

Our non-employee directors, which include all our directors except Mr. Fetter, each receive a $75,000 annual retainer fee (prorated for partial-year service). The non-employee directors also receive $2,000 per Board or committee meeting attended. Each non-employee director serving as the chair of a committee receives an annual fee of $12,000 (prorated for partial-year service), except that the chair of the Audit Committee receives an annual chair fee of $20,000 given the demands and responsibilities placed on the Audit Committee. Our independent Chairman of the Board receives an annual fee of $135,000 in addition to other Board and committee compensation. All directors are reimbursed for travel expenses and other out-of-pocket costs incurred while attending meetings.

Our non-employee director compensation also includes an annual award of restricted stock units equal in value to $130,000 (prorated for partial-year service with respect to the initial year of service), as shown in the Stock Awards column in the table below.

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The following table sets forth information concerning our compensation of the non-employee members of our Board of Directors for 2009. No compensation was paid to any of the non-employee directors pursuant to a non-equity incentive compensation plan nor were any stock options granted to our directors during 2009.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total ($)
Bush	115,000(4)	130,000	-0-	-0-	245,000
Gaines	127,000	130,000	-0-	-0-	257,000
Garrison	109,000	130,000	-0-	-0-	239,000
Kangas	274,000	130,000	-0-	-0-	404,000
Kerrey	121,000(4)	130,000	-0-	-0-	251,000
Loop	123,000	130,000	-0-(5)	-0-	253,000
Pettingill	109,000(4)	130,000	-0-	-0-	239,000
Unruh	143,000	130,000	-0-	-0-	273,000
Williams	127,000	130,000	-0-	-0-	257,000

(1) Amounts shown in this column reflect the grant date fair value, computed in accordance with FASB ASC Topic 718, of awards granted under our stock incentive plans, as described under Compensation Plans Applicable to Directors Stock Incentive Plans below. We calculate the grant date fair value of restricted stock units based on the NYSE closing price per share of our common stock on such date.

(2) As described in detail below, the 2009 stock awards shown in this column reflect annual grants to each director valued at $130,000 on the date of grant. All such awards are consistent with our policies for annual director grants.

(3) A -0- in this column means that no such compensation was paid other than perquisites, if any, that have not been included because their aggregate value did not meet the reporting threshold of $10,000.

(4) Includes amounts deferred by the director at his election under our 2006 Deferred Compensation Plan, described below, some of which are invested in Tenet stock units.

(5) There was no change in the actuarial present value of Dr. Loop s accumulated benefits during 2009 under the Directors Retirement Plan, described below.

Compensation Plans Applicable to Directors

Stock Incentive Plans

All of our non-employee directors are eligible to participate in our 2008 Stock Incentive Plan. Under our 2008 Stock Incentive Plan, the Board determines awards to be granted to each non-employee director.

The Board currently grants restricted stock units to non-employee directors on an annual basis pursuant to a formula under which each non-employee director receives that number of restricted stock units equal to $130,000 divided by the NYSE closing price per share of our common stock on the date of the grant. The restricted stock units are automatically granted to non-employee directors on the first business day following the annual shareholders meeting. On May 7, 2009, based on the NYSE closing price of $2.24 per share of our common stock, each non-employee director was granted 58,036 restricted stock units pursuant to the foregoing formula. These annual grants vested immediately on the grant date and will be settled in shares of our common stock. Settlement of these units will occur within 60 days of the earlier of the third anniversary of the date of grant or termination of service on the Board, unless a non-employee director elects, under the Special RSU Deferral

Plan described below, to defer settlement of the units for a period of five years from the date the units otherwise would be settled or under certain circumstances in connection with a change of control of the company as defined in Section 409A of the Internal Revenue Code, in which case the restricted stock units would be settled within 60 days of the change of control. In the event of a change of control of the company that does not comply with Section 409A of the Internal Revenue Code, the restricted stock units would be converted to cash and paid within 60 days of the earlier of the third anniversary of the date of grant or termination of service on the Board.

On the last Thursday of any month in which a new non-employee director is elected to the Board, the director receives an automatic grant of that number of restricted stock units equal to $65,000 divided by the NYSE closing price per share of our common stock on the date of the grant. These one-time grants vest immediately on the grant date and are settled in shares of our common stock within 60 days of the director s termination of service on the Board. In the event of a change of control of the company as defined in Section 409A of the Internal Revenue Code, the restricted stock units would be settled within 60 days of the change of control. In the event of a change of control of the company that does not comply with Section 409A of the Internal Revenue Code, the restricted stock units would be converted to cash and paid within 60 days of the termination of service on the Board.

Prior to August 2004, director awards under the 2001 Stock Incentive Plan (the predecessor to the 2008 Stock Incentive Plan) were made in the form of stock options rather than restricted stock units. If a non-employee director is removed from office by our shareholders, is not nominated for re-election by the Board or is nominated by the Board but is not re-elected by our shareholders, any options granted under the 2001 Stock Incentive Plan will expire one year after the date of removal or failure to be elected, unless by their terms they expire sooner. If during such one-year period the non-employee director dies or becomes permanently and totally disabled, the options will expire one year after the date of death or permanent and total disability, unless by their terms they expire sooner. If the non-employee director retires, the options granted under the 2001 Stock Incentive Plan will be exercisable and expire in accordance with their terms. If the non-employee director dies or becomes permanently and totally disabled while serving as a non-employee director, the options granted under the 2001 Stock Incentive Plan will expire five years after the date of death or permanent and total disability unless by their terms they expire sooner. If a non-employee director who becomes permanently and totally disabled while serving dies during such five-year period, the options will expire upon the later of the end of such five-year period or one year after the date of death, unless by their terms they expire sooner. The maximum term of an option is 10 years from the date of grant.

Special RSU Deferral Plan

We adopted the Special RSU Deferral Plan to permit directors to elect to defer the settlement of their annual restricted stock unit grants under the 2008 Stock Incentive Plan for a period of five years as provided under the terms of the award agreement. A director desiring to defer settlement of his restricted stock units must elect to do so at least 12 months before such restricted stock units would otherwise be settled and the deferral must be for a period of five years from the date the restricted stock units would otherwise be settled (such five year date is referred to herein as the subsequent deferral date), provided that no such election shall take effect until 12 months after the date on which the election is made. In the event of a change of control of the company, the restricted stock units will be settled on the subsequent deferral date irrespective of whether the underlying award agreement would provide for earlier settlement by reason of such change in control. As of March 15, 2010, none of our directors had elected to defer settlement of their restricted stock units pursuant to the terms of the Special RSU Deferral Plan.

Directors Retirement Plan

Our Directors Retirement Plan (the DRP) was discontinued as to all directors joining the Board after October 6, 1999. Only non-employee director Loop participates in the DRP.

Retirement benefits under the DRP, with certain adjustments, are paid to directors whose services are terminated prior to retirement for any reason other than death, so long as the director has completed at least five years of service. In the event of a change of control, as defined in the DRP, followed by a director s termination of service or a director s failure to be re-elected upon the expiration of his or her term in office, directors will be deemed fully vested in the DRP without regard to years of service and will be entitled to receive full retirement benefits.

Under the DRP, we are obligated to pay to Dr. Loop an annual retirement benefit for a period of 10 years following retirement. The annual retirement benefit is based on his years of service as a director and is equal to the lower of (x) the amount of the annual Board retainer (currently $75,000) at the time he retires and (y) $25,000, increased by a compounded rate of 6% per year from 1985 to his termination of service. The retirement benefits are paid monthly. He may elect to receive the retirement benefits in the form of a joint and survivor annuity.

Dr. Loop s interest in the retirement benefit is fully vested. If he were to retire at this time, his annual retirement benefit would be $75,000.

Directors Life Insurance Program

Our Directors Life Insurance Program (the Program) was discontinued as to all directors joining the Board after October 6, 1999. As a result, only non-employee director Loop participates in the Program.

Under the Program, we entered into a split-dollar life insurance agreement with a policy owner designated by Dr. Loop providing for the purchase of a joint life, second-to-die, life insurance policy insuring the lives of Dr. Loop and another person designated by him. The amount of insurance purchased is sufficient to provide a death benefit of at least $1,000,000 to the beneficiaries and to allow us to recover the premiums we have paid towards keeping the policies in force until the deaths of both the director and the designated other person.

Deferred Compensation Plan

Under our 2006 Deferred Compensation Plan (the 2006 DCP), directors and eligible employees may defer all or a portion of their compensation paid during a given calendar year. For directors, compensation is defined as cash compensation from retainers, meeting fees and committee fees. The following directors participated in the 2006 DCP in 2009: Bush, Kerrey and Pettingill. For 2010, directors Bush, Kerrey and Pettingill have enrolled to participate in the 2006 DCP. A more complete description of the 2006 DCP can be found beginning on page 49.

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AUDIT COMMITTEE REPORT

The Audit Committee is made up of the three members named below. The Board requires that each member of the Committee be an independent director as defined by the NYSE rules and the rules of the SEC. Each member of the Committee is independent under those criteria. In addition, the Board has determined that each Committee member is an Audit Committee financial expert, as defined by SEC rules, and that each Committee member is financially literate as required by NYSE rules. Director Unruh serves as Chair of the Committee.

The Committee, on behalf of the Board, oversees the company s financial reporting process. In fulfilling its oversight responsibilities in 2009, the Committee reviewed and discussed with management and the company s independent registered public accountants for the year ended December 31, 2009, Deloitte & Touche LLP (Deloitte), each Quarterly Report on Form 10-Q filed during 2009 (the Forms 10-Q), as well as the audited consolidated financial statements and the footnotes thereto in the company s Annual Report on Form 10-K for the year ended December 31, 2009 (the Form 10-K), before the Forms 10-Q and Form 10-K were filed with the SEC. The Committee discussed with management the quality, not just the acceptability, of the company s accounting principles, the reasonableness of significant estimates and judgments, and the degree and quality of disclosures in the financial statements prior to the time the respective Forms 10-Q and Form 10-K were filed with the SEC. The Committee also reviewed with management and Deloitte each press release concerning earnings prior to it being released.

The company s independent registered public accountants are responsible for expressing an opinion on the company s audited consolidated financial statements and the fair presentation, in all material respects, of the company s consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. The Committee reviewed and discussed with Deloitte its judgments as to the quality, not just the acceptability, of the company s accounting principles and such other matters as are required to be discussed by the Committee with the company s independent registered public accountants under the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), including the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380) and Rule 2-07 of Regulation S-X (Communication with Audit Committees). Deloitte has expressed an opinion in its Report of Independent Registered Public Accounting Firm that the company s 2009 audited consolidated financial statements conform to accounting principles generally accepted in the United States of America.

During 2009, the Committee was provided updates on, monitored and discussed with management the status of the company s compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. In addition, the Committee reviewed management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2009 and approved the inclusion of management s report on such assessment in the Form 10-K. Deloitte has audited and also expressed an unqualified opinion on the effectiveness of the company s internal control over financial reporting as of December 31, 2009.

The Committee also discussed with Deloitte its independence from management and the company, and received the written disclosures and the letter from Deloitte required by PCAOB Ethics and Independence Rule 3526 (Communication with Audit Committees Concerning Independence). In concluding that Deloitte is independent, the Committee considered, among other factors, whether the non-audit services provided by Deloitte (as described below) were compatible with the firm s independence. The Committee also retained Deloitte and made it clear to Deloitte that they report directly to the Committee and not to management.

The Committee discussed with the company s internal auditors and Deloitte the overall scopes and plans for their respective audits. The Committee met separately at various meetings in executive session with each of the internal auditors and Deloitte to discuss, among other matters, the results of their audits, their evaluations of the company s internal controls and the overall quality of the company s financial reporting.

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In reliance on the reviews and discussions referred to above, the Committee recommended to the Board that the company s 2009 audited consolidated financial statements be included in the Form 10-K and filed with the SEC.

Deloitte has been engaged by the Committee to serve as our independent registered public accountants for the year ending December 31, 2010. For further information concerning this engagement, see Proposal 4 Ratification of the Selection of Independent Registered Public Accountants.

Members of the Audit Committee

James Unruh, Chair

Brenda J. Gaines

J. McDonald Williams

Independent Registered Public Accounting Firm Fees

	Year Ended December 31, 2009	Year Ended December 31, 2008
Audit fees(1)	$ 2,699,560	$ 3,132,300
Audit-related fees(2)	1,475,839	1,376,100
Tax fees(3)	-0-	-0-
All other fees(4)	-0-	-0-

(1) Audit fees include professional fees paid by us in connection with the audit of our annual consolidated financial statements and the review of our quarterly financial statements. These amounts also include fees related to the audit of internal control over financial reporting performed pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

(2) Audit-related fees include fees for assurance and related services reasonably related to audits and reviews. These consisted principally of fees for audits of certain of our subsidiaries and partnerships, financial statements of employee benefit plans, and fees related to comfort letters, consents and reviews of filings with the SEC.

(3) Tax fees ordinarily consist of professional fees for tax compliance, tax advice and tax planning. We did not pay any such fees to our independent registered public accountants in either 2009 or 2008.

(4) All other fees ordinarily consist of fees for various advisory services. We did not pay any such fees to our independent registered public accountants in either 2009 or 2008.

The Audit Committee Charter requires that the Audit Committee pre-approve or adopt procedures to pre-approve all audit and non-audit services provided to us by our independent registered public accountants, in accordance with any applicable law, rules or regulations. The Audit Committee has pre-approved all such fees.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board has reviewed and discussed with management the Compensation Discussion and Analysis set forth below. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be incorporated by reference in the company s Annual Report on Form 10-K for the year ended December 31, 2009 and included in this Proxy Statement.

Members of the Compensation Committee

Edward A. Kangas, Chair

Brenda J. Gaines

Richard R. Pettingill

J. McDonald Williams

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In this section, we discuss and analyze the compensation paid to each of our Named Executive Officers in 2009. You should read this section together with the information presented in the Summary Compensation Table and other tables under Executive Compensation below.

Executive Summary

Independent Compensation Committee. All compensation decisions regarding senior management, including our Named Executive Officers, are made by the Compensation Committee of our Board of Directors, the members of which are all independent. The Committee directly engages its own independent outside consultant, Frederic W. Cook and Co., to provide executive compensation advisory services. The Committee has sole authority to approve the engagement of the consultant. In 2009, the independent consultant provided no services to us other than services provided to the Compensation Committee in this capacity.

Pay-For-Performance Compensation. We are committed to pay-for-performance compensation principles:

At-Risk Compensation. In 2009, 86% of our Chief Executive Officer s target pay opportunity and 71% of the other Named Executive Officers target pay opportunities were at-risk.

Formula-Based Annual Incentive Compensation. We use a combination of financial and operational metrics in our Annual Incentive Plan which are described under Performance-Based Bonus beginning on page 28. For Named Executive Officers, target bonuses are measured using financial metrics such as adjusted EBITDA and adjusted free cash flow, as well as operating metrics such as facility admissions, adherence to best practices of evidence-based medicine, infection rates in hospitals, physician satisfaction (based on an annual survey), patient satisfaction (based on surveys of patients post-discharge), and other operating performance metrics.

We believe the mix of financial and operational performance measures focuses our executives on the attainment of long-term objectives not the attainment of a single financial metric at the cost of long-term growth opportunities.

We believe that our programs incentivize our executives to focus on quantitative operating metrics that directly impact our financial results by, among other things, helping us build physician and patient loyalty, increase our revenues and reduce certain costs.

Awards under our Annual Incentive Plan are subject to a clawback provision described under Performance-Based Bonus beginning on page 28.

Long-Term Incentive Program. In 2009, our executive officers received long-term incentive compensation in the form of time-based stock options, the value of which is based on the increase in value of our common stock, and performance cash, the payout of which is subject to the attainment of specified financial criteria (free cash flow and return on invested capital) over a three-year measurement period. In 2009, the Committee allocated long-term incentive awards on the following basis in terms of value: stock options (75%) and performance cash (25%).

Appropriate Pay Practices.

No Base Salary Increases. In 2009, none of our Named Executive Officers received an increase in base salary.

Reductions in Long-Term Incentive Awards. For 2009, the Committee reduced the total grant value of long-term incentive awards available for issuance by 36% compared to the total 2008 grant value to take into account the impact of the decline in our stock price in the prior year. The Committee s action resulted in the following reduction in grant values to our Named Executive Officers compared to their 2008 awards: Mr. Fetter (-34%), Mr. Porter (-19%), Dr. Newman (-24%) and Ms. Fraser (-27%).

Below Median Pay Positioning. In 2009, our Named Executive Officers received total direct compensation (which includes base salary, target bonuses and target long-term incentive awards) positioned in a range between the bottom quartile to the 50th percentile of our peer companies.

No Employment Contracts. None of our Named Executive Officers has an employment agreement.

Stock Ownership Guidelines and Retention Policy. Our Named Executive Officers and other members of senior management are subject to minimum stock ownership guidelines. Officers who do not meet the guidelines are required to hold shares acquired for a specified period of time upon the exercise of stock options or the vesting of restricted stock units.

Tenet s 2009 Financial Results and Stock Performance. In 2009, we delivered superior performance to our investors:

Our stock price increased 369% in 2009. In that year, we were the second-ranking performing S&P 500 stock. Our closing stock price increased from $1.15 on December 31, 2008 to $5.39 on December 31, 2009.

In 2009, we reported net income attributable to common shareholders of $181 million. In addition, we had $690 million in cash and cash equivalents at year-end, an increase of $183 million from December 31, 2008.

For 2009, our adjusted EBITDA was $982 million, an increase of 32.9% as compared to 2008 adjusted EBITDA of $739 million. (Adjusted EBITDA is reconciled to net income attributable to Tenet common shareholders in *Appendix C*).

We successfully executed a number of capital market transactions, including the issuance of $345 million of preferred stock. We also extended the maturity dates of more than $2.3 billion of our debt obligations. These transactions significantly strengthened our balance sheet and reduced our leverage.

2010 Performance-Based Equity Program. In April 2009, the Compensation Committee announced its commitment to grant in 2010 at least 50% of equity awards (in terms of number of shares) to Named Executive Officers in the form of performance-based equity awards to be earned or paid out based on the achievement of specified performance targets. The performance criteria will be based on the attainment of a performance goal with respect to the company s 2010 adjusted EBITDA (as such term is defined under Performance-Based Bonus beginning on page 28). If the performance goal is not achieved for the 2010 performance period, none of these performance-base equity awards will vest at

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any time. If the performance goal is achieved for the 2010 performance period, then the shares will vest ratably over a three-year period from the date of grant.

Our Compensation Philosophy and Objectives

We seek to provide reasonable compensation packages that enable us to recruit and retain talented executive officers and to align management s interests with the interests of our shareholders. The objectives of our executive compensation program are:

- to attract and retain the highest possible caliber management team;
- to reward the achievement of pre-determined company objectives;
- to reward superior performance;
- to provide management with incentives to build value; and
- to align the interests of management with those of our shareholders.

Role of the Compensation Committee

The Compensation Committee of our Board of Directors makes all compensation decisions regarding senior management, which includes our Named Executive Officers and certain other senior officers of the company. Each member of the Compensation Committee is an independent non-employee director. The Compensation Committee informs and consults with the independent members of the Board on its compensation decisions regarding senior management. The Committee also considers the Chief Executive Officer s recommendations in determining the compensation of the other Named Executive Officers. The Committee s discussions and decisions regarding compensation of our Named Executive Officers are made outside the presence of these officers except that the Chief Executive Officer and the Senior Vice President of Human Resources may participate in discussions regarding the compensation of Named Executive Officers other than themselves. The Committee is also responsible for approving our executive compensation program and general compensation policies, all new or materially amended broad-based compensation plans, and the performance measures used in our executive compensation programs.

Independent Outside Compensation Consultant

The Committee retains an independent outside consultant, Frederic W. Cook and Co. (the Independent Consultant), to assist it by researching market compensation and advising the Committee on executive compensation decisions and plan design. In 2009, the Independent Consultant provided the Committee with peer company, industry and general public company comparative executive compensation data to assist the Committee in making decisions on executive compensation. A representative of the Independent Consultant generally attends all meetings of the Compensation Committee.

At the request of the Compensation Committee, the Independent Consultant meets periodically with members of management to solicit information relevant to the performance of the Independent Consultant s advisory services to the Compensation Committee. In addition, the Independent Consultant meets periodically with members of our Human Resources and Legal Departments to review information and materials on behalf of the Compensation Committee relating to:

- proposed compensation actions under development and/or analysis by our management;
- data on compensation trends and best practices;

analysis or presentation of our compensation data;

calculations (or reviews of calculations) of executive compensation data, including valuation of equity grants, calculation of hypothetical change of control payments under our plans and programs and total wealth analysis data; and

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input on proposed agendas and presentation materials submitted by management to the Compensation Committee.
Any material information provided to us by the Independent Consultant is presented to the Committee.

To safeguard the independence of the Independent Consultant:

- the Compensation Committee directly hired the Independent Consultant and has the sole authority to terminate the Independent Consultant s engagement;
- the Compensation Committee solely determined the terms and conditions of the Independent Consultant s engagement, including the fees charged;
- the Independent Consultant reports directly to the Compensation Committee and has direct access to the Compensation Committee Chair during and between meetings;
- interactions between the Independent Consultant and management generally are limited to discussions on behalf of the Compensation Committee and regarding information presented to the Compensation Committee for approval;
- in 2009, the Independent Consultant did not provide any services to us other than services provided to the Compensation Committee; and
- the prior approval of the Compensation Committee is required for any engagement of the Independent Consultant by our management. (Management did not engage the Independent Consultant during 2009 with respect to any services.)

Performance Review Process

The Compensation Committee reviews the performance of the Chief Executive Officer with the independent members of the Board in executive session. This review is based on the performance evaluations of the Chief Executive Officer by each of the Board members. As part of the annual performance review process, our Chief Executive Officer reviews the performance of each of the other Named Executive Officers with the members of the Committee and the Board. To maintain the integrity of the review process, the contents of individual reviews and related discussions are kept confidential. If and to the extent that performance factors addressed in any individual review affect an individual Named Executive Officer s compensation, those factors are discussed below.

Benchmarking Against Peer Company Compensation

In setting short-term and long-term compensation, the Committee reviews comparative compensation data derived from the companies that comprise our peer group (as defined below) as well as market survey data provided to us by the Independent Consultant.

In evaluating the compensation of our Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and General Counsel, the Committee assigned the following weightings to each data source: peer group (75%) and survey data (25%). The Committee believes it is appropriate to evaluate the compensation of these Named Executive Officers against a blend of peer group and market survey data given the small number of publicly held healthcare service companies comparable in size to our company and the fact that publicly held hospital companies comprise only a small portion of the publicly held healthcare service companies. In evaluating the compensation of our Senior Vice President, Human Resources, the Committee utilizes only market survey data given the absence of publicly reported comparative data for this officer role among our peer group companies.

We describe each of the data sources in more detail below.

Peer Group. The following companies comprised the peer group that we reviewed in making compensation determinations for 2009.

Aetna Inc.	HealthSouth Corporation
CIGNA Corporation	Humana Inc.
Community Health Systems, Inc.	Laboratory Corporation of America Holdings
Coventry Health Care, Inc.	Lifepoint Hospitals, Inc.
Davita Inc.	Omnicare, Inc.
Express Scripts, Inc.	Quest Diagnostics Incorporated
Health Management Associates, Inc.	Universal Health Services, Inc.
Health Net, Inc.	

The Independent Consultant developed the peer group based on a set of characteristics that include annual revenues ranging from approximately $2 billion to $30 billion and operations that are classified under the Global Industry Classification System (GICS) code for healthcare facilities (which is our code), or under the GICS codes for healthcare services or managed care. As noted above, the peer group includes both hospital companies and non-hospital companies, reflecting the small number of publicly held hospital companies in the US market. The hospital companies include Community, Health Management Associates, HealthSouth, Lifepoint and Universal. The non-hospital companies included in the peer group include:

- insurance companies (Aetna, CIGNA, Coventry, Health Net and Humana);
- a kidney treatment center operator (Davita);
- a pharmacy benefit management service provider (Express Scripts);
- clinical laboratory companies (LabCorp and Quest); and
- a geriatric pharmaceutical company (Omnicare).

Market Survey Data. The Committee reviews additional compensation data from the following survey sources:

Survey	Covered Organizations	Approximate Annual Revenue of Companies Comprising Data Used by Independent Consultant
2008 Towers Perrin U.S. CDB General Industry Executive Database	783 companies, all industries	$9 billion
2008 Mercer Executive Benchmark Database	2,579 companies, all industries	$5 billion to $10 billion
2008 Hewitt TCM Executive	381 companies, all industries	$9 billion
2008/09 Watson Wyatt Survey Top Management	2,206 companies, all industries	$9 billion
2008 Frederic W. Cook & Co. Survey of Long-Term Incentives	45 companies, all industries	$9 billion
		+$1.5 billion

2007 Sullivan & Cotter Survey on Manager and Executive Compensation in Hospitals & Health Systems	219 health systems and 663 hospitals	
2006 Clark Consulting Health Care Executive Compensation Survey	374 health systems and 974 hospitals	+$1.5 billion
2008 Hay Group Integrated Healthcare Systems Total Remuneration Report	116 health systems	+$1 billion
2006 Mercer Integrated Health Networks Compensation Survey Suite	1,101 healthcare companies	+$1 billion

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The Independent Consultant compiles from these survey sources data relating to the compensation levels received for each position held by a Named Executive Officer against the compensation levels received by executives holding similar positions at other companies. The Independent Consultant uses the revenue criteria shown above in selecting the data it compiles from these sources and presents the data to the Compensation Committee in aggregated form. In benchmarking compensation levels against the survey data, the Committee considers only the aggregated survey data provided by the Independent Consultant. The identity of the companies comprising the survey data is not disclosed to, or considered by, the Committee in its decision-making process. The Committee members do not consider the identity of the companies comprising the survey data to be material in evaluating compensation.

Description and Analysis of Our 2009 Compensation Decisions

We offer our Named Executive Officers cash compensation in the form of base salary and an annual performance-based bonus, as well as equity-based and other long-term incentive compensation. None of our Named Executive Officers has an employment agreement. However, we provide our executives severance protection and participation in certain retirement plans.

Our executive compensation package is weighted heavily towards at-risk and long-term compensation:

	2009 At-Risk Pay		
Named Executive Officer	**Long-Term (%)**	**Performance-Based Bonus (%)**	**Total At-Risk (%)**
Mr. Fetter	67.9%	17.8%	85.7%
Other Named Executive Officers	48.5%	22.8%	71.3%

This section describes the components of our executive compensation packages, the way in which the Compensation Committee makes decisions about each component and the philosophy behind each component. An analysis of the application of these decisions and philosophies to each Named Executive Officer appears below in the section entitled Analysis of 2009 Compensation of Our Named Executive Officers.

Salary

Base salary, a common element in the executive compensation packages of peer companies, provides our Named Executive Officers with a fixed monthly income. The Compensation Committee approves the base salaries of each of our Named Executive Officers and, on an annual basis, reviews the base salaries against survey and other data provided by the Independent Consultant. In determining base salaries, the Committee also considers the following factors: performance, the other compensation elements received by the officer, and his or her total compensation package.

In 2009, the Compensation Committee did not increase the salaries of our Named Executive Officers. Mr. Fetter s salary has remained the same from April 2005 through the present. With the exception of a cash automobile allowance that was eliminated and rolled into base salary in 2007, the salaries of the other Named Executive Officers remained the same from the date the officer assumed his or her current role with the company through 2009.

Performance-Based Bonus

The Compensation Committee annually determines bonuses, if any, to be paid out under the company s Annual Incentive Plan (AIP), which was most recently re-approved by our shareholders at our annual shareholder meeting in May 2007. Employees at the management level of hospital director and above participate in the AIP. We set bonus target award levels for AIP participants, other than senior officers (which are discussed below), by segmenting positions into bands and determining an appropriate target award level for each band, expressed a percentage of salary. We do this by combining a peer company market analysis with an internal review of the role each position plays in the organization. The minimum award is zero. The maximum possible award is equal to two times the target award level for substantially exceeding the performance goals described below. Awards are subject to a clawback provision under which the Board of Directors may require the reimbursement to the company of a bonus in the event of a material restatement of our financial results caused by the recipient s fraud or other misconduct.

The Compensation Committee sets target bonus award levels for all members of senior management, including our Named Executive Officers. Target award levels vary among executives based on competitive market practices for comparable positions, their decision-making authority and their ability to affect company performance. For 2009 performance, target award levels for our Named Executive Officers were set by the Compensation Committee at the following percentages of salary:

Chief Executive Officer	125%
Chief Operating Officer	90%
Chief Financial Officer	90%
Senior Vice President, Human Resources	60%
General Counsel	60%

We designed our AIP to motivate management to achieve goals that impact both our short- and long-term financial performance, rather than just annual financial results that may not be sustainable. Specifically, we use a Balanced Scorecard for measuring hospital and company performance. Under our formula-driven system, AIP awards are dependent not only on financial metrics like adjusted EBITDA and adjusted free cash flow, but also other quantitative metrics that relate directly to the quality of the services we provide, the satisfaction of the physicians and patients at our hospitals, and the retention of our employees. In our view, strong performance with respect to these quantitative metrics directly impacts our financial results. For example, improvements in quality contribute to lower medical malpractice expense and higher reimbursement from certain of our commercial payers. In particular, we believe that improvements in quality were a significant factor in reducing our total hospital malpractice expense by 29% in 2009, as compared to 2008. Also, we believe that both governmental and private payers will continue moving toward pay for quality and value-based pricing and reimbursement models. In addition, as a people-intensive business, we recognize that low employee turnover plays a significant role in quality and service, which in turn contributes to customer and physician loyalty, as well as reduced costs of recruiting, overtime and contract labor.

The Balanced Scorecard measures hospital and corporate performance in the following broad categories, which we call pillars : Quality, Service, People, Cost and Growth. For the 2009 performance period, each pillar was weighted as follows:

Quality	25%
Service	5%
People	10%
Cost and Growth	60%

During the first quarter of each year, the Committee approves the metrics and measurement system to be used for determining AIP awards for the current year s performance. The Committee then approves corporate targets for all metrics for the current year. The Compensation Committee may change the relative weights of the pillars from year to year as business objectives warrant. In 2009, the Compensation Committee approved an increase in the relative weight of our Cost and Growth pillar from 50% to 60% and decreased the relative weights of our Service and People pillars from 10% to 5%