



Q2'14 Review

August 4, 2014

Disclosures / Forward-looking Statements

This presentation includes “forward-looking statements.” Forward-looking statements are based on current expectations and involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied. These factors include, among others, our ability to realize fully or at all the anticipated benefits of our merger with Vanguard and to successfully integrate the operations of our business and Vanguard’s business; changes in healthcare and other laws and regulations; changes in economic conditions; adverse litigation or regulatory developments; the ability to enter into managed care provider arrangements on acceptable terms; changes in Medicare and Medicaid payments or reimbursement; competition; our success in implementing our business development plans and integrating newly acquired businesses; our ability to hire and retain qualified personnel; our significant indebtedness; the availability and terms of capital to fund the expansion of our business, including the acquisition of additional facilities; adverse fluctuations in interest rates and other risks related to interest rate swaps or any other hedging activities; the ability to continue to expand and realize earnings contributions from the revenue cycle management, healthcare information management, management services, and patient communications services businesses under our Conifer Health Solutions (“Conifer”) subsidiary by marketing these services to third-party hospitals and other healthcare-related entities; and our ability to identify and execute on measures designed to save or control costs or streamline operations. These factors also include the positive and negative effects of health reform legislation on reimbursement and utilization and the future designs of provider networks and insurance plans, including pricing, provider participation, coverage, and co-pays and deductibles. These and other risks and uncertainties are described in “Risk Factors” under Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2013 (“Annual Report”), “Forward-Looking Statements” under Item 1 of Part I of our Annual Report, and “Forward-Looking Statements” under Item 2 of Part I of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014. We disclaim any obligation to update any forward-looking statement in this presentation, whether as a result of changes in underlying factors, new information, future events or otherwise.

A reconciliation of Adjusted EBITDA to net income (loss) attributable to Tenet common shareholders is included in the financial tables at the end of the Company’s press release dated August 4, 2014.

Q2'14 Highlights

- ✓ \$460mm in Adjusted EBITDA exceeds high end of Q2'14 Outlook range
- ✓ Volume trends and payer mix continue to strengthen
- ✓ Reform impact is exceeding expectations
- ✓ Growing higher-margin, faster-growing, capital-light businesses
- ✓ Vanguard integration proceeding smoothly and exceeding expectations
- ✓ Outlook Range for 2014 Adjusted EBITDA raised by \$50 million to \$1.85 - 1.95 Billion

Tenet's strategic transformation from a regional operator of hospitals to a national diversified healthcare services company is driving Q2'14 performance metrics.

Q2'14 Performance Demonstrates Broad-Based Strength

EBITDA Exceeds Expectations

- \$460mm in Q2'14 Adjusted EBITDA, significantly exceeded Q2'14 Outlook
- Raising Outlook for 2014 Adjusted EBITDA Outlook by \$50mm to \$1.85 billion to \$1.95 billion

Volume Trends Continue to Strengthen

- 4.0% growth in adjusted admissions (*pro forma*), 4.7% increase (*same-hospital*)
- 2.8% growth in admissions (*pro forma*), 3.3% increase (*same-hospital*)
- 7.1% growth in outpatient visits (*pro forma*), 6.3% increase (*same-hospital*)
 - 85% of outpatient growth was organic
- 8.3% growth in surgeries (*pro forma*); 14.2% increase (*same-hospital*)
- Commercial admissions growth was the strongest in more than ten years (*same-hospital*)

ACA Having a Growing Impact

- 54% decline in uninsured + charity admits and 23% increase in Medicaid admits in five Medicaid expansion states (*pro forma*)
- \$25mm favorable EBITDA ACA impact offset by \$10mm reduction in Medicare reimbursement cuts

Revenue Metrics Remain Strong

- 2.5% increase in net patient revenue per adjusted admission, net of bad debt and excluding impact of California Provider Fee program (*same-hospital*); 1.9% increase (*pro forma*)
- 7.0% increase in commercial managed care revenue per admission (*pro forma*)

Cost Metrics Highlight Effective Cost Control

- Only a 0.7% increase in selected operating expenses per adjusted admission in hospital operations (*pro forma*)
 - Decrease of 0.3% excluding growth in physician employment (*same-hospital*)

Bad Debt Declines

- \$71mm, 18.2%, decline in bad debt expense (*pro forma*)
- 7.3% bad debt ratio, 170 basis point decrease (*pro forma*)

Vanguard Integration Proceeding Smoothly

- Outlook range for 2014 Vanguard synergies raised by \$10mm from \$50-100mm to \$60-110mm
- Expect to exceed \$100-200mm range for acquisition synergies over the long term

Conifer Reports Continuing Growth

- \$44mm in EBITDA, an increase of 57%
- \$285mm in revenues, a 30% increase; annualizes to > \$1.1 billion

13% Normalized EBITDA Growth in Q2'14

	EBITDA (\$mm)	Q2'14 As Reported	Q2'13 Pro Forma	Change Fav / (Unfav)
1	EBITDA (Q2'14 as reported / Q2'13 pro forma)	460	496	(36)
2	California Provider Fee Program	-	66	(66)
3	VHS Gain on Sale of Lab Assets	-	15	(15)
4	Health Plans	(1)	12	(13)
5	Resolute Health Pre-Opening Expenses *	(10)	(2)	(8)
6	Two Midnight Rule	(5)	-	(5)
7	HIT Incentive Revenues	58	41	17
8	Interest Rate Impact on Discounted Liabilities	(3)	8	(11)
9	Normalizing Adjustments	39	140	(101)
10	Normalized EBITDA Growth			65
11	Vanguard Synergies	20	-	20
12	ACA Impact on Volumes and Payer Mix	25	-	25
13	ACA-Related Medicare Cuts	(10)	-	(10)
14	Sub-Total of Vanguard Synergies and ACA	35	-	35
15	Core EBITDA Growth			30

13% ↑

6% ↑

* Expenses related to the new Resolute Hospital and Wellness Campus in New Braunfels, TX that opened in June 2014.

Healthcare Reform is Exceeding Initial Expectations



















Significant decline in uncompensated care with strong growth in Medicaid volume

	Volume Mix Shifts ⁽¹⁾ (# / % change)	Uninsured + Charity	Medicaid
Medicaid Expansion States ⁽²⁾	Inpatient Admissions	↓ (2,238) / (54)%	↑ 4,685 / 23%
	Outpatient Visits	↓ (19,739) / (27)%	↑ 62,154 / 25%
Total Company	Inpatient Admissions	↓ (3,030) / (22)%	↑ 5,479 / 11%
	Outpatient Visits	↓ (25,007) / (13)%	↑ 75,262 / 16%

(1) All changes are same-hospital pro forma, as if Vanguard facilities were owned by Tenet in Q2'13.

(2) Medicaid programs in Arizona, California, Illinois and Massachusetts expanded 1/1/14. Michigan's Medicaid program expanded 4/1/14.







Payer Mix has Strengthened in Medicaid Expansion States Highlighting the Future Upside Potential in Non-expansion States

Payer Mix Shift	Expansion States ⁽¹⁾		Non-Expansion States		Total	
	Uninsured + Charity	Medicaid ⁽²⁾	Uninsured + Charity	Medicaid ⁽²⁾	Uninsured + Charity	Medicaid ⁽²⁾
Admissions	 (54)%	 23%	 (8)%	 3%	 (22)%	 11%
OP Visits	 (27)%	 25%	 (4)%	 6%	 (13)%	 16%
ED Volumes (Total)	 (26)%	 27%	 (3)%	 12%	 (11)%	 19%

(1) Volume changes are on a pro forma basis. Medicaid programs in Arizona, California, Illinois and Massachusetts expanded 1/1/14. Michigan expansion became effective 4/1/14. The five expansion states contain 34 percent of THC's beds.

(2) Patients who we believe are eligible for Medicaid benefits but have not yet been approved for Medicaid benefits at quarter-end are reflected in the quarter's Medicaid volume statistics using Tenet's legacy historical conversion rate for successfully qualifying these patients for Medicaid. Until the Vanguard facilities are fully under Conifer, certain legacy Vanguard facilities retain pending Medicaid patients in an uninsured status until final Medicaid status is determined.

Michigan's Payer Mix Strengthened Significantly in Q2'14

Michigan's Payer Mix (#/% change)	Uninsured + Charity	Medicaid
Admissions	 (1,183) / (85)%	 1,713 / 26%
OP Visits	 (8,149) / (35)%	 13,336 / 11%
ED Volumes (Total)	 (2,055) / (15)%	 3,527 / 8%

Refined Assumptions for 2014 Outlook

Refined Assumptions	Initial Assumption	Refined Assumption
Core Business Factors		
Adjusted Admissions growth (%)	(1.0) - 1.0%	0 – 2.0%
Vanguard Synergies (\$mm)	50 - 100	60 - 110
ACA Related		
Total ACA Contribution to 2014 EBITDA (\$mm) (before ACA-related reimbursement cuts of \$50mm)	50 - 100	75 - 125
Decline in Total Company Uninsured Volumes	15%	15 - 25%

Q3'14 Outlook Walk Forward From Q2'14 Actual

		(\$mm)	Comments
1	EBITDA – Q2'14 Actual	460	
2	California Provider Fee	0	<i>Assumes 2014-16 Program not approved until Q4'14</i>
3	Vanguard Synergies	5	<i>\$25mm in Q3'14 versus \$20mm in Q2'14</i>
4	Performance Excellence Program	5	<i>Incremental savings from Performance Excellence Program</i>
5	Healthcare Reform	5	<i>\$30mm in Q3'14 versus \$25mm in Q2'14</i>
6	Health Information Technology	(53)	<i>\$58mm in Q2'14 HIT incentive expected to decline to \$5mm in Q3'14</i>
7	Managed Care Pricing	15	<i>Recently signed contracts and impact of existing escalators</i>
8	FICA and Unemployment Taxes	10	<i>Savings as additional employees reach maximum yearly contributions</i>
9	Volume, Acuity, Payer Mix, Other	(22)	<i>Q3 volumes typically lower than Q2</i>
10	Sub-Total	(35)	<i>Increment in Q3'14 Adjusted EBITDA Outlook versus Q2'14</i>
11	EBITDA - Q3'14 Outlook	425	<i>Middle of Q3'14 Outlook range of \$400 - \$450mm</i>

19% Normalized EBITDA Growth in Q3'14 Outlook

EBITDA (\$mm)		Q3'14 Outlook	Q3'13 Pro Forma	Change Fav / (Unfav)
1	EBITDA (Q3'14 as reported / Q3'13 pro forma)	425	412	13
2	California Provider Fee Program	-	19	(19)
3	Texas Medicaid 1115 Waiver Program Adjustment	-	25	(25)
4	Health Plans	(1)	8	(9)
5	Resolute Health Pre-Opening Expenses *	-	(5)	5
6	Two Midnight Rule	(5)	-	(5)
7	HIT Incentive Revenues	5	17	(12)
8	Normalizing Adjustments	(1)	64	(65)
9	Normalized EBITDA Growth			78 ← 19% ↑
10	Vanguard Synergies	25	-	25
11	ACA Impact on Volumes and Payer Mix	30	-	30
12	ACA-Related Medicare Cuts	(10)	-	(10)
13	Sub-Total of Vanguard Synergies and ACA	45	-	45
14	Core EBITDA Growth			33 ← 8% ↑

* Expenses related to the new Resolute Hospital and Wellness Campus in New Braunfels, TX, that opened in June 2014.

Q4'14 Outlook Walk Forward From Q3'14 Outlook

		(\$mm)	Comments
1	EBITDA – Q3'14 Outlook	425	<i>Middle of Q3'14 Outlook range of \$400-450mm</i>
2	California Provider Fee	140	<i>Assumes 2014-16 Program assumed approved in Q4'14</i>
3	Vanguard Synergies	5	<i>\$30mm in Q4'14 versus \$25mm in Q3'14</i>
4	Performance Excellence Program	5	<i>Incremental savings from Performance Excellence Program</i>
5	Healthcare Reform	5	<i>\$35mm in Q4'14 versus \$30mm in Q3'14</i>
6	Incremental ACA-Related Medicare Cuts	(10)	<i>ACA-related Medicare cuts increase from \$10mm quarterly rate in Q3'14 to \$20mm in Q4'14</i>
7	Health Information Technology	25	<i>\$30mm in Q4'14 HIT incentives versus Outlook for \$5mm in Q3'14</i>
8	Managed Care Pricing	10	<i>Impact of recently negotiated and existing price escalators</i>
9	FICA and Unemployment Taxes	5	<i>Savings as additional employees reach maximum yearly contributions</i>
10	Volume, Acuity, Payer Mix, Other	15	<i>Q4 volumes are typically more robust than Q3</i>
11	Sub-Total	200	<i>Increment in Q4'14 Adjusted EBITDA Outlook versus Q3'14 Outlook mid-point</i>
12	EBITDA - Q4'14 Outlook	625	<i>Middle of implied Q4'14 Outlook range consistent with \$1.85-1.95 Billion for 2014</i>

18% Normalized EBITDA Growth in Q4'14

	EBITDA (\$mm)	Q4'14 Outlook	Q4'13 As Reported	Change Fav / (Unfav)	
1	EBITDA (Q4'14 Outlook / Q4'13 As Reported)	625	444	181	
2	California Provider Fee Program	140	19	121	
3	Health Plans	(1)	4	(5)	
4	Resolute Health Pre-Opening Expenses *	-	(4)	4	
5	HIT Incentive Revenues	30	48	(18)	
6	Normalizing Adjustments	169	67	99	
7	Normalized EBITDA Growth			79	18% ↑
8	Vanguard Synergies	30	-	30	
9	ACA Impact on Volumes and Payer Mix	35	-	35	
10	ACA-Related Medicare Cuts	(20)	(10)	(10)	
11	Sub-Total of Vanguard Synergies and ACA	45	(10)	55	
12	Core EBITDA Growth			24	5% ↑

* Expenses related to the new Resolute Hospital and Wellness Campus in New Braunfels, TX opened in June 2014.

