

TENET HEALTHCARE CORP
Form 10-Q
May 05, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2009**

OR

.. **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to**

Commission File Number 1-7293

TENET HEALTHCARE CORPORATION

(Exact name of Registrant as specified in its charter)

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Nevada
(State of Incorporation)

95-2557091
(IRS Employer Identification No.)

13737 Noel Road

Dallas, TX 75240

(Address of principal executive offices, including zip code)

(469) 893-2200

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

As of April 30, 2009, there were 479,931,132 shares of the Registrant's common stock outstanding, \$0.05 par value.

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TENET HEALTHCARE CORPORATION

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Dollars in Millions

(Unaudited)

	March 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 652	\$ 507
Investments in Reserve Yield Plus Fund	6	14
Investments in marketable debt securities	1	2
Accounts receivable, less allowance for doubtful accounts (\$391 at March 31, 2009 and \$396 at December 31, 2008)	1,385	1,337
Inventories of supplies, at cost	158	161
Income tax receivable	5	6
Deferred income taxes	82	82
Assets held for sale	35	310
Other current assets	307	290
Total current assets	2,631	2,709
Investments and other assets	255	242
Property and equipment, at cost, less accumulated depreciation and amortization (\$2,852 at March 31, 2009 and \$2,795 at December 31, 2008)	4,236	4,291
Goodwill	609	609
Other intangible assets, at cost, less accumulated amortization (\$230 at March 31, 2009 and \$216 at December 31, 2008)	361	323
Total assets	\$ 8,092	\$ 8,174
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 2	\$ 2
Accounts payable	650	686
Accrued compensation and benefits	328	414
Professional and general liability reserves	116	127
Accrued interest payable	77	125
Accrued legal settlement costs	168	168
Other current liabilities	494	427
Total current liabilities	1,835	1,949
Long-term debt, net of current portion	4,639	4,778
Professional and general liability reserves	527	536
Accrued legal settlement costs	49	72
Other long-term liabilities	598	591

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Deferred income taxes	106	101
Total liabilities	7,754	8,027
Commitments and contingencies		
Equity:		
Shareholders' equity:		
Common stock, \$0.05 par value; authorized 1,050,000,000 shares; 534,759,045 shares issued at March 31, 2009 and 532,890,116 shares issued at December 31, 2008	26	26
Additional paid-in capital	4,450	4,445
Accumulated other comprehensive loss	(34)	(37)
Accumulated deficit	(2,674)	(2,852)
Less common stock in treasury, at cost, 54,828,608 shares at March 31, 2009 and 55,716,859 shares at December 31, 2008	(1,477)	(1,479)
Total shareholders' equity	291	103
Noncontrolling interests	47	44
Total equity	338	147
Total liabilities and equity	\$ 8,092	\$ 8,174

See accompanying Notes to Condensed Consolidated Financial Statements.

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TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Dollars in Millions,
Except Per-Share Amounts
(Unaudited)

	Three Months Ended March 31,	
	2009	2008
Net operating revenues	\$ 2,279	\$ 2,178
Operating expenses:		
Salaries, wages and benefits	975	954
Supplies	395	379
Provision for doubtful accounts	156	147
Other operating expenses, net	477	483
Depreciation and amortization	97	90
Impairment of long-lived assets and goodwill, and restructuring charges	5	1
Litigation and investigation costs	1	47
Operating income	173	77
Interest expense	(110)	(104)
Gain from early extinguishment of debt	134	
Investment earnings	2	5
Income (loss) from continuing operations, before income taxes	199	(22)
Income tax expense	(5)	(1)
Income (loss) from continuing operations, before discontinued operations	194	(23)
Discontinued operations:		
Income from operations	2	5
Impairment of long-lived assets and goodwill, and restructuring charges	(9)	(10)
Net losses on sales of facilities	(2)	
Income tax expense	(2)	(2)
Loss from discontinued operations	(11)	(7)
Net income (loss)	183	(30)
Less: Net income attributable to noncontrolling interests	5	1
Net income (loss) attributable to Tenet Healthcare Corporation shareholders	\$ 178	\$ (31)
Amounts attributable to Tenet Healthcare Corporation shareholders		
Income (loss) from continuing operations, net of tax	\$ 189	\$ (24)
Loss from discontinued operations, net of tax	(11)	(7)
Net income (loss) attributable to Tenet Healthcare Corporation shareholders	\$ 178	\$ (31)
Earnings (loss) per share attributable to Tenet Healthcare Corporation shareholders		
Basic		

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Continuing operations	\$ 0.40	\$ (0.05)
Discontinued operations	(0.02)	(0.01)
	\$ 0.38	\$ (0.06)

Diluted

Continuing operations	\$ 0.39	\$ (0.05)
Discontinued operations	(0.02)	(0.01)
	\$ 0.37	\$ (0.06)

Weighted average shares and dilutive securities outstanding (in thousands):

Basic	478,372	475,066
Diluted	479,512	475,066

See accompanying Notes to Condensed Consolidated Financial Statements.

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TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in Millions

(Unaudited)

	Three Months Ended March 31,	
	2009	2008
Net income (loss)	\$ 183	\$ (30)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	97	90
Provision for doubtful accounts	156	147
Deferred income tax expense	3	21
Stock-based compensation expense	7	10
Impairment of long-lived assets and goodwill, and restructuring charges	5	1
Litigation and investigation costs	1	47
Gain from early extinguishment of debt	(134)	
Pretax loss from discontinued operations	9	5
Other items, net	9	1
Changes in cash from operating assets and liabilities:		
Accounts receivable	(229)	(222)
Inventories and other current assets	(16)	3
Income taxes	4	(17)
Accounts payable, accrued expenses and other current liabilities	(117)	(155)
Other long-term liabilities	(12)	
Payments against reserves for restructuring charges and litigation costs	(28)	(27)
Net cash provided by (used in) operating activities from discontinued operations, excluding income taxes	56	(7)
Net cash used in operating activities	(6)	(133)
Cash flows from investing activities:		
Purchases of property and equipment – continuing operations	(85)	(157)
Construction of new and replacement hospitals	(16)	(29)
Purchases of property and equipment – discontinued operations	(1)	(2)
Proceeds from sales of facilities and other assets – discontinued operations	251	23
Proceeds from sales of marketable securities, long-term investments and other assets	18	9
Purchases of marketable securities		(7)
Distributions received from investments in Reserve Yield Plus Fund	8	
Other items, net	(1)	2
Net cash provided by (used in) investing activities	174	(161)
Cash flows from financing activities:		
Repayments of borrowings	(1)	(1)
Deferred debt issuance costs	(22)	
Dividends paid to noncontrolling interests	(2)	
Other items, net	2	1
Net cash used in financing activities	(23)	
Net increase (decrease) in cash and cash equivalents	145	(294)
Cash and cash equivalents at beginning of period	507	572

Cash and cash equivalents at end of period	\$ 652	\$ 278
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Supplemental disclosures:
