TENET HEALTHCARE CORP Form 10-Q May 05, 2009 Table of Contents

# 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)

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 x 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 x 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 x

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

## TENET HEALTHCARE CORPORATION

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## TENET HEALTHCARE CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

## **Dollars in Millions**

## (Unaudited)

	March 31, D 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	

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
The state of the s		
Total liabilities and equity	\$ 8,092	\$ 8,174
		,

See accompanying Notes to Condensed Consolidated Financial Statements.

## TENET HEALTHCARE CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

## **Dollars in Millions,**

## **Except Per-Share Amounts**

## (Unaudited)

		Three Mor Marc			
	2	2009	Í	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		(10.)	
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:				(=0)	
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					

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	Ψ	(0.02)	Ψ	(0.03)	
•					
	\$	0.37	\$	(0.06)	
Weighted average shares and dilutive securities outstanding (in thousands):					
Basic	478,372 47		75,066		
Diluted	d 479,512		475,066		

## TENET HEALTHCARE CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

## **Dollars in Millions**

## (Unaudited)

Not income (loss)         \$ 183         \$ 300           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         1         47           Gain from early exitinguishment of debt         (13         47           Grain from early exitinguishment of debt         (13         7           Pretrax loss from discontinued operations         9         1           Changes in cash from operating assets and liabilities:         (29         1           Changes in cash from operating assets and liabilities:         (20         (222)           Inventories and other current assets         (16         3         3           Income taxes         (16         4         (17         (155         (16         2         (222)         (222)         (222)         (222)         (222)         (222)         (222)         (222)         (222)         (222)         (222)         (222)         (223)         (227)         (225)		Three Months March 3 2009		h 31,		
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         1         47           Gain from early extinguishment of debt         (134)         47           Gian from early extinguishment of debt         9         5           Other iems, net         9         5           Changes in cash from operating assets and liabilities:         (229)         (222)           Inventories and other current assets         (16)         3           Income taxes         (21)         (17)         (155)           Accounts receivable         (229)         (222)         (222)           Inventories and other current liabilities         (117)         (155)         (157)         (155)         (16)         3           Accounts payable, accrued expenses and other current liabilities on the cu	Net income (loss)	\$	183	\$	(30)	
Provision for doubtful accounts	Adjustments to reconcile net income (loss) to net cash used in operating activities:					
Deferred income tax expense   3	Depreciation and amortization		97		90	
Stock-based compensation expense   7   10   Impairment of long-lived assets and goodwill, and restructuring charges   5   1   47   47   47   47   47   47   47	Provision for doubtful accounts		156		147	
Impairment of long-lived assets and goodwill, and restructuring charges			_		21	
Litigation and investigation costs         1         47           Gain from early extinguishment of debt         (134)         1           Pretax loss from discontinued operations         9         5           Other items, net         9         1           Changes in cash from operating assets and liabilities:         (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)         (28)         (27)           Payments against reserves for restructuring charges and litigation costs         (28)         (27)           Per cash used in operating activities from discontinued operations, excluding income taxes         56         (7)           Net cash used in operating activities         (6)         (133)           Cash lows from investing activities         (85)         (157)           Purchases of property and equipment continuing operations         (85)         (157)           Construction of new and replacement hospitals         (16)         (29)           Purchases of property and equipment discontinued operations         (25)         (25)           Proceeds f			7		10	
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:         (229)         (222)           Inventories and other current assets         (16)         3           Income taxes         4         17)         (155)           Other long-term liabilities         (12)         (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         (85)         (157)           Purchases of property and equipment continuing operations         (85)         (157)           Construction of new and replacement hospitals         (16)         (29)           Purchases of property and equipment discontinued operations         (85)         (157)           Construction of new and replacement hospitals         (16)         (29)           Purchases of property and equipment discontinued operations         (85)         (157)           Posc			5		1	
Pretax loss from discontinued operations         9         5           Other items, net         9         1           Changes in cash from operating assets and liabilities:         2299         (2222)           Inventories and other current assets         (16)         3           Income taxes         (4)         (17)         (155)           Other long-term liabilities         (112)         (12)         (17)         (155)           Other long-term liabilities         (12)         (12)         (12)         (12)         (12)         (12)         (12)         (12)         (12)         (15)         (16)         (18)         (27)         (16)         (28)         (27)         (27)         (28)         (27)         (28)         (27)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (27)         (28)         (28)         (27)         (29)         (29)         (29)         (29)         (29)         (29) <t< td=""><td></td><td></td><td>1</td><td></td><td>47</td></t<>			1		47	
Other items, net         9         1           Changes in cash from operating assets and liabilities:         2(29)         (222)           Income crecivable         (29)         (222)           Income taxes         (16)         3           Income taxes         (11)         (155)           Occurring spayable, accrued expenses and other current liabilities         (11)         (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         (5)         (7)           Net cash used in operating activities         (6)         (133)           Cash flows from investing activities         (85)         (157)           Purchases of property and equipment continuing operations         (85)         (157)           Construction of new and replacement hospitals         (80)         (157)           Purchases of property and equipment discontinued operations         (85)         (157)           Purchases of property and equipment discontinued operations         (85)         (157)           Purchases of property and equipment discontinued operations         (85)         (157)           Purchases of property and equipment		(	(134)			
Clanges in cash from operating assets and liabilities:   Accounts receivable	Pretax loss from discontinued operations		9		5	
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)         1           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         (85)         (157)           Net cash used in operating activities         (85)         (157)           Construction of new and replacement hospitals         (16)         (29)           Purchases of property and equipment discontinued operations         (85)         (157)           Construction of new and replacement hospitals         (10)         (29)           Purchases of property and equipment discontinued operations         (85)         (157)           Construction of new and replacement hospitals         (10)         (2)           Purchases of property and equipment discontinued operations         (20)         (7) </td <td></td> <td></td> <td>9</td> <td></td> <td>1</td>			9		1	
Inventories and other current assets   (16)   3     Income taxes   4   (17)     Accounts payable, accrued expenses and other current liabilities   (117)     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   (6)   (133)     Net cash used in operating activities   (6)   (133)     Net cash used in operating activities   (6)   (133)     Net cash used in operating activities   (6)   (135)     Purchases of property and equipment   continuing operations   (85)   (157)     Construction of new and replacement hospitals   (16)   (29)     Purchases of property and equipment   discontinued operations   (16)   (29)     Purchases of property and equipment   discontinued operations   (25)   (23)     Proceeds from sales of marketable securities, long-term investments and other assets   (18)   (29)     Purchases of marketable securities   (7)   (7)     Distributions received from investments in Reserve Yield Plus Fund   (8)   (7)     Other items, net   (1)   (2)     Net cash provided by (used in) investing activities   (16)   (10)     Cash flows from financing activities   (16)   (10)     Deferred debt issuance costs   (22)     Dividends paid to noncontrolling interests   (23)     Net cash used in financing activities   (23)     Net cash used in financing activities   (23)	Changes in cash from operating assets and liabilities:					
Income taxes	Accounts receivable	(	(229)		(222)	
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 (6) (133)  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 (25) (23)  Proceeds from sales of marketable securities, long-term investments and other assets (27) 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 (1) (1)  Pegayments of borrowings (1) (1)  Deferred debt issuance costs (22) Dividends paid to noncontrolling interests (23)  Net cash used in financing activities (23)  Net cash used in financing activities (23)	Inventories and other current assets				3	
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Cash flows from financing activities:Repayments of borrowings(1)(1)Deferred debt issuance costs(22)Dividends paid to noncontrolling interests(2)Other items, net21Net cash used in financing activities(23)Net increase (decrease) in cash and cash equivalents145(294)	Other items, net		(1)		2	
Cash flows from financing activities:Repayments of borrowings(1)(1)Deferred debt issuance costs(22)Dividends paid to noncontrolling interests(2)Other items, net21Net cash used in financing activities(23)Net increase (decrease) in cash and cash equivalents145(294)						
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)	Net cash provided by (used in) investing activities		174		(161)	
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 flows from financing activities:					
Dividends paid to noncontrolling interests  Other items, net  Net cash used in financing activities  (23)  Net increase (decrease) in cash and cash equivalents  145 (294)	Repayments of borrowings		(1)		(1)	
Other items, net 2 1  Net cash used in financing activities (23)  Net increase (decrease) in cash and cash equivalents 145 (294)	Deferred debt issuance costs		(22)			
Net cash used in financing activities (23)  Net increase (decrease) in cash and cash equivalents 145 (294)	Dividends paid to noncontrolling interests		(2)			
Net increase (decrease) in cash and cash equivalents  145 (294)	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 end of period

\$ 652

\$ 278

Supplemental disclosures: