

TENET HEALTHCARE CORP

FORM 8-K (Unscheduled Material Events)

Filed 12/3/2002 For Period Ending 12/3/2002

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CIK	0000070318
Industry	Healthcare Facilities
Sector	Healthcare
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report: December 3, 2002
(Date of earliest event reported)

Commission file number: 1-7293

TENET HEALTHCARE CORPORATION

(Exact name of Registrant as specified in its charter)

Nevada
(State or Incorporation)

95-2557091
(I.R.S. Employer Identification No.)

3820 State Street
Santa Barbara, California 93105
(Address of principal executive offices, including zip code)

(805) 563-7000
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

ITEM 7. Financial Statements And Exhibits.

(c) Exhibits

99.1 Slides that will be used by the Company's executives in presentations to investors on December 3 and 4, 2002.

99.2 Press Release dated December 3, 2002, "Tenet Discusses New Pricing Philosophy."

ITEM 9. Regulation FD Disclosure.

On December 3 and 4, 2002, Tenet Healthcare Corporation ("Tenet") will make presentations regarding its review of past pricing strategies, its new pricing philosophy and its revised earnings guidance for fiscal years 2003 and 2004. In order to provide all investors with substantially the same information as that provided in the presentations, Tenet has made the presentations available by simultaneous webcast and on its web site and is attaching as Exhibit 99.1 hereto a copy of the slides that will be used in the presentations. In addition, on December 3, 2002, Tenet issued a press release regarding its revised earnings guidance for fiscal years 2003 and 2004. A copy of that press release is attached as Exhibit 99.2 hereto.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TENET HEALTHCARE CORPORATION

By: /s/ STEPHEN D. FARBER
Stephen D. Farber
Chief Financial Officer

Date: December 3, 2002

EXHIBIT INDEX

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Tenet

Investor Meetings

December 3-6, 2002

Forward-Looking Statements

Certain statements contained in this presentation constitute forward-looking statements. Such forward-looking statements are based on management's current expectations and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results to be materially different from those expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and regionally; industry capacity; demographic changes; changes in, or the failure to comply with, laws and governmental regulations; the ability to enter into managed care provider arrangements on acceptable terms; changes in Medicare and Medicaid payments or reimbursement, including those resulting from a shift from traditional reimbursement to managed care plans; the outcome of known and unknown litigation and government investigations; the outcome of asserted and unasserted liability and other claims against the Company; competition, including the Company's failure to attract patients to its hospitals; the loss of any significant customers; technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for, health care; a shortage of raw material, a breakdown in the distribution process or other factors that may increase the Company's cost of supplies; changes in business strategy or development plans including the Company's pricing strategy; the ability to attract and retain qualified management and other personnel, including physicians, nurses and other health care professionals, including the impact on the Company's labor expenses resulting from a shortage of nurses or other health care professionals; fluctuations in the market value of the Company's common stock; the significant indebtedness of the Company; the availability of suitable acquisition opportunities, the length of time it takes to accomplish acquisitions and the impact of pending and future government investigations and litigation on the Company's ability to accomplish acquisitions; the Company's ability to integrate new businesses with its existing operations; and the availability and terms of capital to fund the expansion of the Company's business, including the acquisition of additional facilities. Certain additional risks and uncertainties are discussed in the Company's filings with the Securities and Exchange Commission, including the Company's annual report on Form 10-K and quarterly reports on Form 10-Q. Do not rely on any forward-looking statement, as we cannot predict or control many of the factors that ultimately may affect our ability to achieve the results estimated. We make no promise to update any forward-looking statement, whether as a result of changes in underlying factors, new information, future events or otherwise.

Top Priorities Outlined 11/18

- Review pricing strategies; develop new, sustainable approach
- Determine impact of new strategy on revenues, by payor groups
- Develop and communicate financial performance expectations
- Conduct comprehensive review of compliance and quality programs
- Work actively and cooperatively with various regulatory agencies

Top Priorities Outlined 11/18

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- Conduct comprehensive review of compliance and quality programs
- Work actively and cooperatively with various regulatory agencies

} Done

Today's Agenda

- Overview and key take-aways
- Pricing
 - Prior strategy and impact, by payor group
 - Possible external changes
 - New internal strategy
- Operating strategy – what remains, what changes
- Economic forecast – modeling the future
- Updates on regulatory and legal issues
- Wrap-up
- Q & A

Key Take-Aways

- 1) Successful operating strategy remains
 - Grow core services like cardiology, orthopedics, neurology
 - Target 100 program to increase patient, physician and employee satisfaction
 - Build sustainable competitive advantage in labor markets through Employer of Choice initiative
 - Continue Partnership for Change to improve clinical quality and patient outcomes

Key Take-Aways

- 2) New pricing strategy creates reimbursement structure with larger fixed component; expect continued increases
 - Charge-masters frozen; no roll backs
 - Medicare outliers to be changed through new CMS mechanism
 - Continue to negotiate appropriate price increases in managed care contracts
 - Private pay strategy addresses anomaly in US healthcare system

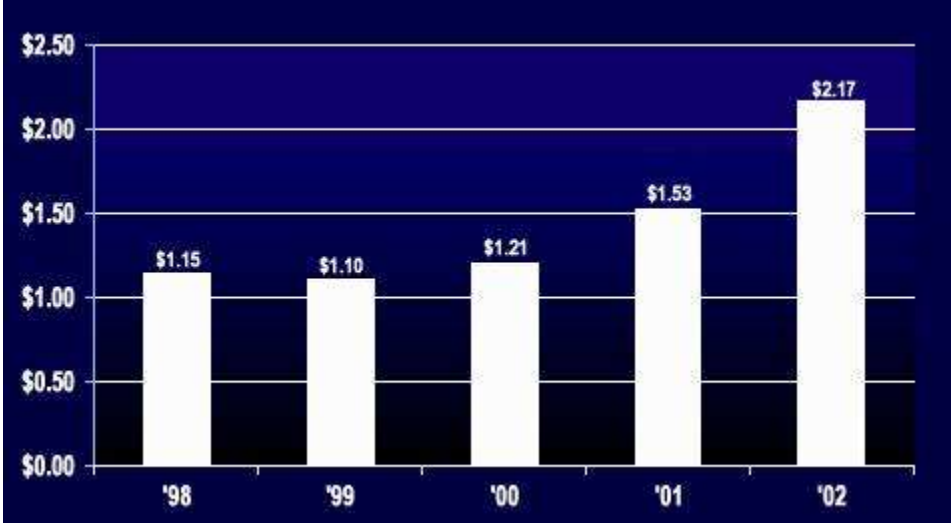
Key Take-Aways

- 3) Conservative financial projections show company's strength, highlight value
- 2003 estimate adjusted for current uncertainties
 - New bottom-up forecast for 2004 includes various outlier scenarios
 - Conservative bias to capital structure to ensure liquidity
 - Share repurchase is best use of excess free cash flow

Key Take-Aways

- 4) Favorable, secular industry trends will continue to benefit Tenet
- Aging baby boomers spurring admissions growth
 - Declining capacity plus increasing admissions means rising occupancy rates
 - Expect capacity constraints to become more common
 - Signals continued strong industry pricing trends

EPS Trend



EPS from operations, before adoption of SFAS 142.

EPS Trend



EPS from operations, before adoption of SFAS 142..

1999 Back to Basics Strategy

- **Growth**
 - Cull hospital portfolio
 - Eliminate capitation
 - Cancel unprofitable managed care contracts
 - Raise prices

- **Cost**
 - Exit physician practice business

- **Service / Quality**
 - Improve quality
 - Focus on core services

- **Cash Flow**
 - Improve business office processes
 - Reduce working capital

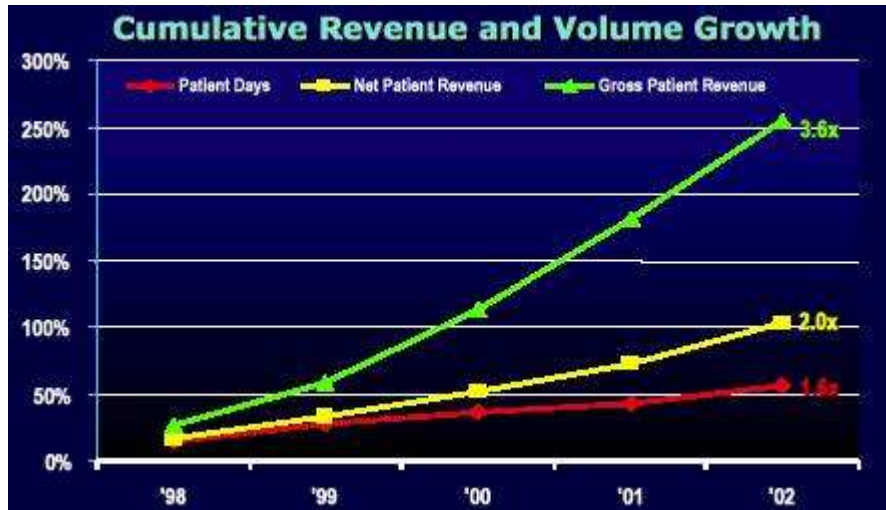
PRICING STRATEGY

Unique Aspects of Hospital Pricing

- Wide disparity between gross charges and net revenue
- All payors are billed gross charges; virtually none actually pay gross charges
- Patient largely divorced from payment mechanisms; pays only minimal portion of bill
- Different and conflicting pricing mechanisms for each payor group

PRICING STRATEGY

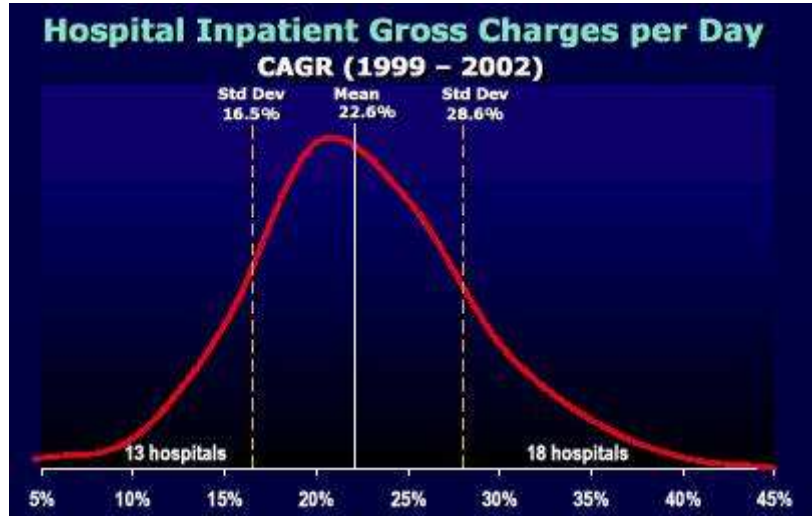
Charging Strategy Accelerated Geometrically Beginning 2000



Acute hospitals only; excludes divested hospitals; includes new and acquired hospitals from date of operation.

PRICING STRATEGY

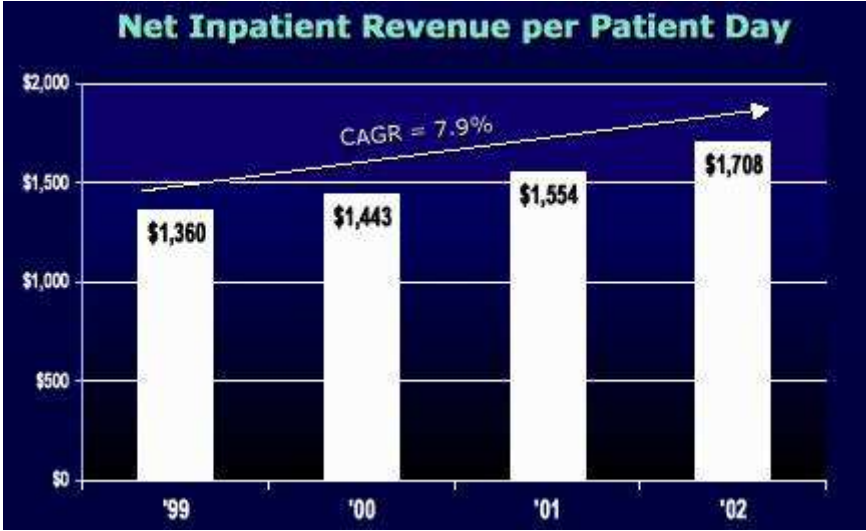
Hospital Gross Charges Vary by Facility; Mean CAGR 22.6%



Acute hospitals only; excludes divested hospitals; includes new and acquired hospitals from date of operation.

PRICING STRATEGY

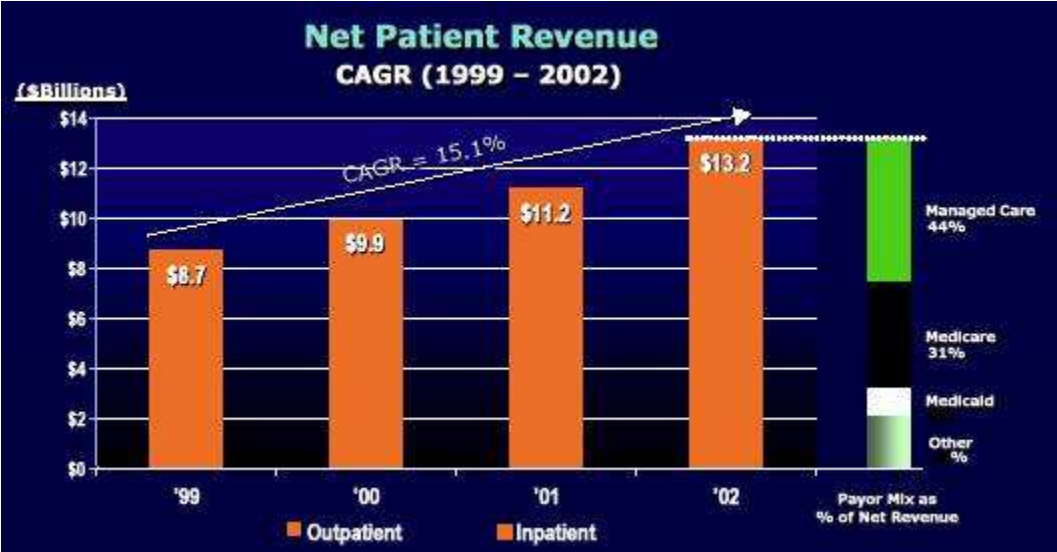
Unit Revenue CAGR only 7.9%



Acute hospitals only; excludes divested hospitals; includes new and acquired hospitals from date of operation.

PRICING STRATEGY

Net Patient Revenue Rose 15.1% CAGR



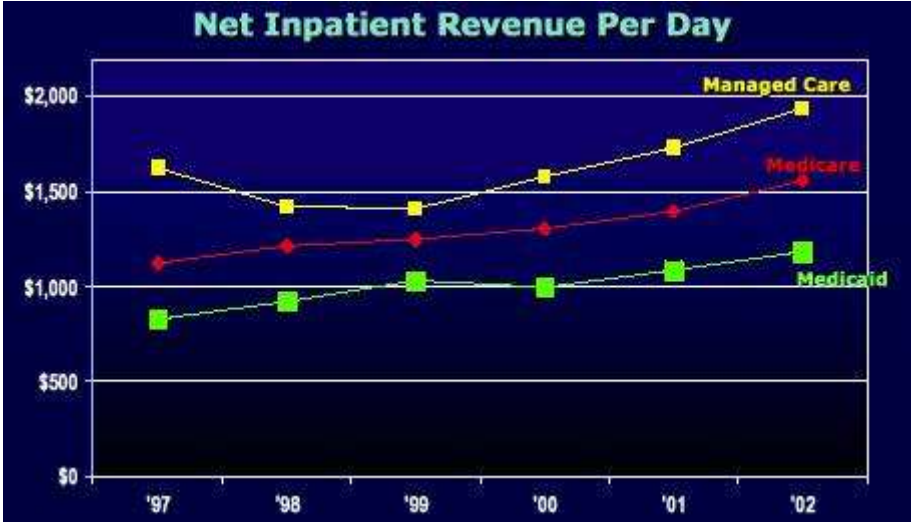
Acute hospitals only; excludes divested hospitals; includes new and acquired hospitals from date of operation.

PRICING STRATEGY

Differences in Pricing Structure

	Inpatient	Outpatient
Medicare	<ul style="list-style-type: none">• Fixed, per-procedure base rate• Adjustments for IME, capital and DSH• Outlier adjustment uses charges to determine payment	<ul style="list-style-type: none">• Fixed per-procedure base rate• Small outlier component
Managed Care	<ul style="list-style-type: none">• Negotiated base rate• High-cost items at cost plus• High-cost admissions at % of charges, some with caps	<ul style="list-style-type: none">• Often % of charges, sometimes fixed rates
Self Pay	<ul style="list-style-type: none">• Billed at charges• High bad debt	<ul style="list-style-type: none">• Billed at charges• High bad debt
Medicaid	<ul style="list-style-type: none">• Per diem rates set by state• Share DSH pool based on days	<ul style="list-style-type: none">• Rates set by state

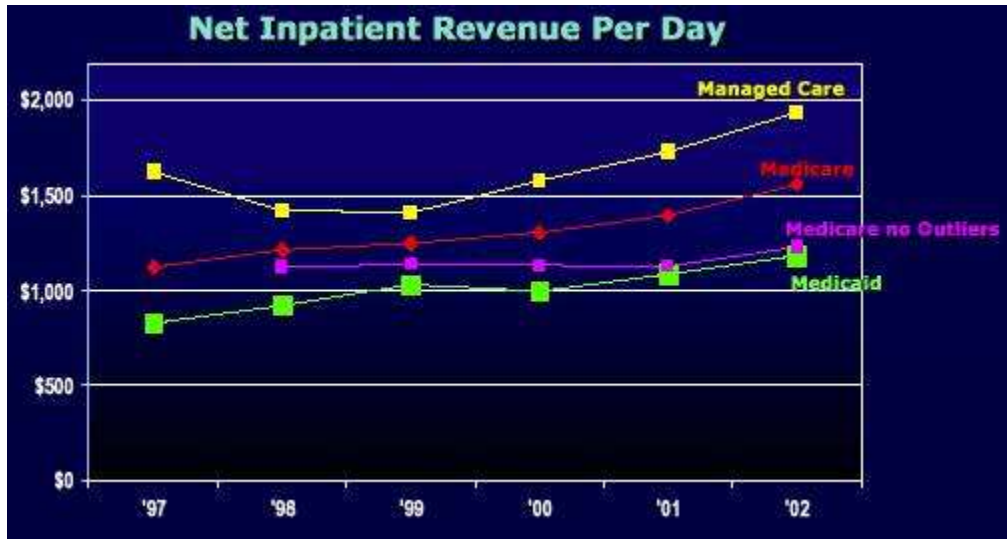
PRICING STRATEGY
Price History – All Payors



Acute hospitals only; excludes divested hospitals; includes new and acquired hospitals from date of operation.

PRICING STRATEGY

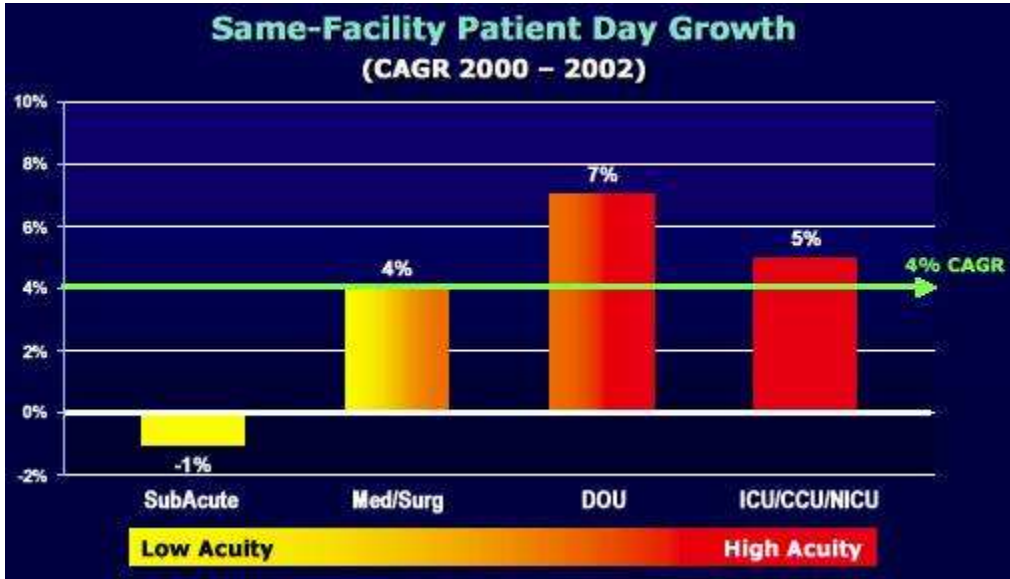
Price History – All Payors



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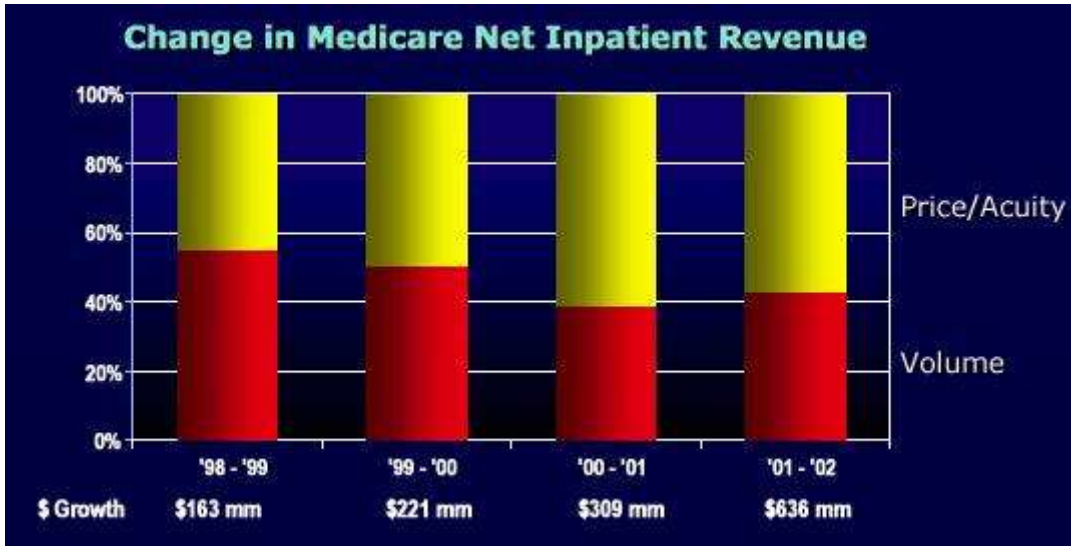
PRICING STRATEGY

Business Mix Shift Embedded in Pricing Data



Acute hospitals only; same facility since FY99.

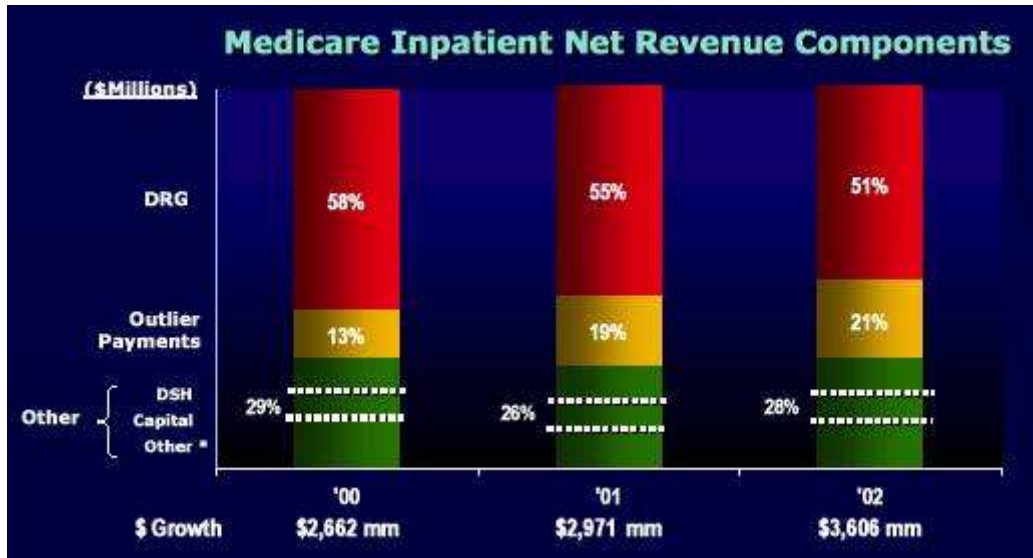
MEDICARE
Price/Acuity Driving Growth



Acute hospitals only; excludes divested hospitals; includes new and acquired hospitals from date of operation.

MEDICARE

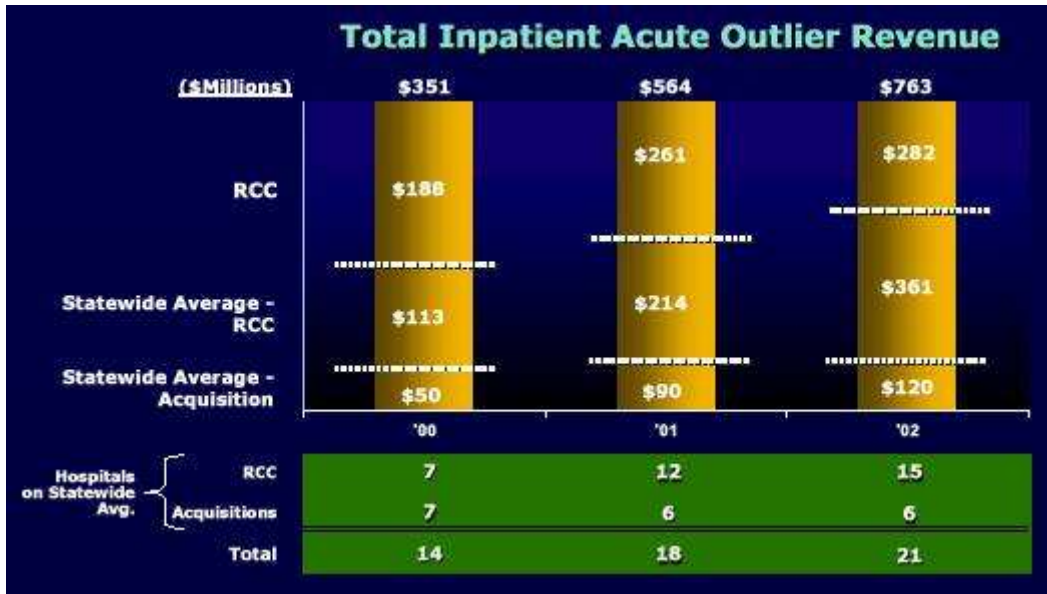
Outliers Became Larger Driver



* Includes medical education payments and exempt units
Acute hospitals only; excludes divested hospitals; includes new and acquired hospitals from date of operation.

MEDICARE

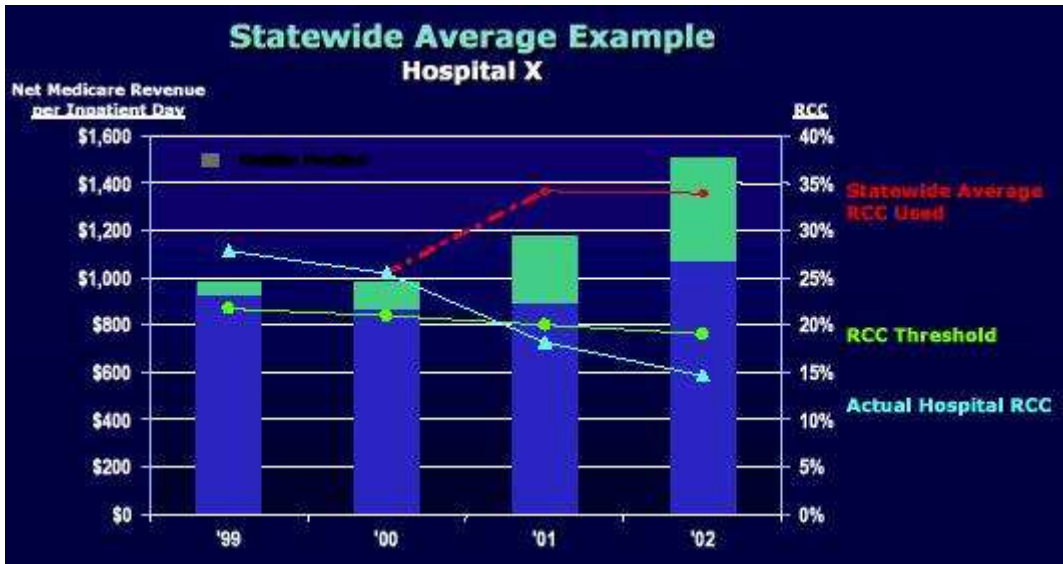
Hospitals on SWA Drove Outliers



Acute hospitals only; excludes divested hospitals; includes new and acquired hospitals from date of operation.

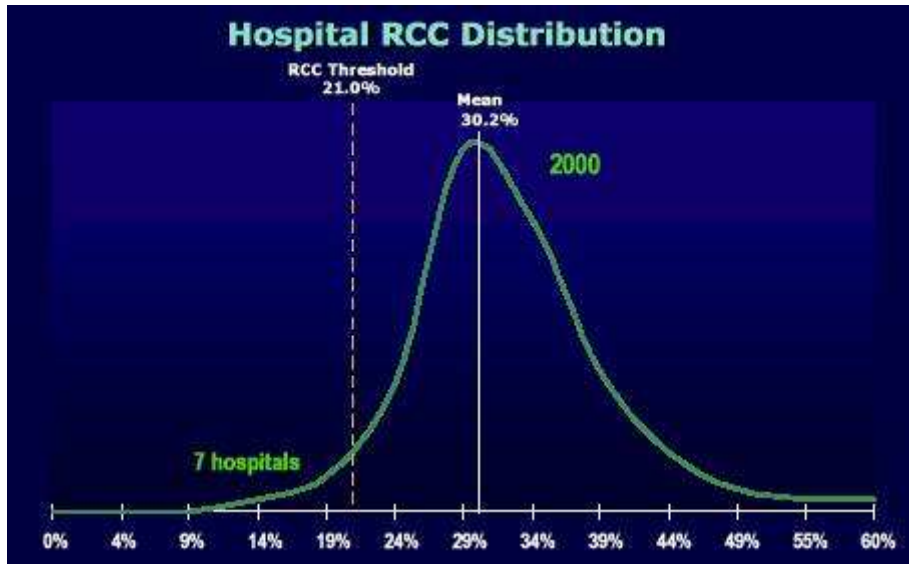
MEDICARE

SWA Rule Causes Steep Increase in Payments



MEDICARE

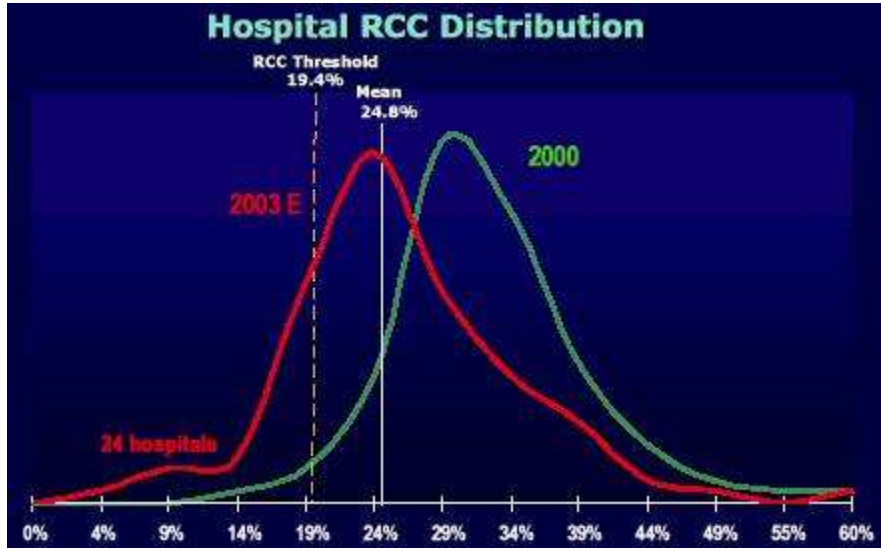
Non-acquisition SWA Hospitals Will Increase from 2000 to 2003E



Excludes acquired hospitals

MEDICARE

Non-acquisition SWA Hospitals Will Increase from 2000 to 2003E



Excludes acquired hospitals

MEDICARE

Medicare Strategy

- Expect government change in outlier rates
- Expect public discussion to continue, given dependence many hospitals have on the current mechanisms

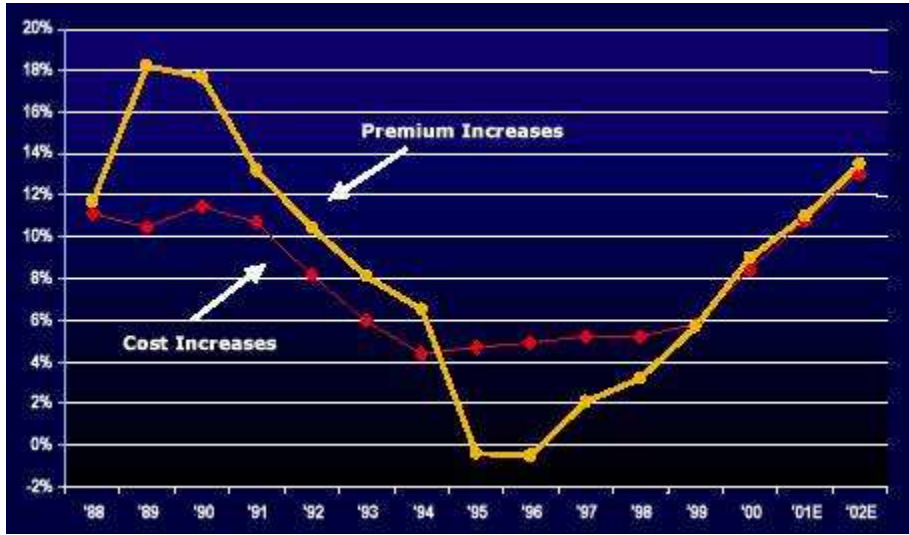
MANAGED CARE

Managed Care Contracting: Overview

- Pricing weak 1996 to 1999, but strong in recent years
- Contracting focus on total economic value
 - Base rates
 - Pass throughs
 - Stop loss
 - Payment terms, etc.
- Contract structures are constantly evolving and subject to trends
- Wide variation within regions and payors

MANAGED CARE

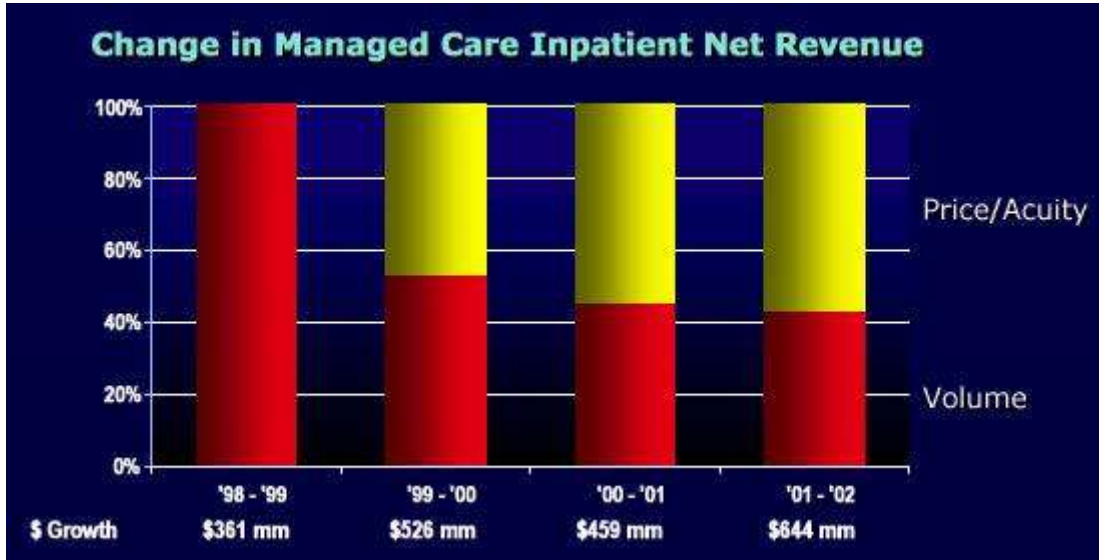
HMO Premium Increases Projected to Exceed HMO Cost Estimates



Source: Salomon Smith Barney Research estimates based on data from CMS, Milliman USA, AAHP, KPMG.

MANAGED CARE

Price/Acuity Impact: From 0 to >50%



Acute hospitals only; excludes divested hospitals; includes new and acquired hospitals from date of operation.

MANAGED CARE

Components of Managed Care Contracts

Payment Mechanisms

<u>Per Diems</u>	<u>Case Rates</u>	<u>% of Charges</u>	<u>Stop Loss</u>	<u>Pass Throughs</u>
<ul style="list-style-type: none">Fixed daily rate depending on level of service.	<ul style="list-style-type: none">Fixed rate for certain services that cover multiple days.	<ul style="list-style-type: none">Rate set at % of gross charges.	<ul style="list-style-type: none">When charges cross a specific threshold, reimbursement is a % of total charges (either first or second dollar)	<ul style="list-style-type: none">Specific items reimbursed at cost plus % mark-up.
Example: ICU \$1,900 per day	Example: C-Section 3-Day Stay \$3,000	Example: Bill of \$10,000 Reimburse at 60% \$6,000	Example: Threshold of \$100,000 First Dollar Stop Loss Rate of 60% Reimbursement \$60,000	Example: Implantable defibrillator cost \$25,000 Markup of 10% Reimbursement \$27,500

MANAGED CARE

How Stop Loss Payments Work

	<u>First Dollar Stop Loss</u>		<u>Second Dollar Stop Loss</u>	
		• When threshold is met, reimbursement on a % of charges basis is applied from first dollar charged.		• When threshold is met, charges up to threshold are reimbursed at per diem rate. Additional charges reimbursed at % of charges.
Gross Charges per Day	\$	5,000	\$	5,000
Per Diem Rate (negotiated)	\$	1,500	\$	1,500
LOS - actual		13		13
Total Charges	\$	65,000	\$	65,000
Stop Loss Threshold (negotiated)	\$	40,000	\$	40,000
Day Threshold Met				8
Charges for Stop Loss Calc	\$	65,000	\$	25,000 (Charges – Threshold)
% Reimbursed (negotiated)		<u>50 %</u>		<u>50 %</u>
Stop Loss Paid	\$	32,500	\$	12,500
Per Diem Paid		<u>0</u>		<u>12,000</u> (\$1,500 per diem x 8 days)
Total Paid	\$	<u><u>32,500</u></u>	\$	<u><u>24,500</u></u>
vs. Per Diem Rate Only — no Stop Loss	\$	19,500	\$	19,500

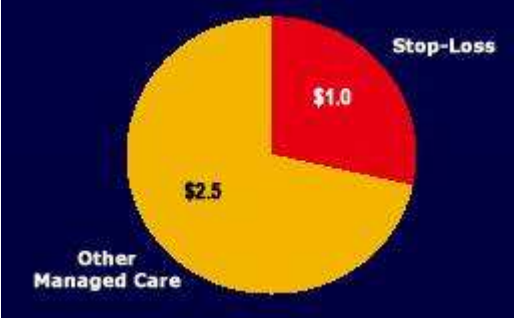
MANAGED CARE

Why Stop Loss is Not at Risk

- Contracts are based on total economic value
- Stop loss component varies by contract and region
- Not a new concept

MANAGED CARE
Managed Care Revenue Components

**Managed Care Net Inpatient
 Revenue FY02
 (\$Billions)**



Average Length of Stay FY02

- Stop Loss Cases 11.9 .
- Non Stop Loss Cases 3.7 .
- Total Managed Care Cases 4.2 .

Acute hospitals only; excludes divested hospitals; includes new and acquired hospitals from date of operation.

MANAGED CARE

Contracts with Low Base Rates Generally Have Stop Loss

	<u>Payor X</u>	<u>Payor Y</u>
Reimbursement Method	Multiplier of DRG payment	Per diems and case rates
Contracted Reimbursement Rate Increase	10% in year 2	3% - 4%
Stop Loss Provision	None	When charges reach \$150,000, payment is 40% of total charges
Stop Loss Rate Neutralization	N/A	40% stop loss rate decreases proportionally with price increases
Cap on Stop Loss Pass Throughs	N/A Cost + 5%	\$3,000 per day

MANAGED CARE
Managed Care Strategy

- No rollback of charges
- Increase proportion of fixed payments
- Continue to seek rate increases
- Seek administrative simplification

SELF-PAY

Self-Pay Overview

- US healthcare system anomaly: gross charges – the highest “rate” – billed to those least likely to pay
- 20% of patients account for 80% of total collections
- 30% of patients account for 98% of total collections
- High administrative cost incurred on remaining 70% of patients who pay nearly nothing
- Ill will generated among those 70% during collections process

SELF-PAY

Self-Pay Proposed Strategy

- Propose new policy to offer self-pay patients contracts with hospital-specific rates
- Establish rates by local markets, aligned with local managed care rates
- Implementation will require OIG approval and is subject to state law
- Tenet committed to lobbying for necessary changes
- Also requires process and system changes

Process and System Changes: Pricing

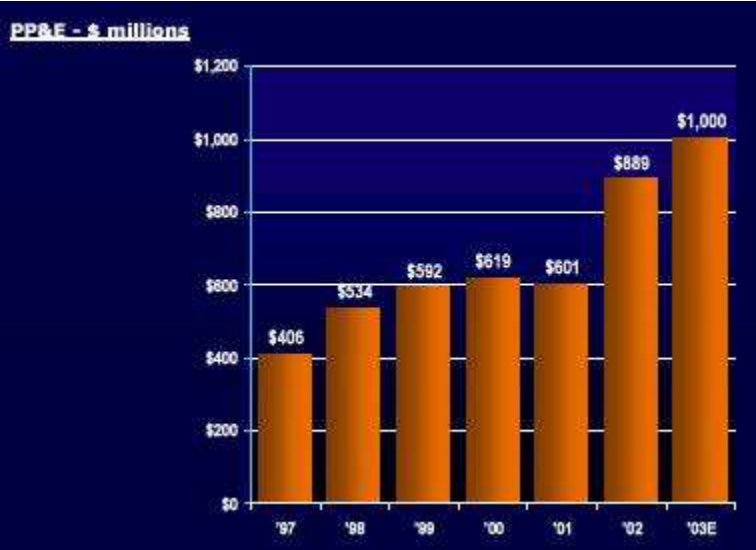
- Process
 - Centralize control over hospital charge-masters
 - Establish centralized managed care function
 - Simplify/streamline claims administration
 - Create greater visibility on various revenue components
- System
 - Accelerate roll out of all-payor contract tracking and adjudication system
 - Ability to track claims payments by source
 - Continue review of information system opportunities

OPERATING STRATEGY
OPERATING STRATEGY

- Continued focus on core services, baby boomer
- Continue emphasis on service excellence
- Continue emphasis on cash flow and collections
- Continue focus on employee satisfaction, turnover reduction
- Increase emphasis on quality and compliance
- Increase productivity through streamlined processes
- Reduce costs

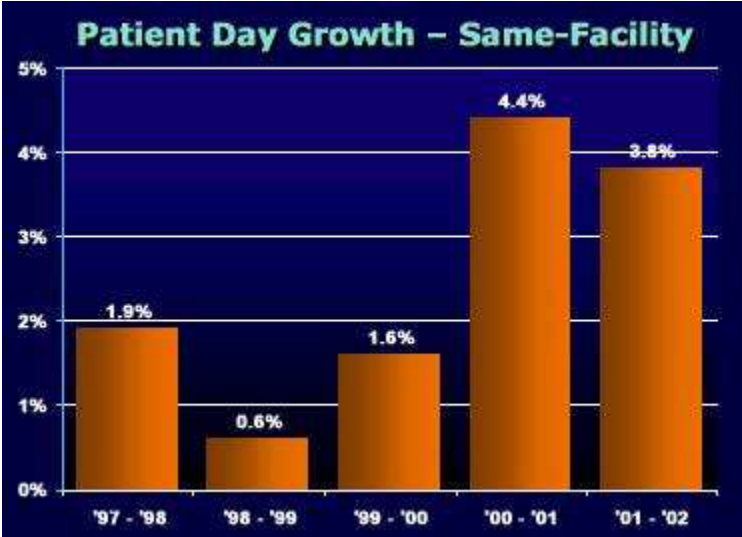
OPERATING STRATEGY

Capital Spending to Return to More Normal Level



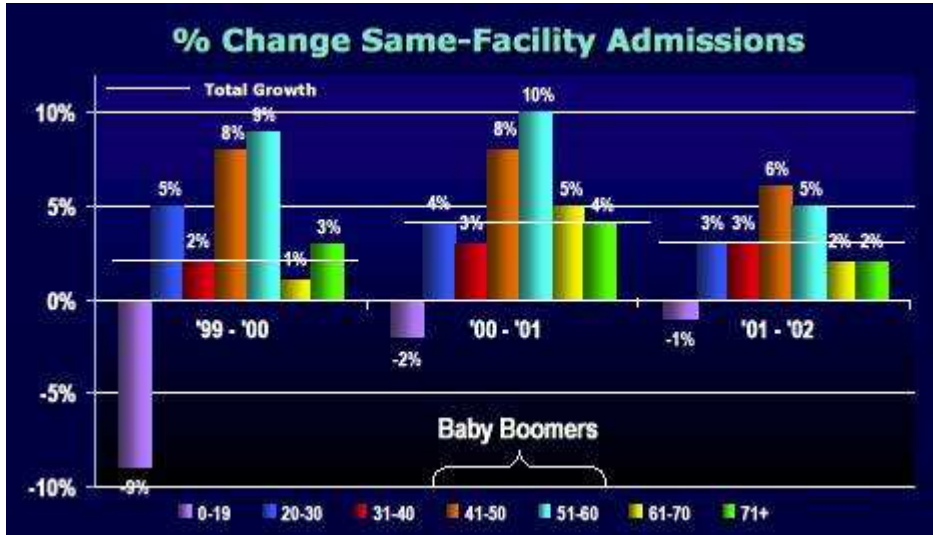
OPERATING STRATEGY

Stronger Volume Growth in Recent Years



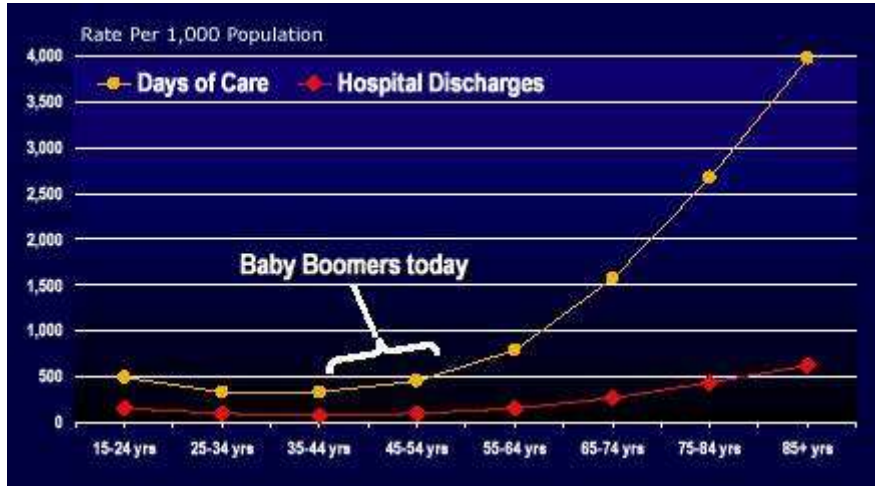
OPERATING STRATEGY

Fastest Growth Consistently Among Baby Boomers



OPERATING STRATEGY

Baby Boomers will Need Increasingly More Healthcare



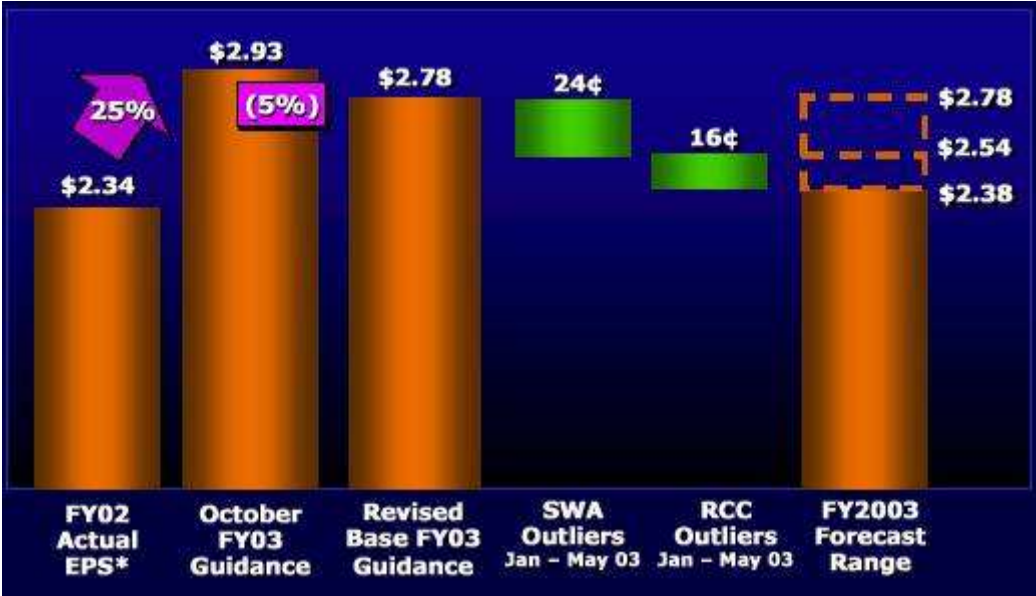
Source: National Hospital Discharge Survey, Center for Disease Control and Prevention, 1999

FORECAST

Forecast Overview

- FY2003 Forecast
- FY2004 Forecast
 - Revenue Build-up
 - Cost Assumptions
 - Cash Flow
- Leverage Guidance
- Share Repurchases

FORECAST
Fiscal 2003 Forecast



* As adjusted for FAS 142

FORECAST

Fiscal 2004 Forecast

- Bottoms-up process
- Conservative assumptions
 - Assumes no gross charge increases
- Range of outlier and pricing scenarios
- Operations focus - certain items excluded
 - Assumes no litigation or audit settlements
 - Assumes no capital structure / share repurchase activity
 - Assumes no legislative & reimbursement changes other than outlier

Main Goal: Determine New Baseline

FORECAST

Revenue Build-up Methodology

Inpatient	Patient Days X Revenue/Day
+	
Outpatient	Visits X Revenue/Visit
+	
Other	Historical Projection
+	
Outliers	Scenario Driven
<hr/>	
Total Revenue	
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FORECAST

Historic Volume Growth Trends

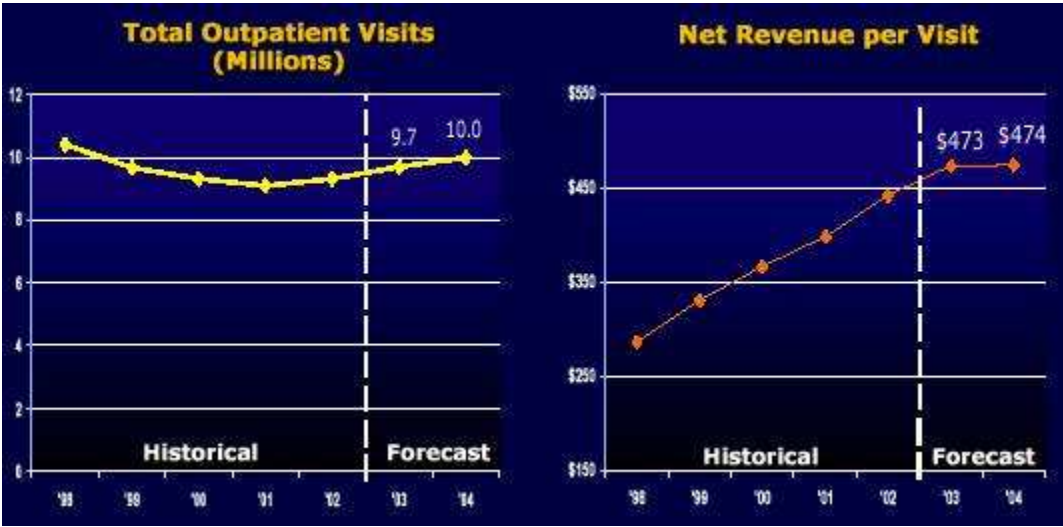
Same-Facility % Change



FORECAST
Patient Days Forecast



FORECAST
Outpatient Forecast



FORECAST

FY04 Key Growth Assumptions

- Patient days and outpatient visits growth of 3%
- Blended pricing growth of 4% - 6%
 - Managed care pricing growth of 4% - 7%
 - Medicare pricing growth of approximately 3%
- Outpatient pricing growth of approximately 3%
- Net revenue growth (excluding all outliers) of approx. 5% - 7%
- Three outlier scenarios
 - \$100 million, 2.5% of total Medicare
 - \$150 million, 3.8% of total Medicare
 - \$200 million, 5.0% of total Medicare

FORECAST

Net Revenue Build-up FY2004

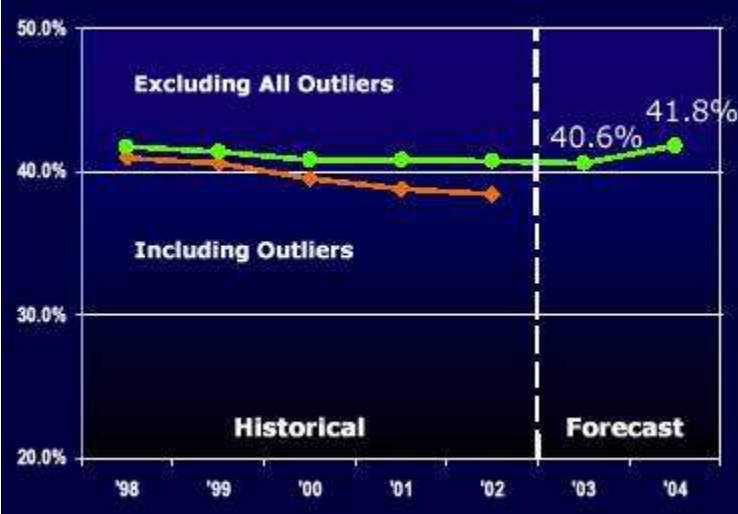
Base case

Inpatient	Patient Days	5.8M
	Revenue/Day	\$1,687
+	Inpatient Net Revenue	\$9.8B
Outpatient	Visits	10.0M
	Revenue/Visit	\$474
+	Outpatient Net Revenue	\$4.7B
Other	Based on detailed forecast	\$0.7B
Total Net Revenue (Excluding All Outliers)		\$15.2B
Outlier Revenue Assumption		\$150M
Total Net Revenue (Including Outliers)		\$15.4B

FORECAST
EBITDA Margin Skew From Outlier Impact



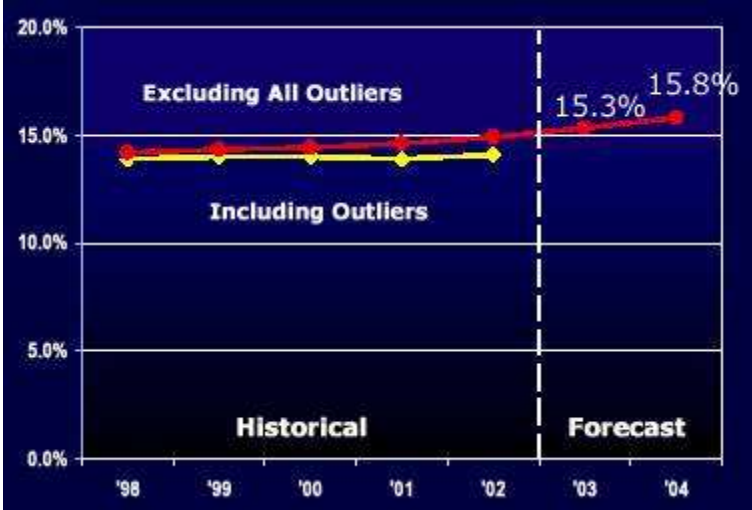
FORECAST
Salaries, Wages & Benefits
As a % of Net Operating Revenue



FORECAST

Supplies

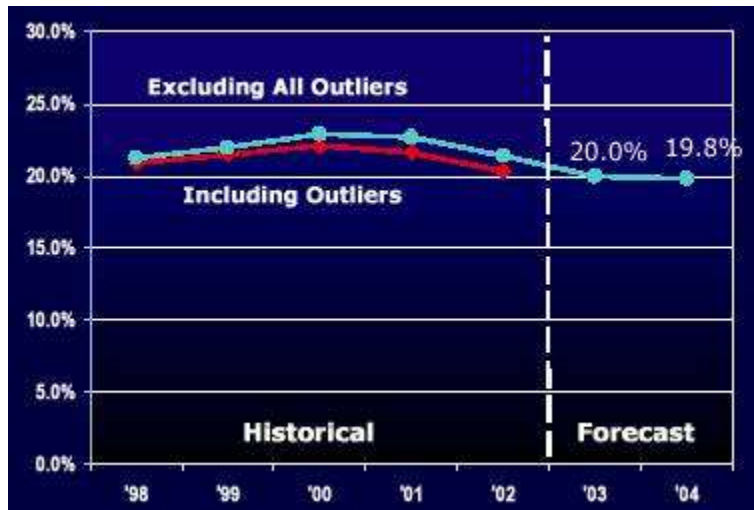
As a % of Net Operating Revenue



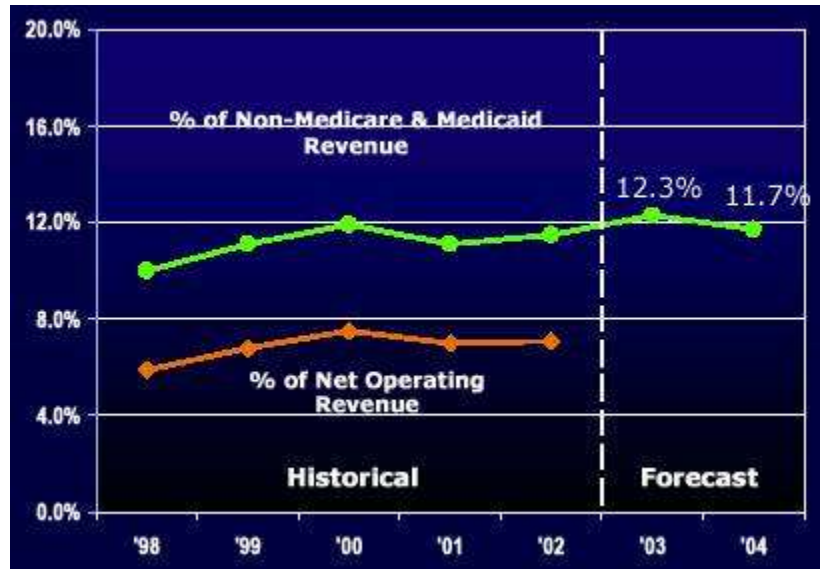
FORECAST

Other Operating Expense

As a % of Net Operating Revenue



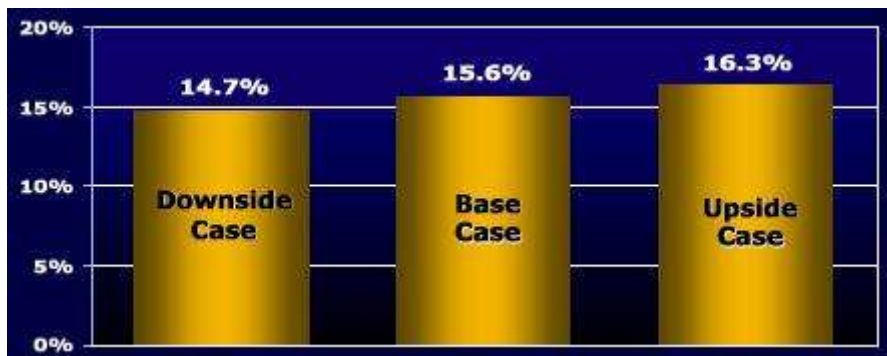
FORECAST
Bad Debt



FORECAST

Forecast FY04 EBITDA Margins

Revenue and EBITDA Adjusted for Outliers by Case



Outlier Assumptions:

	<u>Downside</u>	<u>Base</u>	<u>Upside</u>
Total Outliers	\$100M	\$150M	\$200M
% Total Medicare	2.5 %	3.8 %	5.0 %
% Outlier+DRG	4.7 %	6.8 %	8.9 %

FORECAST

Other Assumptions For FY04 Forecast

Depreciation and amortization	\$570 Million
Interest	\$250 Million
Minority interest expense	(\$40 Million)
Investment earnings	\$20 Million
Effective tax rate	39 %
Shares Outstanding	475 Million
Accounts receivable growth	3 days
Capital Expenditures	\$700 Million

FORECAST

Fiscal 2004 Forecast

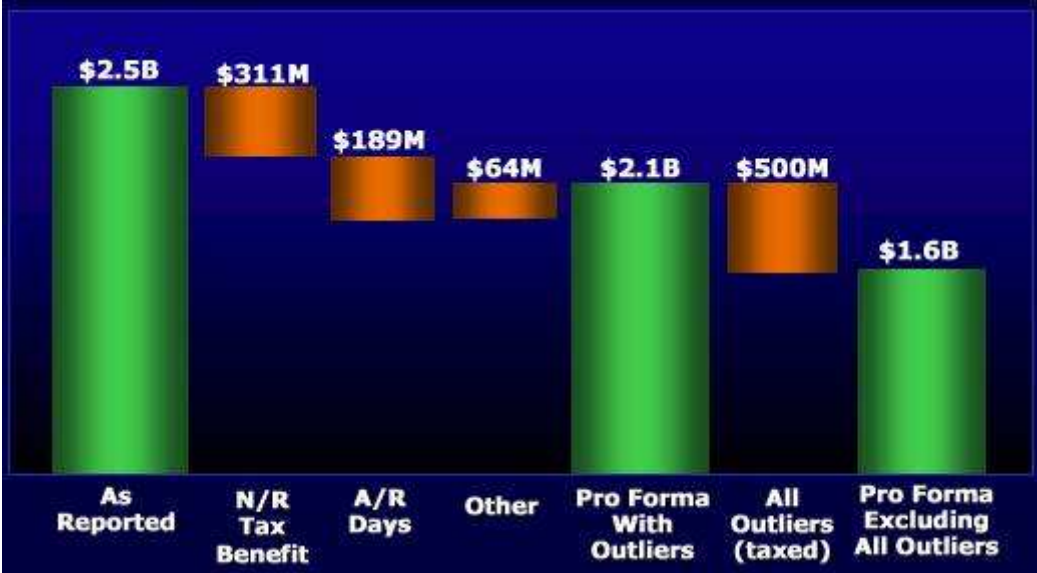
Base Case Assumes Total Outliers of \$150M

Revenue	\$15.4 B	±	2%
EBITDA	\$2.4 B	±	10%
EBIT	\$1.8 B	±	10%
Pre-tax	\$1.6 B	±	10%
Net Income	\$950 M	±	10%
EPS from Operations	\$2.00	±	10%

FORECAST

Operating Cash Flow Baseline

LTM 8/31/02



FORECAST

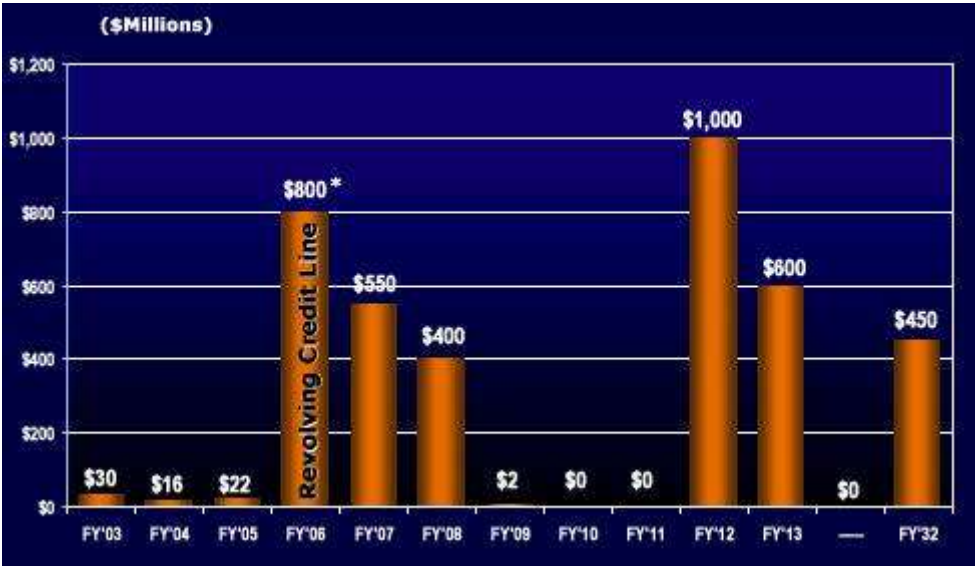
Fiscal 2004 Cash Flow Forecast



FORECAST
Base Case Cash Earnings
FY2004 Forecast



FORECAST
Debt Maturities



* *Approximate balance at November 29, 2002*

FORECAST
Leverage Policy

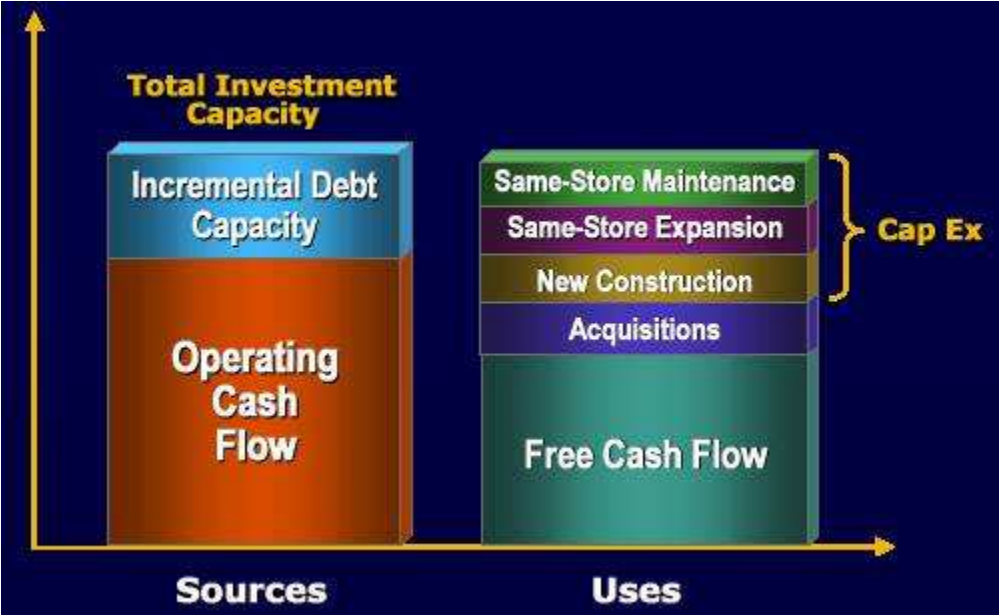


FORECAST
Leverage Policy



Target 2.0x Pro Forma for Possible Outlier Change

FORECAST
Share Repurchase Strategy



Summary

- Fundamental strength remains
- Successful operating strategies remain
- New pricing strategy creates contract structure with larger fixed component; expect continued increases
- Solid balance sheet and excellent liquidity
- Conservative capital structure strategy
- Share repurchase is best use of excess free cash flow

Tenet



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NEWS RELEASE

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Tenet Discusses New Pricing Philosophy

Company Issues New Earnings Guidance for FY03 and FY04

NEW YORK — Dec. 3, 2002 — Tenet Healthcare Corporation (NYSE: THC) today released the results of an internal business review of its past pricing strategies and presented a new pricing philosophy that includes substantial proposed discounts for uninsured patients. The review's findings and the new approach to pricing are being discussed today and tomorrow by senior Tenet executives at meetings with investors and analysts in New York. These meetings will be available by webcast to all interested parties.

Tenet also announced that, as a result of its review of operations and based on current expectations, it has revised its guidance for earnings for its fiscal years ending May 31, 2003 and 2004. The specific earnings guidance is discussed later in this news release.

The company's new executive management team has been reviewing its charges, pricing and overall business strategy for several weeks, following disclosure that the company's previous approach to charges had caused some Tenet hospitals to receive greater Medicare outlier payments than the industry average.

"The company's charging practices, combined with the formula prescribed by the Medicare program, in large part caused Tenet's total outlier payments to exceed industry

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averages,” said Jeffrey C. Barbakow, Tenet’s chairman and chief executive officer. “In the hospital industry, ‘gross charges’ are not the same as ‘prices.’ Gross charges are essentially retail list rates and are required by the Medicare program to be the same for all patients. But gross charges rarely bear any resemblance to what we are actually paid for the services we provide. Our new approach is designed to de-emphasize the role of gross charges and refocus on actual pricing.”

Elements of the company’s new pricing approach include:

- Freezing its hospital gross charges for the time being. No rollbacks have been implemented, and no increases are planned through the rest of this fiscal year ending May 31, 2003.
- Pursuing a contract structure with managed care companies that has a larger component based on negotiated per diem rates and reduced relative importance of “stop-loss” payments tied to gross charges. Tenet said it would pursue this approach as long as its managed care partners are willing to preserve the underlying aggregate economics of the contracts. Regardless of future contract structure, Tenet believes it will be able to continue to receive market level increases in its managed care revenues.
- Proposing a discounted price schedule at managed care rates for uninsured patients. Current regulations require hospitals to bill these patients at gross-charge rates. The company is committed to working cooperatively with appropriate state and federal officials to make the changes necessary to implement this proposal and ease the burden on the uninsured. The discount also will significantly cut hospitals’ administrative costs associated with billing and collecting from a relatively small number of patients.

“We have put this new pricing philosophy in motion, and it is already producing some results,” Barbakow said. “On Monday, we announced a new agreement with Health Net of California that mirrors our new strategy.”

The company said it has not articulated a new approach to pricing for Medicare or Medicaid because the federal government determines the amounts hospitals are paid under these programs. However, the Centers for Medicare & Medicaid Services has indicated its intention to change the current Medicare rules regarding outlier payments. CMS has not yet announced specific changes, but Tenet expects that any such changes will reduce the amount of outlier payments received by its hospitals.

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“We have a lot of work to do to recover from the events of recent weeks, and I do not underestimate the task we have ahead of us,” said Barbakow. “I recognize the very real skepticism and anger among investors. We intend to earn back their trust through hard work and solid results.”

Trevor Fetter, the company’s new president, led the review of Tenet’s pricing and overall business strategies over the past month. “I am convinced that the solutions we have set forth will not only correct the anomalies that have brought Tenet so much negative attention recently but will also regain the trust of our investors and others,” Fetter said.

“As I have examined Tenet’s operations, I have become more confident than ever about the company’s fundamental strength. We have now set in motion a plan to address the issues raised by our gross charges. We have the assets, the resources and the people to resume a sustainable level of growth and to continue enhancing health care in the communities we serve.”

Fiscal 2003 Earnings Guidance

Tenet has revised its guidance for earnings in its fiscal year ending May 31, 2003. The company now expects that earnings per share from operations will likely be in a range of \$2.38 to \$2.78 per share, compared to \$2.34 per share in fiscal 2002 (adjusted to reflect the adoption of SFAS 142).

The low end of the range assumes the elimination of all Medicare outlier payments effective Jan. 1, 2003, while the upper end of the range assumes no change in Medicare outlier payment methodology that would affect the current fiscal year. While the company believes that the most likely scenario is somewhere between these two extremes, it is unable to predict at this time what changes will actually be made in outlier payments. Tenet expects to further refine this guidance once the details and timing of changes in outlier reimbursement are known.

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Tenet had previously estimated that fiscal 2003 earnings per share from operations would be at least 25% above fiscal 2002 earnings, or at least \$2.93. The change in guidance reflects what the company believes is a conservative provision for both known and unknown contingencies, as well as the recognition that CMS may change outlier payment methods sooner than the company had previously anticipated.

Fiscal 2004 Earnings Guidance

In its presentation to investors, Tenet detailed a range of assumptions for its 2004 fiscal year, including assumptions regarding patient volumes, price trends by type of payor, outlier payments, margins, interest, depreciation and other expenses, cash flow, share repurchases and other factors. Investors are urged to review the full presentation, which is available on Tenet's web site, www.tenethealth.com, for a complete discussion of these assumptions.

Based on the assumptions made, Tenet presented a "base case" for earnings per share from operations of approximately \$2.00 in fiscal 2004, a level from which it expects to resume its growth. The company stressed that this number should be viewed as a midpoint in a wider range, and depends on the underlying assumptions, which the company believes are conservative. Notably, the estimate assumes total Medicare outlier payments of \$150 million, and assumes no share repurchases beyond the company's current authorization. As with the 2003 guidance, the company will further refine its 2004 guidance once it has better clarity regarding future outlier payment methodology.

Stephen D. Farber, Tenet's new chief financial officer, outlined expectations for substantial free cash flow in fiscal 2004. "With Tenet shares trading at current levels, the highest and best use of free cash flow is share repurchases," Farber said. "I want to assure investors we understand the importance of this use for Tenet's free cash flow."

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The Tuesday Dec. 3 webcast and teleconference is scheduled to begin at 4 p.m. EST. All interested parties may access it via either www.americanconferencecenters.com, or the Tenet web site, www.tenethealth.com. Detailed slides from the presentation will be available on both sites.

Interested parties may listen to the presentation by dialing (913) 981-5507. A replay of the presentation will be available through Dec. 17 on both web sites and via telephone by dialing (719) 457-0820, and referencing pass code #674287. Tenet recommends accessing the presentation via either web site, in order to view the accompanying slide presentation.

On Wednesday Dec. 4, Tenet will give a similar presentation at 2:50 p.m. EST at the Merrill Lynch Health Services Conference at the Waldorf-Astoria Hotel in New York City. This presentation will be webcast live, and those interested may access it through www.twst.com/templates/merrill8/lobby.html (audio only) or www.tenethealth.com (audio and slides).

Tenet Healthcare Corporation, through its subsidiaries, owns and operates 113 acute care hospitals with 27,726 beds and numerous related health care services. Tenet and its subsidiaries employ approximately 114,300 people serving communities in 16 states. Tenet's name reflects its core business philosophy: the importance of shared values among partners - including employees, physicians, insurers and communities - in providing a full spectrum of health care. Tenet can be found on the World Wide Web at www.tenethealth.com.

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Certain statements in this release may constitute forward-looking statements. They are based on management's current expectations and could be affected by numerous factors and are subject to various risks and uncertainties. Certain of those risks and uncertainties are discussed in the Company's filings with the Securities and Exchange Commission, including the Company's annual report on Form 10-K and quarterly reports on Form 10-Q. Do not rely on any forward-looking statement, as we cannot predict or control many of the factors that ultimately may affect our ability to achieve the results estimated. We make no promise to update any forward-looking statement, whether as a result of changes in underlying factors, new information, future events or otherwise.

End of Filing

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