

TENET HEALTHCARE CORP
Form 10-Q
November 07, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended September 30, 2006

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 No

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

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Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

As of October 31, 2006, there were 471,318,334 shares of common stock outstanding.

TENET HEALTHCARE CORPORATION

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PART I.

ITEM 1. FINANCIAL STATEMENTS

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

Dollars in Millions

	September 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 809	\$ 1,373
Investments in marketable debt securities	15	5
Receivable for insurance recoveries		75
Accounts receivable, less allowance for doubtful accounts (\$499 at September 30, 2006 and \$594 at December 31, 2005)	1,453	1,525
Inventories of supplies, at cost	177	190
Income tax receivable	174	
Deferred income taxes	113	107
Assets held for sale	171	11
Other current assets	226	222
Total current assets	3,138	3,508
Restricted cash	263	263
Investments and other assets	369	380
Property and equipment, at cost, less accumulated depreciation and amortization (\$2,608 at September 30, 2006 and \$2,582 at December 31, 2005)	4,317	4,620
Goodwill	753	800
Other intangible assets, at cost, less accumulated amortization (\$138 at September 30, 2006 and \$134 at December 31, 2005)	202	241
Total assets	\$ 9,042	\$ 9,812
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 38	\$ 19
Accounts payable	749	857
Accrued compensation and benefits	356	441
Professional and general liability reserves	145	145
Accrued interest payable	98	124
Accrued legal settlement costs	47	313
Income taxes payable	107	
Other current liabilities	367	393
Total current liabilities	1,907	2,292
Long-term debt, net of current portion	4,759	4,784
Professional and general liability reserves	583	594
Accrued legal settlement costs	275	
Other long-term liabilities and minority interests	726	909
Deferred income taxes	161	212
Total liabilities	8,411	8,791
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.05 par value; authorized 1,050,000,000 shares; 527,057,200 shares issued at September 30, 2006 and 525,373,176 shares issued at December 31, 2005	26	26
Additional paid-in capital	4,347	4,320
Accumulated other comprehensive loss	(39)	(39)
Accumulated deficit	(2,224)	(1,807)

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Less common stock in treasury, at cost, 55,739,750 shares at September 30, 2006 and 55,663,588 shares at December 31, 2005	(1,479) (1,479)
Total shareholders equity	631	1,021	
Total liabilities and shareholders equity	\$ 9,042	\$ 9,812	

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 September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net operating revenues	\$ 2,117	\$ 2,150	\$ 6,522	\$ 6,491
Operating expenses:				
Salaries, wages and benefits	953	985	2,897	2,964
Supplies	386	398	1,195	1,184
Provision for doubtful accounts	157	183	406	477
Other operating expenses	513	486	1,490	1,417
Depreciation	77	82	229	233
Amortization	6	10	18	19
Impairment of long-lived assets and goodwill, and restructuring charges, net of insurance recoveries	1	9	57	14
Hurricane insurance recoveries, net of costs	(4)	9	(14)	9
Costs of litigation and investigations	7	28	751	47
Loss from early extinguishment of debt				15
Operating income (loss)	21	(40)	(507)	112
Interest expense	(104)	(101)	(307)	(304)
Investment earnings	15	17	49	41
Minority interests	(1)	(1)	(2)	(2)
Net gains on sales of investments			2	
Loss from continuing operations, before income taxes	(69)	(125)	(765)	(153)
Income tax (expense) benefit	39	(3)	287	27
Loss from continuing operations, before discontinued operations and cumulative effect of change in accounting principle	(30)	(128)	(478)	(126)
Discontinued operations:				
Loss from operations of asset group	(17)	(14)	(34)	(72)
Impairment of long-lived assets and goodwill, and restructuring charges, net of insurance recoveries		(223)	(76)	(231)
Hurricane insurance recoveries, net of costs	(6)	(32)	186	(32)
Litigation settlements, net of insurance recoveries			24	
Net gain (loss) on sales of asset group	3	(2)	2	20
Income tax (expense) benefit	(39)	(2)	(43)	3
Income (loss) from discontinued operations	(59)	(273)	59	(312)
Loss before cumulative effect of change in accounting principle	(89)	(401)	(419)	(438)
Cumulative effect of change in accounting principle, net of tax			2	
Net loss	\$ (89)	\$ (401)	\$ (417)	\$ (438)
Earnings (loss) per common share and common equivalent share				
Basic and Diluted				
Continuing operations	\$ (0.06)	\$ (0.27)	\$ (1.02)	\$ (0.27)
Discontinued operations	(0.13)	(0.58)	0.13	(0.67)
Cumulative effect of change in accounting principle, net of tax				
	\$ (0.19)	\$ (0.85)	\$ (0.89)	\$ (0.94)
Weighted average shares and dilutive securities outstanding (in thousands):				
Basic	471,227	469,179	470,635	468,663
Diluted	471,227	469,179	470,635	468,663

See accompanying Notes to Condensed Consolidated Financial Statements.

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in Millions

(Unaudited)

	Nine Months Ended September 30,	
	2006	2005
Net loss	\$ (417)	\$ (438)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	247	252
Provision for doubtful accounts	406	477
Deferred income tax benefit	(2)	(35)
Stock-based compensation charges	34	38
Impairment of long-lived assets and goodwill, and restructuring charges, net of insurance recoveries	57	14
Costs of litigation and investigations	751	47
Loss from early extinguishment of debt		15
Pre-tax (income) loss from discontinued operations	(102)	315
Cumulative effect of change in accounting principle	(2)	
Other items	(9)	3
Increases (decreases) in cash from changes in operating assets and liabilities, net of effects from sales of facilities:		
Accounts receivable	(359)	(500)
Inventories and other current assets	(29)	2
Income taxes	(271)	537
Accounts payable, accrued expenses and other current liabilities	(226)	(61)
Other long-term liabilities	31	32
Insurance recoveries for business interruption and other costs	161	
Payments against reserves for restructuring charges and litigation costs and settlements	(683)	(73)
Net cash provided by (used in) operating activities from discontinued operations, excluding income taxes and insurance recoveries for business interruption and other costs	(28)	60
Net cash provided by (used in) operating activities	(441)	685
Cash flows from investing activities:		